



Local Roots + Global Reach

SACRAMENTO

1515 River Park Drive, Suite 200
Sacramento, CA 95815
Tel: (916) 669-4500 | Fax: (916) 669-4598

ROSEVILLE

532 Gibson Drive, Suite 200
Roseville, CA 95678
Tel: (916) 677-8000 | Fax: (916) 677-8199

ROCKLIN

2209 Plaza Drive, Suite 100
Rocklin, CA 95765
Tel: (916) 960-5700 | Fax: (916) 960-5799

SAN FRANCISCO

100 Pine Street, Suite 1000
San Francisco, CA 94111
Tel: (415) 268-2200 | Fax: (415) 268-2299

SAN JOSE

99 South Almaden Boulevard, Suite 600
San Jose, CA 95113
Tel: (408) 413-3555

OAKLAND

1404 Franklin Street, Penthouse
Oakland, CA 94607
Tel: (510) 622-8466 | Fax: (510) 622-8499

WALNUT CREEK

1777 Oakland Boulevard, Suite 220
Walnut Creek, CA 94596
Tel: (925) 296-3300 | Fax: (925) 296-3399

SACRAMENTO OFFICE REPORT

3RD QUARTER 2020

Report Prepared By:

Dina Simoni-Gouveia
Managing Director | Marketing & Research
dina.gouveia@tricommercial.com

Tyler Bazlen
Marketing & Research Manager
tyler.bazlen@tricommercial.com

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VACANCY & RENTS



Sacramento Outlook

Sacramento office vacancies continue to trend below the tight national average, a historically rare occurrence here. While that may continue, the nation is in a recession due to the coronavirus pandemic, and a rise in office vacancies seems likely.

Nonetheless, the local office vacancy rate has been in single digits since 2018 thanks to job growth typically outpacing the national average, a lack of new construction, and steady demand. The high occupancy levels have allowed for rent growth that ranks among the strongest in the nation. While new supply has been limited, the development pipeline is showing signs of life. About 2.5 million SF is under construction, but as with most inventory completed since 2010, virtually all projects are build-to-suits.

The government propels demand for office space, particularly in Downtown. However, tax revenue has plummeted due to the pandemic, and it is unclear if that sector will help buttress occupancy in the coming years.

Government and corporate occupiers alike also turn to Highway 50 Corridor, the second-largest office submarket in the metro behind Downtown. Medical and technology-related tenants, many of which are located in Roseville/Rocklin, occupy significant chunks of space, among them Hewlett Packard Enterprise, Intel, and Sutter Health. WeWork, in one of the largest lease signings by a corporate occupier since 2019, was scheduled to open a second metro location in 2021, but with the co-working giant facing a number of recent headwinds, that lease has reportedly been canceled.

The performance of the office sales market has been mixed in 2020. Pricing is only modestly lower than last year's post-Great Recession peak, and investment volume, due in part to yet another notable Downtown property changing hands, has surpassed the annual long-term average. Deal flow, however, has plunged, and sales volume may not reach the \$1 billion norm of recent years.

- Sacramento Outlook Provided by CoStar Group™

Change in Vacancy (Qtr Over Qtr)



+1.17%

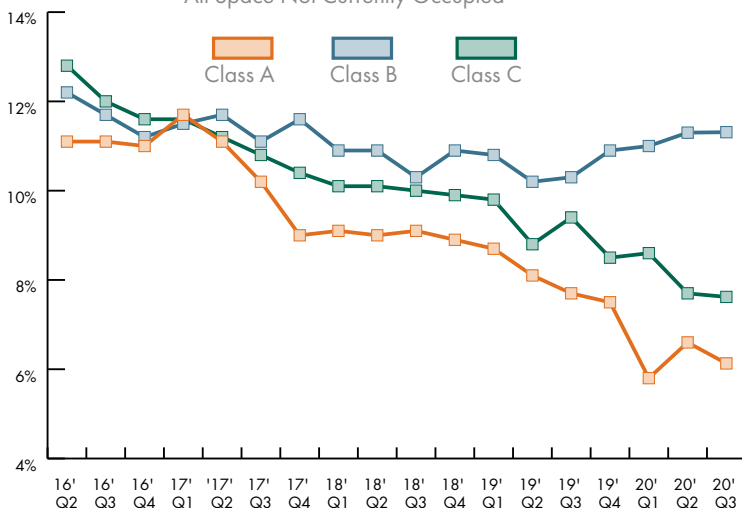
Gross Absorption (Qtr Over Qtr)



+14.20%

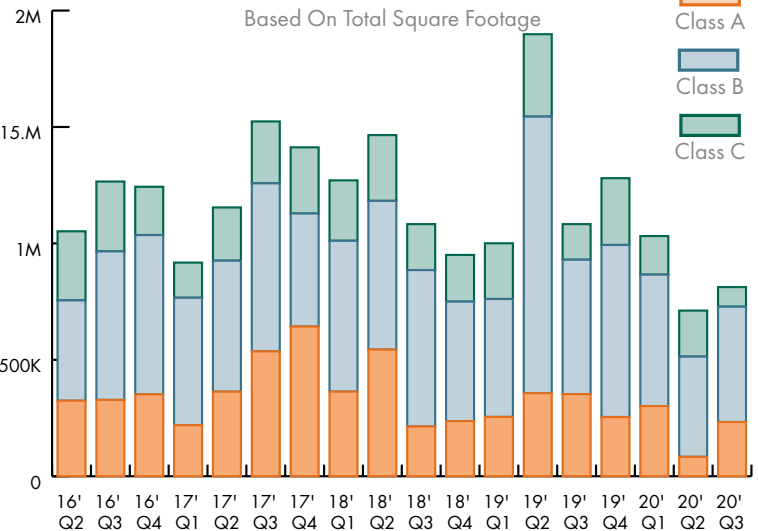
Vacancy Rates (By Class)

All Space Not Currently Occupied



Gross Absorption (By Class)

Based On Total Square Footage



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
2901 Douglas Blvd	Roseville/Rocklin	KB Property Advisors	Barker Pacific Group	110,791	\$30,000,000
660 J St	Downtown	Argosy Capital	Sacramento Kings Limited Partnership	124,471	\$20,200,000
3241 Kilgore Rd	Highway 50	The Wonderful Company	DWS	107,768	\$20,000,000
11919 Foundation Pl	Highway 50	Davies-Torrance Trust	James R. Carlsen	63,206	\$14,300,000
2700 Stockton Blvd	South Sacramento	The Regents of the University of CA	Elliott Homes, Inc.	39,864	\$13,950,000

Notable Lease Transactions

Property Address	Submarket	Tenant	LandLord	Date Lease Signed	Square Feet Leased
3636-3640 American River Dr	Campus Commons	County of Sacramento	Woodside Capital Partners	Aug 2020	47,664
15 Business Park Way	South Sacramento	California Mobility Center	The Blackstone Group L.P	Sept 2020	25,000 Sublease
15 Business Park Way	South Sacramento	SMUD	The Blackstone Group L.P	Sept 2020	18,000
9310 Tech Center Dr	Highway 50	County of Sacramento	Ethan Conrad	July 2020	13,613
9300 Tech Center Dr	Highway 50	RCG Logistics, LLC	Ethan Conrad	Sept 2020	12,859

Under Construction Sq. Ft. (Currently)



2,517,484 SF

Lease Rates (Qtr Over Qtr)



+ 4.18%

Market Indicators

	Vacancy	Availability	Avg. Asking Rates	Gross Absorption	Net Absorption
Q2 2020	9.11%	11.71%	\$2.00	711,517	(69,249)
Q3 2020	9.00%	12.52%	\$2.02	812,578	3,528

STATISTICS BY SUBMARKET

	Total Buildings	Net Rentable SF	Vacant SF	Vacancy Rate QTR	Availability Rate QTR	Net Absorption QTR	Gross Absorption	Under Construction SF	Average Asking Rate (All Classes)
Auburn/Lincoln	66	1,379,836	87,804	6.36%	5.80%	(20,515)	9,239	0	\$2.20
Campus Commons	50	1,580,280	252,805	16.00%	17.38%	7,645	25,130	0	\$2.20
Carmichael/ Fair Oaks	50	1,000,176	182,724	18.27%	18.58%	8,475	10,745	0	\$1.31
Citrus Heights/ Orangevale	53	1,431,055	146,172	10.21%	12.80%	(12,779)	3,894	0	\$1.60
Davis/Woodland	84	2,267,066	102,052	4.50%	5.47%	23,888	31,480	16,200	\$1.97
Downtown	215	20,139,006	1,280,064	6.36%	8.28%	(24,436)	48,577	1,670,000	\$2.85
East Sacramento	36	2,486,959	18,756	0.75%	1.14%	0	0	0	\$2.81
El Dorado	75	1,738,896	186,295	10.71%	14.05%	15,903	23,605	0	\$1.91
Elk Grove	55	2,010,764	79,557	3.96%	5.53%	(2,651)	7,933	0	\$2.44
Folsom	98	4,957,548	255,804	5.16%	12.79%	(52,696)	41,161	0	\$2.17
Highway 50 Corridor	296	17,400,912	1,841,737	10.58%	14.41%	104,986	316,512	285,000	\$1.81
Howe/Fulton/Watt	121	4,682,880	760,742	16.25%	16.46%	(24,411)	19,910	0	\$1.61
Midtown	98	3,754,926	343,812	9.16%	12.40%	5,545	11,979	0	\$2.41
North Natomas	63	2,813,508	334,857	11.90%	16.08%	(20,144)	11,640	531,800	\$1.73
Point West	51	2,722,114	361,162	13.27%	19.11%	(25,548)	29,592	14,484	\$2.06
Rio Linda/ N Highlands	29	1,019,978	244,335	23.95%	31.77%	8,548	8,548	0	\$1.74
Roseville/Rocklin	278	11,235,877	1,034,806	9.21%	15.57%	29,462	167,154	0	\$1.99
South Natomas	57	3,773,548	447,629	11.86%	16.34%	(12,142)	42,414	0	\$2.27
South Sacramento	105	3,196,660	188,354	5.89%	7.49%	(5,602)	3,065	0	\$1.75
West Sacramento	35	2,080,162	112,242	5.40%	14.52%	-	-	0	\$1.90
Class A	187	26,152,671	1,604,278	6.13%	10.61%	32,449	232,963	1,738,900	\$2.45
Class B	982	45,097,818	5,101,406	11.31%	14.61%	(37,347)	495,246	778,584	\$1.94
Class C	746	20,421,662	1,556,025	7.62%	10.38%	8,426	84,369	0	\$1.72
Class Total	1,915	91,672,151	8,261,709	9.00%	12.52%	3,528	812,578	2,517,484	\$2.02