

MARKET TRENDS

# SACRAMENTO OFFICE

### MARKET DRIVERS

Sacramento's office vacancy rate remained unchanged from year end 2025, at 11.2% in Q1, suggesting a pause in the upward trend observed over the past several years. While vacancy remains elevated relative to pre-pandemic levels, the recent plateau may suggest early signs of stabilization after a prolonged period of softening.

Overall availability increased slightly to 13.7% from last quarter but remained below the year-ago level. Despite the quarterly uptick, availability has generally trended lower over the past year, supported in part by declining sublease inventory and limited additions of large blocks of space.

Leasing activity remained relatively subdued, though Q1 saw improved momentum YOY. Demand continues to be driven by smaller tenants, while recent government leasing activity signals a re-emergence of public sector demand. Notably, the Sacramento District Attorney's Office signed a 15-year, 121,074 SF lease at 980 Ninth St., reinforcing long-term institutional commitment to downtown and supporting occupancy stability at a time when many private tenants are favoring shorter-term flexibility.

Pricing conditions remain competitive, with asking rents trending downward year-over-year as landlords continue to offer concessions and flexible deal structures to attract tenants. While effective rents are under pressure, well-located, higher-quality assets—particularly in Downtown Sacramento—continue to command a premium relative to the broader market.

Investment activity remains muted, while development continues to be extremely limited, reflecting cautious capital deployment. However, constrained new supply may help support longer-term market stabilization as conditions improve.

### ECONOMIC OVERVIEW

The unemployment rate in the Sacramento-Roseville-Folsom MSA was 5.2% in January 2026, up from a revised 4.8% in December 2025 and above the year-ago estimate of 5.0%. This compares to 5.5% for the state of California and 4.7% nationally during the same period.

Sacramento continues to benefit from its relative affordability compared to coastal California markets, supporting steady population trends and business migration. While the region still trails major tech hubs in scale, hybrid work dynamics continue to support its role as a cost-effective alternative for satellite offices and back-office operations.

continued on page 3

### Market Summary

	1Q26	4Q25	1Q25	YOY Change
Direct Vacancy Rate	11.2%	11.2%	10.8%	<b>40 bps</b>
Total Availability Rate	13.7%	13.5%	13.8%	<b>-10 bps</b>
Direct Asking Lease Rate/SF/Mo	\$2.17	\$2.19	\$2.21	<b>-1.9%</b>
	1Q26	4Q25	1Q25	YOY Change
Leasing Activity (SF)	643,747	602,686	618,065	<b>4.2%</b>
Sale Volume (SF)	367,299	447,474	343,601	<b>6.9%</b>
Net Absorption (SF)	-25,948	-87,162	132,128	<b>N/A</b>

↑ **643K SF**  
LEASING ACTIVITY

↓ **-25K SF**  
NET ABSORPTION

↑ **11.2%**  
VACANCY RATE

↓ **\$2.17**  
ASKING RENT (AVG)

↓ **0K SF**  
NEW DELIVERIES

Year-Over-Year Trend

### Market Highlights

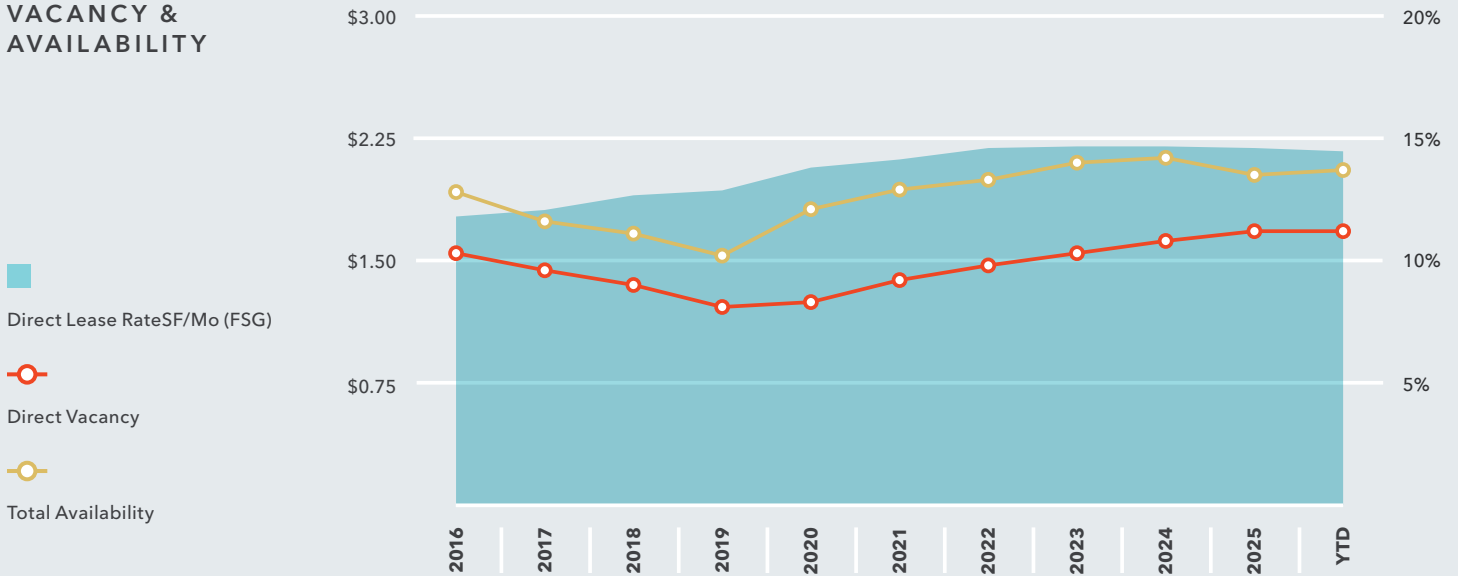
**DIRECT VACANCY RATES** remain unchanged QOQ at 11.2%

**AVAILABILITY RATES** decreased YOY to 13.7%

**ASKING LEASE RATES** fell YOY and QOQ to \$2.17/SF

**SALES VOLUME** increased to 367K SF

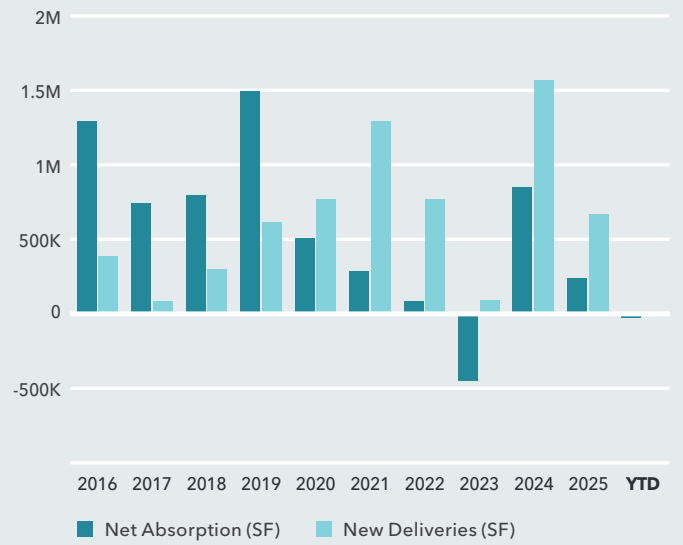
## LEASE RATE, VACANCY & AVAILABILITY



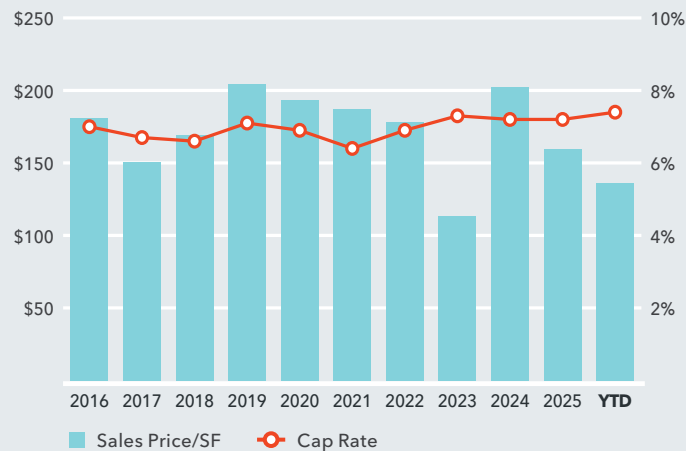
**BIGGEST SALE OF THE QUARTER**  
*2825-2829 Watt Ave, Sacramento*



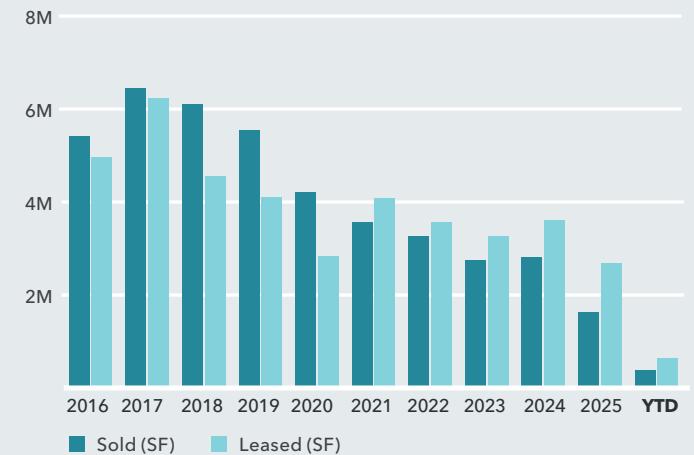
## NET ABSORPTION & NEW DELIVERIES



## AVERAGE SALES PRICE/SF & CAP RATE



## SALE VOLUME & LEASING ACTIVITY



## SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	1Q26 Direct Net Absorption	2025 Direct Net Absorption	1Q26 Total Leasing Activity	2025 Leasing Activity	Average Rental Rate (FS)
Downtown	23,784,065	8.9%	9.0%	11.0%	19,994	-138,043	202,880	381,066	\$2.96
Auburn/Lincoln	1,681,531	6.3%	6.3%	5.4%	-5,932	8,381	10,065	46,424	\$2.11
Campus Commons	1,701,462	6.9%	7.2%	11.9%	25,930	5,834	7,776	82,217	\$2.44
Carmichael/Fair Oaks	1,586,433	11.6%	11.6%	12.2%	8,497	-10,989	5,398	23,860	\$1.86
Citrus Heights/Orangevale	1,839,534	8.8%	9.2%	11.5%	-10,381	-4,615	15,849	38,831	\$1.72
Davis/Woodland	2,606,157	8.9%	8.9%	9.6%	-24,829	-497	8,712	34,784	\$2.83
East Sacramento	3,159,935	7.2%	7.2%	8.4%	22,547	387,288	21,379	15,451	\$2.82
El Dorado	2,368,471	13.5%	13.5%	14.3%	6,202	2,773	30,539	38,426	\$2.16
Elk Grove	2,393,112	2.6%	3.4%	4.8%	35,594	-7,995	18,746	43,752	\$2.90
Folsom	6,170,158	7.0%	7.6%	15.0%	-79,055	6,928	28,371	193,782	\$2.39
Highway 50 Corridor	17,793,432	17.2%	17.6%	20.3%	-87,798	-56,590	65,514	364,151	\$1.79
Howe Ave/Fulton Ave/Watt	5,240,095	11.6%	11.6%	12.3%	29,368	3,388	14,977	116,984	\$1.63
Midtown	4,511,106	9.2%	9.9%	10.9%	2,139	32,132	21,119	75,957	\$2.38
North Natomas	3,774,241	12.4%	13.5%	25.2%	3,867	-10,354	22,822	63,314	\$1.98
Point West	2,823,140	21.0%	21.0%	25.1%	-8,626	-110,235	18,775	88,083	\$1.96
Rio Linda/N Highlands	1,068,093	12.2%	12.2%	14.2%	-6,231	4,273	1,932	31,570	\$1.28
Roseville/Rocklin	12,498,288	10.0%	10.0%	8.9%	48,310	201,608	96,861	534,468	\$2.20
South Natomas	3,864,001	23.4%	23.7%	29.7%	-43,999	-36,393	28,623	83,011	\$2.20
South Sacramento	3,723,532	5.8%	5.8%	6.8%	-17,531	17,030	6,950	29,198	\$1.75
West Sacramento	2,524,501	6.7%	6.7%	6.1%	55,986	43,284	16,459	100,674	\$2.29
<b>Sacramento Total</b>	<b>105,111,287</b>	<b>11.2%</b>	<b>11.4%</b>	<b>13.7%</b>	<b>-25,948</b>	<b>337,208</b>	<b>643,747</b>	<b>2,386,003</b>	<b>\$2.17</b>
Class A	26,576,528	14.5%	15.1%	17.4%	70,952	462,530	286,527	757,612	\$2.49
Class B	53,274,090	11.5%	11.7%	14.8%	-85,056	-157,174	266,916	1,210,774	\$2.05
Class C	25,260,669	7.0%	7.0%	7.6%	-11,844	31,852	90,304	417,617	\$1.92

## NEAR-TERM OUTLOOK

Sacramento's office market is showing early signs of stabilization, with vacancy leveling off and availability gradually declining. While demand remains measured, the rebound in leasing activity during Q1 is an encouraging sign that tenant engagement is improving. Market conditions are expected to remain tenant-favorable, with continued pressure on rents and ongoing use of concessions to complete deals. However, limited new supply and a shrinking pool of available space could begin to support greater balance over time.

Looking ahead, recovery is expected to be gradual and uneven, with performance continuing to vary by asset quality and location. Well-amenitized, centrally located properties are likely to outperform, while older or less competitive buildings may face prolonged lease-up challenges.

**SIGNIFICANT SALE TRANSACTIONS 1Q 2026**

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
2825-2829 Watt Ave	Howe Ave/Fulton Ave/Watt Ave	83,783	\$12,050,000	\$143.82	Richard & Linda Miller Trust	John S Foggy
6610 & 6620 Sierra College Blvd	Roseville/Rocklin	17,500	\$6,550,000	\$374.29	Amazing Facts International	Shri Chawla
1301 Secret Ravine Pkwy	Roseville/Rocklin	10,088	\$5,000,000	\$495.64	Sutter Health	Himsl Real Estate
3720 Madison Ave	Rio Linda/N Highlands	52,929	\$4,800,000	\$90.69	Good Life Construction	Scott Robbins
Hurley/Ethan Office Park	Howe Ave/Fulton Ave/Watt Ave	40,585	\$4,250,000	\$104.72	Lakhbir Singh	Kathleen McShane

**SIGNIFICANT LEASE TRANSACTIONS 1Q 2026**

Property	Submarket	SF	Transaction Date	Landlord	Tenant
980 9th St	Downtown	121,074	February 2026	Prime US REIT	Sacramento District Attorney's Office
3249 Quality Dr	Highway 50 Corridor	26,111	January 2026	Zillner Family Trust	Butcher Power Products
1213-1215 K St	Downtown	12,007	March 2026	Tsakopoulos Investments	Undisclosed
500 Capitol Mall	Downtown	11,382	March 2026	Tsakopoulos Investments	Undisclosed
11341 Gold Express Dr	Highway 50 Corridor	10,314	January 2026	Cook Commercial Real Estate	Degenkolb Engineering

**SIGNIFICANT UNDER CONSTRUCTION**

Property	Address	Submarket	SF	Owner	Delivery
3185 McCarthy Way	3185 McCarthy Way	Folsom	92,000	Dignity Health	1Q 2027
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



Kidder Mathews is the largest fully independent commercial real estate firm in the Western U.S., with over 900 real estate professionals and staff in 19 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, and debt & equity finance services for all property types.

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

**GARY BARAGONA**  
 Vice President of Research  
 415.229.8925  
 gary.baragona@kidder.com

**DAVID NELSON**  
 Regional President, Brokerage  
 Northern California & Nevada  
 775.301.1300  
 david.nelson@kidder.com  
 LIC N° 01716942

<b>COMMERCIAL BROKERAGE</b>	<b>\$9B</b> AVERAGE ANNUAL TRANSACTION VOLUME	<b>32.4M</b> ANNUAL SALES SF	<b>32.5M</b> ANNUAL LEASING SF
<b>ASSET SERVICES</b>	<b>55M SF</b> MANAGEMENT PORTFOLIO SIZE	<b>800+</b> ASSETS UNDER MANAGEMENT	<b>250+</b> CLIENTS SERVED
<b>VALUATION ADVISORY</b>	<b>2,700+</b> AVERAGE ANNUAL ASSIGNMENTS	<b>42</b> TOTAL APPRAISERS	<b>23</b> WITH MAI DESIGNATIONS