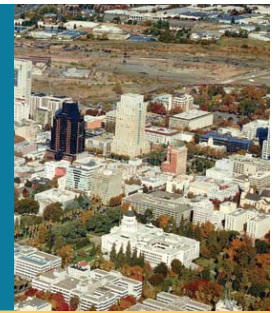




Colliers International Sacramento Industrial Quarterly Report



Third Quarter 2005

Market Trends

	Change in Q3	Q4 Forecast
Lease Rates	↑	↑
Absorption	↑	↔
Direct Vacancy	↓	↓
Sublease Vacancy	↔	↓

Sacramento's Vacancy Decreases to 11.6%

The Sacramento Industrial market ended the third quarter 2005 with a vacancy rate of 11.6%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 1,805,968 square feet in the third quarter. Vacant sublease space decreased in the quarter, ending the quarter at 434,886 square feet. Rental rates ended the third quarter at \$5.37, a decrease over the previous quarter. A total of 25 buildings delivered to the market in the quarter totaling 634,623 square feet, with 61,000 square feet still under construction at the end of the quarter.

ABSORPTION

Net absorption for the overall Sacramento Industrial market was positive 1,805,968 square feet in the third quarter 2005. That compares to positive 1,650,963 square feet in the second quarter 2005, positive 1,151,708 square feet in the first quarter 2005, and positive 1,038,706 square feet in the fourth quarter 2004.

Tenants moving out of large blocks of space in 2005 include: Kubota Tractor moving out of 128,000 square feet at 6665 Hardaway Rd; U.S. Government moving out of 125,780 square feet at 3041 Sunrise Blvd; and Anderson News, LLC moving out of 17,100 square feet at 2940 Ramco St.

Tenants moving into large blocks of space in 2005 include: BMW Auto Parts Distribution moving into 250,000 square feet at 1111 Runway Dr; Raleys moving into 233,928 square feet at 1919 Boeing Way; and AmCor Pet Packaging moving into 141,120 square feet at 17600 Shideler Pky.

The Flex building market recorded net absorption of positive 146,027 square feet in the third quarter 2005, compared to positive 113,067 square feet in the second quarter 2005, positive 243,342 in the first quarter 2005, and positive 196,010 in the fourth quarter 2004.

The Warehouse building market recorded net absorption of positive 1,659,941 square feet in the third quarter 2005 compared to positive 1,537,896 square feet in the second quarter 2005, positive 908,366 in the first quarter 2005, and positive 842,693 in the fourth quarter 2004.



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VACANCY

The Industrial vacancy rate in the Sacramento market area decreased to 11.6% at the end of the third quarter 2005. The vacancy rate was 12.4% at the end of the second quarter 2005, 13.2% at the end of the first quarter 2005, and 13.7% at the end of the fourth quarter 2004.

Flex projects reported a vacancy rate of 12.8% at the end of the third quarter 2005, 13.7% at the end of the second quarter 2005, 14.3% at the end of the first quarter 2005, and 15.8% at the end of the fourth quarter 2004.

Warehouse projects reported a vacancy rate of 11.5% at the end of the third quarter 2005, 12.2% at the end of second quarter 2005, 13.0% at the end of the first quarter 2005, and 13.4% at the end of the fourth quarter 2004.

LARGEST LEASE SIGNINGS

The largest lease signings occurring in 2005 included: the 159,942 square foot lease signed by Bozankaya at 320 Midway Ave; the 141,120-square foot deal signed by AmCor Pet Packaging at 17600 Shideler Pky and the 131,625 square foot lease signed by 24 Hour Recreational Storage at 3940 Seaport Blvd.

SUBLEASE VACANCY

The amount of vacant sublease space in the Sacramento market decreased to 434,886 square feet by the end of the third quarter 2005, from 568,019 square feet at the end of the second quarter. There was 582,010 square feet vacant at the end of the first quarter 2005 and 430,834 square feet at the end of the fourth quarter 2004.

Sacramento's Flex projects reported vacant sublease space of 8,315 square feet at the end of third quarter 2005, down from the 24,015 square feet reported at the end of the second quarter 2005. There were

33,596 square feet of sublease space vacant at the end of the first quarter 2005, and 29,061 square feet at the end of the fourth quarter 2004.

Warehouse projects reported decreased vacant sublease space from the second quarter 2005 to the third quarter 2005. Sublease vacancy went from 544,004 square feet to 426,571 square feet during that time. There was 548,414 square feet at the end of the first quarter 2005, and 401,773 square feet at the end of the fourth quarter 2004.

RENTAL RATES

The average quoted asking rental rate for available Industrial space was \$5.37 per square foot per year at the end of the third quarter 2005 in the Sacramento market area. This represented a 3.0% increase in quoted rental rates from the end of the second quarter 2005, when rents were reported at \$5.21 per square foot.

The average quoted rate within the Flex sector was \$9.90 per square foot at the end of the third quarter 2005, while Warehouse rates stood at \$4.53. At the end of the second quarter 2005, Flex rates were \$9.50 per square foot, and Warehouse rates were \$4.44.

DELIVERIES AND CONSTRUCTION

During the third quarter 2005, 25 buildings totaling 634,623 square feet were completed in the Sacramento market area. This compares to 28 buildings totaling 508,141 square feet that were completed in the second quarter 2005, 19 buildings totaling 376,665 square feet completed in the first quarter 2005, and 532,457 square feet in 41 buildings completed in the fourth quarter 2004.

There were 61,000 square feet of Industrial space under construction at the end of the third quarter 2005.

Some of the notable 2005 deliveries include: 1919 Boeing Way, a 545,833-square-foot facility that delivered in first quarter 2005 and is now 43% occupied, and 11900 S Harlan Rd., a 261,000-square-foot building that delivered in first quarter 2005 and is now 0% occupied.

The largest projects underway at the end of third quarter 2005 were 2000 N Chabot Ct., a 285,730-square-foot building with 0% of its space pre-leased, and 11960 N Harlan Rd., a 145,229-square-foot facility that is 0% pre-leased.

INVENTORY

Total Industrial inventory in the Sacramento market area amounted to 158,145,169 square feet in 4,766 buildings as of the end of the third quarter 2005. The Flex sector consisted of 16,481,619 square feet in 684 projects. The Warehouse sector consisted of 141,663,550 square feet in 4,082 buildings. Within the Industrial market there were 1,078 owner-occupied buildings accounting for 42,307,791 square feet of Industrial space.

SALES ACTIVITY

Tallying industrial building sales of 15,000 square feet or larger, Sacramento industrial sales figures fell during the second quarter 2005 in terms of dollar volume compared to the first quarter of 2005.

In the second quarter, 21 industrial transactions closed with a total volume of \$52,121,355. The 21 buildings totaled 866,323 square feet and the average price per square foot equated to \$60.16 per square foot. That compares to 29 transactions totaling \$88,722,400 in the first quarter. The total square footage was 1,654,224 for an average price per square foot of \$53.63.





United States

Akron, OH	Minneapolis, MN
Allentown, PA	Nashville, TN
Atlanta, GA	New Haven, CT
Austin, TX	New Jersey, NJ
Bakersfield, CA	New York, NY
Baltimore, MD	Oakland, CA
Beachwood, OH	Ogden, UT
Bellevue, WA	Orlando, FL
Boca Raton, FL	Palo Alto, CA
Boise, ID	Park City, UT
Boston, MA	Philadelphia, PA
Carlsbad, CA	Phoenix, AZ
Charleston, SC	Pittsburgh, PA
Charlotte, NC	Pleasanton, CA
Chicago, IL	Plymouth Meeting, PA
Cincinnati, OH	Portland, OR
Clearwater, FL	Provo, UT
Cleveland, OH	Raleigh, NC
Columbia, SC	Reno, NV
Dallas/Ft. Worth, TX	Roseville, CA
Dayton, OH	Sacramento, CA
Denver, CO	Salt Lake City, UT
Detroit, MI	San Diego, CA
Fairfield, CA	San Francisco, CA
Fort Myers, FL	San Jose, CA
Fresno, CA	San Mateo, CA
Ft. Lauderdale, FL	Scottsdale, AZ
Gilroy, CA	Seattle, WA
Greenville, SC	St. Charles, MO
Hartford, CT	St. George, UT
Honolulu, HI	St. Louis, MO
Houston, TX	St. Paul, MN
Indianapolis, IN	Stamford, CT
Jacksonville, FL	Stockton, CA
Kansas City, MO	Sun Valley, ID
Las Vegas, NV	Tacoma, WA
Los Angeles, CA	Tampa, FL
Louisville, KY	Walnut Creek, CA
Memphis, TN	Washington, DC
Miami, FL	Wilmington, DE
Milwaukee, WI	

Total year-to-date industrial building sales activity in 2005 is up compared to the previous year. In the first six months of 2005, the market saw 50 industrial sales transactions with a total volume of \$140,843,755. The price per square foot has averaged \$55.88 this year. In the first six months of 2004, the market posted 56 transactions with a total volume of \$138,075,376. The price per square foot averaged \$45.46.

Cap rates have been lower in 2005, averaging 7.46%, compared to the first six months of last year when they averaged 8.41%. One of the largest transactions that occurred recently in the Sacramento market is the sale of 1101 Sunset Blvd in Rocklin. This 478,468 square foot industrial building sold for \$18,500,000, or \$38.67 per square foot. The property sold on 3/1/2005. (Data Source: CoStar)

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Existing Properties											Absorption		New Supply		UC / Proposed	
Sub-Mkt.	Bldgs	Total Inventory Sq. Ft.	Direct Vacant Sq. Ft.	Direct Vacancy Rate	Sublease Vacant Sq. Ft.	Sublease Vacancy Rate	Occupied Space Sq. Ft.	Occupied Space Rate	Total Vacancy Rate 3rd Period	Total Vacancy Rate Prior Period	Net Absorption Sq. Ft. 3rd Period	Net Absorption Sq. Ft. YTD	New Supply Sq. Ft. 3rd Period	New Supply Sq. Ft. TYD	Under Construction Sq. Ft. 3rd Period	Proposed Sq. Ft. Prior Period
SACRAMENTO METRO																
Auburn/Lincoln/Newcastle	113	2,303,535	81,430	3.5%	0	0.0%	2,222,105	96.5%	3.5%	4.2%	15,984	19,350	0	6,356	0	20,000
Davis/Woodland	242	17,077,681	1,792,289	10.5%	45,000	0.3%	15,240,392	89.2%	10.7%	11.6%	503,590	1,129,132	0	0	61,000	599,166
Downtown/Midtown	192	5,115,962	149,637	2.9%	0	0.0%	4,966,325	97.1%	2.9%	2.8%	(4,277)	26,285	0	0	0	0
East Sacramento	44	881,902	48,275	5.5%	0	0.0%	833,627	94.5%	5.5%	2.8%	(23,275)	(20,275)	0	0	0	0
Elk Grove/Laguna	104	4,212,521	635,087	15.1%	7,252	0.2%	3,570,182	84.8%	15.2%	15.7%	20,156	107,042	0	0	0	672,166
Folsom/El Dorado	187	4,295,886	172,045	4.0%	0	0.0%	4,123,841	96.0%	4.0%	4.8%	35,825	54,502	0	0	0	252,042
Marysville/Yuba City	137	5,062,252	316,110	6.2%	0	0.0%	4,746,142	93.8%	6.2%	6.1%	(6,000)	(1,080)	0	0	0	3,200
McClellan/North Highlands	434	14,805,274	4,030,180	27.2%	102,461	0.7%	10,672,633	72.1%	27.9%	26.1%	(218,701)	60,378	60,000	257,640	0	619,108
Northeast	353	6,997,632	437,099	6.2%	99,596	1.4%	6,460,937	92.3%	7.7%	7.5%	(10,638)	(16,692)	0	0	0	0
Northgate/Natomas	285	11,858,160	1,434,486	12.1%	13,028	0.1%	10,410,646	87.8%	12.2%	9.4%	49,204	562,765	425,424	959,353	0	796,456
Power Inn	752	24,775,985	3,338,784	13.5%	0	0.0%	21,437,201	86.5%	13.5%	14.2%	231,547	689,442	64,000	113,000	0	244,525
Richards	121	5,461,504	362,287	6.6%	31,000	0.6%	5,068,217	92.8%	7.2%	7.0%	(8,412)	50,828	0	0	0	0
Roseville/Rocklin	438	17,089,379	2,276,953	13.3%	2,915	0.0%	14,809,511	86.7%	13.3%	17.6%	741,646	1,155,277	20,023	82,588	0	689,150
South Sacramento	178	4,498,894	68,831	1.5%	0	0.0%	4,430,063	98.5%	1.5%	1.7%	9,200	17,695	0	5,100	0	0
Sunrise/Highway 50	722	16,424,557	1,302,133	7.9%	64,202	0.4%	15,058,222	91.7%	7.1%	8.5%	167,484	324,827	0	0	0	51,995
West Sacramento	464	17,284,045	1,466,015	8.5%	69,432	0.4%	15,748,598	91.1%	8.9%	10.3%	302,635	449,163	65,176	95,392	0	373,635
GRAND TOTAL																
	4,766	158,145,169	17,911,641	11.3%	434,886	0.3%	139,798,642	88.4%	11.6%	12.4%	1,805,968	4,608,639	634,623	1,519,429	61,000	4,321,443