

Sacramento Office Highlights Q4 2009

Market activity driven by state agencies

The annual rate of job loss in the six-county Sacramento Region accelerated again in the fourth quarter of 2009, reaching a new low point for this recession at negative 5.4 percent, according to data from the Center for Strategic Economic Research (CSER). This job loss equates to more than 49,000 jobs in the regional economy over the past year, putting the Sacramento area back below both the statewide and national averages.

With office unemployment on the rise, we expect local office market fundamentals will continue to trend downward through mid-2010. Rising vacancy rates, maturing debt, depreciated asset values and distressed building sales have also become more prevalent.

Leasing activity

- PMC-Sierra, a leading provider of broadband communications, renewed their lease at 101 Creekside Drive in Roseville for approximately 40,000 square feet.
- International engineering firm HDR has recently leased 31,000 square feet of Class A office space at 2379 Gateway Oaks Drive in South Natomas. 2379 is one of the six buildings that make up the prominent, Class A, Natomas Gateway Corporate Center, which is 81.0 percent leased.
- Parsons Brinckerhoff signed a 30,000 square foot lease to take space at the newly-constructed, LEED® Silver certified, 2329 Gateway Oaks in South Natomas. Parsons will be the building's first tenant.
- The California Earthquake Authority renewed their lease at the Renaissance Tower for 21,353 square feet.
- Top-rated international law firm, Pillsbury has deviated from their traditional downtown habitat to lease approximately 15,000 square feet at the critically-acclaimed, and LEED Gold certified, 2600 Capitol Ave in Midtown.
- PMI Group, the national mortgage insurance company, has recently renewed their 16,410 square foot lease at 11050 White Rock Road in the Highway 50 Corridor.

- DLA Piper, a predominant international law firm, has recently completed a short-term renewal of 15,021 square feet at their current location; 400 Capitol Mall.
- The Rezolve Group has occupied 14,250 square feet in regional landlord Ethan Conrad's office property located at 1300 National Drive in North Natomas.

Tenants in the market

- The State of California Child Support Services is searching the Highway 50 Corridor, reportedly for 200,000 square feet.
- The State of California has provided ACS with a notice of intent to award the State medical contract. ACS is now tasked with beginning the search for 180,000 square feet of office space.
- Bank of America is currently touring the Highway 50 market for approximately 140,000 square feet.
- The State of California Technology Services is looking for 70,000 square feet, also in the Highway 50 Corridor.
- The Board of Equalization is rumored to have secured a deal for approximately 70,000 square feet of space at 621 Capitol Mall, leasing floors 20 through 24. If the rumored deal is in fact accurate, 621 Capitol Mall's vacancy would be reduced by nearly half, dropping from 33.8 percent to 17 percent.
 - The Board of Equalization is also believed to be looking at 2020 West El Camino in the South Natomas submarket for another 70,000 square foot office requirement.

Sales activity

- The CIM Group recently purchased 980 9th Street (453,901 square feet, Class A) from TIAA-CREF. The building is located within the CBD and is currently 88.5 percent leased.
- HRPT is currently in escrow for 915 L Street (151,803 square feet, Class A), which is situated directly across from the Capitol in one of the most desirable locations within the Sacramento CBD. The building is currently 95.1 percent leased. TIAA-CREF purchased the building in 2003 for \$38.8 million.
- 10000 Goethe Road (126,000 square feet, Class B), occupied by the State of California, traded this October for a rumored price of \$20 million or \$159 per square foot.
- The California National Guard Headquarters (110,000 square feet, Class B) at 9300 Goethe Road was sold this quarter by Triple Net Properties to an unknown buyer for approximately \$16.4 million, (\$149 per square foot).