Momentum returns as vacancy declines and net absorption turns positive

▼6.0%	▲779,883	▲150,000	▼1.2M	▼$0.81
Vacancy Rate	SF Net Absorption	SF Construction Delivered	SF Under Construction	NNN/MTH Direct Lease Rate

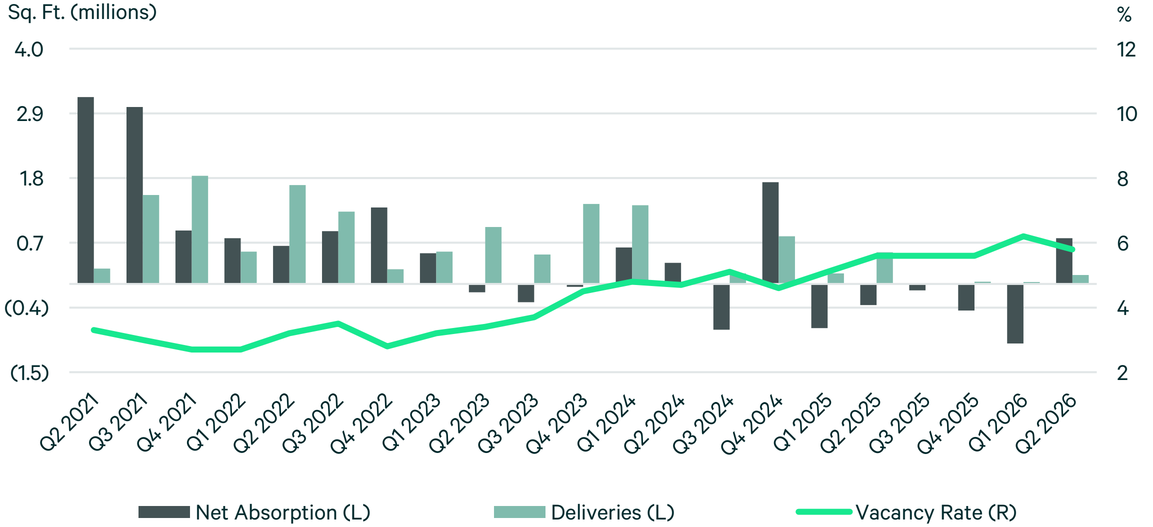
Note: Arrows indicate change from previous quarter.

Market Overview

The market showed signs of recovery in Q2 2026, recording its first quarter of positive absorption since Q4 2024 after five consecutive quarters of occupancy losses. Net absorption totaled 780,000 sq. ft. in Q2 2026, reversing the 1.0 million sq. ft. of negative absorption recorded in Q1 2026. Vacancy decreased to 5.8%, falling 40 basis points (bps) from Q1 2026, while availability measured 8.5%. Average asking rents posted moderate long-term growth, increasing 9.5% from $0.74 to $0.81 per sq. ft. on a monthly NNN basis between Q2 2021 and Q2 2026. Construction activity remained active, with 1.2 million sq. ft. under construction as of Q2 2026. Deliveries totaled 222,000 sq. ft. over the last four quarters.

West Sacramento was a primary driver of the market's improving fundamentals during the quarter, contributing significantly to positive absorption and helping reduce vacancy. Notable lease transactions included Redwood Beverage Group's 237,000 sq. ft. lease, SJ Foods' 132,000 sq. ft. lease, and Skyline Cabinetry's 110,000 sq. ft. lease in West Sacramento, along with L & U Granite and Cabinet Outlet's 117,000 sq. ft. lease in the Power Inn submarket. The three West Sacramento leases totaled 479,000 sq. ft., accounting for a substantial share of the quarter's positive absorption and reinforcing the submarket's role as a key growth driver within the region.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



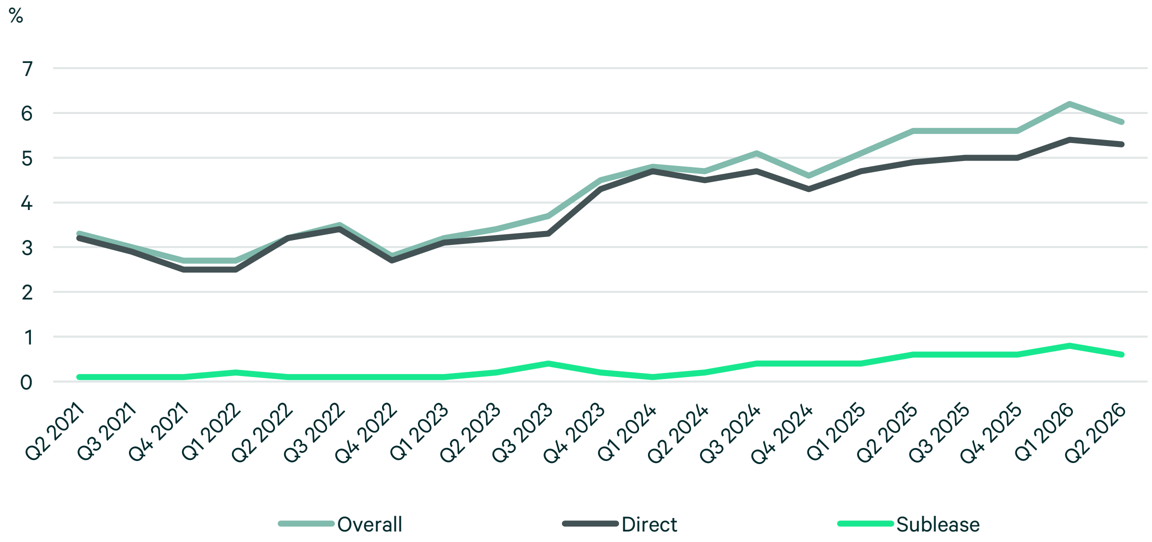
Source: CBRE Research, Q2 2026

Vacancy Rate

In Q2 2026, the market vacancy rate declined to 5.8%, down from 6.2% in Q1 2026. Overall vacancy remains above historical levels, however, increasing from 3.4% in Q2 2023 to 5.8% currently, driven by a combination of higher direct vacancy and a modest increase in sublease space availability. East Sacramento recorded the lowest vacancy rate in Q2 2026 with no vacant space, while Elk Grove / Laguna / Galt posted the lowest non-zero vacancy rate at 1.7%, followed by McClellan Park at 1.9%. At the opposite end of the spectrum, West Sacramento recorded the highest overall vacancy rate at 10.5%, with 2.6 million sq. ft. of direct vacant space on the market.

Sublease vacancy fell to 0.6% in Q2 2026 from 0.8% in Q1 2026 and remains unchanged from one year ago. Total sublease availability across the market stands at 1.1 million sq. ft., up from approximately 0.4 million sq. ft. three years ago. While sublease space remains a relatively small component of total vacancy, it continues to account for a larger share of market availability than in prior years.

Figure 2: Vacancy Rate



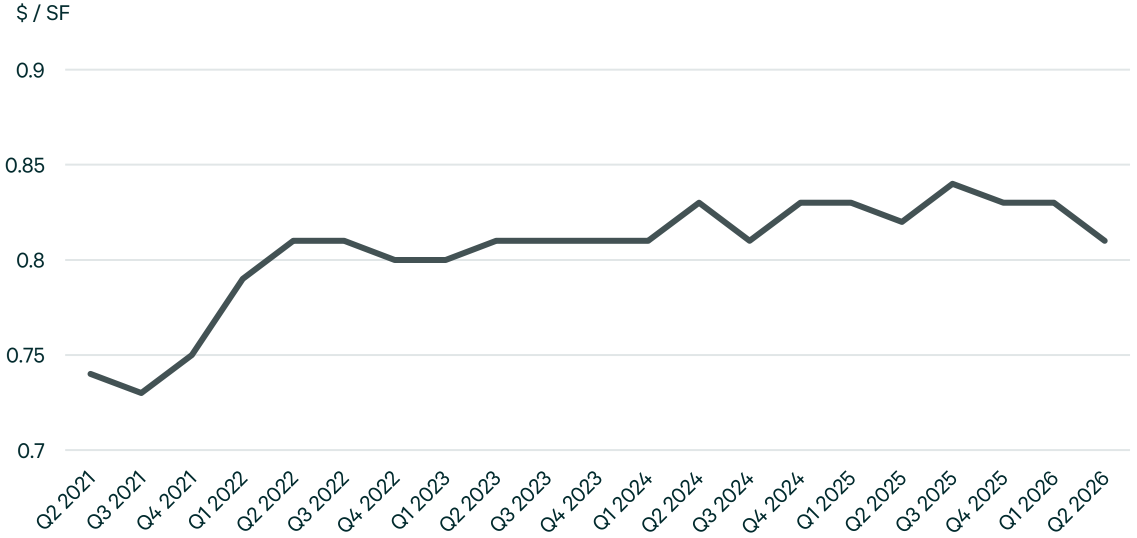
Source: CBRE Research, Q2 2026

Asking Rent

The market average asking rent in Q2 2026 was $0.81, down from $0.83 in Q1 2026 and $0.82 in Q2 2025. This equates to a negative 2.4% quarter-over-quarter change and a negative 1.2% year-over-year shift. Over the full data series, average rents have edged up from $0.74 in Q2 2021 to $0.81 in Q2 2026, an increase of about 9.5%, with rates generally oscillating between $0.80 and $0.84 since early 2023.

At the submarket level in Q2 2026, Folsom and Davis posted the highest average asking lease rates at $1.27 and $1.24, respectively. El Dorado at $1.18, Richards at $1.07, and South Sacramento at $1.03 also sat in the upper tier, while Roseville / Rocklin at $0.98 and Elk Grove / Laguna / Galt at $0.95 rounded out the higher-rent cohort. On the lower-cost end, Woodland at $0.55, McClellan Park at $0.61, and Auburn / Newcastle at $0.68 offered discounted pricing, with most remaining submarkets such as Downtown / Midtown, Northgate / Natomas, Rancho Cordova / Hwy 50, and West Sacramento clustered in a mid-range band between $0.74 and $0.93.

Figure 3: Average Direct Asking Rate



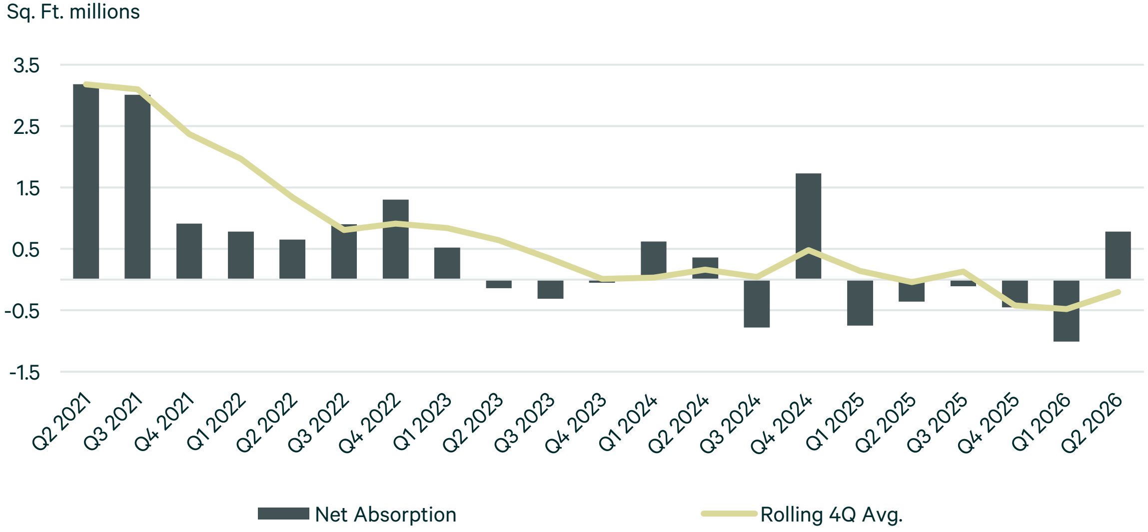
Source: CBRE Research, Q2 2026

Net Absorption

Net absorption totaled 780,000 sq. ft. in Q2 2026, a significant improvement from the negative 1.0 million sq. ft. recorded in Q1 2026 and well above the negative 362,000 sq. ft. posted in Q2 2025. The strong quarterly performance marked a reversal from the losses recorded earlier in the year and pushed the rolling four-quarter average to negative 197,000 sq. ft., an improvement from negative 483,000 sq. ft. in Q1 2026.

Over the past 12 months, net absorption totaled approximately negative 788,000 sq. ft. Despite the trailing annual loss, leasing fundamentals improved in Q2 2026, with every submarket recording positive net absorption during the quarter. Positive net absorption was concentrated primarily in the West Sacramento submarket, which recorded 490,000 sq. ft., followed by Power Inn at 182,000 sq. ft. Rancho Cordova / Hwy 50 and Northgate / Natomas also posted gains of 144,000 sq. ft. and 77,000 sq. ft., respectively. No submarkets recorded negative net absorption during the quarter.

Figure 4: Net Absorption Trend



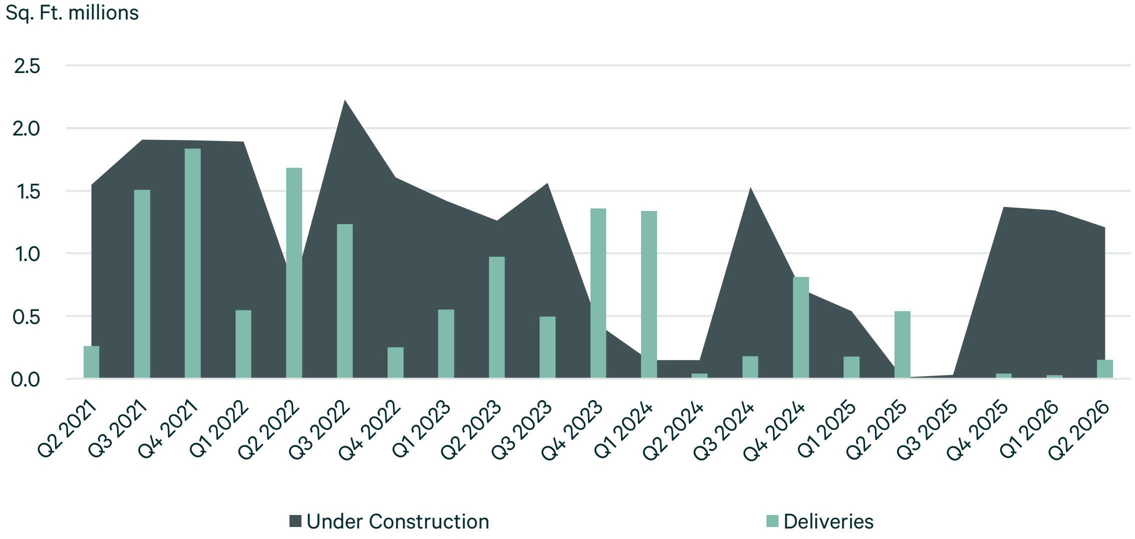
Source: CBRE Research, Q2 2026

Construction Activity

In Q2 2026, the market had 1.2 million sq. ft. under construction and 150,000 sq. ft. of new product delivered. Projects under construction decreased 10.0% quarter-over-quarter but remained significantly above year-ago levels, while deliveries increased from 30,000 sq. ft. in Q1 2026 but were below the volume recorded in Q2 2025.

Under construction activity in Q2 2026 is highest in Northgate / Natomas and Elk Grove / Laguna / Galt, with projects of 949,000 sq. ft. and 181,000 sq. ft., respectively. El Dorado also has development underway, totaling 78,000 sq. ft. of space under construction.

Figure 5: Construction Activity



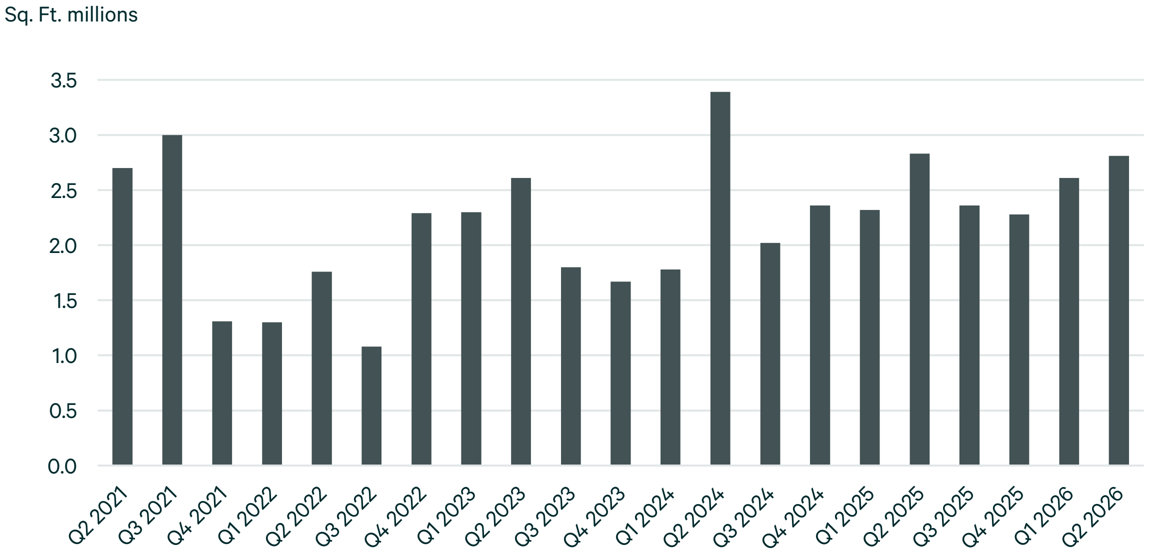
Source: CBRE Research, Q2 2026

Leasing Activity

At the close of Q2 2026, leased area totaled 2.8 million sq. ft., up 7.6% from Q1 2026 but down slightly from the 2.8 million sq. ft. recorded in Q2 2025. Leasing activity remains generally in line with recent historical trends and continues to outpace the levels observed during much of 2023. Since Q1 2023, tenants have leased a cumulative volume exceeding 30 million sq. ft. across the Sacramento industrial market.

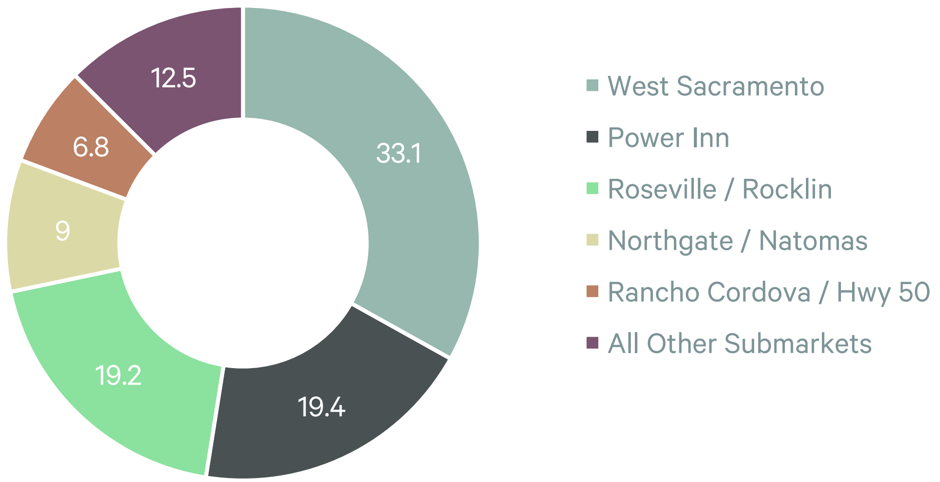
By submarket, West Sacramento posted the highest leased area at 931,000 sq. ft., followed by Power Inn at 545,000 sq. ft. Additional notable leasing activity was concentrated in Roseville / Rocklin, Northgate / Natomas, and Rancho Cordova / Hwy 50, while leasing transactions were recorded across nearly every submarket in the region. The broad distribution of activity highlights continued tenant demand throughout the market, with no single submarket accounting for a majority of leasing volume during the quarter.

Figure 6: Leasing Activity Trend



Source: CBRE Research, Q2 2026

Figure 7: Leasing Activity by Submarket (% of Total Activity)



Source: CBRE Research, Q2 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Confidential Tenant	423,000	New Lease	9999 Niblick Dr	Roseville / Rocklin
Redwood Beverage Group	237,000	New Lease	3525 Carlin Dr	West Sacramento
Mochila Fulfilment, LLC	165,000	Renewal	2935 Ramco St	West Sacramento
SJ Foods	132,000	New Lease	3025 Ramco St	West Sacramento
Tesco Controls	130,000	Renewal	8440 Florin Rd	Power Inn
L & U Granite and Cabinet Outlet	117,000	New Lease	8301 Belvedere Ave	Power Inn
Skyline Cabinetry	110,000	New Lease	2925 Ramco St	West Sacramento
Villara Corporation	80,000	New Lease	4700-4940 Lang Ave	McClellan Park

Source: CBRE Research, Q2 2026

Market Statistics by Submarket

Figure 9

Submarket	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Auburn / Newcastle	3.04	8.0	8.1	8.1	-	0.68	-	(9,000)	-	-
Davis	1.59	8.8	9.0	7.7	1.2	1.24	1,000	(3,000)	-	-
Downtown / Midtown	3.69	2.4	2.4	2.4	-	0.93	(25,000)	(26,000)	-	-
East Sacramento	887,000	-	-	-	-	-	-	-	-	-
El Dorado	4.33	7.3	7.7	7.7	-	1.18	37,000	4,000	-	78,000
Elk Grove / Laguna / Galt	7.74	1.7	2.2	2.1	0.1	0.95	(41,000)	(45,000)	-	181,000
Folsom	832,000	2.1	2.1	2.1	-	1.27	10,000	89,000	-	-
I-80 / Roseville Rd	11.01	5.7	6.0	5.3	0.7	0.74	25,000	(273,000)	-	-
Lincoln	3.77	7.8	15.6	8.0	7.6	0.79	39,000	40,000	-	-
McClellan Park	8.07	1.9	3.4	2.6	0.8	0.61	67,000	47,000	-	-
Northeast Sacramento	6.92	3.9	5.0	4.9	0.1	0.93	(2,000)	20,000	-	-
Northgate / Natomas	25.03	9.8	11.6	9.1	2.5	0.89	77,000	430,000	-	949,000
Power Inn	28.79	4.4	8.0	7.2	0.7	0.78	182,000	78,000	-	-
Rancho Cordova / Hwy 50	19.74	4.0	6.1	5.7	0.4	0.91	144,000	469,000	150,000	-
Richards	4.73	2.8	4.1	2.8	1.2	1.07	(35,000)	(9,000)	-	-
Roseville / Rocklin	16.74	4.5	8.8	5.2	3.6	0.98	(47,000)	11,000	-	-
South Sacramento	4.01	10.0	10.3	9.2	1.1	1.03	(136,000)	(159,000)	-	-
West Sacramento	25.38	10.5	13.2	11.1	2.1	0.74	490,000	(1.29M)	-	-
Woodland	16.41	3.1	9.7	8.5	1.2	0.55	(5,000)	397,000	-	-
Total	**192.71**	**5.8**	**8.5**	**7.0**	**1.5**	**0.81**	**780,000**	**(230,000)**	**150,000**	**1.21M**

Source: CBRE Research, Q2 2026

Market Statistics by Size

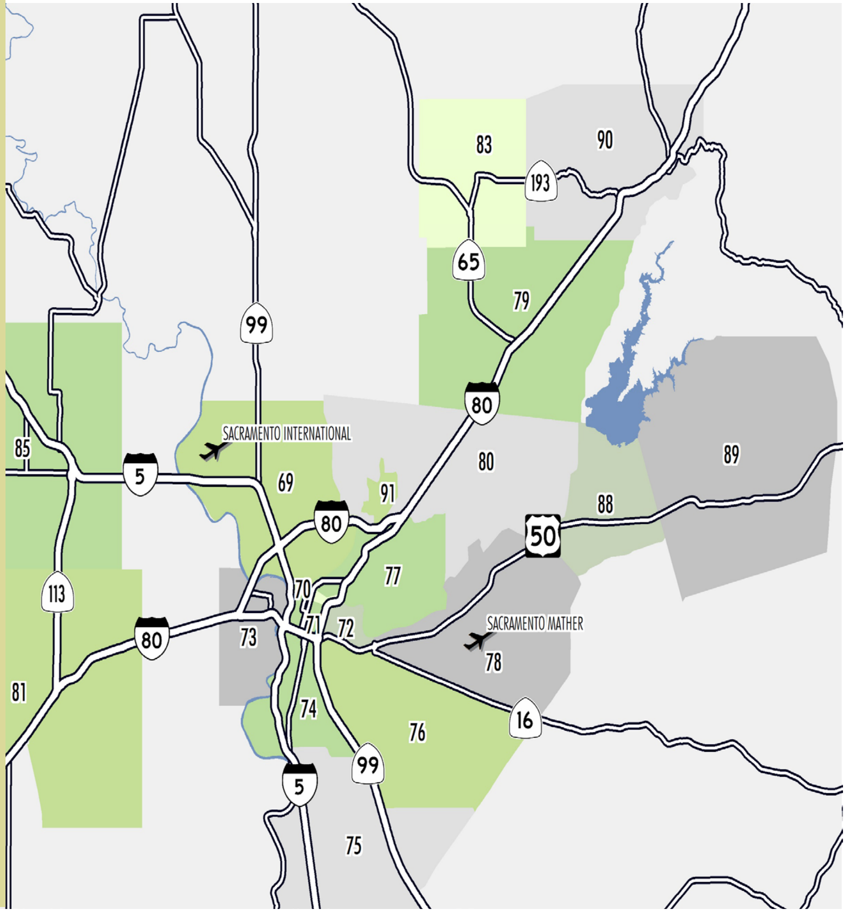
Figure 10

Size Range	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Below 50K SF	73.89	3.6	4.6	4.2	0.4	1.01	86,000	147,000	-	-
50K-99,999 SF	33.54	6.0	8.4	7.1	1.3	0.89	(58,000)	(88,000)	-	78,000
100K-249,999 SF	40.01	8.3	11.6	9.1	2.6	0.88	623,000	441,000	150,000	181,000
250K-499,999 SF	23.31	10.6	17.2	13.0	4.2	0.63	183,000	(258,000)	-	-
500K-749,999 SF	10.33	6.6	11.9	10.9	1.0	0.59	(135,000)	(532,000)	-	-
750,000 SF +	11.63	0.9	1.6	1.6	-	0.73	80,000	60,000	-	949,000
Total	**192.71**	**5.8**	**8.5**	**7.0**	**1.5**	**0.81**	**780,000**	**(230,000)**	**150,000**	**1.21M**

Source: CBRE Research, Q2 2026

Market Area Overview

69 Northgate/Natomas
70 Richards
71 Downtown/Midtown
72 East Sacramento
73 West Sacramento
74 South Sacramento
75 Elk Grove/Laguna/Galt
76 Power Inn
77 Northeast Sacramento
78 Rancho Cordova
79 Roseville/Rocklin
80 I-80/Roseville Rd
81 Davis
83 Lincoln
85 Woodland
88 Folsom
89 El Dorado Hills
90 Auburn/Newcastle
91 McClellan Park



Source: CBRE Research, Location Intelligence

Definitions

Average Asking Rate Direct Monthly Lease Rates., Triple Net (NNN). Availability All existing space being marketed for lease. Total Vacancy Rate Direct Vacancy + Sublease Vacancy.

CBRE's market report analyzes existing single- and multi-tenant industrial buildings that total 5,000+ sq. ft. within defined submarkets, including owner-occupied buildings. CBRE assembles all information through telephone canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial real estate brokerage community.

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