Sacramento office market report

Q1 2022

AVISON YOUNG

Office market trends

01

Return to office

Various California state departments have recently announced they want their employees to return to the office for multiple days during the week. As the region's largest and most diverse user, this could boost occupancy, increase foot traffic, and promote retail as the move represents a significant step forward in the path to normalcy.

02

Activity solidifying

Leasing activity in rebounding but has not reached pre-pandemic averages. The remote and hybrid models currently in place by most employers continues to disrupt the nature of office requirements in the market. The market still favors tenants as multiple lease options exist with landlords incentivizing lease negotiations with favorable concessions.

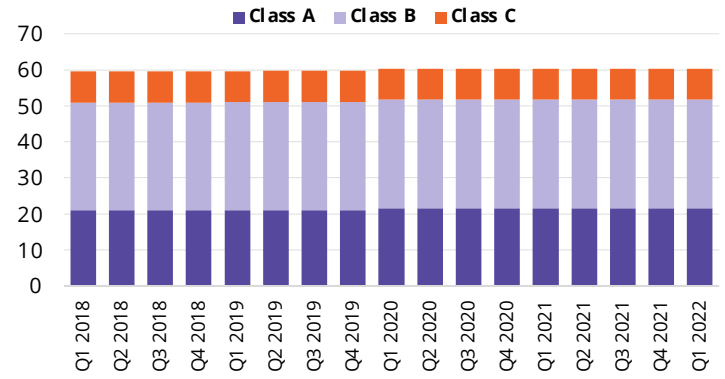
03

Occupancy fluctuations

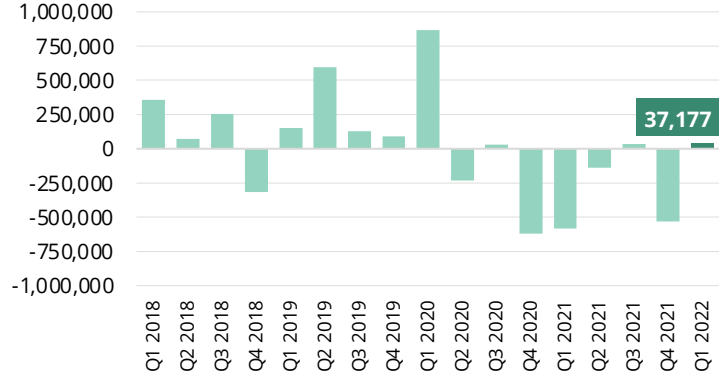
Absorption turned positive during the first quarter after occupancy losses dominated 2021. We expect this to be a short-term gain for 2022 as the State of California moves agencies from leased properties to state-owned, newly constructed buildings. This will grow direct vacancy while sublease vacancy has stabilized to 0.9% during the pandemic.

Office market indicators

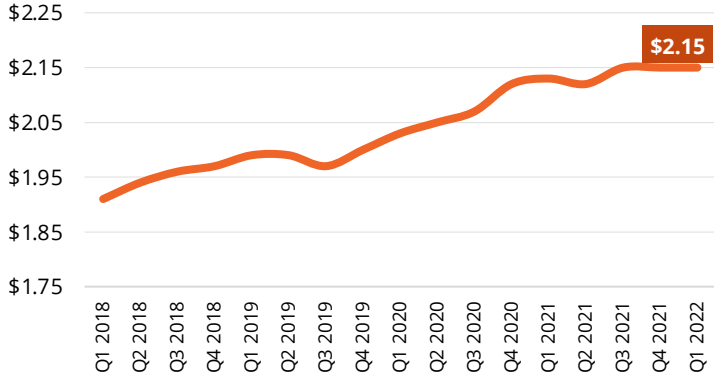
Inventory (msf)



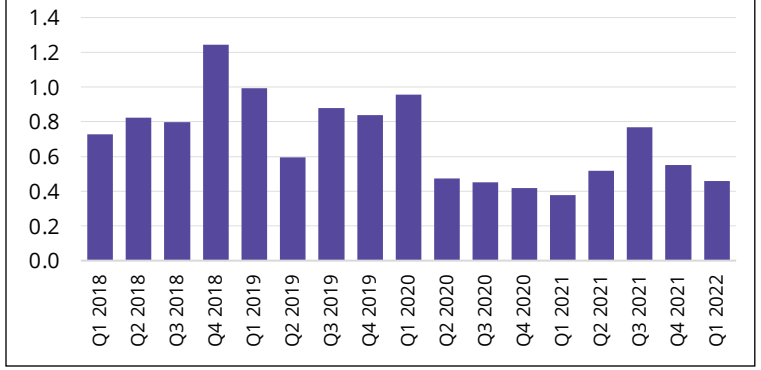
Net absorption (sf)



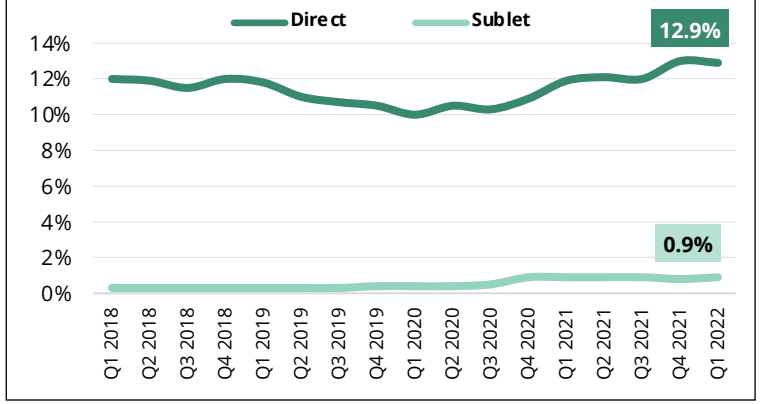
Direct asking rents (psf/FS)



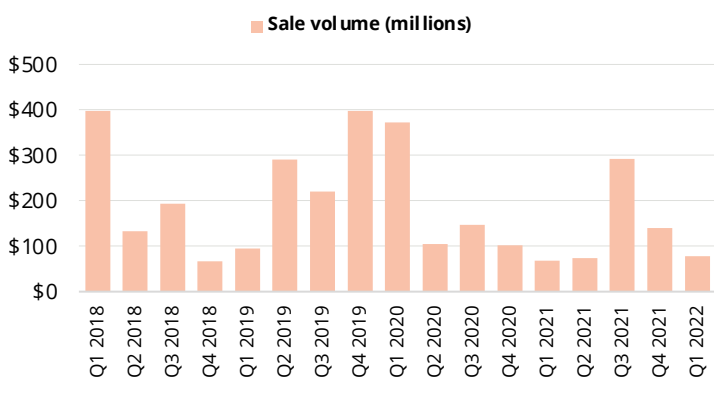
Leasing Activity (msf)



Vacancy



Investment sales



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Office market activity

Recent leasing activity

Tenant name	Address	Submarket	Class	Sign date	Size	Transaction type	Lease type
ThermoGenesis	2890 Kilgore Road	Highway 50 Corridor	C	Mar 2022	35,475	New	Direct
KPFF Engineering	1101 Creekside Ridge Drive	Roseville/Rocklin	A	Mar 2022	22,126	New	Direct
Keller Williams	1180 Iron Point Road	Folsom	A	Mar 2022	15,682	New	Direct
Sacramento Area Flood Control Agency	1325 J Street	Downtown	A	Jan 2022	12,442	New	Direct
Pacific Workplaces	428 J Street	Downtown	A	Jan 2022	11,590	New	Direct
TRC Healthcare	1025 Creekside Ridge Drive	Roseville/Rocklin	A	Mar 2022	9,720	New	Direct

Recent sales activity

Buyer	Address	Submarket	Sale date	Size	Sale price	Sale price psf	Seller
Basin Street Properties	Gateway Oaks Corporate Campus	South Natomas	Jan 2022	322,612	$58,000,000	$180	Broadshore Capital Partners
Kingsbarn Realty Capital	Laguna West Business Center	South Sacramento	Feb 2022	50,429	$11,900,000	$236	Laguna West Investment
ACCO Engineered Systems	10590 Armstrong Avenue	Highway 50 Corridor	Jan 2022	35,855	$3,840,000	$107	WHAL Properties
Hesion Technology Inc.	1788 Tribute Road	Highway 50 Corridor	Jan 2022	28,572	$2,389,000	$84	Los Rios Community College District

Large contiguous space availabilities

Address	Submarket	Class	Date available	Block size	Lease type	Floors	Owner
9100 Foothills Blvd	Roseville/Rocklin	A	Now	296,816	Direct	1-3	Blackstone
8000 & 8050 Foothills Blvd	Roseville/Rocklin	B	Now	236,046	Sublease	1-2	Dimah Capital Investment
100 Waterfront Place	West Sacramento	A	Oct 2022	198,639	Direct	5-11	CalSTRS
1800 3rd Street	Downtown	B	Now	197,848	Direct	1-4	CalPERS

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Office market stats

By Submarket	Inventory (sf)	Vacancy Total %	Vacancy Class A	Vacancy Class B	Net Absorption 1Q22	Net Absorption YTD	SF Under Construction	Direct Average Asking Rent Total	Direct Average Asking Rent Class A	Direct Average Asking Rent Class B
Auburn/Lincoln	421,277	9.5%	NA	17.9%	5,559	5,559	0	$1.83	NA	$2.21
Campus Commons	1,249,068	0.7%	NA	0.2%	947	947	0	$2.32	$2.75	$2.24
Carmichael/Fair Oaks	411,711	13.0%	NA	12.3%	2,304	2,304	0	$1.54	NA	$1.55
Citrus Heights/Orangevale	541,351	19.7%	0.0%	14.8%	7,814	7,814	0	$1.48	NA	$1.33
Davis/Woodland	1,165,121	9.3%	0.8%	10.7%	-37,541	-37,541	0	$1.87	NA	$2.85
Downtown	11,901,689	13.1%	12.0%	17.3%	66,072	66,072	0	$3.01	$3.39	$2.82
East Sacramento	1,178,459	8.6%	0.0%	9.5%	-3,035	-3,035	0	$3.10	NA	$3.10
El Dorado Hills	1,039,384	11.3%	7.2%	11.9%	-6,702	-6,702	0	$2.19	$1.85	$2.24
Folsom	4,028,224	4.9%	4.2%	5.6%	-40,266	-40,266	0	$2.26	$2.44	$2.11
Highway 50 Corridor	12,008,532	18.4%	13.4%	21.5%	60,258	60,258	0	$1.86	$2.02	$1.87
Howe Ave	2,184,255	15.1%	30.4%	17.2%	586	586	0	$1.70	$1.99	$1.60
Midtown	1,240,213	11.0%	5.1%	16.3%	-23,545	-23,545	0	$2.47	$2.94	$2.41
North Natomas	3,048,716	11.4%	6.3%	18.5%	1,077	1,077	0	$1.69	$1.98	$1.64
Point West	2,423,663	17.4%	17.6%	11.9%	23,043	23,043	0	$2.01	NA	$1.99
Rio Linda/North Highlands	598,874	20.1%	NA	29.9%	0	0	0	$1.20	NA	$1.20
Roseville/Rocklin	7,660,998	15.2%	17.6%	15.1%	-6,078	-6,078	0	$2.14	$2.24	$2.13
South Natomas	3,548,353	16.6%	19.4%	11.9%	-21,069	-21,069	0	$2.21	$2.26	$2.11
South Sacramento	2,650,395	10.4%	1.5%	15.7%	4,788	4,788	0	$1.58	NA	$1.85
Watt Ave	1,267,062	26.0%	NA	21.7%	3,126	3,126	0	$1.61	NA	$1.70
West Sacramento	1,771,905	5.8%	0.0%	12.0%	-161	-161	275,000	$2.84	$3.25	$2.07
Market Total	**60,339,250**	**13.8%**	**12.3%**	**15.6%**	**37,177**	**37,177**	**275,000**	**$2.15**	**$2.52**	**$2.02**

By Class	Inventory (sf)	Total Vacancy	1Q22 Net Absorption	YTD Net Absorption	SF Under Construction	Sublease
Total Class A	21,548,303	12.3%	-78,063	-78,063	275,000	253,303
Total Class B	30,191,260	15.6%	70,502	70,502	0	300,250
Total Class C	8,599,687	10.9%	44,738	44,738	0	0
Market Total	**60,339,250**	**13.8%**	**37,177**	**37,177**	**275,000**	**553,553**

Inventory excludes government and medical office buildings.

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