

# SACRAMENTO OFFICE MARKET

Yardi® Matrix

## Market Analysis

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## Diversifying Economy Fuels Demand



Sacramento has traditionally been a stable market led by the state government, but the city has begun to diversify its economy by attracting companies in emerging industries such as health care, life sciences, mobility and civic technology. Examples of large corporations expanding in the metro include IBM and Centene Corp. IBM expanded into Aggie Square, a UC Davis-led innovation center in East Sacramento, while Centene has more than 500,000 square feet under construction at its campus in North Sacramento.

The metro gained 900 office-using jobs in the 12 months ending in August. The professional and business services sector grew by 700 jobs, followed by the financial activities sector with 600 jobs. The growth has helped fuel demand for office space. Absorption gained momentum in the second and third quarters, pushing the vacancy rate to 12.9% in September. Leasing activity was the most dynamic in the Downtown, Highway 50 Corridor and West Sacramento submarkets.

Although new deliveries remain limited, some large projects should help boost growth in Sacramento over the next few years. For example, the state has initiated a \$4 billion project to modernize and increase its office footprint. What's more, Sacramento has been awarded a Major League Soccer franchise, with plans to develop a large complex downtown, around the new \$250 million stadium. The mixed-use development, scheduled to open in 2022, will also include a state courthouse, a hospital, residential units, office space and hotel space.