

2Q25

# Sacramento Office Market Overview

NEWMARK

# Market Observations

## Economy

- While Sacramento’s job losses have leveled off, so has employment growth. The unemployment rate of 4.7% fit solidly within the 4.5%-4.9% range where it has hovered for the past 18 months. Year-over-year job growth tapered down to just 0.8% as of May.
- Office-using employment levels have been slowly dropping since the post-pandemic peak during the summer of 2022 and were close to the lows seen in the second quarter of 2020. The unemployment rate has followed a similar path, with sharp job cuts in the office sector aligning with a jump in unemployment. Government jobs, on the other hand, are not included in office-using employment, but the sector remained strong in Sacramento, growing at a faster pace year-over-year than the overall market.

## Major Transactions

- Sutter Health signed the largest lease of the quarter in Downtown Sacramento, leasing over 133,000 square feet at 660 J Street.
- Another healthcare provider signed the second largest lease for the quarter. Kaiser Foundation Health Plan extended their lease of 73,180 SF at 1660 E Roseville Parkway in the Roseville Douglas Corridor submarket.
- Sales volumes was muted in the first half of the year. The largest sale in the second quarter was ICC Investments’ acquisition of 2750 Gateway Oaks Drive in South Natomas for \$6.77M, or \$83.13/SF. This was a private sale between two individual parties.

## Leasing Market Fundamentals

- Sacramento’s office market continued showing signs of stabilization in the second quarter. The total vacancy rate decreased just 20 basis points over the quarter to 15.8%, continuing the decline from the vacancy rate of 17.3% a year ago in the second quarter 2025. Availability dropped 40 basis points to 19.4%, a drop of 160 basis points from one year ago.
- Net absorption was 139,554 square feet, bouncing back from the negative 317,080 SF from the first quarter.
- Leasing activity in the second quarter remained steady compared to last quarter but is the lowest since the second quarter of 2021 as occupiers appear to still be waiting on the sidelines as they wait out recent fluctuations in the overall market.

## Outlook

- The demand and supply equation should return to a more balanced outlook over the longer term once the economy settles and companies start expanding and taking larger blocks of space again.
- We anticipate that leasing fundamentals will improve in the medium to longer term, with the vacancy rate ticking down as asking rents continue to get pushed up. Once the market starts tightening, we expect concessions should back off, putting upward pressure on effective rental rates.

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



---

2Q25

# Economy

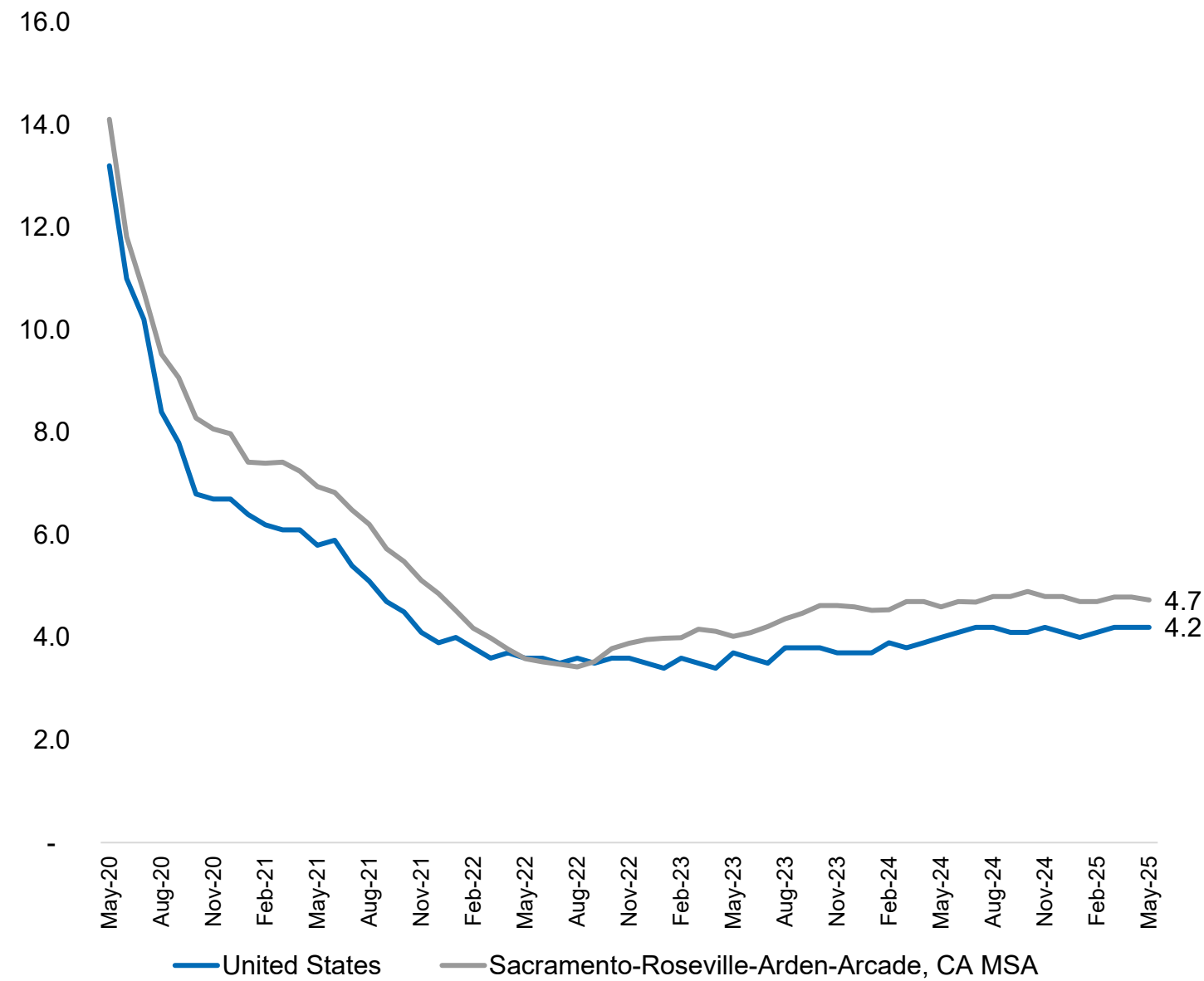




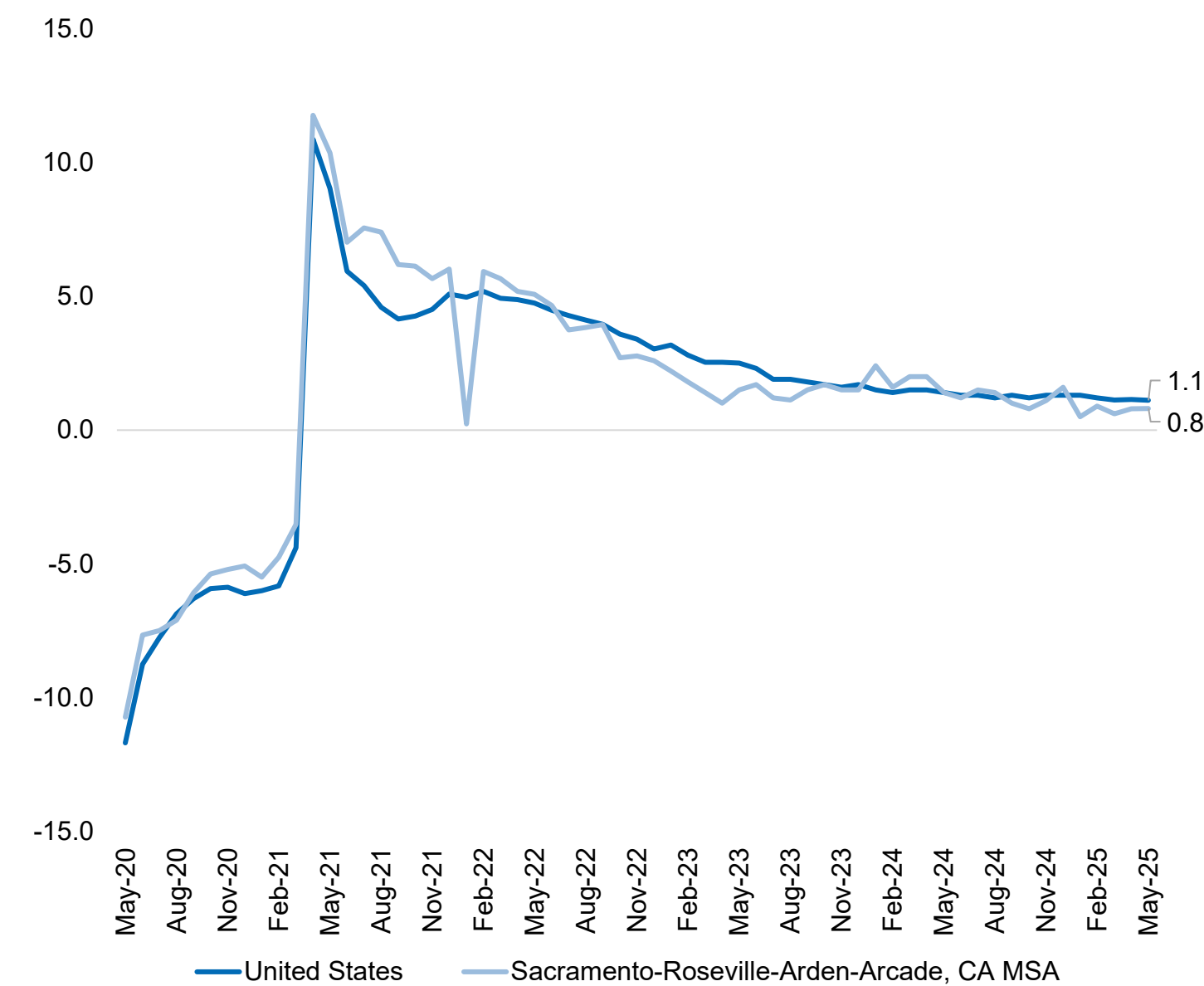
# Sacramento Has Closely Tracked US Employment Trends

Employment growth in Sacramento had been following a similar path of the U.S. with growth flattening out after a period of deceleration. Sacramento’s economy appeared to be stabilizing as job losses have leveled off. Sacramento’s unemployment rate has hovered in the 4.5-4.9% range for the past 18 months and was only one tenth of a percent higher than the same time last year.

Unemployment Rate, Seasonally Adjusted



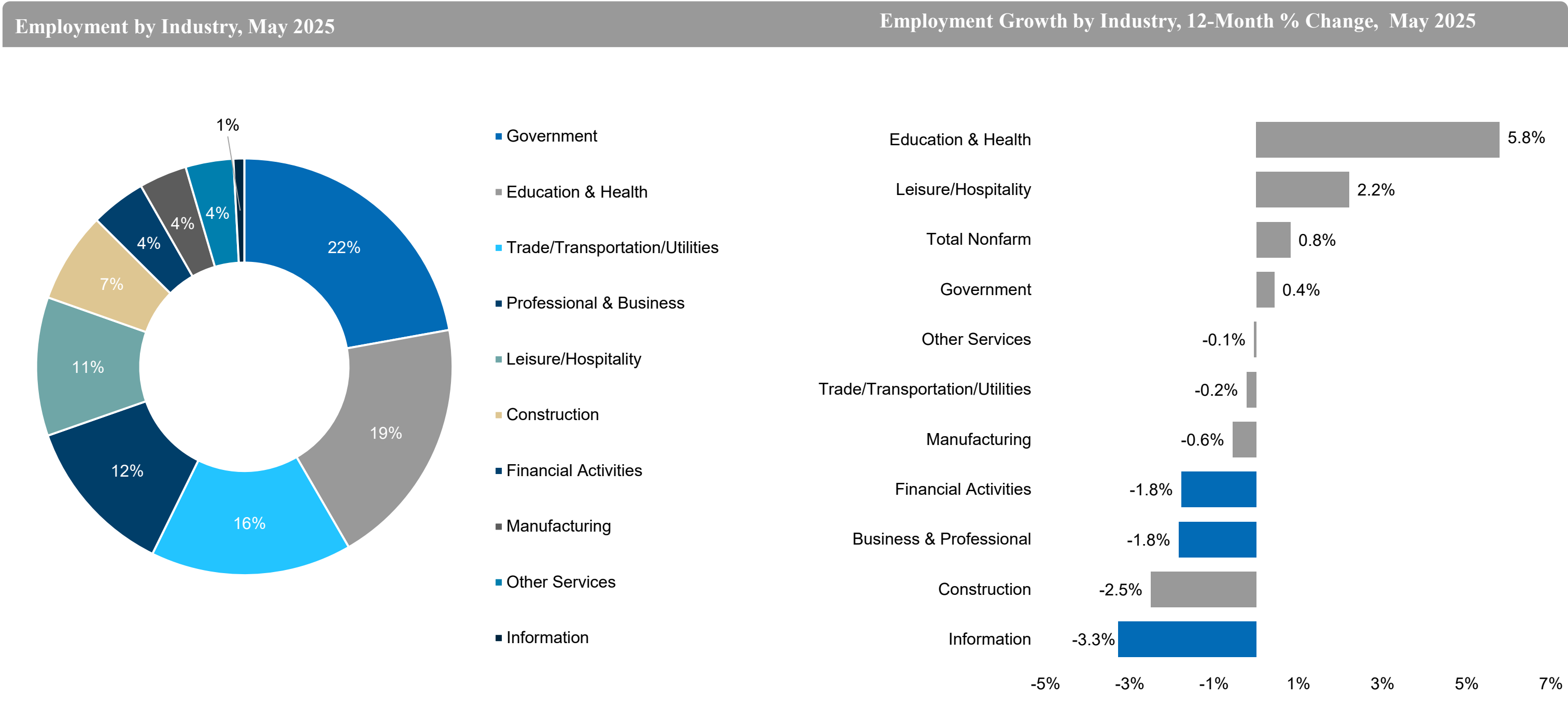
Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change



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

# Job Gains in Larger Sectors Continued to Outpace Losses in Smaller Sectors

The Education & Health Care Services sector recorded the largest gains year-over-year ending in May. While the traditional “office-using” job sectors of Business & Professional Services, Financial Activities and Information saw combined losses of 1.9% during the period, on a relative basis, the losses looked more severe than they were given the relative size of these sectors in the Sacramento market.

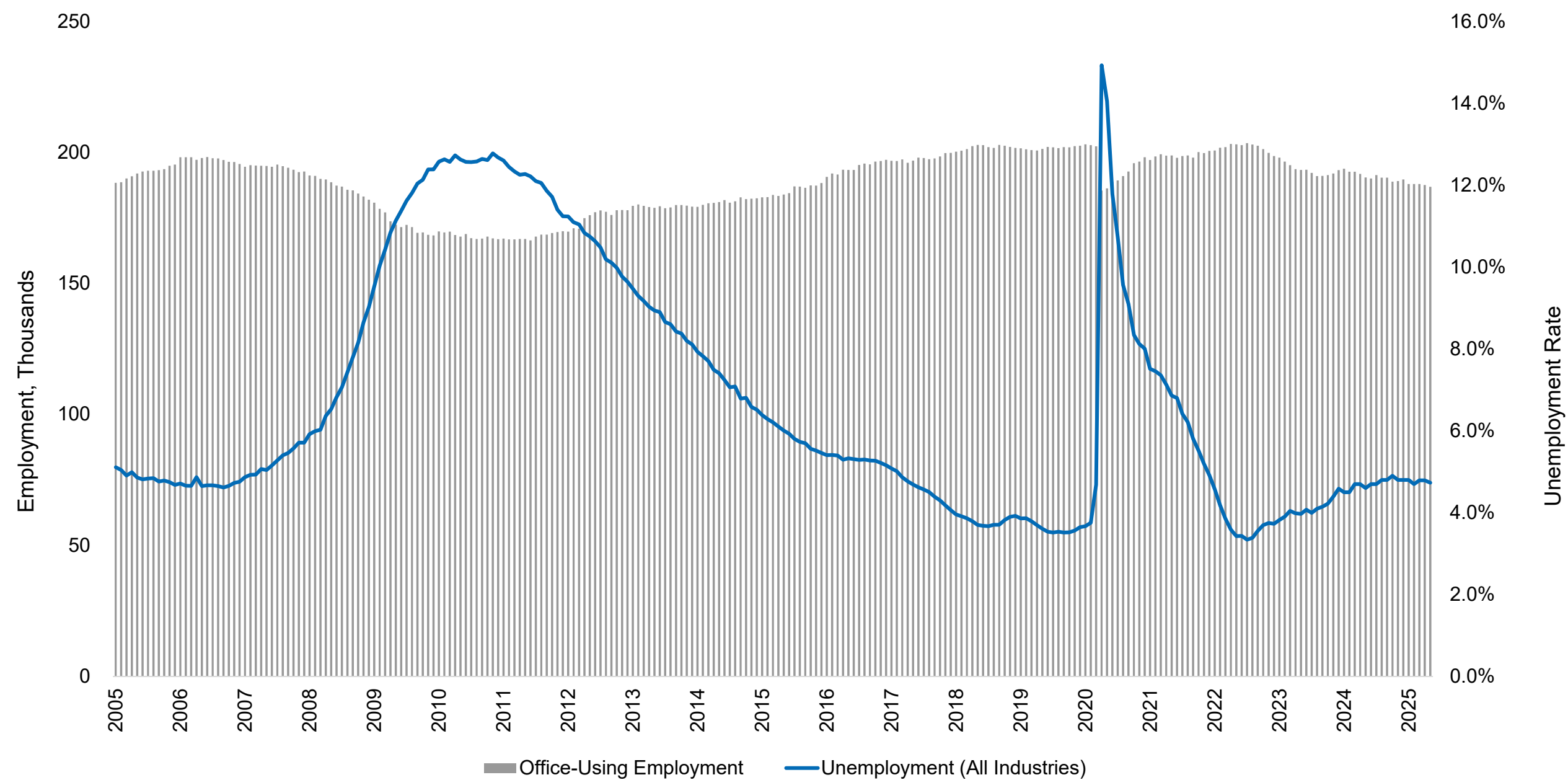


Source: U.S. Bureau of Labor Statistics, Sacramento-Roseville-Arden-Arcade, CA MSA

# Office-Using Employment Dipped to Lowest Point Since 2020

Office-using employment levels have been slowly dropping since the post-pandemic peak during the summer of 2022 and were close to the lows seen in the second quarter of 2020. The unemployment rate has followed a similar path, with sharp job cuts in the office sector aligning with a jump in unemployment. Government jobs, on the other hand, are not included in office-using employment, but the sector remained strong in Sacramento.

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.



---

2Q25

# Leasing Market Fundamentals

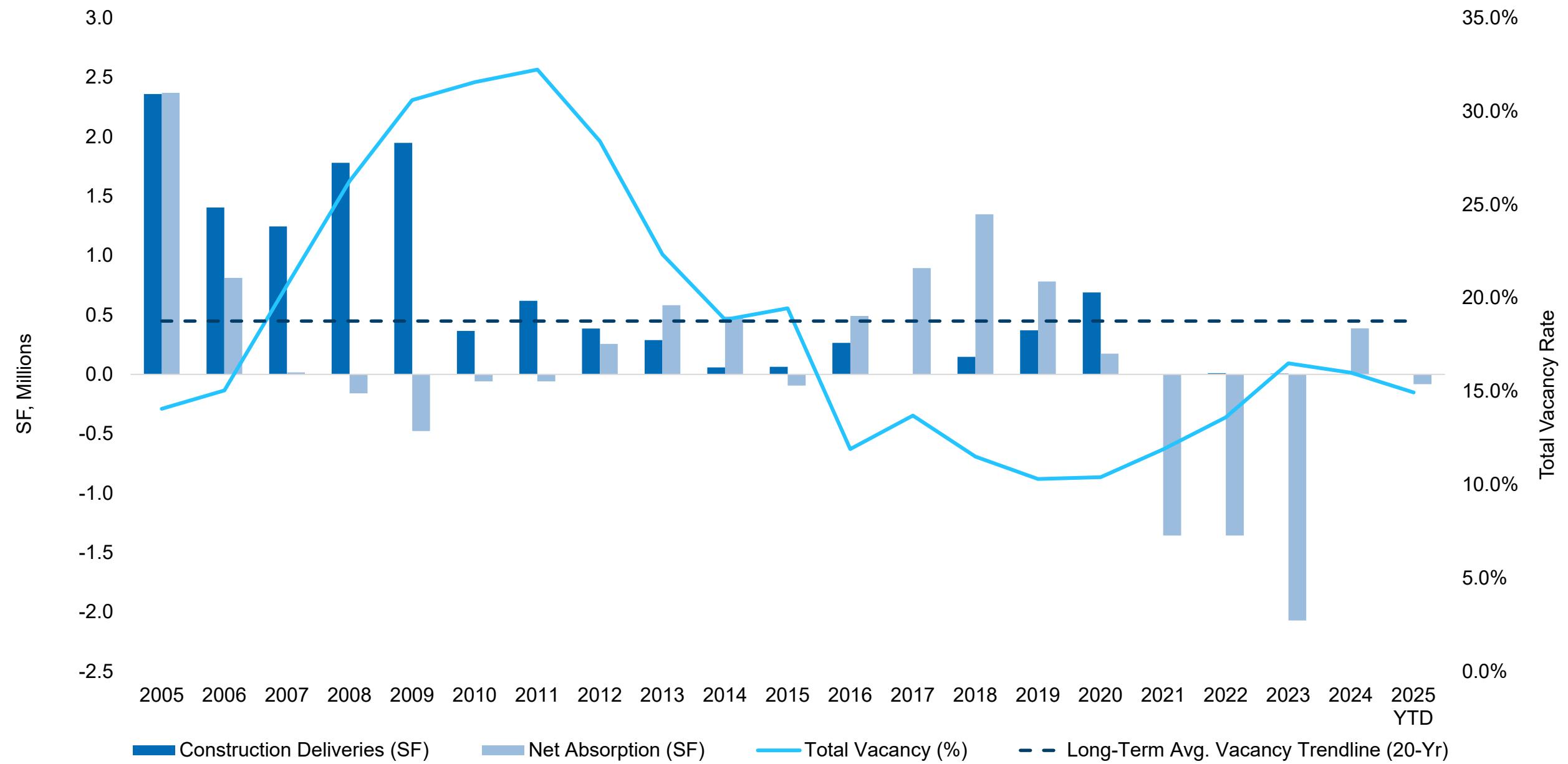




# Slow First Half Led to Negative Absorption

After showing signs of stabilization in the second half of 2024, Sacramento’s office market slowed in the first half of 2025. The total vacancy rate stood at 15.8%, slightly down from last quarter’s rate of 16.0%, but a considerable improvement from 17.3% one year ago.

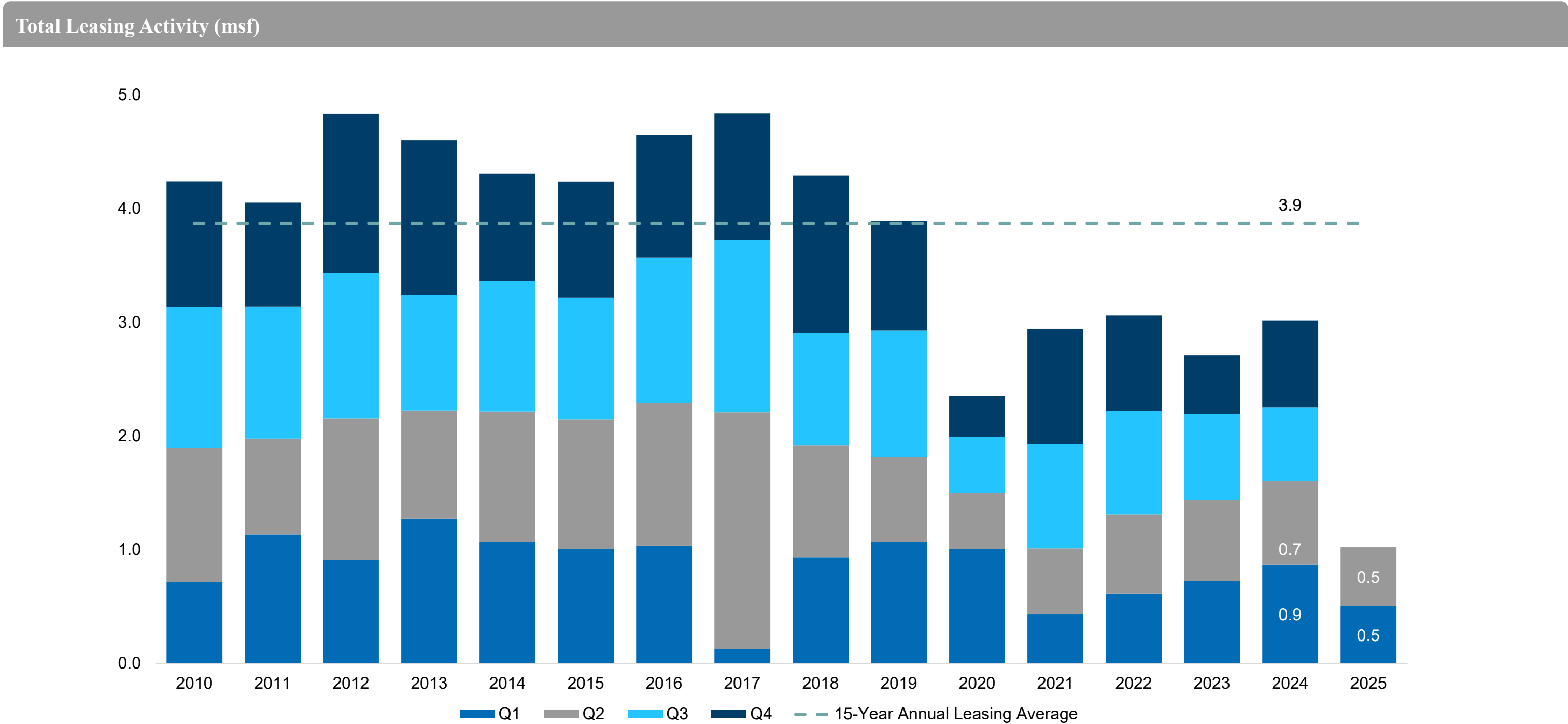
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

# Pace of Leasing Activity Remained Steady

Leasing activity in the second quarter remained steady compared to prior quarter but was the lowest since the second quarter of 2021 as occupiers appeared to be waiting on the sidelines as they wait out recent fluctuations in the overall market. We anticipate seeing leasing activity pick up once the markets settle down.



Source: Newmark Research, CoStar





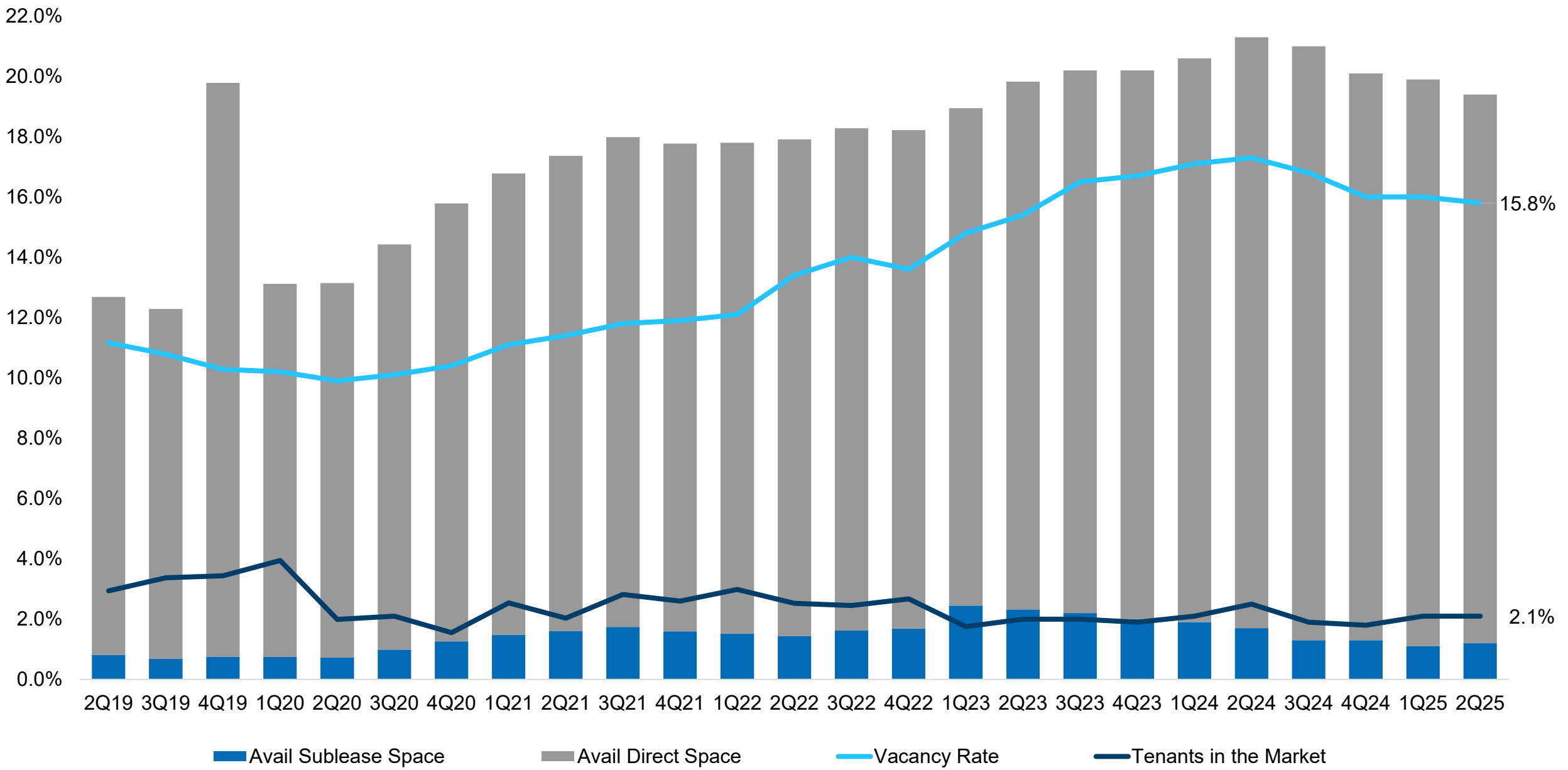
Please reach out to your  
Newmark business contact for this information



# Vacancy Rate Remained Stable

Vacancy rate remained relatively stable during the second quarter, dropping slightly by 20 basis points to 15.8%. The amount of available sublease space has been slowly decreasing since reaching recent high in the first quarter of 2023 and has dropped to mid-year 2020 levels.

Available Space and Tenant Demand as Percent of Overall Market



Source: Newmark Research, CoStar



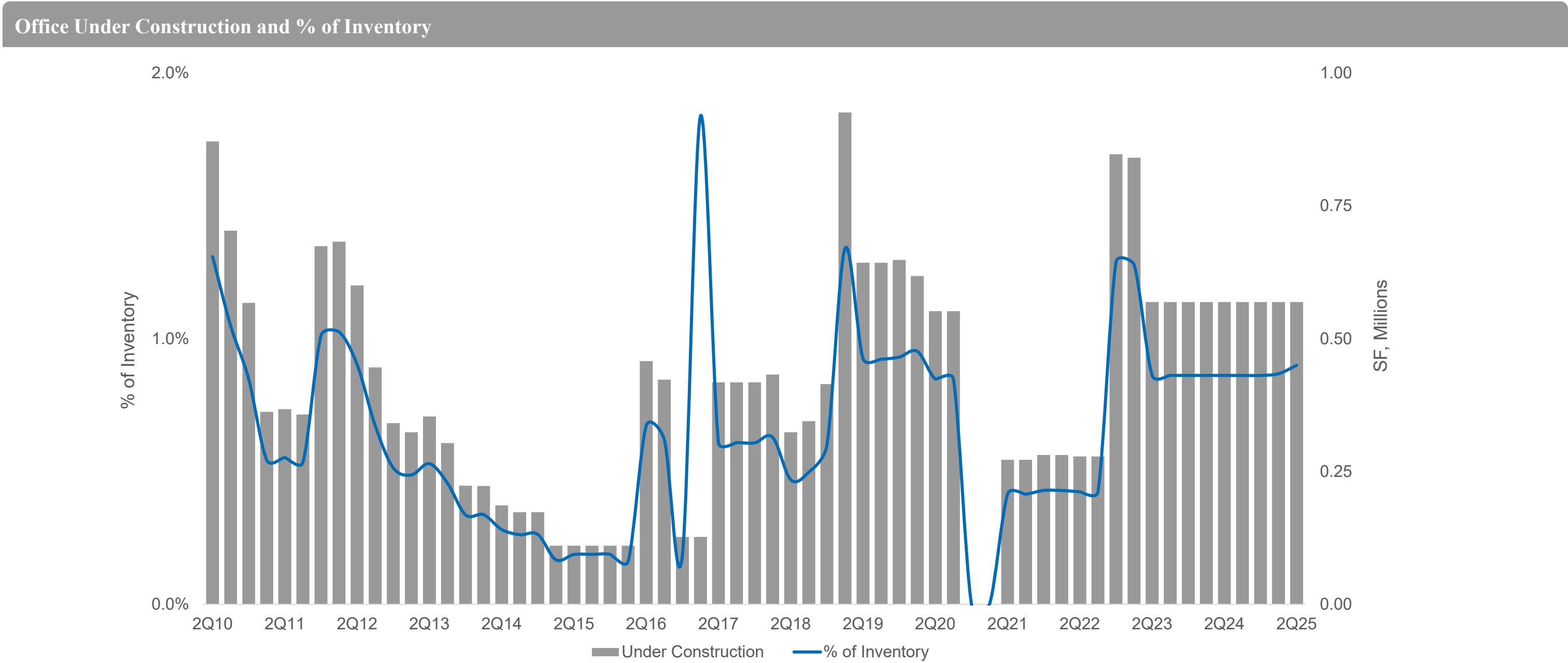


Please reach out to your  
Newmark business contact for this information



# Construction Remained Muted but Still Underway

The construction pipeline has leveled off since a recent peak in late 2022 and early 2023, but there are still two buildings currently under construction with delivery slated for 2025. There are medical and government office buildings under construction as well, but we do not currently track those subtypes. Construction levels will likely remain muted given the demand / supply imbalance as well as construction lending at low levels.



Source: Newmark Research, CoStar





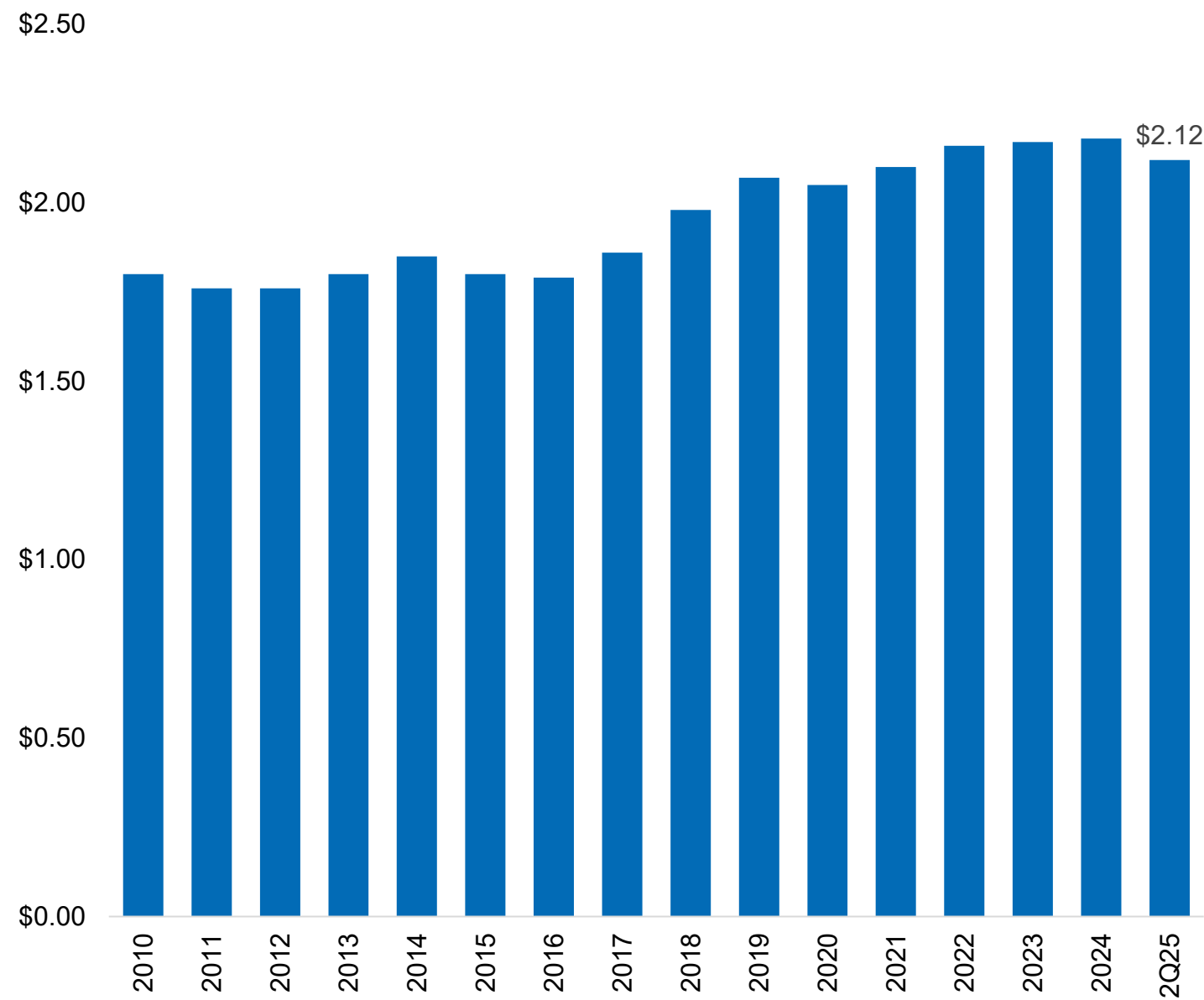
Please reach out to your  
Newmark business contact for this information



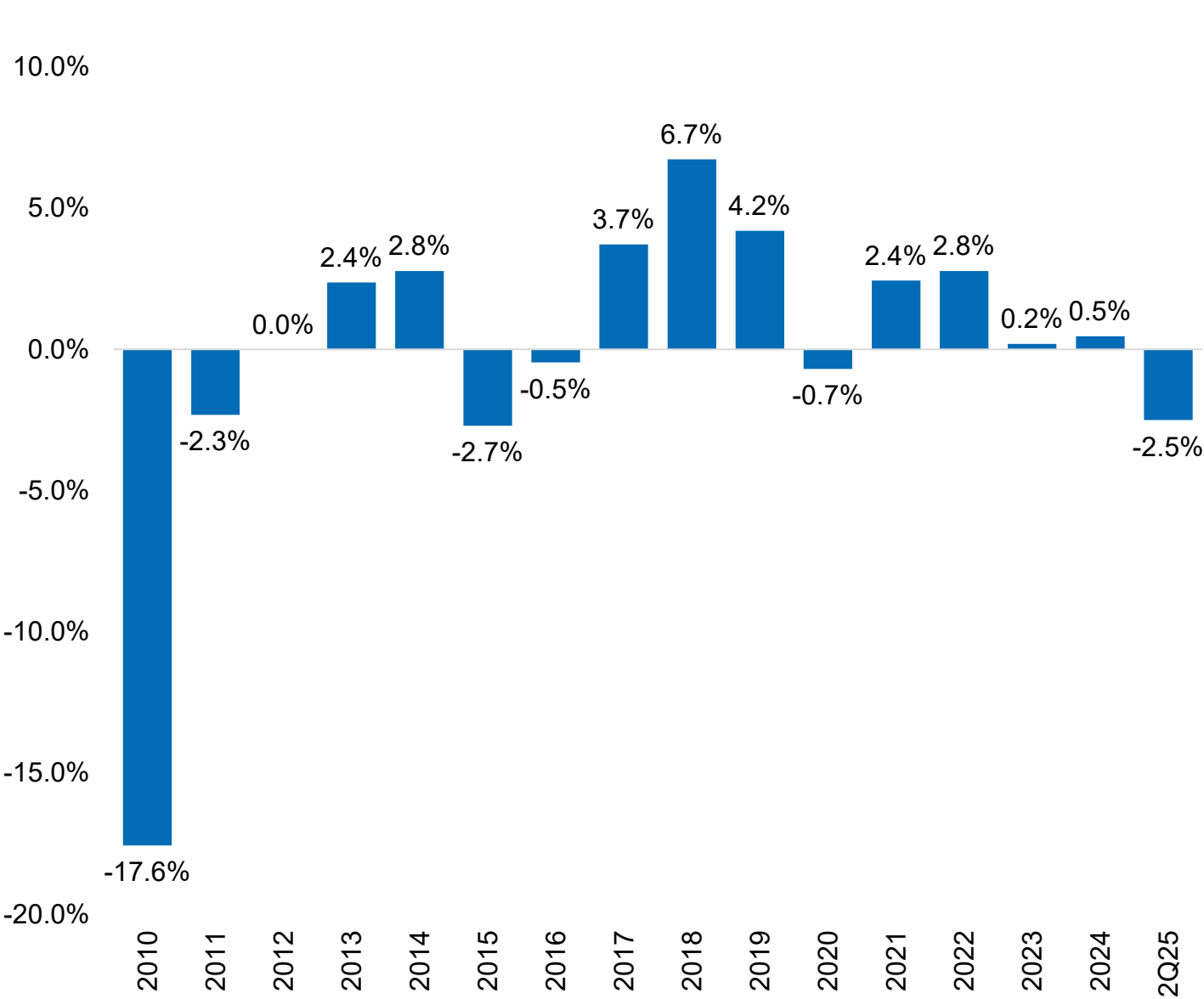
# Overall Rents Dropped Slightly

Following trends in the various submarkets, the overall direct asking rent in Sacramento has held relatively steady over the past three years and stood at \$2.12/SF Full Service per month as of the end of the second quarter. This is the lowest rate seen since the first quarter of 2024.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate



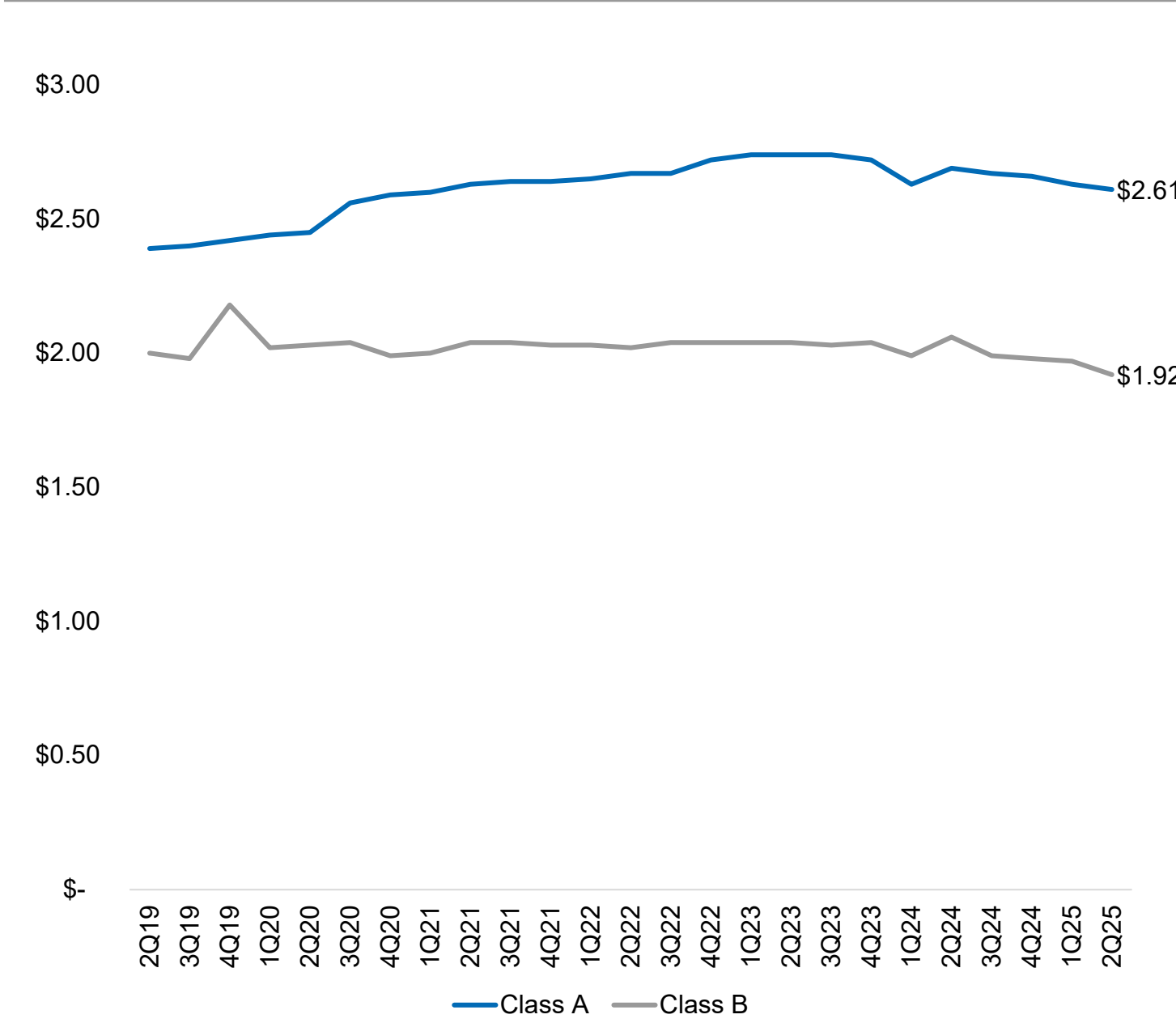
Source: Newmark Research, CoStar



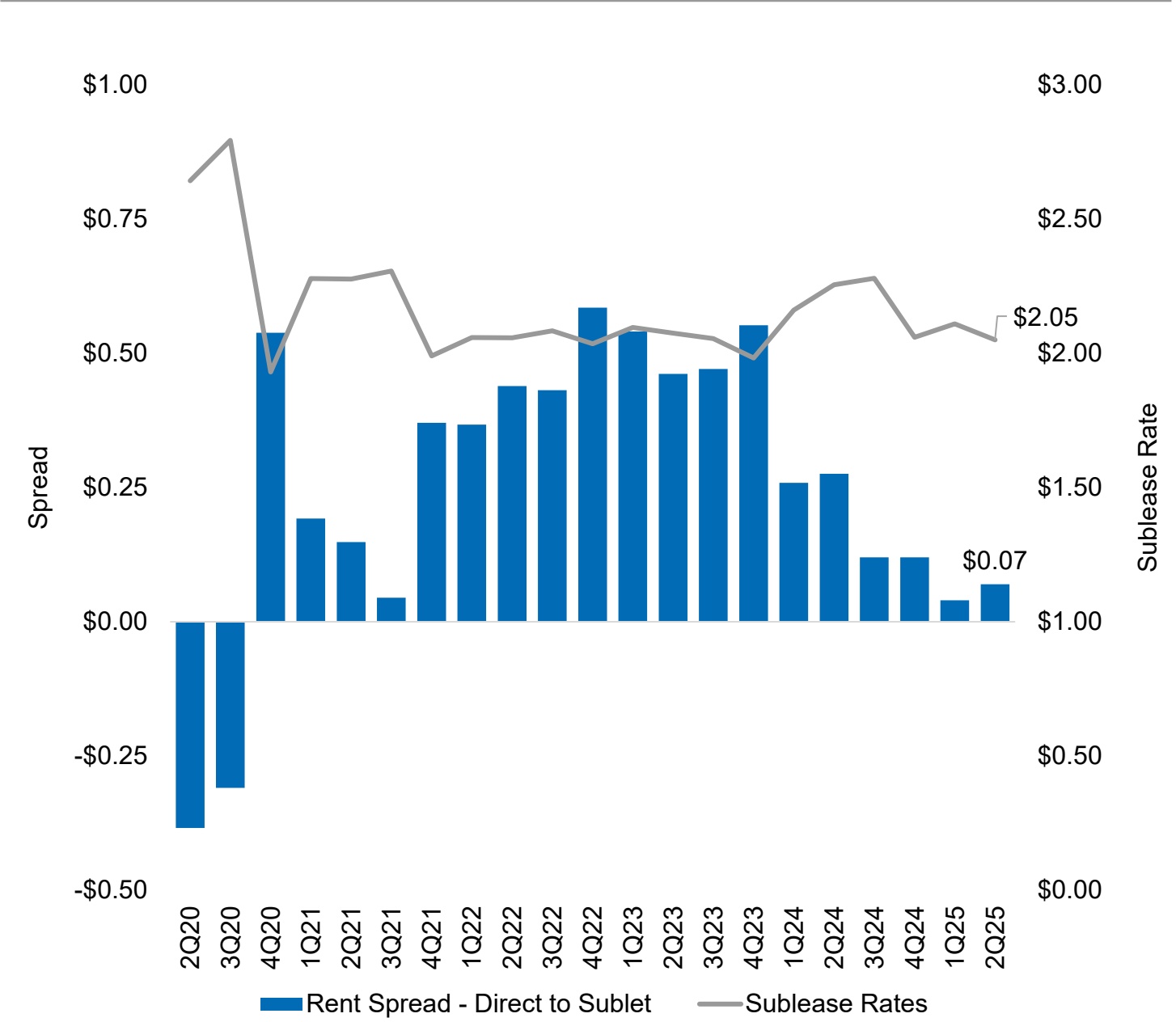
# Rents Show Slow Decline

Class A rents have been dropping slowly since peaking midway through 2023, while Class B rents have been relatively flat since the onset of the pandemic taking a dip this quarter 2.5% from the first quarter and 7.3% from the same time last year. Effective rents have likely declined given an increase in concessions (TIs and free rent) by landlords.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

# Select 2Q25 Leases

## Notable 2Q25 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Sutter Health	660 J Street	Downtown	New Lease	113,000
Kaiser Foundation Health Plan	1660 E Roseville Parkway	Roseville Douglas Corridor	Lease Extension	73,180
Power School Holdings, Inc.	150 Parkshore Drive	Folsom	Lease Extension	36,138
Sutter Valley Medical Foundation	1640 E Roseville Parkway	Roseville Douglas Corridor	Lease Extension	22,400
Bank of America	2882 Prospect Park Drive	50 Corridor East	Lease Renewal	15,018
Kioxia America, Inc.	35 Iron Point Circle	Folsom	Lease Extension	14,916
The New Home Company	2999 Douglas Boulevard	Roseville Douglas Corridor	New Lease	14,626
DPR Construction	830 K Street	Downtown	Lease Extension	12,912

Source: Newmark Research, CoStar



---

2Q25

# Appendix







Please reach out to your  
Newmark business contact for this information

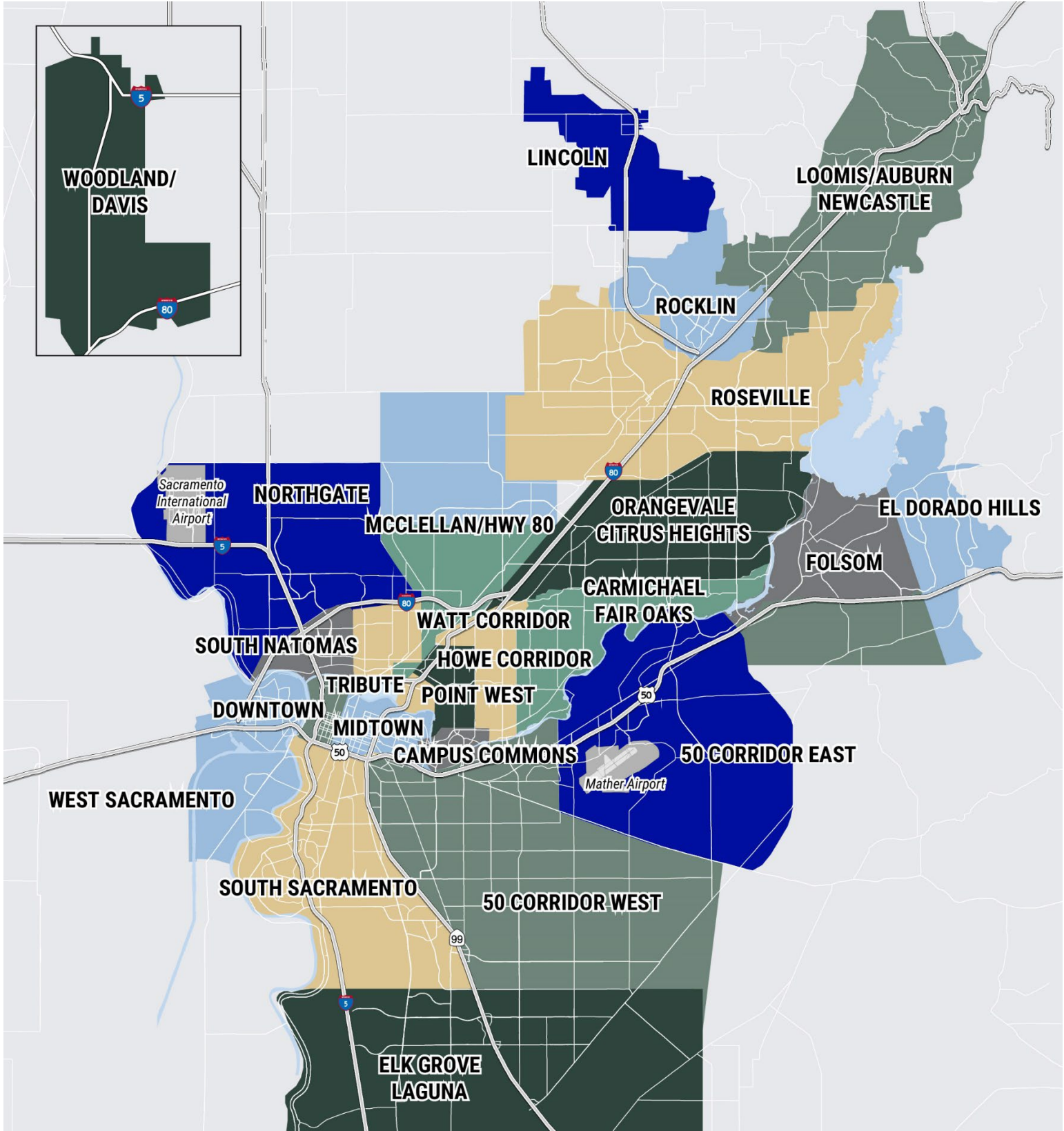




Please reach out to your  
Newmark business contact for this information



# Sacramento Submarket Map





*For more information:*

**Andrea Arata**  
*Director, Northwest Research*  
andrea.arata@nmrk.com

**Sacramento**  
980 9<sup>th</sup> 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](http://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](http://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.

**NEWMARK**

**NEWMARK**