



Local Roots + Global Reach

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SACRAMENTO OFFICE REPORT

4TH QUARTER 2020

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VACANCY & RENTS



Sacramento Outlook

Sacramento office vacancies only rose modestly in 2020, but demand landed in the red for the first time in nearly a decade. And with the coronavirus pandemic continuing to rage and ongoing economic uncertainty, a further rise in vacancies may be on the horizon. Availabilities have notably increased since the onslaught of the virus, indicating some office occupiers are reconsidering their footprints.

Job growth typically outpacing the national average, a lack of new construction, and steady demand has kept the metro vacancy rate in single digits since 2018, including again last year. The high occupancy levels have allowed for rent growth that has consistently landed near the top of the nation, and while that trend continued in 2020, gains were well below the recent norm. A lack of supply-driven pressure has helped keep vacancies in check, and it appears that will continue. The development pipeline is showing signs of life, with about 2.5 million SF 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 new lease signings by a corporate occupier since 2019, was scheduled to open a second metro location this year, but with the coworking giant facing a number of headwinds, that lease has reportedly been canceled.

The local sales market did not perform at the level of recent years in 2020. Deal flow fell to the lowest level since 2011, and preliminary figures indicate investment volume failed to reach \$1 billion for the first time since 2015. Still, pricing came in near 2019's post-Great Recession peak, and cap rates saw little change.

- Sacramento Outlook Provided by CoStar Group™

Change in Vacancy (Year Over Year)



+3.79%

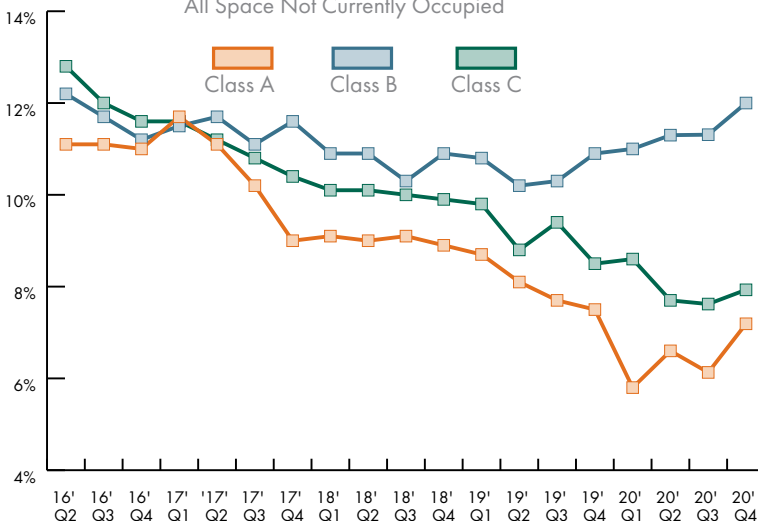
Gross Absorption (Year Over Year)



-47.36%

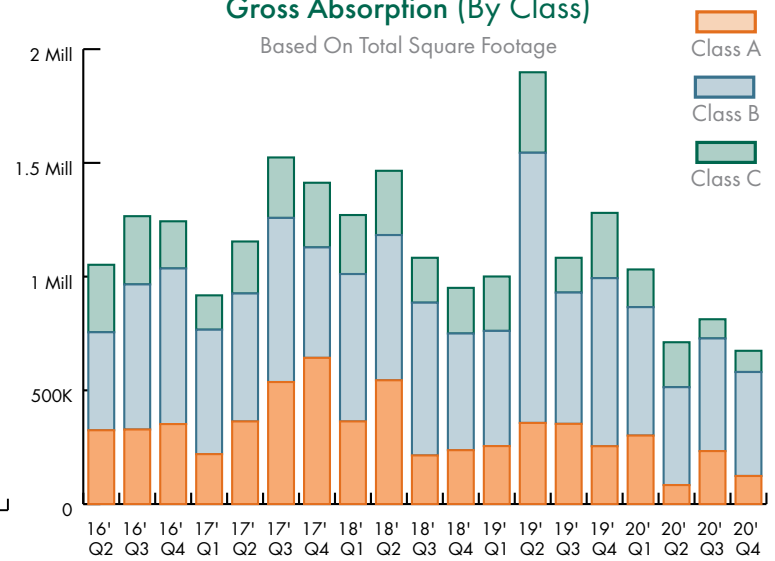
Vacancy Rates (By Class)

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
2999 Douglas Blvd	Roseville/Rocklin	KB Property Advisors	Barker Pacific Group	102,847	\$27,000,000
10370 Peter A McCuen Blvd	Mather	Boyd Watterson Asset Management	McCuen Properties	108,000	\$24,035,000
7001 East Pky	South Sacramento	Greenlaw Management	Les Patton Barkley	95,427	\$20,275,000
8275 Bruceville Rd	South Sacramento	Nazareth Enterprises	Jing Lao	14,820	\$10,421,666
1451 River Park Dr	Point West	Graceada Partners	Richard Oppenheimer	72,304	\$10,225,000

Notable Lease Transactions

Property Address	Submarket	Tenant	Landlord	Date Lease Signed	Square Feet Leased
1900-1960 Birkmont Dr	Folsom	State of California	Ronald and Julie Jackson & Orton Development, Inc.	Dec 2020	24,000 (each) 96,000 (total)
9961 Horn Rd	Mather	Big D Floor Covering Supplies	BKM Capital Partners	Nov 2020	21,600
1166 National Dr	Natomas	AVI-SPL	Harsch Investment Properties	Oct 2020	9,302
1420 Rocky Ridge Dr	Roseville/Rocklin	Chidren's Choice Dental	Paul Andronico	Nov 2020	7,460
2020 I St	Midtown	Humble Root Recreational Club	Timothy Taylor	Oct 2020	7,436

Under Construction Sq. Ft. (Currently)



2,517,484 SF

Lease Rates (Year Over Year)



+ 4.27%

Market Indicators

	Vacancy	Availability	Avg. Asking Rates	Gross Absorption	Net Absorption
Q3 2020	9.00%	12.20%	\$2.02	812,578	3,528
Q4 2020	9.73%	13.30%	\$2.02	673,874	(109,409)

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	1,373,370	90,599	6.60%	7.59%	(2,795)	15,913	0	\$1.94
Campus Commons	50	1,580,280	262,592	16.62%	17.50%	(9,787)	23,595	0	\$2.24
Carmichael/ Fair Oaks	50	997,177	160,550	16.10%	17.50%	18,882	31,634	0	\$1.33
Citrus Heights/ Orangevale	53	1,431,792	173,664	12.13%	14.69%	(27,492)	4,310	0	\$1.60
Davis/Woodland	85	2,278,603	137,431	6.03%	6.39%	(26,106)	1,189	16,200	\$1.89
Downtown	216	20,314,226	1,467,830	7.23%	9.12%	(88,086)	79,108	1,670,000	\$2.91
East Sacramento	36	2,487,159	10,754	0.43%	1.08%	8,002	8,002	0	\$2.76
El Dorado	75	1,738,896	189,654	10.91%	14.20%	(3,359)	8,430	15,000	\$1.90
Elk Grove	55	2,010,421	115,821	5.76%	6.39%	(36,264)	3,305	0	\$2.50
Folsom	98	4,958,216	287,607	5.80%	13.14%	(31,803)	42,519	0	\$2.18
Highway 50 Corridor	295	17,390,614	2,063,014	11.86%	15.85%	(221,277)	124,883	285,000	\$1.84
Howe/Fulton/Watt	121	4,682,880	762,596	16.28%	16.50%	(1,854)	33,898	0	\$1.60
Midtown	121	4,682,880	762,596	16.28%	16.50%	(1,854)	33,898	0	\$1.60
North Natomas	64	2,833,508	339,387	11.98%	16.65%	527,270	44,503	511,800	\$1.74
Point West	51	2,717,343	330,084	12.15%	18.92%	31,078	85,254	14,484	\$2.07
Rio Linda/ N Highlands	29	1,019,978	249,731	24.48%	33.51%	(5,396)	1,743	0	\$1.71
Roseville/Rocklin	280	11,403,747	1,291,840	11.33%	19.43%	(257,034)	103,957	0	\$2.01
South Natomas	57	3,782,417	440,682	11.65%	16.36%	6,947	32,168	0	\$2.26
South Sacramento	106	3,211,480	184,114	5.73%	7.38%	4,240	7,815	0	\$1.76
West Sacramento	35	2,080,162	112,242	5.40%	15.26%	-	-	0	\$2.01
Class A	187	26,358,032	1,895,207	7.19%	12.11%	(89,813)	123,501	1,738,900	\$2.49
Class B	990	45,809,767	5,496,262	12.00%	15.64%	37,536	457,162	778,584	\$1.99
Class C	745	20,404,141	1,617,110	7.93%	11.10%	(57,132)	93,211	0	\$1.76
Class Total	1,922	92,571,940	9,008,579	9.73%	13.64%	(109,409)	673,874	2,517,484	\$2.02