

MARKET FUNDAMENTALS

	YOY Chg	Outlook
13.6% Vacancy Rate		
156K YTD Net Absorption, SF		
\$2.15 Asking Rent, PSF <i>(Overall, All Property Classes)</i>		

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.1M Sacramento MSA Employment		
4.8% Sacramento MSA Unemployment Rate		
4.2% U.S. Unemployment Rate		

Source:BLS
Q3 2026

ECONOMY

Sacramento’s labor market remained relatively stable through Q3 2026, with total employment holding near 1.1 million jobs. The unemployment rate improved to 4.8% in Q3 2026, down from 4.9% in the prior quarter and 5.1% one year ago, indicating modest labor market strengthening despite ongoing economic uncertainty.

DEMAND

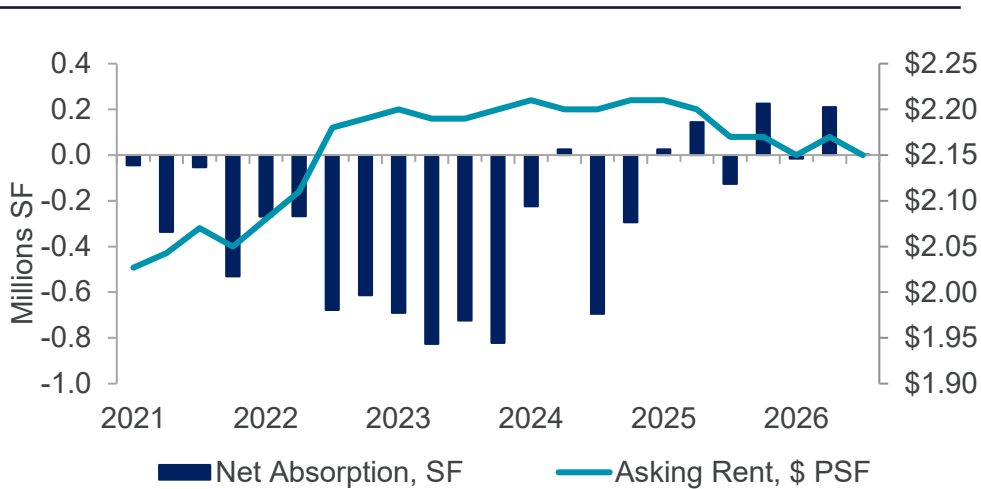
The Sacramento office market posted just over 5,000 square feet (sf) of positive net absorption in Q3 2026, bringing year-to-date (YTD) absorption to nearly 156,000 sf. Leasing activity totaled approximately 482,000 sf during the quarter, bringing the YTD total to 1.2 million square feet (msf).

The quarter’s largest deal was Micron Technology’s 96,022-sf renewal at 2235 Iron Point Road in Folsom. Other notable renewals included Bank of America (36,433 sf) in the Downtown submarket, UC Davis (26,250 sf) in South Sacramento and the State of California (26,158 sf) in North Natomas. Kimley-Horn signed a new 19,634-sf lease, relocating from 555 Capitol Mall to 500 Capitol Mall, expanding by more than 5,000 sf.

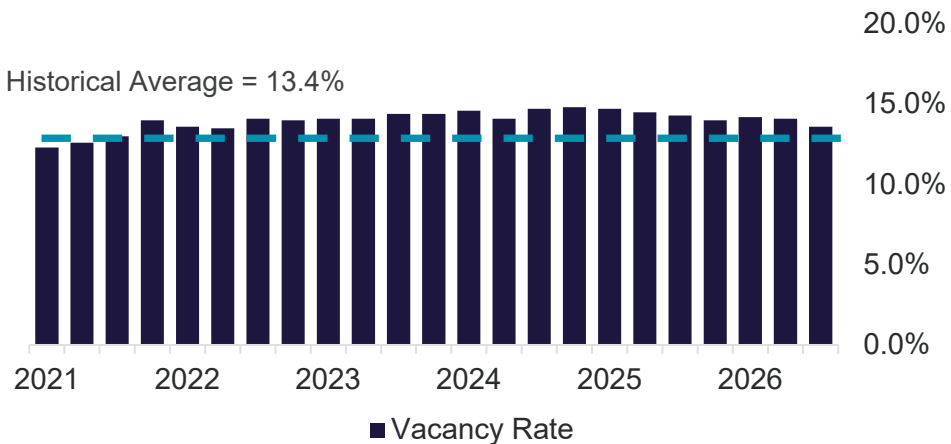
The region’s active pipeline of tenant requirements grew 15.2% quarter over quarter to 1.8 msf, a positive signal for future leasing activity. New requirements from state and other government agencies totaled roughly 355,000 sf, although many searches continued to advance slowly as departments evaluated long-term space needs and budget priorities. Excluding state agency searches, demand was concentrated among professional services and healthcare users, which comprised the bulk of remaining active requirements.

Overall, demand remained active but selective, with renewals accounting for 40.6% of YTD leasing activity. Tenants continued to prioritize building quality, amenities and operational efficiency, contributing to an ongoing flight to quality. Renewals and rightsizing strategies continued to represent a significant share of market activity and reinforced the measured pace of leasing decisions. The market’s comparatively stable vacancy continued to reflect its government and quasi-government tenant base, which operates with longer planning horizons and lower occupancy volatility than many private-sector users.

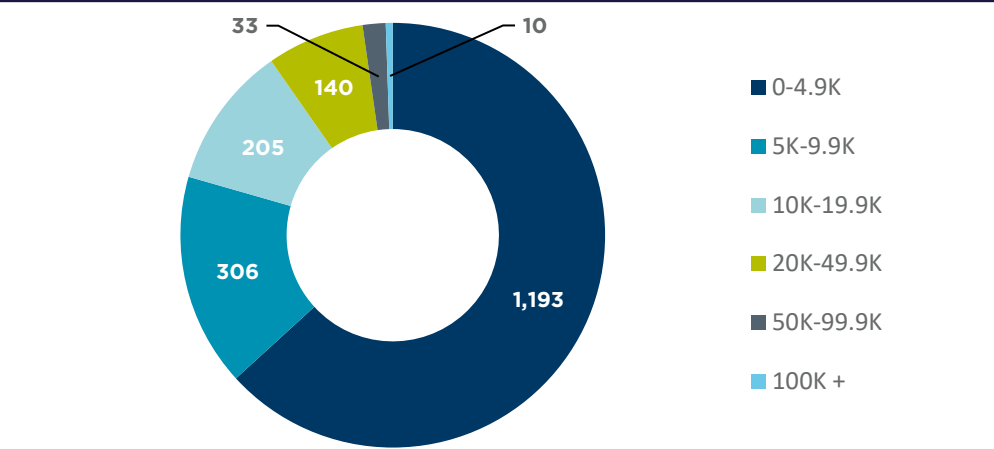
OVERALL NET ABSORPTION / OVERALL ASKING RENT



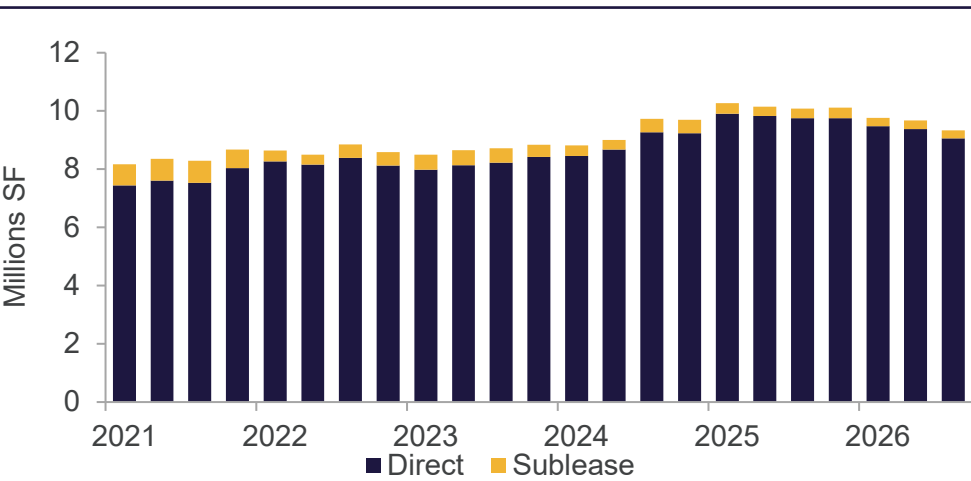
OVERALL VACANCY



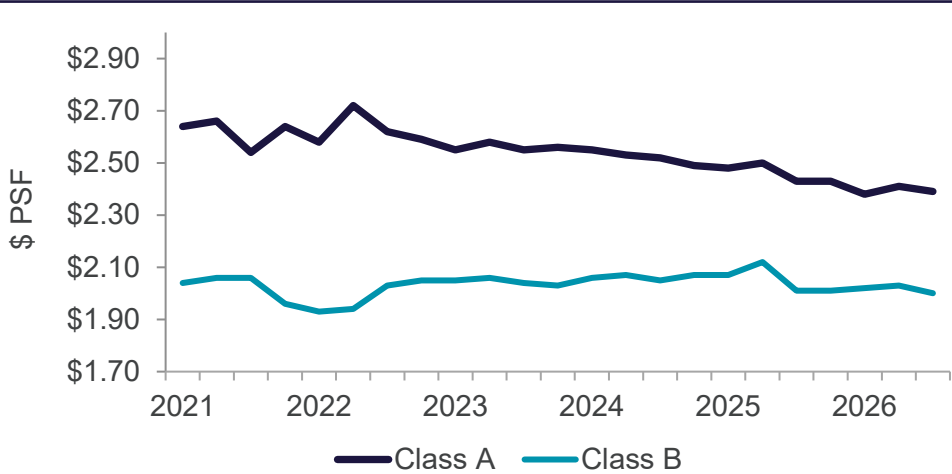
AVAILABILITIES BY SIZE SEGMENT



DIRECT VS. SUBLEASE VACANT SPACE COMPARISON



AVERAGE ASKING RATE BY CLASS



SUPPLY

Overall vacancy in the Sacramento office market declined to 13.6% in Q3 2026 from 14.1% in the prior quarter and 14.3% one year ago, reaching its lowest level since Q2 2022. Vacancy has trended lower since Q1 2026, moving closer to a 12-year historical average of 13.4%. Sublease vacancy fell to 269,000 sf, its lowest level since 2018.

Positive absorption during the quarter was concentrated in the Highway 50 Corridor and South Natomas, which recorded 41,712 sf and 34,417 sf, respectively. Roseville/Rocklin closed Q3 with a 10.2% vacancy rate, remaining near sub-10% territory and reinforcing the submarket’s relative strength among suburban office markets. Its YTD absorption of nearly 60,000 sf was the highest in the market. While leasing activity generated modest positive absorption, owner-user sales played an equally important role in lowering vacancy. Cushman & Wakefield does not include owner-occupied or government-owned buildings in its statistical inventory, so the purchase of vacant office stock removes it from both vacant space and inventory. Tracked inventory declined by approximately 205,000 sf in Q3, led by the City of West Sacramento’s purchase of 750 Riverpoint Drive, a fully vacant 100,000-sf building previously marketed for lease that the City’s Police Department is expected to occupy. West Sacramento vacancy declined to 3.5% from 9.5% as a result.

PRICING

The overall average asking rent declined to \$2.15 per square foot (psf) on a monthly, full-service basis in Q3 2026, reversing the increase recorded in the prior quarter. The decline reflected lower rates in several submarkets, most notably Davis/Woodland and West Sacramento, rather than rising vacancy in lower-cost submarkets such as the Highway 50 Corridor, where vacancy declined.

Downtown Class A rents declined slightly but remained the highest in the market. Limited availability within Downtown’s Core Four office towers, where rents averaged \$3.70 psf, continued to highlight tenant demand for well-located, high-quality assets.

CAPITAL MARKETS

Investment sales maintained momentum in Q3 2026, with eight transactions exceeding 20,000 sf totaling \$68.9 million over 412,000 sf. This marked a substantial increase in average transaction size from Q3 2025, when eight transactions totaled \$39.7 million and 291,000 sf. The average sale price was \$167 psf, and YTD sales volume reached \$148.1 million across 22 transactions. The largest transaction was Global Net Lease’s \$23.6 million, or \$222-psf, purchase of 10391 Peter A. McCuen Boulevard in the Highway 50 Corridor as part of a 45-property portfolio. Although pricing remained below prior-cycle levels, Sacramento continued to experience fewer distressed asset sales than many other Northern California markets.

OUTLOOK

- Beyond traditional office tenancy, life sciences, healthcare, and tech-oriented users are expected to play an increasingly important role in Sacramento’s office demand recovery, with these sectors well positioned to attract expansion and relocation activity from higher-cost markets seeking access to a talented and diversified workforce
- Vacancy has declined to its lowest level since 2022 and continues to move toward historical norms, supported by stable public sector occupancy and limited tenant downsizing activity relative to larger Northern California office markets
- Premium Downtown assets are expected to continue outperforming the broader market as limited availability and sustained tenant demand support pricing within the Core Four towers

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Downtown Sacramento	11,488,993	1,881,053	20,348	16.5%	3,381	-29,867	236,908	0	\$2.87	\$3.30
Campus Commons	1,512,008	99,281	0	6.6%	-12,497	-12,099	14,822	0	\$2.36	N/A
Carmichael / Fair Oaks	854,482	124,981	0	14.6%	-4,344	-23,102	2,924	0	\$1.96	N/A
Citrus Heights / Orangevale	1,361,040	98,777	0	7.3%	-1,338	5,676	26,228	0	\$1.68	N/A
Auburn / Lincoln	1,240,059	50,454	0	4.1%	158	3,443	16,027	0	\$1.68	N/A
Davis/Woodland	1,960,912	149,906	0	7.6%	-11,400	592	18,677	0	\$2.57	\$2.50
East Sacramento	1,813,549	192,104	3,645	10.8%	-1,760	34,765	21,379	0	\$3.14	N/A
El Dorado Hills	1,581,504	223,264	0	14.1%	-3,968	-2,983	29,249	0	\$2.02	N/A
Elk Grove	1,433,190	33,093	15,238	3.4%	4,042	8,336	17,960	0	\$3.22	\$2.93
Folsom	3,260,643	221,263	18,233	7.3%	5,734	29,609	77,843	0	\$2.70	\$2.54
Highway 50	12,971,955	2,473,353	89,055	19.8%	41,712	45,153	203,813	0	\$1.79	\$1.87
Howe / Fulton / Watt	3,463,530	529,288	98,000	18.1%	-5,647	-22,636	24,620	0	\$1.59	\$1.87
Midtown	2,745,426	218,290	2,337	8.0%	-14,904	-20,573	11,473	0	\$2.29	\$2.75
North Natomas	3,135,216	278,895	5,400	9.1%	-5,461	12,395	50,790	0	\$1.85	\$2.03
Point West	2,521,635	517,466	527	20.5%	-1,416	8,762	66,110	0	\$1.86	\$2.15
Roseville / Rocklin	9,722,799	985,396	2,485	10.2%	-2,322	59,956	244,305	0	\$2.23	\$2.32
South Natomas	3,383,908	811,157	13,641	24.4%	34,417	22,227	72,791	0	\$2.39	\$2.41
South Sacramento	2,126,134	118,709	0	5.6%	-20,481	-14,118	21,396	0	\$1.63	N/A
West Sacramento	1,896,062	66,251	0	3.5%	1,150	49,989	59,047	0	\$1.80	N/A
MARKET TOTALS	68,473,045	9,072,981	268,909	13.6%	5,056	155,525	1,216,362	0	\$2.15	\$2.39

*Rental rates reflect full service asking

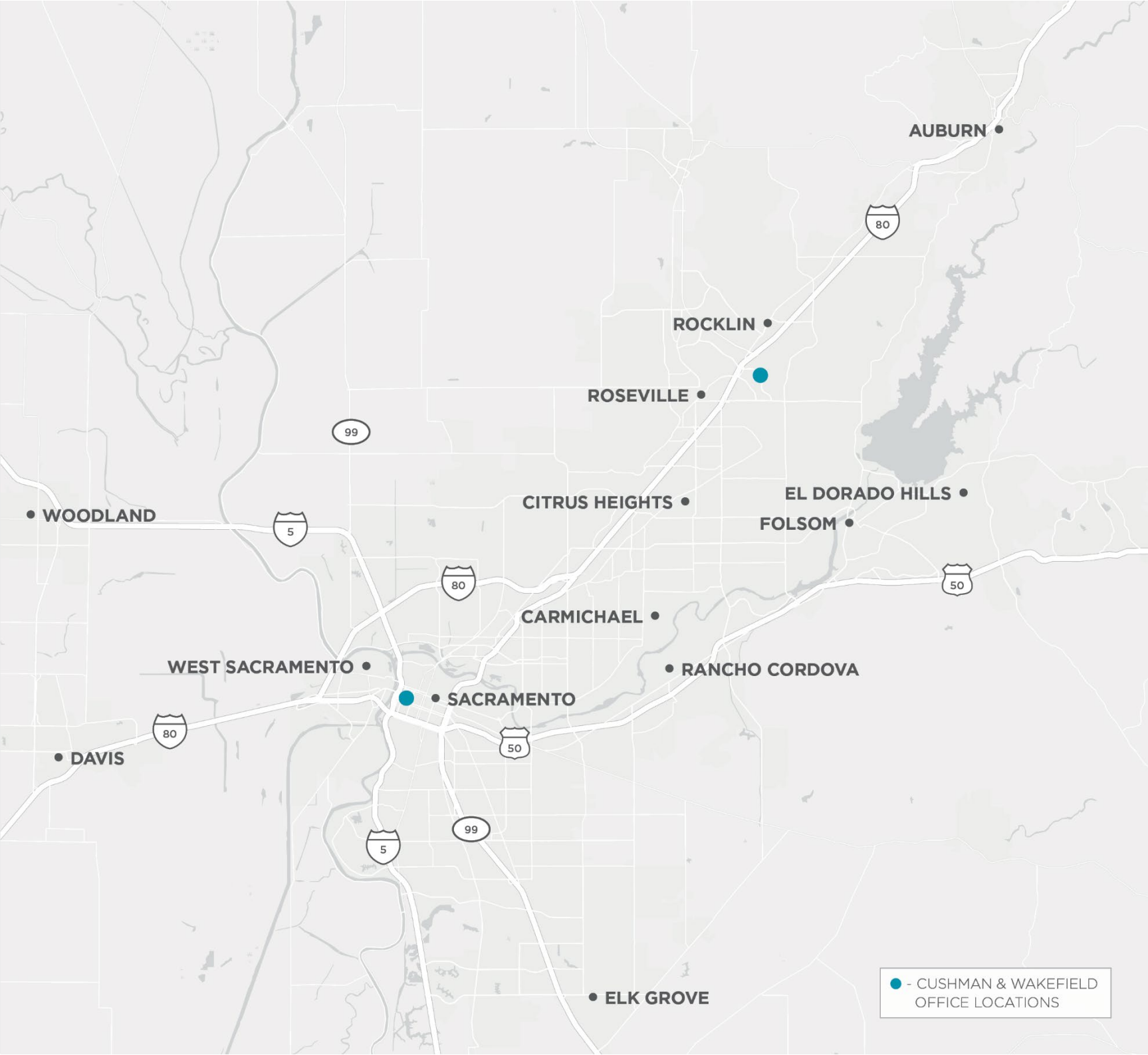
KEY LEASE TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2235 Iron Point Road	Folsom	Micron Technology	96,022	Renewal
555 Capitol Mall	Downtown	Bank of America	36,433	Renewal
2516 Stockton Boulevard	South Sacramento	UC Davis	26,250	Renewal
2420 Del Paso Road	North Natomas	State of California	26,158	Renewal
500 Capitol Mall	Downtown	Kimley Horn	19,634	New Lease

KEY SALES TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
10391 Peter A. McCuen Boulevard	Highway 50	Modiv Industrial Inc / Global Net Lease	106,592	\$23.6M / \$222
750 Riverpoint Drive	West Sacramento	Toor Capital / City of West Sacramento	100,000	\$11.0M / \$110
1386 Lead Hill Boulevard	Roseville / Rocklin	MCR Companies / JLL Income Property Trust	42,195	\$19.0M / \$450
2101 K Street	Midtown	K Street Highland Ventures / Welbe Health	25,600	\$7.8M / \$305

SACRAMENTO OFFICE MARKET



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METHODOLOGY
Cushman & Wakefield’s quarterly statistics are derived from a variety of data sources, including its own proprietary database, third party data sources and members of the commercial real estate community. The market statistics are calculated by analyzing building inventory consisting of office properties 10,000 + square feet, all classes and market wide. Owner-occupied, government-owned, and medical buildings are not included.