Kidder Mathews

MARKET TRENDS | SACRAMENTO

OFFICE

MARKET DRIVERS

DIRECT asking lease rates grew 2.4% year-over-year (YOY) from $2.07/SF full service (FS) in 2020 to $2.12/SF FS in 2021.

OVERALL, direct net absorption for 2021 was 65,647 SF. This was fueled by 528,638 SF positive net absorption for 4Q 2021.

LEASING activity increased 22.8% YOY from 2.8 million SF in 2020 to 3.5 million SF in 2021. Downtown and the Roseville/Rocklin area were the most active submarkets for the year with 797,129 SF and 626,850 SF respectively. Downtown was by far the most active submarket of 4Q 2021 with 569,299 SF.

SALES volume dropped 22.1% YOY from 4.1 million SF in 2020 to 3.2 million SF in 2021.

THE TOTAL vacancy rate increased 11.4% YOY from 9.3% in 2020 to 10.4% in 2021.

ECONOMIC OVERVIEW

THE CIVILIAN labor force for the Sacramento – Roseville – Arden Arcade MSA grew 1.7% YOY to 1.1 million workers. The professional and business services sector grew 2.7% YOY to 137,100 SF.

UNEMPLOYMENT in California stood at 5.4% for November 2021. During this period, the Sacramento – Roseville – Arden Arcade MSA reported a 4.7% unemployment rate.

NEAR-TERM OUTLOOK

THE OFFICE market is showing signs of recovery from COVID induced slowdowns. Net absorption and leasing activity have increased each quarter this year. Although vacancy rates have crept upwards, asking lease rates are holding steady.

HOWEVER, the uncertainties of when the market may fully recover from COVID make companies hesitant on making any long-term commitments on new leases. With 1.5 million SF of state-owned buildings currently under construction and hybrid work measures reducing demand, the possibility of shrinking State of California requirements weigh on the Sacramento market.

Market Summary

	2021	2020	2019	% Change From A Year Ago
Vacancy Rate	10.4%	9.3%	8.8%	11.38%
Availability Rate	14.5%	12.8%	10.8%	13.49%
Asking Lease Rate (FS)	$2.12	$2.07	$1.93	2.42%
Leasing Activity (SF)	3,489,698	2,841,160	4,086,158	22.83%
Sale Volume (SF)	3,229,246	4,146,071	5,635,362	-22.11%
Net Absorption (SF)	65,647	468,469	1,474,319	N/A

4Q 2021

▲ 3.5M
LEASING ACTIVITY

▼ 66K
NET ABSORPTION (SF)

▲ 10.4%
VACANCY RATE

▲ $2.12
AVERAGE ASKING RENT

▲ 1.3M
NEW DELIVERIES (SF)

CHANGE FROM PRIOR YEAR

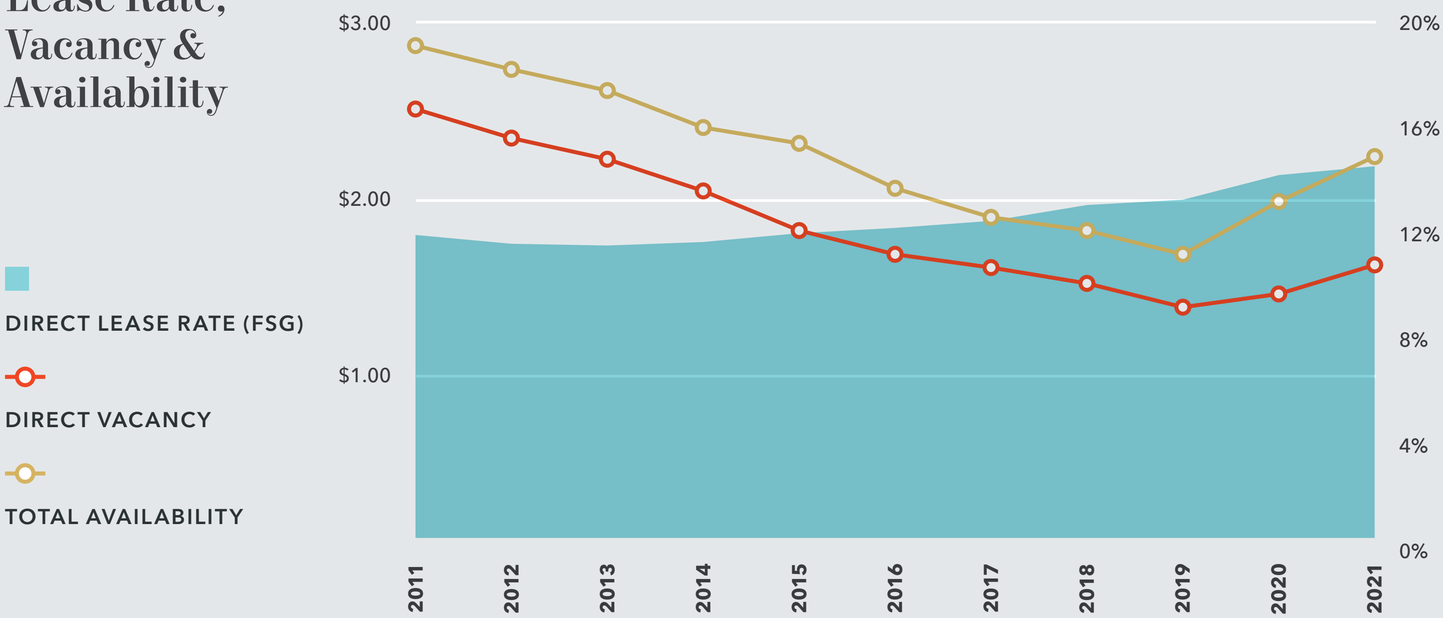
Market Highlights

ASKING lease rates are $2.12/SF FS.

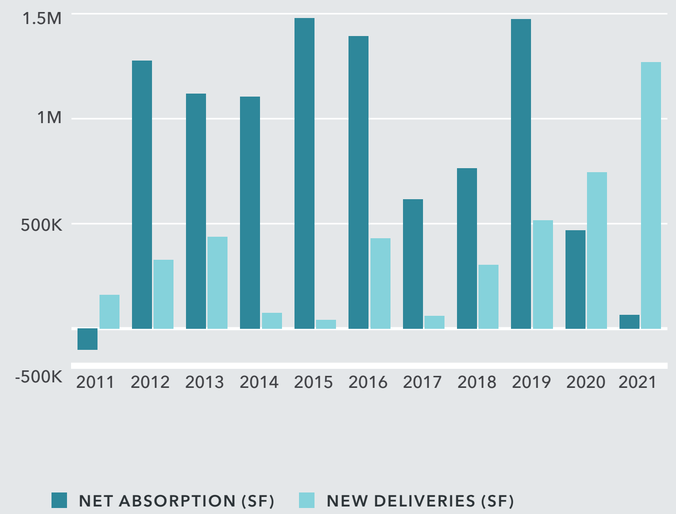
TOTAL vacancy rates stood at 10.4%.

LEASING activity grew 22.8% YOY to 3.5M SF.

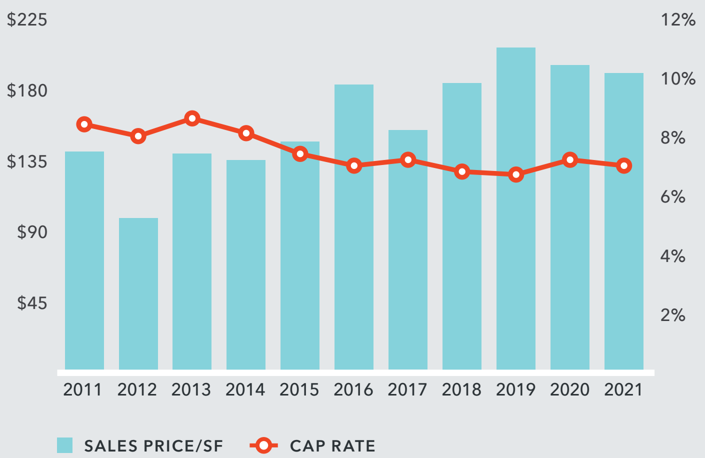
Lease Rate, Vacancy & Availability



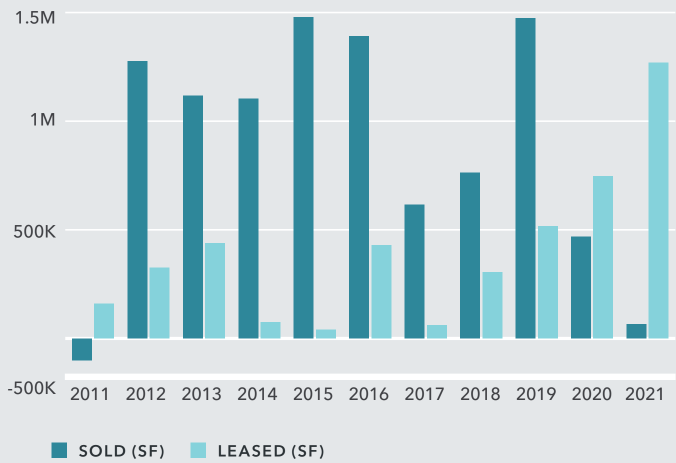
Net Absorption & New Deliveries



Average Sales Price/SF & Cap Rate



Sale Volume & Leasing Activity



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	4Q21 Net Absorption (Direct)	2021 Net Absorption (Direct)	4Q21 Leasing Activity	2021 Leasing Activity	Rental Rate (Office Base Rent Direct)
Downtown	21,751,989	8.0%	8.3%	9.9%	616,930	860,547	569,299	797,129	$2.91
Auburn/Lincoln	1,703,939	6.8%	7.3%	6.6%	(1,002)	(12,278)	7,510	46,678	$2.10
Campus Commons	1,767,264	9.4%	9.5%	15.8%	24,122	99,494	28,144	125,888	$2.24
Carmichael/Fair Oaks	1,578,662	16.1%	16.2%	16.5%	1,180	(56,304)	2,119	20,128	$1.60
Citrus Heights/Orangevale	1,829,599	11.9%	12.0%	14.1%	(18,217)	(26,964)	6,950	59,607	$1.64
Davis/Woodland	2,742,586	4.7%	5.2%	6.0%	29,735	38,641	17,847	62,271	$2.00
East Sacramento	2,612,879	1.5%	1.8%	3.0%	4,142	(17,831)	0	8,789	$2.87
El Dorado	2,181,854	10.2%	10.2%	19.0%	26,543	52,298	25,125	59,836	$2.09
Elk Grove	2,263,819	3.5%	3.5%	5.0%	(11,694)	54,107	7,698	49,039	$2.52
Folsom	5,396,191	3.7%	3.9%	12.1%	15,917	15,503	31,116	103,996	$2.23
Highway 50 Corridor	17,876,266	13.2%	14.3%	20.0%	(82,173)	(458,817)	49,553	420,226	$1.85
Howe Ave/Fulton Ave/Watt	5,248,774	16.2%	16.2%	15.5%	2,590	(6,570)	18,434	124,426	$1.59
Midtown	4,481,975	8.8%	8.8%	19.4%	(31,896)	(2,906)	2,841	78,919	$2.30
North Natomas	3,617,697	9.6%	10.3%	13.2%	5,466	(8,862)	52,148	209,304	$1.73
Point West	2,911,143	17.7%	18.1%	24.2%	(113,072)	(162,576)	19,232	189,293	$2.00
Rio Linda/N Highlands	1,064,826	11.7%	11.7%	22.5%	0	4,762	0	10,947	$1.20
Roseville/Rocklin	12,388,873	11.1%	12.8%	16.9%	(32,546)	(289,507)	184,285	626,850	$2.08
South Natomas	3,792,652	14.6%	15.0%	20.6%	(9,185)	(128,621)	2,976	143,745	$2.22
South Sacramento	3,677,983	4.9%	5.0%	8.0%	1,931	36,617	5,589	60,149	$1.79
West Sacramento	2,178,620	1.9%	2.0%	16.2%	99,867	74,914	277,151	292,478	$2.79
West Sacramento	2,178,620	1.9%	2.0%	16.2%	99,867	74,914	277,151	292,478	$2.79
Sacramento Total	**101,067,591**	**9.8%**	**10.4%**	**14.5%**	**528,638**	**65,647**	**1,308,017**	**3,489,698**	**$2.12**
Class A	27,690,289	9.0%	9.9%	15.1%	598,951	527,742	432,408	1,056,577	$2.49
Class B	48,546,866	11.1%	11.8%	15.8%	(40,556)	(278,328)	790,388	1,997,257	$2.02
Class C	24,838,120	8.1%	8.2%	11.4%	(29,757)	(183,767)	85,221	435,864	$1.78

TOP SALE TRANSACTIONS FOR 2021

Property	Submarket	SF	Sale Price	Price / SF	Buyer	Seller
CA Capitol Collection (9 Properties)	Sacramento	811,156	$116,200,000	$143.25	Cherng Family Trust	Buzz Oates
The Ziggurat	West Sacramento	373,725	$90,000,000	$240.82	Nome Capital Partners	Zurich Alternate Asset Mgt
Parkshore Plaza	Folsom	271,484	$72,150,000	$265.76	Kingsbarn Realty	Nella Invest
1625-1747 N Market Blvd, Sacramento	North Natomas	334,512	$57,500,000	$171.89	Nome Capital Partners	Buzz Oates
3001-3009 Douglas Blvd, Roseville	Roseville/Rocklin	196,467	$45,500,000	$231.59	KB Property Advisors	Barker Pacific Group

TOP LEASE TRANSACTIONS FOR 2021

Property	Submarket	SF	Transaction Date	Landlord	Tenant
620 Roseville Pkwy, Roseville	Roseville/Rocklin	96,505	July 2021	Farallon Capital Management LLC	Penumbra
10600 White Rock Rd, Rancho Cordova	Highway 50 Corridor	71,422	July 2021	Buzz Oates	California State Controller's Office
2880 Gateway Oaks Dr, Sacramento	South Natomas	48,808	January 2021	Mourier Land Investment Corp	California Dept of Aging
10540 White Rock Rd, Rancho Cordova	Highway 50 Corridor	42,000	January 2021	Pappas Investments	Child Action
730 I St, Sacramento	Downtown	32,516	May 2021	D&S Development	CapRadio

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery Date
344 N 7th St	344 N 7th St, Sacramento	Downtown	474,500	State of California	June 2022
Capitol Annex Expansion	1021 O St, Sacramento	Downtown	472,000	State of California	February 2022
10601 Bear Hollow Dr	10601 Bear Hollow Dr, Rancho Cordova	Highway 50 Corridor	285,000	State of California	January 2022
CalSTRS Expansion	100 Waterfront Place, West Sacramento	West Sacramento	275,000	CalSTRS	April 2022
4994 Hillsdale Cir	4994 Hillsdale Cir, El Dorado Hills	El Dorado	15,084	Tri-Square Construction	March 2022

DATA SOURCE: CoStar; State of California EDD

Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 21 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, project and construction management, and debt equity finance services for all property types.

Commercial Brokerage

$8B TRANSACTION VOLUME (ANNUAL)

23M SALES SF (ANNUAL)

42M LEASING SF (ANNUAL)

Valuation Advisory

1,800+ ASSIGNMENTS ANNUALLY

47/23 TOTAL NO. APPRAISERS/MAI'S

Asset Services

64M MANAGEMENT PORTFOLIO SF

$11B IN ASSETS UNDER MANAGEMENT

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

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