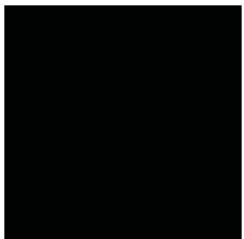


Sacramento Valley

Industrial & Warehouse Report | Second Quarter 2008



Sacramento Valley

Industrial Report | Second Quarter 2008



Summary

Located in the north-central region of California, the Sacramento Valley industrial market encompasses four counties and is bounded by the cities of Auburn (North), Elk Grove (South), El Dorado Hills (East), and Davis / Woodland (West). Over the past five years, the Sacramento Valley has benefited from the migration of Bay Area companies seeking high quality facilities, affordable rental rates and lower employment costs. Additionally, the Sacramento Valley market is accessible to major thoroughfares (I-80, US-50, I-5 and Hwy 99), creating efficient and effective distribution channels to all neighboring markets. Other infrastructure improvements include an easily accessible international airport, a light rail system offering public transportation to major employment centers, and daily commute times far less than experienced in the Bay Area. In addition, the Port of Sacramento is an inland port that handles mainly agricultural commodities.

With a total building base of nearly 127.2 million square feet for warehouse and manufacturing facilities, the Sacramento Valley industrial market ended the second quarter of 2008 with a vacancy hanging on to single digits at 9.8%, an increase of 70 basis points from Q1-08. Total availability ended the quarter at 12.5 million square feet, comprised of 11.8 million square feet of direct space and 641,171 square feet. Sublease availability increased nearly 290,000 square feet from the previous quarter, accounting for 5.1% of total availability, indicating a small, but growing competition between direct and sublease space.

The average asking rate for industrial space at the end of the second quarter was \$0.43 per square foot NNN, unchanged from Q1-2008. Submarket averages ranged from a low of \$0.30 (Woodland) to as much as \$1.80 (Davis) per square foot NNN.

Though rising, submarket vacancy rates in the Sacramento Valley were, for the most part, healthy. Eight of fourteen industrial submarkets showed increased vacancy from Q1-2008. The submarkets with the lowest vacancy rates were: Davis (0.8%), Folsom (1%), and Carmichael (1.3%). Lincoln continued to represent a disproportionate amount of the region's vacancy, with 1.7 million square feet available, most of which is in a handful of big box projects.

The high-cube segment—facilities 100,000 square feet and larger—reported the highest vacancy rate at 14.1%, while the mid-size segment—facilities between 50,000 and 100,000 square feet—ended the quarter at 9.7%, up 80 basis points from Q1-08. The 25,000 to 50,000 square-foot segment registered 9.8% vacancy, a 100 basis-point rise from the previous quarter. Vacancy in the 10,000 to 25,000 square-foot segment was 8.1%, with an increase of 140 basis points from Q1-08.

Average asking rates varied significantly among the different submarkets in the Sacramento Valley market during the second quarter. The submarkets that reported the highest average asking rates were Davis, Folsom, and El Dorado Hills at \$1.80, \$1.21 and \$1.02, respectively, while the submarkets with the most affordable rates were Woodland and Lincoln at rates of \$0.20 and \$0.39, respectively. Woodland and Lincoln have a larger percentage of big box space that is reflected in their lower asking rates.

The City of Sacramento is the epicenter of business activity in the Sacramento Valley market. The city offers a variety of real estate options for a broad spectrum of industries, including manufacturers, food processors, warehouse distribution, high tech and global businesses. As of Q1-08, Sacramento accounted for 48% of the Valley's total building base and 51% of the total availability. Sacramento's vacancy ended the second quarter at 10.3%, equating to a 90 basis-point increase from Q2-08. Sacramento's average asking rate in Q2-08 was \$0.42 per square foot NNN, up from \$0.41 per square foot in Q1-08, and down \$0.03 from Q2-07.

TRENDS:

Vacancy Rate



Asking Rents



Net Absorption



New Construction



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Summary (continued)

Notable Lease Transactions in Q2-2008

	<u>Tenant</u>	<u>Address</u>	<u>City</u>	<u>Rentable SF</u>
1	E&E Co, Ltd	550 N. Pioneer Ave	Woodland	319,800
2	EGL, Inc (renewal)	4040 Vista Park Ct	Sacramento	68,640
3	Truserve (renewal)	280 N. Pioneer Ave	Woodland	60,000
4	Pilling Furniture	3958 Seaport Blvd	West Sacramento	31,600
5	Hayes Medical, Inc (renewal)	1115 Windfield Way	El Dorado Hills	28,000

Notable Sale Transactions in Q2-2008

	<u>Buyer</u>	<u>Address</u>	<u>City</u>	<u>Total SF</u>
1	Weyerhaeuser Co.	1714 Cebrian St	West Sacramento	90,040
2	Phelan Development Company	8364 Rovana Cir	Sacramento	72,000
3	Richard Mendell	6331 Power Inn Rd	Sacramento	62,400
4	Ramesh & Kusum Pitamber	4337 Product Dr	Shingle Springs	40,408
5	Western Contract Furnishers	11455 Folsom Blvd	Rancho Cordova	28,000

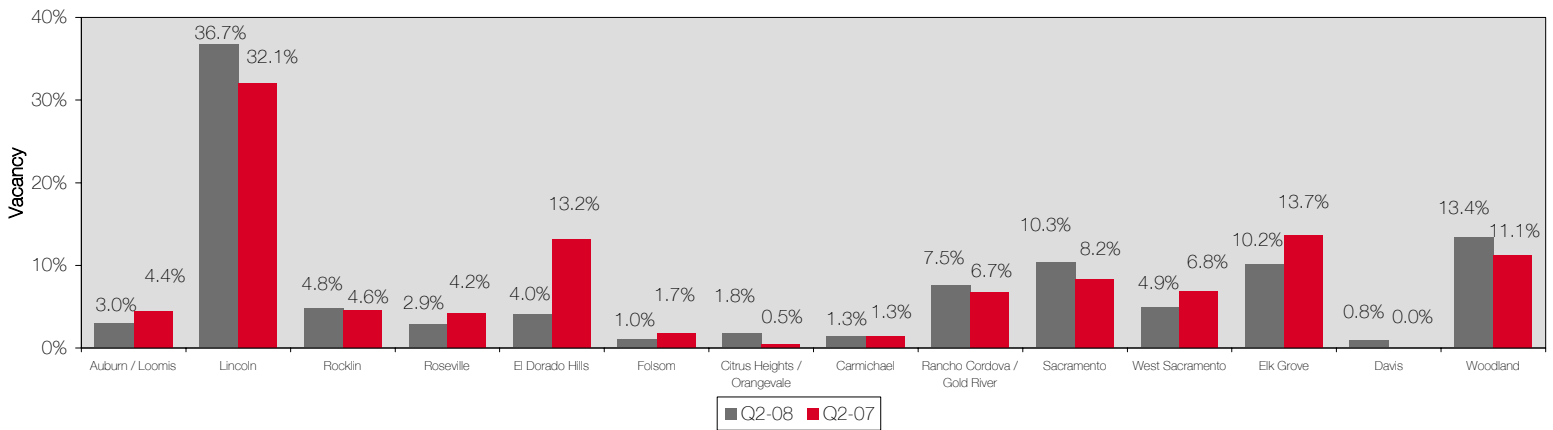
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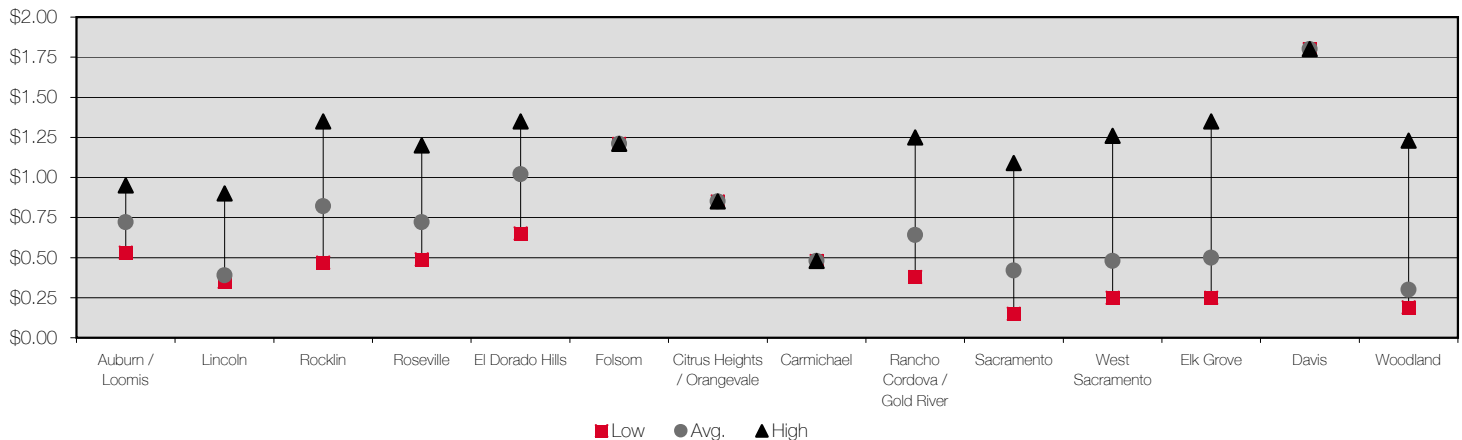
Market Summary

Submarket	Building Base	Available Space			Vacancy Rate		Avg. Asking Rate (NNN)	Asking Rate Range
		Direct	Sublease	Total	Q2-08	Q2-07		
Auburn / Loomis	2,388,314	67,618	4,550	72,168	3.0%	4.4%	\$0.72	\$0.53-\$0.95
Lincoln	4,611,282	1,690,352	0	1,690,352	36.7%	32.1%	\$0.39	\$0.35-\$0.90
Rocklin	6,102,930	260,034	34,048	294,082	4.8%	4.6%	\$0.82	\$0.47-\$1.35
Roseville	5,186,724	136,278	12,220	148,498	2.9%	4.2%	\$0.72	\$0.49-\$1.20
El Dorado Hills	988,767	39,732	0	39,732	4.0%	13.2%	\$1.02	\$0.65-\$1.35
Folsom	706,415	7,202	0	7,202	1.0%	1.7%	\$1.21	\$1.21-\$1.21
Citrus Heights / Orangevale	310,908	5,453	0	5,453	1.8%	0.5%	\$0.85	\$0.85-\$0.85
Carmichael	350,100	4,680	0	4,680	1.3%	1.3%	\$0.48	\$0.48-\$0.48
Rancho Cordova / Gold River	9,043,153	663,892	17,350	681,242	7.5%	6.7%	\$0.64	\$0.38-\$1.25
Sacramento	61,314,784	6,155,572	178,822	6,334,394	10.3%	8.2%	\$0.42	\$0.15-\$1.09
West Sacramento	17,059,636	796,800	46,588	843,388	4.9%	6.8%	\$0.48	\$0.25-\$1.26
Elk Grove	3,223,878	224,333	102,959	327,292	10.2%	13.7%	\$0.50	\$0.25-\$1.35
Davis	984,383	8,273	0	8,273	0.8%	0.0%	\$1.80	\$1.80-\$1.80
Woodland	14,958,988	1,760,924	244,634	2,005,558	13.4%	11.1%	\$0.30	\$0.19-\$1.23
Totals	127,230,262	11,821,143	641,171	12,462,314	9.8%	8.8%	\$0.43	\$0.15-\$1.80

Vacancy by Area



Market Rent Ranges & Average Asking Rate NNN



Sacramento Valley

Industrial Market Report



Definitions

Manufacturing Product

Buildings typically used for industrial purposes (Less than 3/1000 parking, clear height less than 18', three sides of concrete and one side of glass, usually 6%–15% office build out).

Warehouse Product

Buildings typically used for bulk warehouse purposes (2/1000 parking or less, clear height minimum of 18', limited glass, dock and/or grade doors, and minimal build-out).

Total Building Base

Total warehouse buildings over 10,000 square feet in size.

Direct Availabilities

Total square footage being marketed for lease by landlord available within 90 days. This may include availabilities with pending leases.

Sublease Availabilities

Total square footage being marketed for lease by sublessor.

Vacancy

Total available square footage (direct & sublease) divided by Total Building Base.

Net Absorption

Change in occupied building square footage in a given time period.

Avg. Asking Rate

Weighted Average NNN Rate (by available square footage) of available spaces with Gross rates converted to NNN rates.

Historical Continuity

NAI BT maintains a building by building historical record. Comparing previous reports to this report may show different building size numbers and statistics. Changes are caused by reclassification of buildings and revised building sizes. Historical comparisons should be made from this report only as NAI BT adjusts the historical record accordingly.

Source

Data is tracked and tallied from information provided by The Costar Group.

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