

Sacramento Valley

Quick Stats

6.4%

Class A Vacancy

10.1%

Class B Vacancy

\$2.43 fs

Class A
Average Asking Rate

\$2.03 fs

Class B
Average Asking Rate

Average asking rates for Sacramento Valley have finally crossed the \$2.00 threshold, ending the quarter with an overall asking rate of \$2.04 per square foot, full service.

Tenants, Landlords, and Investors Are Still Making Deals Despite The Pandemic

- Sacramento Valley has not been immune to the early effects of the COVID-19 pandemic. As of August 2020, the Labor Market measured a 10.3% unemployment rate for Sacramento Valley, compared to the 11.6% for California. Many businesses have decided to transition their employees to work remote for the next few quarters, while others have decided to return to the workplace with numerous social distancing protocols in place.
- The office market within Sacramento Valley has remained strong throughout the pandemic. While some tenants remain cautious about signing new leases, others have realized the necessity of having physical office space. The market, as a whole, measured 506,447 square feet (sf) of leasing activity, a 2.8% decrease from last quarter and a 54.1% decrease from this time last year. As the economy starts to bounce back, we should expect to see slightly more leasing activity among tenants within the office market in Sacramento Valley.
- Asking rates for Sacramento Valley have not stopped increasing, despite the pandemic. The office market noted a \$2.04 per square foot, full service asking rate, which is a 1.0% increase from last quarter and a 4.4% increase year-over-year. Due to the continued demand over the past few months, we can expect rents to stay relatively flat with modest increases over the next few quarters.
- Vacancy levels have plateaued in most of the submarkets within the Sacramento Valley, except for South Natomas. The total office market for Sacramento Valley noted just over 7 million square feet of available space, translating to a 7.8% vacancy rate. South Natomas is the only submarket that has doubled in vacant space year-over-year ending the quarter with an 11.5% vacancy rate and 434,646 sf available.
- Office construction has remained strong throughout the COVID-19 pandemic, and some tenants are looking forward to the new developments. Looking at the top five projects within Sacramento Valley, all of them are 100% preleased months before their completion dates.

Trends to Watch

Rents



Due to the constant demand from new and old tenants, average asking rates may slowly continue to increase, leading to new record-highs in the market.

Healthcare



The healthcare industry has been thriving due to the increased demand, so we should not expect to see a slowdown in tenant activity anytime soon.

Developments

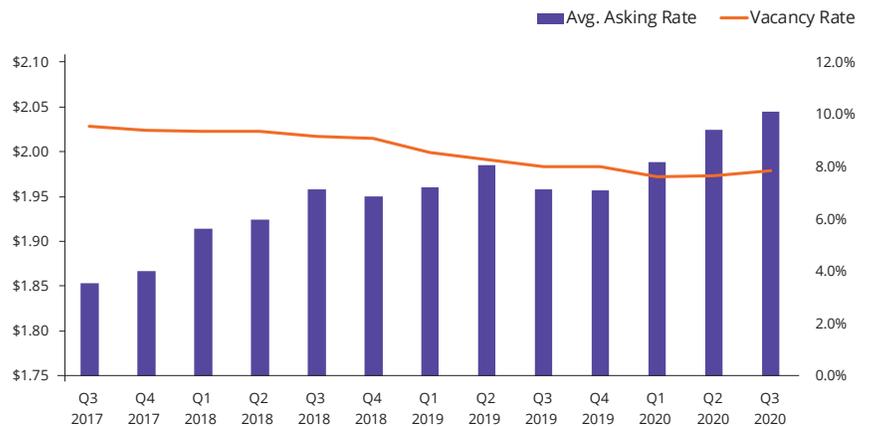


Office construction has not stopped throughout the COVID-19 pandemic, so we should see more office opportunities coming onto the market in the next few quarters.

Looking Forward

Sacramento Valley's office market will continue to thrive over the next few quarters. Since healthcare and government tenants make up a big portion of the market, vacancy levels should not fluctuate too much due to the increased demand throughout the COVID-19 pandemic. Asking rates have been slowly increasing since the beginning of the year, but we may expect those to slowly plateau over the next few quarters as these record-highs may be unsustainable for the long term.

Historical Asking Rates vs Vacancy Rates



Notable Lease Transactions

Tenant	Building	Submarket	SF	Type
County of Sacramento	3636-3640 American River Dr	Sacramento	47,664	New Lease
Accenture	11290 Pyrites Way	Gold River	26,720	New Lease
Zenith Insurance	925 Highland Pointe Dr	Roseville	28,048	Renewal
California Mobility Center	15 Business Park Way	Sacramento	25,000	Sublease
Sacramento Municipal Utilities	15 Business Park Way	Sacramento	18,000	New Lease

Notable Sales Transactions

Building	Buyer	Submarket	SF	Sale Price	PSF
2901 Douglas Boulevard	Kingsbarn Realty	Roseville	110,791	\$30,000,000	\$270.78
8800 Cal Center Drive	Ominet Capital	Sacramento	127,000	\$22,400,000	\$176.38
660 J Street	RevOZ Capital & Argosy RE Partners	Sacramento	124,471	\$20,225,000	\$464.49
3241 Kilgore Road	The Wonderful Company	Rancho Cordova	102,289	\$20,000,000	\$195.52
11919 Foundation Place	Davies-Torrance Trust	Rancho Cordova	64,654	\$14,300,000	\$221.18
2700 Stockton Boulevard	Regents of U California	Sacramento	39,864	\$13,950,000	\$349.94

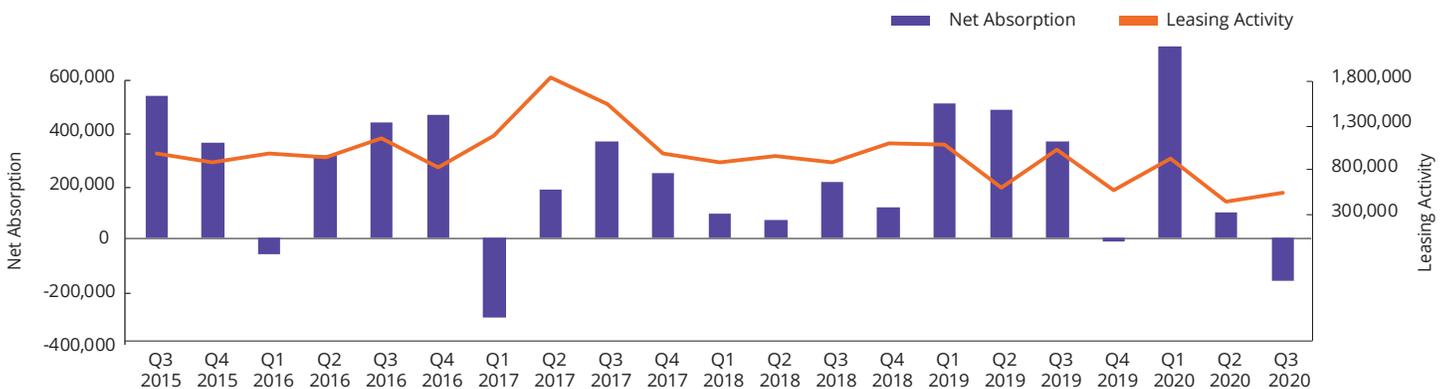
Construction Pipeline

Building	Developer	Submarket	SF	%Leased	Delivery
P Street	AC Martin Partners, Inc	Sacramento	838,000	100%	Q2 2022
Centene Campus - Bldg A/B	Hines Securities, Inc	Sacramento	511,800	100%	Q4 2020
1021 O Street	Hensel Phelps	Sacramento	472,000	100%	Q3 2021
1215 O Street	Rudolph and Sletten, Inc	Sacramento	360,000	100%	Q1 2022
10601 Bear Hollow Drive	State of California	Rancho Cordova	285,000	100%	Q1 2021

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 (FS)		
				Class A	Class B	Class A	Class B		Total	Class A	Class B
Auburn/Lincoln	1,381,022	64,667	-	-	4.6%	-	8.4%	1,522	\$2.20	-	\$2.33
Roseville/Rocklin	11,199,316	977,877	39,668	7.9%	9.7%	12.7%	13.9%	(24,441)	\$1.96	\$2.13	\$1.91
North Natomas	2,793,508	311,568	7,273	8.6%	13.4%	8.8%	15.3%	(10,165)	\$1.73	\$2.15	\$1.58
South Natomas	3,795,166	423,545	11,101	15.1%	5.7%	17.9%	8.0%	(28,031)	\$2.26	\$2.28	\$2.21
Rio Linda/North Highlands	1,019,978	244,335	-	-	21.9%	-	17.3%	-	\$1.74	-	\$1.20
Citrus Heights/Orangevale	1,431,055	137,142	9,030	-	12.0%	-	16.6%	(12,779)	\$1.57	-	\$1.72
Folsom	4,957,548	185,981	59,807	4.7%	5.7%	4.9%	11.4%	(78,080)	\$2.18	\$2.36	\$2.03
Watt Ave	2,257,492	382,708	13,976	-	20.2%	-	26.3%	48,262	\$1.63	-	\$1.75
El Dorado Hills	1,405,273	131,475	-	13.4%	9.6%	24.6%	14.4%	16,316	\$1.96	\$1.78	\$2.01
Sacramento-Midtown	5,070,674	354,980	7,320	8.3%	5.5%	11.0%	9.1%	11,144	\$2.40	\$2.47	\$2.27
Sacramento-Downtown	20,300,732	1,188,279	24,982	3.6%	10.5%	3.9%	13.3%	(50,010)	\$2.83	\$3.31	\$2.79
Point West	2,722,114	270,503	73,557	19.2%	13.1%	15.9%	15.1%	(35,843)	\$2.04	\$2.16	\$1.97
West Sacramento	2,080,162	112,242	-	-	11.3%	-	14.5%	-	\$1.90	-	\$1.92
East Sacramento	2,486,959	10,754	-	-	0.4%	-	0.5%	8,002	\$2.81	-	\$2.86
Highway 50 Corridor	1,000,176	162,337	-	-	13.4%	-	12.1%	24,204	\$1.30	-	\$1.52
Howe Ave	17,400,912	1,512,906	70,490	3.5%	11.4%	7.3%	18.0%	(96,235)	\$1.80	\$2.00	\$1.81
Campus Commons	2,749,373	308,166	5,335	31.1%	9.2%	44.9%	14.0%	(10,143)	\$1.78	\$2.00	\$1.68
South Sacramento	1,580,280	182,668	19,391	13.1%	13.1%	13.1%	23.5%	34,775	\$2.19	\$2.65	\$2.19
Davis/Woodland	3,196,660	188,354	-	-	8.0%	-	8.8%	(6,042)	\$1.75	-	\$1.80
Carmichael/Fair Oaks	2,267,066	88,008	14,044	5.0%	6.2%	5.3%	5.0%	12,372	\$2.00	\$3.00	\$2.44
Sacramento Valley Total	91,095,466	6,789,297	340,200	6.4%	10.1%	8.3%	13.9%	(157,174)	\$2.04	\$2.43	\$2.03

Historical Leasing vs Net Absorption



Get more market information

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