

Sacramento Valley



Quick Stats

6.5%

Class A Vacancy

9.8%

Class B Vacancy

\$2.35 FS

Class A Average Asking Rate

\$1.95 FS

Class B Average Asking Rate

The Sacramento Valley office market had a great start to the year. The market measured a significant occupancy gain of 522,560 square feet, which is a 28% increase from the absorption measured last quarter. Overall vacant space within Sacramento has been on the decline measuring just over 7.3 million square feet this quarter which is the lowest it has been in the past five years.

Sacramento Valley saw a vacancy rate of 8.6% which is down 80 basis points from the 9.4% vacancy rate seen at the end of last year and 110 basis points lower than this same period one year ago. Average weighted asking rates are still on the rise ending the first quarter at \$2.04 per square foot full service, which is only a 1.0% increase from the end of 2018 but a 5.0% increase from the end of 2017. Class B product featured a modest increase this quarter rising to \$1.95 per square foot full service which is a 1.1% increase from the \$1.93 per square foot full service asking rate seen at the end of 2018.

There were many significant sale transactions this quarter with the most notable deal occurring at Parkway Corporate Plaza in Roseville. Anchor Health Properties acquired

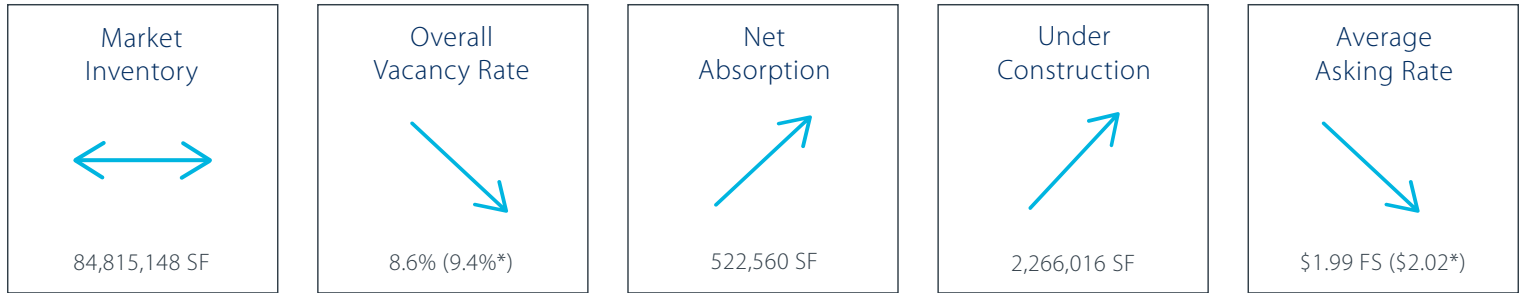
the 288,284 square foot site from the Broe Group for \$79 million. Another notable transaction occurred in Rancho Cordova where the Wonderful Company acquired the 178,555 square foot site at 10730 & 10734 International Drive from RREEF Management, LLC for \$37 million.

Sacramento Valley is constantly developing new projects with over 7.6 million square feet of proposed developments and currently 2.2 million square feet under construction. A notable new project that is coming to the South Natomas submarket belongs to 2030 Gateway Tower in Sacramento. This twelve-story building is approved and will bring 327,000 square feet of office space with occupancy scheduled for late 2021.

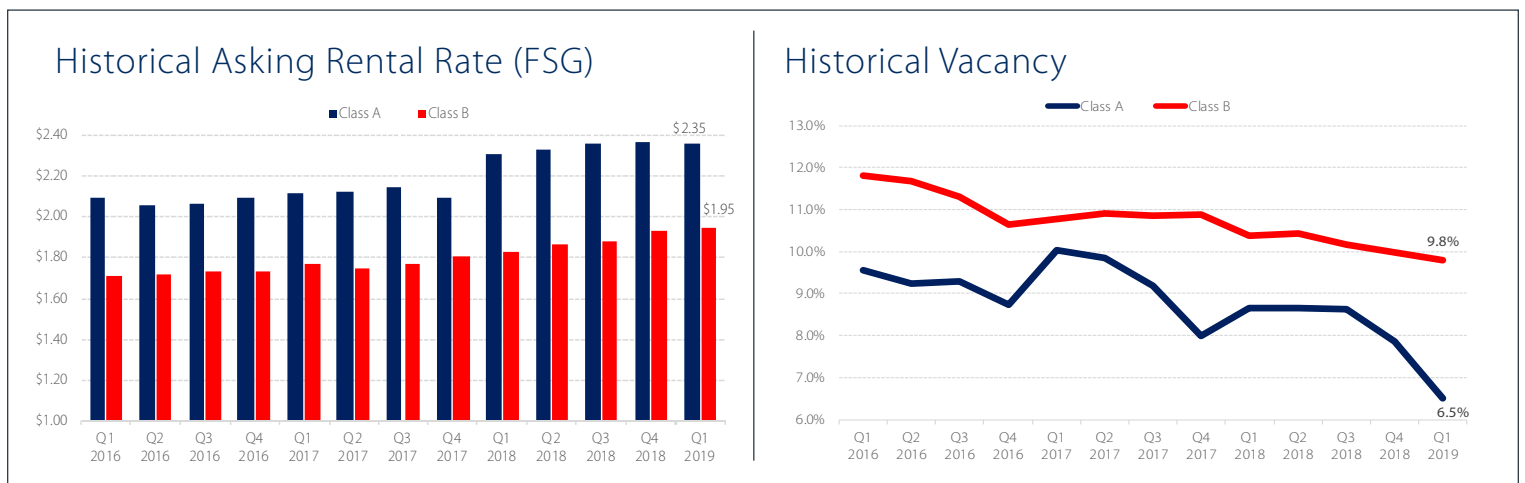
The employment in Sacramento Valley remains strong. The U.S. Bureau of Labor Statistics noted an unemployment rate of 4.1% in Sacramento Valley, slightly lower than the 4.4% rate for the state of California. Moving forward, we can expect asking rents to slightly increase while the amount of available space decreases. Due to the lack of inventory, tenants should wait until the new developments near completion before looking for expansion options.

Office Market Snapshot

Sacramento Valley is constantly improving its office building inventory with over 7.6 million square feet of proposed developments and over 2.2 million square feet of projects currently under construction. A newly approved project marketed by Avison Young at 2030 Gateway Tower will bring 327,000 square feet of new Class A, LEED Certified office space to the South Natomas submarket when completed in late 2021.



*Compared to previous quarter



Market By The Numbers

SUBMARKET	Total RBA (SF)	Direct Avail Space (SF)	Sublet Avail Space (SF)	Vacancy Rate		Avail Rate		Net Absorp. (SF)	Avg. Asking Rent (F\$)		
				Class A	Class B	Class A	Class B		Total	Class A	Class B
Auburn/Lincoln	1,376,589	67,238	-	-	5.6%	-	9.9%	-2,072	\$1.80	-	\$2.17
Roseville/Rocklin	10,866,063	901,324	36,546	6.5%	9.1%	13.9%	12.7%	16,262	\$1.92	\$2.12	\$1.81
North Natomas	3,256,722	317,871	2,281	7.8%	9.4%	7.8%	5.8%	80,780	\$1.72	\$2.07	\$1.59
South Natomas	3,634,048	244,686	29,417	8.7%	5.8%	17.0%	8.2%	-1,358	\$2.17	\$2.20	\$2.10
Rio Linda/North Highlands	1,018,415	234,570	-	-	11.2%	-	11.2%	28,817	\$1.73	-	\$1.46
Citrus Heights/Orangevale	1,502,796	134,515	-	-	10.9%	-	11.3%	24,886	\$1.52	-	\$1.76
Folsom	4,775,262	273,449	13,570	5.7%	6.4%	7.2%	11.6%	18,603	\$2.02	\$2.31	\$1.88
Watt Ave	2,400,976	214,188	8,415	-	11.4%	-	17.2%	-7,251	\$1.67	-	\$1.79
El Dorado Hills	1,346,607	135,740	4,050	27.0%	8.1%	48.7%	9.5%	21,203	\$2.09	\$2.01	\$2.17
Sacramento- Midtown	5,072,144	334,717	8,512	4.4%	9.8%	6.5%	12.8%	52,559	\$2.30	\$2.66	\$2.07
Sacramento-Downtown	20,210,148	1,373,934	17,125	4.3%	12.8%	5.4%	17.2%	108,656	\$2.72	\$3.12	\$2.54
Point West	2,730,651	348,218	16,516	13.9%	16.1%	16.5%	18.6%	6,132	\$1.90	\$2.09	\$1.91
West Sacramento	2,020,487	121,430	-	-	13.2%	9.2%	17.7%	30,500	\$1.78	\$1.70	\$1.88
East Sacramento	2,480,641	32,078	-	-	1.5%	-	1.5%	5,961	\$2.71	-	\$2.73
Highway 50 Corridor	17,468,285	1,659,698	73,333	9.8%	9.4%	13.2%	14.0%	122,670	\$1.69	\$1.97	\$1.65
Howe Ave	2,387,854	412,112	-	25.3%	16.2%	48.2%	19.3%	-20,505	\$1.65	\$1.85	\$1.59
Campus Commons	1,299,823	190,652	2,308	16.3%	15.6%	16.3%	23.8%	-3,493	\$2.17	\$2.65	\$2.19
South Sacramento	3,074,915	283,916	-	-	9.0%	-	9.7%	38,727	\$1.63	-	\$1.81
Davis/Woodland	2,124,951	108,073	1,110	9.6%	5.4%	9.6%	8.6%	-1,481	\$1.91	\$2.70	\$1.97
TOTAL	84,815,148	7,102,325	183,766	6.5%	9.8%	9.1%	13.5%	522,560	\$1.99	\$2.35	\$1.95

Significant Sale Transactions

Buyer	Building	Submarket	Square Feet	Sale Price
Anchor Health Properties	Parkway Corporate Plaza	Roseville	288,284	\$79,000,000
The Wonderful Company	10730 & 10734 International Drive	Rancho Cordova	178,555	\$37,000,000
Ovadia O Mizrahi	Prospect Park Commons	Rancho Cordova	153,840	\$18,750,000
Lance-Kashian & Company	8745 Folsom Boulevard	Sacramento	83,750	\$8,100,000
InnovAge	3870 Rosin Court	Sacramento	66,919	\$4,150,000



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Properties

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