

SACRAMENTO OFFICE MARKET

Yardi® Matrix

Market Analysis

Second Quarter 2019

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Private Sector Drives Growth



Sacramento's office market is making steady gains, with growth heavily concentrated in the suburban core. Benefiting from healthy demographic gains, the private sector is expanding in the metro, especially in health-care services. Additionally, the coworking scene is growing, with shared office space firms occupying 476,500 square feet across the metro, representing 0.9% of total office inventory. WeWork signed a 96,300-square-foot lease to open a new location at the Sacramento Kings' Downtown Commons.

Growth in the metro's office-using employment cooled off significantly during the 12 months ending in May, when only 800 jobs were added. That accounted for only 3.3% of the 24,100 jobs the metro gained during the period. The education and health services, and leisure and hospitality sectors saw the biggest increases, expanding by as much as 5.4% and gaining a combined 13,100 jobs. However, as a result of the private sector's rising momentum, it's likely office-using jobs could grow at a stronger rate over the coming quarters.

Rising demand and a limited availability of high-quality supply fueled more robust development activity, following four years of modest performance. With 68,700 square feet delivered in 2019 through June, developers are expected to complete an additional 149,100 square feet by year's end, setting deliveries up for their highest level in almost a decade. There were 660,000 square feet underway as of June, representing 1.2% of total inventory. Construction is mostly occurring in suburban submarkets, where Class B space remains prevalent.