

# Sacramento Valley



## Market Facts

**8.8%****Class A Vacancy****10.3%****Class B Vacancy****\$2.31 FS****Class A  
Average Asking Rate****\$1.90 FS****Class B  
Average Asking Rate**

## Market Overview

The Sacramento Valley office market kicked off the year with a strong start. Occupancy levels remained relatively flat during the second quarter, measuring only a minor loss totaling 8,110 square feet. Despite this minor decline, total office occupancy year to date is positive at 78,129 square feet. Overall vacancy in the market stood at 10.1%, although vacancy was relatively flat quarter over quarter, total vacant space in the Sacramento Valley office market has declined 6.3% year over year. Average asking rates were flat during the second quarter when compared to first quarter rates, however have measured gains from one year earlier. At the close of the second quarter overall asking rates for office space stood at \$1.99 per square foot, full service. This is a 4.4% increase from the second quarter of 2017 when average asking rates stood at \$1.90 per square foot, full service.

Total vacant supply in the Downtown Sacramento market measured a decrease during the second quarter of the year. Totalling 1.5 million square feet at the close of the quarter, this amount of space translates to a vacancy rate of 8.3%. At the close of the second quarter, average asking rates stood at \$2.70 per square foot, full service, up 4.4% from an

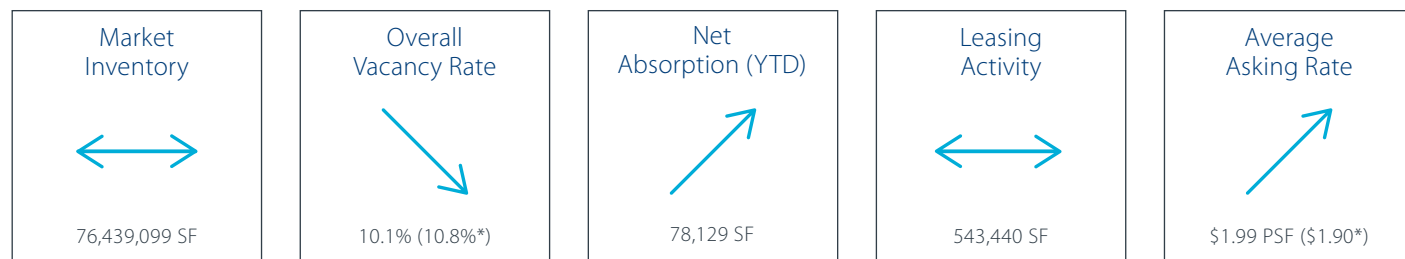
average of \$2.59 per square foot, full service one year earlier. The Downtown submarket offers the highest rents in the Sacramento Valley, at nearly a 36% premium to the overall Sacramento average asking rate.

The El Dorado Hills submarket recorded the highest level of new leasing activity of all the submarkets within the region during the second quarter, totaling over 79,000 square feet of positive net absorption. During the quarter, Slidebelts Inc. signed a new lease in the El Dorado Hills submarket for more than 58,000 square feet of office space at 5275 Robert J Mathews Prky. Average asking rates in the submarket are on par with the region. At the close of the second quarter, average asking rates totaled \$1.97 per square foot, full service, up 5.0% from one year earlier.

The Sacramento Valley continues to benefit from job growth that largely outpaces the national average. With little new inventory in the pipeline, it is expected that tenant demand will continue to outpace supply. As a result, asking rates will continue to rise across all submarkets, making those which offer tenants a discount more attractive throughout 2018.

## Market Snapshot

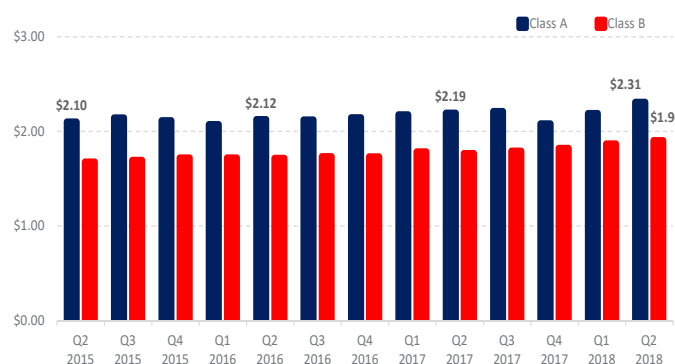
After nearly a decade with no new speculative development in the Sacramento Valley office market, Bannon Investors anticipates breaking ground at 2555 Natomas Park Drive, a 90,000 square foot Class A development during the third quarter of 2018. This is a significant indicator of the health of the South Natomas submarket and the confidence that developers have in the continued growth in tenant demand.



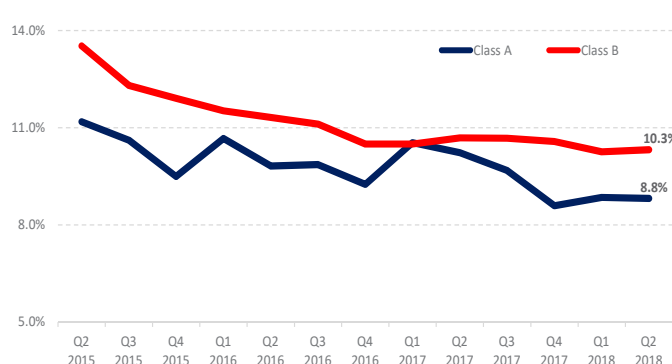
\*Compared to one year earlier



### Historical Asking Rental Rate (FSG)



### Historical Vacancy



## Market By The Numbers

SUBMARKET	Total RBA (SF)	Direct Avail Space (SF)	Sublet Avail Space (SF)	Vacancy Rate A	Vacancy Rate B	Avail Rate A	Avail Rate B	Net Absorp (SF)	Average Asking Rent (F\$)		
									Total	Class A	Class B
Auburn/Lincoln	863,712	32,560	0	N/A	3.5%	N/A	8.3%	-1,000	\$1.90	N/A	\$2.24
Roseville/Rocklin	9,331,960	781,412	25,759	7.5%	8.8%	16.8%	17.0%	-63,076	\$1.95	\$2.19	\$1.82
Natomas/Northgate	6,131,099	627,297	28,859	10.0%	8.9%	12.8%	13.7%	24,144	\$1.81	\$2.06	\$1.65
Rio Linda/North Highlands	819,294	236,196	0	N/A	13.6%	N/A	13.6%	-32,472	\$1.53	N/A	\$1.20
Citrus Heights/Orangevale	1,022,867	106,566	0	0.0%	14.4%	0.0%	14.6%	-2,257	\$1.51	N/A	\$1.74
Folsom	4,104,291	214,567	0	4.8%	4.8%	6.5%	9.0%	38,719	\$1.97	\$2.21	\$1.79
Watt Ave	2,151,435	198,703	7,361	N/A	11.8%	N/A	14.5%	11,480	\$1.51	N/A	\$1.67
El Dorado Hills	1,086,173	225,445	4,050	45.0%	16.3%	58.8%	18.2%	79,362	\$1.97	\$1.94	\$2.09
Sacramento- Midtown	3,167,470	271,188	13,063	13.3%	3.5%	13.8%	4.6%	51,251	\$2.34	\$2.90	\$2.48
Sacramento-Downtown	18,357,369	1,517,884	24,311	6.6%	13.7%	7.8%	18.7%	37,688	\$2.70	\$2.99	\$2.44
Point West	2,535,693	295,679	15,362	10.2%	14.2%	16.7%	17.9%	40,296	\$1.89	\$2.03	\$1.83
West Sacramento	1,837,717	116,807	0	0.3%	14.6%	12.5%	18.4%	0	\$1.80	\$1.70	\$1.88
East Sacramento	2,266,388	107,191	0	N/A	2.1%	N/A	2.1%	1,362	\$2.56	N/A	\$2.58
Highway 50 Corridor	16,229,673	1,810,132	91,674	10.9%	10.5%	11.7%	16.7%	-75,300	\$1.67	\$1.92	\$1.61
Howe Ave	1,804,068	390,706	5,244	64.5%	20.1%	72.8%	22.7%	-100,302	\$1.68	\$1.85	\$1.57
Campus Commons	1,061,382	171,293	4,500	13.1%	16.8%	16.3%	24.8%	399	\$2.17	\$2.75	\$2.16
South Sacramento	2,269,103	293,825	0	N/A	13.0%	N/A	13.1%	2,076	\$1.61	N/A	\$1.75
Davis/Woodland	1,399,405	67,531	6,876	7.5%	7.2%	14.7%	10.7%	-20,480	\$2.25	\$2.63	\$1.96
<b>TOTAL</b>	<b>76,439,099</b>	<b>7,464,982</b>	<b>227,059</b>	<b>8.8%</b>	<b>10.3%</b>	<b>11.3%</b>	<b>15.1%</b>	<b>-8,110</b>	<b>\$1.99</b>	<b>\$2.31</b>	<b>\$1.90</b>

## Sacramento Valley Team

## Office Group

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