

# Sacramento Valley



## Quick Stats

**6.8%**

Class A Vacancy

**9.5%**

Class B Vacancy

**\$2.33 FS**

Class A Average Asking Rate

**\$1.97 FS**

Class B Average Asking Rate

The Sacramento Valley office market has been pretty consistent during the first half of 2019. This quarter, the amount of available vacant space slightly increased, weighted average asking rates remained fairly stable, and the office market as a whole, only measured an occupancy loss of 136,027 square feet.

Sacramento Valley's office market ended the second quarter with a vacancy rate of 8.3%, which is slightly higher than last quarter's 8.2% rate; however, it is 150 basis points lower than the 9.8% vacancy rate seen this time last year proving just how desirable the office space within Sacramento Valley is. Average weighted asking rates have been slowly rising and finally crossed the \$2.00 threshold this quarter with the total average asking rate for Sacramento Valley ending at \$2.01 per square foot, fully serviced. This is a 1.0% increase from last quarter, a 4.0% increase from this time last year, and a 9.2% increase from two years ago.

Sacramento Valley only saw one major sale transaction during the second quarter of 2019. Boyd Watterson Asset Management acquired Benvenuti Plaza, a 399,636 square foot property located at 1515 S Street in Sacramento, from Hines Securities, Inc. Boyd acquired the entire

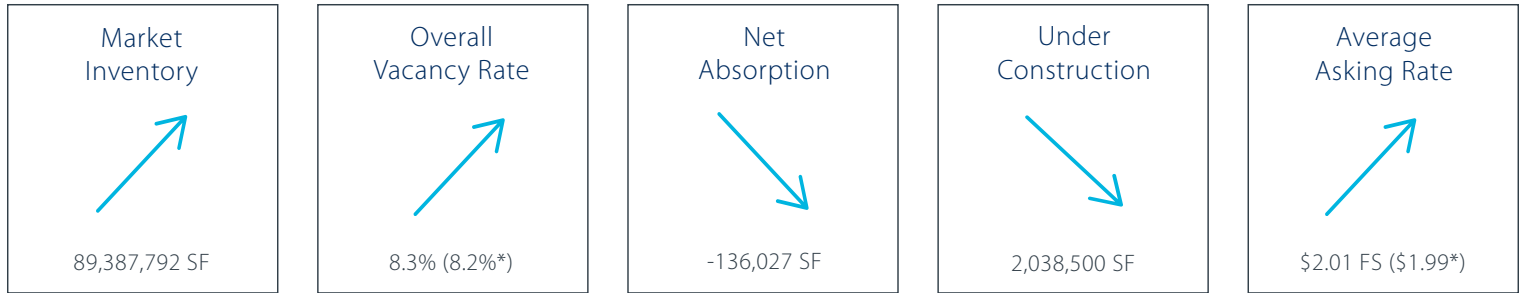
property for a total of \$109.3 million, which translates to \$273 per square foot. Hines had previously purchased that property in May of 2016 for \$68.5 million, meaning this new transaction was an overall increase of 32.5% in sale price in just three years.

Rates aren't the only thing that is increasing within Sacramento Valley. The skyline is also constantly evolving due to the many different projects, proposed and approved, within the office pipeline. As of right now, there is approximately 7.65 million square feet of planned developments and 2.0 million square feet currently under construction in Sacramento Valley, with 750,000 square feet estimated to be completed later this year.

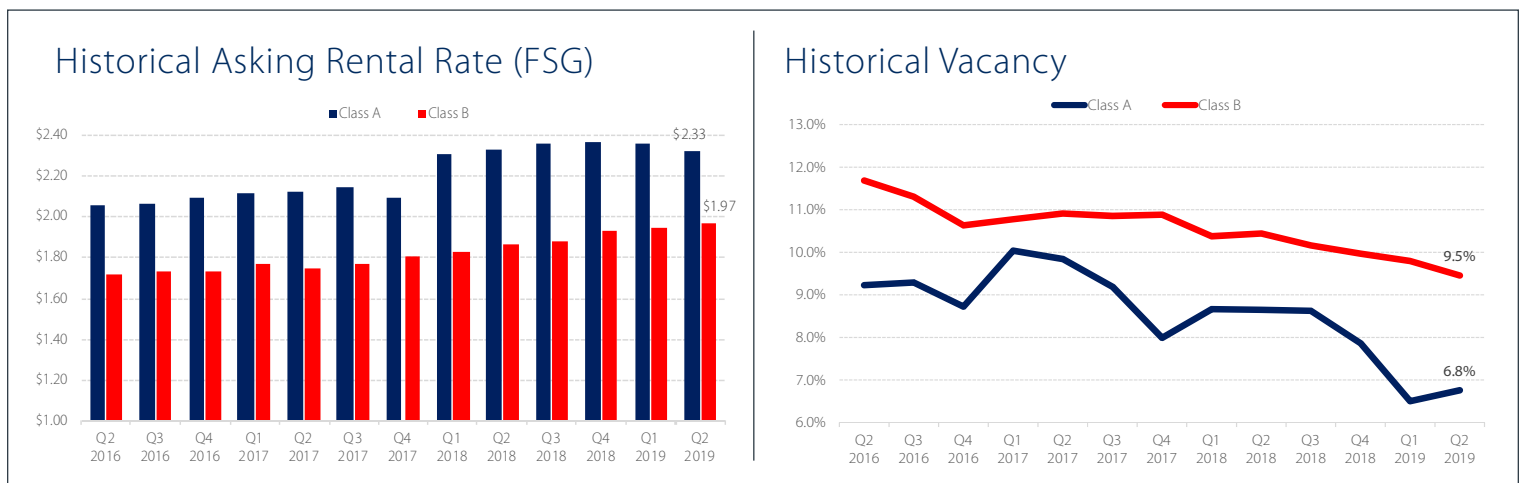
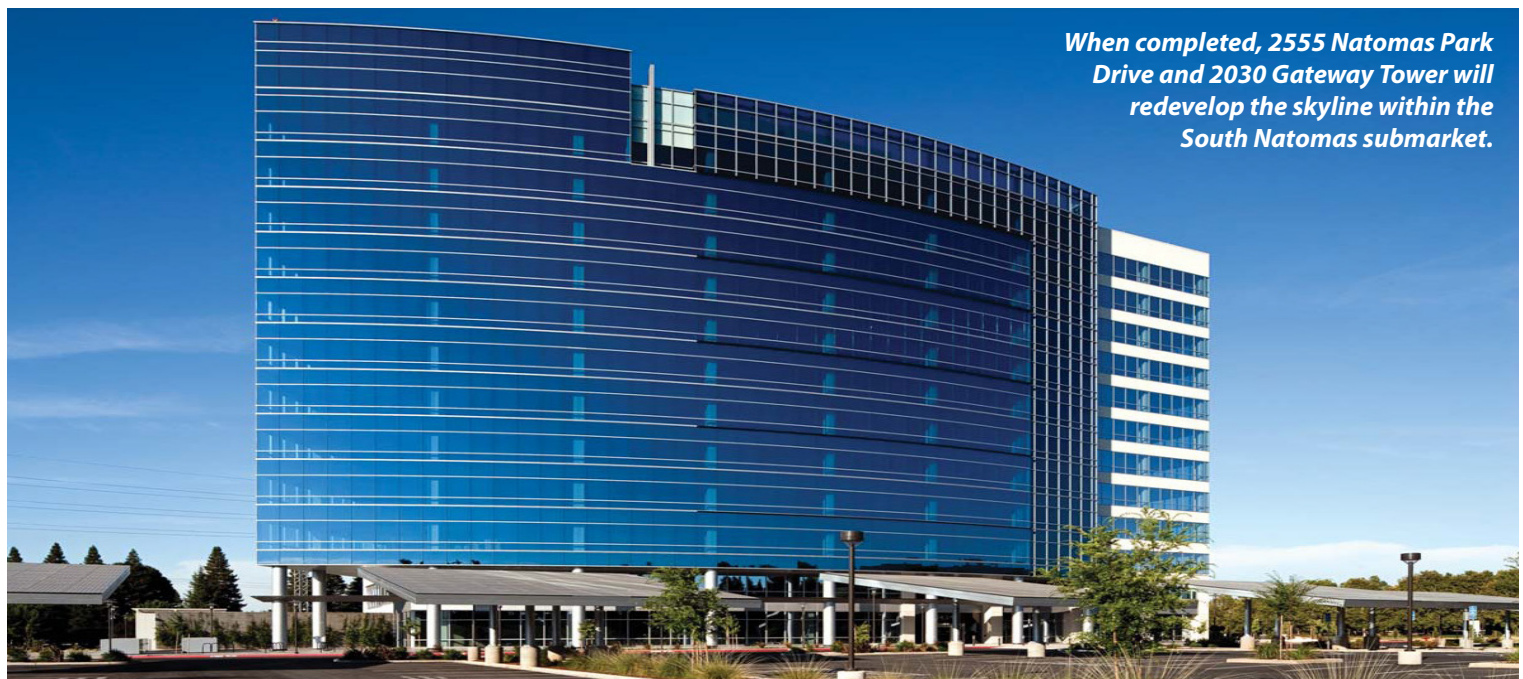
The economy within Sacramento Valley has remained steady with a respectively low unemployment rate. As of May 2019, the U.S. Bureau of Labor Statistics noted an unemployment rate of 3.1% in Sacramento Valley, which is 100 basis points lower than last quarter's rate of 4.1%. For comparison, both the state of California and the U.S. marked unemployment rates marginally higher than Sacramento Valley, ending the quarter at 3.5% and 3.6% respectively.

## Office Market Snapshot

In a few years, the Natomas market will be unrecognizable due to the many developments already in the pipeline. While N. Natomas remains in the planning stages with over 2.1 million square feet of proposed projects, S. Natomas has already begun to rebuild. A 3-story 90,000 square foot office building at 2555 Natomas Park Drive is currently under construction with an estimated completion date of later this year. Once completed, a new 12-story Class A, LEED Certified office building at 2030 Gateway Tower is expected to move forward in construction, which would bring an additional 327,000 square feet to the S. Natomas market in late 2021.



\*Compared to previous quarter



## Market By The Numbers

SUBMARKET	Total RBA (SF)	Direct Avail Space (SF)	Sublet Avail Space (SF)	Vacancy Rate		Avail Rate		Net Absorp. (SF)	Avg. Asking Rent (FS)		
				Class A	Class B	Class A	Class B		Total	Class A	Class B
Auburn/Lincoln	1,386,704	64,306	-	-	5.3%	-	9.2%	13,047	\$1.88	-	\$2.23
Roseville/Rocklin	11,139,391	990,855	42,993	8.5%	9.2%	17.9%	15.1%	177,350	\$1.94	\$2.10	\$1.88
North Natomas	2,891,095	321,478	4,111	8.1%	10.8%	7.8%	5.9%	(371,064)	\$1.66	\$2.01	\$1.56
South Natomas	3,694,048	236,933	33,446	9.2%	4.4%	17.0%	0.0%	63,724	\$2.22	\$2.24	\$2.18
Rio Linda/North Highlands	1,018,415	210,437	-	-	1.6%	-	32.9%	24,133	\$1.73	-	\$1.46
Citrus Heights/Orangevale	1,502,796	117,672	-	-	10.4%	-	12.0%	16,843	\$1.44	-	\$1.60
Folsom	4,784,185	242,987	12,171	5.7%	5.7%	6.5%	8.9%	41,576	\$2.09	\$2.33	\$1.95
Watt Ave	2,384,755	221,689	8,415	-	12.4%	-	14.7%	(23,722)	\$1.74	-	\$1.90
El Dorado Hills	1,360,244	147,024	4,050	26.7%	8.3%	44.1%	18.1%	(9,389)	\$2.11	\$2.01	\$2.23
Sacramento- Midtown	5,072,623	322,683	8,512	4.6%	9.0%	7.7%	10.6%	12,513	\$2.28	\$2.60	\$2.05
Sacramento-Downtown	20,236,219	1,366,735	16,685	3.9%	13.2%	7.8%	17.6%	31,104	\$2.70	\$3.18	\$2.55
Point West	2,709,855	329,859	16,516	13.8%	15.1%	16.8%	18.5%	(3,512)	\$1.96	\$2.09	\$1.94
West Sacramento	2,020,487	183,269	-	-	19.6%	-	28.4%	(61,839)	\$1.78	-	\$1.81
East Sacramento	2,487,959	27,812	-	-	1.3%	-	1.9%	11,584	\$2.66	-	\$2.67
Highway 50 Corridor	17,487,206	1,593,799	39,393	9.3%	8.8%	11.3%	17.1%	118,760	\$1.70	\$1.97	\$1.66
Howe Ave	2,724,533	380,566	-	25.3%	12.4%	72.8%	16.2%	332,762	\$1.67	\$1.95	\$1.62
Campus Commons	1,285,841	197,761	2,308	13.1%	17.3%	16.3%	25.6%	(21,091)	\$2.21	\$2.65	\$2.21
South Sacramento	3,074,915	193,279	-	-	8.4%	-	9.5%	90,637	\$1.65	-	\$1.79
Davis/Woodland	2,126,521	80,776	3,598	5.8%	3.8%	16.4%	9.3%	26,379	\$1.87	\$2.70	\$1.89
<b>TOTAL</b>	<b>89,387,792</b>	<b>7,229,920</b>	<b>192,198</b>	<b>6.8%</b>	<b>9.5%</b>	<b>9.6%</b>	<b>14.4%</b>	<b>(136,027)</b>	<b>\$2.01</b>	<b>\$2.33</b>	<b>\$1.97</b>

## Significant Sale Transactions

Buyer	Building	Submarket	Square Feet	Sale Price
Boyd Watterson Asset Management	Benvenuti Plaza	Sacramento	399,636	\$109,271,000
Woodside Capital Partners	3636-3640 American River Drive	Sacramento	113,860	\$9,555,000
D & S Development, Inc	1725 23rd Street	Sacramento	38,400	\$8,000,000
Daniel Buckley / Janet Brayer	7911 Laguna Boulevard	Elk Grove	9,800	\$6,755,000
Inter-Cal / Bollinger Properties	4420 Auburn Boulevard	North Highlands	33,190	\$6,692,000



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