



Local Roots + Global Reach

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# SACRAMENTO OFFICE REPORT

## 2ND QUARTER 2020

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# VACANCY & RENTS



## Sacramento Outlook

The second quarter of 2020 proved to have a remarkable effect on the social, economic, and the overall health of our nation. Due to business closures, or home-based operations, the Sacramento office market experienced some expected changes, most notably a decrease in gross absorption by 31.02% from 1,031,514 SF in Q1 to 711,517 SF in Q2, and a slight increase in average lease rates of 1.01%, from \$1.98/SF in Q1 to \$2.00/SF in Q2. Additionally, vacancy rates increased 1.78% from 8.95% in Q1 to 9.11% in Q2 – while still relishing single digit numbers, a rise in these numbers can be expected. The increase in vacancies should transpire to leveling or ongoing decreases in lease rates.

There are favorable trends to note and forecasts to observe. While large-scale construction has remained low, tight occupancy levels and limited supply has created some demand. Currently, there are three significant government projects under construction – the 20-story, 838,000 SF property located on P Street that is expected to deliver in 2022, the 472,000 SF expansion of the Capitol Annex located at 1021 O St., and the 11-story, 360,000 SF tower at 1215 O St, which is due to open in 2022.

In May, Basin Street Properties, signed two lease deals for 35,950 SF and 17,157 SF at 10951 White Rock Road. The California Employment Development Department (EDD)

renewed 80,000 SF at 9815 Goethe Road, also along the Highway 50 corridor.

The Sacramento office market has experienced several significant sales, including, two buildings along Highway 50, 11120 & 11150 International Dr, purchased by The Wonderful Company, for \$18,750,000 and \$21,650,000, respectively. The 2020 sales volume is forecasted to surpass \$1 billion for the fifth consecutive year.

The global pandemic has created an economic breakdown, but out of unplanned disruption, has come greater learning and preparation. Employers are safeguarding employees and safely reopening workplaces; including, compliance with public health mandates for employee screening, social distancing, and larger space requirements. The US stimulus measures, including, two rounds of the Cares Act, the PPP loan program, and the Fed Main Street recovery plan, were all designed to soften the recession impact.

In the last 90 days, Covid-19 cases have increased, yet the daily death rate has decreased (Source: The COVID Tracking Project). Civil unrest, the second wave of Covid-19 and ensuing possible shut-down requirements will continue to effect business operations for many Americans. It is unclear how long and far the “hold for now” attitude will be observed, however, it is likely we can expect an unstable market.

### Change in Vacancy (Qtr Over Qtr)



# +1.78%

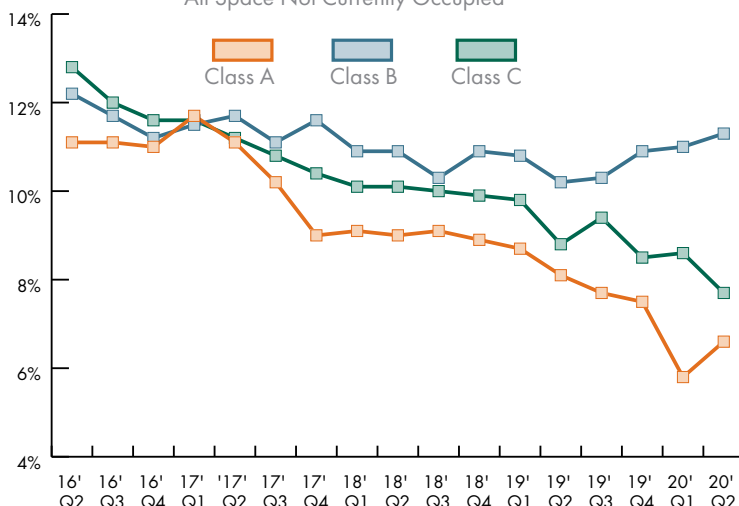
### Gross Absorption (Qtr Over Qtr)



# -31.02%

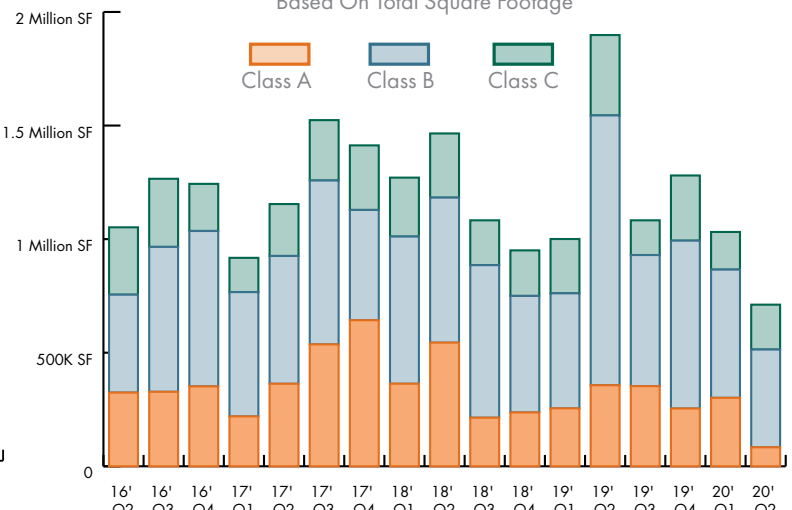
### Vacancy Rates (By Class)

All Space Not Currently Occupied



### Gross Absorption (By Class)

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

## Notable Sale Transactions

Property Address	Submarket	Buyer	Seller	Bldg. Square Feet	Sale Price
11150 International Dr	Highway 50	The Wonderful Company	Rohit Kumar Nome Investments	90,111	\$21,650,000.00
11120 International Dr	Highway 50	The Wonderful Company	DWS	100,967	\$18,750,000.00
3310 El Camino Ave	Howe/Fulton/ Watt	Rohit Kumar Nome Investments	Positive Investments, Inc.	128,285	\$17,700,000.00
11702-11734 Enterprise Dr	Auburn/Lincoln	Tim Bundy	Khalid Siddiqui	36,649	\$4,100,000.00
2701 Citrus Rd	Highway 50	Darryl A Thompson Jr	Richard Keenan	28,307	\$2,400,000.00

## Notable Lease Transactions

Property Address	Submarket	Tenant	Landlord	Date Lease Signed	Square Feet Leased
9815 Goethe Rd	Highway 50	California EDD	Office Properties Income Trust	June 2020	80,000 (Renewal)
10940 White Rock Rd	Highway 50	George Hills Ins.	Toor Capital, LLC	April 2020	13,070
10877 White Rock Rd	Highway 50	Allstate Insurance	Transpacific Development Company	June 2020	10,156
401 I Street	Downtown	CA Dept of General Services	City of Sacramento	June 2020	9,995
2500 Marconi Avenue	Howe/Fulton/Watt	Consumers Self-Help Center	Sayedmohammad Caranizadeh	Apr 2020	7,260

Under Construction Sq. Ft. (Currently)



**2,553,684 SF**

Lease Rates (Qtr Over Qtr)



**+1.01%**

## Market Indicators

	Vacancy	Availability	Avg. Asking Rates	Gross Absorption	Net Absorption
<b>Q1 2020</b>	8.95%	11.36%	\$1.98	1,031,514	296,104
<b>Q2 2020</b>	9.11%	11.71%	\$2.00	711,517	(69,249)

# 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	215	20,288,761	1,355,308	6.68%	(24,049)	77,395	1,670,000	\$2.85
Campus Commons	36	2,486,959	17,360	0.70%	(9,746)	2,647	0	\$2.74
Carmichael/ Fair Oaks	74	1,726,968	201,198	11.65%	(14,182)	750	0	\$1.87
Citrus Heights/ Orangevale	55	1,969,914	76,906	3.90%	(7,982)	5,172	0	\$2.40
Davis/Woodland	98	4,956,099	203,108	4.10%	12,047	56,674	0	\$2.13
Downtown	296	17,449,842	1,946,723	11.16%	68,059	190,140	285,000	\$1.81
East Sacramento	121	4,685,090	737,084	15.73%	18,844	47,049	0	\$1.58
El Dorado	97	3,739,402	347,524	9.29%	(34,857)	7,586	0	\$2.44
Elk Grove	62	2,797,985	314,713	11.25%	43,739	78,096	551,800	\$1.65
Folsom	51	2,722,114	337,128	12.38%	(14,516)	26,240	14,484	\$2.06
Highway 50 Corridor	29	1,018,526	252,883	24.83%	(34,318)	0	0	\$1.70
Howe/Fulton/Watt	278	11,212,990	1,070,946	9.55%	(87,269)	72,841	0	\$1.97
Midtown	57	3,773,754	435,487	11.54%	(24,427)	19,617	0	\$2.29
North Natomas	105	3,183,200	183,018	5.75%	12,973	16,135	0	\$1.56
Point West	35	2,074,728	112,242	5.41%	-	-	0	\$1.83
Rio Linda/ N Highlands	29	1,018,526	252,883	24.83%	(34,318)	0	0	\$1.70
Roseville/Rocklin	278	11,212,990	1,070,946	9.55%	(87,269)	72,841	0	\$1.97
South Natomas	57	3,773,754	435,487	11.54%	(24,427)	19,617	0	\$2.29
South Sacramento	105	3,183,200	183,018	5.75%	12,973	16,135	0	\$1.56
West Sacramento	35	2,074,728	112,242	5.41%	-	-	0	\$1.83
Class A	189	26,574,620	1,738,843	6.54%	(157,950)	83,617	1,738,900	\$2.43
Class B	978	44,744,937	5,038,788	11.26%	(7,696)	430,338	814,784	\$1.94
Class C	746	20,448,677	1,579,649	7.72%	96,397	197,562	0	\$1.62
<b>Class Total</b>	<b>1,913</b>	<b>91,768,234</b>	<b>8,357,280</b>	<b>9.11%</b>	<b>(69,249)</b>	<b>711,517</b>	<b>2,553,684</b>	<b>\$2.00</b>