

**MARKET TRENDS | SACRAMENTO**

# OFFICE

**MARKET DRIVERS**

**OFFICE DIRECT ASKING LEASE RATES INCREASED** 3.49% year-over-year (YOY) from \$2.08/SF FS in 2Q21 to \$2.15/SF FS in 2Q22. Direct asking lease rates increased quarter-over-quarter from \$2.12/SF FS in 1Q22 to \$2.15/SF FS in 2Q22.

**AVAILABILITY RATES INCREASED** 6.07% YOY from 13.5% in 2Q21 to 14.3% in 2Q22.

**LEASING ACTIVITY DECREASED** 28.26% YOY from 753,290 SF in 2Q21 to 540,401 SF in 2Q22.

**SINCE 1Q21**, leasing activity has decreased 2.35% from 517,648 SF in the 1Q21 to 505,496 SF in 1Q22. The most active submarkets of 1Q22 were Highway 50 Corridor with 124,901 SF leased and Roseville/Rockling with 121,681 SF leased. In 4Q21, the Downtown submarket was the most active for the quarter with 569,299 SF leased.

**THE SALES VOLUME DECREASED** by 13.44% YOY from 699,533 SF in 2Q21 to 605,549 SF in 2Q22.

**VACANCY RATES INCREASED** 3.95% YOY from 10% in 2Q21 to 10.4% in 2Q22.

**DIRECT NET ABSORPTION FELL** 74.7% YOY from 4,610 SF in 2Q21 to negative 339,627 SF in 2Q22 and YTD direct net absorption is positive 290,949 SF.

**ECONOMIC OVERVIEW**

**PANDEMIC RECOVERY** continues in the Sacramento-Roseville-Arden-Arcade area with unemployment rates decreasing quarter-to-quarter from 4.6% in the first quarter of 2022 to about 3.2% in the second quarter of 2022.

**THE NUMBER OF EMPLOYMENT POSITIONS** in Trade, Transportation, and Utilities and Education and Health Services have increased by 38.2% (550 jobs) and 26.5% (3,400 jobs), respectively, from the previous quarter.

**CONSTRUCTION AND MANUFACTURING** have shown signs of decreasing 16.7% and 35.6% in 2Q22. In addition, Professional and Business Services and Government have also trended downwards by 3.2% and 16.7%, respectively.

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## Market Summary

	2Q22	1Q22	2Q21	% Change From A Year Ago
Vacancy Rate	10.4%	10.2%	10.0%	<b>3.95%</b>
Availability Rate	14.3%	14.1%	13.5%	<b>6.07%</b>
Asking Lease Rate (FS)	\$2.15	\$2.12	\$2.08	<b>3.49%</b>
Leasing Activity (SF)	540,401	614,028	753,290	<b>-28.26%</b>
Sale Volume (SF)	605,549	883,491	699,533	<b>-13.44%</b>
Net Absorption (SF)	(339,627)	550,459	4,610	<b>N/A</b>

▼ **540K**  
LEASING ACTIVITY

▼ **-339K**  
NET ABSORPTION (SF)

▲ **10.4%**  
VACANCY RATE

▲ **\$2.15**  
AVERAGE ASKING RENT

▼ **605K**  
SALES VOLUME (SF)

CHANGE FROM PRIOR YEAR

## Market Highlights

**DIRECT ASKING LEASE RATES** have increased to \$2.15/SF

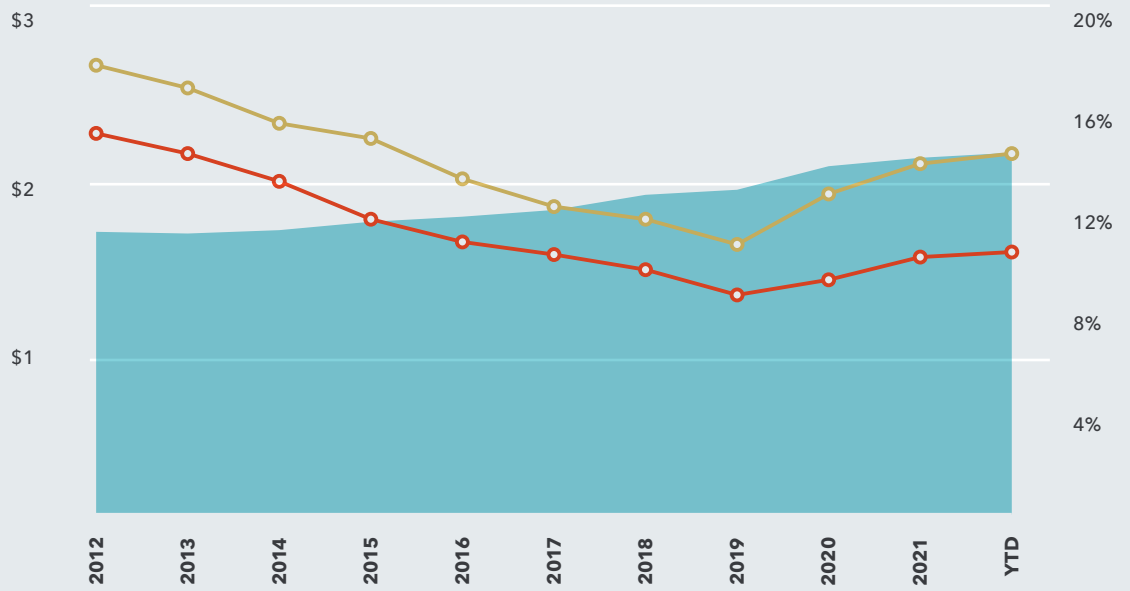
**AVAILABILITY RATES** and vacancy rates have increased to 14.3% and 10.4% respectively

**LEASE ACTIVITY** has decreased to 540,401 SF

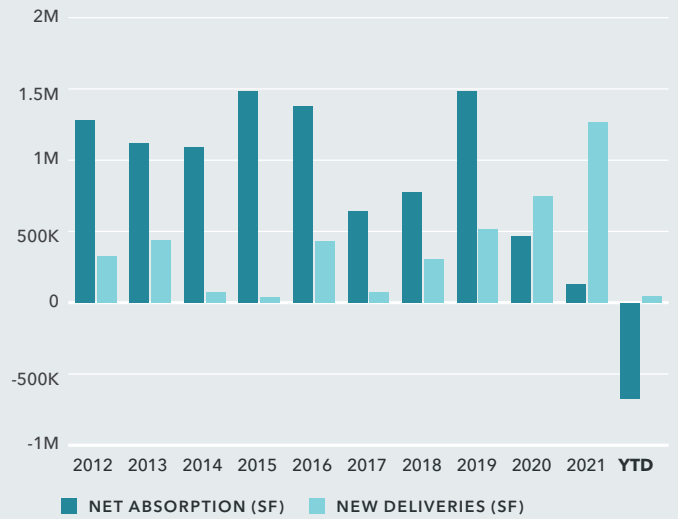
**DIRECT NET ABSORPTION** decreased to negative 339,627 SF

# Lease Rate, Vacancy & Availability

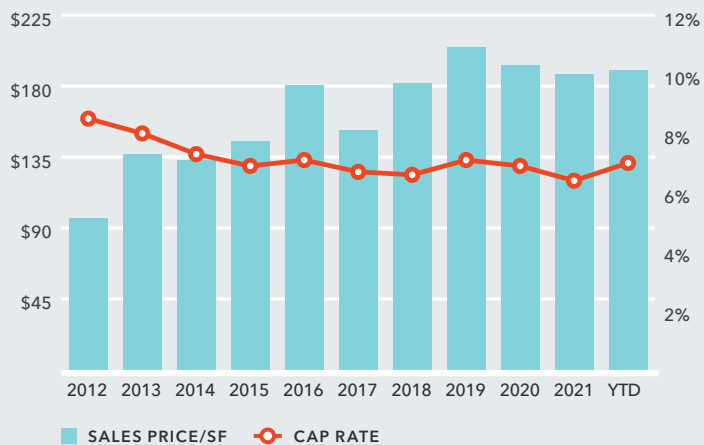
■ DIRECT LEASE RATE (FSG)  
○ DIRECT VACANCY  
○ TOTAL AVAILABILITY



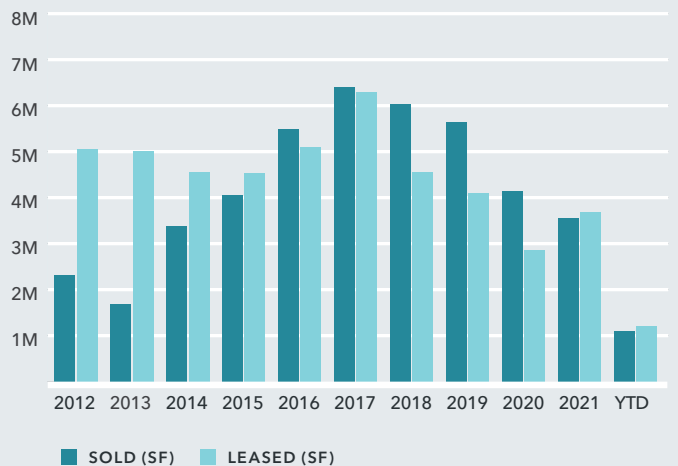
## Net Absorption & New Deliveries



## Average Sales Price/SF & Cap Rate



## Sale Volume & Leasing Activity



## SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	2Q22 Net Absorption (Direct)	YTD Net Absorption (Direct)	2Q22 Leasing Activity	YTD Leasing Activity	Rental Rate (Office Base Rent Direct)
Downtown	22,261,529	7.7%	7.9%	10.0%	(63,008)	498,296	79,604	151,017	\$2.94
Auburn/Lincoln	1,689,430	4.8%	5.3%	4.8%	14,889	34,543	4,064	9,058	\$2.02
Campus Commons	1,767,362	8.5%	8.8%	16.8%	6,165	9,921	29,272	43,100	\$2.27
Carmichael/Fair Oaks	1,578,662	16.3%	16.3%	17.3%	(28,544)	(6,321)	11,813	20,259	\$1.60
Citrus Heights/Orangevale	1,828,049	11.6%	11.8%	12.0%	16,449	2,627	10,331	18,162	\$1.65
Davis/Woodland	2,757,138	4.8%	5.3%	8.3%	20,861	(5,441)	8,756	19,618	\$2.14
East Sacramento	2,610,503	1.4%	1.4%	2.7%	0	252	3,163	3,163	\$2.87
El Dorado	2,215,712	9.1%	9.2%	17.4%	15,752	25,667	3,825	15,846	\$2.11
Elk Grove	2,262,745	3.3%	3.9%	5.5%	(4,527)	3,765	3,527	13,888	\$2.47
Folsom	5,607,511	4.6%	4.9%	14.9%	(114,447)	(62,646)	26,503	70,026	\$2.36
Highway 50 Corridor	5,275,894	16.6%	16.6%	15.7%	(11,531)	(37,054)	22,379	49,434	\$1.59
Howe Ave/Fulton Ave/Watt	4,717,640	9.8%	9.9%	15.9%	(4,372)	(46,483)	10,323	27,001	\$2.31
Midtown	3,678,132	10.0%	10.7%	15.1%	(14,242)	(13,500)	24,195	40,437	\$1.71
North Natomas	2,911,143	17.3%	17.8%	23.9%	(18,438)	3,895	75,812	97,780	\$2.02
Point West	1,064,826	11.5%	11.5%	22.2%	1,780	2,304	2,591	8,188	\$1.20
Rio Linda/N Highlands	12,380,858	10.2%	12.2%	16.9%	29,707	99,976	125,128	258,426	\$2.12
Roseville/Rocklin	3,790,749	14.5%	15.3%	23.3%	6,803	6,103	24,231	45,442	\$2.23
South Natomas	3,678,600	4.6%	4.6%	7.7%	5,004	2,632	10,385	19,565	\$1.81
South Sacramento	2,178,620	6.1%	6.1%	15.8%	(670)	(93,024)	1,510	15,005	\$2.81
West Sacramento	2,178,620	6.4%	6.4%	15.7%	(100,161)	74,914	12,267	292,478	\$2.80
<b>Sacramento Total</b>	<b>102,128,230</b>	<b>9.8%</b>	<b>10.4%</b>	<b>14.3%</b>	<b>(339,627)</b>	<b>290,949</b>	<b>540,401</b>	<b>1,154,429</b>	<b>\$2.15</b>
Class A	28,044,657	9.3%	10.0%	15.0%	(84,915)	(96,252)	194,032	373,273	\$2.53
Class B	48,909,344	11.3%	12.0%	15.6%	(230,460)	306,618	227,905	517,303	\$2.03
Class C	25,174,229	7.7%	7.8%	11.1%	(24,252)	80,583	118,464	263,853	\$1.80

**SUBLEASE AVAILABILITY** rates have risen as tenants look to unload the extra space that resulted from the pandemic.

**THE BUDGET PROPOSAL** for The State of California is anticipated to save \$84.7 million per year by reducing leased office space by 20%.

### NEAR-TERM OUTLOOK

**LARGE COMPANIES** are bringing their employees back into the office; however, many employees prefer to work from home. Thus, large companies are competing with companies offering work from home positions that

offer comparable wages and help employees avoid the high cost of gas and commutes among other drawbacks to in-office work.

**MORE INVESTORS** and users are leaning towards converting office space to have applications for life science, multifamily, and industrial.

**INDUSTRY PROFESSIONALS** foresee growth in subleasing activity, vacancy rates, and consolidation as more companies decide to stay remote.

## TOP SALE TRANSACTIONS FOR 2Q22

Property	Submarket	SF	Sale Price	Price / SF	Buyer	Seller
1075 Creekside Ridge Dr	Roseville/Rocklin	78,175	\$17,000,000	\$217.46	Flexcare Staffing	The Hofmann Company
6620 Coyle Ave	Citrus Heights/Orangevale	52,778	\$12,000,000	\$227.37	Welltower Inc.	Dylan Investments
5 Sierra Gate Plz	Roseville/Rocklin	38,495	\$8,585,000	\$223.02	Abbasco Enterprises LP	Black Iris Properties LLC
1104 Investment Blvd	El Dorado	78,286	\$8,000,000	\$102.19	Tower 1104 Investment Blvd LLC	Lba Realty Fund Iii-company Vi
3880 Atherton Rd	Roseville/Rocklin	41,000	\$6,000,000	\$146.34	CPC Scientific Inc	Financial Pacific Insurance Company

## TOP LEASE TRANSACTIONS FOR 2Q22

Property	Submarket	SF	Transaction Date	Landlord	Tenant
1300 U St	Downtown	47,514	June 2022	Clippinger Investment Properties	Undisclosed
1410 Rocky Ridge Dr	Roseville/Rocklin	24,518	May 2022	Dale Carlsen	Undisclosed
2241 Harvard St	Point West	22,232	April 2022	Basin Street Properties	State of CA
3636-3640 American River Dr	Campus Commons	19,000	May 2022	Aniketos Capital Management LLC	Westervelt Ecological Services
10850 Gold Center Dr	Highway 50 Corridor	13,526	July 2022	Basin Street Properties	Undisclosed

## TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery Date
Richards Boulevard Office Complex	344 N 7th St- 1-4	Downtown	312,500	State of California	June 2024
10601 Bear Hollow Dr.	10601 Bear Hollow Dr.	Highway 50 Corridor	285,000	State of California DSG	August 2022
CalSTRS Expansion	100 Waterfront Place	West Sacramento	275,000	CalSTRS	September 2022
8105 Saratoga Way	8105 Saratoga Way	Folsom	33,000	Kfg & Four Cs Llc	December 2022
4124 E Commerce Way	4124 E Commerce Way	North Natomas	20,000	V20 Investments LLC	September 2022

DATA SOURCE: CoStar; www.bls.gov, www.behealthysacramento.org, www.labormarketinfo.edd.ca.gov, governing.com

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.

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

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**Commercial  
 Brokerage**

**\$10.9B**  
 TRANSACTION  
 VOLUME (ANNUAL)

**49.7M** **43.7M**  
 SALES SF (ANNUAL) LEASING SF (ANNUAL)

**Valuation  
 Advisory**

**2,600+**  
 ASSIGNMENTS  
 ANNUALLY

**50/25**  
 TOTAL NO.  
 APPRAISERS/MAI'S

**Asset  
 Services**

**62M**  
 MANAGEMENT  
 PORTFOLIO SF

**\$11B**  
 IN ASSETS UNDER  
 MANAGEMENT

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