



Sacramento office market report

Q1 2025

**AVISON
YOUNG**

Sacramento office market trends

428K sf

Leasing recovery faces challenges in Q1 2025.

Ongoing tariff negotiations have introduced market uncertainties, leading to hesitancy among prospective tenants. As a result, leasing activity in the first quarter of 2025 has been relatively subdued, with many businesses returning to a wait-and-see approach from prior years. Additionally, the Governor's mandate for state employees to return to the office has faced considerable resistance. Progress remains slow, leaving the state's planned leasing efforts in limbo, further complicating the office market's recovery and contributing to a cautious leasing environment.

12.7 msf

Available space has declined for the second consecutive quarter.

Available space in the Sacramento office market has declined for the second consecutive quarter, suggesting a gradual tightening. Since the second half of 2024, the pace of new space entering the market has slowed significantly, helping to support a return to positive net absorption. Additionally, the construction pipeline for new office developments has nearly come to a halt, with only Aggie Square slated for delivery this year. Weakened office demand, coupled with elevated construction costs and high interest rates, has effectively stalled new development activity across the region.

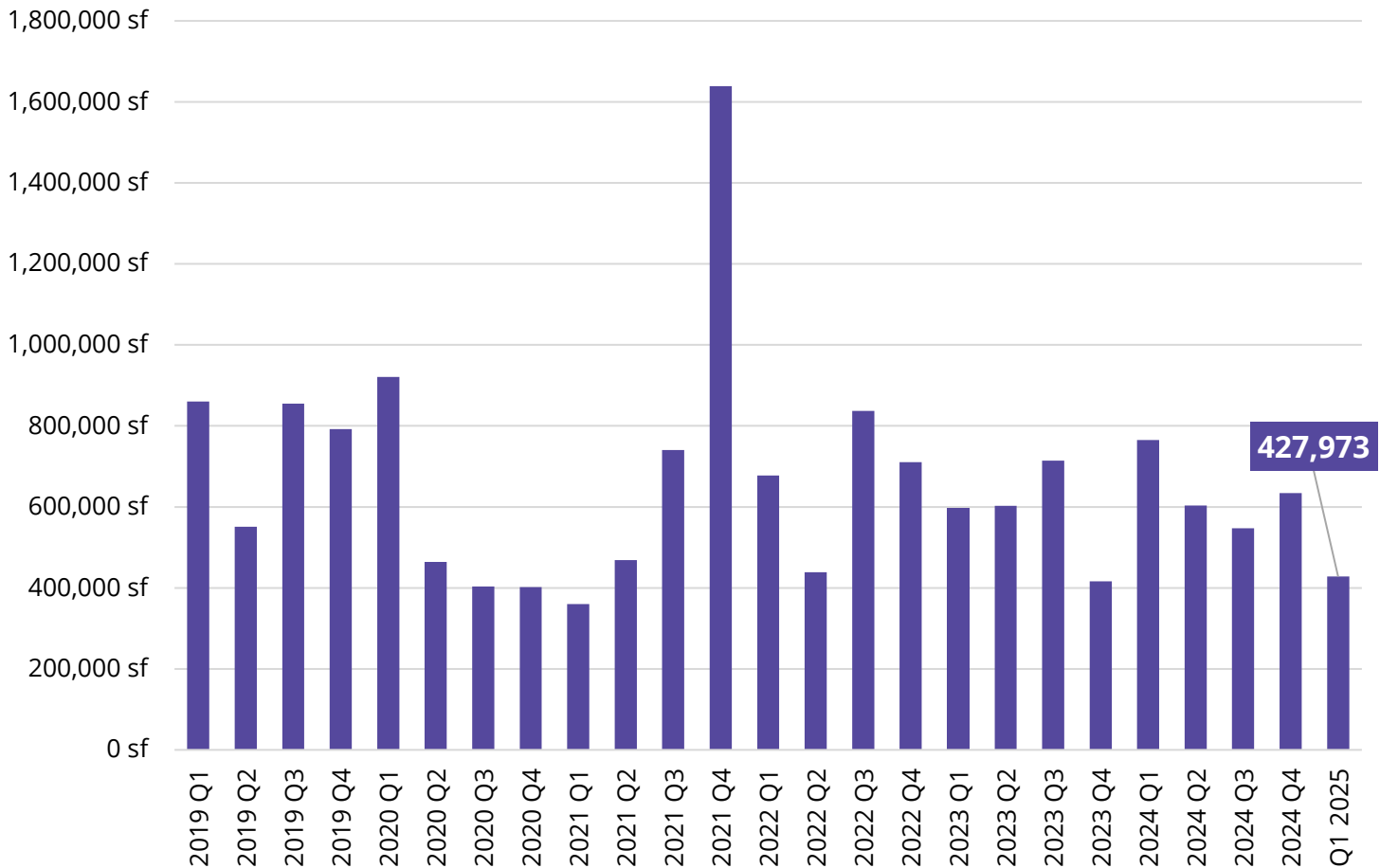
168K sf

Q1 recorded modest positive net absorption.

Despite economic headwinds and subdued leasing, Sacramento recorded positive net absorption in Q1 2025. A measured, sector-driven return-to-office has stemmed the flow of new vacancies, even as new construction deliveries remain on hold. Retail and professional services have led the in-office resurgence, while tech and government occupiers continue to lag behind. Q1 was marked by broader economic volatility – from rising tariffs to looming global trade tensions – which has fed into local business caution. The coming months will be critical: if stability returns, it could pave the way for the office market to regain momentum.

Source: Avison Young Market Intelligence, Costar

Leasing Activity

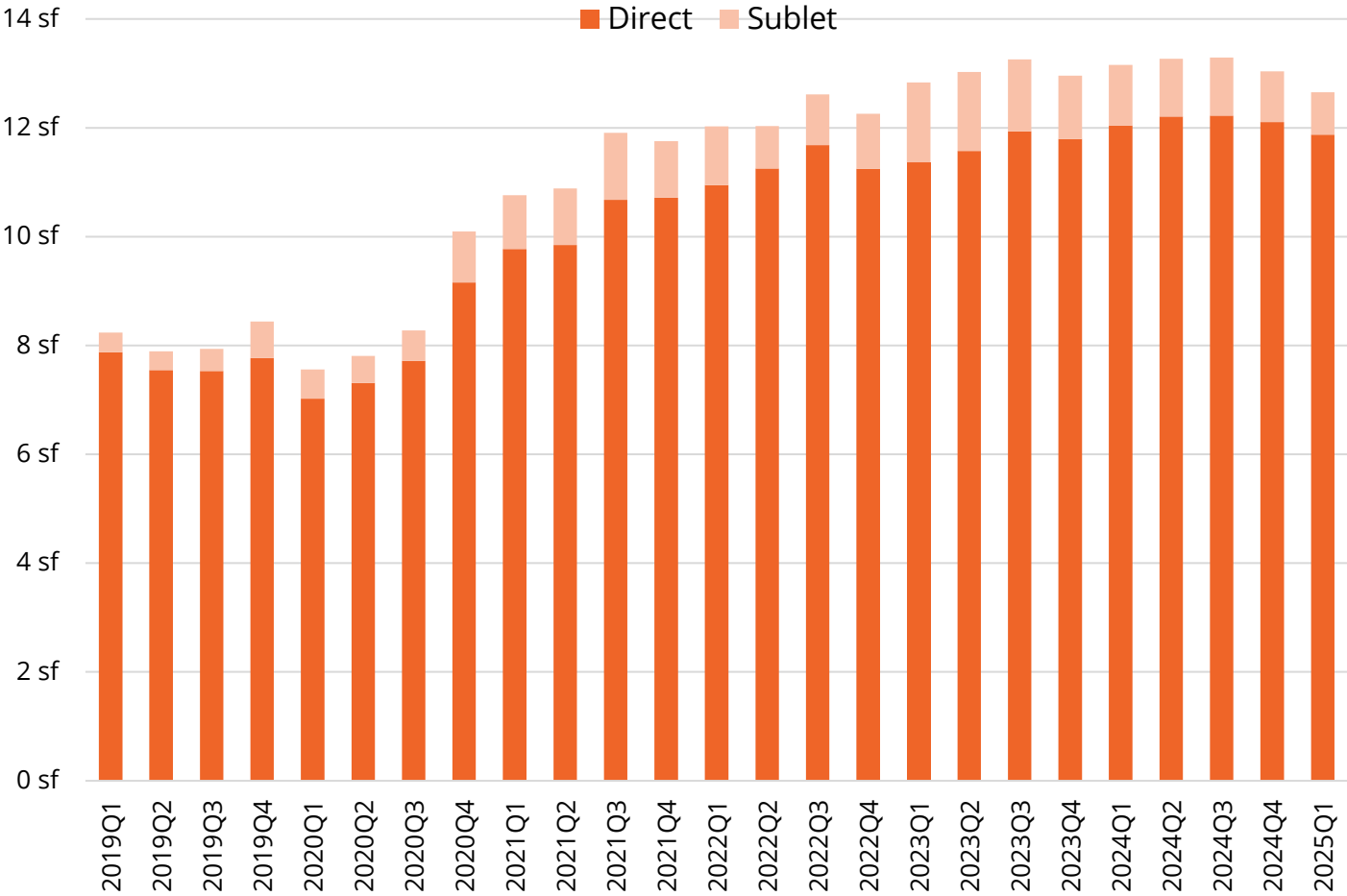


Source: Avison Young Market Intelligence, Costar

Ongoing tariff negotiations have introduced market uncertainties, leading to some hesitancy among prospective tenants.

As a result, leasing activity in the first quarter of 2025 has been relatively subdued.

Availability



Available space in the Sacramento office market has declined for the second consecutive quarter, suggesting a gradual tightening.

Since the second half of 2024, the pace of new space coming onto the market has slowed significantly, contributing to the shift toward positive net absorption.

Source: Avison Young Market Intelligence, Costar

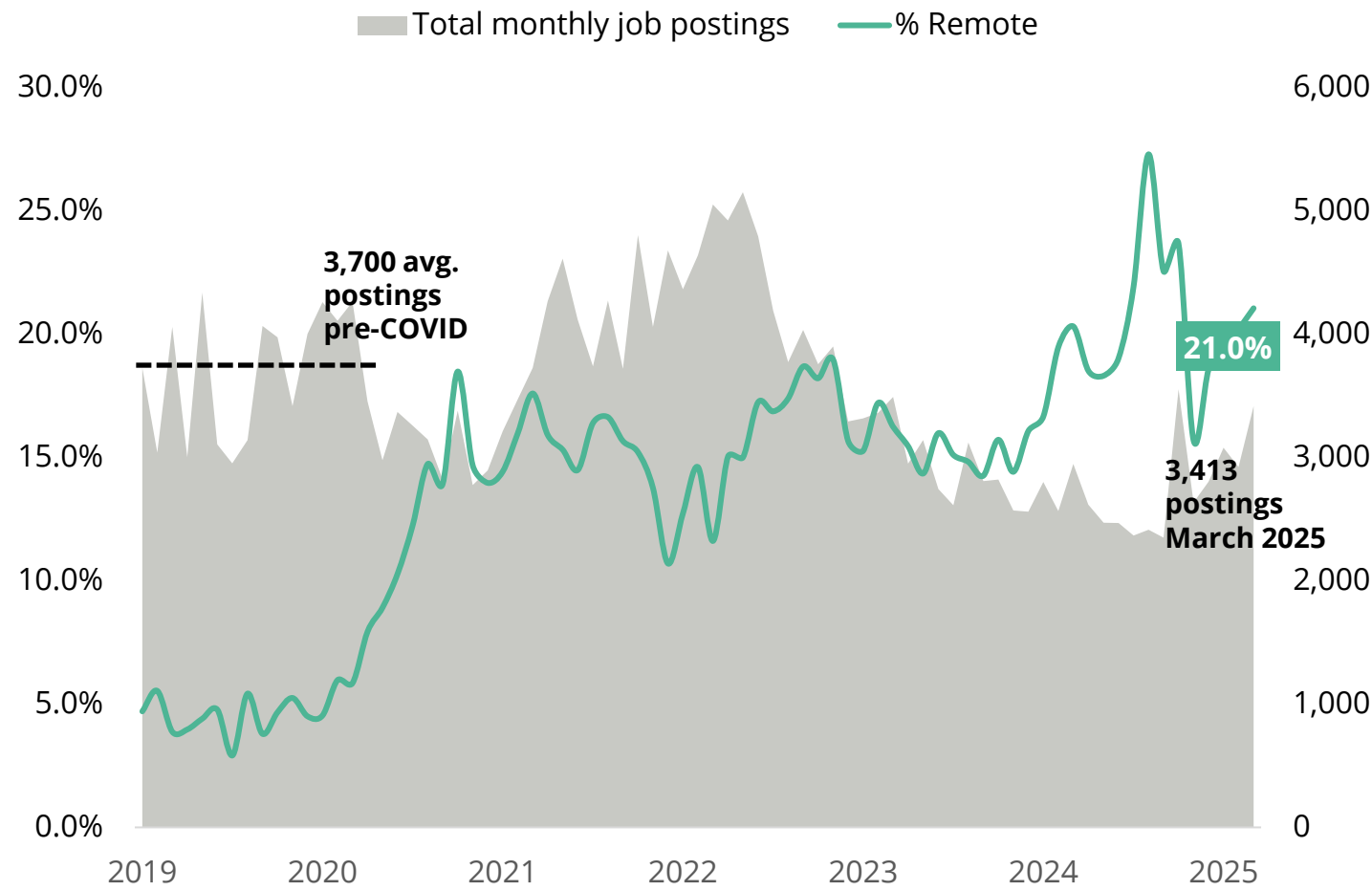
Net Absorption



After a challenging second half of 2024—marked by the State of California consolidating its office footprint into newly developed, government-owned buildings in Downtown Sacramento—the local office market has returned to positive net absorption, signaling a modest rebound in demand.

Source: Avison Young Market Intelligence, Costar

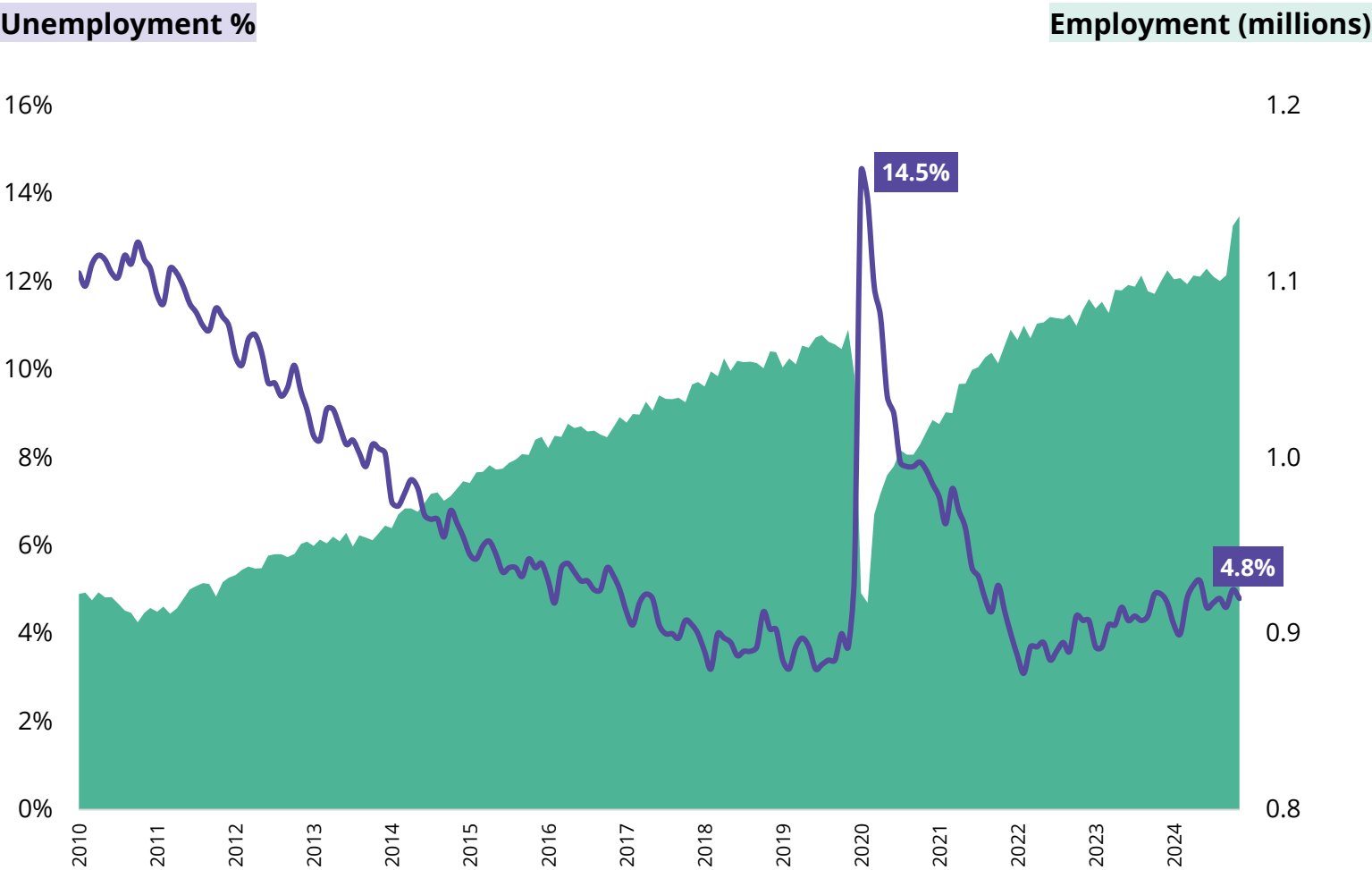
Job postings



Job postings in Sacramento have rebounded to about 90% of pre-COVID levels, but notably, 21% of all postings in Q1 were for fully remote positions. This shift toward remote-friendly hiring highlights why many firms remain cautious about long-term office commitments.

Source; Avison Young Market Intelligence,

Employment



In Q1 2025, Sacramento’s unemployment rate remained unchanged at 4.8%, reflecting a stable regional labor market. Construction employment continued to decline, driven by a slowdown in office development and industrial leasing. In contrast, the region saw job growth in Government and Professional and Business Services, fueled by demand for administrative, consulting, and tech-related roles, particularly in cybersecurity.

Note: Sacramento-Roseville-Folsom MSA, Seasonally unadjusted
Source: Bureau of Labor Statistics

Market Activity



Sacramento office market activity

Significant leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Child Action, Inc.	10540 White Rock Rd	Rancho Cordova	Mar 2025	22,834	New	Direct
Lozano Smith	400 Capitol Mall	Downtown	Mar 2025	21,026	New	Direct

Significant sales activity

Buyer	Address	Submarket	Sale date	Building RSF	Building Class	Sale price	Sale price psf	Seller
Buzz Oates	400 Capitol Mall	Downtown	Oct 2024	501,308	A	\$117,000,000	\$233	Manulife
Ethan Conrad Properties	801 K St	Downtown	Dec 2024	338,410	A	\$21,367,500	\$63	Office Properties Income Trust

Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
100-300 Aggie Square Way (3 buildings)	East Sacramento	2025	797,141	48.3%	The Regents of the UC

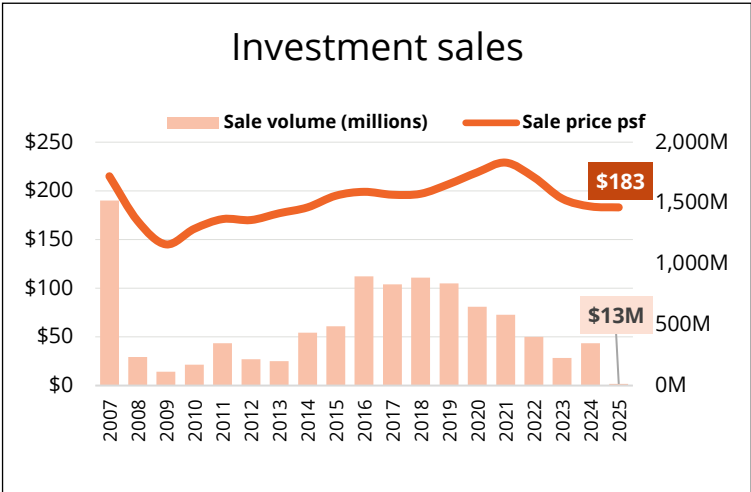
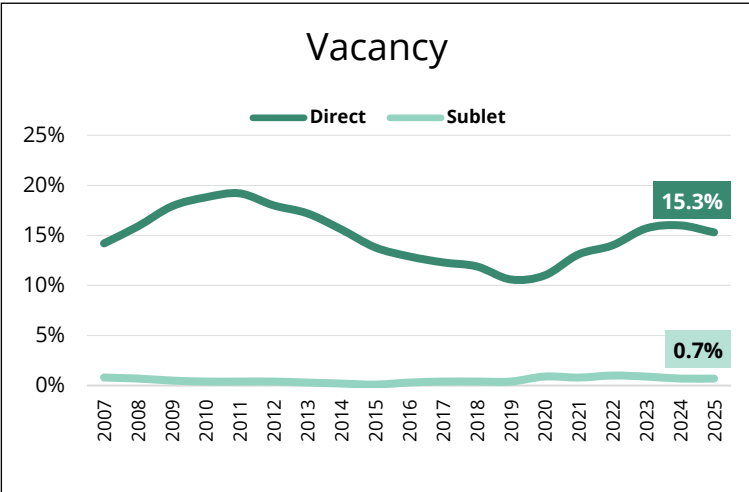
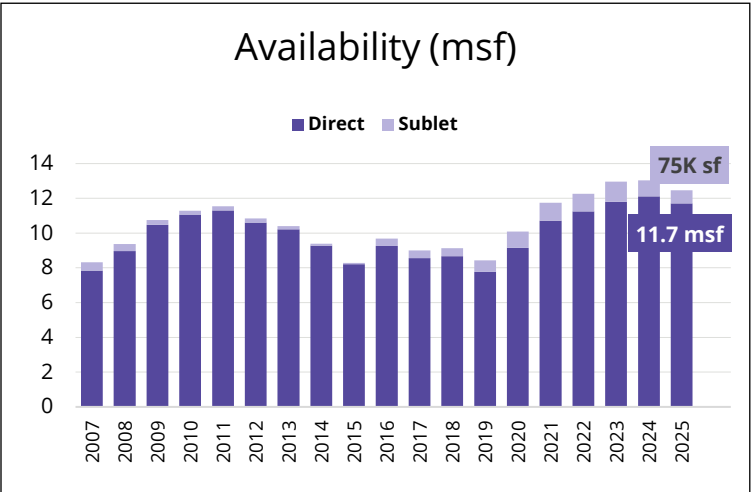
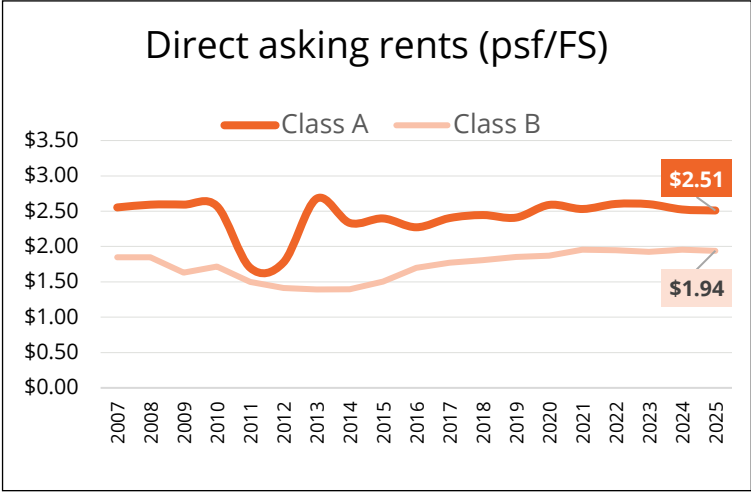
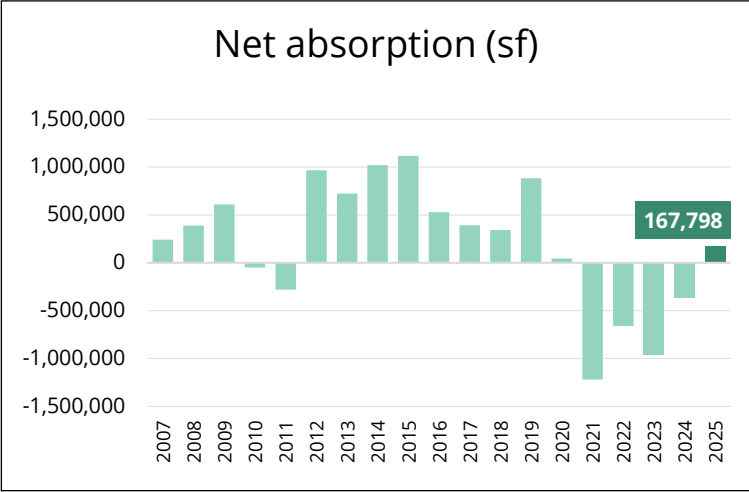
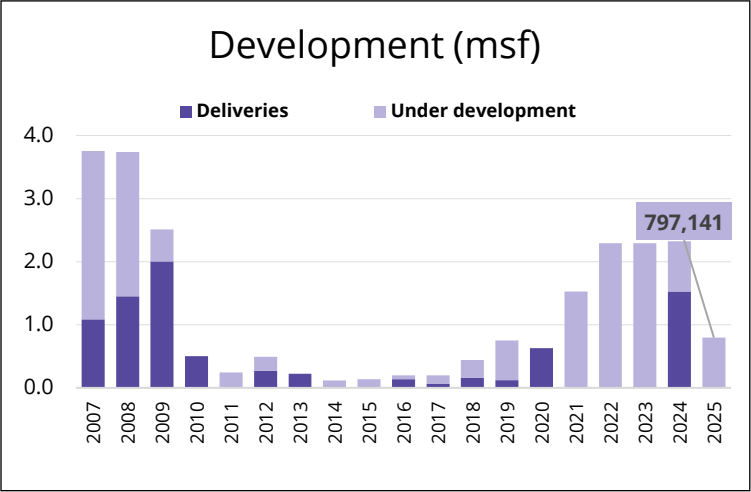
Recently delivered

Address	Submarket	Delivery date	Building size sf	% Leased	Developer
100 Waterfront Pl – CalSTRS Expansion	West Sacramento	Aug 2024	275,000	100%	CalSTRS
Richards Blvd/May Lee State Office Complex	Downtown	May 2024	1,250,000	100%	State of California

Appendix



Sacramento office market indicators



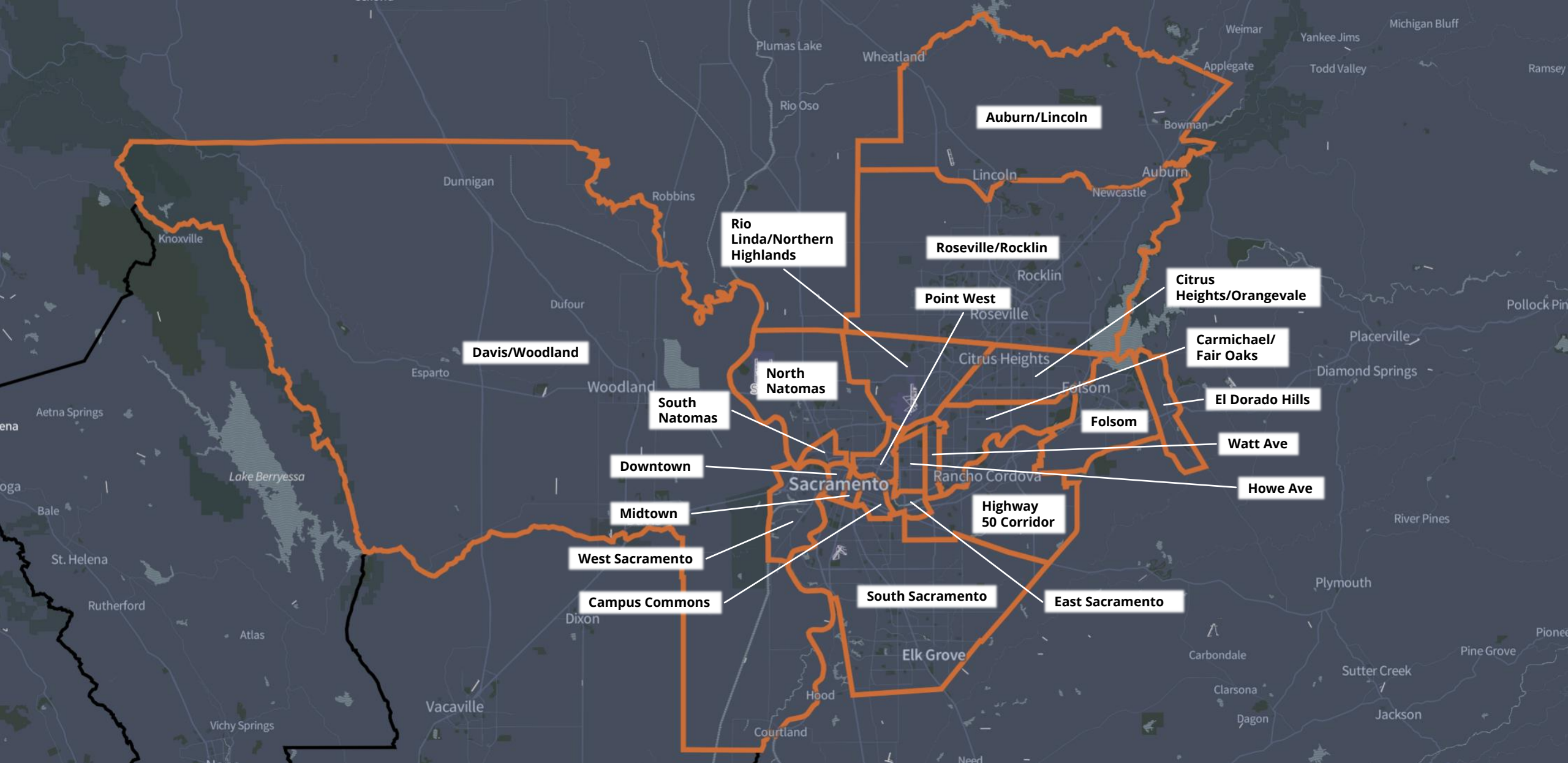
Sacramento office market stats

	Inventory			Vacancy					Absorption		Direct Asking Rent (FS)		
	Existing inventory	YTD Deliveries	Under development	Direct %	Sublet %	Total %	Class A %	Class B %	Net absorption sf (QTD)	Net absorption sf (YTD)	Class A	Class B	Total
Auburn/Lincoln	421,277	0	0	11.1%	0.0%	11.1%	-	13.0%	0	0	-	\$2.01	\$1.90
Campus Commons	1,209,003	0	797,141	2.4%	0.0%	2.4%	-	2.1%	155	155	-	\$2.21	\$2.32
Carmichael/Fair Oaks	413,945	0	0	8.6%	0.0%	8.6%	-	2.3%	-2689	-2689	-	\$1.85	\$1.80
Citrus Heights/Orangevale	541,351	0	0	15.0%	0.0%	15.0%	-	16.7%	-17612	-17,612	-	\$1.56	\$1.45
Davis/Woodland	1,254,245	0	0	11.8%	0.0%	11.8%	29.9%	5.1%	-12,645	-12,645	-	\$2.32	\$2.32
Downtown	12,900,214	0	0	16.2%	0.3%	16.6%	16.3%	20.4%	-26,493	-26,493	\$3.33	\$2.84	\$3.05
East Sacramento	1,182,092	0	0	9.6%	0.6%	10.2%	-	11.1%	-4,457	-4,457	-	\$2.15	\$2.16
El Dorado Hills	1,061,809	0	0	17.0%	0.0%	17.0%	47.2%	15.4%	2,841	2,841	\$2.50	\$2.25	\$2.45
Folsom	3,926,846	0	0	7.4%	0.8%	8.2%	9.2%	8.2%	19845	19,845	\$2.44	\$2.05	\$2.26
Highway 50 Corridor	11,827,358	0	0	23.6%	1.0%	24.6%	33.0%	21.4%	64,778	64,778	\$1.92	\$1.56	\$1.66

Sacramento office market stats

	Inventory			Vacancy					Absorption		Direct Asking Rent (F\$)		
	Existing inventory	Deliveries	Under development	Direct %	Sublet %	Total %	Class A %	Class B %	Net absorption sf (QTD)	Net absorption sf (YTD)	Class A	Class B	Total
Howe Ave	2,183,048	0	0	13.1%	0.0%	13.1%	22.9%	18.7%	41,515	41,515	\$1.84	\$1.51	\$1.60
Midtown	1,611,802	0	0	11.1%	1.8%	12.9%	-	14.2%	10,306	10,306	\$2.85	\$2.48	\$2.39
North Natomas	3,004,568	0	0	14.3%	0.2%	14.6%	9.5%	20.5%	-13,735	-13,735	\$2.13	\$1.69	\$1.78
Point West	2,337,701	0	0	21.3%	0.2%	21.5%	27.7%	11.9%	-70,475	-70,475	\$2.14	\$1.80	\$1.96
Rio Linda/North Highlands	610,266	0	0	20.8%	0.0%	20.8%	-	15.5%	-543	-543	-	\$1.20	\$1.20
Roseville/Rocklin	7,526,178	0	0	14.9%	0.3%	15.2%	22.8%	11.0%	190,597	190,597	\$2.22	\$1.88	\$2.05
South Natomas	3,594,834	0	0	24.1%	1.7%	25.8%	27.0%	23.8%	-65,665	-65,665	\$2.50	\$1.96	\$2.37
South Sacramento	2,765,254	0	0	6.3%	0.3%	6.5%	3.4%	8.2%	-11,001	-11,001	\$2.75	\$2.08	\$2.00
Watt Ave	1,267,062	0	0	13.5%	0.2%	13.7%	-	16.2%	13,779	13,779	-	\$1.45	\$1.45
West Sacramento	2,046,905	0	0	8.8%	0.0%	8.8%	7.1%	12.1%	49,297	49,297	\$3.25	\$2.10	\$2.54
Overall	61,685,758	0	797,141	19.0%	1.2%	20.2%	19.9%	15.6%	167,798	167,798	\$2.51	\$1.94	\$2.16

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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