



Local Roots + Global Reach

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A large, semi-transparent image of the Sacramento State Capitol building, showing its iconic dome and classical architecture, serves as the background for the right side of the page.

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)



-1.0%

Under Construction Sq. Ft. (Currently)

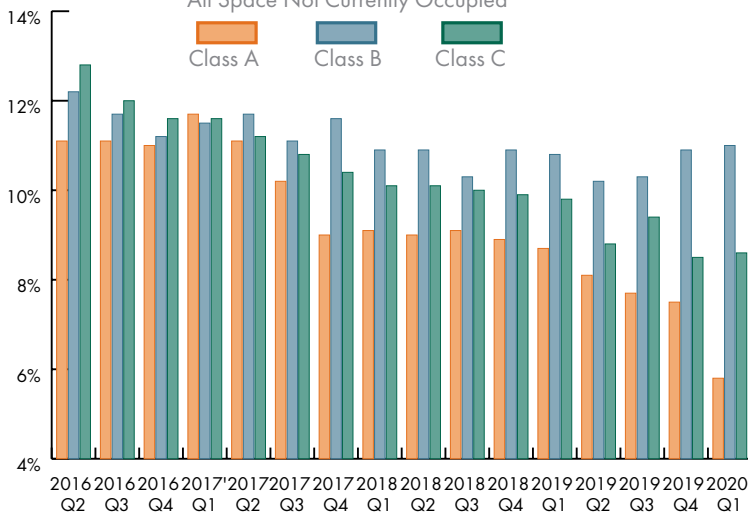


2,350,009 SF

Vacancy Rates (By Class)

All Space Not Currently Occupied

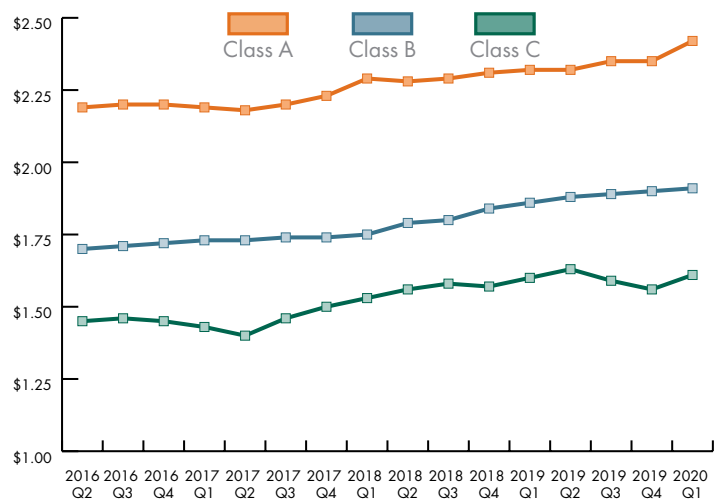
Class A Class B Class C



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