

Industrial Market Trends Sacramento

Grubb & Ellis Research

Fourth Quarter 2007



Industrial Market Holding

Executive Summary

The Sacramento Industrial Market ended 2007 on a positive note, achieving 450,000 square feet of net absorption during the quarter and almost one million square feet during the year. Vacancy remained flat for most of 2007, finishing the year at 12.6 percent, a mere twenty basis points above where it was at the close of 2006. Over one million square feet of primarily vacant construction completions, rather than negative net absorption, contributed significantly to the vacancy rate increase.

The Northgate/Natomas submarket was the engine behind the bulk of the positive net absorption during the quarter, posting 450,000 square feet or just under one-half of the annual total for the whole market. Woodland suffered a net loss of 135,000 occupied square feet during the quarter, primarily due to one 80,000-square foot vacating tenant. The large size of the warehouse spaces in Woodland have long meant that relatively few vacating tenants can have substantial impact on the vacancy rate there.

Notable leases signed during the quarter include Intellitec's 28,000-square-foot lease for 5727 Perrin Avenue in McClellan Park and LB Construction's 49,000-square-foot lease for 8655 Washington Blvd. in Roseville.

Sacramento Industrial Market Trends

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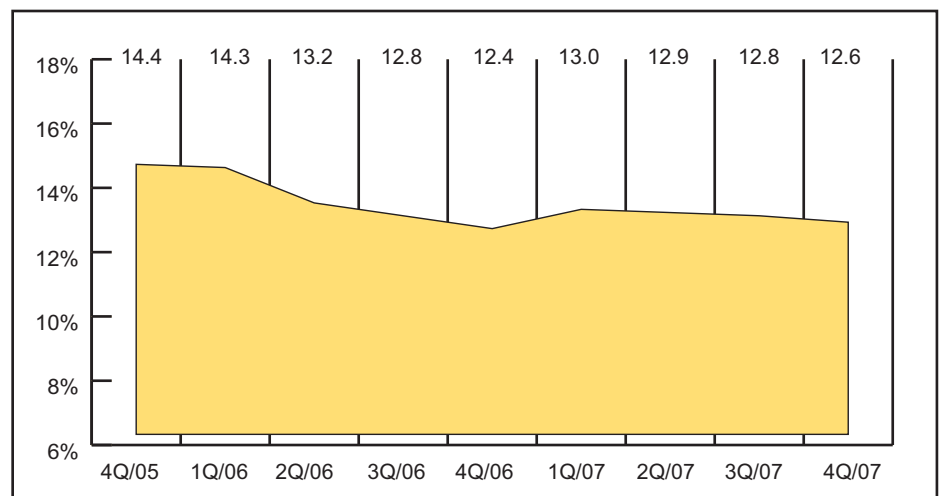
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Industrial Vacancy Rate*

* All Product Types

Industrial Market Snapshot Sacramento Fourth Quarter 2007

By Submarket (All Product Types)	Total SF (1)	Vacant SF (2)	Vacant %	Net Absorption		Under Construction (3)	Asking Rent (4)	
				Current Qtr.	Year-to-Date		Wh./Dist.	R&D/Flex
Downtown	6,826,830	830,995	12.2%	(59,042)	(165,481)	-	\$0.35	\$0.61
Northgate/Natomas	14,422,566	1,454,373	10.1%	455,632	577,359	107,195	\$0.42	\$0.85
West Sacramento	15,121,776	807,052	5.3%	150,229	379,085	300,000	\$0.37	\$0.65
South Sac./Elk Grove	5,573,725	654,717	11.7%	(343)	(99,249)	-	\$0.40	\$0.83
Power Inn/South Watt	21,463,697	2,911,203	13.6%	63,856	7,426	20,000	\$0.40	\$0.78
Highway 50/Sunrise	17,301,802	1,545,709	8.9%	(22,635)	370,134	-	\$0.45	\$0.80
Rose./Rock./Linc.	15,239,771	2,032,584	13.3%	72,185	182,897	-	\$0.45	\$1.10
Folsom/El Dorado Hills	3,736,889	332,954	8.9%	(91,568)	(89,091)	50,000	\$0.55	\$1.10
I-80/McClellan	16,081,424	3,399,451	21.1%	18,568	34,978	-	\$0.35	\$0.80
Woodland	10,424,129	1,969,030	18.9%	(135,446)	(271,384)	-	\$0.27	-
Total	126,244,569	15,938,068	12.6%	451,436	926,674	481,680	\$0.48	\$0.92

By Product Type (All Submarkets)	Asking Rent							
Warehouse/Distrib.	74,101,098	8,285,394	11.2%	473,473	853,493	431,680	\$0.48	
General Industrial	39,203,534	5,572,465	14.2%	62,991	151,298	50,000	\$0.59	
R&D/Flex	12,887,977	2,080,209	16.1%	(85,028)	(78,117)	-	\$0.92	
Total	126,244,569	15,938,068	12.6%	451,436	926,674	481,680	\$0.58	

(1) Inventory includes multi-tenant and single tenant and owner occupied buildings with at least 10,000 sq. ft.

(2) Vacant space includes both vacant direct and vacant sublease space.

(3) Space under construction includes speculative and build-to-suit for lease projects.

(4) Asking rates are per square foot per month NNN. Rates for each building are weighted by the amount of available space in the building.

* Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.

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Industrial Market Terms and Definitions

Inventory: Industrial Inventory includes all multi-tenant, single tenant and owner-occupied buildings at least 10,000 square feet.

Construction Type: Speculative ("spec") construction is designed to attract tenants likely to be in the market when the project is leasing. Build-to-suit construction is designed for a specific tenant.

Industrial Product Types: Industrial buildings are categorized as warehouse/distribution, general industrial, R&D/flex and incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory. The availability rate is the amount of space available for lease divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a pro rata basis.

Average Weighted Asking Rent: An average market rent where the asking rent for each building in the market is weighted by the amount of available space in the building.



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