

Industrial Market Trends Sacramento

Grubb & Ellis Research

Third Quarter 2007



Vacancy Creeps Downward

Executive Summary

While the vacancy rate fell by 10 basis points this quarter, vacancy rates across the majority of the submarkets trended upward. Downtown, South Sacramento, Power Inn/South Watt, Folsom, I-80/McClellan and Woodland all posted increased vacancy rates. Northgate/Natomas was responsible for keeping the vacancy rate down overall, posting a notable 211,592 square feet of positive net absorption, which lowered the vacancy rate in that submarket from 14.7 percent to 13.2 percent. Also helping lower the overall rate with positive absorption were the Highway 50/Sunrise corridor and West Sacramento.

Northgate/Natomas also helped to pull year-to-date net absorption out of negative territory, boosting it to approximately 475,000 square feet by quarter's end. Notable leases signed during the quarter include POS Portal, Norandex and American Exposition for a combined 71,668 square feet at 1627 Main Avenue; McNeely-Yuill Corporation and River City Paper for a combined 38,880 square feet at 11375 Sunrise Park Drive; and Pride Industries for 32,405 square feet at 3725 Cincinnati Avenue.

Weighted average asking rates by property type ended the quarter at \$0.92, \$0.59 and \$0.48 per square foot per month, NNN for R&D/flex, general industrial and warehouse/distribution respectively.

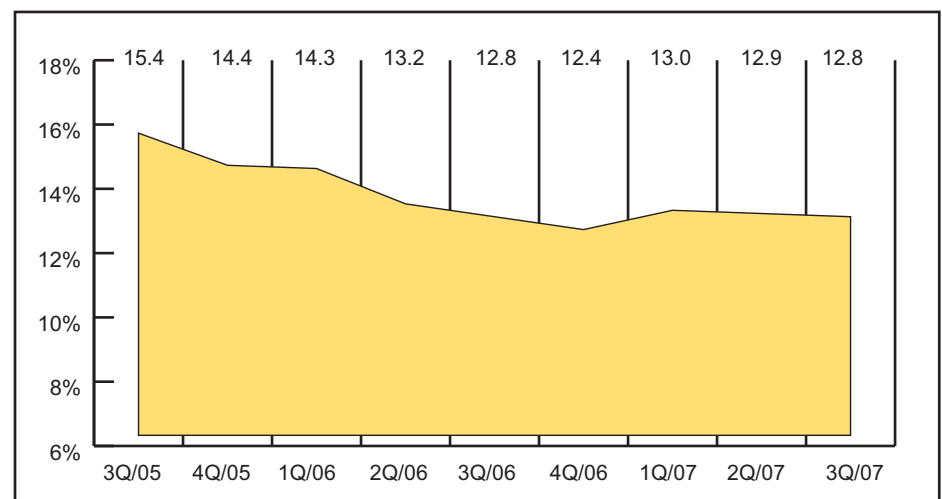
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Industrial Vacancy Rate*

* All Product Types

Office Market Snapshot Sacramento Third 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	771,953	11.3%	31,482	(106,439)	-	\$0.66	\$0.61
Northgate/Natomas	14,422,566	1,910,005	13.2%	211,592	121,727	-	\$0.53	\$0.78
West Sacramento	15,116,726	957,281	6.3%	91,339	228,856	-	\$0.49	\$0.58
South Sac./Elk Grove	5,573,725	654,374	11.7%	23,966	(98,906)	-	\$0.76	\$0.83
Power Inn/South Watt	21,306,757	2,818,119	13.2%	36,909	(56,430)	166,940	\$0.39	\$0.78
Highway 50/Sunrise	17,212,867	1,434,139	8.0%	316,821	392,769	88,920	\$0.78	\$1.12
Rose./Rock./Linc.	15,103,521	1,968,519	13.0%	51,202	110,712	97,350	\$0.56	\$1.08
Folsom/El Dorado Hills	3,736,889	241,386	6.5%	(51,773)	2,477	-	\$1.65	\$1.42
I-80/McClellan	16,098,384	3,483,019	21.6%	(1,548)	16,410	35,000	\$0.43	-
Woodland	10,414,150	1,823,605	17.5%	3,710	(135,938)	-	\$0.29	\$1.00
Total	125,812,415	16,062,400	12.8%	713,160	475,238	388,210	\$0.48	\$0.92

By Product Type (All Submarkets)	Asking Rent							
Warehouse/Distrib.	73,974,630	8,685,489	11.7%	507,659	380,020	180,470	\$0.48	
General Industrial	39,949,808	5,381,730	13.7%	110,044	88,307	207,740	\$0.59	
R&D/Flex	12,887,977	1,995,181	15.5%	95,457	6,911	-	\$0.92	
Total	125,812,415	16,062,400	12.8%	713,160	475,238	388,210	\$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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