

MARKET TRENDS | SACRAMENTO

OFFICE

MARKET DRIVERS

OFFICE availability rates increased 30.9% year-over-year (YOY) from 11.1% in 2Q20 to 14.5% in 2Q21. Sublease space nearly doubled, climbing 73.9% YOY from 709,006 SF in 2Q20 to 1.23 million SF in 2Q21.

LEASING activity increased 16.6% YOY from 588,031 SF in 2Q20 to 685,681 SF in 2Q21. The North Natomas and Roseville-Rocklin areas were the most active markets for the quarter with 115,632 SF and 110,702 SF respectively. Sales volume gained 11.0% YOY from 572,701 SF in 2Q20 to 635,637 SF in 2Q21.

DIRECT asking lease rates have risen 4.52% YOY from \$1.99/SF FS in 2Q20 to \$2.08/SF FS in 2Q21. Quarter-over-quarter changes in asking lease rates remained flat.

DIRECT net absorption rose to 20,142 for 2Q21. YTD direct net absorption is still negative 672,276 SF.

THERE are currently 2.3 million SF of office buildings in the construction pipeline.

ECONOMIC OVERVIEW

THE Sacramento metropolitan area reopened the economy on June 15, when California removed most COVID-19 restrictions. The release of these mandates mean that companies can implement their plans to have employees return to offices and stoke demand for office space.

CALIFORNIA unemployment stood at 7.5% for May 2021, with the Sacramento - Roseville - Arden-Arcade Metropolitan Statistical Area reporting a 6.3% unemployment rate.

NEAR-TERM OUTLOOK

DIRECT asking lease rates are expected to remain steady. Increased vacancies, sublease availabilities, and remote work measures place significant downward pressures on starting lease rates. Short-term leases become common as companies gauge how quickly the Sacramento economy reacts to the state reopening.

Market Summary

	2Q 21	1Q 21	2Q 20	Annual Change
Direct Vacancy Rate	10.2%	10.1%	8.8%	15.66%
Availability Rate	14.5%	13.5%	11.1%	30.90%
Asking Lease Rate	\$2.08	\$2.08	\$1.99	4.52%
Leasing Activity (SF)	685,681	512,852	588,031	16.61%
Sale Volume (SF)	635,637	468,246	572,701	10.99%
Net Absorption (SF)	20,142	(692,418)	(77,879)	N/A

▲ 686K
LEASING ACTIVITY
▲ 20K
NET ABSORPTION (SF)
▲ 10.2%
VACANCY RATE
▲ \$2.08
ASKING LEASE RATE
▲ 636K
NEW DELIVERIES (SF)
YEAR OVER YEAR TREND

Market Highlights

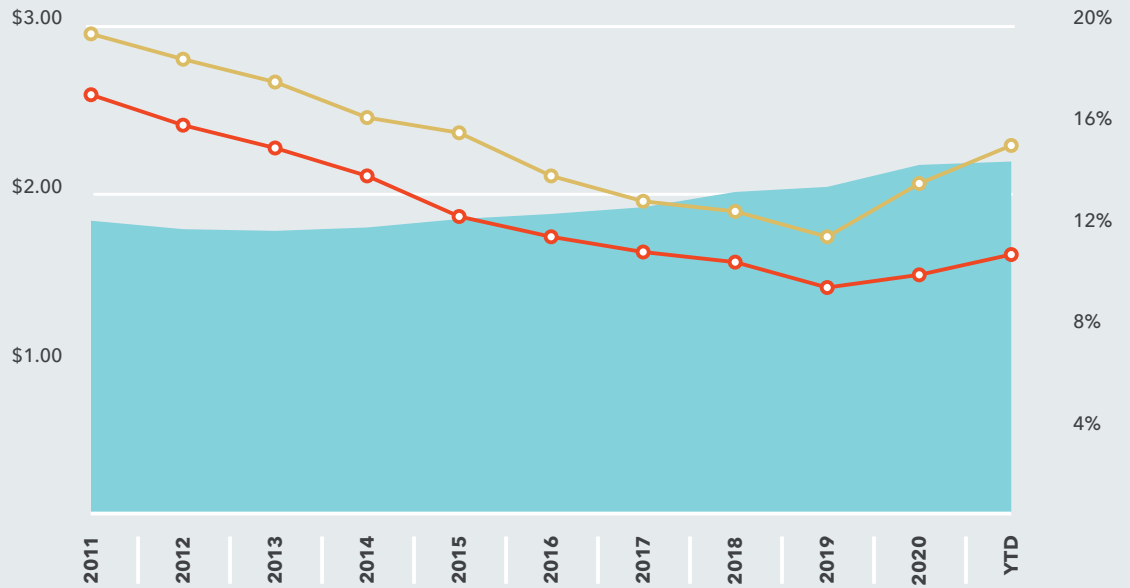
DIRECT asking lease rates held steady at \$2.08/SF full FS.

NET absorption was 20,142 SF for 2Q21.

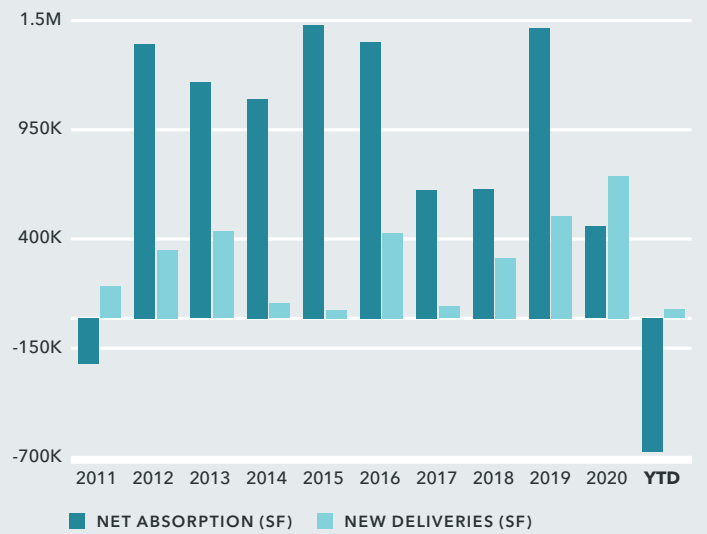
OFFICE availability rate increases to 14.5% for 2Q21.

Lease Rate, Vacancy & Availability

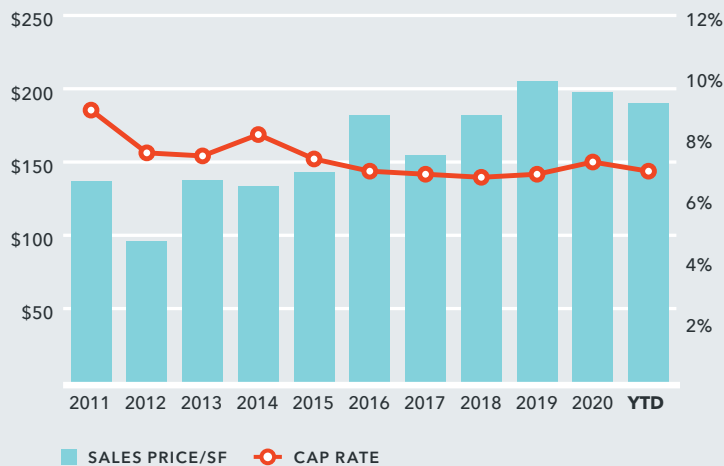
- DIRECT LEASE RATE (FSG)
- DIRECT VACANCY
- TOTAL AVAILABILITY



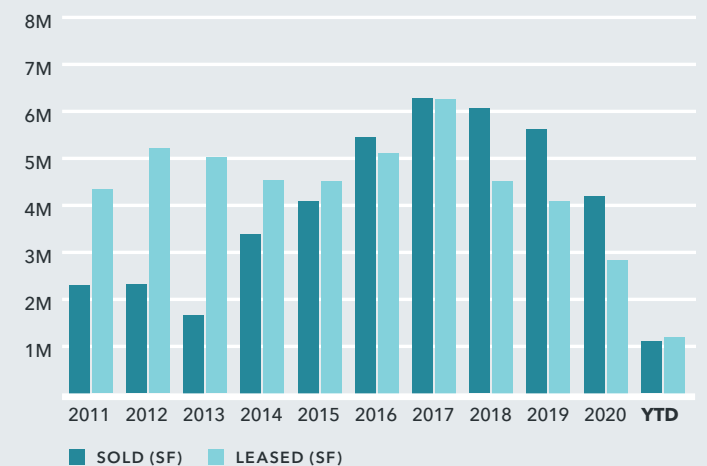
Net Absorption & New Deliveries



Average Sales Price/SF & Cap Rate



Sale Volume & Leasing Activity



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	2Q21 Net Absorption (Direct)	YTD Net Absorption (Direct)	2Q21 Leasing Activity	YTD Leasing Activity	Rental Rate (Office Base Rent Direct)
Downtown	20,587,060	7.3%	7.6%	9.7%	(1,848)	(126,248)	98,885	121,698	\$2.91
Auburn/Lincoln	1,706,823	6.2%	6.4%	5.9%	(5,198)	(2,653)	11,232	35,308	\$2.11
Campus Commons	1,767,971	11.3%	12.0%	17.8%	57,959	64,414	29,660	57,172	\$2.23
Carmichael/Fair Oaks	1,580,927	16.5%	16.5%	17.9%	(57,968)	(49,922)	7,140	13,112	\$1.42
Citrus Heights/Orangevale	1,812,776	11.2%	11.8%	13.6%	(17,372)	(13,420)	19,514	34,874	\$1.59
Davis/Woodland	2,772,133	6.0%	6.5%	6.7%	(3,956)	24,064	35,531	49,179	\$1.85
East Sacramento	2,610,503	1.2%	1.2%	2.6%	(8,230)	(11,554)	3,978	3,978	\$2.28
El Dorado	2,160,370	11.8%	11.8%	15.8%	24,081	6,571	13,903	25,255	\$2.15
Elk Grove	2,263,819	4.9%	4.9%	6.4%	8,438	22,257	10,958	20,596	\$2.48
Folsom	5,392,984	4.4%	5.1%	13.6%	(12,807)	(22,740)	26,470	36,542	\$2.15
Highway 50 Corridor	17,901,500	12.5%	13.7%	18.6%	(83,462)	(332,030)	78,839	141,769	\$1.83
Howe Ave/Fulton Ave/Watt	5,238,870	15.8%	15.8%	19.0%	22,157	14,591	32,541	73,832	\$1.58
Midtown	4,477,189	8.5%	8.7%	18.3%	37,154	10,951	14,585	49,893	\$2.29
North Natomas	3,617,697	8.8%	9.3%	13.9%	37,133	22,504	115,662	138,030	\$1.77
Point West	2,862,811	12.3%	12.5%	21.5%	(9,758)	(13,021)	19,605	71,558	\$2.04
Rio Linda/N Highlands	1,194,317	21.6%	21.6%	31.5%	653	1,444	3,059	4,456	\$1.20
Roseville/Rocklin	12,385,310	10.4%	12.0%	18.3%	18,309	(198,184)	110,702	195,060	\$2.07
South Natomas	3,796,152	13.5%	14.2%	17.7%	44,046	(84,035)	18,992	81,514	\$2.24
South Sacramento	3,682,464	4.8%	4.8%	5.3%	1,451	40,163	31,631	41,077	\$1.76
West Sacramento	2,179,760	6.5%	6.6%	16.2%	(30,640)	(25,428)	2,794	3,630	\$1.96
South Natomas	3,796,152	13.5%	14.2%	17.7%	44,046	(84,035)	18,992	81,514	\$2.24
South Sacramento	3,682,464	4.8%	4.8%	5.3%	1,451	40,163	31,631	41,077	\$1.76
West Sacramento	2,179,760	6.5%	6.6%	16.2%	(30,640)	(25,428)	2,794	3,630	\$1.96
Sacramento Total	99,991,436	9.6%	10.2%	14.5%	20,142	(672,276)	685,681	1,198,533	\$2.08
Class A	26,611,645	7.8%	8.7%	13.5%	47,579	(343,426)	199,430	374,773	\$2.46
Class B	48,337,986	11.5%	12.2%	16.9%	74,448	(245,953)	320,708	589,602	\$1.99
Class C	25,041,805	7.8%	7.9%	11.2%	(101,885)	(82,897)	165,543	234,158	\$1.79

TOP SALE TRANSACTIONS FOR 2Q 2021

Property	Submarket	Buyer	Seller	Sale Price	\$/SF	NRSF
1625-1747 N Market Blvd	North Natomas	Nome Capital Partners	Buzz Oates	\$57,500,000	\$171.89	334,512
Lake Natoma Office Park	Folsom	Boyd Watterson	Orton Development	\$19,000,000	\$197.92	96,000
9825 Goethe Rd	Highway 50 Corridor	TMC Inc	Velo Properties	\$8,675,000	\$193.13	44,919
785 Orchard Dr	Folsom	Graceada Partners	Schwager Development	\$7,100,000	\$175.19	40,528
7801-7807 Laguna Blvd	Elk Grove	QLQ LLC	Karsan Elliott	\$6,789,000	\$295.17	23,000

TOP LEASE TRANSACTIONS FOR 2Q 2021

Property	Submarket	Landlord	Tenant	Sign Date	NRSF
730 I St	Downtown	D&S Development	CapRadio	May 2021	32,516
1747 N Market Blvd	North Natomas	Buzz Oates	California Board of Registered Nursing	Apr 2021	27,522
267 Cousteau Place	Davis/Woodland	Buzz Oates	UC Regents	Jun 2021	23,040
1747 N Market Blvd	North Natomas	Buzz Oates	Veterinary Medical Board	Apr 2021	20,000
1620 Santa Clara Dr	Roseville/Rocklin	The Hoffman Company	Turning Point Community Services	Jun 2021	12,498

TOP UNDER CONSTRUCTION

Property	Address	Submarket	Owner	Delivery Date	SF
California Natural Resources Agency	P St	Downtown	State of California	Apr 2022	838,000
Capitol Annex Expansion	1021 O St	Downtown	Dreyfuss & Blackford Architects	Oct 2021	472,000
California Department of General Services	1215 O St	Downtown	State of California	Feb 2022	360,000
10601 Bear Hollow Dr.	10601 Bear Hollow Dr.	Highway 50 Corridor	State of California DSG	Sep 2021	285,000
CalSTRS Expansion	100 Waterfront Place	West Sacramento	CalSTRS	Apr 2022	275,000

DATA SOURCE: COSTAR

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The information in this report was composed by the Kidder Mathews Research Group.

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**Commercial
Brokerage**

\$8B
TRANSACTION
VOLUME (ANNUAL)

23M
SALES SF
(ANNUAL)

42M
LEASING SF
(ANNUAL)

**Valuation
Advisory**

1,800+
ASSIGNMENTS
ANNUALLY

40/19
TOTAL NO.
APPRAISERS/MAI'S

**Asset
Services**

70M
MANAGEMENT
PORTFOLIO SF

\$12B
IN ASSETS UNDER
MANAGEMENT

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