

MARKET TRENDS

SACRAMENTO OFFICE

MARKET DRIVERS

Sacramento's office vacancy rate increased to 11.4%, up 30 basis points year over year from 11.1% in Q4 2024, marking a ten-year high and remaining roughly 300 basis points above pre-pandemic levels. While vacancy has risen across the market, downtown Sacramento continues to outperform many other West Coast CBDs, maintaining vacancy below 10% compared with average downtown vacancy rates exceeding 30% in other major western markets.

After peaking at a decade high last year, office availability has begun to stabilize and has declined modestly over the past several quarters. By Q4, overall availability decreased year over year from the record high of 14.5% to 14.0%. Sublease inventory has also dropped significantly, falling by nearly 50% from its 2023 peak and approaching levels not seen since before the pandemic.

Elevated concession packages have reshaped leasing dynamics, with tenants increasingly focused on deal economics as much as the space itself, extending marketing periods and negotiation timelines. As a result, rent growth is expected to remain largely flat through 2026, reflecting muted demand and elevated vacancy and availability rates. Even so, Downtown Sacramento continues to command a meaningful pricing premium relative to other submarkets, supported by its concentration of high-quality inventory and its longstanding reputation as the region's premier office destination.

Leasing activity remained sluggish throughout 2025, with annual volume falling to a five-year low. Demand was largely driven by tenants with modest space requirements, as government users increasingly shifted toward owned properties, removing a key source of leasing activity from the market. This shift has resulted in smaller average lease sizes and a generally leaner demand profile. Leases under 5,000 square feet now account for nearly half of all leasing activity over the past four quarters, representing the highest share recorded in the past five years.

Sales volume remained consistently subdued across all quarters of 2025, reflecting a persistent slowdown in transaction activity that drove the annual total volume to a ten-year low. However, in Q4, the same downtown Sacramento office property that sold for \$28M in 2016 traded again at a 14% discount, which represented the largest sale of the quarter. Despite the lower sale price, the transaction achieved the highest price per square foot in downtown Sacramento since 2022, highlighting resilience and early signs of stabilization in the market.

continued on page 3

Market Summary

	4Q25	3Q25	4Q24	YOY Change
Direct Vacancy Rate	11.4%	11.3%	11.1%	30 bps
Total Availability Rate	14.0%	13.9%	14.5%	-50 bps
Direct Asking Lease Rate/SF/Mo	\$2.19	\$2.19	\$2.20	-0.5%
	4Q25	2025	2024	YOY Change
Leasing Activity (SF)	555,446	2,386,003	3,581,550	-33.4%
Sale Volume (SF)	524,514	1,781,628	2,123,250	-16.1%
Net Absorption (SF)	-102,066	1,781,628	2,813,869	N/A

↓ **555K SF**
LEASING ACTIVITY

↓ **-102K SF**
NET ABSORPTION

↑ **11.4%**
VACANCY RATE

↓ **\$2.19**
ASKING RENT (AVG)

↓ **0 SF**
NEW DELIVERIES

Year-Over-Year Trend

Market Highlights

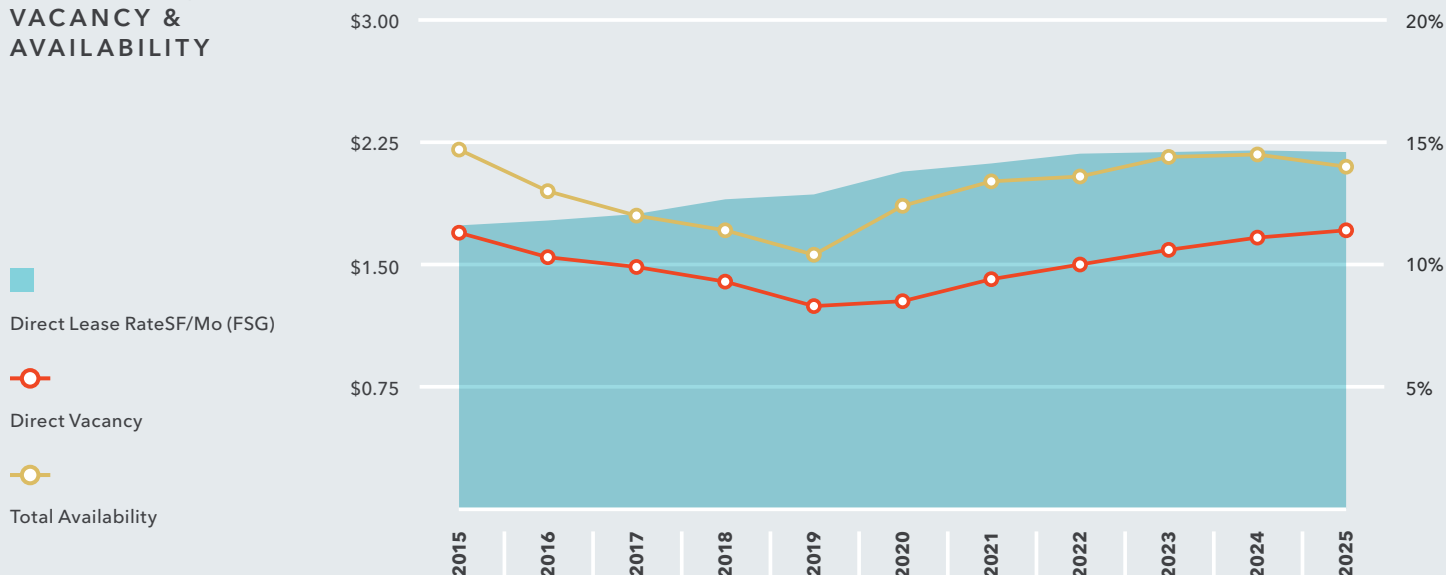
DIRECT VACANCY RATES
increased YOY and QOQ
to 11.4%

AVAILABILITY RATES
decreased YOY to 14.0%

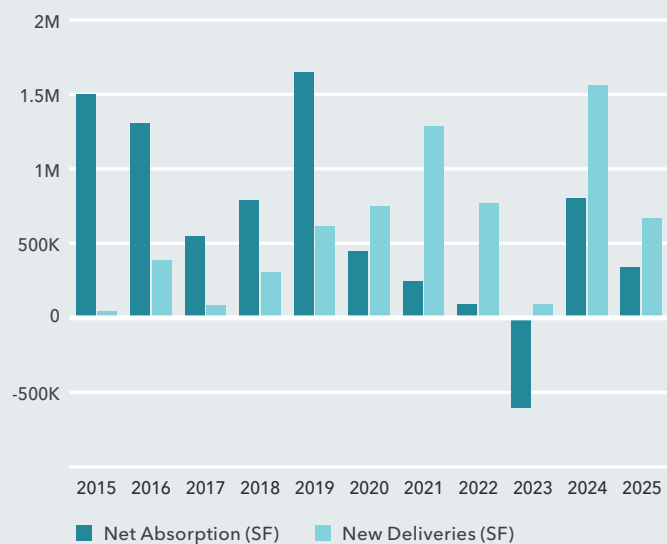
ASKING LEASE RATES fell YOY
to \$2.19 PSF

SALES VOLUME was down
QOQ and YOY to 524K SF

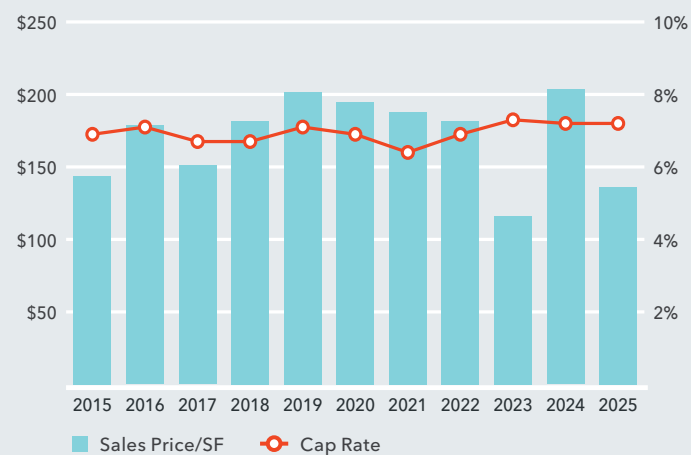
LEASE RATE, VACANCY & AVAILABILITY



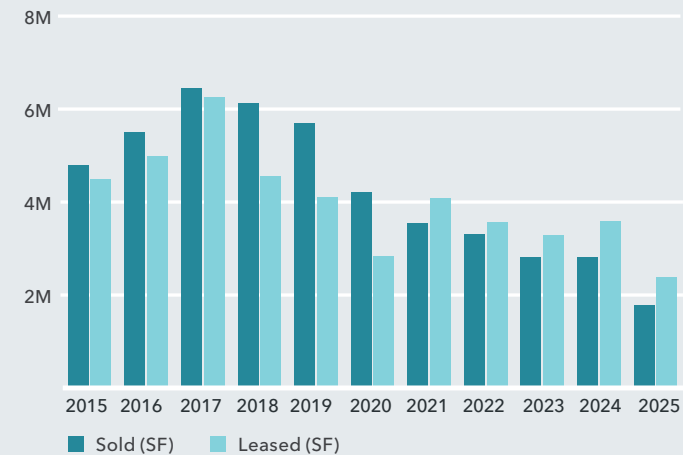
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	4Q25 Direct Net Absorption	2025 Direct Net Absorption	4Q25 Total Leasing Activity	2025 Leasing Activity	Average Rental Rate (FS)
Downtown	24,623,638	9.4%	9.5%	11.4%	-69,220	-138,043	74,757	381,066	\$2.99
Auburn/Lincoln	1,681,531	6.0%	6.0%	5.0%	-3,861	8,381	1,500	46,424	\$2.06
Campus Commons	1,728,612	8.6%	8.8%	14.6%	1,404	5,834	12,312	82,217	\$2.38
Carmichael/Fair Oaks	1,594,783	12.1%	12.1%	12.8%	-4,614	-10,989	4,113	23,860	\$1.89
Citrus Heights/Orangevale	1,809,125	7.3%	7.7%	10.5%	12,591	-4,615	8,930	38,831	\$1.74
Davis/Woodland	2,606,157	8.0%	8.0%	8.0%	2,322	-497	4,675	34,784	\$2.82
East Sacramento	3,153,547	7.9%	7.9%	8.4%	-1,478	387,288	14,671	15,451	\$2.71
El Dorado	2,347,251	12.0%	12.0%	14.3%	969	2,773	9,996	38,426	\$2.27
Elk Grove	2,381,416	4.2%	4.9%	5.3%	-3,676	-7,995	1,800	43,752	\$2.81
Folsom	6,162,693	6.5%	7.2%	14.6%	-16,603	6,928	46,736	193,782	\$2.38
Highway 50 Corridor	17,804,834	17.0%	17.7%	21.2%	-27,950	-56,590	64,701	364,151	\$1.78
Howe Ave/Fulton Ave/Watt	5,242,331	12.7%	12.7%	12.5%	-7,305	3,388	13,073	116,984	\$1.63
Midtown	4,520,700	9.2%	9.9%	11.5%	1,725	32,132	22,777	75,957	\$2.39
North Natomas	3,774,341	12.5%	13.5%	25.2%	27,836	-10,354	2,028	63,314	\$1.92
Point West	2,823,140	20.7%	20.9%	24.2%	18,346	-110,235	13,141	88,083	\$1.95
Rio Linda/N Highlands	1,098,502	13.1%	13.1%	15.0%	-6,644	4,273	21,958	31,570	\$1.49
Roseville/Rocklin	12,508,844	10.6%	10.6%	8.8%	-1,499	201,608	210,244	534,468	\$2.22
South Natomas	3,864,001	22.3%	22.5%	29.6%	-45,373	-36,393	4,853	83,011	\$2.19
South Sacramento	3,767,298	5.3%	5.3%	6.2%	21,318	17,030	10,182	29,198	\$1.78
West Sacramento	2,524,481	9.0%	9.0%	8.4%	-354	43,284	12,999	100,674	\$2.31
Sacramento Total	106,017,225	11.4%	11.7%	14.0%	-102,066	337,208	555,446	2,386,003	\$2.19
Class A	26,428,392	15.3%	15.8%	17.9%	-141,015	462,530	148,800	757,612	\$2.56
Class B	53,973,829	11.6%	11.9%	15.1%	17,077	-157,174	210,877	1,210,774	\$2.03
Class C	25,615,004	6.9%	6.9%	7.6%	21,872	31,852	195,769	417,617	\$1.91

MARKET OVERVIEW CONTINUED

Construction activity in the Sacramento office market remains extremely limited, with just under 200K SF currently underway—well below the ten-year average of 1.3M SF. Looking ahead, medical office projects and new government buildings are expected to be the primary sources of near-term development. Since most upcoming projects are likely to be built-to-suit rather than speculative, additional supply-side pressure on vacancy should remain limited through 2026.

ECONOMIC OVERVIEW

The unemployment rate in the Sacramento MSA was 5.0% in November, up 20 bps from the year-ago estimate of 4.8%. This compares to California's unemployment rate of 5.4% and 4.3% for the nation during the same period.

While Sacramento has historically lagged the Bay Area in attracting tech firms due to the concentration of venture capital and innovation networks elsewhere, the region's tech sector is expanding through organic growth and in-migration of tech talent.

While the gap remains between the two regions, hybrid work adoption has lowered barriers to operating outside core tech hubs, positioning Sacramento as a cost-effective location for satellite offices and secondary operations.

NEAR-TERM OUTLOOK

Sacramento's office market continues to work through a gradual post-pandemic adjustment, with progress occurring unevenly across submarkets. While the state's return-to-office mandate has been delayed amid ongoing labor negotiations, modest signs of stabilization have emerged independent of a formal mandate. Leasing activity has improved selectively, vacancy growth has slowed, and some employers are incrementally increasing in-office expectations. At the same time, tenant demand remains concentrated in higher-quality, amenity-rich buildings, reinforcing a flight-to-quality dynamic. With minimal new supply and limited speculative construction, market conditions appear to be recalibrating, suggesting the office sector may be approaching a more balanced, albeit subdued, operating environment heading into 2026.

SIGNIFICANT SALE TRANSACTIONS 4Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
520 Capitol Mall	Downtown	80,752	\$22,300,000	\$276.15	CA Housing Finance Agency	Michael Murray
1101 & 1107 Investment Blvd	El Dorado	136,086	\$10,635,500	\$78.15	Gemperle Farms	SUM Bible College and Theological Seminary
873-881 Embarcadero Dr	Folsom	25,385	\$6,600,000	\$260.00	Cilker Orchards	Aborn Powers
1331 21st St	Midtown	7,733	\$2,850,000	\$368.55	WFB, N.A./Hartley Hansen T.	Alex Bult
3100 Beacon Blvd	W Sacramento	15,510	\$2,373,500	\$153.03	Blackburn Consulting, Inc.	Ahtna Incorporated

SIGNIFICANT LEASE TRANSACTIONS 4Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant
8150 Industrial Ave	Roseville/Rocklin	57,764	October 2025	Bridgeway Christian Church	Undisclosed
3001 Lava Ridge Ct	Roseville/Rocklin	27,148	December 2025	Channel Properties, Inc.	InterWest Insurance Services
5022 Bailey Loop	Rio Linda/N Highlands	21,958	November 2025	McClellan Park, LLC	American Medical Response
1180 Iron Point Rd	Folsom	15,818	December 2025	KBS Strategic Opportunity REIT, Inc.	Outlet Coworking
455 Capitol Mall	Downtown	15,205	October 2025	William Dawson	Ascent

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
3185 McCarthy Way	3185 McCarthy Way	Folsom	92,000	Dignity Health	1Q 2027
995 Riverfront St	995 Riverfront St	West Sacramento	40,000	Fulcrum Property	1Q 2026
Riverpoint North Corporate Center - Bldg B	700 Riverpoint Dr	West Sacramento	38,350	Buzz Oates	3Q 2027

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 SFASSET
SERVICES

53M SF

MANAGEMENT
PORTFOLIO SIZE

800+

ASSETS UNDER
MANAGEMENT

250+

CLIENTS
SERVEDVALUATION
ADVISORY

2,400+

AVERAGE ANNUAL
ASSIGNMENTS

41

TOTAL
APPRAISERS

23

WITH MAI
DESIGNATIONS