

Forecast 2021



Sacramento Valley, CA

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Sacramento Valley



Executive Summary

- Average asking rates for all product types have finally plateaued after a record year of increases.
- The booming e-commerce industry has been driving industrial and retail activity.
- The demand for a vaccination should force an influx of activity to the healthcare sector.

At the end of 2019, all product types within Sacramento Valley were performing well with promising rental rate growth and decreasing availability. Leasing volume and sale transactions for all product types were expected to increase within the new year, and we expected to see some new developments finally arrive to the market. However, that didn't exactly happen as the Sacramento Valley has not been immune to the effects from the Coronavirus (COVID-19) pandemic.

The office market within Sacramento Valley has fared pretty well over the years with decreasing availabilities and increasing rates, signals of a tough and active market. However, because of the limited demand due to the COVID-19 pandemic, we cannot expect these trends to continue like normal. We should expect to see slight decreases in asking rates and modest increases in vacancy levels as tenants are realizing that they cannot afford office space for the time-being.

A rising trend within the Sacramento Valley is the ability to telework. In March of 2020, all of us were forced to return to our homes, set up our desks, and telework through video calls, online conferencing, and other collaboration tools. While some businesses are not set up to perform this way forever, a lot of companies have realized that their employees are just as productive at home, if not more so, than when they were at the office. A benefit to this new way of working is just how much money the company can save when they do not have to pay for extraneous fees that in-person workers require. The Sacramento Valley office market may start to feel the effects of this new trend, sooner rather than later, since Governor Newsom suggested that government officials should reconsider their current building leases in order to cut some miscellaneous overhead costs. Because of this statement and other financial reasons, the State of California has been re-examining their large portfolio of offices and have decided to only lease spaces that have the option to cancel on thirty days




“Over the past 10 years, the Sacramento Valley has seen rising average asking rates paired with decreasing vacancy rates. While this year may have thrown us for a loop, we should still be able to expect these trends to continue again once the economy returns to more “normal” levels. The Sacramento Valley market is tough and will quickly return to levels seen in previous years.”

notice in case the space no longer fits their needs. We may start to see more of this type of thinking among other companies within the Sacramento Valley as the uncertainty of the pandemic continues.

However, teleworking isn't just about changes to the workplace, it includes changes to our lifestyle. There has been a huge surge in e-commerce and online retailing since the beginning of March which has put some pressure on some of the more local retailers. The current eviction moratoriums in place have been helping these retailers stay afloat for the past couple of months, but unfortunately, these tenants may not be able to reopen their businesses, leaving the market with a potential spike in future available retail space when the moratoriums are set to expire sometime next year.


On a more positive note, the Sacramento Valley houses numerous medical tenants and landlords whose businesses have been thriving over the past few months. The need for a vaccination for COVID-19, coupled with the potential Biden Administration and expansion of healthcare programs relating to the Affordable Care Act, will definitely force an influx of activity to the healthcare market within the Sacramento Valley in the upcoming quarters.

Trend watch



Hyperlocal

The impact of COVID-19 lockdowns has caused a huge spike in e-commerce and online retailing. Some of the local malls and retailers, who previously dominated the market with the enjoyable experiences of in-store shopping, are now struggling to keep their businesses afloat.

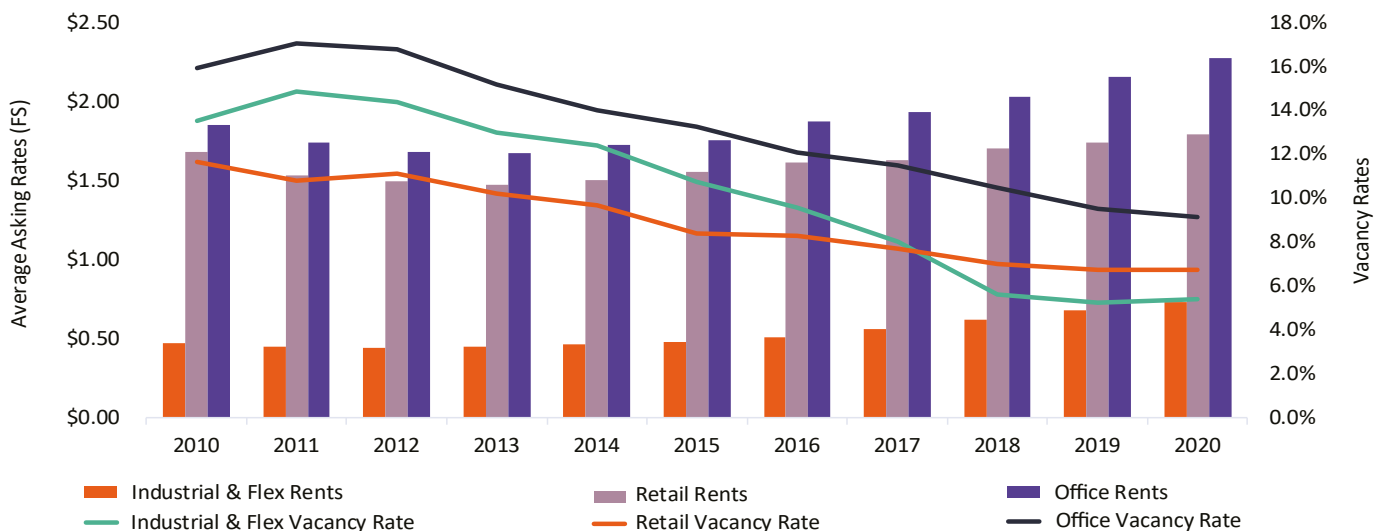


No Place Like Home

Recently, Governor Newsom has advised all government officials to reconsider their building leases in order to cut costs but still keep productivity and employee moral high. If employees can do the work just as efficiently at home, then why do we still need to have multiple offices?

Historical Rents vs. Vacancy Rates

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Get more market information

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