First Meaningful Positive Absorption Since 2019 Supports Cautious Optimism

▼18.5%	▲176,373	▶0	▶0	▼$2.13
Vacancy Rate	SF Net Absorption	SF Construction Delivered	SF Under Construction	FSG/MTH Direct Lease Rate

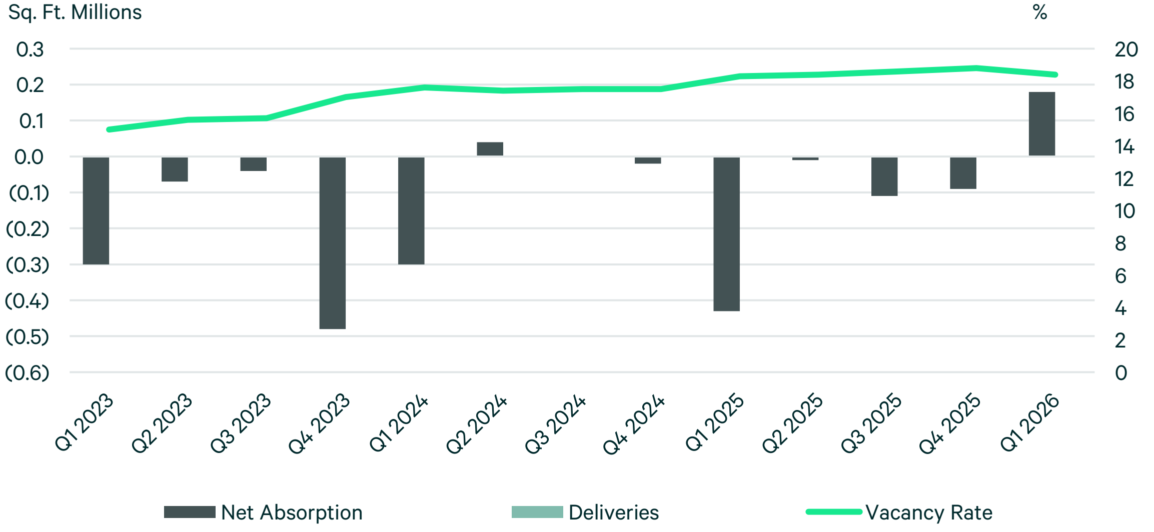
Note: Arrows indicate change from previous quarter.

Market Overview

By Q1 2026, the market showed steady demand with declining vacancies and availability. Quarterly net absorption measured 176,373 sq. ft., up from -437,000 sq. ft. in Q1 2025. Vacancy decreased 40 basis points quarter-over-quarter to 18.8% and increased 10 basis points (bps) year-over-year, while availability fell 50 bps from Q4 2025 and increased 10 bps from Q1 2025 to reach 23.5%. Average asking rents were flat quarter-over-quarter at $2.13 per sq. ft. on monthly full service gross basis (FSG), down 1.8% year-over-year from $2.17 FSG in Q1 2025.

In Q1 2026, conditions improved modestly. The market posted 176,000 sq. ft. of positive net absorption, the highest quarterly total in the period, marking a 267,000 sq. ft. improvement from Q4 2025 and a 610,000 sq. ft. gain compared with Q1 2025. A 121,000 sq. ft. lease by the District Attorney was a key contributor, driving the first quarter of positive net absorption above 100,000 sq. ft. since 2019. Vacancy declined 40 basis points quarter-over-quarter to 18.4%, while availability tightened 50 bps to 23.5%; however, both metrics remained elevated compared with Q1 2023 by 34 bps and 28 bps, respectively. Overall, the quarter reflected cautious optimism, with improved leasing momentum offset by fundamentals that remain in recovery.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2026

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Vacancy

In Q1 2026, total vacancy in Class A buildings declined 60 bps quarter-over-quarter and 20 bps year-over-year to 20.3%, while Class B vacancy fell 50 bps QoQ and 70 bps YoY to 16.6%. Class C vacancy increased to 18.3%, up 50 bps on the quarter and 210 bps from a year earlier, narrowing the gap between Class A and Class C space but still leaving Class B as the tightest segment.

Major submarkets, Downtown and the Hwy 50 Corridor, carried elevated vacancy burdens. In Downtown, overall vacancy stood at 16.8% in Class A, 20.4% in Class B, and 14.7% in Class C, while along the Hwy 50 Corridor, Class A overall vacancy reached 36.9%, Class C 28.4%, and Class B 22.6%, though Class B trailed Citrus Heights / Orangevale at 26.6%. By contrast, overall and direct Class A vacancy was 0.0% in both West Sacramento and Carmichael / Fair Oaks, with Midtown Class A overall vacancy at just 2.9%. Sublease space totaled 362,000 sq. ft. metro-wide, led by Roseville / Rocklin Class B at 113,000 sq. ft. and Hwy 50 Corridor Class A at 63,000 sq. ft.

Figure 2: Vacancy Rates by Class

Source: CBRE Research, Q1 2026

Asking Rent

The overall average direct asking lease rate in Q1 2026 was $2.13 FSG, essentially flat quarter-over-quarter (negative 0.9%) and down 1.8% year-over-year. Class A office asking rents edged down from $2.49 FSG to $2.47 per FSG over the quarter and are 2.0% below Q1 2025 levels. By contrast, Class B asking rates eased by 0.5% quarter-over-quarter to $1.99 FSG but are up 1% year-over-year, while Class C asking rates rose 0.6% on the quarter and 1.2% year-over-year to $1.64 FSG, partially offsetting the softer Class A trend.

The Midtown submarket had the highest average direct asking rate on a combined Class A, B, and C basis at $2.79 FSG climbing to $3.60 per sq. ft. for Class A space alone. On the low-cost side, Citrus Heights / Orangevale offered an average direct quoted rate of $1.47 FSG with Watt Ave / Auburn Blvd also provided relatively economical options at about $1.58 FSG.

Figure 3: Average Direct Asking Rate by Class

Source: CBRE Research, Q1 2026

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Net Absorption

Total net absorption in Q1 2026 was 177,000 sq. ft., exceeding the negative 90,000 sq. ft. recorded in Q4 2025, with Class A contributing 127,000 sq. ft. and all other classes 50,000 sq. ft.—quarter-over-quarter gains of 211,000 sq. ft. and 56,000 sq. ft., respectively. Relative to an earlier quarter in the period when the market posted a combined negative 109,000 sq. ft. (60,000 sq. ft. in Class A and negative 169,000 sq. ft. in all other classes), Q1 2026 represents a sharp swing back to occupancy growth.

Positive net absorption for Q1 2026 was concentrated primarily in the Downtown (Class A) submarket with 138,000 sq. ft. for the quarter, and the West Sacramento (Class A) submarket with 47,000 sq. ft. Northgate/Natomas (All Other Classes), Northgate/Natomas (Class A), Watt Ave / Auburn Blvd, Campus Commons, Citrus Heights / Orangevale, Roseville / Rocklin (All Other Classes), Howe Avenue/Fulton Avenue (Class A), Hwy 50 Corridor (Class A), West Sacramento (All Other Classes), South Sacramento (All Other Classes), and Point West / Tribute Rd (All Other Classes and Class A) recorded additional positive absorption, with quarterly gains ranging from 26,000 sq. ft. down to 1,000 sq. ft. Eleven submarket–class segments recorded negative net absorption, led by Folsom (Class A) at negative 36,000 sq. ft., South Natomas (Class A) at negative 24,000 sq. ft., Roseville / Rocklin (Class A) at negative 18,000 sq. ft., Hwy 50 Corridor (All Other Classes) at negative 9,000 sq. ft., Midtown (Class A and All Other Classes) at negative 6,000 sq. ft. each, Downtown (All Other Classes) at negative 4,000 sq. ft., Howe Avenue/Fulton Avenue (All Other Classes) and Folsom (All Other Classes) at negative 3,000 sq. ft. each, Carmichael / Fair Oaks at negative 2,000 sq. ft., and South Sacramento (Class A) at negative 1,000 sq. ft.

Construction Activity

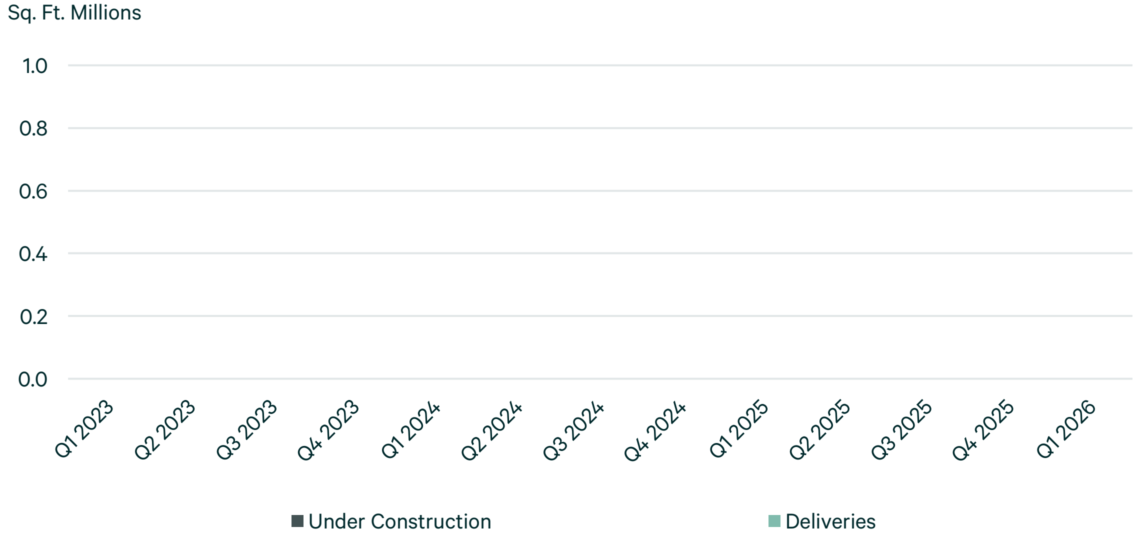
Office construction remained inactive in Q1 2026, with 0 sq. ft. under construction and 0 sq. ft. delivered across all property classes. On a year-to-date basis for 2026, both under construction and delivered volume also stand at 0 sq. ft., unchanged from Q4 2025 and Q1 2025, as no new projects have started or completed since at least Q1 2023.

No submarkets recorded positive under construction activity in Q1 2026, and no active projects were identified in the pipeline. With all areas showing 0 sq. ft. underway and a noted absence of current development activity, there are no submarket-level construction trends to highlight this quarter.

Figure 4: Net Absorption Trend

Source: CBRE Research, Q1 2026

Figure 5: Construction Activity



Source: CBRE Research, Q1 2026

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Leasing Activity

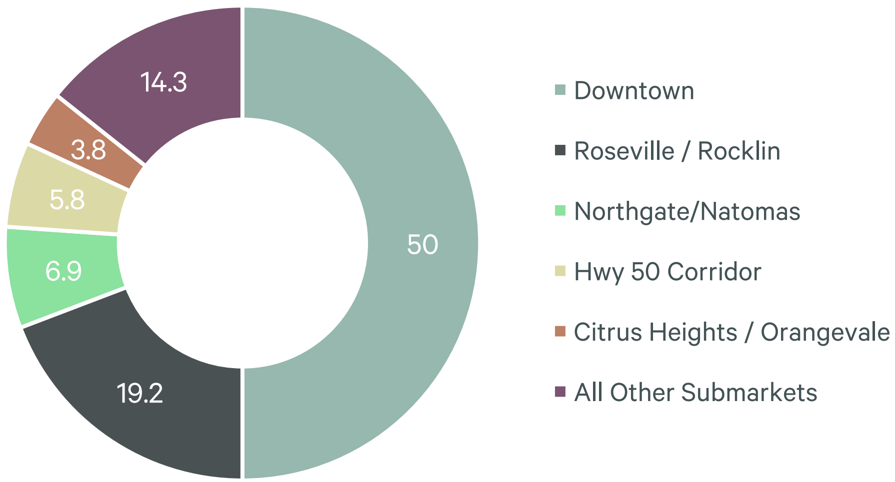
Leasing activity totaled 540,000 sq. ft. in Q1 2026, compared with 429,000 sq. ft. in Q4 2025 and 326,000 sq. ft. in Q1 2025. This translated to an increase of 111,000 sq. ft., or 25.9%, quarter-over-quarter and 14,000 sq. ft., or 2.7%, year-over-year, while rolling four-quarter volume stood at 2.2 million sq. ft., down 300,000 sq. ft., or 0.3%, from the year ending Q1 2025.

Downtown and Roseville / Rocklin were the most active submarkets in Q1 2026, with 173,000 sq. ft. and 87,000 sq. ft. of leasing, respectively. Positive but more moderate volumes were also recorded in Northgate/Natomas (25,000 sq. ft.), Hwy 50 Corridor (64,000 sq. ft.), East Sacramento (14,000 sq. ft.), South Natomas (24,000 sq. ft.), Campus Commons (14,000 sq. ft.), Folsom (23,000 sq. ft.), Point West / Tribute Rd (19,000 sq. ft.), and Elk Grove / Galt (1,000 sq. ft.).

Figure 6: Leasing Activity Trend

Source: CBRE Research, Q1 2026

Figure 7: Leasing by Submarket (% of Total Activity)



Source: CBRE Research, Q1 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Sacramento District Attorney's Office	121,000	New Lease	980 9th St	Downtown
Jackson Lewis	16,000	Renewal	400 Capitol Mall	Downtown
Confidential Tenant	12,000	New Lease	1215 K St	Downtown
Geosyntec	10,000	New Lease	11020 White Rock Rd	Hwy 50 Corridor
Regus Business Centres	9,000	New Lease	160 Promenade Cir	Northgate/Natomas
Confidential Tenant	9,000	New Lease	2399 Gateway Oaks Dr	South Natomas
Plante Huguenin Lebovic Kahn, LLC	8,000	Renewal	3001 Lava Ridge Ct	Roseville / Rocklin
Confidential Tenant	8,000	New Lease	3835 N Freeway Blvd	Northgate/Natomas

Source: CBRE Research, Q1 2026

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Market Statistics by Submarket

Figure 9

Submarket	Net Rentable Area (MSF)	Total Vacant Available (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Campus Commons	1.30	10.6	12.7	11.9	0.8	2.27	14,000	14,000	-	-
Carmichael / Fair Oaks	0.40	4.6	7.4	7.4	-	1.81	(2,000)	(2,000)	-	-
Citrus Heights / Orangevale	1.02	18.5	19.3	19.3	-	1.38	8,000	8,000	-	-
Downtown	9.69	17.8	23.5	22.9	0.6	2.93	134,000	134,000	-	-
East Sacramento	0.93	6.7	7.3	7.1	0.2	2.23	-	-	-	-
Elk Grove / Galt	1.11	5.3	7.9	6.3	1.6	2.52	-	-	-	-
Folsom	2.73	16.0	22.2	21.1	1.2	2.27	(39,000)	(39,000)	-	-
Howe Avenue/Fulton Avenue	2.08	17.0	21.3	21.0	0.3	1.76	1,000	1,000	-	-
Hwy 50 Corridor	11.39	27.1	30.0	29.2	0.8	1.77	(5,000)	(5,000)	-	-
Midtown	1.33	18.5	22.5	20.0	2.6	2.37	(11,000)	(11,000)	-	-
Northgate/Natomas	2.77	14.3	33.1	18.7	14.4	1.78	43,000	43,000	-	-
Point West / Tribute Rd	2.09	23.3	28.8	28.6	0.2	1.98	2,000	2,000	-	-
Roseville / Rocklin	7.57	14.2	17.7	15.7	2.0	2.13	(10,000)	(10,000)	-	-
South Natomas	3.30	25.8	36.5	35.6	0.9	2.22	(24,000)	(24,000)	-	-
South Sacramento	1.84	12.1	15.3	15.0	0.3	1.65	-	-	-	-
Watt Ave / Auburn Blvd	1.34	19.0	21.4	21.3	0.1	1.55	15,000	15,000	-	-
West Sacramento	1.31	1.0	2.1	2.1	-	1.77	50,000	50,000	-	-
Total	**52.20**	**18.4**	**23.5**	**21.9**	**1.6**	**2.13**	**176,000**	**176,000**	**-**	**-**

Source: CBRE Research, Q1 2026

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Figure 10: Metro Market Statistics by Class

Property Class	Net Rentable Area (MSF)	Total Vacant Available (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	20.58	20.3	28.1	25.3	2.8	2.47	127,000	127,000	-	-
Class B	19.91	16.6	20.2	18.9	1.3	1.99	110,000	110,000	-	-
Class C	11.71	18.3	21.0	20.8	0.1	1.64	(60,000)	(60,000)	-	-
Total	**52.20**	**18.4**	**23.5**	**21.9**	**1.6**	**2.13**	**176,000**	**176,000**	**-**	**-**

Source: CBRE Research, Q1 2026

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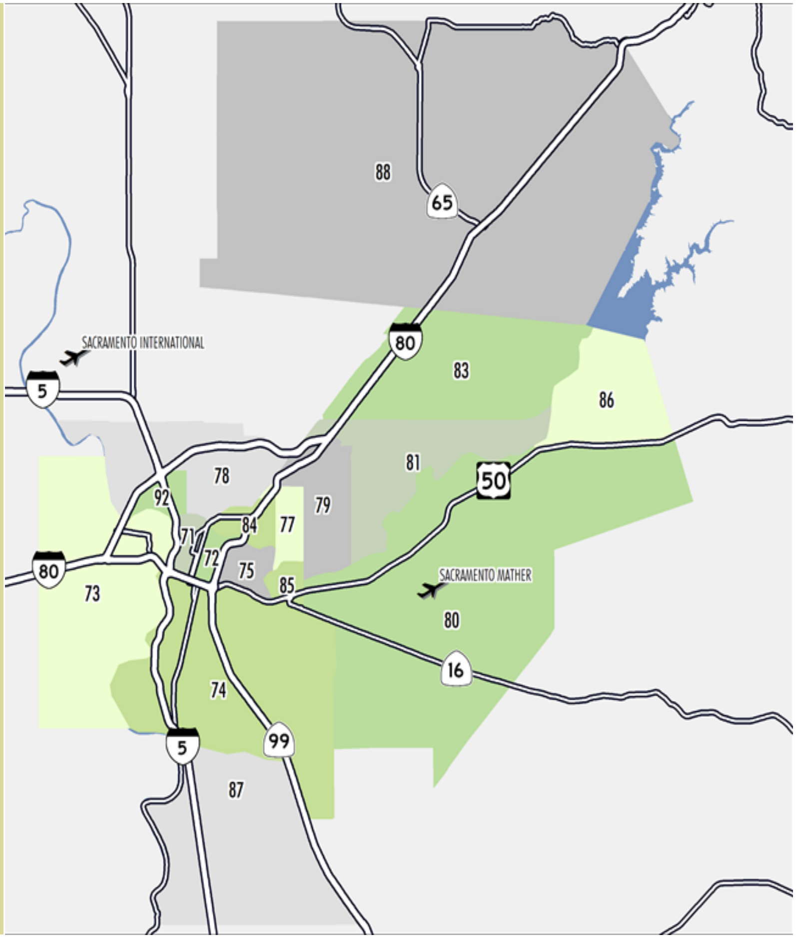
Market Area Overview

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 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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