



Local Roots + Global Reach

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A large, semi-transparent green image of the Sacramento State Capitol building, showing its iconic dome and classical architecture, serves as the background for the right side of the page.

SACRAMENTO OFFICE REPORT

4TH QUARTER 2019

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VACANCY & RENTS



Sacramento Outlook

The Sacramento office market ended 2019 with almost 1.5 million square feet of positive net absorption. More than 900 lease transactions were reported bringing gross absorption to over 5.2 million square feet year-to-date. The Class A office vacancy rate is more than 140 basis points lower than 12 months prior. Consistent leasing activity has elevated asking rents to an average of \$2.35, per square foot, full service, per month; over 5% higher than 24 months ago. As a result, Class B and Class C space have seen the lion share of leasing activity as tenants look for pricing relief. WeWork who took more than 96,000 square feet of office space last quarter is said to be full steam ahead and part of the “new economy” of real estate according to a recent Sacramento Business Journal article.

As increasing rents help to pencil construction development, Natomas Point Plaza, a 20,000 square foot speculative development is slated to be delivered January 2020. Development for government entities and healthcare owner/users is one the rise. Four government agencies are expected

to occupy the Richards Boulevard Office Complex, an 8 to 13 story building that is planned for summer delivery. The Centene Campus which is slated for completion this summer has spurred new outlooks on nearby land owned by Alleghany Properties. The 54-acre portion of land in the Natomas submarket is now being looked at as a potential mixed-use site, introducing hotel and office to its initial proposed plan as a retail power center.

Investment sale volume in Q4 2019 reported the highest figure since 2017 at more than \$137 million; year-to-date investment total was \$201 million. With consistent leasing activity and elevated rents, investors look to place their bets in the Sacramento region. Investment deals this quarter like Wells Fargo Center at 600 Capitol Mall, a 500,000 square foot building in downtown Sacramento sold for \$198 million to Manulife US REIT. Local investor Pappas Investments expanded its portfolio with the \$20 million dollar acquisition of 2220 and 2240 Douglas Blvd in Roseville. Little to no speculative construction has helped keep values high in the already single-digit vacancy market of 7.5 percent (Q4 2019).

Change in Vacancy (Year Over Year)



-1.1%

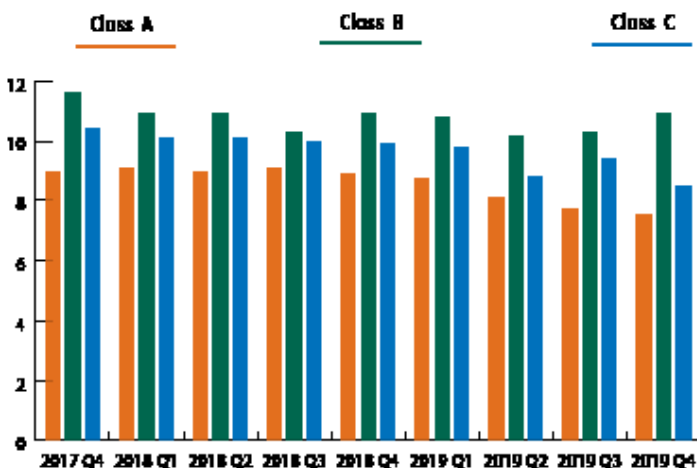
Under Construction Sq. Ft. (Currently)



1,904,759 SF

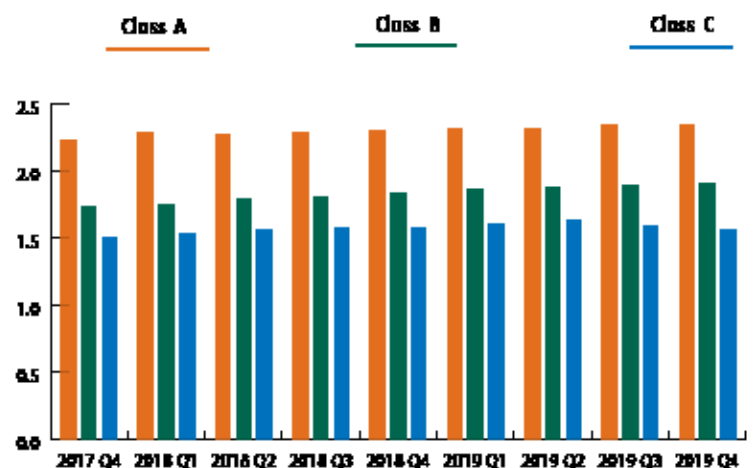
Vacancy Rates (By Class)

All Space Not Currently Occupied



Average Asking Rates (By Class)

Weighted Average Rent Based On Total Square Footage



THESE STATISTICS ENCOMPASS THE ENTIRE SURVEY, WHICH INCLUDES ALL OFFICE CLASS TYPES 10,000 SQUARE FEET AND LARGER.

NOTEWORTHY TRANSACTIONS

Noteable Sale Transactions

Property Address	Submarket	Buyer	Seller	Bldg. Square Feet	Sale Price
Wells Fargo Center 400 Capitol Mall Rd	Downtown Sacramento	Manulife US Reit	Starwood Capital	502,365	\$198,800,000.00
3341 Power Inn Rd	Power Inn	Boyd Watterson	Eaton Vance	164,981	\$40,500,000.00
Folsom Corp Center 2365 Iron Point Rd	Folsom	Basin Street Properties	Swift Realty Partners	150,709	\$31,900,000.00
Natoma Station Corp Center 950 Iron Point Rd	Folsom	Mountain G. Enterprises	Buzz Oates	105,300	\$23,700,000.00
2220-2240 Douglas Blvd	Roseville	Pappas Investments	Lum Yip Kee	93,908	\$19,800,000.00

Noteable Lease Transactions

Property Address	Submarket	Tenant	Owner	Date Lease Signed	Square Feet Leased
820-840 Stillwater Road	West Sacramento	Clear Blue Commercial	Harsch Investment Properties	October-19	215,946
3241 Kilgore Road	Rancho Cordova	Delta Dental	DWS	October-19	54,714
3640 Northgate Blvd	Sacramento	-	Schwager Davis	December-15	21,219
15 Bicentennial Cir	Sacramento	-	Kaabipour Revocable Living Trust	November-1	20,336
10877 White Rock Road	Rancho Cordova	Edgewood Parters Insurance Center	Basin Street properties	December-19	19,354

Gross Absorption (Year Over Year)



+35.83%

Lease Rates (Year Over Year)



+\$0.52/SF

Market Indicators

	Vacancy	Availability	Avg. Asking Rates	Gross Absorption	Net Absorption
Q4 2018	10.25%	12.51%	\$1.83	942,470	(316,438)
Q4 2019	9.35%	11.67%	\$2.35	1,280,203	300,887

STATISTICS BY SUBMARKET

	Total Buildings	Net Rentable SF	Vacant SF	Vacancy Rate QTR	Net Absorption QTR	Gross Absorption	Under Construction SF	Average Asking Rate (All Classes)
Auburn/Lincoln	66	1,403,130	54,148	3.86%	10,474	14,791	0	\$1.85
Campus Commons	45	1,573,670	271,683	17.26%	1,118	30,244	0	\$2.20
Carmichael/Fair Oaks	49	1,573,670	271,683	17.26%	1,118	30,244	0	\$2.20
Citrus Heights/Orangevale	55	1,483,285	137,709	9.28%	18,021	30,611	0	\$1.58
Davis/Woodland	81	2,145,766	87,837	4.09%	9,868	22,816	64,400	\$1.96
Downtown	218	20,328,421	1,396,915	6.87%	86,302	194,261	1,198,000	\$2.72
East Sacramento	36	2,487,959	14,660	0.59%	(4,316)	0	0	\$2.50
El Dorado	73	1,726,744	255,673	14.81%	(314)	51,297	0	\$1.89
Elk Grove	55	1,806,813	82,604	4.57%	17,859	31,071	0	\$2.28
Folsom	98	4,770,995	214,140	4.49%	29,563	69,986	0	\$2.12
Highway 50 Corridor	296	17,492,914	1,958,394	11.20%	(154,534)	170,254	0	\$1.74
Midtown	77	3,789,262	324,136	8.55%	7,042	31,525	0	\$2.43
Natomas/Northgate	98	6,478,262	660,295	10.19%	81,846	125,885	621,800	\$1.95
Howe/Fulton/Watt	117	4,725,264	802,929	16.99%	(18,128)	61,553	0	\$1.95
Point West	51	2,711,095	373,106	13.76%	(37,372)	26,556	14,484	\$2.02
Rio Linda/N Highlands	29	1,018,415	210,437	20.66%	0	0	0	\$1.69
Roseville/Rocklin	276	11,035,804	1,082,326	9.81%	217,526	329,989	0	\$1.95
South Sacramento	103	3,142,829	211,918	6.74%	24,001	35,246	0	\$1.57
West Sacramento	49	2,074,728	165,906	8.00%	10,813	23,874	0	\$1.83
Class A	191	26,896,221	2,015,089	7.49%	(7,541)	254,397	1,543,900	\$2.78
Class B	968	44,037,898	4,791,846	10.88%	127,267	738,908	354,784	\$1.96
Class C	748	20,834,907	1,769,564	8.49%	181,161	286,898	0	\$1.69
Market Totals	1,907	91,769,026	8,576,499	9.35%	300,887	1,280,203	1,898,684	\$2.35