

MARKET TRENDS

SACRAMENTO OFFICE

MARKET DRIVERS

Sacramento's office market remained relatively stable during Q3, with direct vacancy holding at 11.0% despite modest negative net absorption of approx. 37K SF. While leasing activity moderated during the quarter, occupancy growth remains limited, reinforcing a broader trend of stabilization rather than meaningful expansion.

Leasing activity totaled approx. 514K SF during Q3, bringing YTD volume to 1.85M SF, down 12.3% from the comparable period in 2025. Demand continues to be driven primarily by smaller and mid-sized occupiers, while larger space requirements remain limited as tenants maintain a cautious approach to long-term space commitments.

Market conditions continue to favor tenants, with landlords remaining flexible on concessions and lease structures to secure occupancy. Demand remains strongest for well-located, higher-quality properties with modern amenities and efficient layouts, while older commodity office buildings continue to experience greater leasing challenges and longer absorption timelines.

Government occupancy trends remain an important influence on the market. The state's continued consolidation of agencies into state-owned facilities has reduced some traditional leasing requirements; however, increased in-office attendance among state employees could provide incremental support for Downtown activity and government-related demand over time.

New development remains limited, with roughly 164,000 SF under construction and no new office deliveries recorded during Q3. The constrained development pipeline should help support longer-term market fundamentals as existing vacancies are gradually absorbed. Investment activity also improved during the quarter, although buyers remain selective and focused on well-occupied properties, strong tenant credit and owner-user opportunities.

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Market Summary

	3Q26	2Q26	3Q25	YOY Change
Direct Vacancy Rate	11.0%	11.0%	11.0%	0 bps
Total Availability Rate	13.9%	13.3%	13.5%	40 bps
Direct Asking Lease Rate/SF/Mo	\$2.15	\$2.14	\$2.19	-1.9%

	3Q26	2026 YTD	2025 YTD	YOY Change
Leasing Activity (SF)	514,209	1,851,645	2,111,673	-12.3%
Sale Volume (SF)	677,706	1,612,028	1,177,818	36.9%
Net Absorption (SF)	-36,593	7,019	349,475	-98.0%

3Q 2026

↓ **514K SF**
LEASING ACTIVITY

↓ **-37K SF**
NET ABSORPTION

↔ **11.0%**
VACANCY RATE

↓ **\$2.15**
ASKING RENT (AVG)

↔ **0 SF**
NEW DELIVERIES

Year-Over-Year Trend

Market Highlights

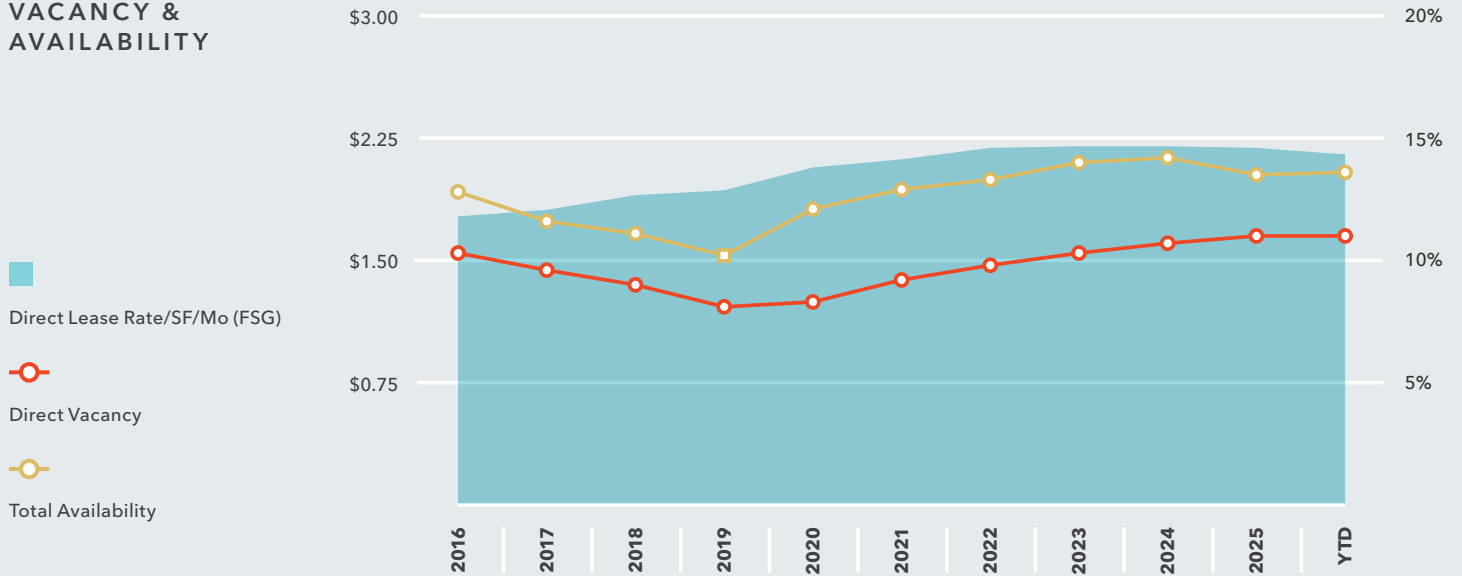
DIRECT VACANCY RATES remained unchanged YOY and QOQ at 11.0%

AVAILABILITY RATES increased YOY to 13.9%

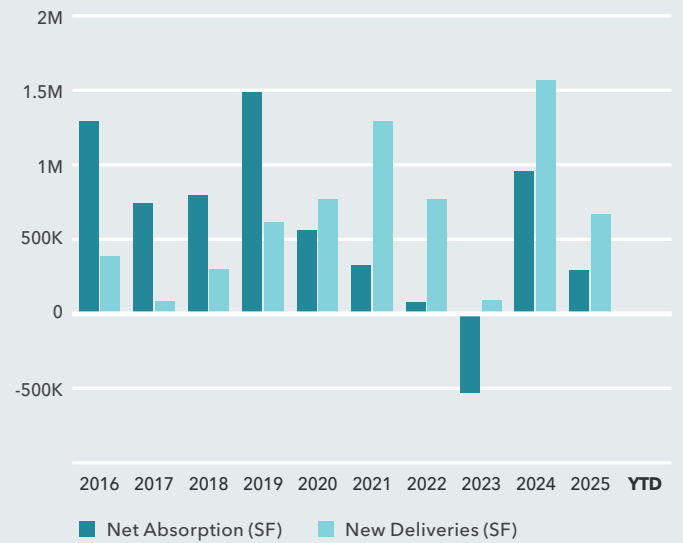
ASKING LEASE RATES fell YOY to \$2.15 PSF

SALES VOLUME increased YOY to 678K SF

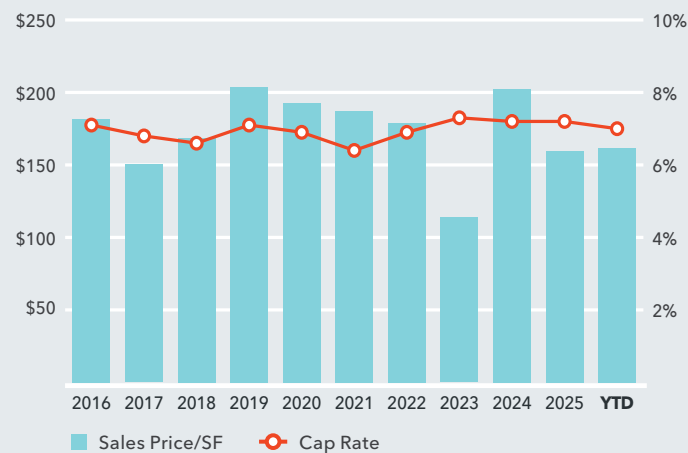
LEASE RATE, VACANCY & AVAILABILITY



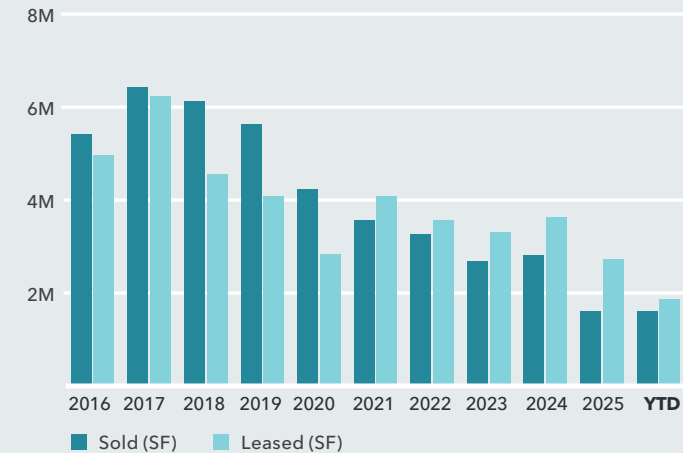
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	3Q26 Direct Net Absorption	YTD Direct Net Absorption	3Q26 Total Leasing Activity	YTD Leasing Activity	Average Rental Rate (FS)
Downtown	23,492,912	9.5%	9.7%	10.6%	-81,921	-57,079	52,193	356,480	\$2.84
Auburn/Lincoln	1,697,164	6.6%	6.6%	6.9%	8,815	-11,642	4,736	20,980	\$1.90
Campus Commons	1,710,997	6.6%	6.6%	14.2%	7,848	21,818	5,104	31,877	\$2.53
Carmichael/Fair Oaks	1,586,156	12.9%	12.9%	13.5%	4,682	-13,073	13,629	23,336	\$1.86
Citrus Heights/Orangevale	1,819,510	5.9%	6.3%	8.0%	23,186	24,608	22,624	55,951	\$1.78
Davis/Woodland	2,627,517	7.9%	7.9%	8.5%	10,782	751	20,393	38,271	\$2.94
East Sacramento	3,161,232	7.5%	7.6%	8.2%	-19,261	12,499	21,096	43,377	\$2.78
El Dorado	2,421,573	10.1%	10.1%	11.8%	-35,000	10,422	12,143	67,044	\$2.22
Elk Grove	2,394,656	2.1%	3.0%	4.4%	12,497	48,426	9,132	64,197	\$3.02
Folsom	6,224,769	8.1%	8.6%	14.8%	19,908	-73,505	28,686	104,659	\$2.45
Highway 50 Corridor	17,864,062	16.6%	17.0%	20.6%	58,188	-101,484	35,081	232,725	\$1.79
Howe Ave/Fulton Ave/Watt	5,228,586	12.9%	12.9%	14.1%	-55,939	-37,342	9,625	43,888	\$1.61
Midtown	4,493,300	8.2%	8.3%	10.5%	10,369	28,073	22,375	69,526	\$2.44
North Natomas	3,774,022	12.4%	13.4%	25.1%	7,946	5,811	29,842	111,388	\$1.96
Point West	2,819,811	19.1%	19.2%	25.1%	19,574	10,604	38,315	80,592	\$1.99
Rio Linda/N Highlands	1,068,093	8.9%	8.9%	8.8%	3,418	6,818	8,979	11,435	\$1.36
Roseville/Rocklin	12,564,934	9.3%	9.5%	11.1%	-19,540	128,511	104,012	323,735	\$2.21
South Natomas	3,850,834	23.9%	24.5%	29.2%	-27,631	-58,418	37,263	89,118	\$2.19
South Sacramento	3,753,656	5.0%	5.0%	6.4%	14,441	11,068	34,000	56,951	\$1.77
West Sacramento	2,524,501	6.5%	6.5%	5.8%	1,045	50,153	4,981	26,115	\$2.29
Sacramento Total	105,078,285	11.0%	11.3%	13.9%	-36,593	7,019	514,209	1,851,645	\$2.15
Class A	25,273,300	13.7%	14.4%	17.3%	-32,280	182,132	187,868	653,824	\$2.44
Class B	54,638,967	12.0%	12.2%	15.3%	-64,926	-312,399	230,664	909,425	\$2.07
Class C	25,166,018	6.1%	6.1%	7.4%	60,613	137,286	95,677	288,396	\$1.91

ECONOMIC OVERVIEW

The unemployment rate in the Sacramento-Roseville-Folsom MSA increased to 5.2% in August 2026, up from 4.2% in May 2026, but remained slightly below the year-ago rate of 5.4%. This compares to 5.1% for the state of California and 4.1% nationally during the same period.

Sacramento continues to benefit from its relatively diverse employment base and concentration of government and healthcare users, which have helped provide stability despite softer demand from traditional office-using industries. However, slower employment growth and reduced space requirements among professional firms continue to temper broader office demand.

NEAR-TERM OUTLOOK

Sacramento's office market is expected to remain relatively stable through the remainder of 2026. YTD leasing activity remains below 2025 levels, while negative Q3 absorption and higher availability reflect continued softness in tenant demand. Despite these headwinds, vacancy has remained relatively stable, suggesting market conditions are holding steady even as occupiers remain cautious with space requirements.

Conditions should remain favorable for tenants as landlords continue to rely on concessions and flexible lease structures to drive transactions. At the same time, limited new construction should help prevent significant additional supply pressure. Recovery is expected to remain gradual and increasingly differentiated by asset quality and location, with modern, well-located properties positioned to outperform older and less competitive buildings.

SIGNIFICANT SALE TRANSACTIONS 3Q 2026

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
1386 Lead Hill Blvd - Bldg C	Roseville/Rocklin	42,195	\$19,000,000	\$450.29	JLL Income Property Trust	MCR Companies
750 Riverpoint Dr	West Sacramento	100,000	\$11,000,000	\$110.00	City of West Sacramento	Toor Capital, LLC
2101 K St	Midtown	25,600	\$7,800,000	\$304.69	Welbe Health	Kitchell
905 Secret River Dr	South Sacramento	10,749	\$4,000,000	\$372.13	Chiamulon Family Properties, LP	Adriatik Rama
1919 19th St	Midtown	18,685	\$3,200,000	\$171.26	California Interscholastic Federation	S Street Group

SIGNIFICANT LEASE TRANSACTIONS 3Q 2026

Property	Submarket	SF	Transaction Date	Landlord	Tenant
1601-1651 Alhambra Blvd	East Sacramento	21,096	August 2026	Fulcrum Property	Ambulatory Surgery Center
500 Capitol Mall	Downtown	19,634	July 2026	Tsakopoulos Investments	Kimley-Horn
255 Parkshore Dr	Folsom	17,793	September 2026	Kingsbarn Realty Capital	Undisclosed
1480 Drew Ave	Davis/Woodland	17,339	July 2026	URP Investors	Elve
10360 Placerville Rd	Highway 50 Corridor	14,810	July 2026	First American CoreLogic, Inc.	AIMS

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



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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

32.4M

ANNUAL
SALES SF

32.5M

ANNUAL
LEASING SFASSET
SERVICES

55M+ SF

MANAGEMENT
PORTFOLIO SIZE

800+

ASSETS UNDER
MANAGEMENT

250+

CLIENTS
SERVEDVALUATION
ADVISORY

2,700+

AVERAGE ANNUAL
ASSIGNMENTS

42

TOTAL
APPRAISERS

23

WITH MAI
DESIGNATIONS