Sacramento Office Figures

▶ 14.2%	▲ 46K	▶ 0 Sq. Ft.	▼ $2.12	▲ 207K
Vacancy Rate	SF Net Absorption	Construction Completions	Full-Service Gross / Lease Rate	Office Using Employment Greater Sacramento Region

Note: Arrows indicate change from previous quarter.

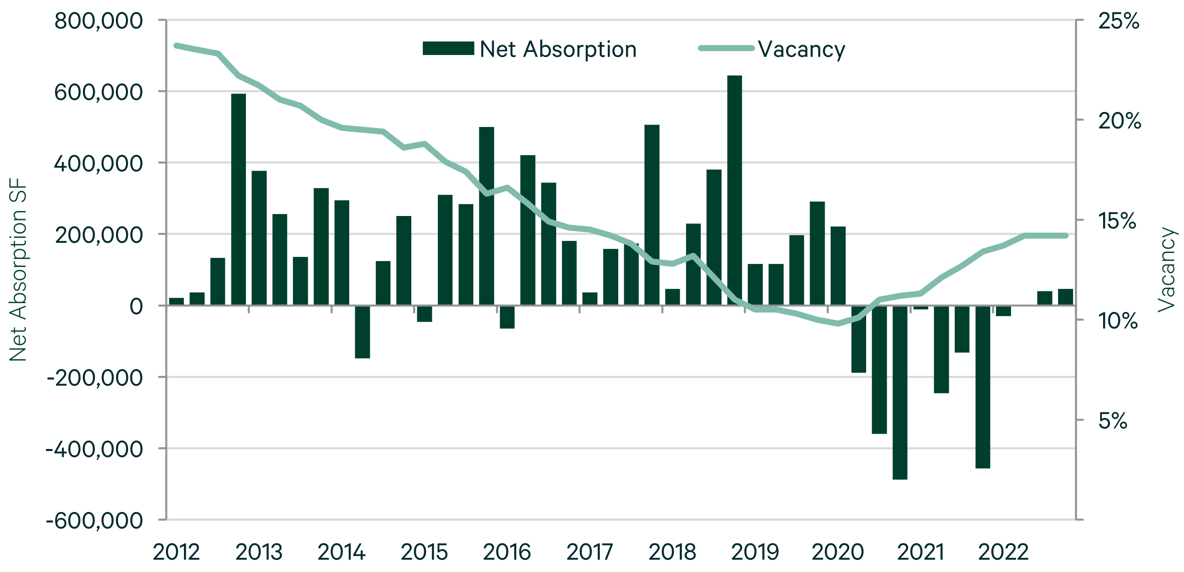
SACRAMENTO EMPLOYMENT

The Greater Sacramento region is home to 2.4 million people, with a labor force of over 1.1 million residing in Sacramento, Placer, Yolo, and El Dorado Counties. At the close of the fourth quarter of 2022, the total resident employment count sits at 1.09 million, an increase of 7,800 employed residents since Q3 2022. Employees in the office sector accounted for 207,000 residents with an addition of 1,500 jobs over the past quarter. The unemployment rate in the Greater Sacramento region currently sits at 3.8%, which saw no change from Q3 2022.

OFFICE OVERVIEW

In Q4 2022, the Sacramento office market experienced its second consecutive quarter of positive net absorption since the onset of the pandemic. A highlight of the leasing activity was two large leases signed at a newly available campus in the Folsom submarket. Asking rents have fallen slightly by $0.01 to $2.12 per sq. ft. Many large spaces have come to market in 2022, but a handful of large signings suggest that the Sacramento office market will continue to see healthy leasing activity moving into 2023 despite macroeconomic headwinds.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research

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OFFICE OVERVIEW (continued)

The Sacramento office market posted positive 46,331 sq. ft. of net absorption in Q4 2022. New leases outpaced renewal deals, a sign of growing confidence among office tenants' long term occupancy strategy. At the close of Q4 2022, Sacramento had 34 active office requirements of over 10,000 sq. ft., falling just shy of 1.1 million sq. ft. in total demand.

Market-wide vacancy remained level in Q4 2022 at 14.2%. Total availability fell from 19.2% to a market-wide rate of 19.1%. Class A rents decreased slightly by $0.02 to $2.48 per sq. ft. and Class B rents held steady at $1.95 per sq. ft. on a monthly, full-service gross (FSG) basis. Rents in the Downtown submarket held as the top end of the market at $3.08 per sq. ft. followed by the Elk Grove submarket at $2.49 per sq. ft.

Several large leases were signed in Q4 2022, as highlighted by Marshall Medical who signed a 42,000 sq. ft lease at 4201 Town Center Blvd, formerly the Blue Shield of California campus. Investment sale activity slowed in Q4 2022, largely due to rising interest rates, inflation and macroeconomic uncertainty. A bright spot in the sales sector was California Northstate University acquiring 2201 Broadway & 2200 X St, the top transaction in Q4 2022, for $55.1 million in the Midtown submarket. Both buildings were fully vacant at the time of sale and total 125,214 sq. ft. Another notable sale was 9850 Goethe Rd, which sold for $4.6 million in the Highway 50 submarket to a private investor.

Many of the large spaces that have come to market over the past 12-18 months are starting to experience renewed activity from tenants looking to sign long term leases. However, large blocks of space will continue to become available in 2023 as businesses right-size their footprints or vacate entirely. Office demand continues to be driven by quality space and amenity offerings. Due to rising interest rates, 2023 will likely be a slow year of investment sale activity.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Q4 Net Absorption	YTD Net Absorption	Average Direct Asking Rate (FSG)
Campus Commons	1,326,542	12.6%	14.3%	15,169	(473)	$2.20
Carmichael/Fair Oaks	396,335	10.6%	13.4%	0	9,715	$1.55
Citrus Heights/Orangevale	1,021,586	19.0%	19.2%	5,878	(13,783)	$1.28
East Sacramento	930,092	4.3%	4.7%	1,993	239	$2.07
Elk Grove/Galt	1,107,419	4.9%	5.7%	0	(2,519)	$2.49
Folsom	2,729,223	10.4%	18.1%	60,063	(24,454)	$2.24
Howe/Fulton/Watt	2,167,581	14.5%	15.1%	(10,542)	(12,914)	$1.78
Highway 50 Corridor	11,139,738	20.2%	26.8%	(16,073)	(69,661)	$1.85
Midtown	1,405,078	6.5%	13.8%	18,320	36,285	$2.40
Northgate/Natomas	2,255,506	16.3%	19.4%	(25,968)	(35,138)	$1.70
Point West/Tribute	2,147,745	18.9%	23.7%	(4,313)	(31,852)	$2.07
Roseville/Rocklin	7,632,876	12.2%	18.7%	28,401	183,459	$2.02
South Natomas	3,298,340	19.0%	23.4%	25,251	(52,624)	$2.25
South Sacramento	1,839,746	9.9%	13.9%	0	(1,510)	$1.52
Watt Ave/Auburn Blvd	1,338,049	17.0%	22.7%	(2,342)	32,000	$1.70
West Sacramento	1,237,876	2.6%	2.7%	2,448	5,163	$1.51
Suburban	**41,973,732**	**14.8%**	**19.7%**	**98,285**	**21,933**	**$1.91**
Downtown	10,154,954	11.8%	16.6%	(51,954)	(27,029)	$3.08
Market Total	**52,128,686**	**14.2%**	**19.1%**	**46,331**	**(5,096)**	**$2.12**

Source: CBRE Research

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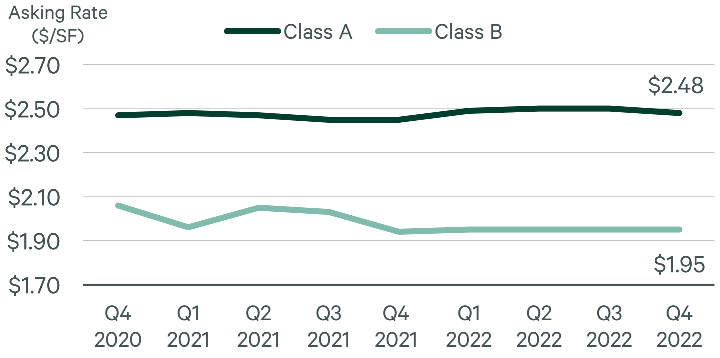
FIGURE 3: Notable Lease Transactions Q4 2022

Tenant	Address	SF Leased	Type
Marshall Medical	4201 Town Center Blvd El Dorado Hills	42,000	New Lease
Zurich Insurance	11290 Pyrites Way Gold River	27,429	Renewal
Patria Corporation	4207 Town Center Blvd El Dorado Hills	24,427	New Lease

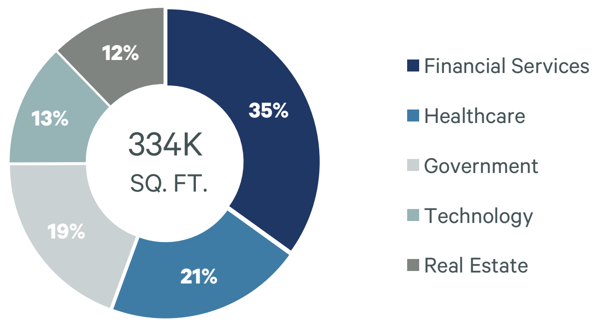
Source: CBRE Research

FIGURE 5: Lease Rates



Source: CBRE Research

FIGURE 7: Top 25 Leases of the Quarter by Industry



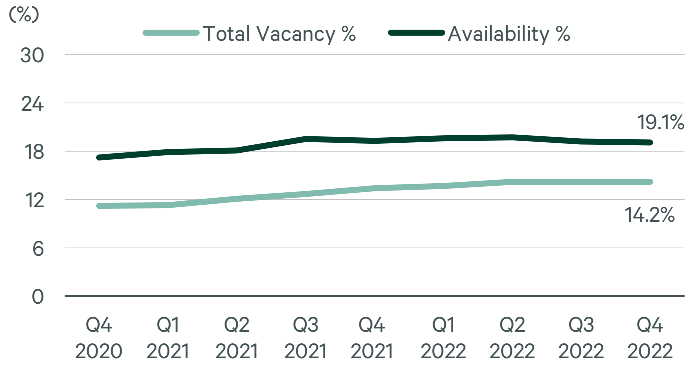
Source: CBRE Research

FIGURE 4: Notable Sale Transactions Q4 2022

Buyer	Address	Sale Size	Sale Price
California Northstate University	2201 Broadway & 2200 X St Sacramento	125,214	$12.8M
Lakhbir Singh	3550-3552 Watt Ave Sacramento	30,490	$4.6M
Jarrett Jamieson	9850 Goethe Rd Sacramento	19,040	$4.6M

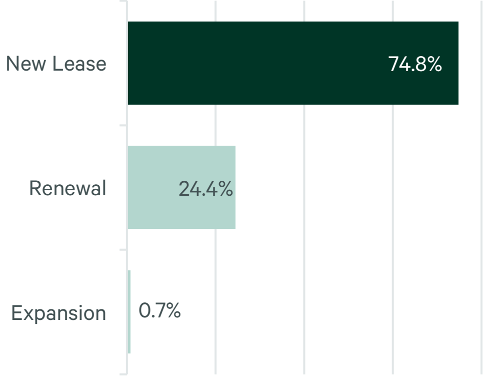
Source: CBRE Research

FIGURE 6: Vacancy & Availability



Source: CBRE Research

FIGURE 8: Leases by Type



Source: CBRE Research

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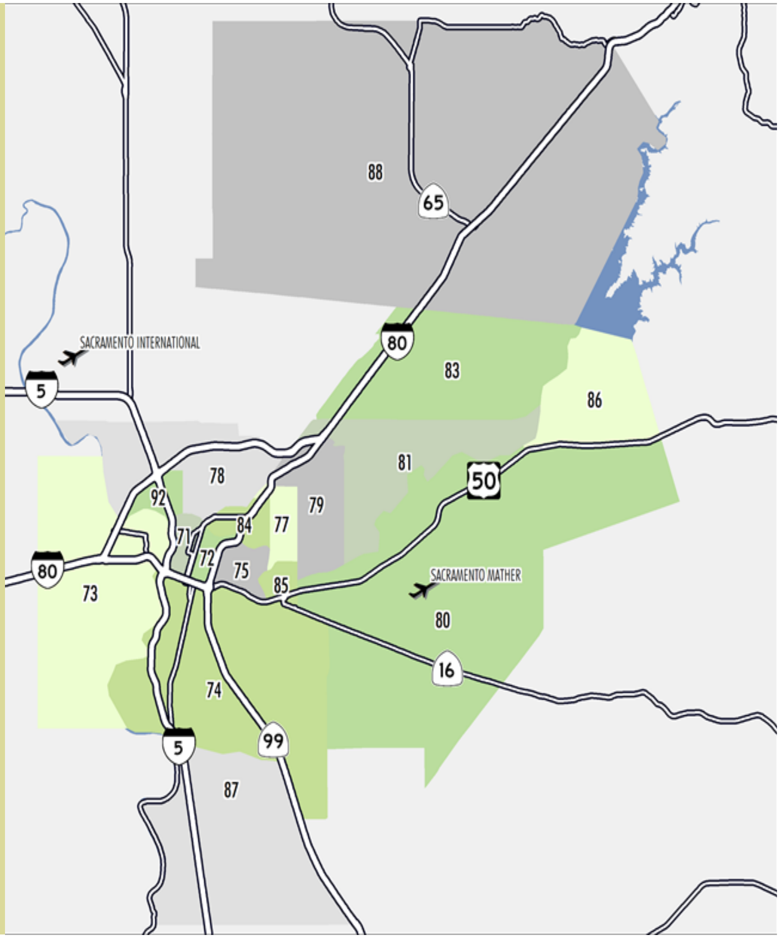
Submarket Map

71	Downtown
72	Midtown
73	West Sacramento
74	South Sacramento
75	East Sacramento
77	Howe Ave/Fulton Ave
78	Natomas/Northgate
79	Watt Ave/Auburn Blvd
80	Highway 50 Corridor
81	Carmichael/Fair Oaks
83	Citrus Heights/Orangevale
84	Point West/Tribute
85	Campus Commons
86	Hazel/Folsom
87	Elk Grove/Galt
88	Roseville/Rocklin
92	South Natomas



Source: CBRE Research, Location Intelligence

Definitions

Average Asking Rate Direct Annual Lease Rates, Full-Service Gross. Availability All existing space being marketed for lease. Total Vacancy Rate Direct Vacancy + Sublease Vacancy. CBD Central Business District; consists of the Downtown submarket.

CBRE's market report analyzes existing single- and multi-tenant office buildings that total 10,000+ sq. ft. in the Greater Sacramento region., excluding owner-occupied buildings. CBRE assembles all information through telephone canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial real estate brokerage community.

Contacts

Nick Cunningham
Field Research Analyst
+1 805 390 1847
nick.cunningham@cbre.com

Konrad Knutsen
Associate Director, Northern CA
+1 916 446 8292
konrad.knutsen@cbre.com

Angel Orozco
Field Research Analyst
+1 626 861 1685
angel.orozco@cbre.com

Sacramento Office
500 Capitol Mall, 24th Floor
Sacramento, CA 95814

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