

MARKET TRENDS

# SACRAMENTO OFFICE

MARKET DRIVERS

Sacramento’s office vacancy rate increased to 11.4%, marking a 60 basis points (bps) rise year-over-year (YOY) from 10.8% in Q2 of 2024. Although the vacancy rate sits at an almost 10-year historic high, it is still below the national benchmark. Specifically, Downtown Sacramento has been able to maintain a vacancy under 10% due to consistent demand, whereas many similar markets across the west have the highest vacancies in the downtown region.

The availability rate throughout Sacramento’s office market has hovered between 14-15% over the past couple of years. Q2 2025 experienced an increase in overall availability rates QOQ from 14.0% to 14.6%, but down from 14.9% YOY. Demand continues to be concentrated on the high-quality office properties, specifically focused on new inventory in recent quarters.

The average asking lease rate held steady at a record high of \$2.21/SF for the second consecutive quarter since Q1. However, rent growth has slowed in recent years due to a consistent increase in vacancies and availabilities. With landlords continuing to offer elevated concessions, rent growth is unlikely to see improvement in the near term.

Total leasing activity dropped 12.3% QOQ and 29% YOY to 551K SF in Q2. Leases smaller than 5,000 SF have made up nearly 45% of total leasing activity over the past four quarters - the highest share recorded in the last five years. Additionally, slowing employment growth in the Sacramento market has resulted in smaller requirements for office users.

Sales activity the first half of 2025 trails behind that of last year, down 21% in sales volume when compared to the first half of 2024. With just 453K SF sold in Q2, this represents one of the lowest volumes in a 10-year span. After Q1 posted a 13-year low in sales price at \$97/SF, Q2 reflected a slight increase at \$118/SF, still hovering near record lows since last quarter. Shrinking deal sizes, coupled with increased distressed sales have directly impacted the market.

Office construction volume has been low, and new projects have been minimal over the last couple of years. With just 324K SF currently under construction, a 13-year low, the Sacramento office market may be positioned for a quicker turnaround than the great recession when overbuilding was prevalent resulting in excess supply and increased vacancies.

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## Market Summary

	2Q25	1Q25	2Q24	YOY Change
Direct Vacancy Rate	11.4%	11.0%	10.8%	60 bps
Total Availability Rate	14.6%	14.0%	14.9%	-30 bps
Direct Asking Lease Rate	\$2.21	\$2.21	\$2.20	0.5%
	2Q25	2025 YTD	2024 YTD	YOY Change
Leased SF	551,090	1,179,420	1,869,623	-37.0%
Sold SF	453,849	868,489	1,097,329	-20.9%
Net Absorption	40,521	335,026	1,410,803	N/A

2Q 2025

↓ 551K SF  
LEASING ACTIVITY

↑ 40K SF  
NET ABSORPTION

↑ 11.4%  
VACANCY RATE

↑ \$2.21  
ASKING RENT (AVG)

↓ 569K SF  
NEW DELIVERIES

Year-Over-Year Trend

## Market Highlights

**DIRECT VACANCY RATES** rates increased YOY and QOQ to 11.4%.

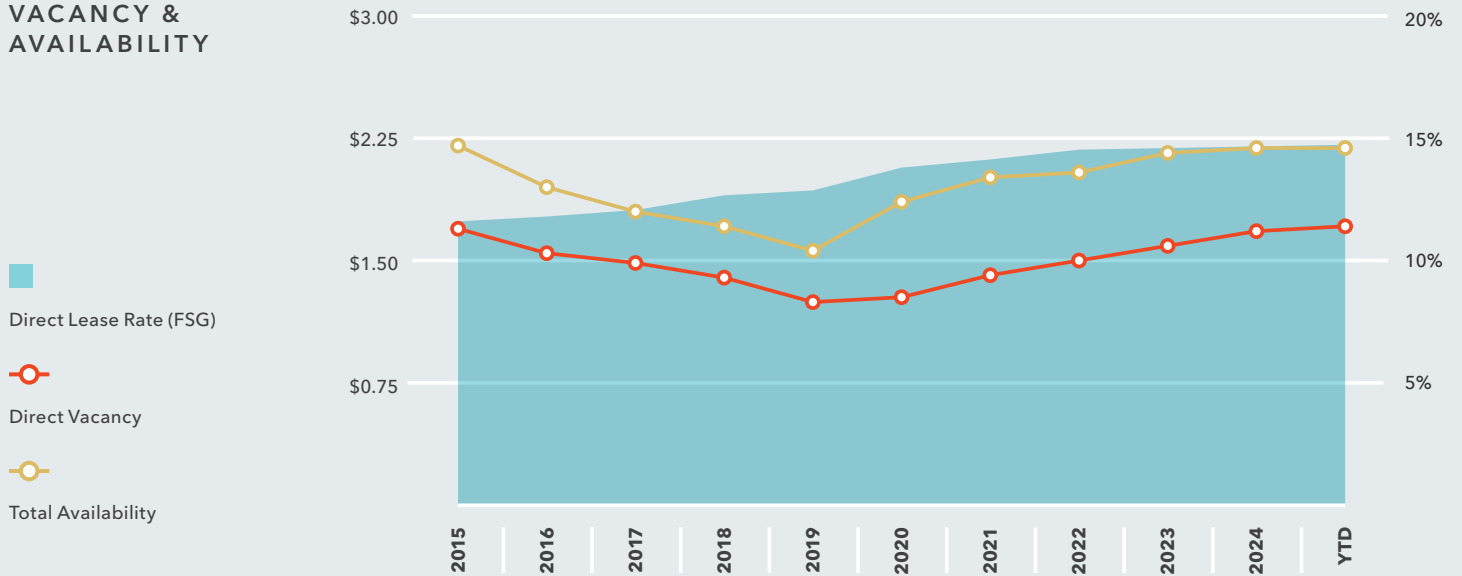
**AVAILABILITY RATES** fell slightly YOY at 14.6%.

**ASKING LEASE RATES** remained flat QOQ at \$2.21 PSF.

**SALES VOLUME** was up QOQ and YOY to 453K SF.



## LEASE RATE, VACANCY & AVAILABILITY

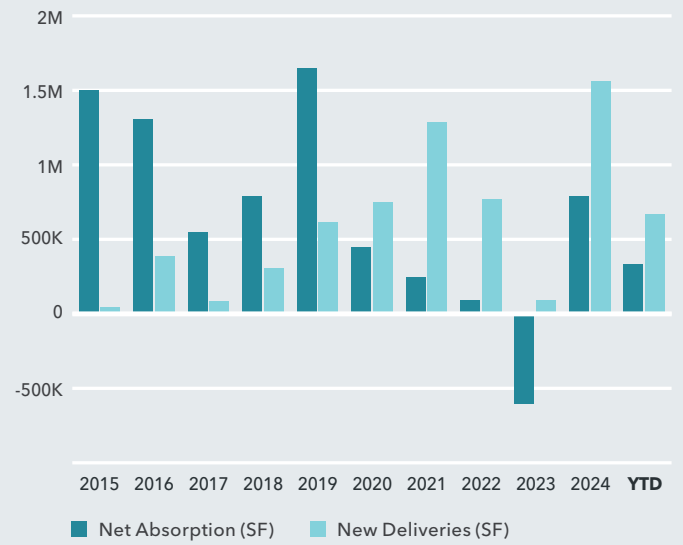


## BIGGEST SALE OF THE QUARTER

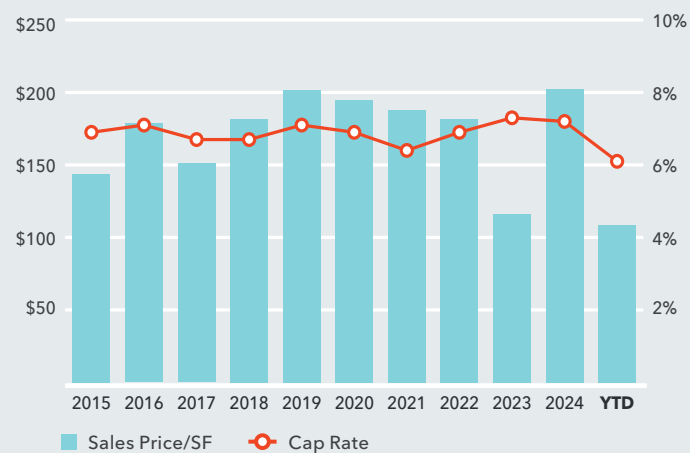
*104 Woodmere Rd, Folsom*



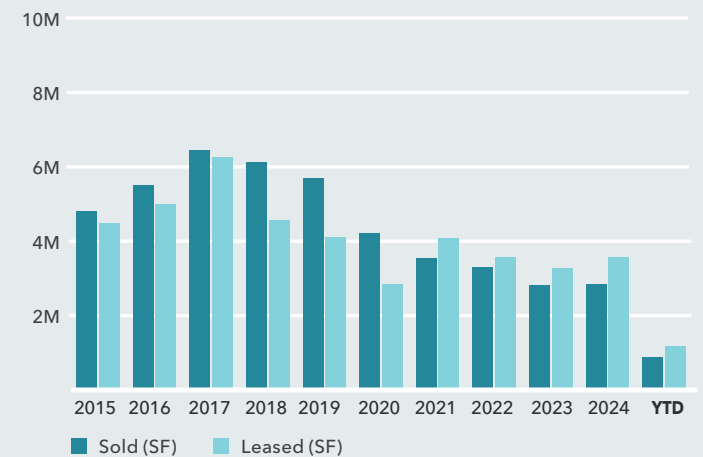
## NET ABSORPTION & NEW DELIVERIES



## AVERAGE SALES PRICE/SF & CAP RATE



## SALE VOLUME & LEASING ACTIVITY





## SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	2Q25 Direct Net Absorption	YTD Direct Net Absorption	2Q25 Total Leasing Activity	YTD Leasing Activity	Average Rental Rate (FS)
Downtown	23,929,499	9.4%	9.6%	23,929,499	9.4%	9.6%	186,346	345,750	\$2.99
Auburn/Lincoln	1,716,995	5.6%	5.6%	1,716,995	5.6%	5.6%	16,556	22,187	\$2.10
Campus Commons	1,731,918	7.8%	8.3%	1,731,918	7.8%	8.3%	10,744	94,499	\$2.28
Carmichael/Fair Oaks	1,602,904	12.7%	12.7%	1,602,904	12.7%	12.7%	6,844	23,814	\$1.78
Citrus Heights/Orangevale	1,810,996	7.6%	8.1%	1,810,996	7.6%	8.1%	13,343	51,034	\$1.80
Davis/Woodland	2,608,829	7.9%	7.9%	2,608,829	7.9%	7.9%	12,600	73,959	\$2.89
East Sacramento	3,152,171	8.0%	8.0%	3,152,171	8.0%	8.0%	0	173,977	\$2.76
El Dorado	2,247,835	14.2%	14.2%	2,247,835	14.2%	14.2%	11,310	87,555	\$2.21
Elk Grove	2,381,030	3.7%	3.7%	2,381,030	3.7%	3.7%	11,987	38,963	\$2.78
Folsom	6,066,717	6.3%	6.6%	6,066,717	6.3%	6.6%	34,864	200,802	\$2.37
Highway 50 Corridor	17,909,857	16.0%	16.6%	17,909,857	16.0%	16.6%	70,774	581,693	\$1.79
Howe Ave/Fulton Ave/Watt	5,272,876	12.3%	12.3%	12.0%	-26,926	24,556	13,772	84,844	\$1.64
Midtown	4,819,592	9.7%	10.3%	12.8%	-10,455	-34,517	12,945	25,623	\$2.48
North Natomas	3,752,069	13.4%	13.4%	23.5%	-30,429	-41,350	28,006	53,267	\$1.89
Point West	2,822,228	20.0%	20.2%	24.3%	-17,032	-90,986	20,970	68,026	\$1.94
Rio Linda/N Highlands	1,016,558	15.7%	15.7%	20.0%	-11,595	-12,138	0	4,529	\$1.50
Roseville/Rocklin	12,541,239	10.5%	10.7%	12.1%	7,477	220,242	85,161	228,618	\$2.21
South Natomas	3,856,456	26.7%	27.9%	34.5%	-144,909	-204,367	30,919	45,535	\$2.34
South Sacramento	3,783,253	5.7%	5.7%	7.4%	3,877	-1,812	3,004	8,220	\$1.85
West Sacramento	2,509,429	9.3%	9.4%	10.2%	-8,625	35,531	0	122	\$2.52
<b>Sacramento Total</b>	<b>105,532,451</b>	<b>11.4%</b>	<b>11.7%</b>	<b>14.6%</b>	<b>40,521</b>	<b>335,026</b>	<b>551,090</b>	<b>1,179,420</b>	<b>\$2.21</b>
Class A	26,413,408	15.6%	16.1%	19.4%	325,874	403,940	229,192	401,206	\$2.59
Class B	53,705,738	11.2%	11.5%	14.8%	-202,314	7,303	270,877	624,743	\$2.03
Class C	25,413,305	7.5%	7.5%	9.0%	-83,039	-76,217	51,021	153,471	\$1.88

## ECONOMIC OVERVIEW

The unemployment rate in the Sacramento MSA was 4.3% in May, down 20 bps from the month prior, but an increase in the year-ago estimate of 3.9%. This compares to California's unemployment rate of 5.3% and 4.2% for the nation during the same period.

The return to office mandate for government employees was expected to begin July 1, but that has since been delayed another year as part of broader labor negotiations. Many anticipated the four days a week back in the office was going to help boost the local economy and foot traffic, especially in areas where there is a big presence by the state such as Downtown, South Natomas and Rancho Cordova.

## NEAR-TERM OUTLOOK

Sacramento's office market continues to face challenges, driven by rising vacancies and availabilities, particularly with government tenants vacating spaces until Q2 2025. However, the move-outs by the government leased spaces into state-owned office buildings prevent vacancies from reaching peak levels. Large sized transactions

remain uncommon, but there has been a growing trend toward longer lease terms. While occupiers are not actively expanding, they now have a firm understanding of their long-term real estate needs and lease durations are gradually returning to pre-pandemic levels. Many continue to stay optimistic for a positive turning point in the near-term for the Sacramento office market as we continue to head into the second half of 2025.

Inflation and ongoing economic uncertainties over the past year have led tenants to closely reassess their expansion plans, with some opting to downsize as their needs evolve. At the same time, various proposed policies—such as tariffs, corporate tax cuts, and deregulation—remain undecided, making it challenging to forecast the market's future trajectory. Once decisions are made about which policies will be implemented, clearer insights into their effects will emerge, allowing stakeholders to adjust their strategies accordingly.



## SIGNIFICANT SALE TRANSACTIONS 2Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
104 Woodmere Rd	Folsom	84,756	\$13,000,000	\$153.38	Muslim Community of Folsom, Inc.	Mercury Insurance
80 Iron Point Cir	Folsom	62,250	\$12,800,000	\$205.62	Market Street Healthcare Properties	Stephen Zehnder
2860 El Dorado Hills Blvd	Folsom	12,503	\$4,200,000	\$335.92	MdStat Urgent Care	Kirsten Garrabrant
985 Sun City Ln	Roseville/Rocklin	24,246	\$3,302,000	\$136.19	Ramandeep Gurai	Ethan Conrad Properties
8928 Volunteer Ln	Highway 50 Corridor	25,415	\$3,230,000	\$127.09	Ramandeep Dhaliwal	Ognian Gavrilov

## SIGNIFICANT LEASE TRANSACTIONS 2Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant
660 J St	Downtown	113,000	April 2025	Argosy Real Estate Mgmt, LLC	Sutter Health
700 Riverpoint Dr	West Sacramento	36,271	April 2025	Buzz Oates	Undisclosed
10911 White Rock Rd	Highway 50 Corridor	35,271	June 2025	Basin Street Properties	Undisclosed
2484 Natomas Park Dr	South Natomas	17,338	May 2025	Jerry Fat	Undisclosed
400 Capitol Mall	Downtown	16,282	June 2025	Buzz Oates	Undisclosed

## SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
995 Riverfront St	995 Riverfront St	West Sacramento	40,000	Fulcrum Property	December 2025

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



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

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COMMERCIAL  
BROKERAGE

\$9B

AVERAGE ANNUAL  
TRANSACTION VOLUME

26.2M

ANNUAL  
SALES SF

36.7M

ANNUAL  
LEASING SFASSET  
SERVICES

58M SF

MANAGEMENT  
PORTFOLIO SIZE

850+

ASSETS UNDER  
MANAGEMENT

250+

CLIENTS  
SERVEDVALUATION  
ADVISORY

2,400+

AVERAGE ANNUAL  
ASSIGNMENTS

39

TOTAL  
APPRAISERS

24

WITH MAI  
DESIGNATIONS

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