3Q25

Sacramento Office Market Overview

NEWMARK

Market Observations

Economy

- Employment growth in Sacramento had been following a similar path of the U.S. with growth holding in the 4.5-5.1% range for the past 18 months while employment growth has decelerated to just 0.8% signaling limited economic momentum. Softer but steady job gains imply a measured economic recovery path.
- 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. Education and Health Services, 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

- Blue Shield signed the largest lease of the quarter in the Highway 50 Corridor East submarket, renewing their lease of 128,075 square feet at 3300 Zinfandel Drive.
- California State Auditor signed a lease for 49,112 SF in West Sacramento at 100 Waterfront Place.
- The largest sale in the third quarter was Cornerstone Companies, Inc's acquisition of 4320 Auburn Boulevard in Carmichael for $9.75M, or $498.49/SF. This was a private sale between two individual parties. Newmark represented Gurnick Academy in purchasing the 43,965 SF building at 8890 Cal Center Drive for $6M or $136.47/SF.

Leasing Market Fundamentals

- Sacramento's office market continued showing signs of stabilization in the third quarter. The total vacancy rate increased by just 20 basis points over last quarter's rate of 15.7% landing at 15.9% but still remained well below the 20-year average and has remained stable for the previous four quarters. While availability increased by 20 basis points to 19.4%, it remained 130 basis points lower year-over-year.
- Leasing activity eased modestly in the third quarter as many occupiers paused to reassess needs amid recent market shifts. As the return-to-office trend continues we anticipate leasing momentum to see an upturn in future quarters.
- After showing signs of stabilization in the second half of 2024, Sacramento's 2025 office market has seen fluctuations but landed with net positive absorption of 382,834 SF year-to-date.

Outlook

- As the economy settles over the longer term, we anticipate that the demand and supply equation should return to a more balanced dynamic once companies start expanding again and taking larger blocks of space.
- 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.

Source: Newmark Research

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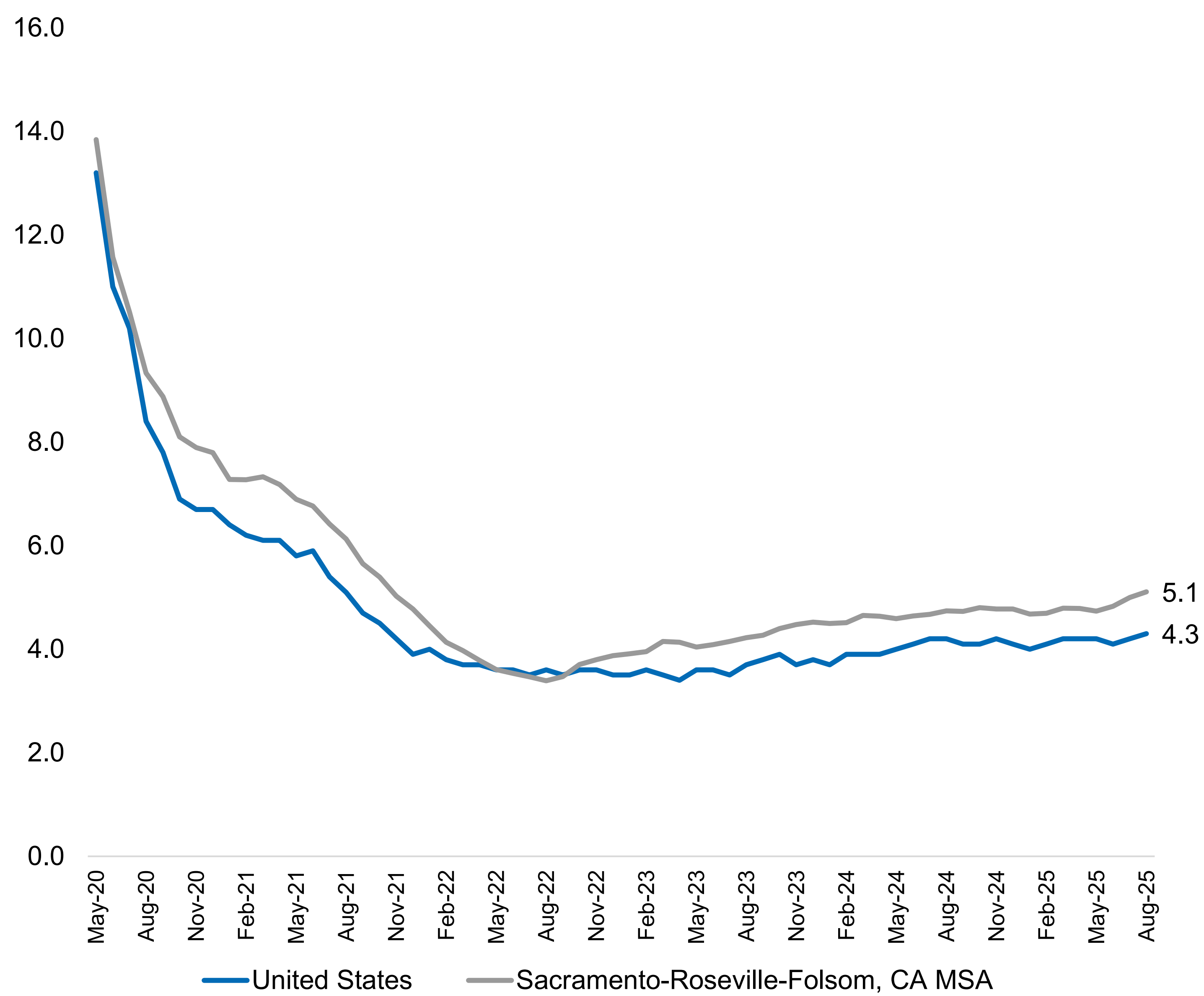
Economy

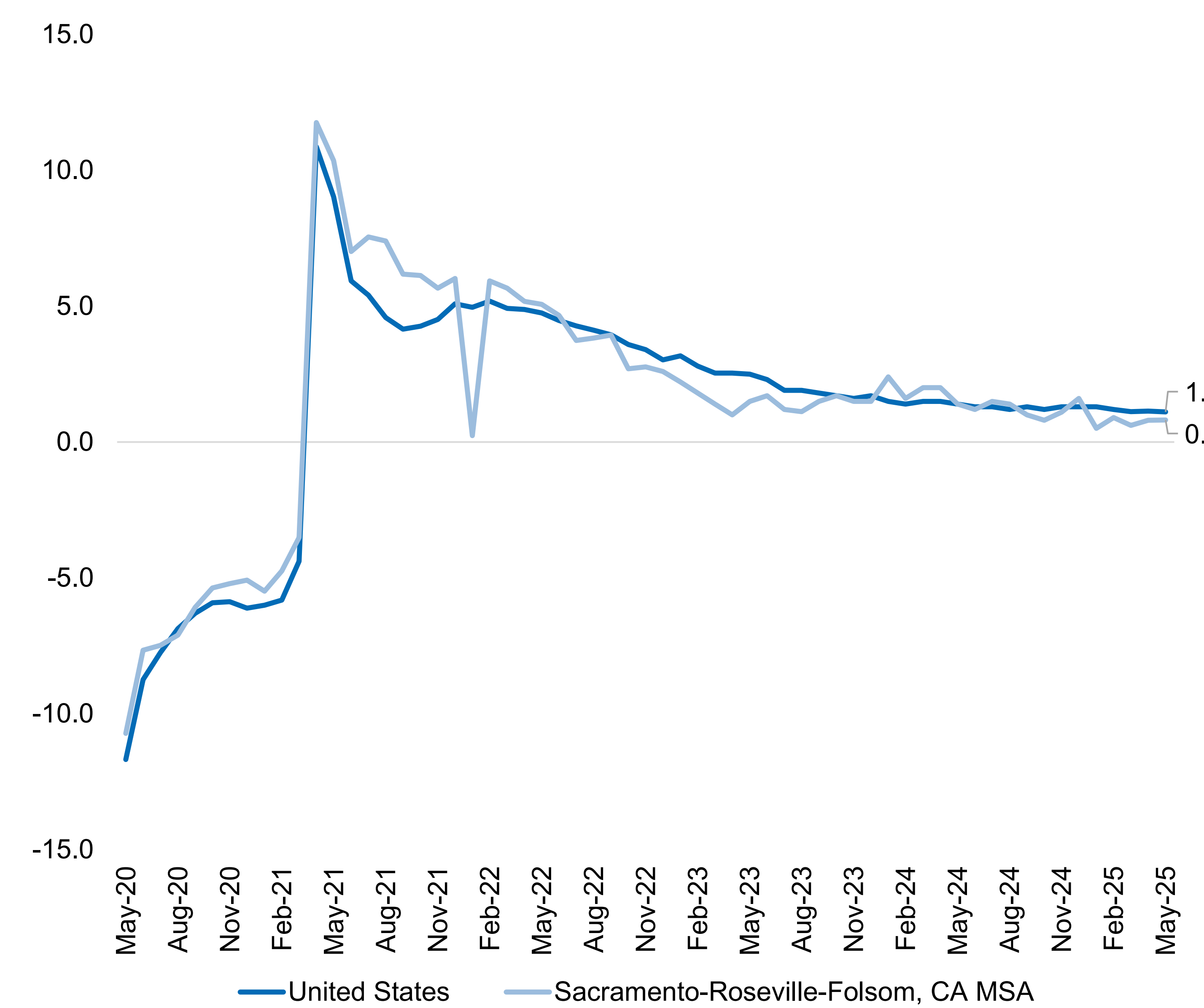
Sacramento Labor Remained Stable While Job Growth Has Cooled

Employment growth in Sacramento had been following a similar path of the U.S. with growth holding in the 4.5-5.1% range for the past 18 months while employment growth has decelerated to just 0.8% signaling limited economic momentum. Softer but steady job gains imply a measured economic recovery path.

Unemployment Rate, Seasonally Adjusted



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

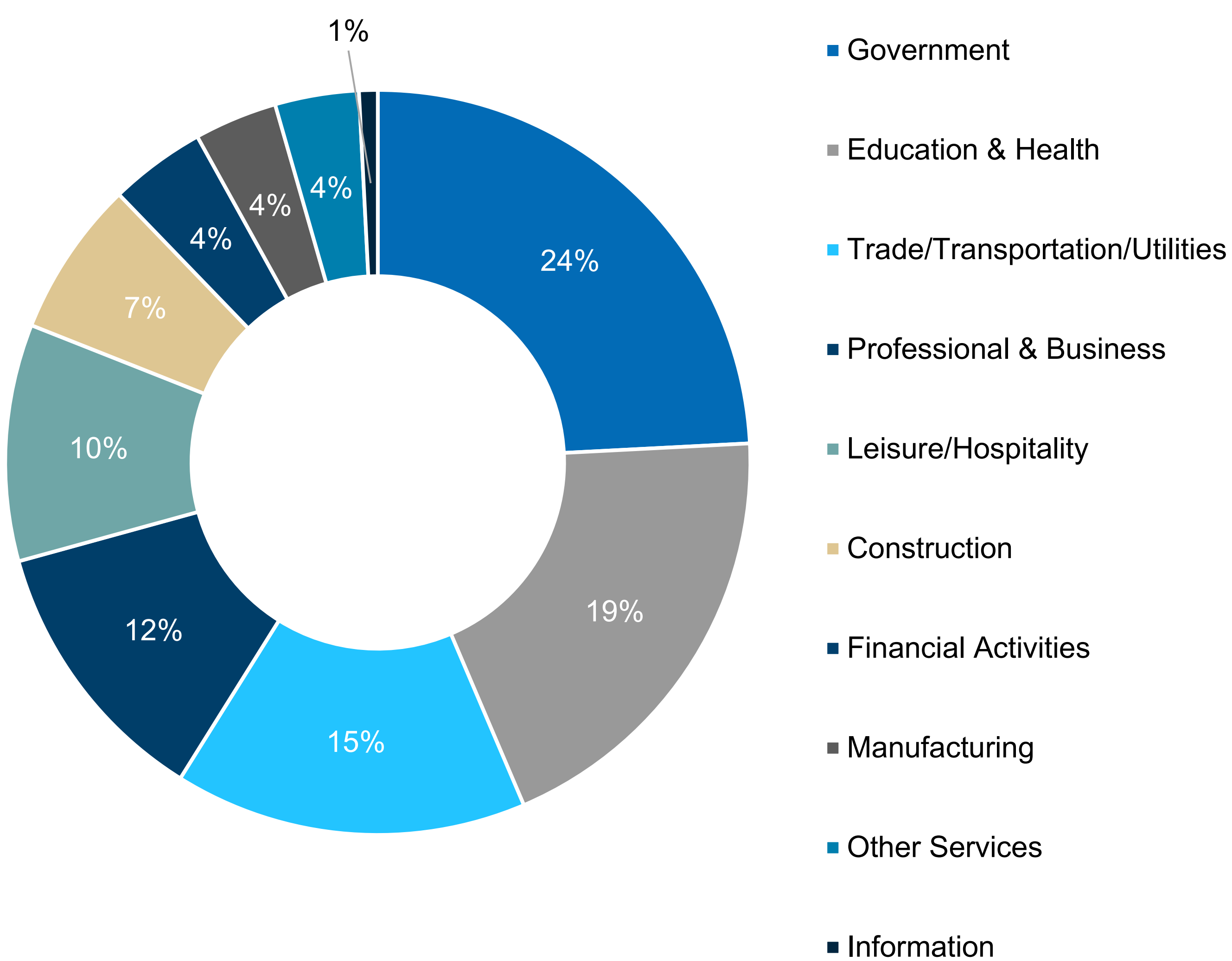


Source: U.S. Bureau of Labor Statistics, Sacramento-Roseville-Folsom, CA MSA

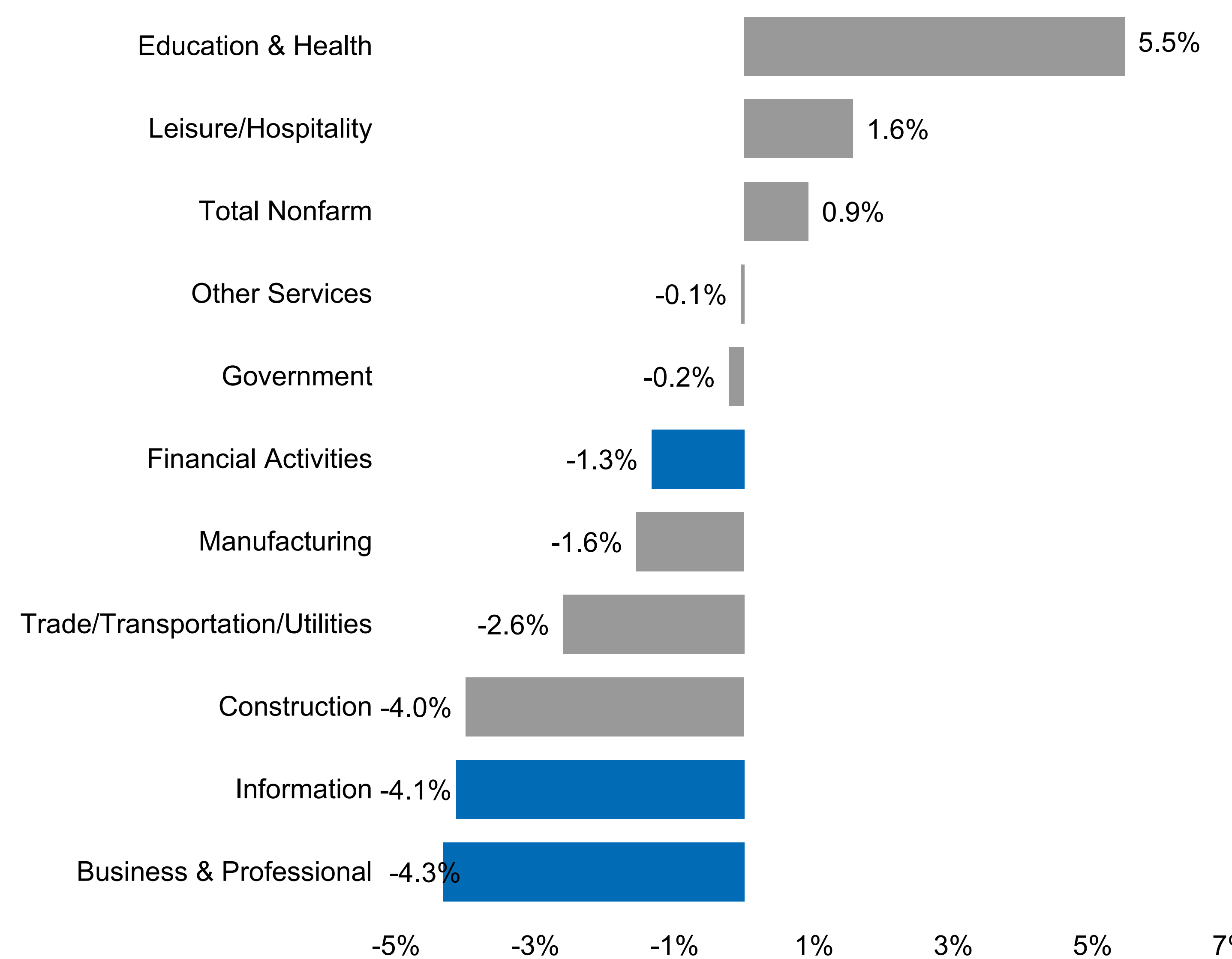
Mixed Sector Performance With Office-Using Sector Contraction

The Education & Health Care Services sector recorded the largest gains year-over-year ending in August for the fourth consecutive quarter. Traditional office-using job sectors of Business & Professional Services, Financial Activities and Information saw combined losses of 5.0% 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.

Employment by Industry, August 2025



Employment Growth by Industry, 12-Month % Change, August 2025

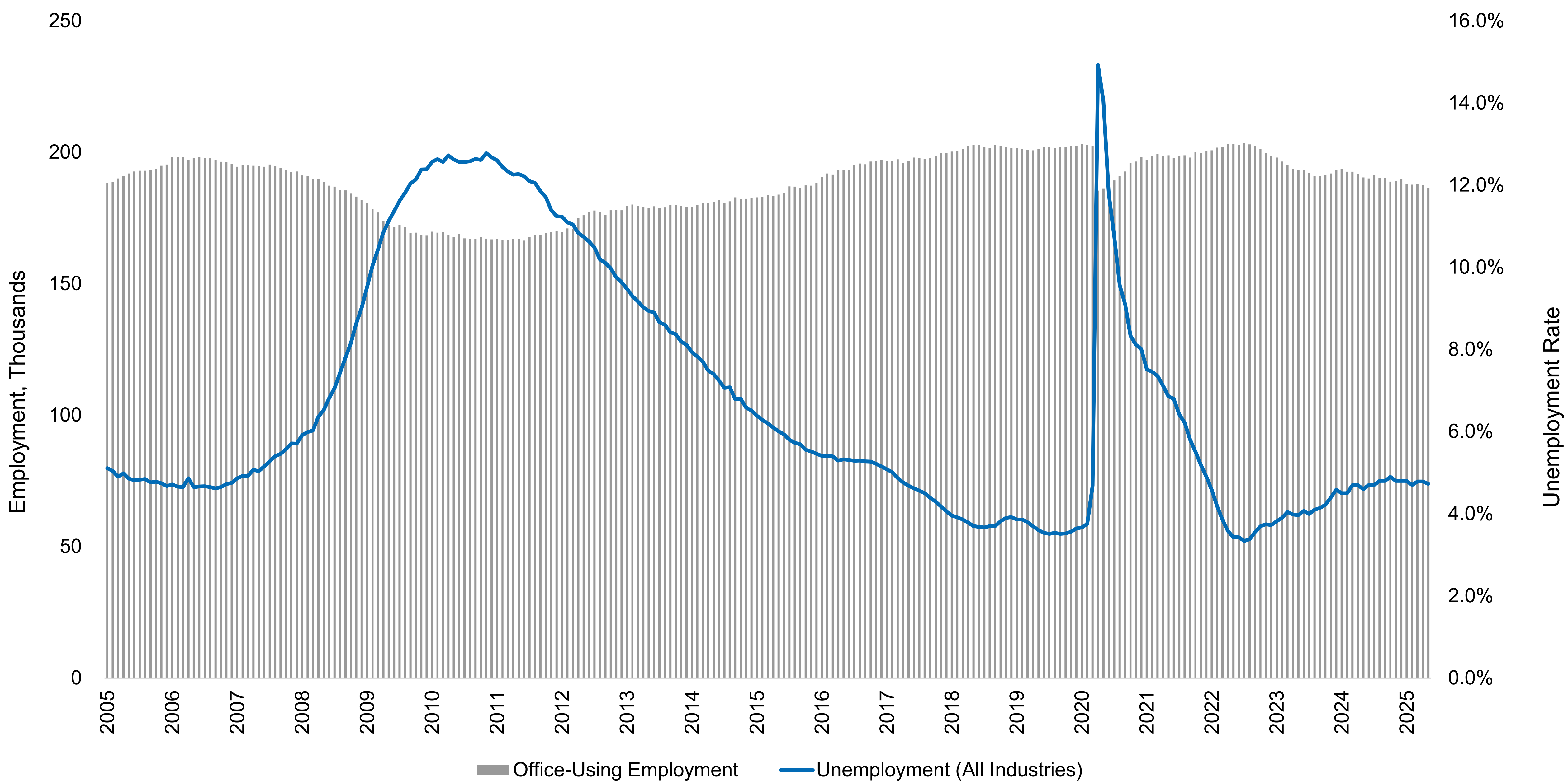


Source: U.S. Bureau of Labor Statistics, Sacramento-Roseville-Folsom, CA MSA

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 hit its lowest point since 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-Folsom, CA MSA

*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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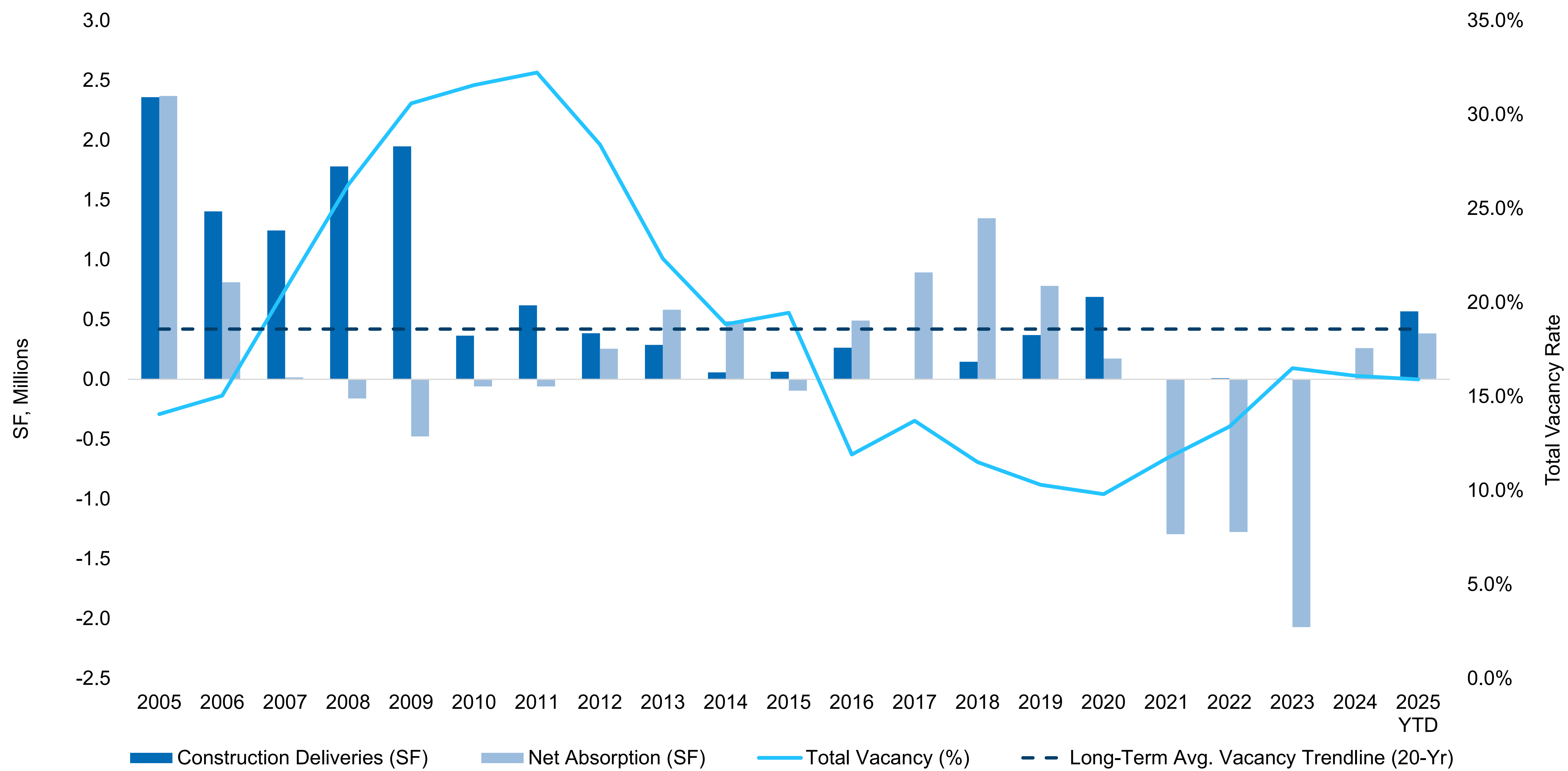
Leasing Market Fundamentals

Positive Absorption Helped Steady Market Fluctuations

After showing signs of stabilization in the second half of 2024, Sacramento's 2025 office market has seen fluctuations but landed with net positive absorption of 382,834 SF year-to-date. The total vacancy rate stood at 15.9%, slightly up from last quarter's rate of 15.7%, but remained well below the 20-year average and has remained stable for the previous four quarters.

Historical Construction Deliveries, Net Absorption, and Vacancy

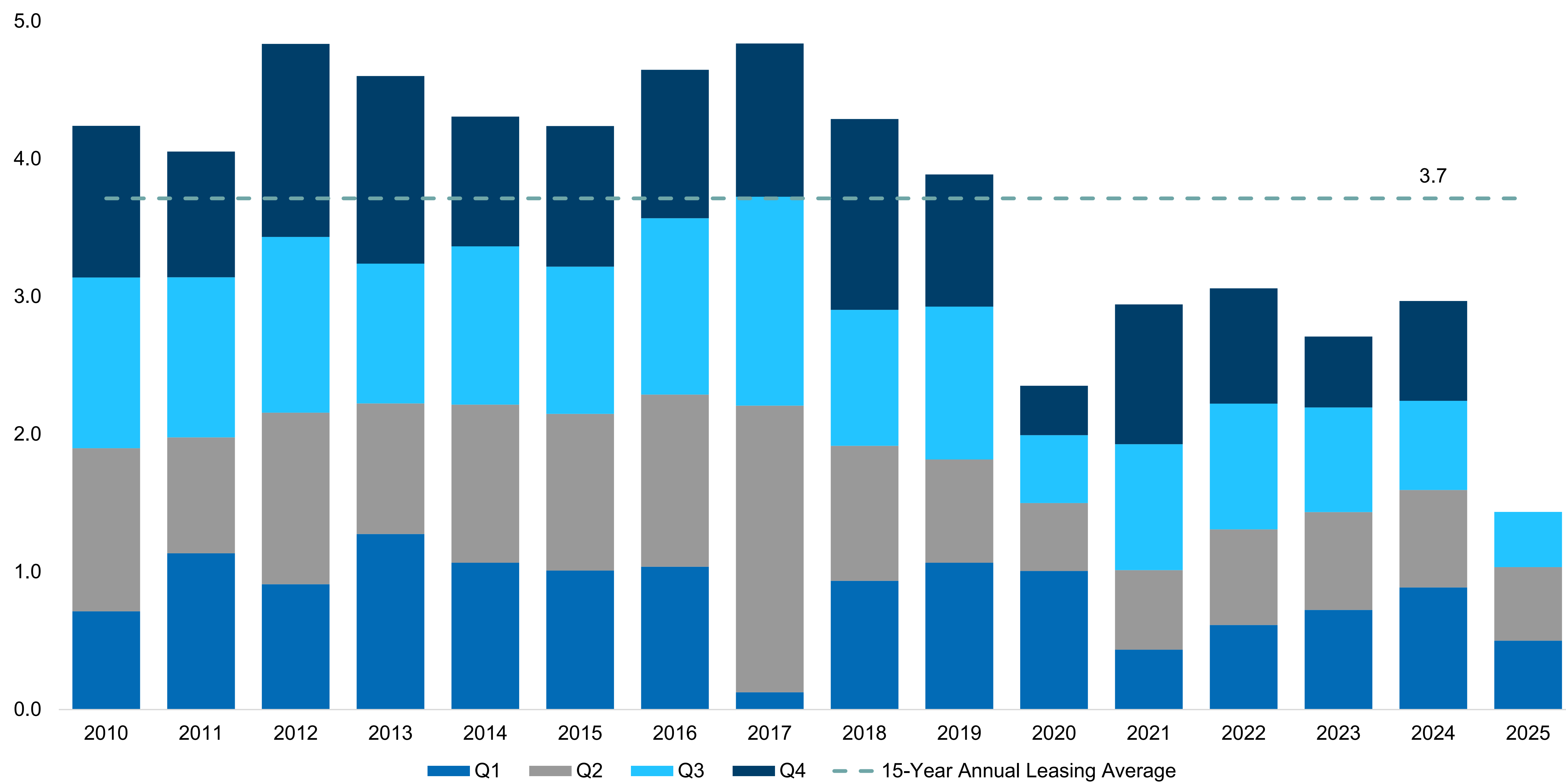


Source: Newmark Research, CoStar

Pace of Leasing Activity Remained Soft

Leasing activity eased modestly in the third quarter as many occupiers paused to reassess needs amid recent market shifts. As the return-to-office trend continues we anticipate leasing momentum to see an upturn in future quarters.

Total Leasing Activity (msf)



Source: Newmark Research, CoStar

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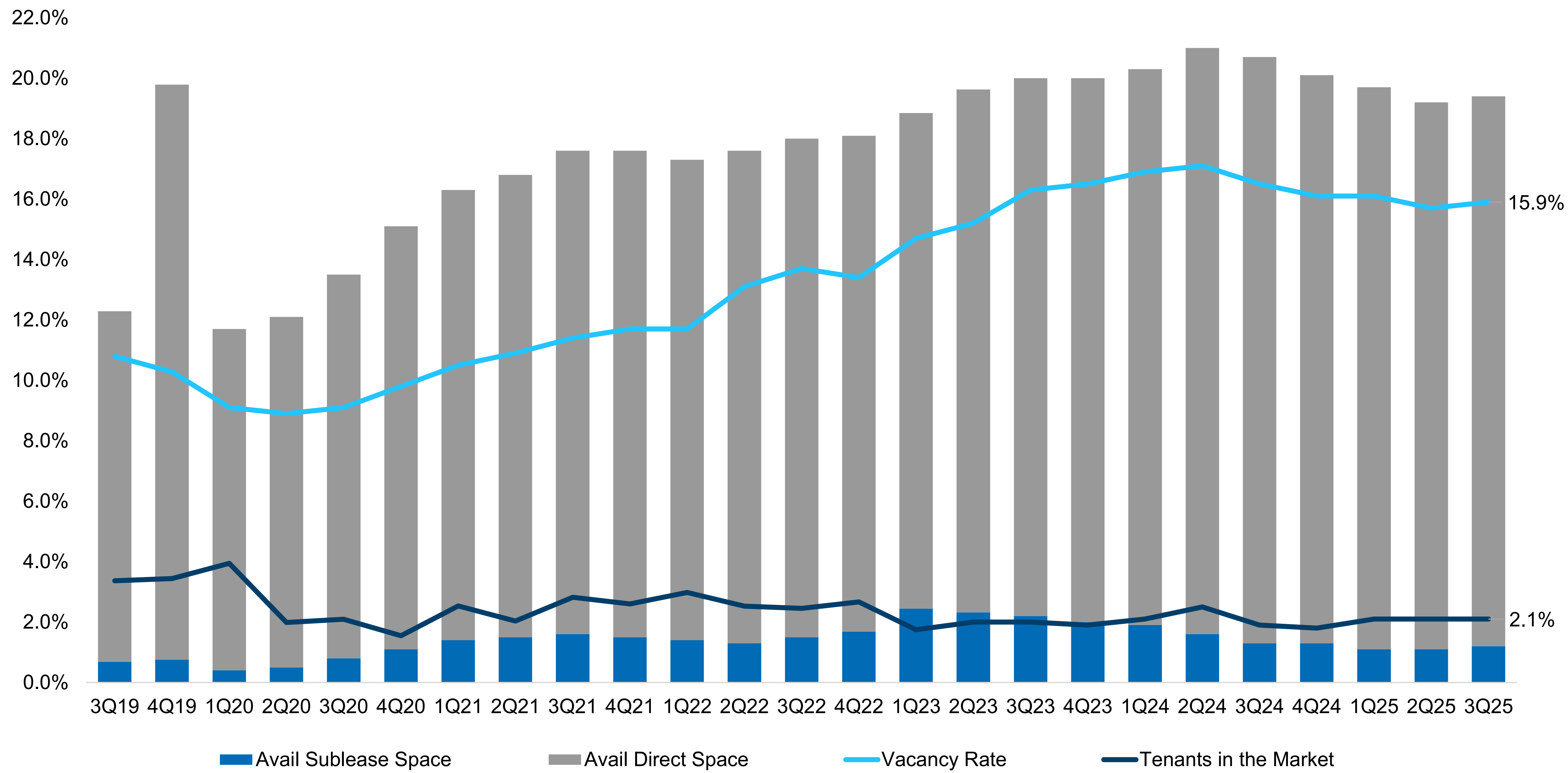
Vacancy Rate Remained Stable

Vacancy rate remained relatively stable during the third quarter, increasing slightly by 20 basis points to 15.9%. The amount of available sublease space has been slowly decreasing since reaching recent high in the first quarter of 2023. Tenant demand remained stable although still lower than pre-pandemic levels.

Available Space and Tenant Demand as Percent of Overall Market



Source: Newmark Research, CoStar

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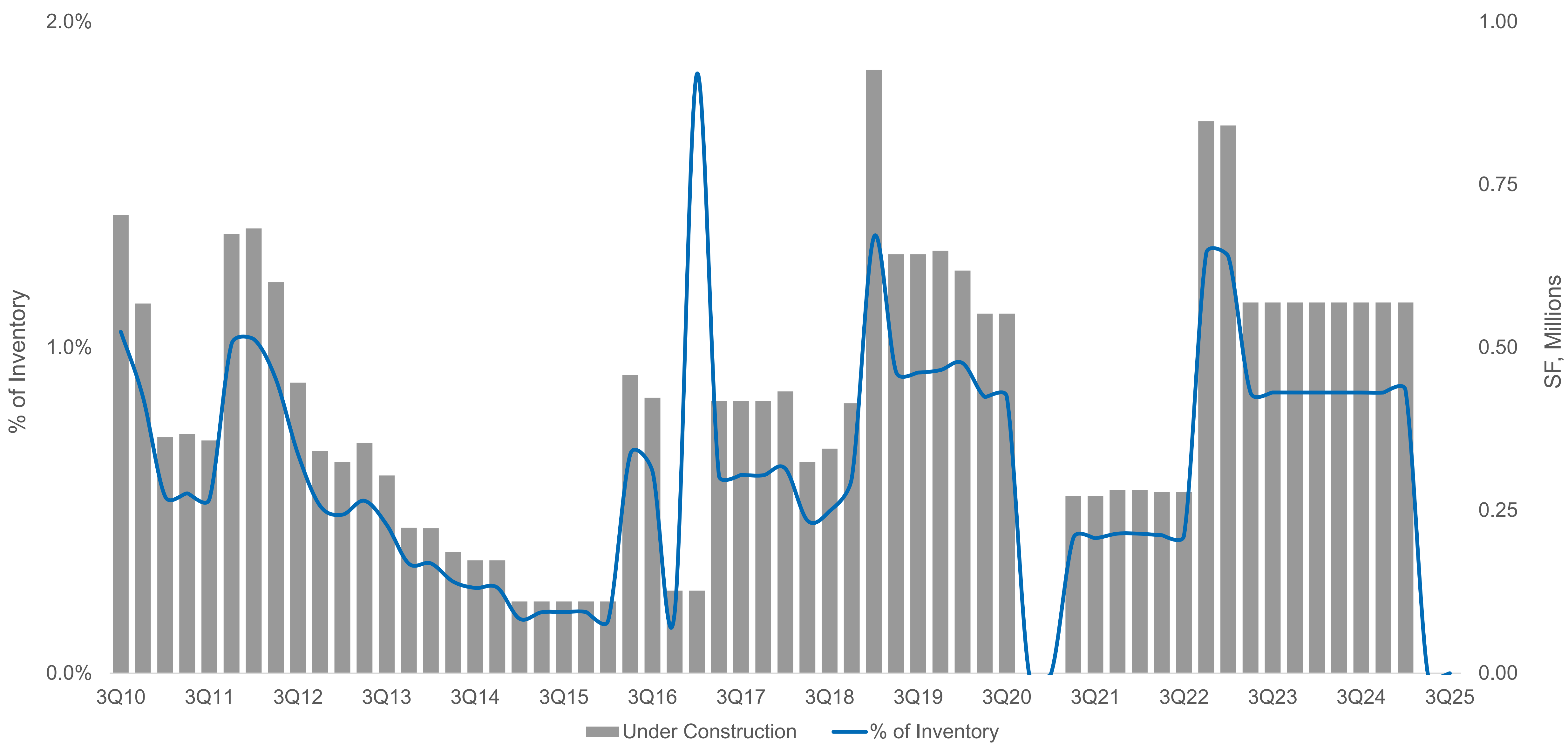
Construction Effectively on Pause

The construction pipeline has leveled off since a recent post-pandemic peak in late 2022 and early 2023 with the third quarter not seeing any new construction added to the pipeline. Construction levels will likely remain muted given the demand / supply imbalance. Any incremental increase in demand should translate into vacancy compression.

Office Under Construction and % of Inventory



Source: Newmark Research, CoStar

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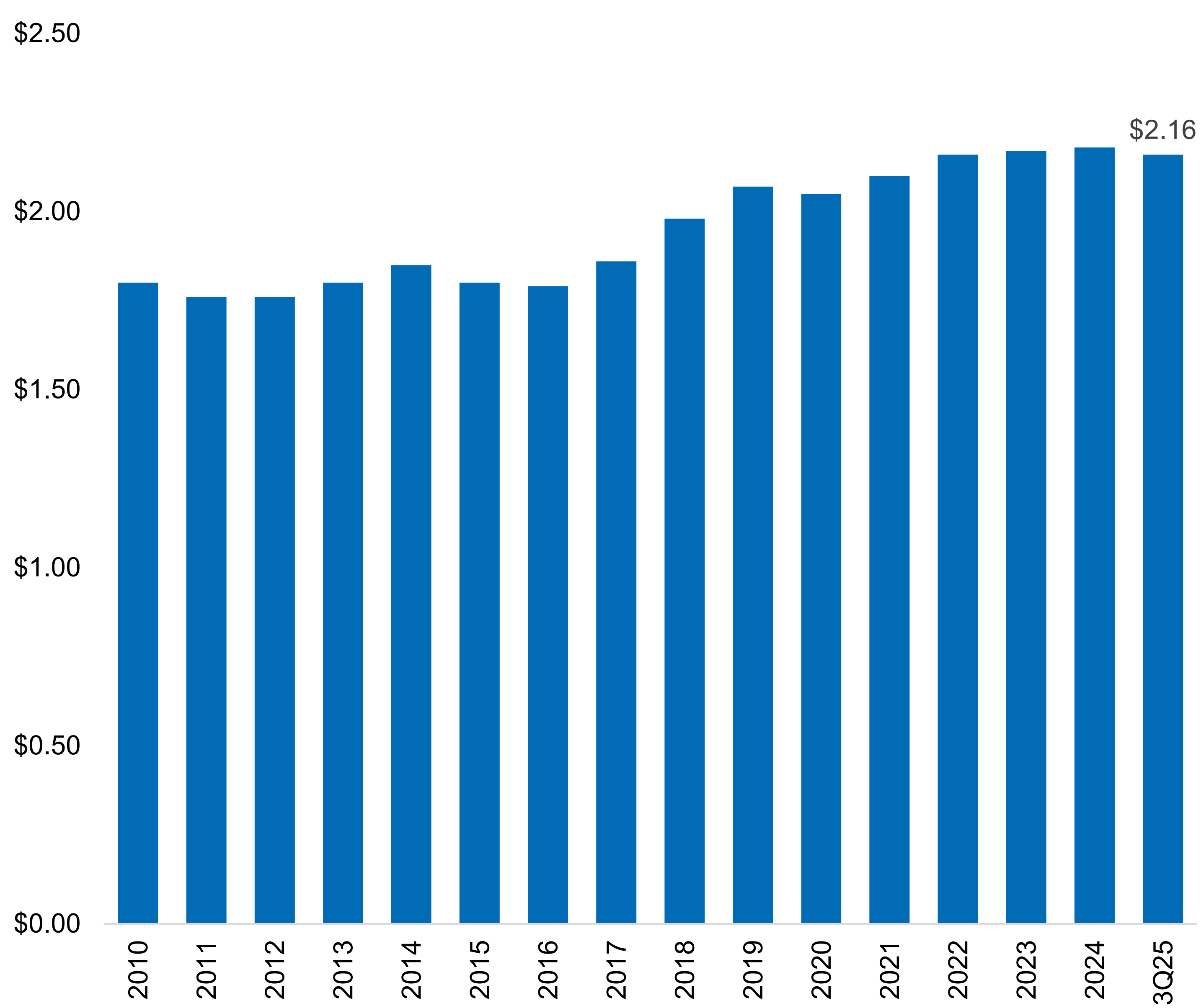
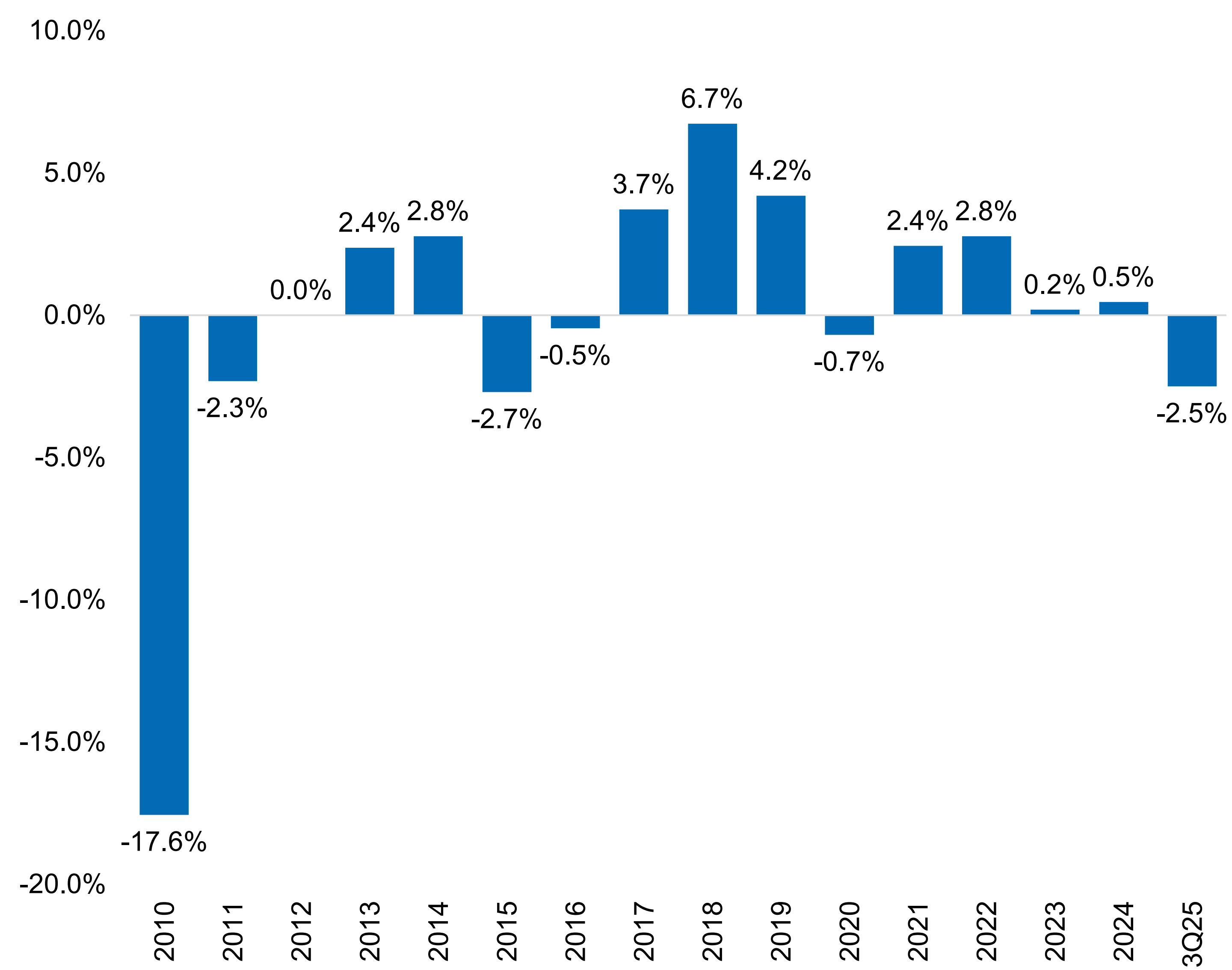
Overall Rents Remained Steady

While year-over-year there has been a modest decrease of 2.5%, Sacramento market rents have held relatively steady over the past three years and stood at $2.16/SF Full Service per month at the end of the third quarter. Other than a slight dip one year ago, overall direct asking rents have hovered between $2.12/SF and $2.18/SF since late 2022.

Office Average Asking Rent, $/SF, FS



Year-over-Year Asking Rent Growth Rate

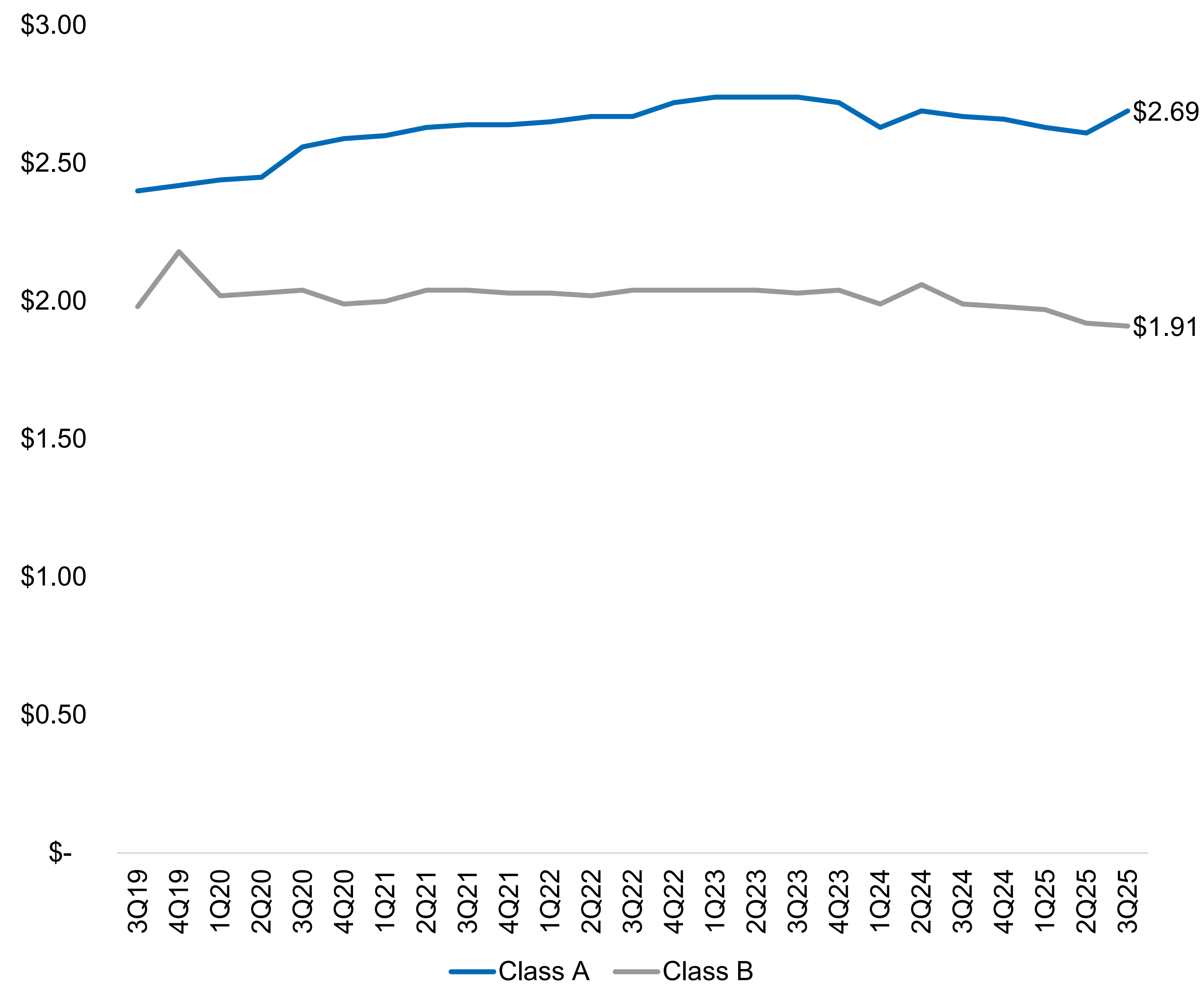


Source: Newmark Research, CoStar

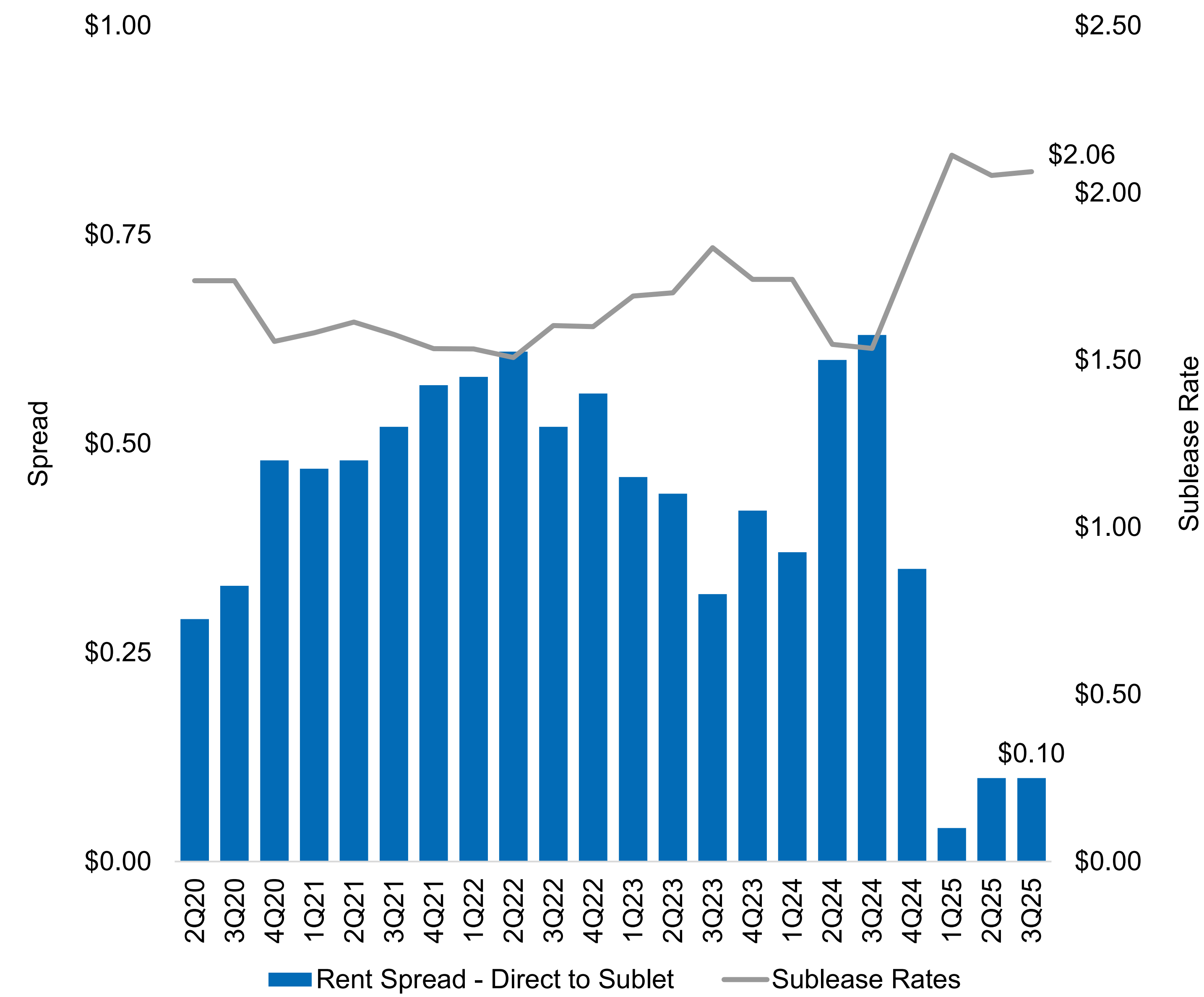
Class A Space Still Held the Advantage

Class A asking rents maintained a substantial 41% premium over Class B properties, reflecting continued tenant preference for newer, higher-quality space with better amenities. Class A rents have been dropping slowly since their peak midway through 2023 but rose slightly in the third quarter to $2.69, the highest rate in over a year. Class B rents continued to decline and are down 4.2% year over year. Competitive sublease options continue to cap achievable rents on second-generation Class A space.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Select 3Q25 Leases

Notable 3Q25 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Blue Shield	3300 Zinfandel Drive	Highway 50 East	Renewal	128,075
California State Auditor	100 Waterfront Place	West Sacramento	New	49,112
Advanced Micro Devices	1180 Iron Point Road	Folsom	New	28,196
Bennett Engineering Services	200 Vernon Street	Roseville	New	15,912
Ascent Environment	455 Capitol Mall	Downtown	Renewal	15,205

Source: Newmark Research, CoStar

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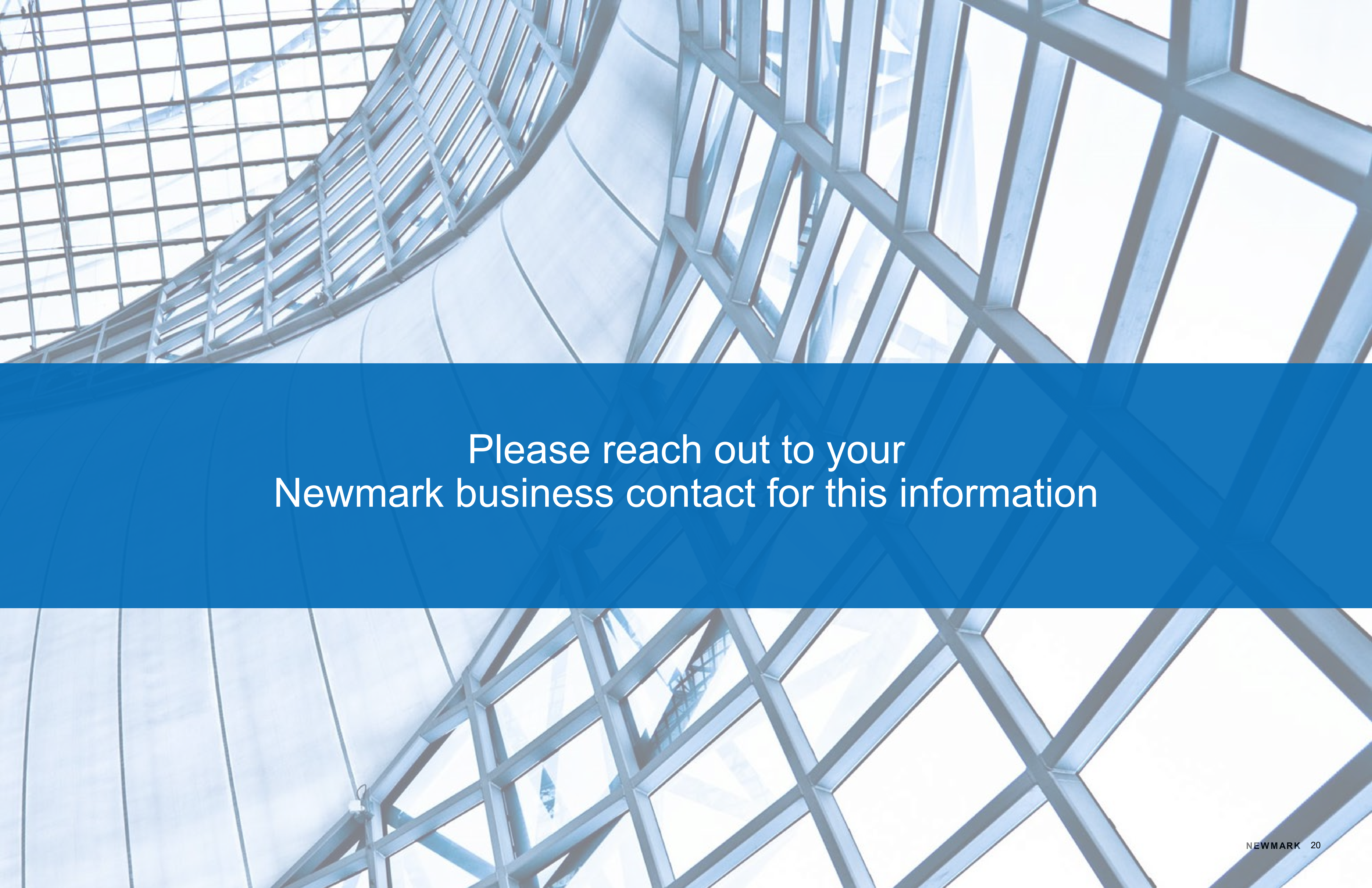
Appendix



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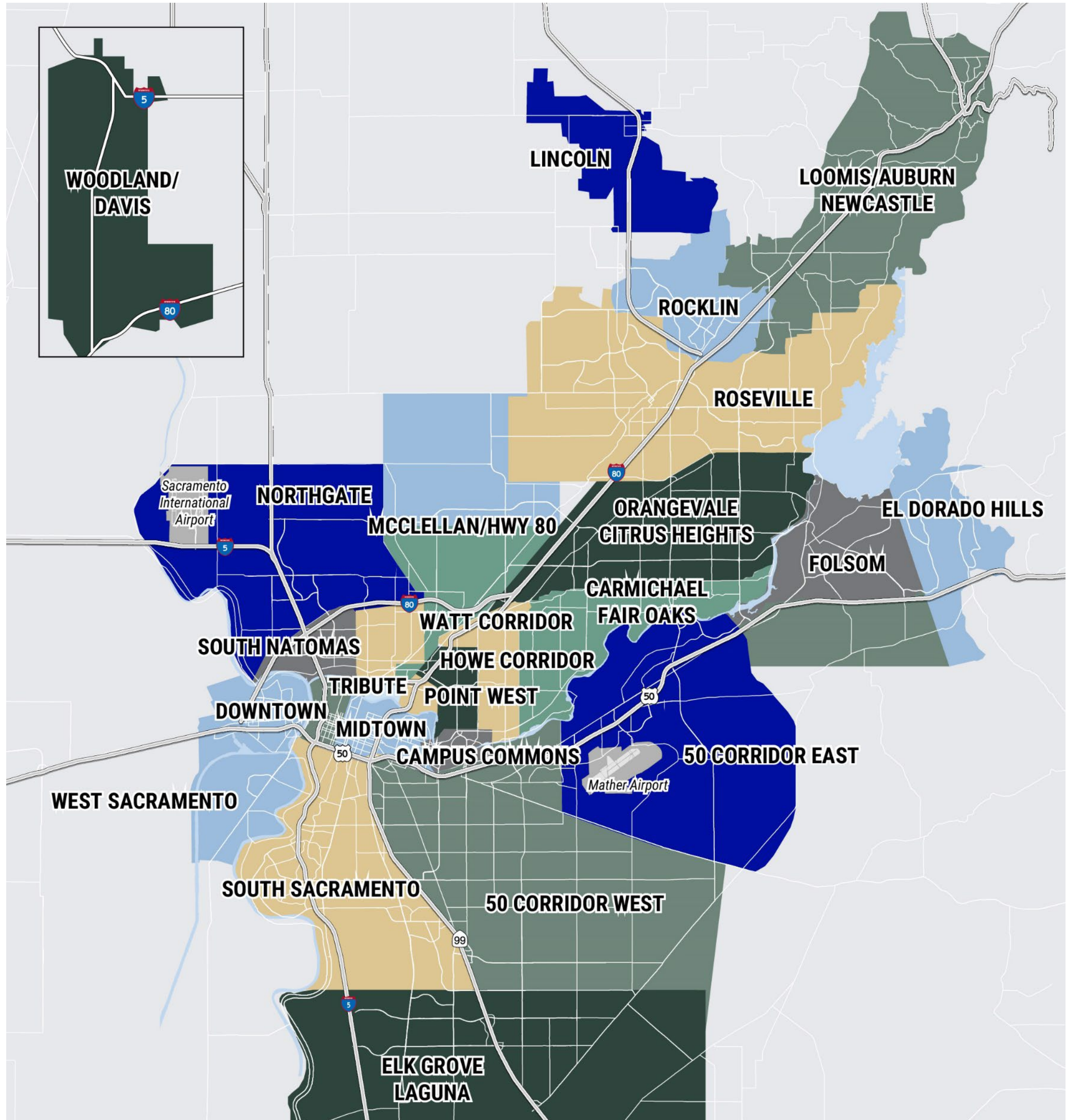
Sacramento Submarket Map



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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 nmrk.com/insights.

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