

3Q23

Sacramento Office Market Overview



NEWMARK

Market Observations

Economy

- The unemployment rate increased slightly in the Sacramento Metro during the third quarter of 2023. The unemployment rate for the Sacramento Metro recorded at 4.1%, which is slightly higher than the national average of 3.8%.
- The other services sector saw the largest 12-month change, followed by the education and health sector. The construction, financial activities and information sectors all recorded a decrease in growth over the past year.
- The overall office-using employment remains stable over three quarters of 2023.

Major Transactions

- The top five office transactions for the quarter were all renewals and all over 50,000 square feet. The largest was Delta Dental’s renewal of 108,000 square feet.
- Notable sale transactions included a medical building at 2288 Auburn Blvd (59,000 square feet) for \$10.5 million; 11971 Foundation Place (145,869 square feet) for 8.3 million and 1651 Exposition Blvd (68,000 square feet) for \$6.7 million.
- One office building completed construction during the quarter, 200 Waterfront Pl., a 272,000-square-foot expansion for CalSTRS in West Sacramento.

Leasing Market Fundamentals

- The Sacramento office vacancy rate rose to 16.5% in the third quarter from the previous quarter’s vacancy rate of 15.4%.. The largest space that contributed to this increase in vacancy was 145,869 square feet becoming vacant during the quarter in 50 Corridor East submarket.
- Net absorption posted a negative 783,471 square feet during the quarter bringing the year-to-date net absorption total to just over negative 1.8 million square feet.
- Only two large buildings (255,000 square feet and 314,000 square feet) in the Aggie Square project are currently under construction. It should be noted that an additional 1.9 million square feet of government or medical buildings are currently under construction but will not be included in the office study inventory.

Outlook

- The Sacramento office market should end the year on stable ground as no big fluctuations are expected during the last quarter of 2023.
- The Sacramento office sale market should remain active with smaller size deals.
- With challenging economic conditions continuing through 2023 and into 2024, the Sacramento office market should be able to ride out any bumps along the way.

1. Economy
2. Leasing Market Fundamentals
3. Appendix / Tables

3Q23

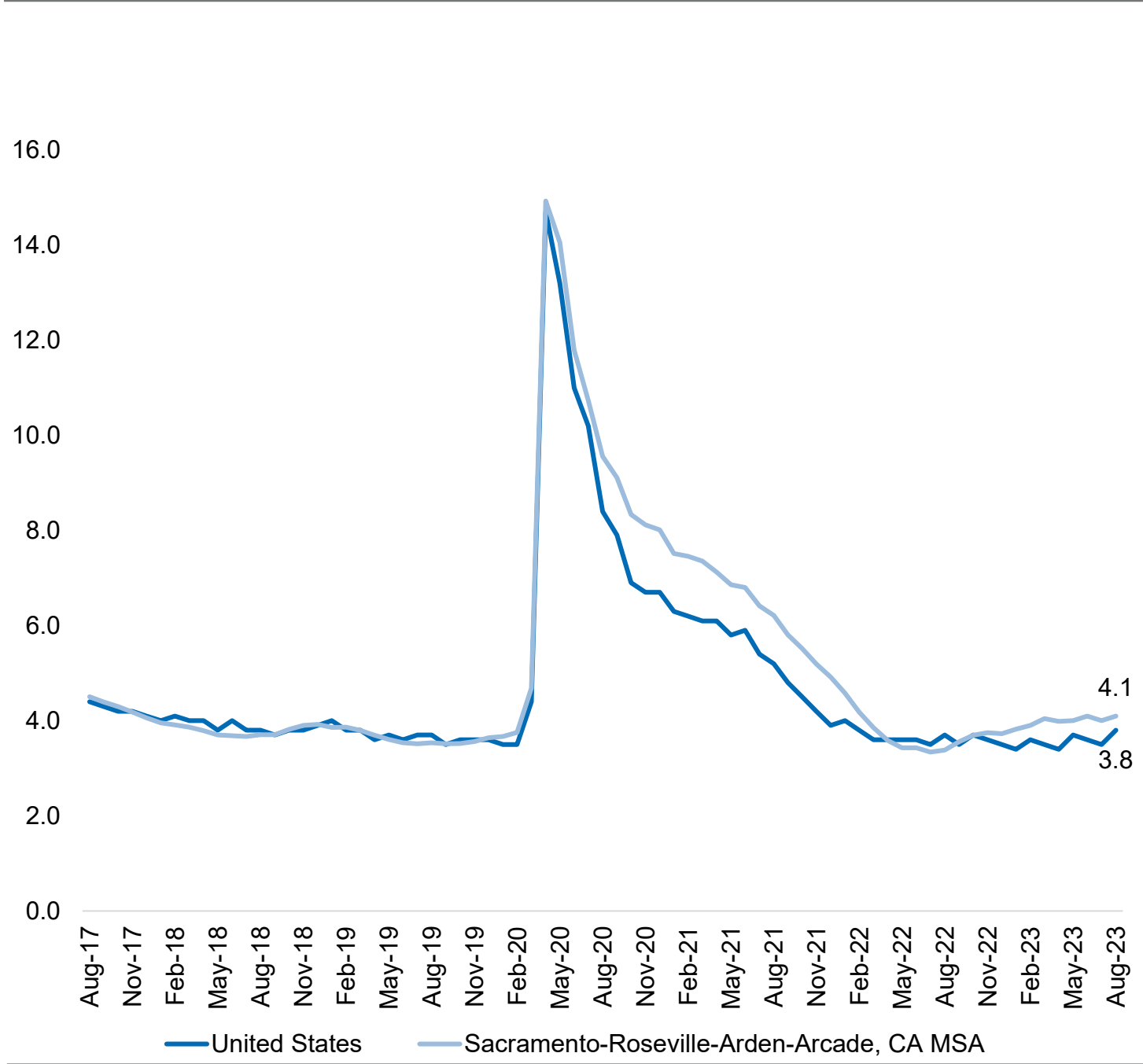
Economy



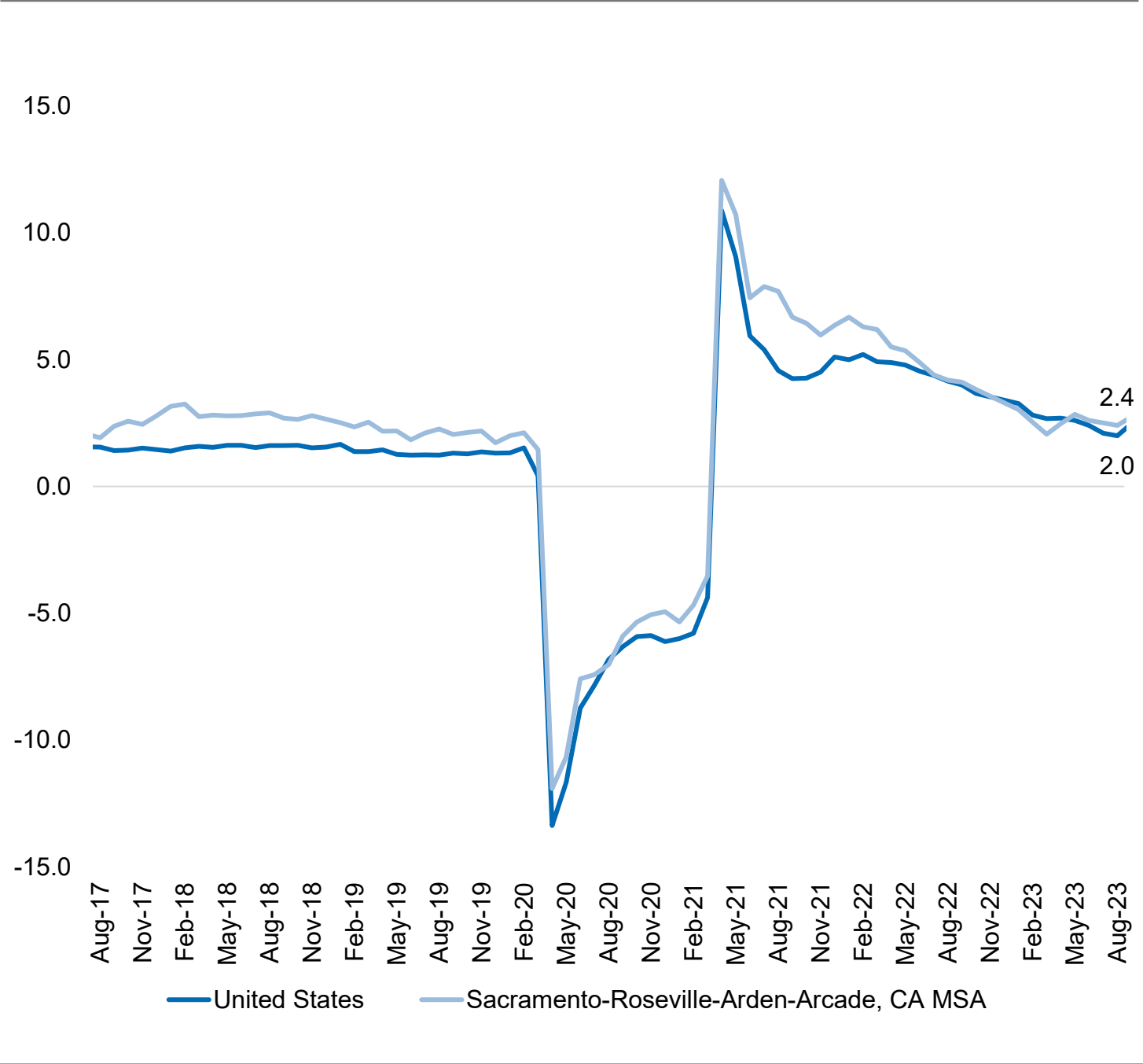
Metro Employment Increases Slightly

The unemployment rate increased slightly in the Sacramento Metro during the third quarter of 2023. The unemployment rate for the Sacramento Metro recorded at 4.1%, which is slightly higher than the national average of 3.8%.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

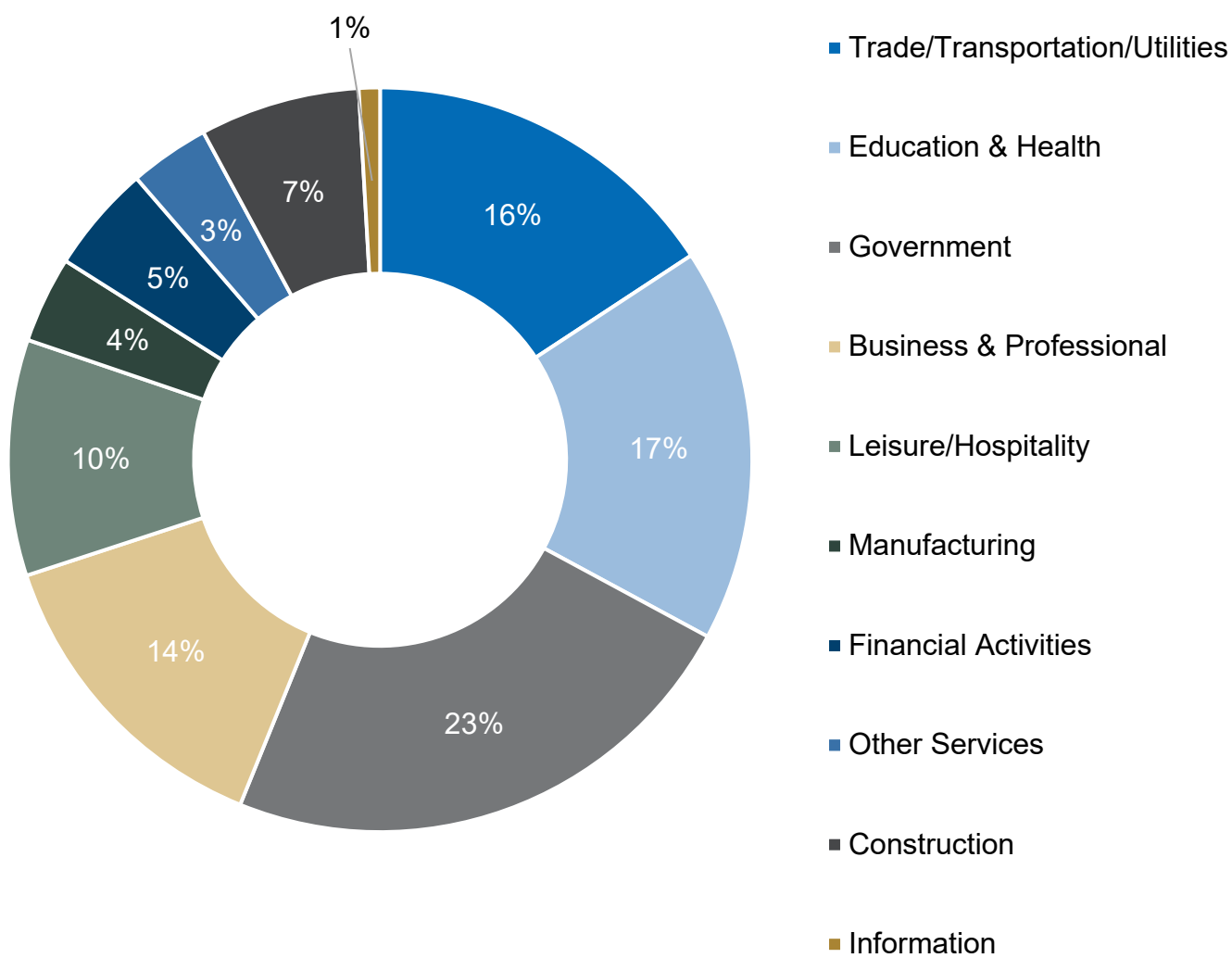


Source: U.S. Bureau of Labor Statistics, Sacramento-Roseville-Arden-Arcade, CA MSA

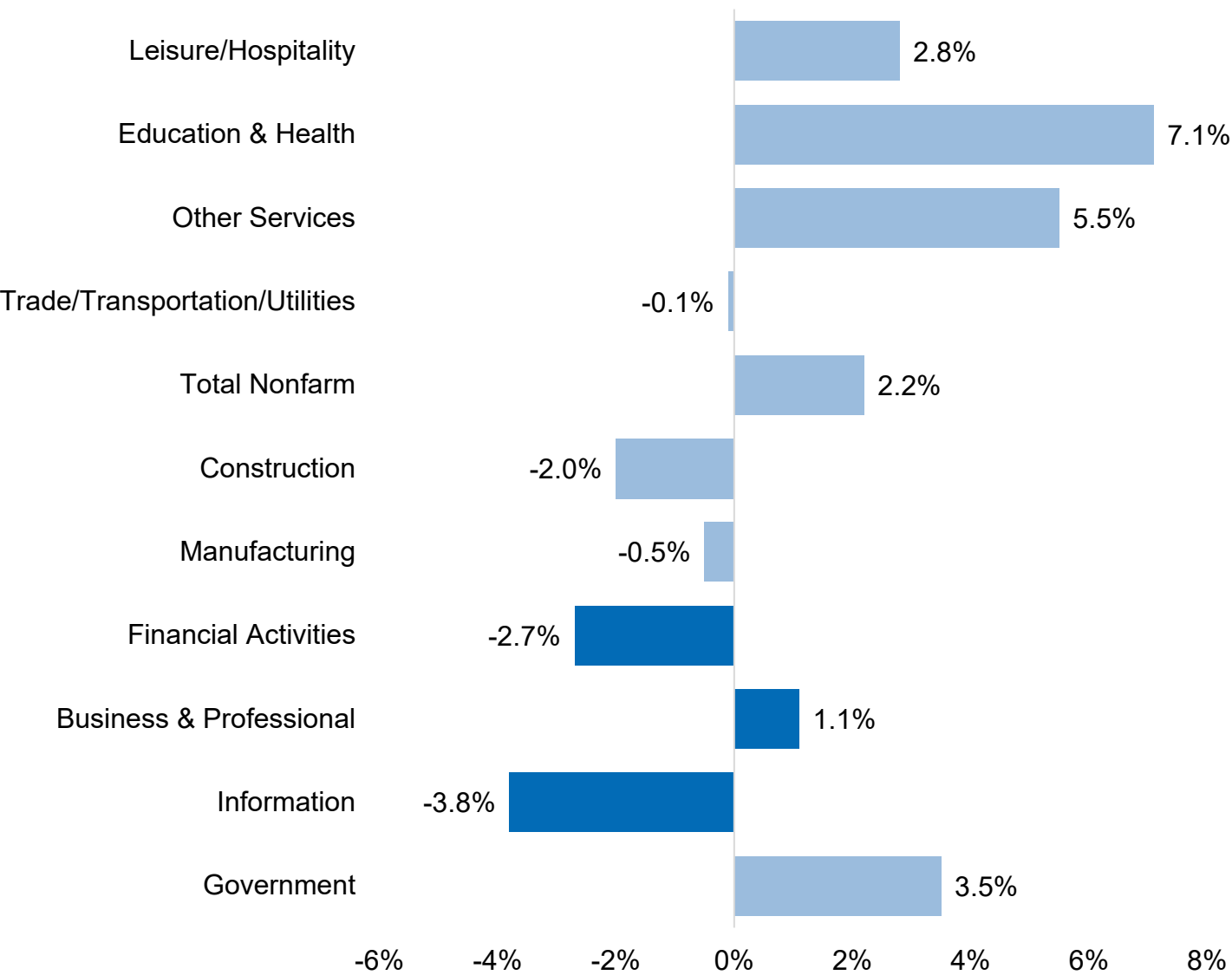
Government Sector Showed A Slight Increase In Job Growth

The other services sector saw the largest 12-month change, followed by the education and health sector. The financial activities and information sectors both recorded a decrease in growth over the past year.

Employment by Industry, May 2023



Employment Growth by Industry, 12-Month % Change, Aug 2023

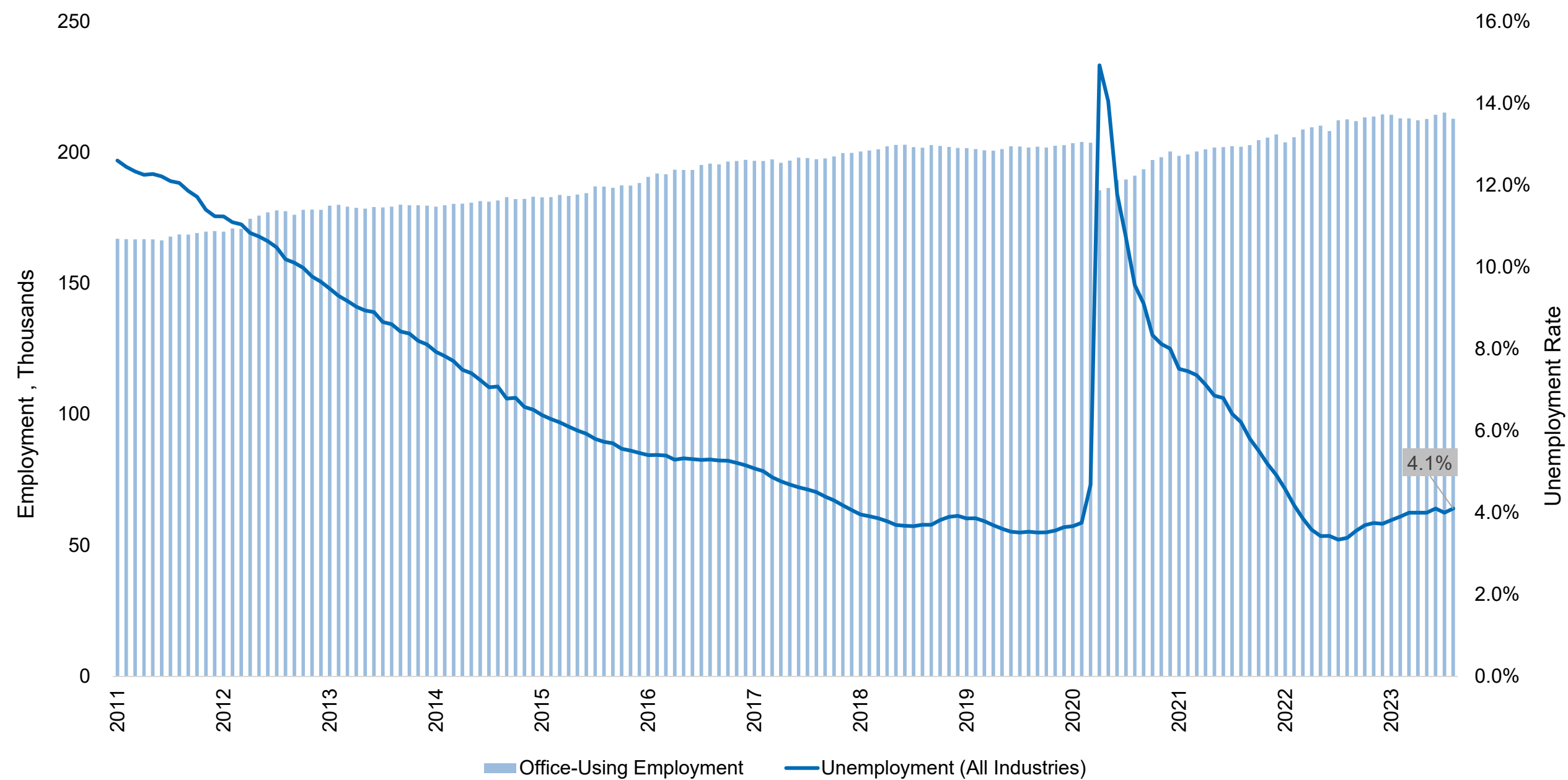


Source: U.S. Bureau of Labor Statistics, Sacramento-Roseville-Arden-Arcade, CA MSA

Overall Office-Using Employment Remains Unchanged

The overall office-using employment remains stable over three quarters of 2023.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Sacramento-Roseville-Arden-Arcade, CA MSA
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

3Q23

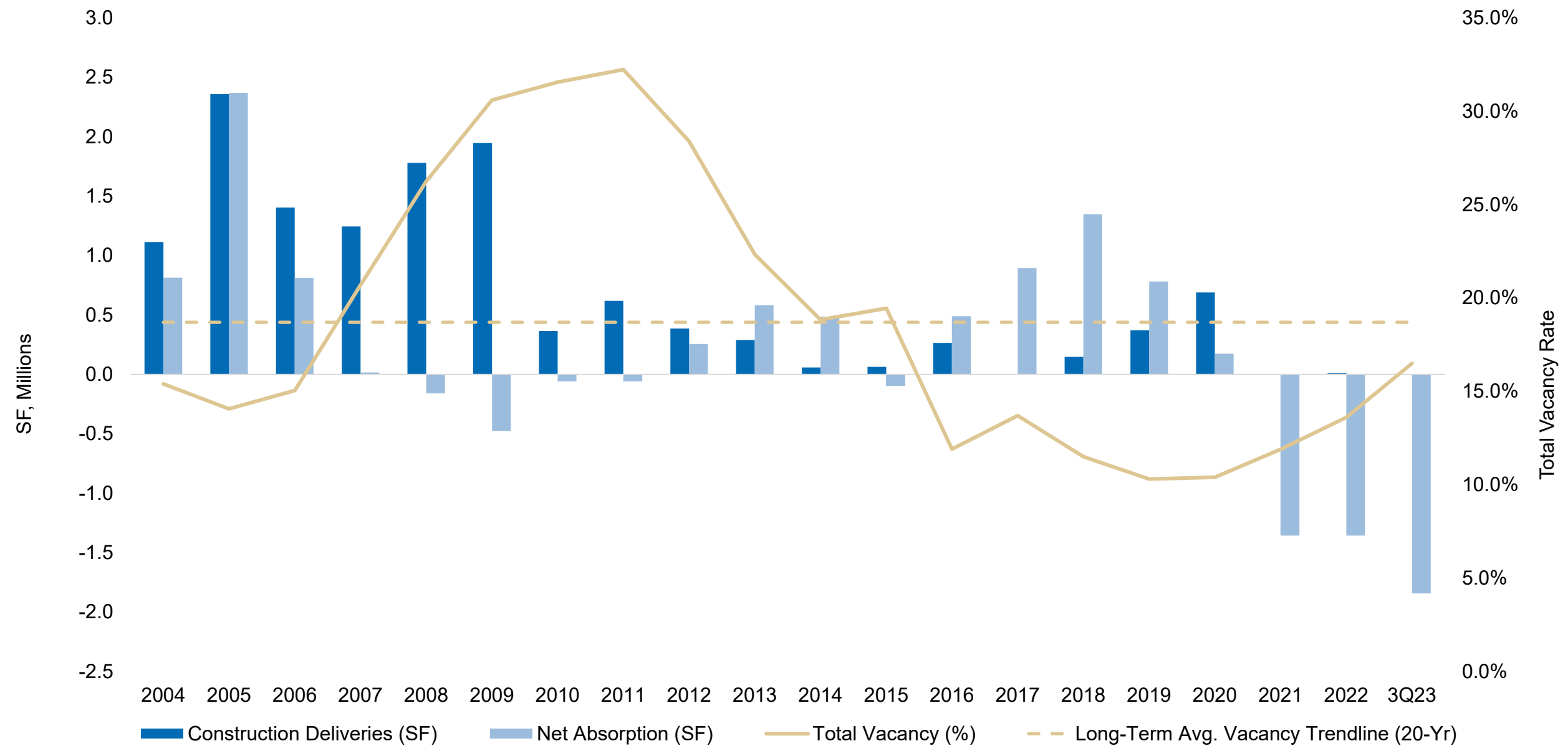
Leasing Market Fundamentals



Vacancy Increases as Net Absorption Records Another Negative Quarter

The Sacramento office vacancy rate rose to 16.5% in the third quarter from the previous quarter's vacancy rate of 15.4%. Net absorption posted a negative 783,471 square feet during the quarter bringing the year-to-date net absorption total to just over negative 1.8 million square feet. Construction continues on two buildings (314,000 square feet & 255,000 square feet) in the Aggie Square project in the South Sacramento submarket.

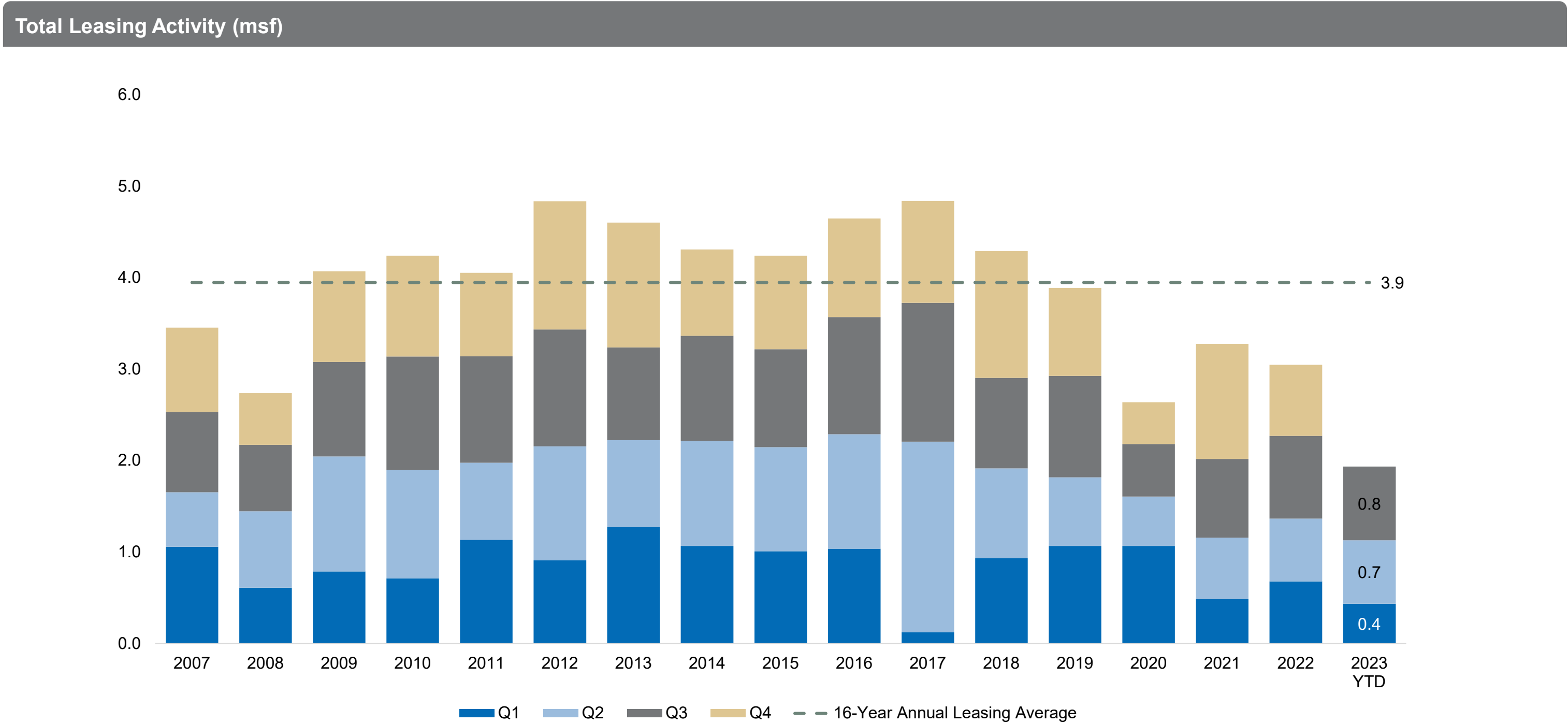
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

Leasing Activity Pace Has Slowed

Leasing activity in the third quarter was slightly higher than the previous quarter but still behind last year's activity.



Source: CoStar

Leases Are Smaller, and Fewer Are Being Signed

Please reach out to your
Newmark business contact for this information

Submarkets Continue to Underperform

Please reach out to your
Newmark business contact for this information

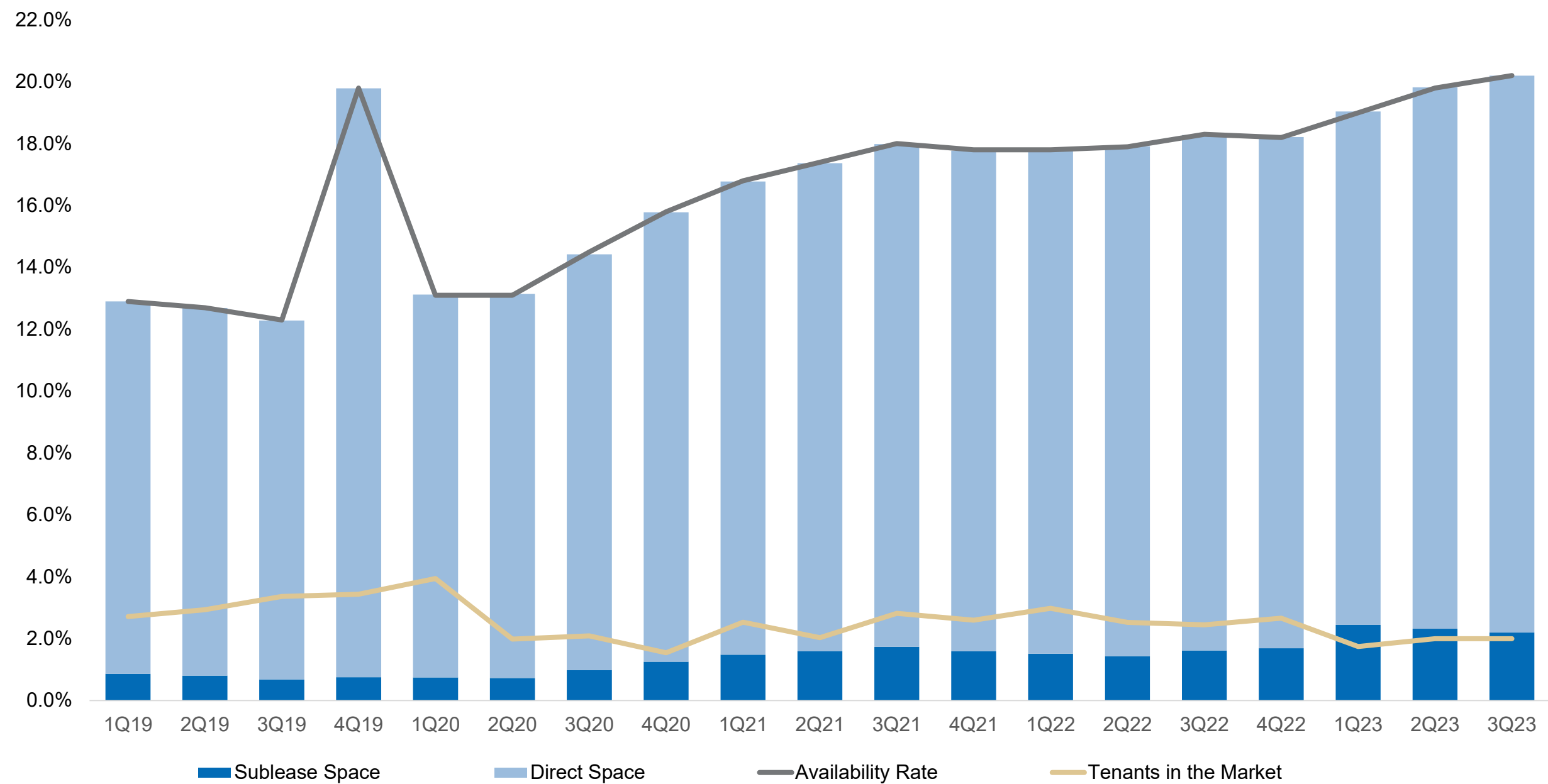
Government Still Dominates Leasing

Please reach out to your
Newmark business contact for this information

Availability Continues to Increase While Tenant Demand Holds Steady

The availability rate increased slightly in the third quarter of 2023, while tenant demand remains steady. The availability rate for the third quarter of 2023 was 20.2% compared with 19.8% in the second quarter of 2023 and 18.2% in the fourth quarter of 2022..

Available Space and Tenant Demand as Percent of Overall Market



Source: Newmark Research

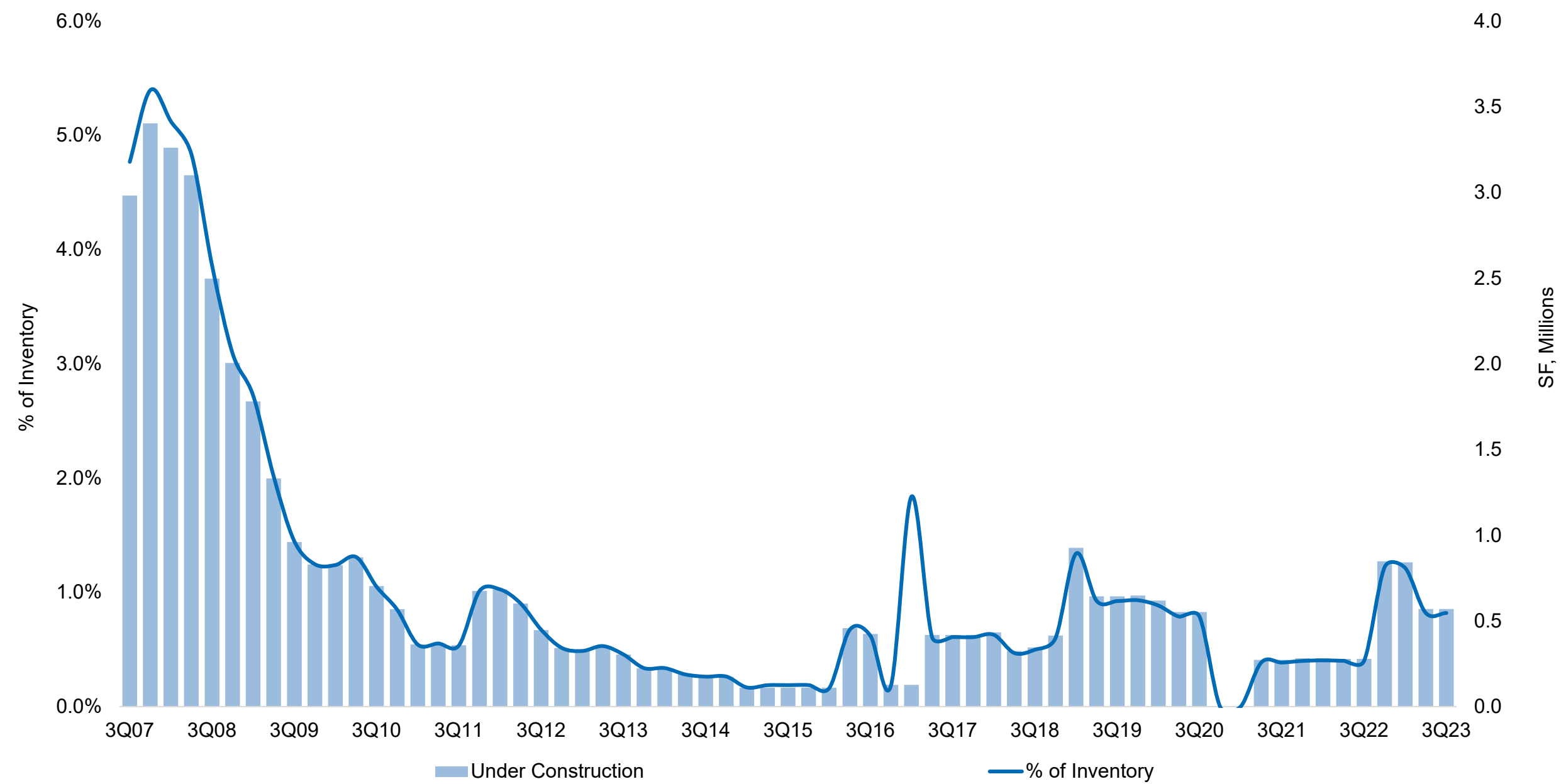
The Highest Availability Rate Is in South Natomas Submarket

Please reach out to your
Newmark business contact for this information

No New Construction But Construction Still Active

In the third quarter of 2023, only two large office buildings are currently under construction and have a completion date scheduled for the first quarter of 2025. However, the construction pipeline remains active with government and medical buildings, which are not included in our inventory.

Office Under Construction and % of Inventory



Source: Newmark Research,

Rents Remain Stable in Each Submarket

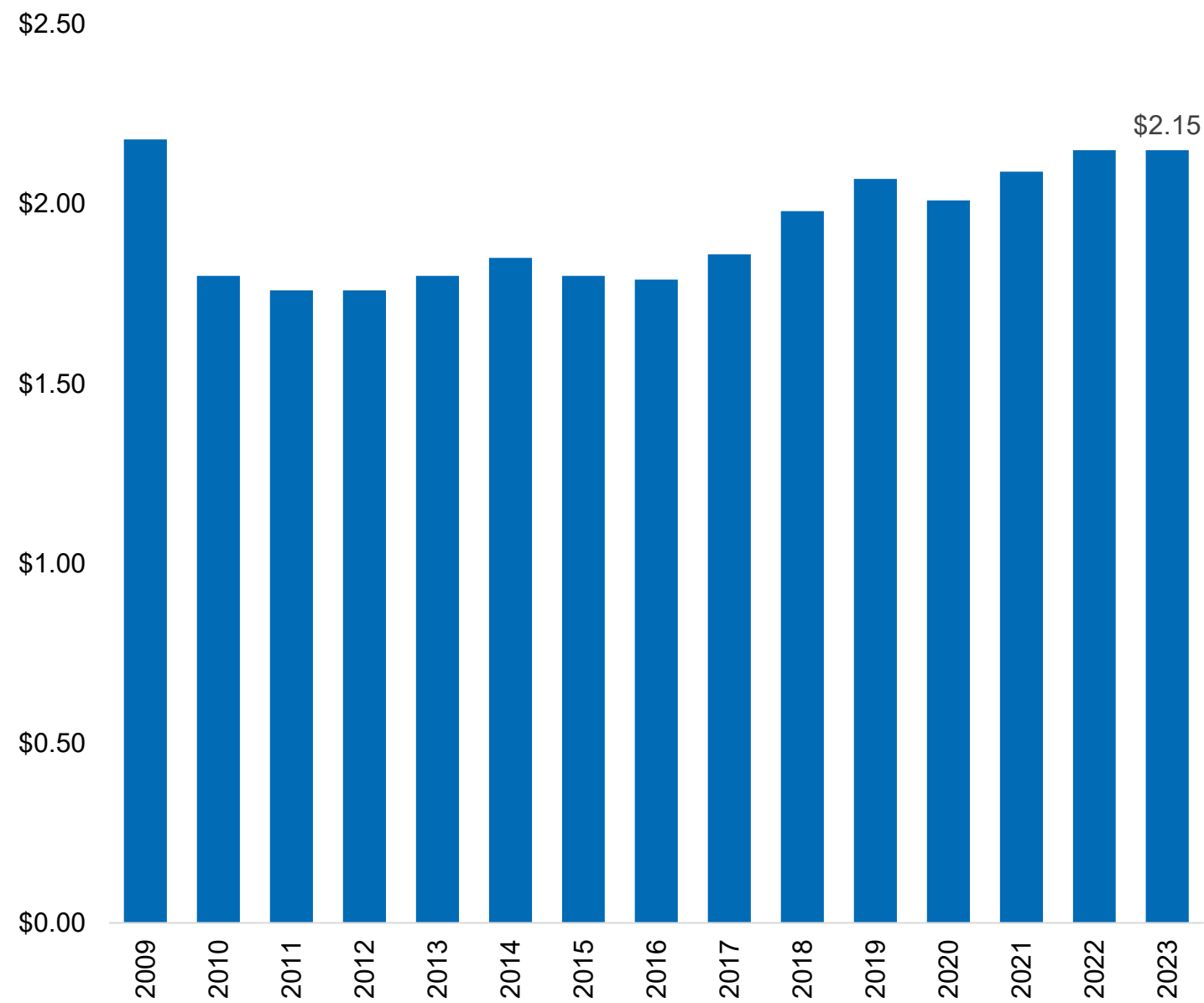


Please reach out to your
Newmark business contact for this information

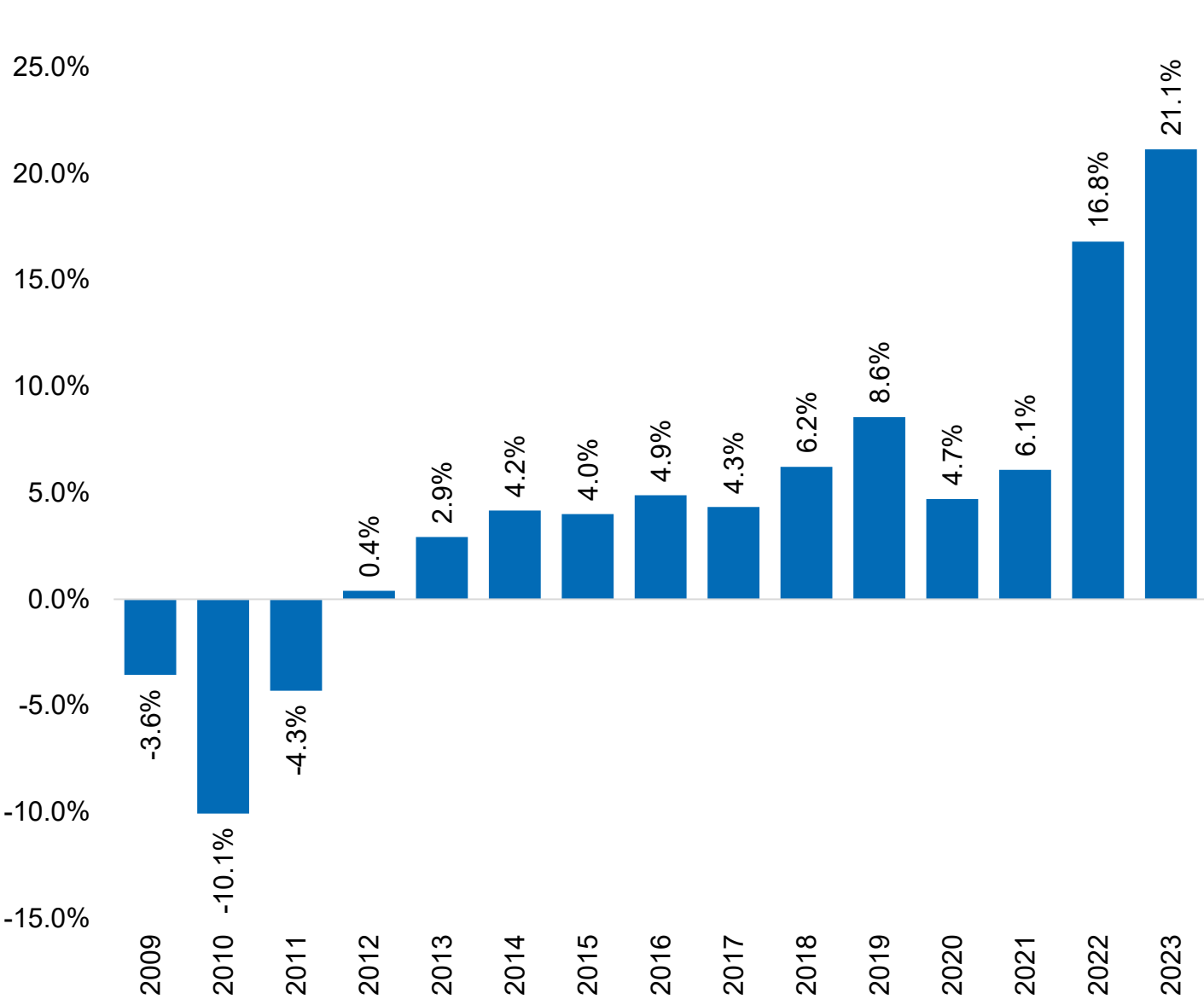
Overall Rents Remain Stable

Office rental rates remain unchanged for the past three quarters, with the asking rents at \$2.15/SF at the end of the third quarter of 2023. All class rents posted minimal changes from the second quarter of 2023, with Class A rents at \$2.74/SF, Class B rents at \$2.03/SF and Class C rents at \$1.61/SF.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

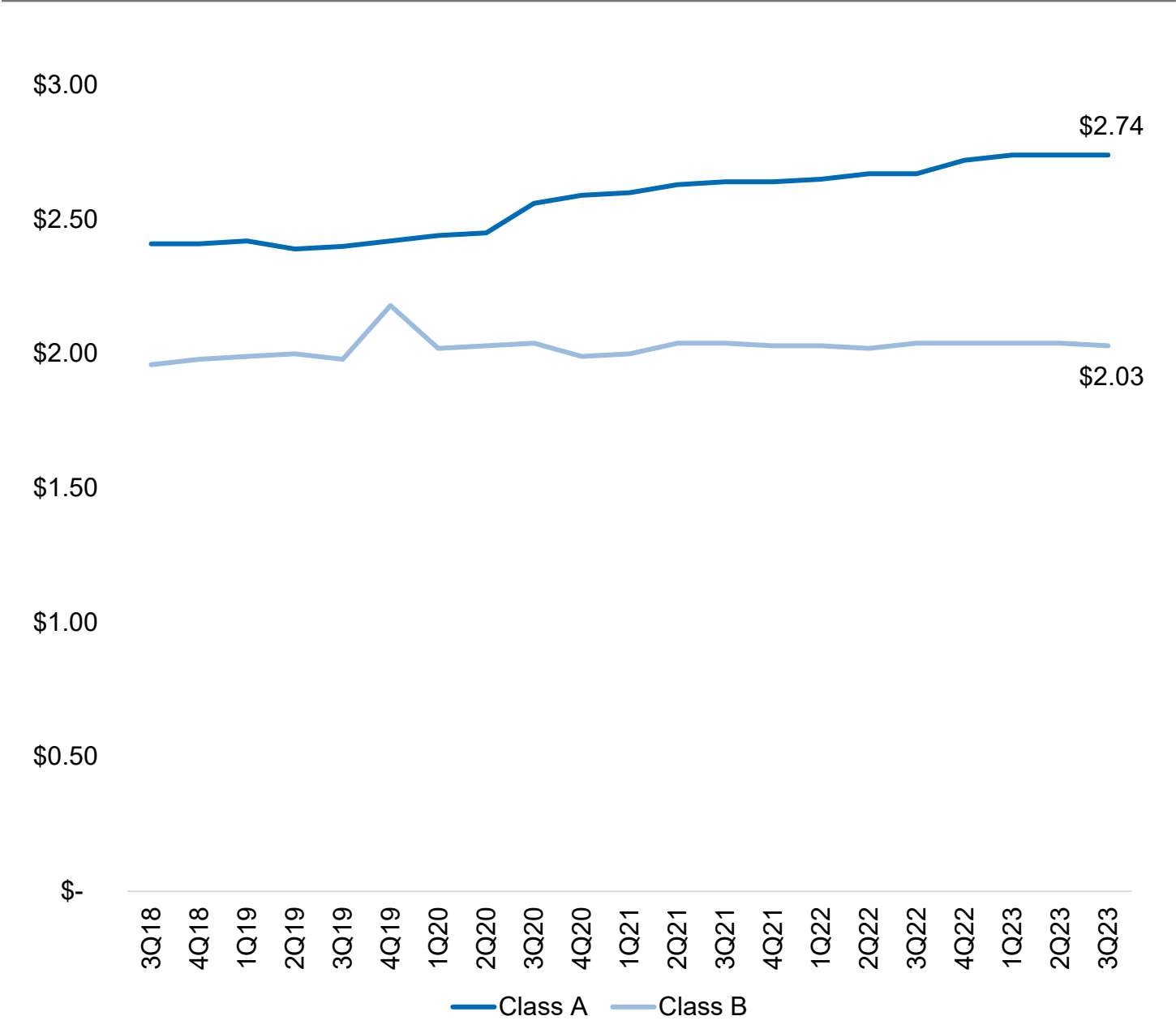


Source: Newmark Research

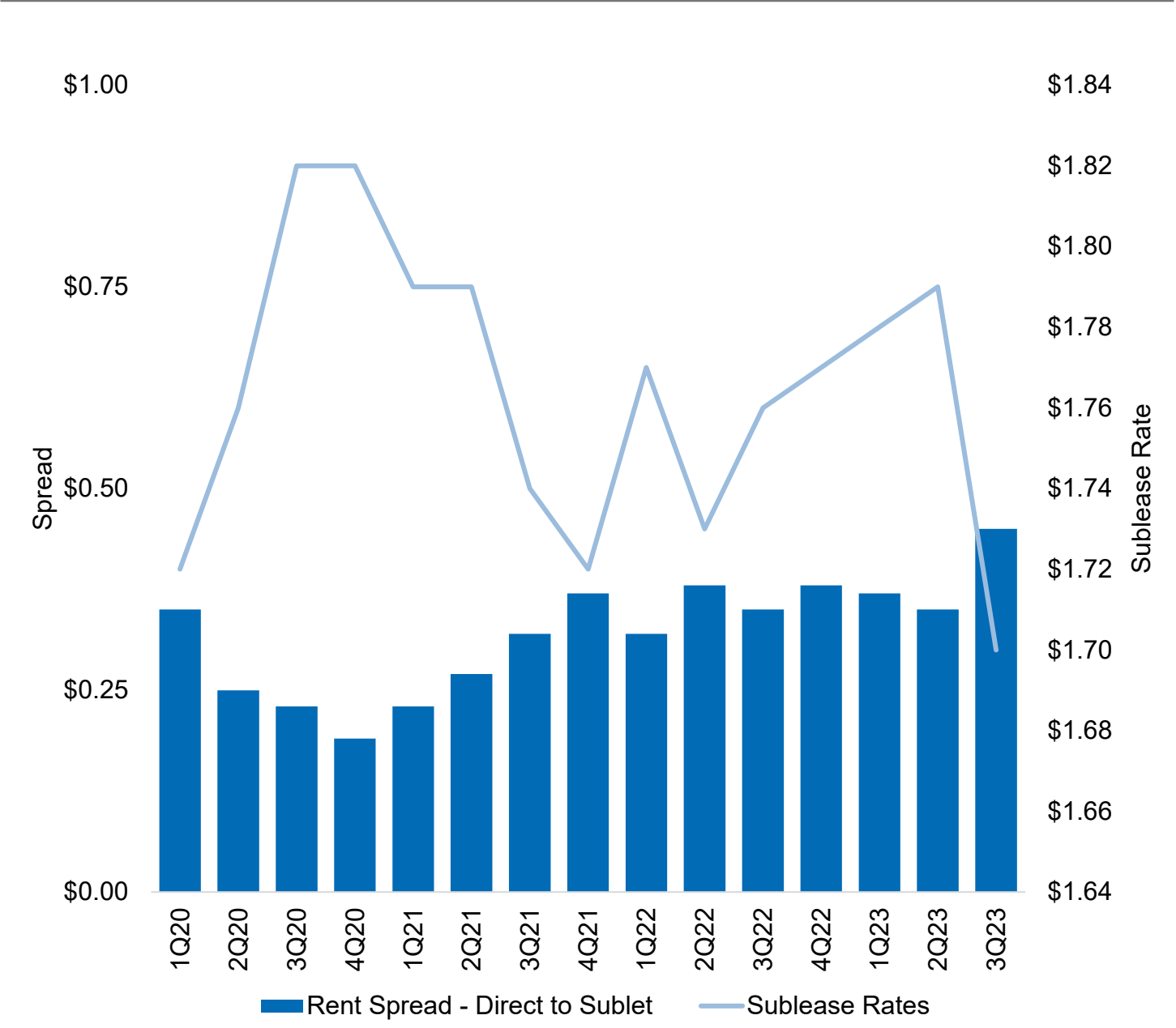
Sublease Asking Rents Decreased

Office rents in the Sacramento region have remained steady over the last year, only increasing slightly every two quarters. Sublease rents have decreased over the last quarter as the number of sublease spaces have increased.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Leasing Activity Slows

Lease and sale transactions remain active in the Sacramento office market. During the third quarter, the top five lease transactions were all renewals and over 50,000 square feet each. Notable sale transactions included a medical building at 2288 Auburn Blvd (59,000 square feet) for \$10.5 million; 11971 Foundation Place (145,869 square feet) for 8.3 million and 1651 Exposition Blvd (68,000 square feet) for \$6.7 million.

Notable 3Q23 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Delta Dental	3241 Kilgore Rd, Rancho Cordova	50 Corridor East	Lease Renewal	108,000
This lease was the largest lease transaction during the quarter.				
State of California	915 L St, Sacramento	Downtown	Lease Renewal	94,317
The State of California occupies several floors in the building.				
Dealtrack Technologies, Inc	9750 Goethe Road, Sacramento	50 Corridor East	Lease Renewal	88,734
Porter Scott was founded in 1976 and has represented clients in the state of California.				
State of California	9815 Goethe Road, Sacramento	50 Corridor East	Lease Renewal	80,000
The State of California occupies the entire building.				
State of California	11020 Sun Center Drive, Rancho Cordova	50 Corridor East	Lease Renewal	59,625
This is the second renewal for this tenant.				

Source: Newmark Research

Appendix

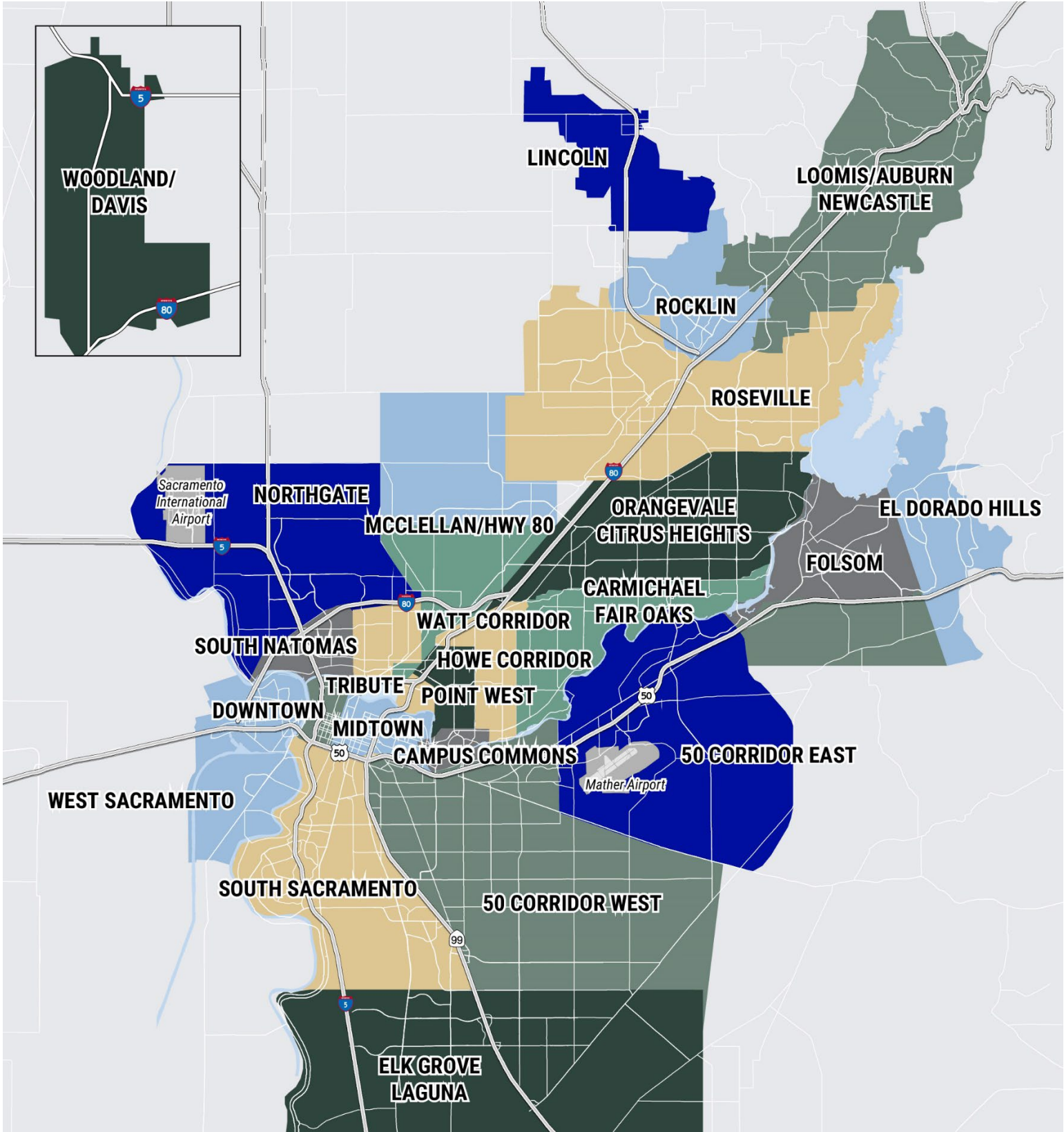


Sacramento Office Submarket Overview



Please reach out to your
Newmark business contact for this information

Sacramento Submarket Map



For more information:

Kelly Dong
Research Coordinator
Sacramento Research
kelly.dong@nmrk.com

Sacramento
980 9th Street #2500
Sacramento, CA 95814
t 916-920-4400

New York Headquarters
125 Park Ave.
New York, NY 10017
t 212-372-2000

nmrk.com

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.