

MARKET TRENDS

SACRAMENTO OFFICE

MARKET DRIVERS

Sacramento's office vacancy rate increased to 11.3%, a 30-basis points (bps) rise year-over-year (YOY) from 11% in Q3 of 2024. Vacancies have reached a 10-year historic high and still remain approximately 300 basis points above pre-pandemic levels. However, unlike many markets across the west that have the highest vacancies in the downtown region, downtown Sacramento has been able to maintain a vacancy under 10% while most other downtown regions sit at over 30% vacant on average.

After reaching a 10-year record high in availabilities last year, the rate has somewhat stabilized and even shrank in the past few quarters. Q3 2025 experienced a decrease in overall availability rates YOY from a high of 14.7% to 14.2%. Sublease space has fallen by almost 50% since the peak in 2023, sitting at its lowest level since pre-pandemic.

The average asking lease rate declined for the first time in two years, dropping 0.5% YOY to \$2.19 PSF in 3Q. Rent growth has decelerated in recent years, driven by persistently high vacancy and availability rates across the market. With landlords continuing to offer generous concessions to attract and retain tenants, meaningful upward movement in rents is unlikely in the near term. Despite these headwinds, Downtown Sacramento continues to command a significant pricing premium compared to other submarkets, supported by its concentration of high-quality inventory and longstanding reputation as the region's premier office destination.

Leasing activity totaled just over 478K SF in Q3, marking one of the lowest quarterly volumes in the past two decades. While demand has cooled in recent quarters due to rising relocation costs and a trend toward smaller space footprints, this slowdown reflects broader market adjustments as tenants reassess their long-term space needs. Though a near-term rebound is unlikely, this period of transition may create opportunities for tenants to secure favorable terms and for landlords to reposition assets to better align with evolving workplace preferences.

Sales activity rose both YOY and QOQ to 611K SF in Q3, reflecting a modest uptick in investor engagement. However, following a 13-year low in Q1, the market remains on pace to post its lowest annual sales volume in a decade. Distress-driven transactions are expected to persist, particularly among owners of underperforming assets facing limited leasing momentum. Still, these conditions may present strategic acquisition opportunities for investors seeking value in a market undergoing structural transition.

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Market Summary

	3Q25	2Q25	3Q24	YOY Change
Direct Vacancy Rate	11.3%	11.2%	11.0%	30 bps
Total Availability Rate	14.2%	14.0%	14.7%	-50 bps
Direct Asking Lease Rate	\$2.19	\$2.22	\$2.20	-0.5%
	3Q25	2025 YTD	2024 YTD	YOY Change
Leased SF	478,670	1,744,535	2,659,701	-34.5%
Sold SF	611,702	1,377,293	1,427,218	-3.5%
Net Absorption (SF)	-148,871	397,437	967,201	N/A

3Q 2025

↓ **479K SF**
LEASING ACTIVITY

↓ **-149K SF**
NET ABSORPTION

↑ **11.3%**
VACANCY RATE

↓ **\$2.19**
ASKING RENT (AVG)

↓ **0 SF**
NEW DELIVERIES

Year-Over-Year Trend

Market Highlights

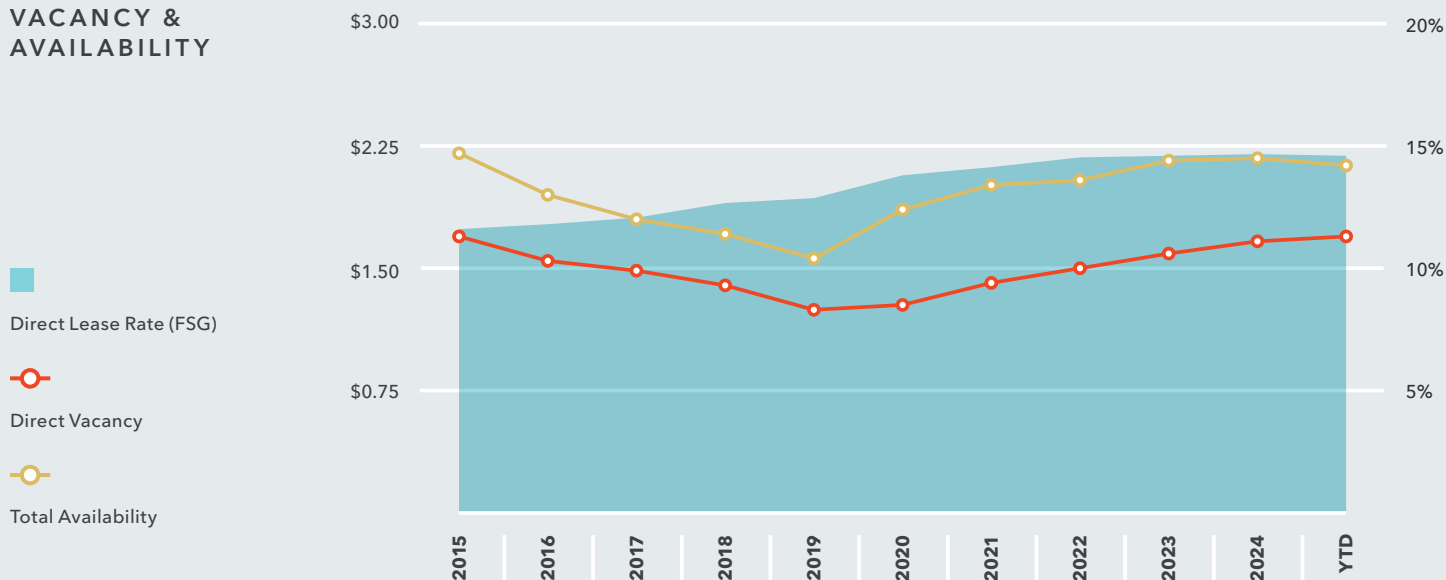
DIRECT VACANCY RATES
increased YOY and QOQ
to 11.3%

AVAILABILITY RATES
decreased YOY to 14.2%

ASKING LEASE RATES fell QOQ
and YOY to \$2.19 PSF

SALES VOLUME was up QOQ
and YOY to 611K SF

LEASE RATE, VACANCY & AVAILABILITY

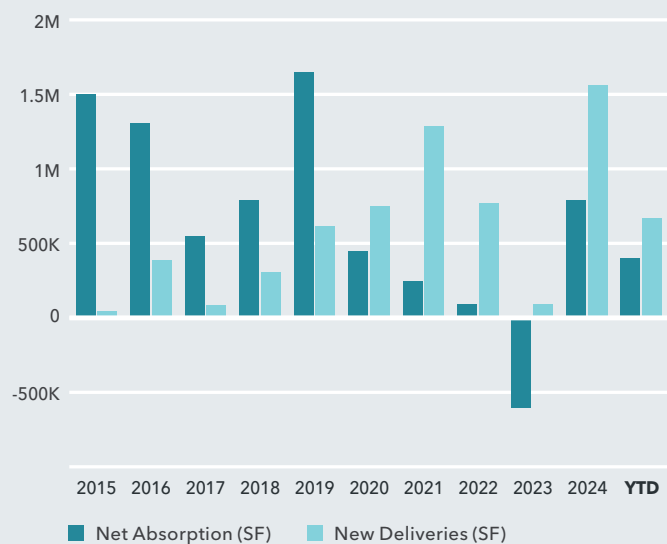


BIGGEST SALE OF THE QUARTER

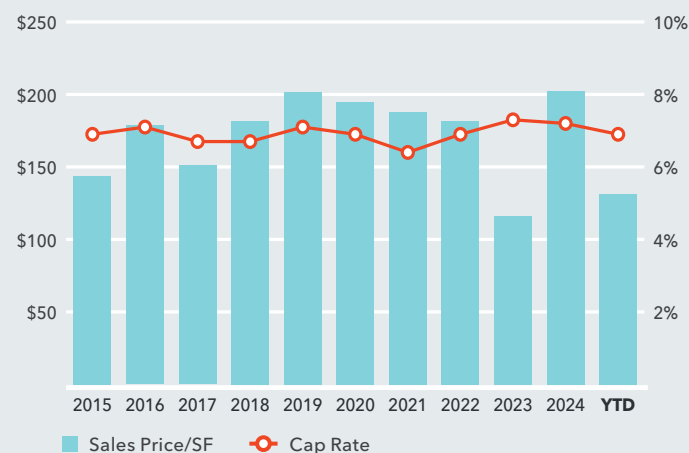
*4320 Auburn Blvd
Sacramento, CA*



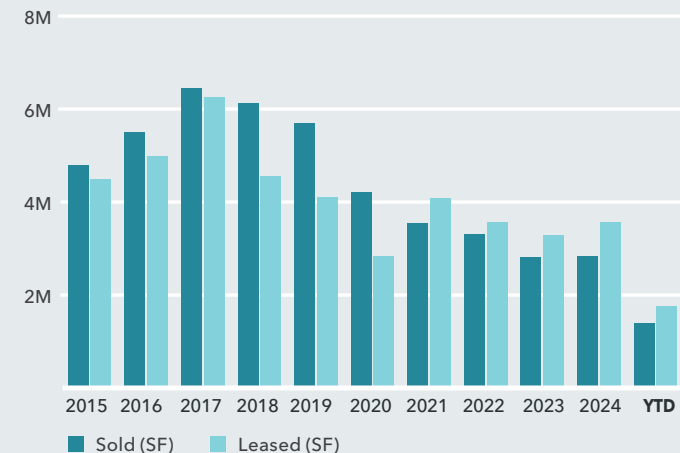
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	3Q25 Direct Net Absorption	YTD Direct Net Absorption	3Q25 Total Leasing Activity	YTD Leasing Activity	Average Rental Rate (FS)
Downtown	24,516,994	9.3%	9.4%	11.4%	-28,390	-89,340	36,794	290,751	\$2.97
Auburn/Lincoln	1,691,717	5.8%	5.8%	4.8%	507	11,505	9,928	43,161	\$2.12
Campus Commons	1,736,292	8.7%	9.3%	15.0%	-16,725	2,855	14,581	65,187	\$2.39
Carmichael/Fair Oaks	1,594,667	11.8%	11.8%	12.5%	21,128	-6,375	4,284	19,747	\$1.86
Citrus Heights/Orangevale	1,811,537	7.9%	8.3%	11.1%	-5,093	-16,241	4,839	26,231	\$1.71
Davis/Woodland	2,606,143	8.3%	8.3%	7.9%	-8,605	-8,532	16,344	35,822	\$2.82
East Sacramento	3,153,547	8.1%	8.1%	8.8%	3,524	382,766	0	0	\$2.71
El Dorado	2,374,562	12.0%	12.0%	13.8%	34,208	483	15,389	28,943	\$2.34
Elk Grove	2,381,416	4.1%	4.1%	4.8%	-8,403	-4,319	15,032	36,074	\$2.77
Folsom	6,158,093	6.3%	6.6%	14.7%	-45,253	23,471	48,068	147,046	\$2.40
Highway 50 Corridor	17,872,644	16.8%	17.4%	21.3%	-153,918	-24,911	53,045	231,881	\$1.78
Howe Ave/Fulton Ave/Watt	5,273,391	12.6%	12.6%	12.4%	-14,859	10,475	14,530	102,452	\$1.63
Midtown	4,525,831	9.2%	9.9%	12.6%	43,864	30,407	23,652	50,083	\$2.38
North Natomas	3,752,069	13.4%	14.2%	25.1%	-6,475	-38,190	30,649	79,329	\$1.91
Point West	2,823,140	21.3%	21.5%	24.7%	-31,925	-128,581	14,959	72,406	\$1.95
Rio Linda/N Highlands	1,016,558	13.5%	13.5%	17.6%	23,055	10,917	5,083	9,612	\$1.49
Roseville/Rocklin	12,547,323	10.7%	10.8%	9.9%	-20,735	199,507	78,515	321,480	\$2.22
South Natomas	3,868,843	21.2%	22.2%	29.2%	57,312	2,190	32,623	78,158	\$2.19
South Sacramento	3,764,369	5.8%	5.8%	7.1%	-2,476	-4,288	10,277	18,497	\$1.75
West Sacramento	2,524,481	8.9%	8.9%	8.8%	10,388	43,638	50,078	87,675	\$2.52
Sacramento Total	105,993,617	11.3%	11.6%	14.2%	-148,871	397,437	478,670	1,744,535	\$2.19
Class A	26,397,024	14.9%	15.5%	17.8%	43,142	572,217	175,954	627,109	\$2.56
Class B	53,633,890	11.7%	12.0%	15.4%	-272,259	-181,405	233,090	904,395	\$2.04
Class C	25,962,703	6.9%	6.9%	8.1%	80,246	6,625	69,626	213,031	\$1.89

MARKET OVERVIEW CONTINUED

The office development pipeline remains limited, with just 158K SF currently under construction, reflecting several years of minimal new project starts. This restrained supply environment may help position the Sacramento office market for a more efficient recovery compared to the post-Great Recession cycle. With fewer new deliveries on the horizon, well-located existing assets may be better positioned to capture demand once leasing activity begins to improve.

ECONOMIC OVERVIEW

The unemployment rate in the Sacramento MSA was 5.4% in August, down 20 bps from the month prior, and an increase from the year-ago estimate of 5.1%. This compares to California's unemployment rate of 5.5% and 4.5% for the nation during the same period.

Historically, Sacramento has struggled to attract tech companies from the Bay Area, as many have prioritized remaining close to venture capital networks, top-tier engineering programs, and the region's established innovation culture.

However, this dynamic may be gradually shifting - with decentralized workforces becoming the norm, some companies are exploring the option of positioning satellite offices in more affordable markets like Sacramento to stay connected to dispersed talent while controlling costs.

NEAR-TERM OUTLOOK

The state's return-to-office mandate, originally set for July 1 of this year, was widely expected to boost foot traffic and local economic activity, but has since been delayed another year due to ongoing labor negotiations. However, even without the formal mandate in place, there are signs of modest improvement in the local office market. Leasing activity has picked up in select submarkets, vacancy rates have started to stabilize, and some employers are organically increasing in-office expectations. This gradual return, paired with increased tenant interest in high-quality, amenity-rich office space, suggests that the market may be beginning to find a new post-pandemic equilibrium.

SIGNIFICANT SALE TRANSACTIONS 3Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
4320 Auburn Blvd	Carmichael/Fair Oaks	19,559	\$9,750,000	\$498.49	Jonathan Day	Michael Murray
1508 Eureka Rd	Roseville/Rocklin	52,500	\$9,500,000	\$180.95	JMC Homes	Spence Enterprises, Inc.
532 Gibson Dr	Roseville/Rocklin	50,490	\$8,078,500	\$160.00	ACWA	FlexCare
8890 Cal Center Dr	Highway 50 Corridor	43,965	\$6,000,000	\$136.47	Konstantin Gourji	Avesis
3900 Lennane Dr	North Natomas	45,816	\$6,000,000	\$130.96	Roman Gurzhiy	GPR Ventures

SIGNIFICANT LEASE TRANSACTIONS 3Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant
11050 Olson Dr	Highway 50 Corridor	78,962	July 2025	Rohit Kumar & Nidhi Tull	Maximus
100 Waterfront Pl	West Sacramento	49,111	July 2025	CalSTRS	California State Auditor
1180 Iron Point Rd	Folsom	28,196	August 2025	Pacific Oak Capital Advisors/KBS	Advanced Micro Devices
6425 Capital Ave	Folsom	22,342	September 2025	Robert Kantner	Marshall Medical Center
200 Vernon St	Roseville/Rocklin	15,912	September 2025	Roseville Telephone Co.	Bennett Engineering Services, Inc.

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
995 Riverfront St	995 Riverfront St	West Sacramento	40,000	Fulcrum Property	4Q 2025
Riverpoint North Corporate Center - Bldg B	700 Riverpoint Dr	West Sacramento	38,350	Buzz Oates	3Q 2027

Data Source: Costar; data.bls.gov, bizjournals.com



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The information in this report was composed by the Kidder Mathews Research Group.

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COMMERCIAL
BROKERAGE

\$9B

AVERAGE ANNUAL
TRANSACTION VOLUME

26.2M

ANNUAL
SALES SF

36.7M

ANNUAL
LEASING SFASSET
SERVICES

53M SF

MANAGEMENT
PORTFOLIO SIZE

800+

ASSETS UNDER
MANAGEMENT

250+

CLIENTS
SERVEDVALUATION
ADVISORY

2,400+

AVERAGE ANNUAL
ASSIGNMENTS

39

TOTAL
APPRAISERS

24

WITH MAI
DESIGNATIONS