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Replacement Cost Rents Finally Return to Sacramento

LogistiCenter at Southport industrial distribution facility demonstrates that replacement cost rents have returned to Sacramento and industrial is poised for growth, says Schaal Realty Advisors principal Tom Schaal.

By **Lisa Brown** | May 19, 2020 at 04:09 AM

WEST SACRAMENTO—Construction is set to begin by month’s end on a 379,161-square-foot industrial project in the Southport Business Park called LogistiCenter at Southport. Dermody Properties’ class-A industrial distribution facility demonstrates that replacement cost rents have returned to Sacramento and industrial is poised for growth, says Schaal Realty Advisors principal Tom Schaal, who has returned to his roots in West Sacramento.

“Replacement cost rents have finally come back to Sacramento, perhaps one of the last markets to come back in the country,” Schaal tells globest.com. “And, industrial is targeted to flourish post-COVID-19 because supply chain disruption has caused a need for more inventory storage. There will continue to be more e-commerce and manufacturing is going to come back to diminish US dependency on foreign manufacturing. Downtown and Midtown have come back in a big way and created a cool factor that has created a very positive vibe for Sacramento. This has attracted a young and highly educated workforce to the area.”

The development will have 36-foot clear height, divisible to 75,000 square feet with cross dock and front-load docs, 58 dock doors, 56- by 50-foot typical column spacing, ESFR fire protection system, 106 trailer parking spaces and 222 car/small truck parking spaces.

Schaal, an El Dorado Hills resident and Sacramento veteran commercial real estate executive with expertise in land acquisitions and development entitlement work, has migrated back to Sacramento after working in other markets with various partners and clients since the demise of Opus West in 2009.

Schaal Realty Advisors just completed a 252,000-square-foot distribution warehouse in Vacaville with Dermody as well as a 171,000-square-foot project with New York Life in Contra Costa County. Schaal partnered with Mark Heavey, formerly with Venture Corp, to develop the Contra Costa and West Sacramento projects.

Schaal formerly ran the Opus West office in Sacramento and developed approximately 700,000 square feet of suburban office and 750,000 square feet of retail from 2004 to 2009. Opus morphed into Founder’s Properties, which retained Schaal to stabilize and oversee the disposition of all Northern California assets.

He re-entitled, mapped and sold 320 acres of industrial property in Stockton, leased and stabilized 320,000 square feet of office in Rocklin and Roseville, and re-entitled and facilitated the sale of approximately 10 acres in South San Francisco/Brisbane for a 425,000-square-foot life science project to close out the Founder’s Northern California portfolio. Schaal also brokered, entitled and sold multifamily projects in Davis and Rocklin, and has consulted on various projects for other developers and investors.

While the future outlook for Sacramento’s industrial market is unclear at this point, developers are still bullish on the Sacramento market and industrial seems to be the property sector least susceptible to the COVID-19 business disruptions, according to a first quarter report by Colliers International.

Solid fundamentals were in place prior to mid-March. Leasing activity was strong, owner-users were active and large-scale speculative development was moving forward. Today, landlords are dealing with rent relief requests from tenants and many transactions have been put on hold for the time being. In addition, some speculative projects have been delayed.