MARKET TRENDS

SACRAMENTO *OFFICE*

2Q 2026

MARKET DRIVERS

Sacramento's office market showed modest improvement during Q2, with direct vacancy declining to 11.1%, marking a potential shift from the steady and continual increases experienced in recent years, potential showing early signs of stabilization.

Overall availability decreased to 13.6% and remained below year-ago levels, indicating a continued tightening in market conditions driven by reduced sublease inventory and limited additions of large available blocks.

Leasing activity remained positive but relatively subdued through the first half of 2026, with demand primarily driven by smaller tenants. Recent government leasing transactions also suggest a renewed source of demand from the public sector.

Market conditions continue to favor tenants, as asking rents softened year-over-year, while landlords remain flexible with concessions and lease structures to secure occupancy. Despite this, well-located, high-quality assets, particularly in Downtown Sacramento, continue to achieve rent premiums and attract stronger demand.

Both investment activity and new development activity remain limited as buyers and developers continue to be cautious and selective. However, the constrained supply pipeline may help support longer-term market stabilization and strengthen fundamentals as leasing demand gradually improves.

ECONOMIC OVERVIEW

The unemployment rate in the Sacramento-Roseville-Folsom MSA was 4.2% in May 2026, down from 4.7% in March 2026 and above the year-ago estimate of 4.4%. This compares to 5.3% for the state of California and 4.2% 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.

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Market Summary

	2Q26	1Q26	2Q25	YOY Change
Direct Vacancy Rate	11.1%	11.2%	11.0%	**10 bps**
Total Availability Rate	13.6%	13.6%	13.8%	**-20 bps**
Direct Asking Lease Rate/SF/Mo	$2.14	$2.17	$2.21	**-3.2%**

	2Q26	2026 YTD	2025 YTD	YOY Change
Leasing Activity (SF)	444,305	1,167,182	1,311,671	**-11.1%**
Sale Volume (SF)	361,481	928,290	718,241	**29.3%**
Net Absorption (SF)	48,520	75,352	380,927	**-80.3%**

↓ *444K SF*
LEASING ACTIVITY

↓ *49K SF*
NET ABSORPTION

↑ *11.1%*
VACANCY RATE

↓ *$2.14*
ASKING RENT (AVG)

↓ *0 SF*
NEW DELIVERIES

Year-Over-Year Trend

Market Highlights

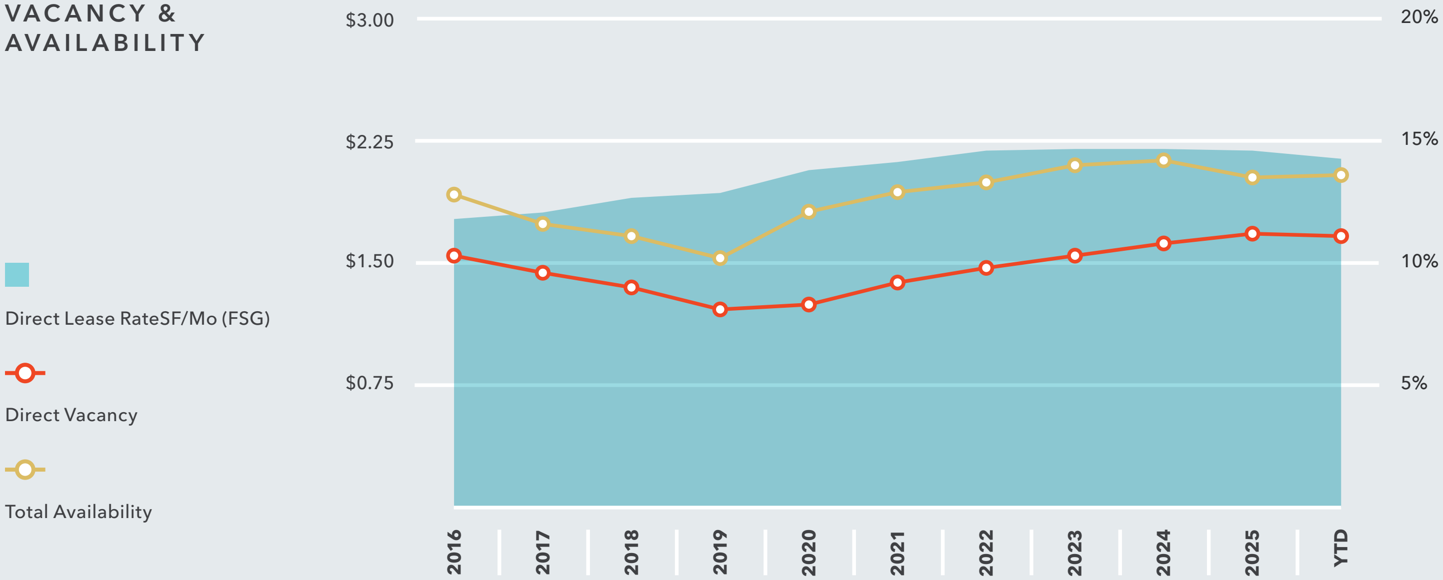
DIRECT VACANCY RATES decreased slightly QOQ to 11.1%

AVAILIABILITY RATES decreased YOY to 13.6%

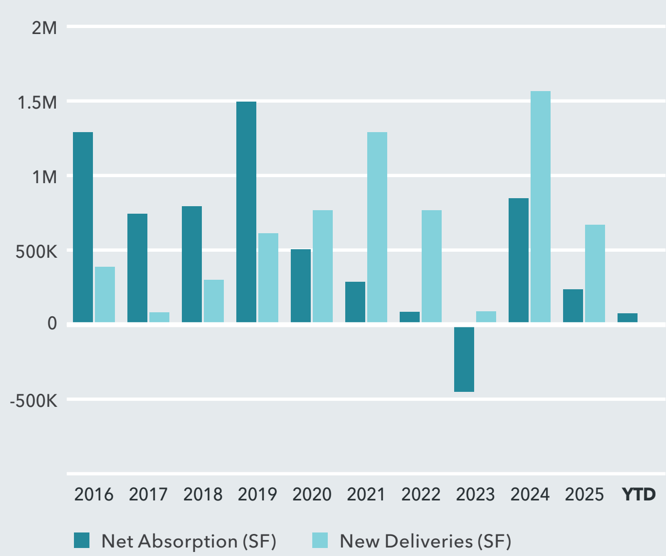
ASKING LEASE RATES fell YOY and QOQ to $2.14 PSF

SALES VOLUME increased to 928K SF YTD

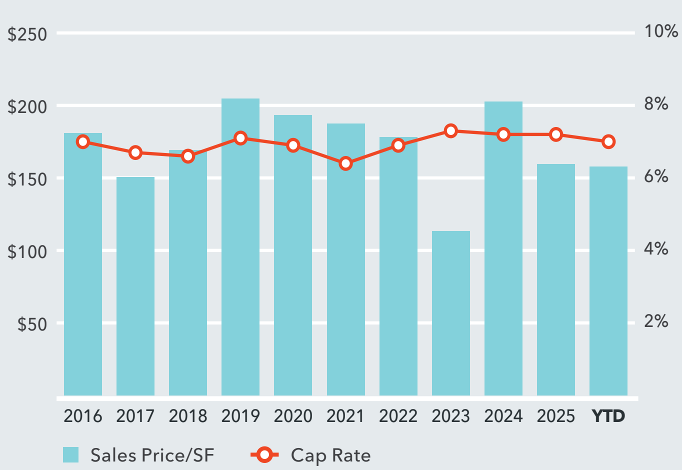
LEASE RATE, VACANCY & AVAILABILITY



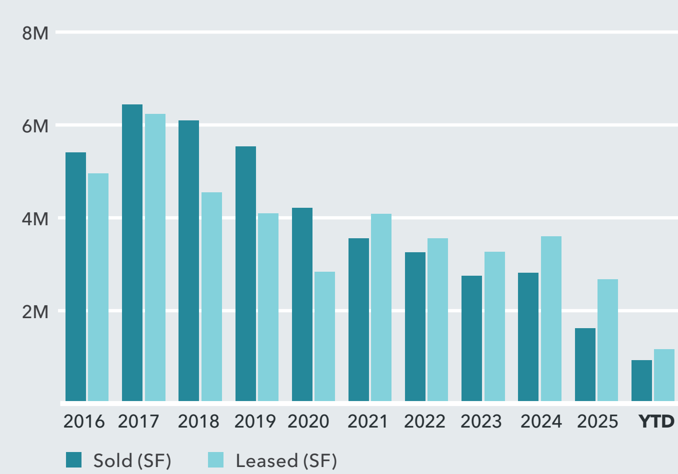
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	2Q26 Direct Net Absorption	YTD Direct Net Absorption	2Q26 Total Leasing Activity	YTD Leasing Activity	Average Rental Rate (FS)
Downtown	23,729,287	9.2%	9.3%	10.8%	-757	18,208	37,633	256,513	$2.89
Auburn/Lincoln	1,676,688	7.2%	7.2%	7.7%	-14,525	-20,457	4,340	14,405	$1.80
Campus Commons	1,701,207	7.1%	7.3%	13.4%	-11,960	13,970	8,104	19,509	$2.54
Carmichael/Fair Oaks	1,586,433	13.2%	13.2%	14.5%	-10,077	-17,755	2,157	8,555	$1.87
Citrus Heights/Orangevale	1,819,230	7.2%	7.6%	9.5%	-2,363	1,422	22,374	39,577	$1.75
Davis/Woodland	2,606,157	8.4%	8.4%	9.4%	14,798	-10,031	7,072	17,398	$2.92
East Sacramento	3,159,935	6.9%	6.9%	8.3%	9,213	31,760	902	22,281	$2.64
El Dorado	2,412,923	11.7%	11.7%	13.4%	39,220	45,422	10,783	53,411	$2.23
Elk Grove	2,394,656	2.6%	3.3%	4.6%	-2,745	35,929	5,075	23,821	$2.93
Folsom	6,244,877	8.4%	8.9%	14.6%	-19,508	-93,413	27,870	74,368	$2.42
Highway 50 Corridor	17,800,871	17.0%	17.4%	20.2%	46,323	-71,818	136,781	203,680	$1.78
Howe Ave/Fulton Ave/Watt	5,232,080	11.9%	11.9%	12.8%	-15,671	13,697	3,829	29,649	$1.61
Midtown	4,475,861	8.5%	9.2%	10.6%	11,645	17,704	18,781	45,625	$2.38
North Natomas	3,774,022	12.6%	13.7%	25.2%	-14,000	-2,135	2,288	25,110	$1.95
Point West	2,821,808	21.0%	21.0%	26.0%	-1,609	-8,970	19,455	40,482	$1.96
Rio Linda/N Highlands	1,068,093	9.2%	9.2%	9.2%	9,631	3,400	524	2,456	$1.36
Roseville/Rocklin	12,504,062	9.5%	9.7%	8.9%	-14,355	103,471	101,553	200,414	$2.19
South Natomas	3,850,834	23.1%	23.6%	29.5%	13,212	-30,787	22,483	45,843	$2.17
South Sacramento	3,756,185	5.4%	5.4%	6.5%	22,053	-3,373	12,301	22,951	$1.76
West Sacramento	2,524,501	6.6%	6.6%	5.9%	-10,005	49,108	0	21,134	$2.29
Sacramento Total	**105,139,710**	**11.1%**	**11.4%**	**13.6%**	**48,520**	**75,352**	**444,305**	**1,167,182**	**$2.14**
Class A	26,294,572	13.6%	14.2%	16.2%	102,936	190,792	138,449	443,317	$2.46
Class B	53,633,229	12.1%	12.3%	15.1%	-50,255	-187,323	242,803	540,957	$2.04
Class C	25,211,909	6.6%	6.7%	7.7%	-4,161	71,883	63,053	182,908	$1.89

NEAR-TERM OUTLOOK

Sacramento's office market is showing early signs of stabilization, with vacancy rates leveling off and available space gradually declining. While tenant demand remains subdued compared to historical averages, solid leasing activity during the first half of the year indicates improving conditions and a modest increase in market momentum. Conditions are expected to remain favorable for tenants in the near term, as landlords continue to rely on concessions and flexible lease structures to drive transactions.

However, limited new construction and a shrinking inventory of available space may help support a more balanced market over time. Looking ahead, recovery is expected to be gradual, with performance continuing to differ by asset quality and location. Well-located properties with modern amenities are likely to attract the strongest demand, while older or less competitive buildings may continue to face leasing challenges and longer absorption timelines.

SIGNIFICANT SALE TRANSACTIONS 2Q 2026

Property	Submarket	SF	Sale Price	$/SF	Buyer	Seller
Broadstone Business Center	Folsom	64,080	$25,316,000	$395.07	Seavest Healthcare Prop.s, LLC	80 Iron Point Partners, LLC
Valley Point	South Sacramento	31,897	$5,000,000	$156.75	Ly Truong	495 22nd Street Assoc., LLC
3071 Gold Canal Dr	Highway 50 Corridor	11,136	$4,700,000	$422.05	Undisclosed	Malli Family Revocable Trust
American Dental Companies	Midtown	7,683	$3,950,000	$514.12	C Wyatt Unger Qualified Trust	Tomorri Pllc
Broadstone Village	Folsom	8,000	$3,300,000	$412.50	Undisclosed	Lakeside Dev. Holdings

SIGNIFICANT LEASE TRANSACTIONS 2Q 2026

Property	Submarket	SF	Transaction Date	Landlord	Tenant
400 Capitol Mall	Downtown	10,000	April 2026	Buzz Oats	Libra Cassie
4103 Northgate Blvd	North Natomas	8,800	April 2026	Dawat-E-Islami	Aim Higher
2495 Natomas Park Dr	South Natomas	8,500	June 2026	The Evergreen Company	CA District Attorney Assoc.
455 Capital Mall	Downtown	5,500	April 2026	William Davidson	Martenson, Hasbrouck & Simon, LLP
3200 Douglas Blvd	Roseville/Rocklin	5,000	May 2026	Mourier Land Investment Corp	Serenity Ag

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery Date
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

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

COMMERCIAL BROKERAGE	$9B AVERAGE ANNUAL TRANSACTION VOLUME	32.4M ANNUAL SALES SF	32.5M ANNUAL LEASING SF
ASSET SERVICES	54M SF MANAGEMENT PORTFOLIO SIZE	800+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,700+ AVERAGE ANNUAL ASSIGNMENTS	42 TOTAL APPRAISERS	23 WITH MAI DESIGNATIONS