

## MARKET OVERVIEW

► **Office Market:** The Sacramento office market has continued to improve as the vacancy rate has remained amongst the lowest figures seen since 2007. At the close of the first quarter, average asking lease rates increased to \$1.80, which is an increase of \$0.03 from the previous quarter. In brief, vacancy rates are expected to further decrease throughout 2016 as lease rates increase.

► **Vacancy Rates:** In comparison to the previous quarter, the vacancy rate increased by 18 basis points to 12.98%, which is still amongst the lowest vacancy rates seen since 2007. The largest submarkets – Downtown and the Highway 50 Corridor – had vacancy rates of 10.46% and 13.70%. Among the largest submarkets, the lowest vacancy rates were also seen in West Sacramento and East Sacramento with rates at 6.46% and 5.22%. The highest vacancy rates, however, were seen in the Point West, Howe Ave./Fulton Ave. and Rio Linda/N Highlands submarkets at 17.62%, 27.11%, and 34.51%.

► **Lease Rates:** At the end of the first quarter, the average asking full service lease rate for the Sacramento office market was \$1.80, which is a \$0.03 increase from the previous quarter. Some of the highest lease rates were seen in the Downtown and East Sacramento submarkets at \$2.40 and \$2.31 per square foot. Alternatively, the lowest lease rates were seen in the Citrus Heights/Orangevale, Rio Linda/N Highlands and Auburn/Lincoln submarkets with rates at \$1.16, \$1.25 and \$1.29 per square foot.

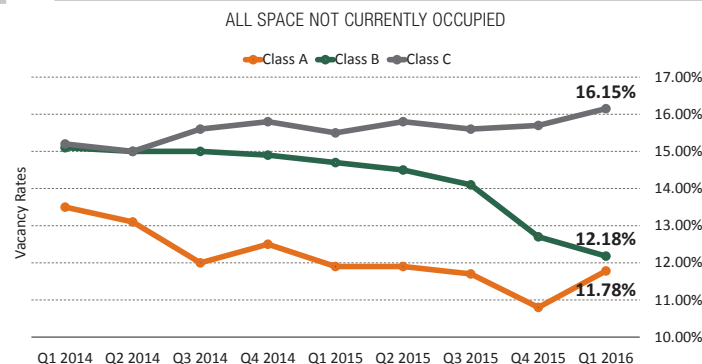
► **Sale & Lease Transactions:** Transaction activity at the close of the first quarter was just over 1.59 million square feet, which is a decrease from the previous quarter's figure of 2.72 million square feet. Given that there is often a delay for final figures to be totaled, this quarter's figure will slightly increase in the next market report.

► **Absorption:** The office market ended the first quarter with negative absorption of 163,145 square feet. The Highway 50 Corridor submarket had the greatest negative absorption of 231,052 square feet. Alternatively, the Roseville/Rocklin submarket had the highest positive net absorption at 108,156 square feet while the Folsom submarket had the second highest positive net absorption at 105,961 square feet.

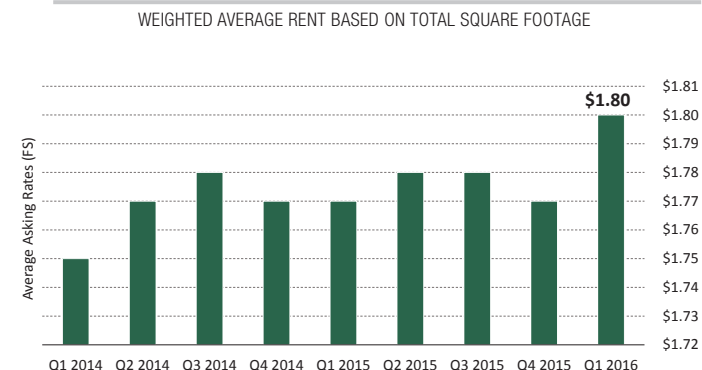
► **Development:** New developments in the Sacramento office market have remained in motion with a total of 385,815 square feet currently in progress. The largest project currently under construction is a Class B office building in the Roseville/Rocklin submarket totaling 129,398 square feet, which is expected to be delivered May of 2016. The second largest office project under construction is a Class B office building in the Elk Grove submarket totaling 110,372 square feet, which is expected to be delivered in January of 2017. During the first quarter, there were no new deliveries to the market. Nonetheless, there are still 4.34 million square feet of proposed office space for Sacramento.

► **First Quarter Review:** Overall, the \$0.03 increase in the average asking full service lease rate is the most notable trend, which bodes well for the office market as we conclude the first quarter of 2016. According to the most recent Sacramento employment figures, the unemployment rate in the Sacramento-Roseville-Arden Arcade MSA was 5.4% in February of 2016. As the job market further improves, an increased demand in office space is expected.

## VACANCY RATES BY CLASS



## AVERAGE ASKING RATES



## SACRAMENTO OFFICE TRENDS | FIRST QUARTER 2016

ARROWS REPRESENT CHANGES FROM THE PREVIOUS QUARTER

MARKET INDICATORS	Vacancy	Lease Rates (FS)	Net Absorption	Transaction Activity
	Q <sup>1</sup> 2016	12.98%	\$1.80	(163,145)
Q <sup>4</sup> 2015	12.80%	\$1.77	807,184	2,728,292

THESE STATISTICS ENCOMPASS THE ENTIRE SURVEY, WHICH INCLUDES ALL OFFICE CLASS TYPES 10,000 SQUARE FEET AND LARGER.

## NET & GROSS ABSORPTION

NET - TOTAL SQ. FT. OCCUPIED LESS THE SQ. FT. VACATED & GROSS - TOTAL SQ. FT. OCCUPIED

