

INVESTMENT FORECAST

Office
Sacramento

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2026

Regionally Leading Resident Inflows Accelerate Consumer Spending, Sustains Investor Engagement

Return-to-office policies poised to support downtown retail. While Sacramento's metrowide retail vacancy rate has not posted a year-over-year decline since 2021 — leaving the metro with the fifth highest vacancy level among major U.S. markets entering 2026 — early signs of stabilization are emerging. The California state government's return-to-office mandate requiring at least four days per week on-site is scheduled to take effect in the second half of the year. If implemented as planned, this should provide a meaningful boost to downtown foot traffic, supporting retail absorption that remained tepid last year. At the same time, Sacramento continues to benefit from steady population growth, in contrast to trends in many coastal California markets. More than 80 percent of this year's retail deliveries are already pre-leased and largely concentrated in big-box projects such as a Costco in Roseville and a Whole Foods in Elk Grove. That means incremental supply pressure will remain limited, setting the stage for near-term improvement in retail fundamentals across the metro.

Private buyers continue to dominate investment activity. At 6.5 percent, Sacramento recorded the highest average retail cap rate among major California metros last year, yet pricing remains roughly 30 basis points inside the national average. This yield advantage has drawn in-state capital seeking higher returns and lower entry points than those in Bay Area markets. As a result, more than 80 percent of total dollar volume was driven by private investors and owner-users in 2025. Investor appetite has also shifted toward older retail stock, with transactions involving properties built before 2000 rising by roughly 50 percent year-over-year in 2025, underscoring the metro's appeal to buyers pursuing value-add and higher-yield strategies.

2026 MARKET FORECAST

-0.2%



Employment: The pace of job losses in Sacramento is expected to slow in 2026, with net job losses of 2,000. Sectors showing growth include education, health care, leisure, and hospitality.

400,000
sq. ft.



Construction: Deliveries this year will be driven primarily by big-box openings, with total completions reaching roughly 80 percent of the metro's average annual volume over the past decade.

+20 bps



Vacancy: Net absorption is expected to improve in 2026 relative to last year, but remain outpaced by supply additions for a fifth consecutive year, pushing vacancy up to 6.7 percent.

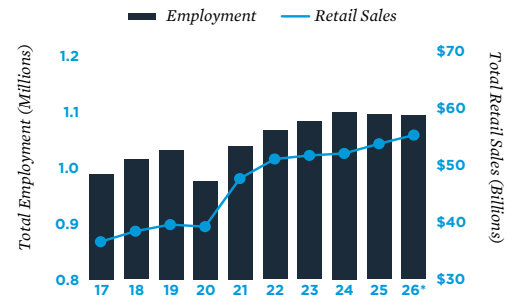
+1.7%



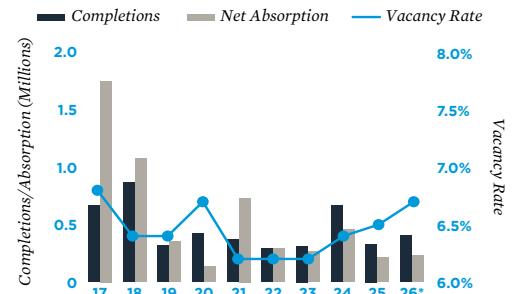
Rent: The average asking rent will continue its upward trajectory this year. By December, the rate is projected to reach \$18.65 per square foot, remaining the lowest among major California metros.

INVESTMENT: *Commuter rail expansions across the metro should drive incremental foot traffic beyond the core, with the opening of the Elk Grove station this year poised to boost the status of nearby retail assets.*

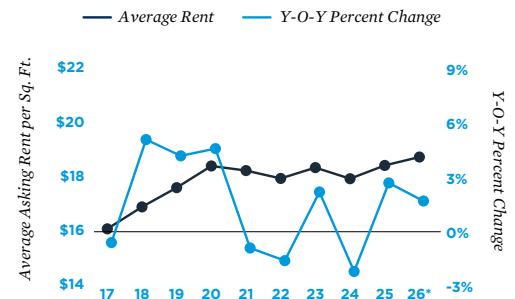
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 2026. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.