

INVESTMENT FORECAST

Office
Sacramento Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2026

Notable Slowdown in Construction Continues to Help Vacancy in Many Submarkets

Solid office demand contributes to improving operations. Developers added about 2.5 percent to the metro's total office inventory over the past two years, ranking among the top five major U.S. markets for supply growth. Still, absorption has held firm, supported in part by some Bay Area employers being willing to establish satellite offices in Sacramento to stay connected to hybrid workforces taking advantage of the metro's lower cost of living. As a result, the recent improvement in Bay Area office markets should have a limited impact on local demand. Sacramento enters this year with a vacancy rate 60 basis points below its historical average. It is projected to record the second-largest vacancy compression among all major U.S. markets in 2026, aided by a substantial decline in office space delivery this year. Major move-ins this year include a new AMD office in Folsom, as the metro's appeal to employers is further supported by UC Davis' expanding talent pipeline and growing reputation, especially in STEM majors.

Sales trends vary by submarket. The Highway 50 Corridor — the only area with a notable year-over-year increase in vacancy as of late 2025 — also recorded several sales of high-vacancy properties last year. With Class A vacancy here expected to remain around 30 percent this year, nearly twice the metrowide level, and Class B and Class C vacancies also elevated, private investors and owner-users are expected to remain active, taking advantage of discounted pricing due to weaker fundamentals. In contrast, transactions in the Roseville-Rocklin area may remain centered on assets that are close to fully occupied. With the second-highest cap rate, averaging 7.4 percent last year, and the lowest average price per square foot among major California metros, Sacramento remains attractive to investors seeking lower entry costs and long-term growth potential.

2026 MARKET FORECAST

-0.3%



Employment: Job losses are expected to slow this year, with gains in education and health care offset mostly by weakness in the manufacturing and professional and business services sectors.

200,000
sq. ft.



Construction: Deliveries are expected to slow sharply this year, rising by only 0.2 percent in total inventory — roughly one-eighth of the metro's peak delivery level in 2024.

-70 bps



Vacancy: Steady net absorption should drive the vacancy rate down to 13.0 percent by year-end, among the lowest in California and well below the national measure of 15.9 percent.

+0.9%

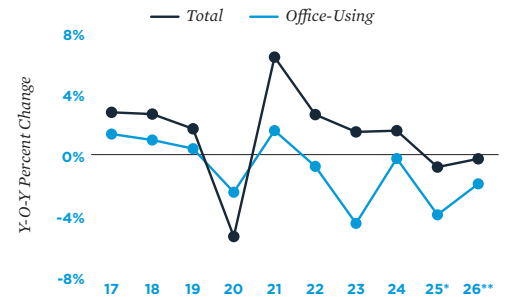


Rent: Ongoing vacancy compression should support modest rent growth. At \$25.65 per square foot, the average asking rent in Sacramento remains about 60 percent of the Bay Area average.

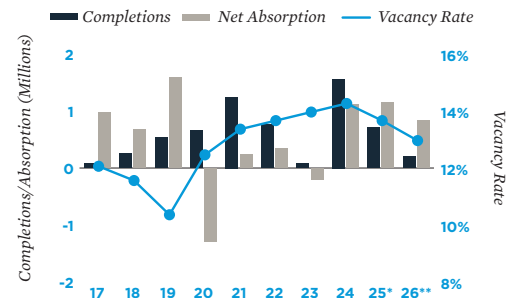
INVESTMENT:

The Railyards is creating early investment opportunities for downtown office assets, as medical expansion and ongoing infrastructure improvements should position the area for growing tenant interest.

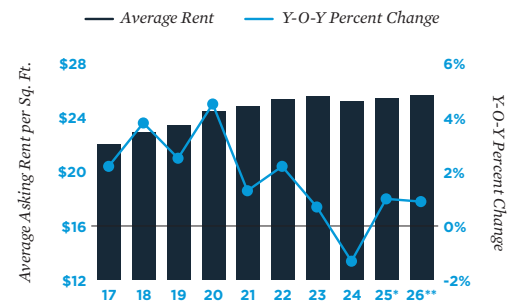
Employment Trends



Supply and Demand



Rent Trends



* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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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.