



# Sacramento office market report

Q1 2024

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**AVISON  
YOUNG**

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# Sacramento office market trends

486K sf

## Leasing activity rebounds after a multi-year low in Q4 2023.

The Sacramento office market continues to grapple with high vacancy rates and decreased demand. Elevated interest rates, ongoing economic uncertainty and employee work habits are contributing to tenants' hesitation in office leasing. However, there's a positive turn in Q1 2024, with leasing activity rebounding compared to the previous quarter's multi-year low, offering hope for improvement in the new year.

19.1%

## Class A vacancy drops for the first time since Q2 2021.

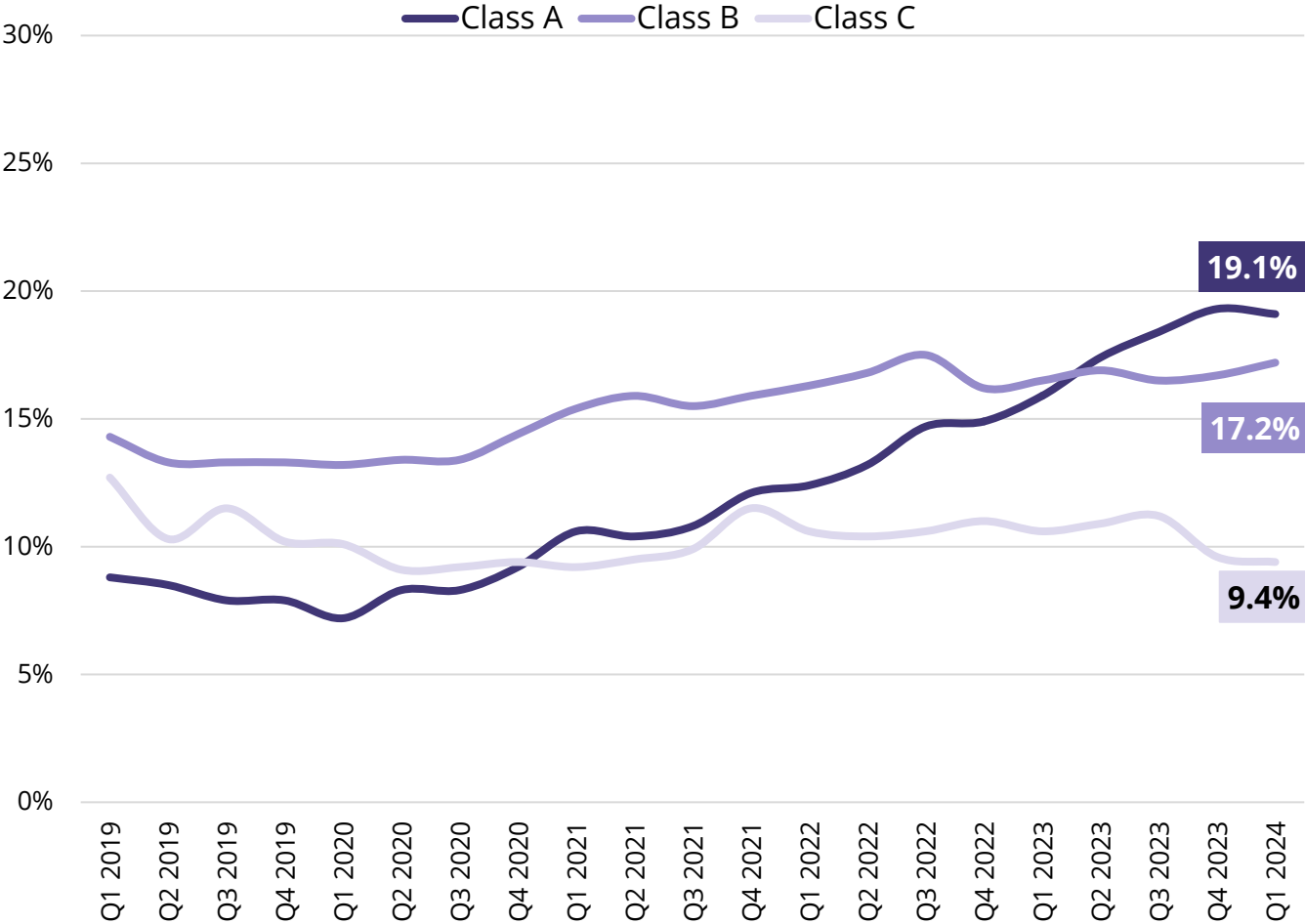
Historically, Class A office vacancy rates remained consistently higher than those of Class B and C. However, this trend reversed during the pandemic as tech, government, finance, and similar sectors, which traditionally occupy Class A office space experienced a surge in remote and hybrid work. Nevertheless, in Q1 2024, Class A vacancy rates decreased for the first time in several years, possibly due to the California state government's call for state workers to return to the office, and a trend towards "flight-to-quality."

20.4%

## Job postings have increased but so has remote work.

Total job postings have surged by over 15% compared to Q4 2023. Surprisingly, a significant portion of this increase is attributed to a doubling in remote job listings, marking the highest proportion of remote jobs since the pandemic's onset with much of the rise stemming from state positions despite a government mandate for return-to-office. While this surge brings hope for labor market recovery, it also underscores the enduring impact of the pandemic on work and office culture.

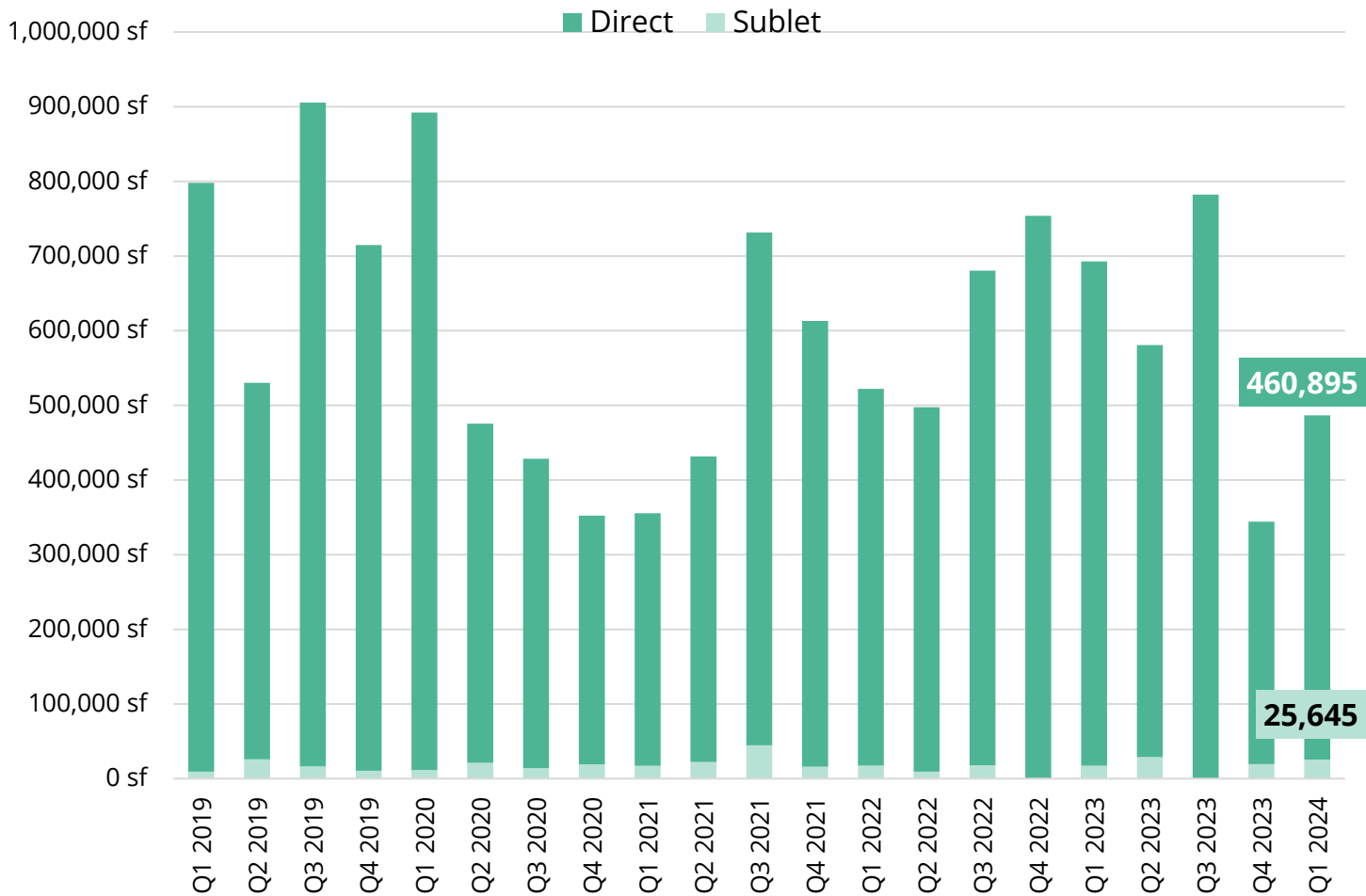
# Vacancy



Source: AVANT by Avison Young

Historically, Class A office vacancy rates have remained below those of Class B and C properties. However, the COVID-19 pandemic disrupted this trend as tenants in sectors like government, law firms, and finance shifted to remote work, leading to higher vacancies in Class A offices. Nonetheless, as of Q1 2024, Class A vacancy rates have decreased for the first time since Q1 2021, signaling a positive trend for the market.

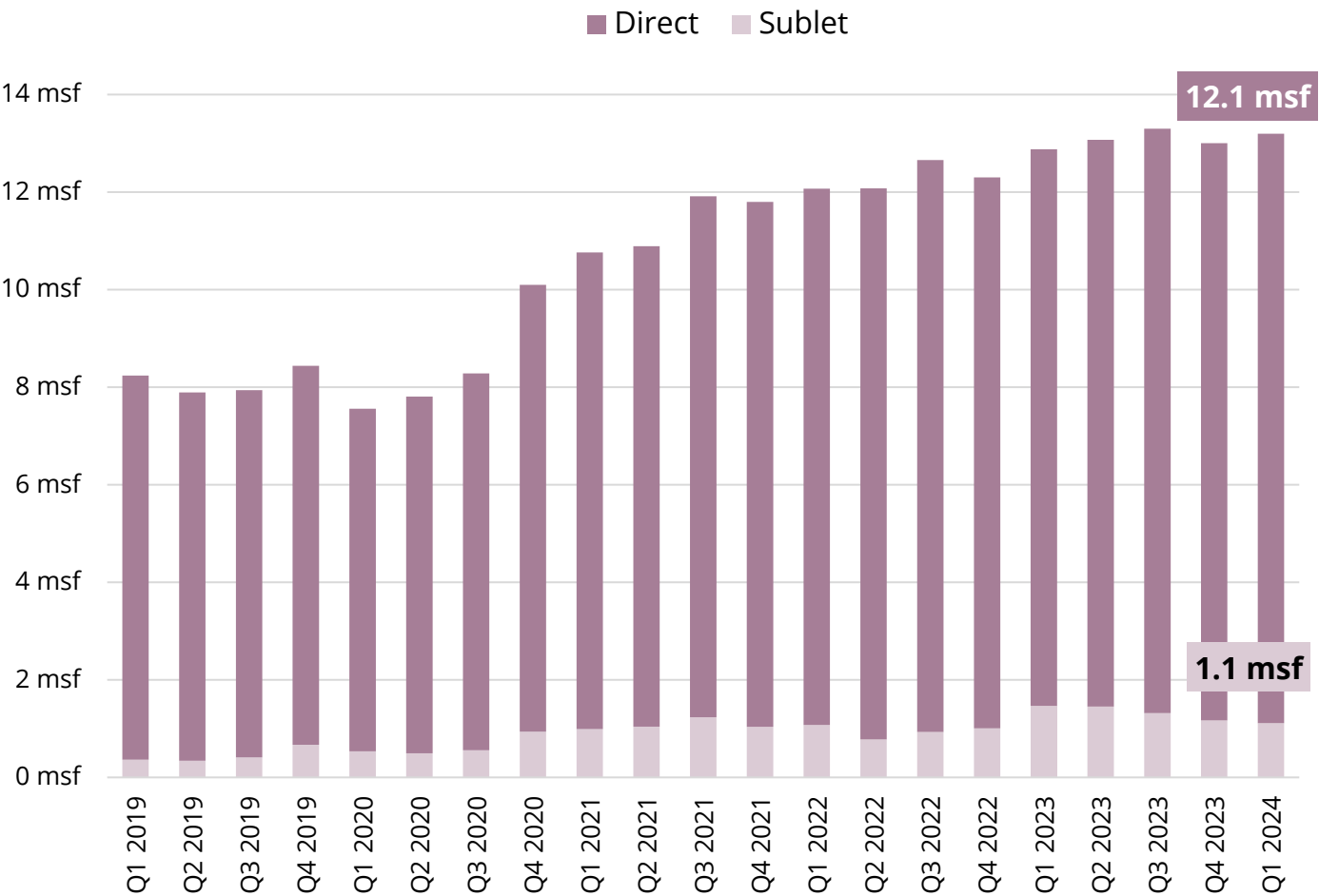
# Leasing activity



Source: CoStar

The first quarter of 2024 offers hope as tenant demand seems to be rebounding, evidenced by significant improvement in leasing activity compared to the previous quarter. Additionally, there has been a notable increase in pent-up tenant activity that has yet to translate into transactions, enforcing the optimism that the market is progressing towards recovery.

# Availability



Source: AVANT by Avison Young

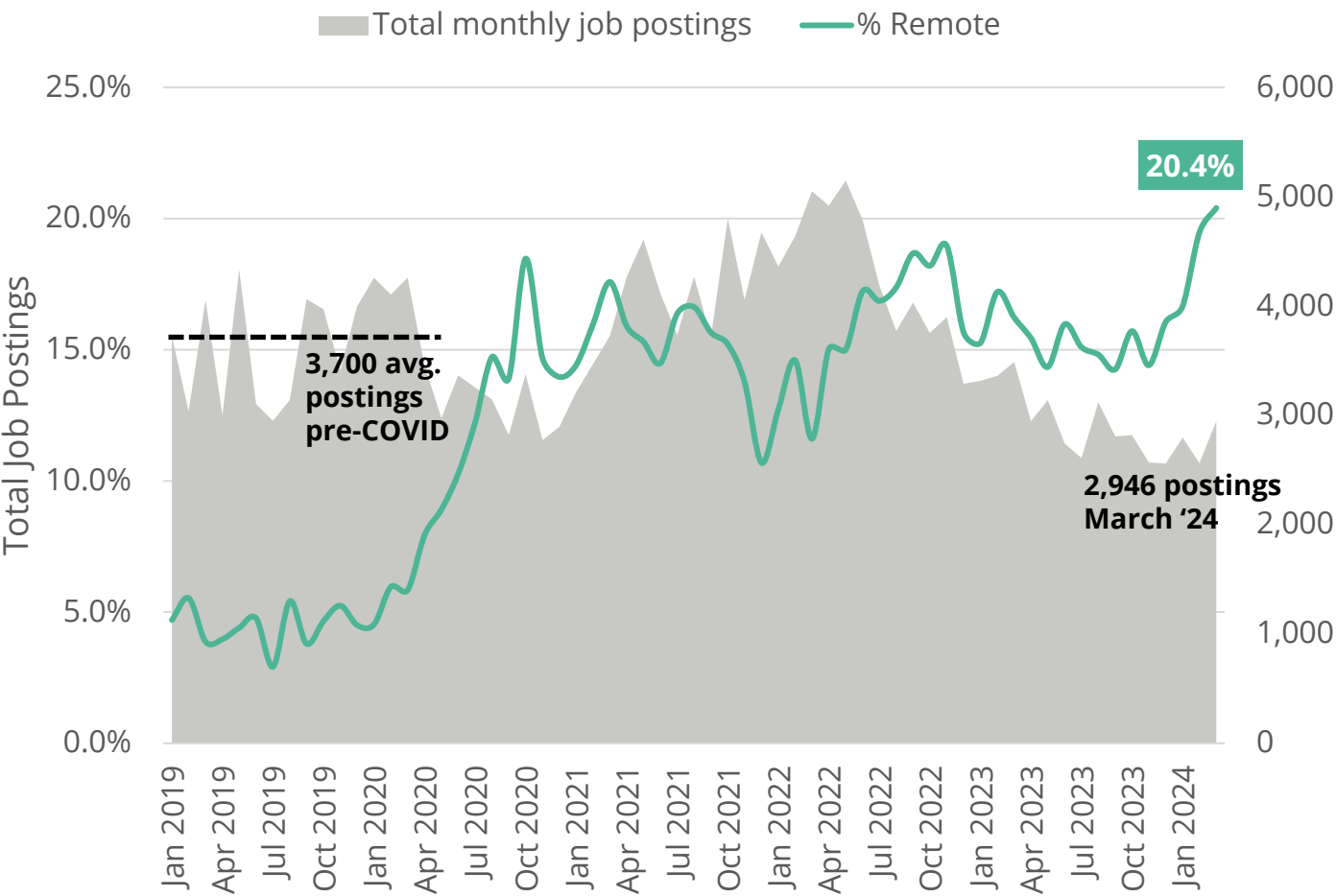
For the last several quarters, availability has plateaued, remaining just above 20% of the total market inventory, potentially indication that the worst of the downturn is now behind us. While availability in Q1 increased slightly compared to the previous quarter, it remains below the high that was witnessed in Q3 2023.



# Economic Trends



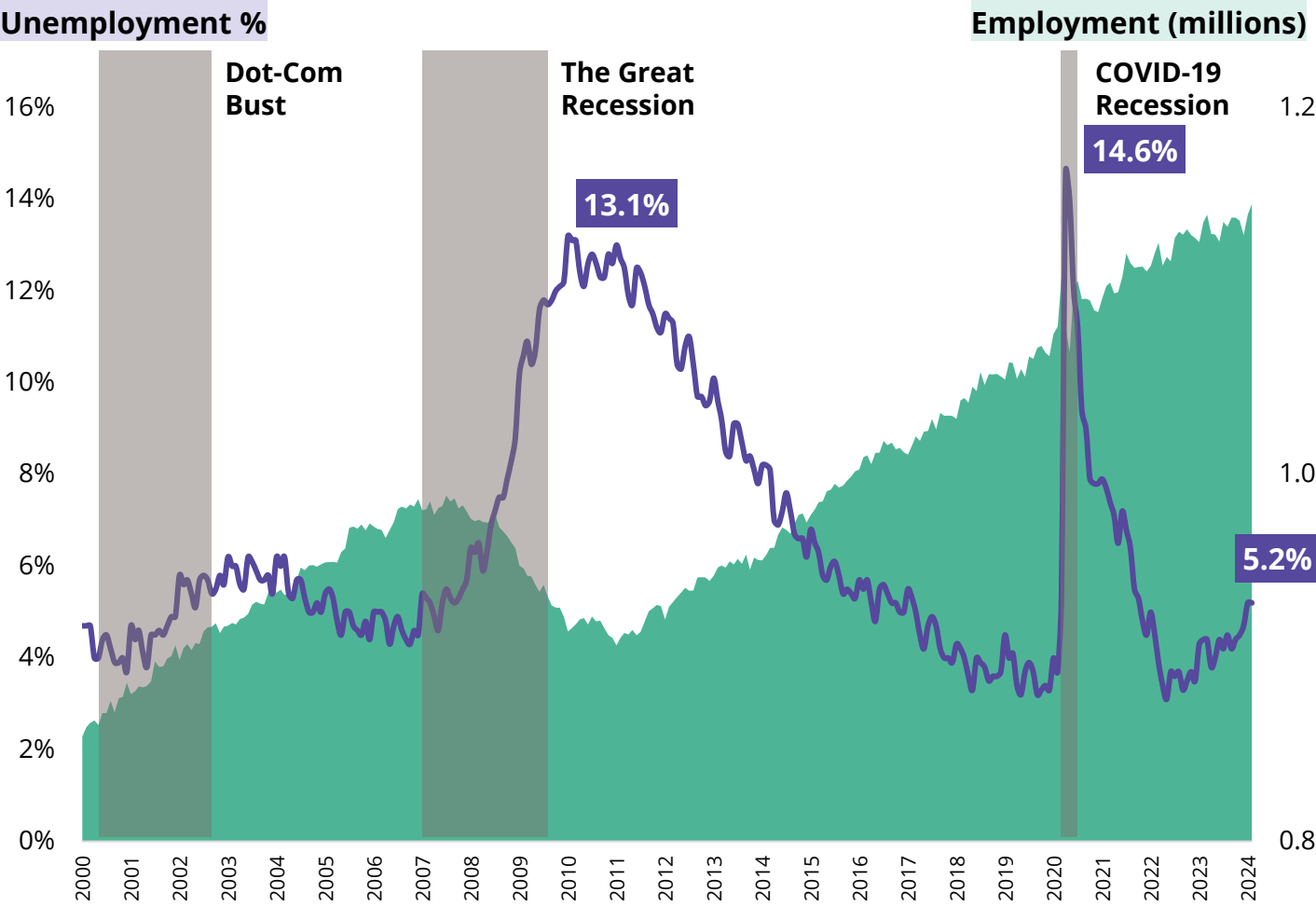
# Job postings



Source: AVANT by Avison Young

Total office job postings have surged by over 15% since the end of the last quarter. However, there has been a simultaneous increase in the proportion of remote job postings, with the number of remote job postings doubling during the same period. While this indicates positive momentum in economic activity, it also highlights the resilience of remote and hybrid work cultures, which are expected to continue impacting office occupancy.

# Employment



Following the peak of the pandemic in mid-2020, the Sacramento MSA witnessed a precipitous drop in its unemployment rate. However, after reaching multi-decade lows in early 2022, the unemployment rates have begun to gradually rise again. This rise is attributed to persistent high interest rates, which continues to hampering economic activity in the region.

Note: Sacramento—Roseville—Arden-Arcade MSA  
Source: Bureau of Labor Statistics



# Market Activity



# Sacramento office market activity

## Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Gannett Fleming	1410 Rocky Ridge Dr	Roseville/Rocklin	January 2024	16,864	New	Direct
Highlands Community Center	1111 Howe Ave	Howe Ave	March 2024	16,361	New	Direct
Sutter Health	1 Adventist Health Way	Roseville/Rocklin	March 2024	14,880	New	Direct

## Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Building Class	Sale price	Sale price psf	Seller
Nikolai Lyustiger	629 J St, Sacramento	January 2024	49,906	B	\$8,500,000	\$170.32	Cameron & Associates
IRA Capital, LLC	1730 Prairie City Rd, Folsom	February 2024	21,900	B	\$7,350,000	\$335.62	1730 Prairie City Road Investors
Alexander Leon	2260 Douglas Blvd, Roseville	January 2024	47,000	A	\$7,200,000	\$153.19	Christopher S K Dung

## Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
Richards Boulevard Office Complex (4 buildings)	Downtown	2024	1,250,000	100.0%	State of California
Aggie Square (2 buildings)	East Sacramento	2025	569,000	80.4%	The Regents of the UC
100 Waterfront Pl - CalSTRS Expansion	West Sacramento	2024	275,000	100.0%	CalSTRS

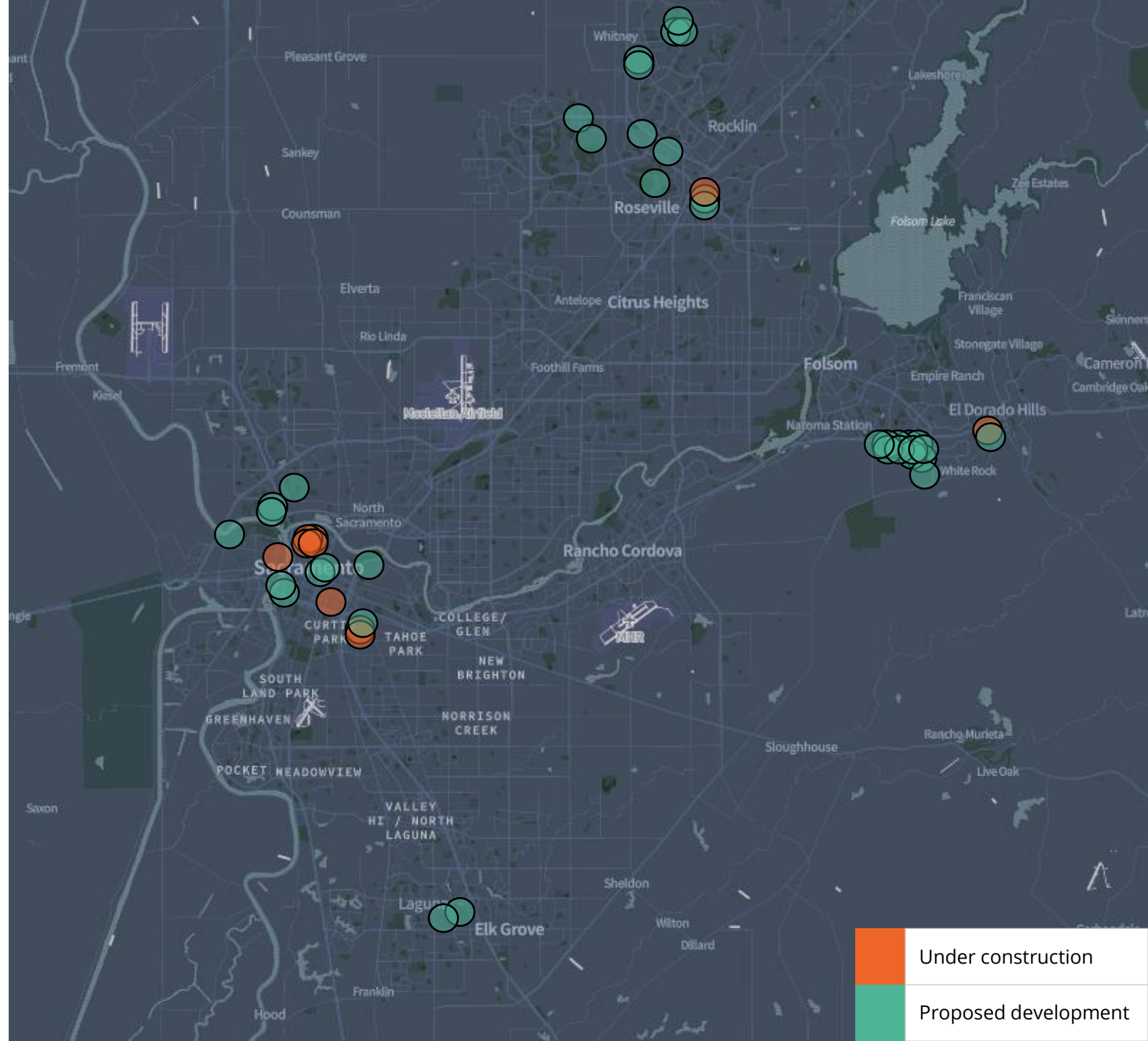
# Office development pipeline

**7 properties, 2.25 msf**  
under construction

**3.7%**  
estimated increase to inventory

**2024**  
average delivery date

**31 properties, 5.69 msf**  
proposed



Source: AVANT by Avison Young, CoStar

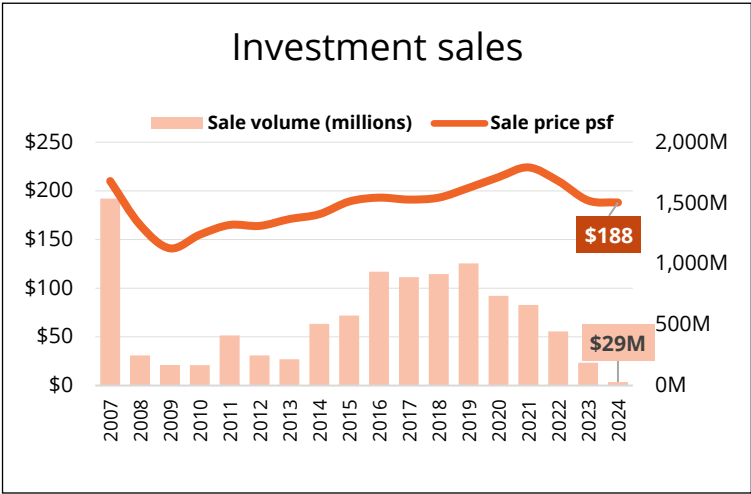
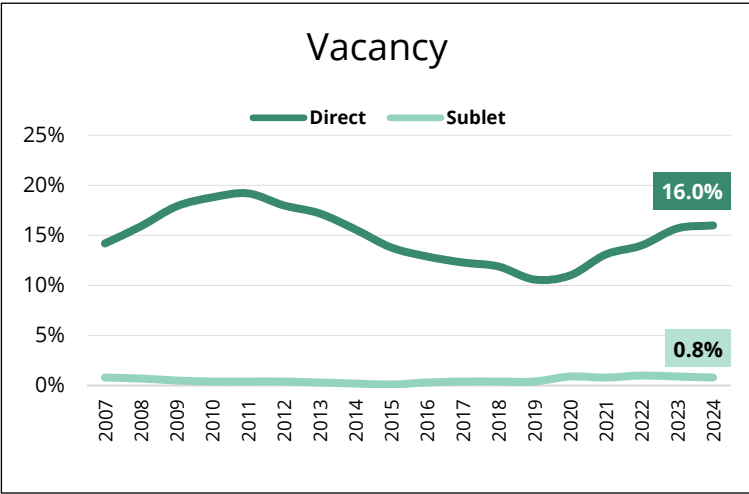
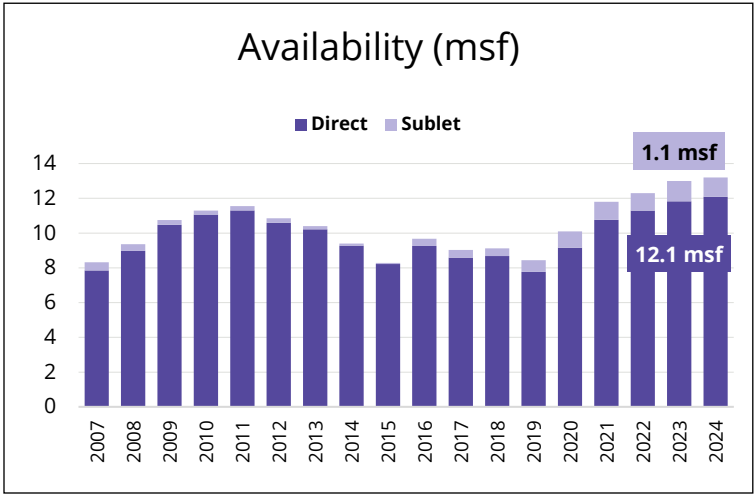
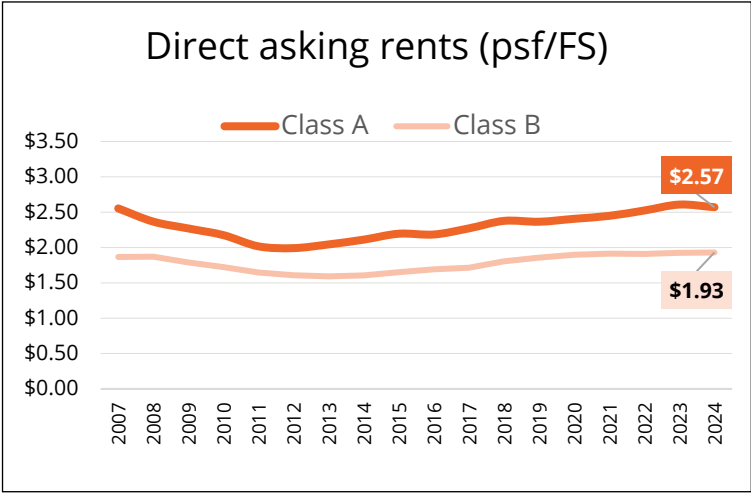
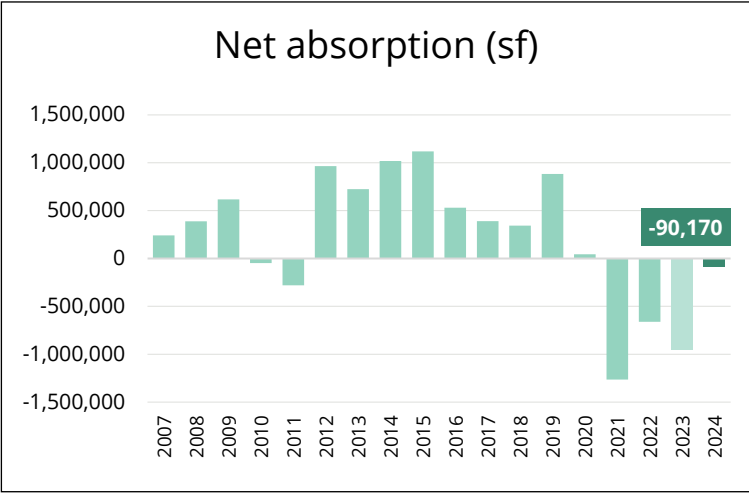
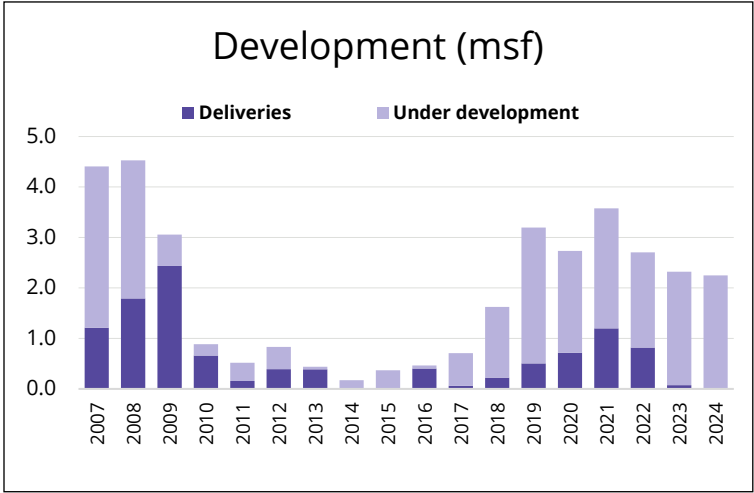


# Appendix





# Sacramento office market indicators



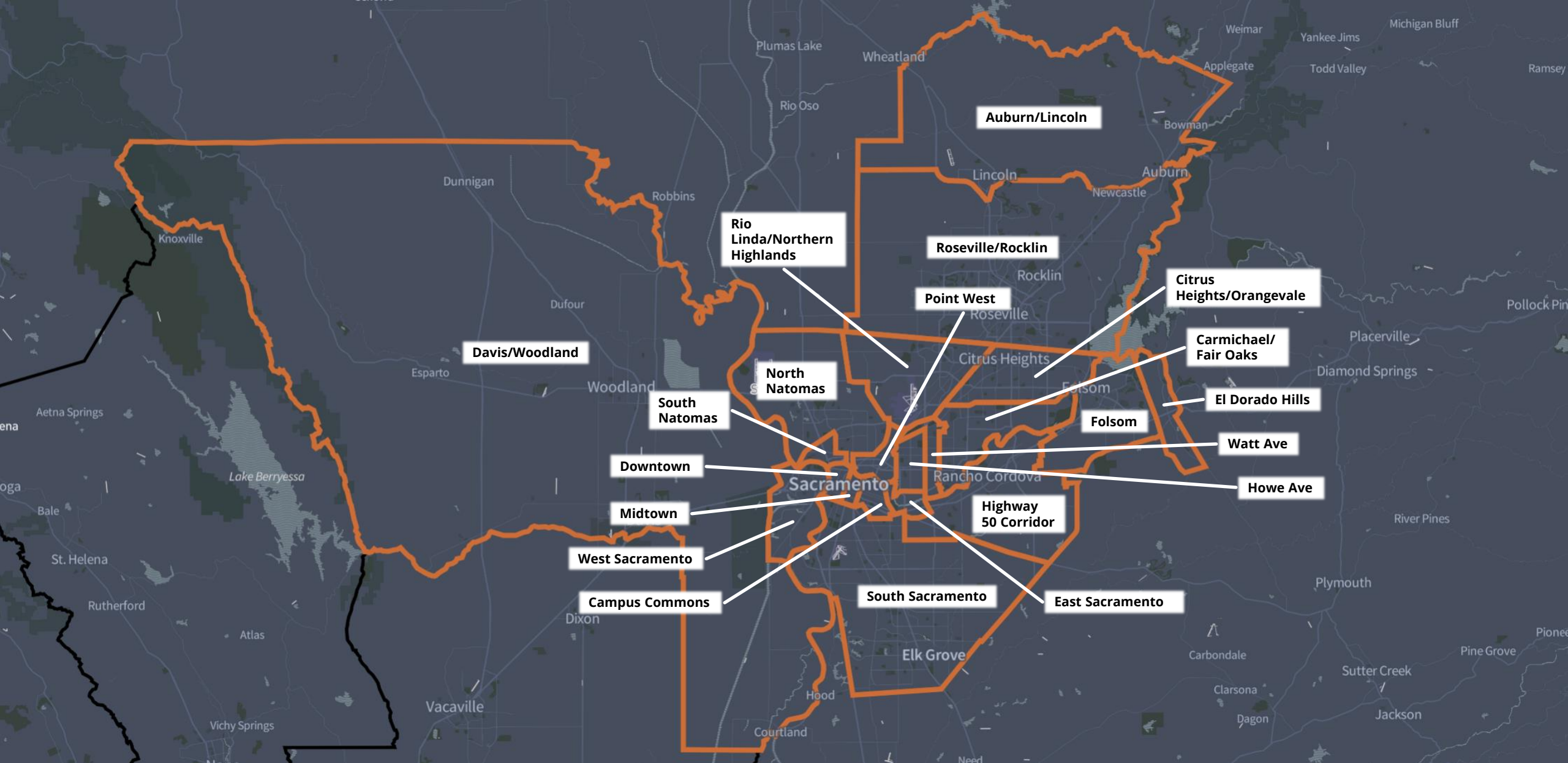
# Sacramento office market stats

	Inventory			Vacancy						Absorption		Direct Asking Rent (FS)			
	Existing inventory	YTD Deliveries	Under development	Direct %	Sublet %	Total %	Class A %	Class B %	Class C %	Net absorption sf (QTD)	Net absorption sf (YTD)	Class A	Class B	Class C	Total
Auburn/Lincoln	421,277	0	0	11.2%	0.0%	11.2%	-	12.5%	10.1%	-26,959	-26,959	-	\$1.54	\$1.33	\$1.38
Campus Commons	1,209,003	0	0	2.0%	0.0%	2.0%	-	1.5%	7.4%	535	535	-	\$2.51	\$2.29	\$2.34
Carmichael/Fair Oaks	413,945	0	0	9.1%	0.0%	9.1%	-	1.1%	18.8%	-4,491	-4,491	-	\$1.79	\$1.52	\$1.63
Citrus Heights/Orangevale	541,351	0	0	14.9%	0.6%	15.5%	-	15.5%	22.4%	-1,100	-1,100	-	\$1.52	\$1.06	\$1.39
Davis/Woodland	1,254,245	0	0	10.9%	0.0%	10.9%	29.3%	4.4%	11.2%	-24,683	-24,683	-	\$2.41	\$2.24	\$2.37
Downtown	11,960,260	0	1,250,000	15.6%	0.3%	15.9%	14.3%	22.1%	5.3%	104,721	104,721	\$3.36	\$2.82	\$2.52	\$3.10
East Sacramento	1,176,803	0	569,000	11.1%	0.0%	11.1%	-	12.4%	5.8%	20,802	20,802	-	\$2.50	\$1.94	\$2.17
El Dorado Hills	1,062,955	0	0	28.9%	0.6%	29.5%	47.3%	29.1%	0.0%	-97,119	-97,119	\$2.00	\$1.94	-	\$1.95
Folsom	3,926,846	0	33,000	5.6%	1.1%	9.7%	11.4%	9.2%	2.3%	-1,339	-1,339	\$2.44	\$2.08	\$1.85	\$2.26
Highway 50 Corridor	11,908,237	0	0	24.9%	1.7%	26.6%	35.4%	24.3%	11.5%	-22,929	-22,929	\$2.02	\$1.65	\$1.21	\$1.75

# Sacramento office market stats

	Inventory			Vacancy						Absorption		Direct Asking Rent (FS)			
	Existing inventory	Deliveries	Under development	Direct %	Sublet %	Total %	Class A %	Class B %	Class C %	Net absorption sf (QTD)	Net absorption sf (YTD)	Class A	Class B	Class C	Total
Howe Ave	2,177,972	0	0	15.6%	0.3%	15.9%	23.5%	21.3%	6.0%	19,641	19,641	\$1.84	\$1.72	\$1.56	\$1.64
Midtown	1,611,802	0	22,147	10.7%	0.1%	10.7%	7.6%	9.3%	13.8%	-25,192	-25,192	\$2.87	\$2.40	\$2.15	\$2.41
North Natomas	3,004,568	0	0	13.6%	0.2%	13.8%	7.5%	20.9%	15.5%	19,459	19,459	\$2.14	\$1.58	\$1.37	\$1.71
Point West	2,381,819	0	0	18.5%	0.1%	18.6%	20.6%	11.8%	30.7%	-25,858	-25,858	\$2.15	\$1.82	\$1.76	\$1.95
Rio Linda/North Highlands	643,266	0	0	18.7%	0.0%	18.7%	-	17.3%	20.0%	0	0	-	\$1.20	-	\$1.20
Roseville/Rocklin	7,530,257	0	100,000	14.9%	2.2%	17.2%	22.9%	14.9%	1.2%	-249,903	-249,903	\$2.24	\$1.94	\$1.46	\$2.07
South Natomas	3,548,353	0	0	20.0%	0.05%	20.6%	21.5%	19.9%	0.0%	-2,136	-2,136	\$2.64	\$2.03	-	\$2.47
South Sacramento	2,794,650	0	0	5.1%	0.1%	5.2%	0.7%	8.0%	1.0%	18,515	18,515	\$2.75	\$2.12	\$1.92	\$2.18
Watt Ave	1,267,062	0	0	13.1%	0.7%	13.8%	-	16.3%	1.6%	55,537	55,537	-	\$1.56	\$1.30	\$1.56
West Sacramento	1,771,905	0	275,000	7.1%	0.0%	7.1%	3.2%	12.0%	0.0%	152,329	152,329	\$3.25	\$2.09	-	\$2.82
Overall	60,606,576	0	2,249,147	16.0%	0.8%	16.8%	19.1%	17.3%	9.4%	-90,170	-90,170	\$2.57	\$1.93	\$1.75	\$2.19

Market statistics in this report consists of office 20,000 sf and greater in these listed submarkets.



# Sacramento submarket map



# Office insights glossary of terms

## Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

## Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

## Office rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as full service (FS)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as full service (FS)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an office suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

## Capital markets

- **Investment volume:** office sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and  
information visit **avisonyoung.com**

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