

SACRAMENTO OFFICE MARKET

Yardi® Matrix

Market Analysis

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Office Market Gains Momentum



Sacramento's office market is picking up, fueled by a recovering office-using employment sector, growing demographics and increasing leasing activity. Demand is bolstered primarily by public initiatives—such as the Mayor's Office for Innovation and Entrepreneurship's multimillion-dollar programs—that aim to transform the metro into a startup- and entrepreneur-friendly market.

Some 15,500 new jobs were added year-to-date through October. Office-using jobs **account for 20.5%** of Sacramento's total employment pool of more than 970,000 jobs. Job growth has been moderate in the metro; gains in the leisure and hospitality sector (5,900 new jobs added year-to-date through October) and education and health services (4,500) have been offset by losses in other sectors, such as manufacturing and construction.

A shortage in development in recent years **pushed down the vacancy rate** across the metro to 13.9%. Vacancies are highest in suburban submarkets, which account for 72% of the metro's office inventory. Meanwhile, vacancy rates in the submarkets of Elk Grove (5.0%) and Roseville–Rocklin (9.9%) are well below the metro average.

Overconstruction in the late 2000s led to a significant slowdown in development in recent years. Only **110,000 square feet of office space** is scheduled for completion by the end of 2017, and less than 170,000 square feet is under construction. However, office development is expected to pick up, as companies continue to look for cheaper alternatives to Los Angeles and San Francisco.