



Local Roots + Global Reach

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SACRAMENTO OFFICE REPORT

1ST QUARTER 2020

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VACANCY & RENTS



Sacramento Outlook

The Sacramento office market ended the first quarter with a reduction in overall vacancy to 8.9%. Strong leasing activity throughout the quarter placed the market in a favorable position. However, at the beginning of March 2020, those fundamentals were compromised with anticipation of the impact of the Coronavirus Pandemic which created an entire global economic shift. Abruptly halting the economy, the State of California led the nation in the shelter in place orders forcing tenants and landlords alike to quickly begin looking at their lease obligations and sifting through tenant obligations. With the resulting layoffs, we expect to see a give back of space over the next few quarters.

The Sacramento office market had more than one million square feet of positive net absorption and 223 lease transactions. The total office vacancy rate is more than 100 basis points lower than 12 months ago which translates into 840,000 less vacant space. As a result during the same time period Class A average asking rents saw a 3% increase to

\$2.42, per square foot, full service, per month. Class B and Class C space saw a 2.6% and 0.7% increase, respectively. In January, UC Davis Health renewed more than 194,150 square feet of office space in Rancho Cordova and then took an additional 68,000 square feet to launch a new call center and consolidate some of its administrative services spread over multiple locations.

Investment sale volume ended the quarter at more than \$353,633,118 and user sales jumped to \$134,496,500. With consistent leasing activity and elevated rents, investors continued to place their bets in the Sacramento region. In one of the most significant transactions this quarter, the Downtown Sacramento high-rise Park Tower, a 25-story building at 980 Ninth St, sold for more than \$165 million. Nearly 95% occupied, KBS Realty Advisors purchased the asset from Hines who purchased it in 2017. The property has traded nearly three times in the past three years.

Change in Vacancy (Year Over Year)



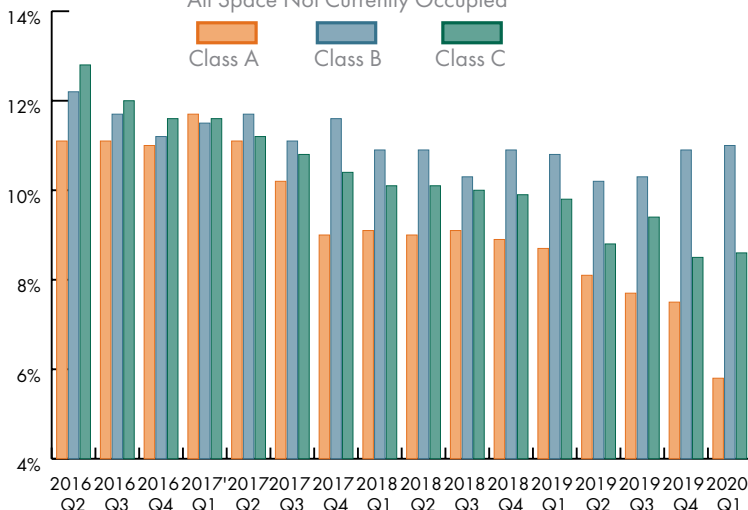
Under Construction Sq. Ft. (Currently)



Vacancy Rates (By Class)

All Space Not Currently Occupied

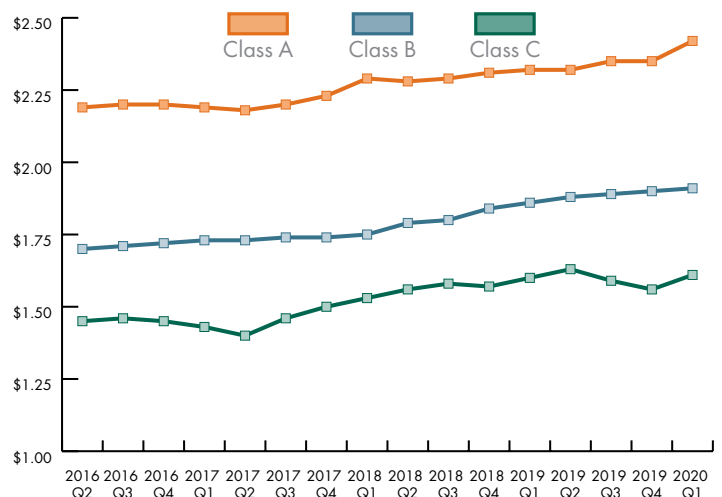
Class A Class B Class C



Average Asking Rates (By Class)

Weighted Average Rent Based On Total Square Footage

Class A Class B Class C



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

NOTEWORTHY TRANSACTIONS

Notable Sale Transactions

| Property Address | Submarket | Buyer | Seller | Bldg. Square Feet | Sale Price |
|-----------------------|-----------------------|------------------|--------------------------------|-------------------|-----------------|
| 630 Roseville Parkway | Roseville/ Rocklin | Harbor Group | Farallon Capital Management | 157,518 | \$39,450,000.00 |
| 630 K Street | Downtown | New York Life | Swift Realty | 87,140 | \$28,100,000.00 |
| 1750 Howe Ave | Howe/Fulton/ Watt | Ethan Conrad | Colony Capital | 189,427 | \$16,127,000.00 |
| 101 Cirby Hills Dr | Roseville/ Rocklin | County of Placer | Bsb-roseville Llc | 54,516 | \$13,650,000.00 |
| 2500 Venture Oaks Way | South Natomas | Buzz Oates | Capital Builders, Inc | 53,019 | \$11,575,000.00 |

Notable Lease Transactions

| Property Address | Submarket | Tenant | Owner | Date Lease Signed | Square Feet Leased |
|-----------------------|---------------------|--------------------|-------------------------------------|-------------------|--------------------|
| 10850 White Rock Road | Highway 50 Corridor | UC Davis Health | Transpacific Development Company | March 1, 2020 | 194,150 |
| 10888 White Rock Road | Highway 50 Corridor | UC Davis Health | Transpacific Development Company | January 9, 2020 | 68,000 |
| 11000 White Rock Rd | Highway 50 Corridor | Magellan Health | Karlin Real Estate | March 1, 2020 | 55,366 |
| 2329 Gateway Oaks Dr | South Natomas | Deloitte | Lassner Law Firm | January 17, 2020 | 38,111 |
| 1000 Enterprise Way | Roseville/Rocklin | - | K H & Martha Jean Hofmann | January 15, 2020 | 20,346 |

Gross Absorption (Year Over Year)



+3.1%

Lease Rates (Year Over Year)



+\$0.12/SF

Market Indicators

| | Vacancy | Availability | Avg. Asking Rates | Gross Absorption | Net Absorption |
|----------------|---------|--------------|-------------------|------------------|----------------|
| Q4 2019 | 9.95% | 12.01% | \$1.93 | 1,000,551 | 125,233 |
| Q1 2020 | 8.95% | 11.36% | \$1.98 | 1,031,514 | 296,104 |

STATISTICS BY SUBMARKET

| | Total Buildings | Net Rentable SF | Vacant SF | Vacancy Rate QTR | Net Absorption QTR | Gross Absorption | Under Construction SF | Average Asking Rate (All Classes) |
|---------------------------|-----------------|-------------------|------------------|------------------|--------------------|------------------|-----------------------|-----------------------------------|
| Auburn/Lincoln | 67 | 1,398,514 | 80,651 | 5.77% | (26,503) | 7,940 | 0 | \$2.08 |
| Campus Commons | 50 | 1,575,280 | 251,789 | 15.98% | 19,894 | 26,894 | 0 | \$2.20 |
| Carmichael/Fair Oaks | 49 | 983,404 | 195,472 | 19.88% | (4,309) | 13,051 | 0 | \$1.28 |
| Citrus Heights/Orangevale | 54 | 1,483,285 | 132,746 | 8.95% | 4,963 | 22,369 | 0 | \$1.62 |
| Davis/Woodland | 82 | 2,145,766 | 105,029 | 4.89% | (17,192) | 7,330 | 64,400 | \$1.97 |
| Downtown | 217 | 20,336,344 | 1,331,659 | 6.55% | 44,212 | 111,175 | 1,670,000 | \$2.84 |
| East Sacramento | 36 | 2,486,959 | 7,614 | 0.31% | 7,046 | 8,979 | 0 | \$2.57 |
| El Dorado | 74 | 1,726,744 | 187,016 | 10.83% | 68,619 | 68,619 | 0 | \$1.84 |
| Elk Grove | 55 | 1,806,813 | 68,924 | 3.81% | 16,926 | 22,483 | 0 | \$2.36 |
| Folsom | 98 | 4,775,687 | 215,155 | 4.51% | (1,015) | 38,978 | 0 | \$2.11 |
| Highway 50 Corridor | 296 | 17,505,253 | 2,014,782 | 11.51% | (68,782) | 130,256 | 0 | \$1.78 |
| Midtown | 97 | 3,737,402 | 312,667 | 8.37% | 19,969 | 31,975 | 0 | \$2.30 |
| Natomas/Northgate | 118 | 6,486,409 | 662,230 | 10.21% | (679) | 100,712 | 621,800 | \$2.04 |
| Howe/Fulton/Watt | 122 | 4,723,331 | 765,288 | 16.20% | 122 | 62,511 | 0 | \$1.55 |
| Point West | 51 | 2,711,987 | 322,612 | 11.90% | 50,494 | 69,343 | 14,484 | \$2.04 |
| Rio Linda/N Highlands | 29 | 1,018,526 | 218,565 | 21.46% | (8,128) | 0 | 0 | \$1.71 |
| Roseville/Rocklin | 278 | 11,212,290 | 983,677 | 8.77% | 76,940 | 205,912 | 0 | \$1.94 |
| South Sacramento | 105 | 3,183,200 | 195,991 | 6.16% | 21,380 | 35,231 | 0 | \$1.56 |
| West Sacramento | 35 | 2,074,728 | 112,242 | 5.41% | 53,664 | 67,756 | 0 | \$1.84 |
| Class A | 187 | 26,484,417 | 1,541,853 | 5.82% | 178,875 | 301,314 | 1,543,900 | \$2.42 |
| Class B | 976 | 44,254,084 | 4,858,510 | 10.98% | 80,909 | 564,564 | 826,784 | \$1.91 |
| Class C | 750 | 20,633,421 | 1,775,592 | 8.61% | 36,320 | 165,636 | 0 | \$1.61 |
| Market Totals | 1,913 | 91,371,922 | 8,175,955 | 8.95% | 296,104 | 1,031,514 | 2,370,684 | \$1.98 |