



MARKET TRENDS | **SACRAMENTO**

# OFFICE

**4TH QUARTER  
2020**

▼ **ABSORPTION** | ▲ **VACANCY** | ▲ **RENTAL RATE** | ▼ **CONSTRUCTION DELIVERIES**

Year-over-year change

**MARKET DRIVERS**

**AMIDST** falling demand and rising vacancies, direct asking lease rates have held steady at \$2.05 FS in Sacramento for 2020. This represents a 6.22% increase over last year.

**OFFICE AVAILABILITY** increased 21.84% year-over-year in 2020 to 13.4%. Sublease availability rose 40 basis points YOY, standing at 1.1% at the end of 2020 for all class types.

**LEASING ACTIVITY** decreased 33% YOY from 4.1 million in 2019 to 2.7 million in 2020. The Highway 50 Corridor and the Roseville-Rocklin area were the most active markets for the year with 916,570 s.f. and 409,239 s.f. respectively. Sales volume has followed a similar trend, falling 31% YOY from 5.6 million in 2019 to 3.9 million in 2020.

**DIRECT NET ABSORPTION** dropped to negative 24,539 s.f. in 2020, breaking an eight year run of positive net absorption. The bulk of this shortfall happened in 4Q 2020 with negative 410,466 s.f.

**THERE ARE** currently 2.5 million s.f. of office development in the construction pipeline. Construction deliveries totaled 203,600 s.f. for 2020. Notable completions for 2020 include 511,800 s.f. in Centene Campus and 40,000 s.f. in Natomas Pointe Plaza. Both projects are in the Natomas area of Sacramento.

**ECONOMIC REVIEW**

**COVID-19** caused multiple business closures and company layoffs in 2020. Surviving companies adapted by letting employees work remotely. The pandemic prompted restrictions on non-essential businesses and retail properties,

sharply dropping economic activity in Sacramento. California unemployment stood at 9.0% at the end of 2020, with the Sacramento - Roseville - Arden-Arcade Metropolitan Statistical Area reporting a 7.9% unemployment rate.

**NEAR-TERM OUTLOOK**

COVID-19 measures have reduced office demand in 2021 as companies allow employees to work from home. Direct asking lease rates are expected to hold firm, while tenants can hunt for deals amongst the growing amount of sublease space. Short-term leases become common as companies gauge how quickly the economy returns to normal.

Sources: Federal Reserve Bank of St. Louis; State of California Employment Development Department

## Market Breakdown

	2020	2019	2018	Annual % Change
Direct Vacancy Rate	9.5%	9.0%	9.9%	<b>5.96%</b>
Total Availability Rate	13.4%	11.0%	11.9%	<b>21.84%</b>
Direct Asking Lease Rate	\$2.05	\$1.93	\$1.90	<b>6.22%</b>
Total Lease Transactions	2,737,950	4,104,085	4,536,073	<b>-33.29%</b>
Sale Transactions	3,880,783	5,612,069	6,021,621	<b>-30.85%</b>
Direct Net Absorption	-24,539	1,458,326	663,572	<b>N/A</b>

## SACRAMENTO SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	4Q20 Direct Net Absorption	2020 Direct Net Absorption	4Q20 Leasing Activity	2020 Leasing Activity	Rental Rate (Office Base Rent Direct)
<b>Downtown</b>	<b>20,559,008</b>	<b>6.7%</b>	<b>6.9%</b>	<b>9.2%</b>	<b>(91,874)</b>	<b>(89,785)</b>	<b>30,077</b>	<b>147,853</b>	<b>\$2.88</b>
Auburn/Lincoln	1,706,823	6.0%	6.2%	6.9%	(5,296)	(34,168)	6,925	29,297	\$1.92
Campus Commons	1,767,971	15.2%	16.2%	16.2%	(22,665)	(2,438)	22,499	123,466	\$2.22
Carmichael/Fair Oaks	1,567,516	12.6%	12.6%	13.9%	22,041	40,646	3,840	52,542	\$1.41
Citrus Heights/Orangevale	1,811,144	10.5%	11.0%	14.3%	(11,297)	(23,561)	7,258	40,434	\$2.60
Davis/Woodland	2,771,721	5.8%	6.4%	6.7%	(34,019)	(3,767)	6,213	28,539	\$1.91
East Sacramento	2,618,247	0.8%	0.8%	1.5%	9,170	3,322	1,396	16,323	\$2.60
El Dorado	2,178,539	11.3%	11.3%	15.2%	(12,890)	46,038	13,131	45,831	\$1.91
Elk Grove	2,250,634	4.9%	5.2%	6.7%	(25,693)	(13,823)	8,329	40,810	\$2.46
Folsom	5,385,739	4.0%	5.7%	13.0%	(2,236)	17,279	111,292	236,465	\$2.20
Highway 50 Corridor	17,827,816	10.7%	11.8%	15.7%	(83,312)	(6,859)	24,312	916,570	\$1.84
Howe Ave/Fulton Ave/Watt	5,301,054	15.5%	15.6%	16.3%	(7,164)	29,614	14,513	65,945	\$2.59
Midtown	4,368,663	8.6%	8.6%	13.9%	(5,363)	(1,885)	5,772	53,385	\$2.38
North Natomas	3,104,563	11.0%	11.5%	16.0%	19,621	93,826	5,218	92,343	\$1.74
Point West	2,891,960	11.7%	11.9%	18.4%	(36,968)	9,446	19,284	123,372	\$2.07
Rio Linda/N Highlands	1,146,561	21.8%	21.8%	30.2%	(4,976)	(38,361)	2,685	14,600	\$1.71
Roseville/Rocklin	12,742,928	9.5%	11.0%	17.9%	(115,593)	(78,885)	104,838	409,239	\$2.01
South Natomas	3,769,031	11.7%	12.0%	16.3%	(9,340)	(60,788)	16,287	181,384	\$2.26
South Sacramento	3,679,278	5.8%	5.8%	7.8%	4,240	36,964	4,618	86,024	\$1.77
West Sacramento	2,199,360	5.2%	5.4%	14.7%	3,148	52,828	7,863	33,528	\$1.99
<b>Sacramento Total</b>	<b>99,675,556</b>	<b>8.9%</b>	<b>9.5%</b>	<b>13.4%</b>	<b>(410,466)</b>	<b>(24,359)</b>	<b>416,350</b>	<b>2,737,950</b>	<b>\$2.05</b>
Class A	26,102,132	6.5%	7.3%	12.1%	(225,989)	(57,468)	103,038	777,186	\$2.49
Class B	48,292,780	10.9%	11.7%	15.5%	(125,516)	(77,883)	258,753	1,632,891	\$1.99
Class C	25,288,328	7.6%	7.7%	10.7%	(58,961)	110,812	54,559	327,873	\$1.77

## TOP SALE TRANSACTIONS FOR 2020

Property	Submarket	Square Feet	Sale Price	Price/SF	Buyer	Seller
Park Tower	Downtown	481,885	\$165,000,000	\$342.41	Prime US REIT	Hines JV Gem Realty
8000-8050 Foothills Blvd, Roseville	Roseville/Rocklin	447,364	\$101,500,000	\$226.88	Dimah Capital Investment	Stonemont Financial
630 Roseville Pkwy, Roseville	Roseville/Rocklin	157,518	\$39,450,000	\$250.45	Harbor Group International	Farallon Capital Mgmt JV Strada Investment
6555 Coyle Ave, Carmichael	Citrus Heights/Orangevale	99,408	\$34,000,000	\$342.02	Blue Sky Real Estate	Alhambra Building Associates
2901 Douglas Blvd, Roseville	Roseville/Rocklin	110,791	\$30,000,000	\$270.78	KB Property Advisors	Barker Pacific Group

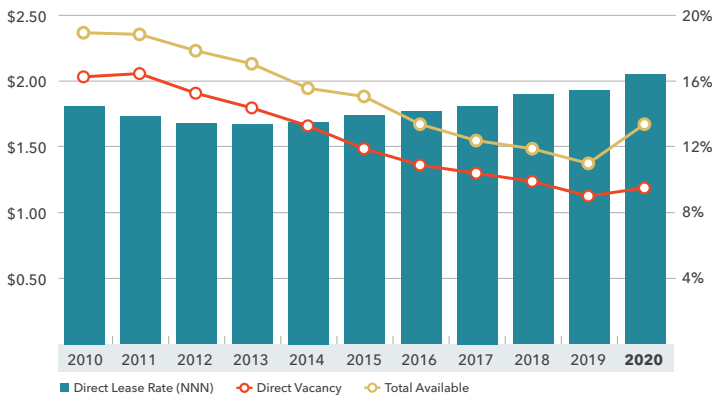
## TOP LEASE TRANSACTIONS FOR 2020

Property	Submarket	Square Feet	Date	Landlord	Tenant
1325 J St, Sacramento	Downtown	230,319	September 2020	Princeton Real Estate Partners	US Army Corps of Engineers
10850 White Rock Rd, Rancho Cordova	Highway 50 Corridor	194,150	September 2020	Transpacific Development	UC Davis Health
3701 Power Inn Rd, Sacramento	Highway 50 Corridor	112,172	August 2020	Cottonwood Partners	Sacramento County Child Support Services
1900-1960 Birkmont Ave, Rancho Cordova	Folsom	96,000	October 2020	Orton Development	Dept of Corrections & Rehabilitation
9815 Goethe Rd, Sacramento	Highway 50 Corridor	80,000	June 2020	Office Properties Income Trust	California EDD

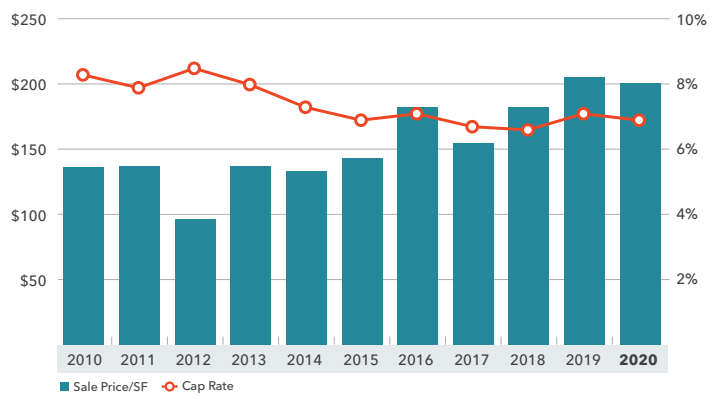
## TOP UNDER CONSTRUCTION

Property	Address	Submarket	Square Feet	Owner	Delivery Date
California Natural Resources Agency	P St	Downtown	838,000	State of California	April 2022
Capitol Annex Expansion	1021 O St	Downtown	472,000	Dreyfuss & Blackford Architects	October 2021
California Department of General Services	1215 O St	Downtown	360,000	State of California	February 2022
10601 Bear Hollow Dr	10601 Bear Hollow Dr	Highway 50 Corridor	285,000	State of California DSG	March 2021
965 El Camino Ave	965 El Camino Ave	Point West	14,484	Health and Life Organization	February 2021

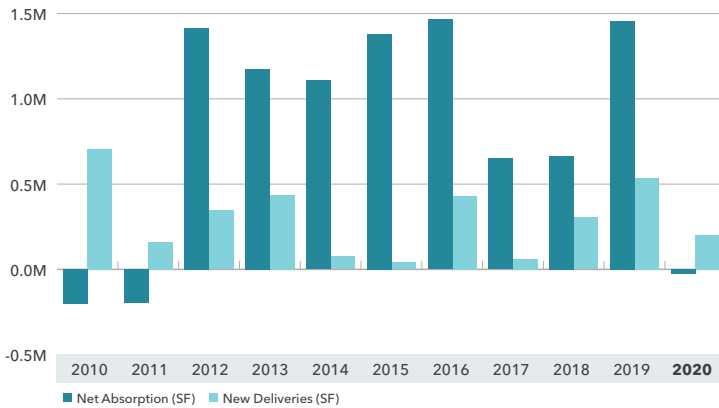
### LEASE RATE, VACANCY & AVAILABILITY



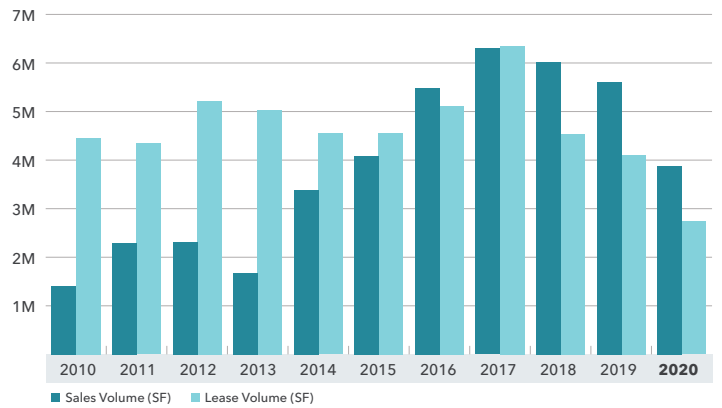
### AVERAGE SALES PRICE/SF & CAP RATES



### NET ABSORPTION & NEW DELIVERIES



### SALE VOLUME & LEASE VOLUME



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#### COMMERCIAL BROKERAGE

**23M** ANNUAL SALES SF      **450+** NO. OF BROKERS  
**\$8B** ANNUAL TRANSACTION VOLUME      **42M** ANNUAL LEASING SF

#### VALUATION ADVISORY

**1,800+** APPRAISALS ANNUALLY      **39/20** TOTAL NO. APPRAISERS/MAI'S

#### PROPERTY MANAGEMENT

**70M+** MANAGEMENT PORTFOLIO SF      **\$12B** IN ASSETS UNDER MANAGEMENT

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