

MARKET TRENDS

SACRAMENTO OFFICE

MARKET DRIVERS

Sacramento's office vacancy rate increased to 11.5% at the start of the year in Q1, marking a 40-basis points (bps) rise year-over-year (YOY) from 11.1% in Q1 of 2024. Vacancy rates have grown steadily since the start of the pandemic and now reaches an almost 10-year historic high.

The availability rate throughout Sacramento's office market has hovered between 14-15% over the past couple of years. Q1 2025 experienced a slight decrease in overall availabilities QOQ from 14.9% to 14.8%, but unchanged YOY. Smaller requirements, slowing job growth, and new supply from government-occupied spaces have put upward pressure on vacancy and availability rates.

The average asking lease rate remained at the record high rate of \$2.20/SF in Q1 2025 which has held steady for the last four consecutive quarters. Rent growth has slowed over the past couple years as vacancies and availabilities have continued to rise year after year. In the current environment of elevated concessions given by landlords, rent growth will most likely not improve in the near-term.

Total leasing activity fell 39% YOY to 657K SF in Q1. Small leases continue to dominate office leasing throughout Sacramento with the average deal size approximately 2.5K SF in Q1. Leases under 5K SF accounted for almost half of the leasing volume last year in 2024, the highest proportion of the past five years and this trend continues into early 2025.

Sales activity in the new year started off slow, dropping 47% YOY in sales volume from 690K SF in Q1 2024 to 363K SF in Q1 2025. This is the lowest number the market has experienced in over 10 years, with the exception of Q3 2024 that posted 326K SF in volume. Additionally, the average sale price fell to a new 13-year low at just \$83/SF, possibly a reflection of the increase in distressed sales over the past year.

Office construction starts have been minimal over the last couple years, currently at a 7-year low in volume and 65% less than YOY. Of the 835K SF currently in the development pipeline, a majority of that is set to complete this year and only 25% of the inventory is still available for lease. Due to the estimated delivery time of construction projects being by year's end, this may likely cause vacancy to rise in the near term.

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Market Summary

	1Q25	4Q24	1Q24	YOY Change
Direct Vacancy Rate	11.5%	11.4%	11.1%	40 bps
Total Availability Rate	14.8%	14.9%	14.8%	0 bps
Direct Asking Lease Rate	\$2.20	\$2.20	\$2.19	0.5%
	1Q25	4Q24	1Q24	YOY Change
Leased SF	657,007	946,876	1,075,861	-39.0%
Sold SF	363,981	1,413,188	690,659	-47.3%
Net Absorption	-43,943	-227,962	-458,590	N/A

↓ **657K SF**
LEASING ACTIVITY

↓ **-43K SF**
NET ABSORPTION

↑ **11.5%**
VACANCY RATE

↑ **\$2.20**
ASKING RENT (AVG)

↑ **100K SF**
NEW DELIVERIES

Year-Over-Year Trend

Market Highlights

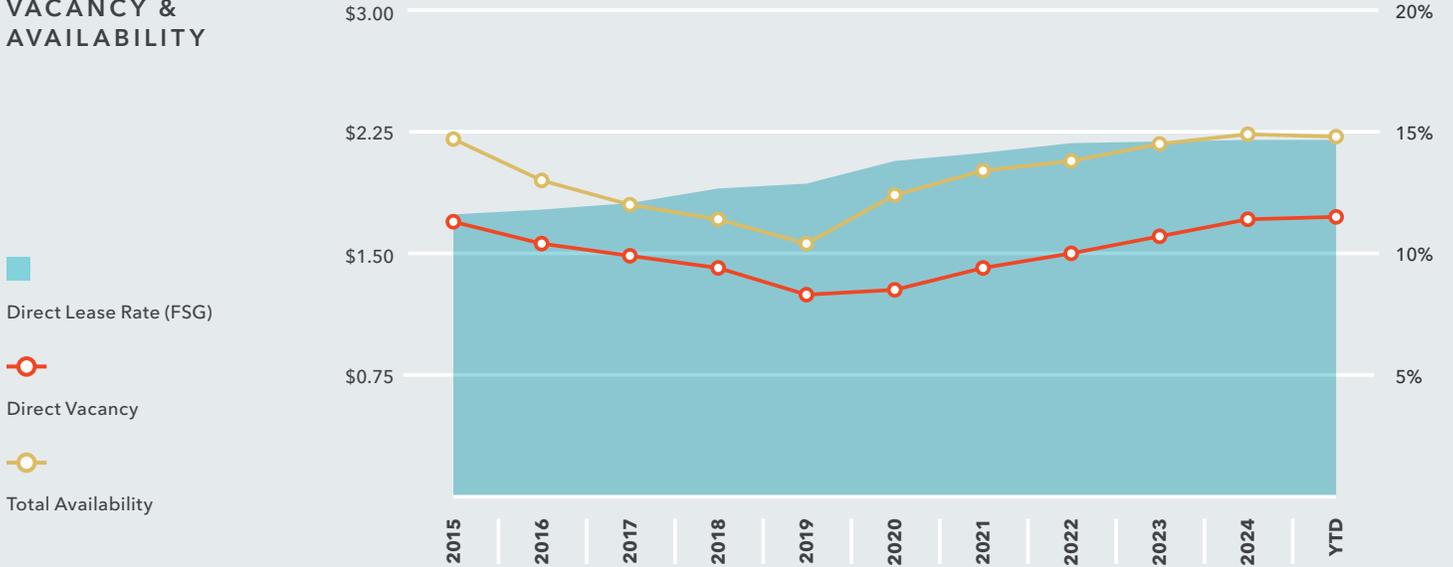
VACANCY RATES grew slightly YOY and QOQ to 11.5%.

AVAILABILITY RATES held steady YOY at 14.8%.

ASKING LEASE RATES remained flat QOQ at \$2.20/SF.

SALES VOLUME dropped QOQ and YOY to 364K SF.

LEASE RATE, VACANCY & AVAILABILITY



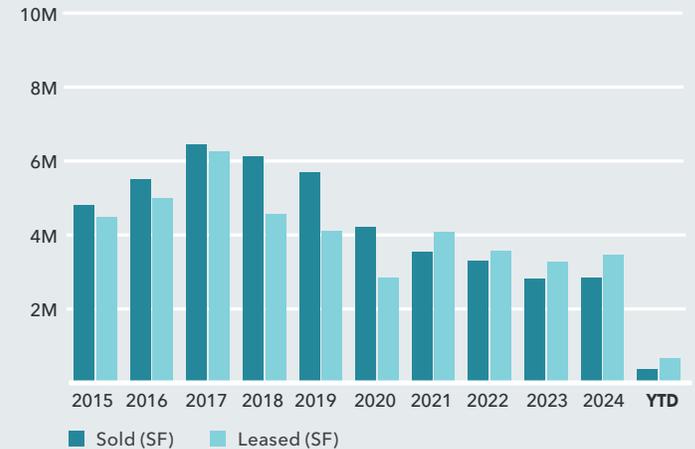
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	1Q25 Direct Net Absorption	2024 Direct Net Absorption	1Q25 Total Leasing Activity	2024 Leasing Activity	Average Rental Rate (FS)
Downtown	23,880,643	9.9%	10.1%	11.0%	-137,625	1,062,836	186,346	345,750	\$2.99
Auburn/Lincoln	1,701,697	5.8%	5.8%	5.5%	8,803	-14,281	16,556	22,187	\$2.10
Campus Commons	1,730,554	8.9%	9.5%	15.8%	-5	18,249	10,744	94,499	\$2.28
Carmichael/Fair Oaks	1,606,906	12.1%	12.1%	13.7%	-16,021	44,706	6,844	23,814	\$1.78
Citrus Heights/Orangevale	1,820,470	6.7%	6.7%	10.3%	4,363	33,672	13,343	51,034	\$1.80
Davis/Woodland	2,654,750	7.9%	7.9%	7.9%	-4,041	-12,189	12,600	73,959	\$2.89
East Sacramento	2,580,939	2.3%	2.3%	10.8%	8,922	-16,109	0	173,977	\$2.76
El Dorado	2,258,792	13.0%	13.0%	14.3%	-9,381	935	11,310	87,555	\$2.21
Elk Grove	2,372,346	3.8%	3.9%	4.3%	2,240	-53,689	11,987	38,963	\$2.78
Folsom	6,076,320	6.4%	6.9%	16.9%	13,444	109,303	34,864	200,802	\$2.37
Highway 50 Corridor	17,928,523	16.9%	17.6%	20.9%	17,042	-109,041	70,774	581,693	\$1.79
Howe Ave/Fulton Ave/Watt	5,261,807	11.9%	11.9%	11.4%	49,257	9,409	55,987	157,508	\$1.64
Midtown	4,788,172	9.3%	10.0%	12.4%	-25,981	-63,076	8,849	165,971	\$2.50
North Natomas	3,751,192	12.9%	13.1%	24.7%	-19,649	1,934	25,261	204,237	\$1.82
Point West	2,822,246	19.7%	19.8%	22.3%	-81,751	-12,727	47,056	112,243	\$1.95
Rio Linda/N Highlands	1,016,558	14.6%	14.6%	19.8%	-543	-5,167	4,529	9,087	\$1.45
Roseville/Rocklin	12,501,638	11.8%	12.0%	13.4%	147,649	-238,318	127,753	664,976	\$2.18
South Natomas	3,856,456	22.4%	24.0%	33.3%	-39,133	-149,180	6,866	173,647	\$2.37
South Sacramento	3,794,727	5.8%	5.8%	6.9%	-5,689	-30,468	5,216	41,256	\$1.85
West Sacramento	2,507,567	9.0%	9.0%	10.2%	44,156	144,038	122	225,861	\$2.50
Sacramento Total	104,912,303	11.5%	11.8%	14.8%	-43,943	720,837	657,007	3,449,019	\$2.20
Class A	26,084,705	15.9%	16.6%	20.9%	41,276	839,761	246,481	1,134,817	\$2.59
Class B	53,316,763	11.5%	11.7%	14.7%	-93,322	-96,873	314,648	1,930,151	\$2.01
Class C	25,510,835	7.1%	7.1%	8.7%	8,103	-22,051	95,878	384,051	\$1.89

ECONOMIC OVERVIEW

The unemployment rate in the Sacramento MSA was 4.8% in February, down 20 bps from the month prior, and below the year-ago estimate of 4.9%. This compares to California's unemployment rate of 5.5% and 4.5% for the nation during the same period.

NEAR-TERM OUTLOOK

Inflation and other economic uncertainties over the past year have forced tenants to carefully evaluate expansions and, in some cases, reduce space as their requirements change. Additionally, there have been several proposed policies such as tariffs, reduced corporate taxes, and deregulation. These policies have yet to be implemented, making it difficult to predict the future direction of the market. Once decisions are made about which policies will be enacted, there will be greater clarity regarding their impact on the market, enabling decision makers to respond accordingly.

Challenges persist for Sacramento's office market, driven by increased vacancies and availabilities as the move-outs by the government leased spaces continue until Q2 2025. However, the gradual increase in office utilization by other office tenants will help stabilize availability within the market. Tenants are committing to longer lease terms as they now have a firm understanding of their space needs post pandemic. Additionally, the lack of speculative projects in the past decade has positioned the region for a quicker turnaround and minimizes any further upward pressure to vacancy and availability rates. Many are optimistic for a positive turning point in the near-term for the Sacramento office market as we continue to head into the rest of 2025.

SIGNIFICANT SALE TRANSACTIONS 1Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
1100-1106 11th St	Downtown	31,388	\$3,750,000	\$119.47	Synergize Ventures, Inc.	Clippinger Inv.Properties
8421 Auburn Blvd - Bldgs 1-3	Citrus Heights/Orangevale	42,716	\$3,500,000	\$81.94	Vitaly Yanchuk	Gregory Tcherkoyan
11290 Point East Dr	Highway 50 Corridor	22,802	\$3,050,000	\$133.76	Piano Disc	USKO Realty
344 Placerville Dr	El Dorado	22,075	\$2,400,000	\$108.72	Steven Owens	James Tuggle
1501 28th St	Midtown	6,886	\$2,290,000	\$332.56	Mark Harrison & Adam Guernsey	Nolen Law Firm

SIGNIFICANT LEASE TRANSACTIONS 1Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant
10540 White Rock Rd	Highway 50 Corridor	22,384	March 2025	Pappas Investments	Undisclosed
730 I St	Downtown	22,000	January 2025	D&S Development, Inc.	Urban Hive
400 Capitol Mall	Downtown	21,026	March 2025	Buzz Oates	Undisclosed
621 Capitol Mall	Downtown	20,829	March 2025	Shorenstein Properties	Undisclosed
801 K St	Downtown	19,428	February 2025	Ethan Conrad Properties	Undisclosed

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Aggie Square	200 Aggie Square Way	East Sacramento	314,000	The Regents of the University of California	May 2025
Aggie Square	300 Aggie Square Way	East Sacramento	255,000	The Regents of the University of California	May 2025
Aggie Square	100 Aggie Square Way	East Sacramento	228,141	The Regents of the University of California	June 2025
E Bidwell St	E Bidwell St	Folsom	123,000	The Regents of the University of California	June 2025
4456 Golden Foothill Pkwy	4456 Golden Foothill Pkwy	El Dorado	34,000	PacTrust	December 2025

Data Source: Costar; data.bls.gov, bizjournals.com



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COMMERCIAL BROKERAGE	\$9B AVERAGE ANNUAL TRANSACTION VOLUME	26.2M ANNUAL SALES SF	36.7M ANNUAL LEASING SF
ASSET SERVICES	58M SF MANAGEMENT PORTFOLIO SIZE	850+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,400+ AVERAGE ASSIGNMENTS	39 TOTAL APPRAISERS	24 WITH MAI DESIGNATIONS

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