

# SACRAMENTO



## OVERVIEW

The government still dominates the office market in Sacramento. However, private sector tenants such as Centene 512,000 SF, Adventist Health 275,000 SF, and WeWork 47,316 SF are just a few examples of the momentum in the private sector. Job growth, minimal constructions, and steady demand has push vacancy into the sign digits. Quality space is becoming increasingly difficult to find which has allowed rents to outpace the national average. Of the 2,000,000 SF under construction, 95% of it is already committed. However, Sacramento has it's first speculative office building in years.

Annual invest has topped \$1 billion the past three consecutive years. However, sales volume in the first half of 2019 was well below average primarily due to a decline in deal flow.

## FUNDAMENTALS

Forecast

<b>YTD net absorption</b>	1,003,581 SF ▲
<b>Under construction</b>	2,044,575 SF ▲
<b>Average asking rent (gross)</b>	\$26.02/SF ▲
<b>Concessions</b>	Decreasing ▼

  

		
<b>Market Size</b>	<b>Largest Office Deal</b>	<b>Total Vacancy</b>
<b>105,111,499 SF</b>	<b>104,000 SF</b>	<b>8.7%</b>

## TOTAL VACANCY



## AVERAGE ASKING RENTS



## OUTLOOK

- Government employment is 25% of all jobs in the metro area, topping even Washington DC as a percentage of the workforce. However, Sacramento's relative affordability compared to the bay area will continue to drive private sector demand for office space pushing rents north at a faster pace than the national average due to almost zero added supply of speculative space.
- Construction costs are also on the rise which is making deals more difficult to pencil even at higher rents. Tenants should assess their leasing needs well in advance of their lease expiration to create a strategy to control their occupancy costs.

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