

FIGURES | SACRAMENTO OFFICE | Q1 2025

# Office leasing activity steady as market readies for the return of the State of California workforce

▲ 18.14%

Vacancy Rate

▼ (320K)

SF Net Absorption

► N/A

Construction Completions

▼ \$2.17

Full-Service Gross / Lease Rate

► 199K

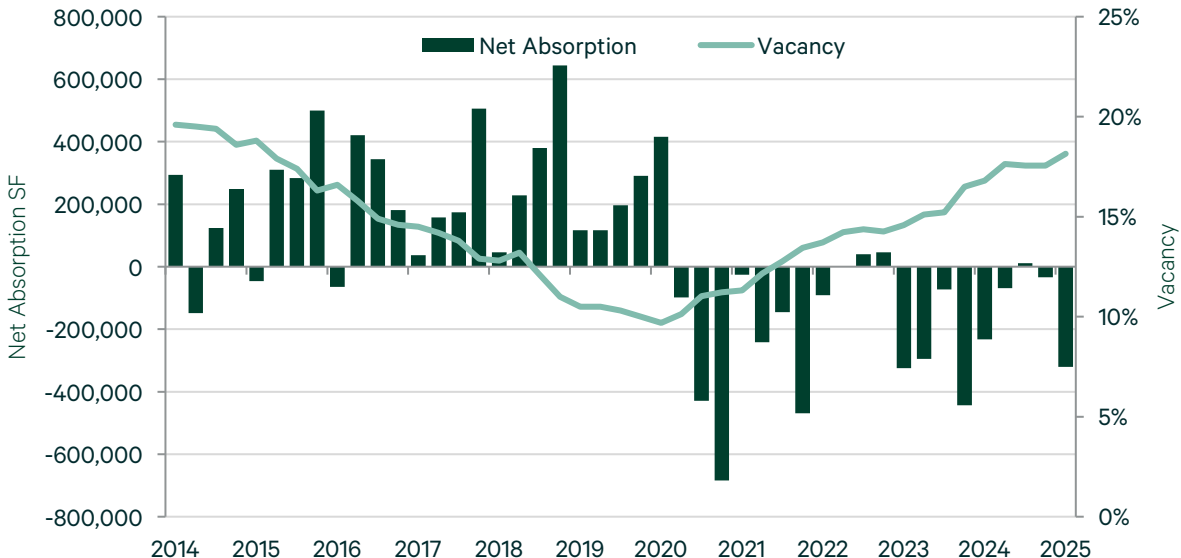
Office Using Employment  
Greater Sacramento Region

Note: Arrows indicate change from previous quarter.

## MARKET HIGHLIGHTS

- Sacramento's labor force stood at 1.15M with 1.11M employed at the close of Q1 2025. The unemployment rate closed the quarter at 5.2%, a 52-basis-point (bps) increase year-over-year (YoY) and 11 bps higher than the previous quarter. Office using employment held steady at 199,000 jobs at the close of Q1 2025.
- The overall net absorption for the Sacramento office market closed Q1 2025 at negative 320,000 sq. ft. compared to negative 34,000 sq. ft. in Q4 2024. Since the onset of the Covid-19 pandemic in Q1 2020, the market has lost roughly 3.6 million sq. ft. or 7% of the total market occupancy.
- Total tenants in the market remained healthy during Q1 2025 with a total of 2.2 million sq. ft. of active and pending office tenant demand.
- Leasing activity was favorable in Q1 2025 with over 500,000 sq. ft. of gross leasing activity.
- Notable vacancies in Downtown Sacramento contributed to the substantial occupancy loss during Q1 2025.
- Office sales were limited in Q1 2025 after a very active second half of 2024.

FIGURE 1: Vacancy & Net Absorption Trend



Source: CBRE Research, Q1 2025

OFFICE OVERVIEW

The Sacramento office market had 52.7 million sq. ft. of office inventory at the close of Q1 2025. Net absorption drew deeply negative in Q1 2025, with 320,214 sq. ft.. This drove the overall vacancy rate from 17.6% in Q4 2024 to 18.1% in Q1 2025. Newly vacant spaces in the downtown submarket, such as 1515 S St. and 2241 Harvard St., contributed to negative absorption for the quarter.

The overall average asking lease rate for office space in the Sacramento region decreased slightly quarter-over-quarter from \$2.18 in Q4 2024 to \$2.17 in Q1 2025 on a monthly, full-service, direct basis (FSG). Downtown continued to seek the highest average asking rent at \$3.03 FSG in Q1 2025. The overall Sacramento Class A average asking lease rate decreased 0.8% from Q4 2024 to \$2.52 FSG in Q1 2025.

Legal and professional services companies were the most active users during Q1 2025. Notably, SSB Realty signed a renewal of 51,000 sq. ft. in the South Natomas submarket contributing to a steady leasing volume.

Capital Markets activity was slow in Q1 2025, with only a handful of sale transactions. Opportunistic buyers remain on the sidelines in hopes of capitalizing on some distressed office offerings.

In response to the governor's return-to-office mandate set to take effect in Q3 2025, the office market is preparing for the return of state employees. However, the amount of additional space they will require remains uncertain and will become clearer over time. Investment sale activity is expected to see reduced volumes relative to historical norms, but investment activity is anticipated to gradually rebound.

FIGURE 2: Submarket Statistics

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Q1 Net Absorption	YTD Net Absorption	Average Direct Asking Rate FSG (\$)
Campus Commons	1,298,573	11.9	14.2	(27,021)	(27,021)	2.16
Carmichael / Fair Oaks	396,335	4.0	6.8	(5,300)	(5,300)	1.66
Citrus Heights / Orangevale	1,021,586	17.5	19.0	2,109	2,109	1.30
East Sacramento	930,092	5.5	7.4	0	0	2.46
Elk Grove / Galt	1,107,419	3.5	6.1	3,182	3,182	2.51
Folsom	2,732,798	14.6	21.0	(23,350)	(23,350)	2.30
Howe Avenue/Fulton Avenue	2,154,031	14.1	16.1	22,764	22,764	1.77
Hwy 50 Corridor	11,247,542	26.0	28.8	47,254	47,254	1.74
Midtown	1,333,806	17.4	20.0	(5,454)	(5,454)	2.36
Northgate/Natomas	2,772,906	14.8	31.8	8,046	8,046	1.78
Point West / Tribute Rd	2,085,245	21.6	27.0	(76,426)	(76,426)	2.01
Roseville / Rocklin	7,568,486	14.5	19.8	32,321	32,321	2.01
South Natomas	3,302,178	22.2	36.9	(66,736)	(66,736)	2.22
South Sacramento	1,841,310	12.2	15.1	(1,451)	(1,451)	1.62
Watt Ave / Auburn Blvd	1,338,049	18.2	20.2	(1,854)	(1,854)	1.59
West Sacramento	1,312,861	8.4	9.1	40,290	40,290	2.82
Suburban	42,443,217	17.8	23.1	(51,626)	(51,626)	2.00
Downtown	10,232,147	19.5	23.8	(268,588)	(268,588)	3.03
Sacramento	52,675,364	18.1	23.2	(320,214)	(320,214)	2.17

Source: CBRE Research, Q1 2025

FIGURE 3: Notable Lease Transactions Q1 2025

Tenant	Address	SF Leased	Type
SSB Realty	2495 Natomas Park Dr, Sacramento	51,506	Renewal
Department of Consumer Affairs	2450 Venture Oaks Way, Sacramento	22,797	Renewal
Lozano Smith	400 Capitol Mall, Sacramento	21,026	New Lease

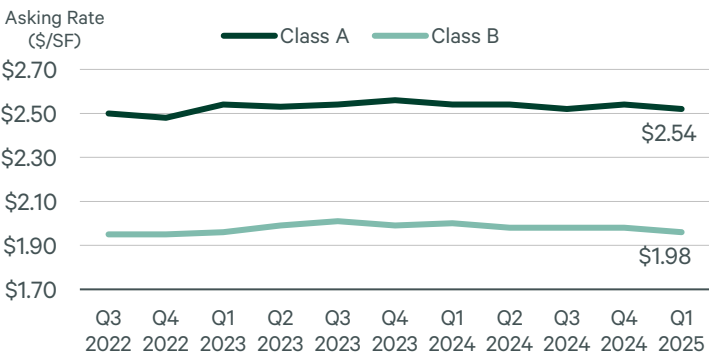
Source: CBRE Research, Q1 2025

FIGURE 4: Notable Sale Transactions Q1 2025

Buyer	Address	Sale Size (SF)	Sale Price
Synergize Ventures Inc	1100-1106 11 <sup>th</sup> St, Sacramento	31,388	\$3.8M
Harrison Temblador Hungerford & Guernsey	1501 28 <sup>th</sup> St, Sacramento	6,886	\$2.3M
Bay Area Community Services Housing Corp	501 S St, Sacramento	8,376	\$2.1M

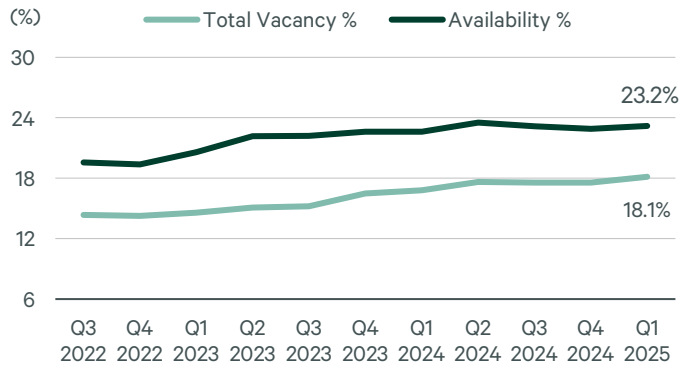
Source: CBRE Research, Q1 2025

FIGURE 5: Lease Rates



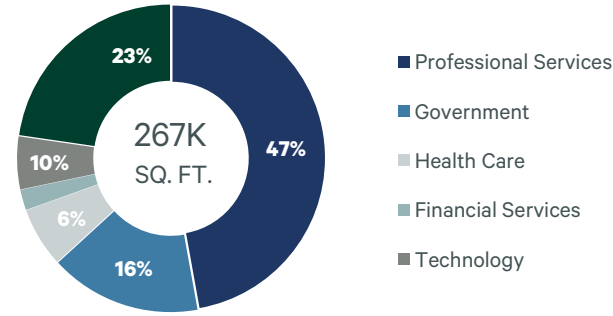
Source: CBRE Research, Q1 2025

FIGURE 6: Vacancy & Availability



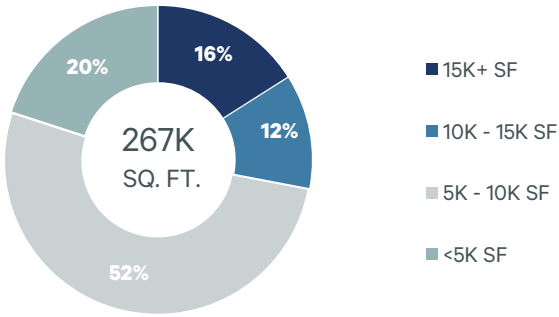
Source: CBRE Research, Q1 2025

FIGURE 7: Top 25 Leases of the Quarter by Industry



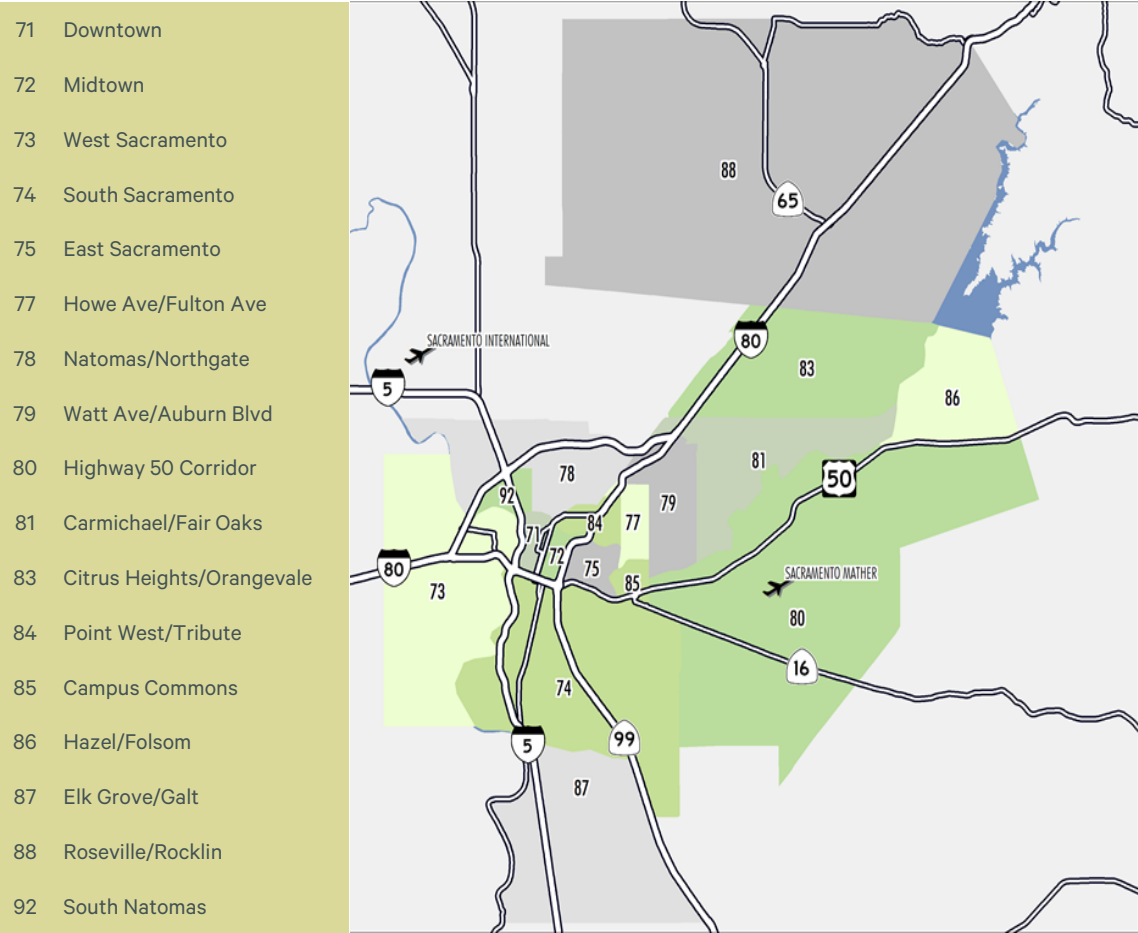
Source: CBRE Research, Q1 2025

FIGURE 8: Top 25 Leases by Size



Source: CBRE Research, Q1 2025

Submarket Map



Source: CBRE Research, Location Intelligence

Definitions

Average Asking Rate Direct Monthly 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.

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