



Sacramento Office Market

Sacramento Office Market Ends On A Positive Note

As 2022 comes to an end, economic worries continue to be the main concern. Although gas prices are decreasing, they are still high, while inflation continues to be a concern for a potential impending recession. The end of 2022 also saw the beginning of company layoffs, especially in the tech sector. Looking closer at the numbers, most companies were on a hiring frenzy during the pandemic; now that the pandemic is over, companies are adjusting their workforce numbers.

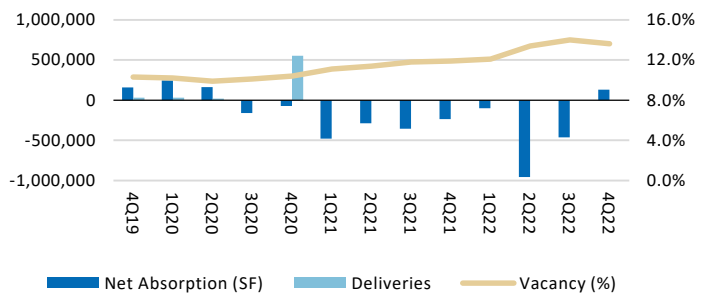
The office vacancy rate ended the year at 13.6%, a decrease from 14.0% in the third quarter of 2022. This marked the first time that the vacancy rate has decreased since the second quarter of 2020. The year-end 2022 vacancy rate is the highest year-end vacancy rate since the year-end 2017 vacancy rate of 13.7%. More office space is expected to hit the market during 2023 so the vacancy rate will increase.

In a good sign for the local market, the office market posted a positive net absorption of 130,392 square feet in the fourth quarter 2022 for the first time in nine quarters. This quarter's positive net absorption brings the year-to-date net absorption total to just over a negative 1.36 million square feet, which is just a little over last year's year-to-date negative net absorption total.

Market Summary

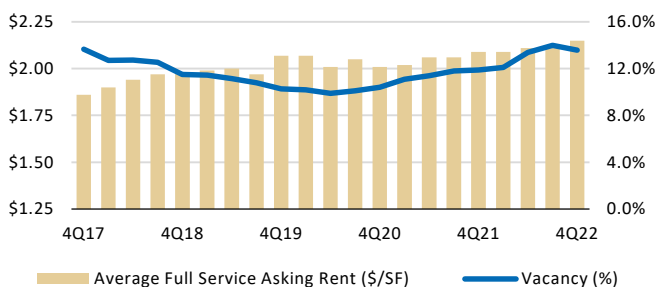
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	69.4M	69.5M	70.4M	↔
Vacancy Rate	13.6%	14.0%	11.9%	↑
Qtr Net Abs. (SF)	130K	-465K	-236K	↓
Avg FS Asking Rent/SF	\$2.15	\$2.11	\$2.09	↑
Under Constr. (SF)	847K	278K	281K	↔

Net Absorption, New Construction, Vacancy Rate

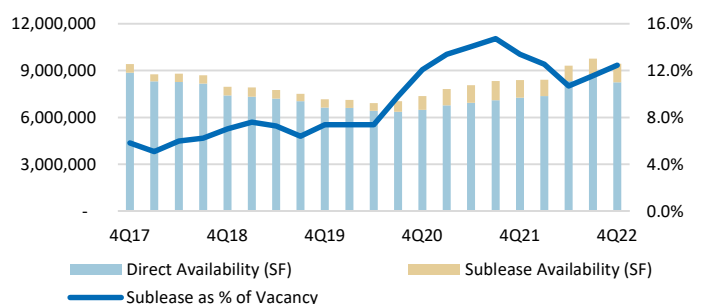


Market Analysis

ASKING RENT AND VACANCY RATE



SUBLEASE V. DIRECT AVAILABILITY (sf)



RESEARCH Q4 2022

Lease transactions that occurred during the quarter were all under 30,000 square feet. The office market should continue to be active, with a mix of new lease transactions and renewals.

No office buildings completed construction during the entire year. Construction continues on three large office buildings: the California State Teachers' Retirement System expansion in West Sacramento (272,000 square feet); the new Sacramento County Courthouse at 500 G St. (543,290 square feet); and the State of California's Richards Boulevard Office Complex at 4468 Richards Blvd. (1.25 million square feet). Owner-occupied buildings developed by the State of California are not included in market statistics. The CalSTRS expansion building was scheduled for 2022 completion date but has been pushed to a 2023 completion, which will affect the market. Just over 198,000 square feet in CalSTRS's current building will be added to the market as the company adopted a work-from-home policy. Two buildings totaling 569,000 square feet in the Aggie Square project started construction during the fourth quarter of 2022 in the South Sacramento submarket. Aggie Square will expand UC Davis's Sacramento campus with a state-

of-the-art hub for research, innovation and education.

Although the size of office sales in the Sacramento market were smaller during the quarter, the Sacramento office sales market continues to be active. The largest sale transaction was a two-building user sale of 2200 Broadway and 2200 X St. (125,127 square feet), which was bought by California Northstate University for \$12.75 million, or \$102/SF, in the Midtown submarket. Large sales will likely slow down as result of rising interest rates, uncertainty in the market and leasing velocity slowing, but the Sacramento office sale market should still see some activity. User sales will likely hold steady for the year.

With challenging national and local economic conditions continuing into 2023, most businesses will be proceeding with caution over the next year. That said, the Sacramento office market was well positioned going into these headwinds and should remain stable to weather any fluctuations. The suburban markets continue to perform steadily, but the urban core areas will likely see most of the waves in 2023.

Select Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Fortune School	2890 Gateway Oaks Dr	South Natomas	Lease Renewal Expansion	29,128
Zurich Insurance	11290 Pyrites Way	50 Corridor East	Direct Lease	27,429
County of Sacramento	3636 American River Dr	Campus Commons	Direct Lease	26,592
Confidential	4207 Town Center Blvd	El Dorado Hills	Direct Lease	24,427
State of California	2720 Gateway Oaks Dr	South Natomas	Lease Renewal	21,318

Select Investment Sale Transactions

Building(s)	Market	Sale Price	\$/SF	Square Feet
2201 Broadway & 2200 X St	Midtown	\$12,750,000	\$102	125,127
1050 Iron Point Rd	Folsom	\$7,400,000	\$461	16,038
7700 College Town Dr	50 Corridor West	\$7,300,000	\$218	33,500
3071 Gold Canal Dr	50 Corridor East	\$4,811,000	\$432	11,136
9850 Goethe Rd	50 Corridor East	\$4,560,000	\$240	19,040

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Overall Submarket Statistics

	Total Bldgs	Total Inventory (SF)	Under Constr (SF)	Total Vacancy (SF)	Total Vacancy Rate	Total Available (SF)	Total Available Rate	Quarter Absorption (SF)	YTD Absorption (SF)	Total FS Asking Rent (Price/SF)
Sacramento	771	32,106,804	569,000	4,427,481	13.8%	5,563,407	17.3%	36,176	(712,255)	\$2.37
Downtown	179	11,656,911		1,828,942	15.7%	2,231,428	19.1%	(30,256)	(434,347)	\$2.92
Midtown	126	3,504,300		161,630	4.6%	324,677	9.3%	1,728	18,687	\$2.38
South Natomas	56	3,748,484		619,665	16.5%	803,408	21.4%	18,653	(102,491)	\$2.33
North Natomas	83	3,552,921		321,937	9.1%	389,781	11.0%	27,454	76,274	\$1.71
Point West	47	2,416,737		486,118	20.1%	589,600	24.4%	(12,159)	(187,002)	\$2.04
Campus Commons	69	1,666,985		136,977	8.2%	163,108	9.8%	35,772	32,320	\$2.32
Howe Corridor	81	1,660,959		258,058	15.5%	263,293	15.9%	(4,762)	(27,710)	\$1.58
Watt Corridor	66	1,822,278		429,223	23.6%	459,610	25.2%	(12,237)	(87,827)	\$1.51
South Sacramento	52	1,692,172	569,000	123,140	7.3%	201,711	11.9%	11,983	7,341	\$1.45
Tribute Road Woodlake	12	385,057		61,791	16.0%	136,791	35.5%	0	(7,500)	\$1.84
50 Corridor West	58	3,101,017		472,248	15.2%	585,200	18.9%	23,593	(39,181)	\$1.54
50 Corridor East	245	11,676,440		2,093,723	17.9%	3,096,143	26.5%	95,083	(238,315)	\$1.77
Folsom	114	4,498,788		406,435	9.0%	626,378	13.9%	16,819	(142,392)	\$2.17
El Dorado Hills	59	1,595,364		242,595	15.2%	269,703	16.9%	23,293	13,554	\$2.33
Roseville	254	8,642,212		1,079,585	12.5%	1,546,515	17.9%	(56,491)	(59,477)	\$2.05
Douglas Corridor	99	3,797,453		435,155	11.5%	539,651	14.2%	(21,343)	(86,069)	\$2.30
Roseville – Other	155	4,844,759	6,300	644,430	13.3%	1,006,864	20.8%	(35,148)	26,592	\$1.79
Rocklin	67	1,665,556		185,756	11.2%	222,868	13.4%	11,516	(3,373)	\$1.90
Carmichael Fair Oaks	54	571,073		58,149	10.2%	59,369	10.4%	(1,672)	(22,258)	\$1.48
Orangevale Citrus Heights	64	1,412,612		214,548	15.2%	214,548	15.2%	(15,215)	(24,151)	\$1.29
Elk Grove Laguna	64	1,640,705		92,988	5.7%	101,904	6.2%	(3,784)	(24,516)	\$2.36
West Sacramento	39	2,060,506	272,000	135,085	6.6%	334,972	16.3%	652	(97,106)	\$2.74
North Sacramento	9	410,147		17,656	4.3%	17,656	4.3%	422	(7,786)	\$1.37
SACRAMENTO REGION	1,798	69,381,224	847,300	9,426,249	13.6%	12,638,663	18.2%	130,392	(1,357,256)	\$2.15

RESEARCH Q4 2022

Class A Submarket Statistics

	Total Bldgs	Inventory (SF)	Vacancy (SF)	Direct Vacancy (SF)	Sublease Vacancy (SF)	Class A Vacancy Rate	Class A Available Rate	Qtr Net Absorp (SF)	YTD Net Absorp (SF)	Avg FS Ask Rent (Price/SF)
Sacramento	63	9,808,372	1,472,852	1,341,479	131,373	15.0%	19.6%	(17,864)	(524,347)	\$2.90
Downtown	19	5,516,081	766,154	718,958	47,196	13.9%	18.5%	(19,692)	(353,027)	\$3.35
Midtown	5	334,796	12,025	6,214	5,811	3.6%	14.0%	(4,760)	(37)	\$2.89
South Natomas	17	1,768,455	305,409	267,394	38,015	17.3%	22.4%	19,620	4,711	\$2.53
North Natomas	5	805,636	26,067	16,976	9,091	3.2%	4.5%	4,511	(2,923)	\$2.32
Point West	10	1,123,065	339,324	316,690	22,634	30.2%	35.0%	(14,024)	(174,899)	\$2.14
Campus Commons	6	245,833	23,873	15,247	8626	9.7%	14.2%	(3,519)	1,828	\$2.71
Howe Corridor	1	14,506	0	0	0	0.0%	0.0%	0	0	
Watt Corridor	0	0	0	0	0	0.0%	0.0%	0	0	
South Sacramento	0	0	0	0	0	0.0%	0.0%	0	0	
Tribute Road Woodlake	0	0	0	0	0	0.0%	0.0%	0	0	
50 Corridor West	12	1,162,515	150,882	106,917	43,965	13.0%	13.0%	22,483	11,338	\$2.04
50 Corridor East	12	1,433,488	323,627	308,627	15,000	22.6%	34.5%	10,053	(21,024)	\$2.08
Folsom	19	2,175,446	128,830	74,046	54,784	5.9%	9.5%	4,139	(40,381)	\$2.51
El Dorado Hills	15	617,343	112,203	112,203	-	18.2%	22.4%	21,739	(75,258)	\$2.55
Roseville	10	1,222,662	118,782	112,492	-	9.7%	12.0%	(4,111)	(22,162)	\$2.05
Douglas Corridor	8	991,980	67,204	60,914	6,290	6.8%	9.1%	(2,699)	(12,602)	\$2.52
Roseville - Other	2	230,682	51,578	51,578	-	22.4%	24.5%	(1,412)	(9,560)	\$2.35
Rocklin	5	514,509	116,318	107,521	8,797	22.6%	29.6%	-	(10,099)	\$2.10
Carmichael Fair Oaks	0	0	0	0	0	0.0%	0.0%	0	0	
Orangevale Citrus Heights	0	0	0	0	0	0.0%	0.0%	0	0	
Elk Grove Laguna Galt	12	799,751	56,076	29,267	26,809	7.0%	7.6%	(5,326)	(28,453)	\$2.76
West Sacramento	2	800,000	0	0	0	0.0%	24.8%	0	0	\$3.25
North Sacramento	0	0	0	0	0	0.0%	0.0%	0	0	
SACRAMENTO REGION	150	18,534,086	2,479,570	2,192,552	287,018	13.4%	18.8%	31,113	(710,386)	\$2.72

RESEARCH Q4 2022

Class B Submarket Statistics										
	Total Bldgs	Inventory (SF)	Vacancy (SF)	Direct Vacancy (SF)	Sublease Vacancy (SF)	Class B Vacancy Rate	Class B Available Rate	Qtr Net Absorp (SF)	YTD Net Absorp (SF)	Avg FS Ask Rent (Price/SF)
Sacramento	352	13,900,254	1,664,526	1,606,912	57,614	12.0%	15.5%	60,610	(81,883)	\$2.23
Downtown	40	3,378,508	513,459	499,898	13,561	15.2%	18.3%	(9,937)	19,937	\$2.90
Midtown	21	1,033,658	11,732	2,334	9,398	1.1%	6.0%	-	2,591	\$2.44
South Natomas	38	1,974,029	314,256	306,148	8,108	15.9%	20.6%	(967)	(107,202)	\$2.12
North Natomas	52	1,602,289	171,391	171,391	0	10.7%	13.5%	18,287	26,824	\$1.78
Point West	37	1,293,672	146,794	143,005	3,789	11.3%	15.2%	1,865	(12,103)	\$1.83
Campus Commons	63	1,421,152	113,104	96,847	16,257	8.0%	9.0%	39,291	30,492	\$2.21
Howe Corridor	51	1,131,499	198,541	198,541	0	17.5%	18.0%	14,545	(21,392)	\$1.66
Watt Corridor	17	786,593	126,154	119,653	6,501	16.0%	18.7%	(2,474)	(6,359)	\$1.83
South Sacramento	31	1,021,010	22,304	22,304	0	2.2%	4.7%	0	(14,671)	\$1.65
Tribute Road Woodlake	2	257,844	46,791	46,791	0	18.1%	47.2%	0	0	\$1.85
50 Corridor West	18	1,185,185	138,331	127,258	11,073	11.7%	15.2%	0	(48,251)	\$1.57
50 Corridor East	162	8,449,030	1,455,695	1,107,980	347,715	17.2%	27.0%	75,310	(239,634)	\$1.81
Folsom	89	2,250,140	274,602	222,713	51,889	12.2%	18.5%	13,893	(100,208)	\$2.04
El Dorado Hills	42	940,521	130,392	53,342	77,050	13.9%	14.0%	1,554	73,728	\$2.06
Roseville	158	5,482,973	716,712	505,366	211,346	13.1%	20.1%	(52,380)	(116,259)	\$2.06
Douglas Corridor	82	2,530,175	329,866	260,571	69,295	13.0%	16.0%	(18,644)	(88,055)	\$2.28
Roseville - Other	76	2,952,798	386,846	244,795	142,051	13.1%	23.6%	(33,736)	(28,204)	\$1.79
Rocklin	53	1,051,255	63,511	63,511	0	6.0%	6.1%	12,601	3,806	\$1.56
Carmichael Fair Oaks	1	38,360	0	0	0	0.0%	0.0%	0	0	
Orangevale Citrus Heights	8	208,040	19,725	19,725	0	9.5%	9.5%	3,144	12,946	\$1.58
Elk Grove Laguna Galt	36	664,735	32,615	27,093	5,522	4.9%	5.3%	1,542	(328)	\$2.08
West Sacramento	21	1,041,702	129,149	129,149	0	12.4%	12.4%	-	(99,867)	\$2.03
North Sacramento	0	0	0	0	0	0.0%	0.0%	0	0	
SACRAMENTO REGION	940	35,212,195	4,625,258	3,863,049	762,209	13.1%	18.5%	116,274	(595,950)	\$2.04

RESEARCH Q4 2022

Class C Submarket Statistics										
	Total Bldgs	Inventory (SF)	Vacancy (SF)	Direct Vacancy (SF)	Sublease Vacancy (SF)	Class C Vacancy Rate	Class C Available Rate	Qtr Net Absorp (SF)	YTD Net Absorp (SF)	Avg FS Ask Rent (Price/SF)
Sacramento	356	8,398,178	1,290,103	1,239,028	51,075	15.4%	17.7%	(6,570)	(106,025)	\$1.83
Downtown	120	2,762,322	549,329	549,329	0	19.9%	21.5%	(627)	(101,257)	\$2.19
Midtown	100	2,135,846	137,873	131,553	6,320	6.5%	10.1%	6,488	16,133	\$2.20
South Natomas	1	6,000	0	0-	0	0.0%	0.0%	0	0	
North Natomas	26	1,144,996	124,479	87,224	37,255	10.9%	11.9%	4656	52,373	\$1.35
Point West	0	0	0	0	0	0.0%	0.0%	0	0	
Campus Commons	0	0	0	0	0	0.0%	0.0%	0	0	
Howe Corridor	29	514,954	59,517	59,517	0	11.6%	11.6%	(19,307)	(6,318)	\$1.32
Watt Corridor	49	1,035,685	303,069	303,069	0	29.3%	30.2%	-9,763	(81,468)	\$1.42
South Sacramento	21	671,162	100,836	100,836	0	15.0%	22.9%	11,983	22,012	\$1.40
Tribute Road Woodlake	10	127,213	15,000	7,500	7,500	11.8%	11.8%	0	(7,500)	\$1.65
50 Corridor West	28	753,317	183,035	183,035	0	24.3%	33.6%	1,110	(2,268)	\$1.30
50 Corridor East	71	1,793,922	314,401	308,510	5,891	17.5%	17.8%	9,720	22,343	\$1.27
Folsom	6	73,202	3,003	3,003	0	4.1%	4.1%	-1213	(1,803)	\$2.16
El Dorado Hills	2	37,500	0	0	0	0.0%	0.0%	0	0	
Roseville	86	1,936,577	244,091	180,625	63,466	12.6%	15.3%	0	78,944	\$1.54
Douglas Corridor	9	275,298	38,085	26,861	11,224	13.8%	16.0%	0	14,588	\$1.73
Roseville - Other	77	1,661,279	206,006	153,764	52,242	12.4%	15.2%	0	64,356	\$1.51
Rocklin	9	99,792	5,927	5,927	0	5.9%	5.9%	(1,085)	2,920	\$1.25
Carmichael Fair Oaks	53	532,713	58,149	58,149	0	10.9%	11.1%	(1,672)	(22,258)	\$1.48
Orangevale Citrus Heights	56	1,204,572	194,823	191,382	3,441	16.2%	16.2%	(18,359)	(37,097)	\$1.26
Elk Grove Laguna Galt	16	176,219	4,297	4,297	0	2.4%	3.2%	0	4,265	\$1.43
West Sacramento	16	218,804	5,936	5,936	0	2.7%	3.3%	652	2,761	\$1.50
North Sacramento	9	410,147	17,656	17,656	0	4.4%	4.4%	422	(7,786)	\$1.37
SACRAMENTO REGION	708	15,634,943	2,321,421	2,197,548	123,873	14.8%	17.0%	(16,995)	(66,004)	\$1.62

For more information:

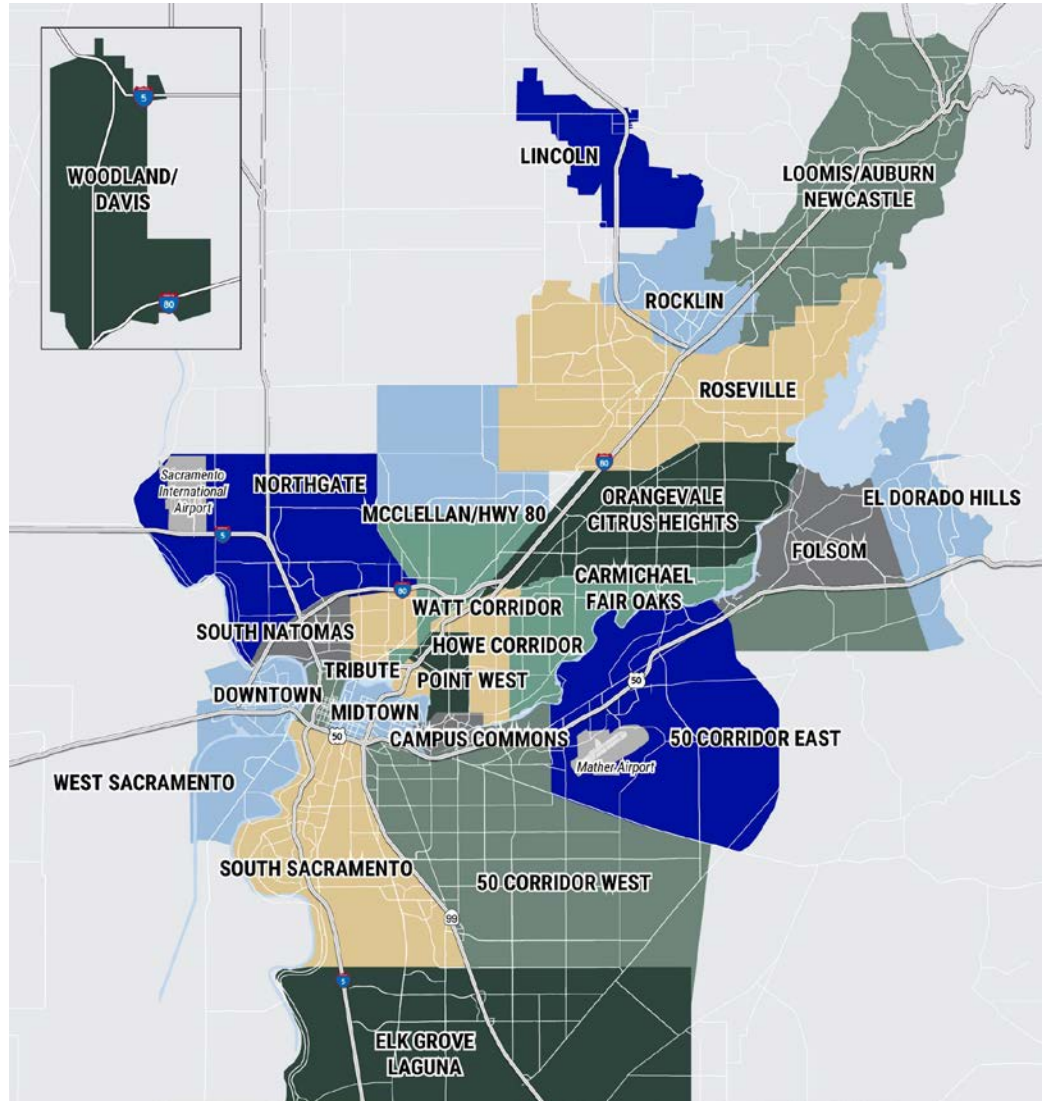
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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective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

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