



GREATER SACRAMENTO'S

# MARKET MOMENTUM

2022

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How new investment, migration and industry-  
anchored developments are accelerating  
growth in Greater Sacramento

**NEWMARK**



GREATER SACRAMENTO  
ECONOMIC COUNCIL



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## INTRODUCTION

Greater Sacramento, the capital region of the world's fifth largest economy, is home to more than 2.6 million residents across six counties. Fueled by inbound migration, the region is one of the fastest growing in California and one of the most diverse in the country. Just 88 miles from the Bay Area, the region's talent pool is unmatched and investors are taking note. Over \$13 billion was invested in Greater Sacramento over the last five years – with roughly \$4 billion invested just in 2021. With all this activity, business relocation and expansion projects in the region jumped 19% in the past year alone.

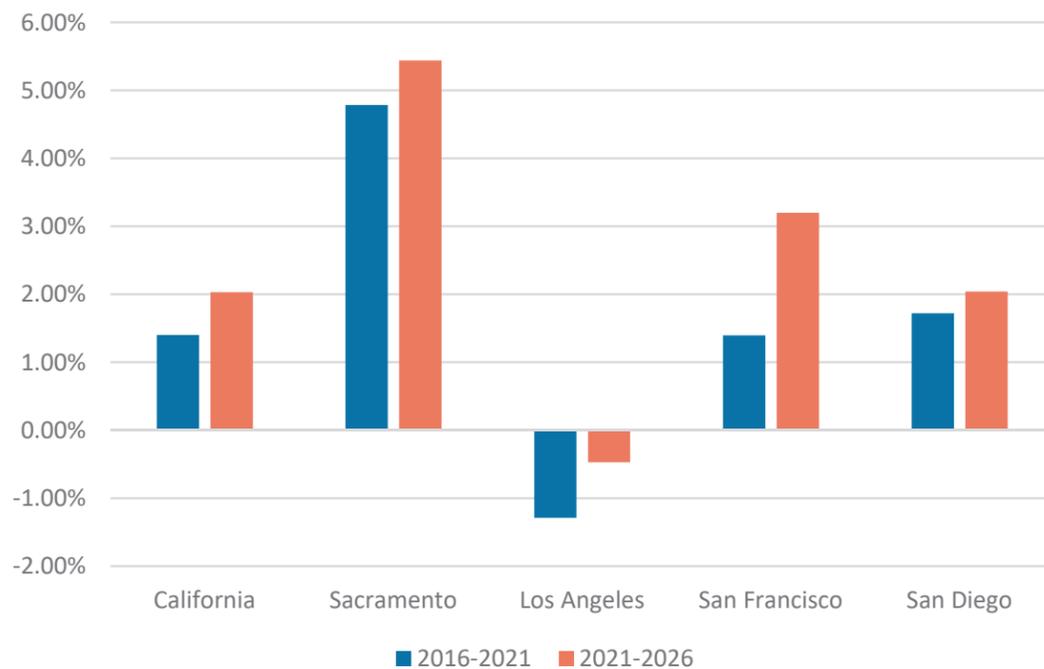
In spite of the economic setbacks imposed by the COVID-19 pandemic, Greater Sacramento's growth trajectory is set to go into overdrive over the next five years. Population growth and degree achievement are expected to accelerate and several world-class innovation centers and key developments will be taking root. The region is quickly becoming one of the hottest markets in the West and *the* place to do business in California.



# 01. POPULATION GROWTH

**THE GREATER SACRAMENTO REGION HAS GROWN TREMENDOUSLY OVER THE PAST FIVE YEARS AND IS EXPECTED TO GROW EVEN MORE OVER THE NEXT FIVE.** The region is growing faster than all major California markets and the state as a whole. Greater Sacramento has grown by about 5% since 2016, adding 117,783 net new residents. Greater Sacramento's growth is expected to accelerate over the next five years, increasing the population by 5.4%.

**CURRENT AND PROJECTED POPULATION GROWTH**



Source: Emsi Burning Glass Market Analytics, 2022

**AS MANY RE-EVALUATED WHERE THEY LIVED AND WORKED DURING THE COVID-19 PANDEMIC, GREATER SACRAMENTO BECAME A MAGNET FOR THOSE LOOKING TO RELOCATE.**

**THE REGION'S NET MIGRATION IN 2020 WAS**

**12,979**

**A 56% INCREASE OVER 2019.**  
Source: USPS

**#4**

**DESTINATION FOR RELOCATION IN THE COUNTRY**  
Source: Redfin Q4, 2021

**#1**

**DESTINATION FOR BAY AREA MOVERS**  
Source: Redfin Q4, 2021

**FOR EVERY 10,000 LINKEDIN MEMBERS IN THE SAN FRANCISCO BAY AREA,**

**3.85**

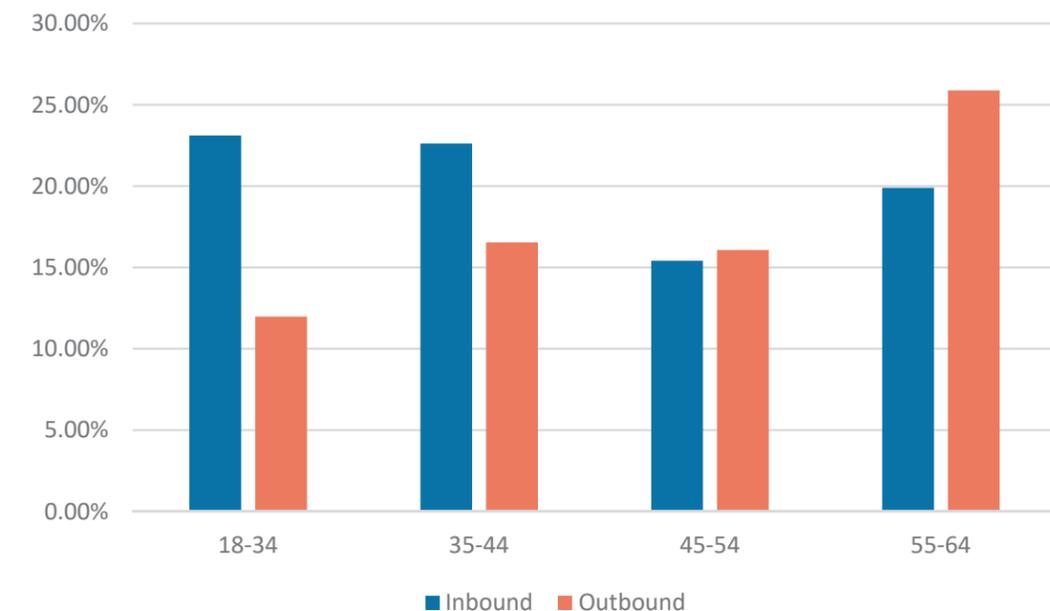
**MOVED TO GREATER SACRAMENTO IN 2021, MORE THAN SAN DIEGO, NEW YORK CITY AND DENVER.**

Source: LinkedIn

## A MAGNET FOR YOUNG TALENT

Both California and Greater Sacramento continue to be a draw for young talent. A 2021 United Van Lines national migration study showed a net positive migration to California of individuals between 18 and 44 years old. Here in Greater Sacramento, millennials (ages 25-39) make up the largest share of the region's population. The region has 543,534 millennials, more than the national average of 525,754 for a similar sized market.

**CALIFORNIA MIGRATION 2021**



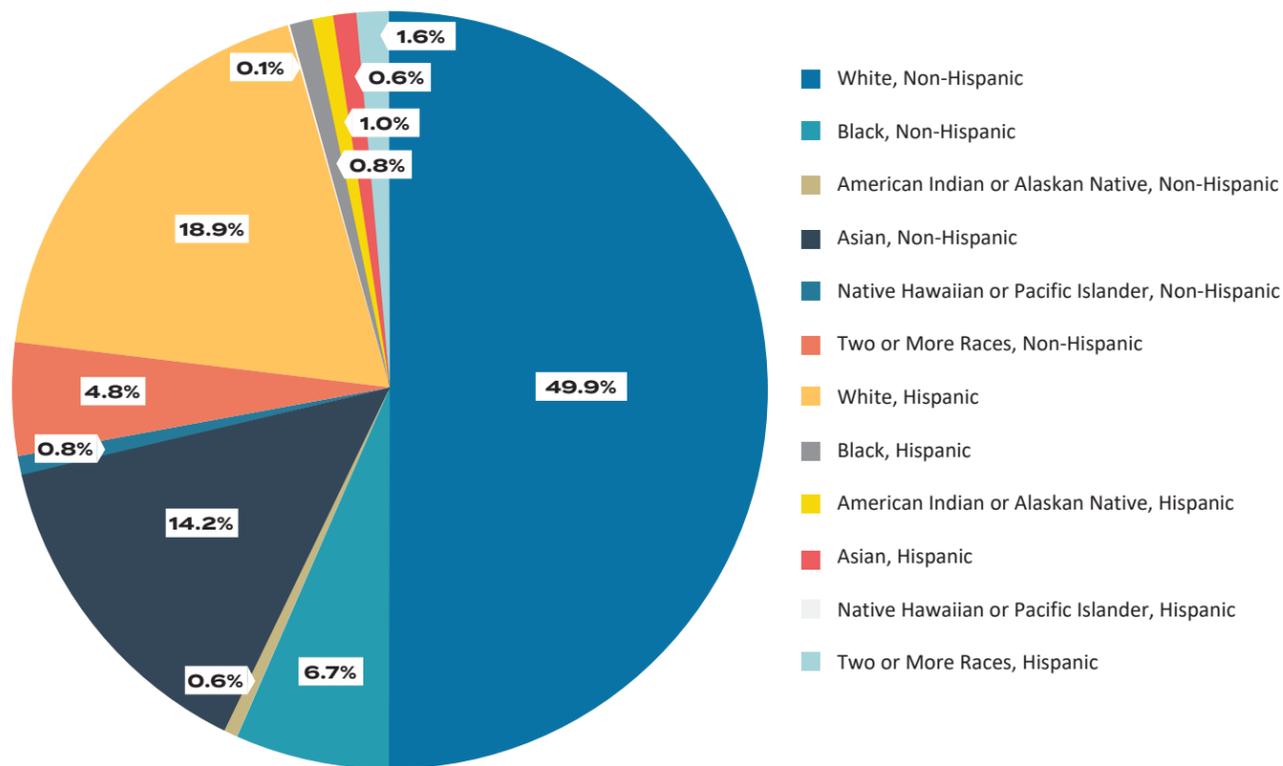
Data Source: United Van Lines Study, 2021

## DIVERSITY

As it has grown, Greater Sacramento has become increasingly diverse – key to the region’s momentum in innovation, investment and growing interest from businesses to anchor themselves here. A 2020 McKinsey & Company report showed that diversity in executive teams not only makes companies more robust but also strengthens the likelihood of financial outperformance over time. In 2019, profitability for companies in the top quartile of ethnic and cultural diversity outperformed that of those in the fourth quartile by 36%. Diverse teams are also more likely to radically innovate and anticipate shifts in market patterns – making their companies more competitive.

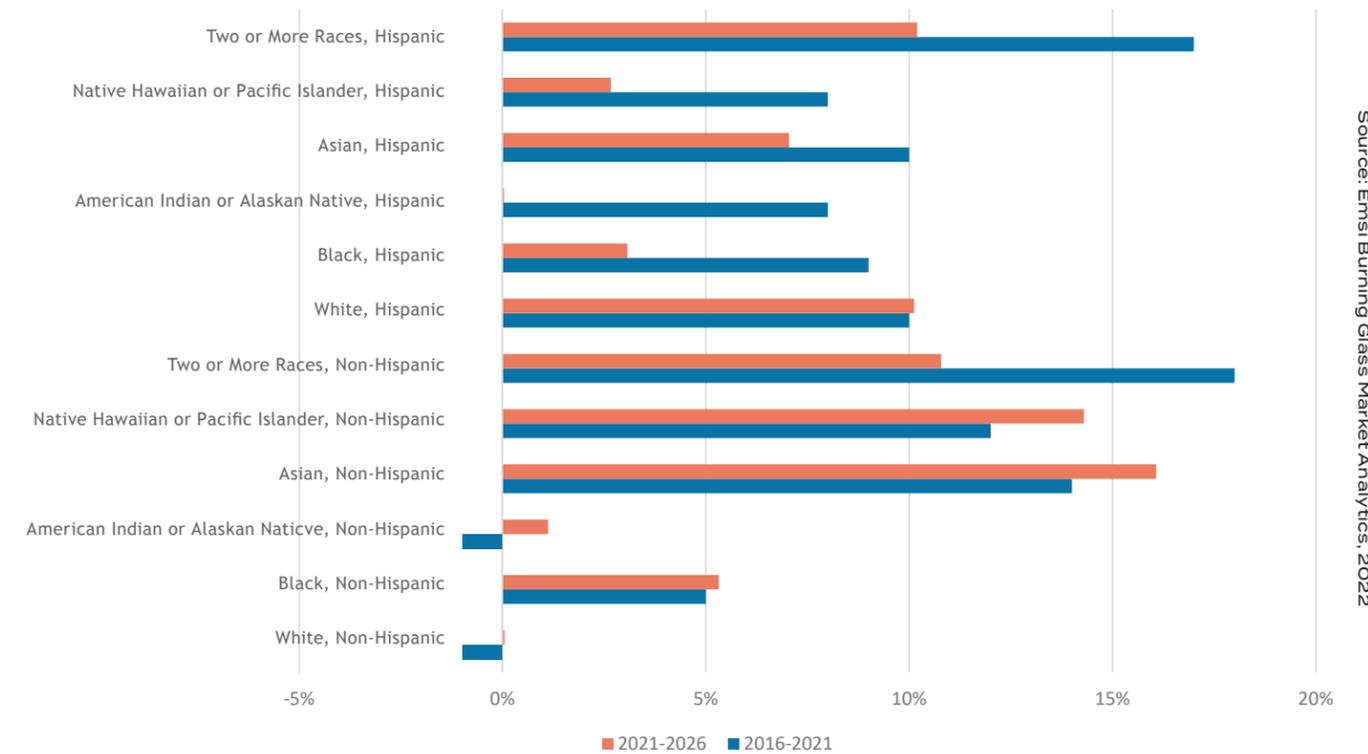
Sacramento is the second most diverse city in the United States (2020 U.S. Census). There are 1.26 million racially diverse people in Greater Sacramento, 22% higher than the national average of 1.03 million for a similar sized market. Furthermore, 18.3% of Greater Sacramentans were born outside of the United States (U.S. Census 2020), 34% higher than the national average of 13.7%. The largest ethnic groups in the region are White (Non-Hispanic) (49.9%), Asian (Non-Hispanic) (14.2%), White (Hispanic) (18.9%) and Black (Non-Hispanic) (6.7%).

2021 POPULATION BY RACE AND ETHNICITY



Over the last five years, the region’s Asian population increased by 14%, its Black population by 5%, Two or More Races (non-Hispanic) by 18% and White (Hispanic) by 10%. From 2021-2026 the region is expected to see accelerating growth among its White (Hispanic), Hawaiian or Pacific Islander, Asian, American Indian and Black populations.

POPULATION GROWTH BY RACE AND ETHNICITY



Source: Emsi Burning Glass Market Analytics, 2022

Source: Emsi Burning Glass Market Analytics, 2022

**PERFECT SCORE (100/100) ON EQUALITY INDEX**

Source: Human Rights Campaign

**#1 FOR RAW DIVERSITY, #2 FOR REPRESENTATIVE DIVERSITY & #1 FOR FEMALE PARTICIPATION IN ITS TECH WORKFORCE**

Source: Beyond HQ 2021

**#2 MOST DIVERSE U.S. CITY**

Source: U.S. Census 2020

**#3 FOR DIVERSITY IN TECH AND STEM**

Source: Comp TIA

**#5 BEST REGION FOR WOMEN ENTREPRENEURS**

Source: SmartAsset 2020

Alongside its increasingly diverse population, Greater Sacramento also ranks highly for diversity within its workforce. A 2021 study by Beyond HQ ranked the region first in the nation for raw diversity, first for female participation in its tech workforce and second for representative diversity. Data from Comp-TIA echoed these findings, ranking the region third nationally for diversity in both its tech and STEM workforces.

## 02. TALENT

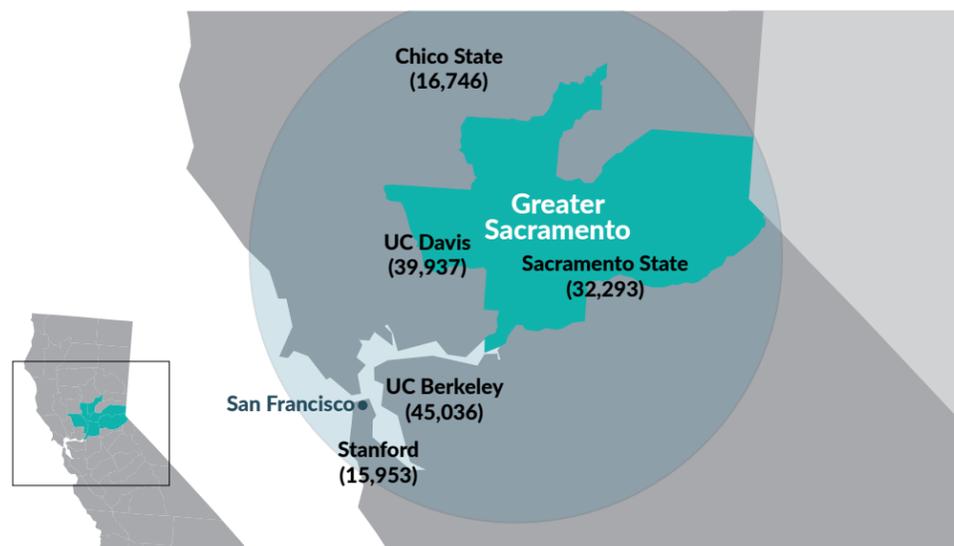
**LOCATION STRATEGIES CONTINUE TO BE DICTATED BY THE AVAILABILITY OF SKILLED LABOR, AND GREATER SACRAMENTO IS AN INCREASINGLY ATTRACTIVE MARKET FOR COMPANIES SEEKING EDUCATED, YOUNG PROFESSIONALS.** The region is home to a strong higher education system and is just 90 miles away from the San Francisco Bay Area, which boasts some of the best universities and talent in the world.

**THE BAY AREA AND GREATER SACRAMENTO SHARE A WORKFORCE OF**

**241,000+**

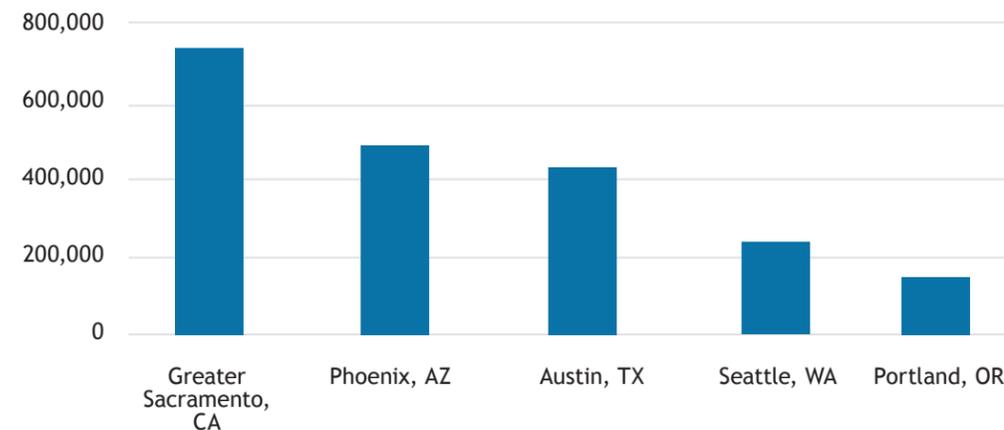
Source: U.S. Census Bureau On the Map

### SNAPSHOT OF UNIVERSITIES WITHIN 100 MILES



More than 734,300 students are enrolled in two- and four-year institutions within 100 miles of Greater Sacramento. The region has 1.5x more enrolled students within a 100-mile radius than Phoenix and Austin and 3x more than Seattle.

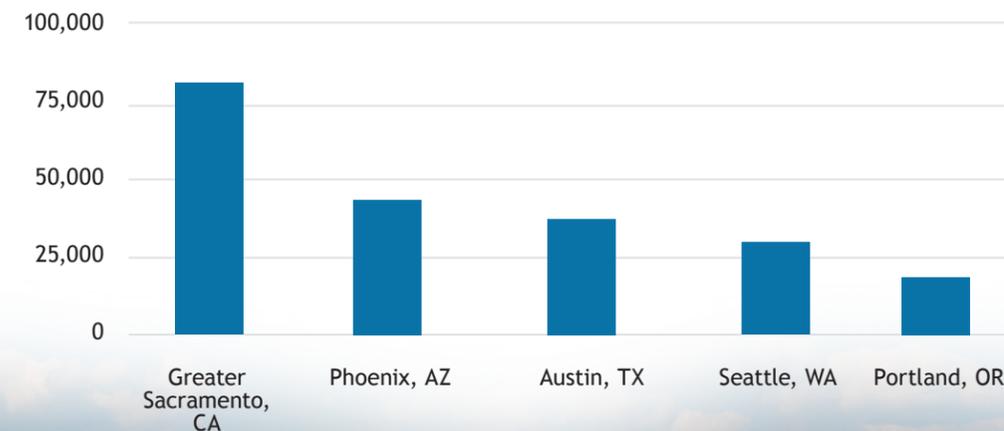
### STUDENTS ENROLLED IN 2- AND 4-YEAR INSTITUTIONS WITHIN 100 MILES



Source: Emsi Burning Glass Market Analytics, 2022

Greater Sacramento also has a strong STEM base, with nearly 2x more STEM degree completions within 100 miles than Phoenix and Austin.

### STEM DEGREE COMPLETIONS WITHIN 100 MILES



Source: Emsi Burning Glass Market Analytics, 2022

**UC DAVIS**

**#1** IN THE U.S. FOR AGRICULTURE  
IN THE U.S. FOR VET SCIENCE

**#4** PUBLIC UNIVERSITY IN  
THE U.S.

**#2** FOR UPWARD SOCIAL  
MOBILITY

Sources: QS World University Rankings  
2021, Wall Street Journal 2022,  
Washington Monthly Magazine

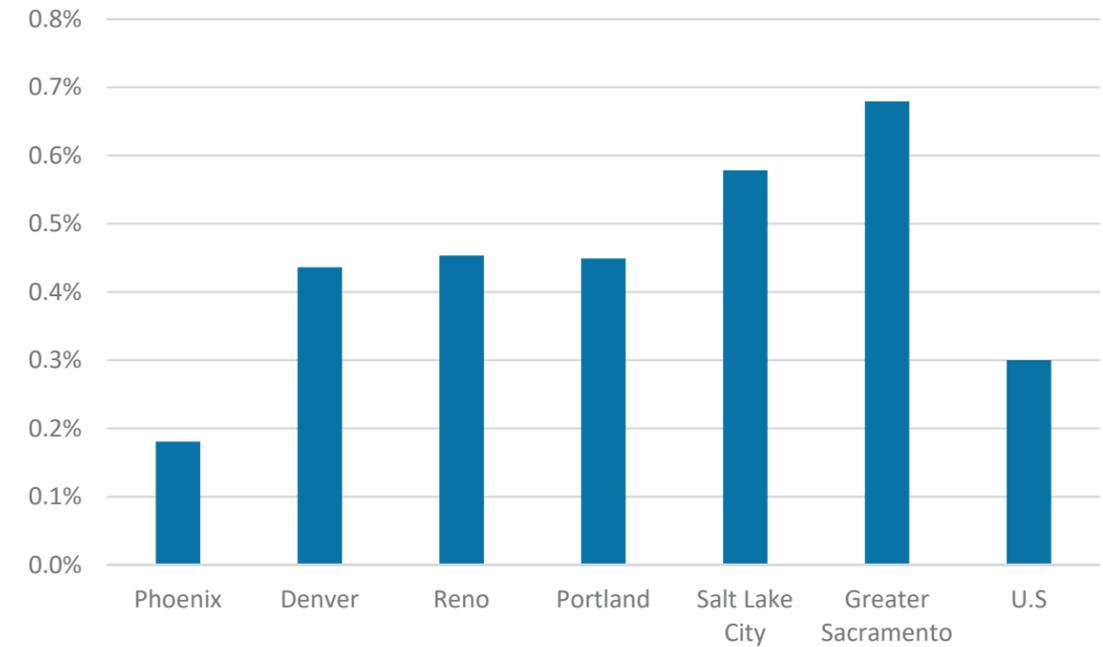
**SACRAMENTO STATE**

**#5** MOST DIVERSE REGIONAL  
UNIVERSITY IN THE U.S.

Source: US  
News 2020

**THE REGION HAS THE LARGEST  
SHARE OF LIFE SCIENTISTS  
AMONG PEER MSAs AND 2X THE  
NATIONAL AVERAGE.**

2021 LIFE AND PHYSICAL SCIENTISTS SHARE OF WORKERS

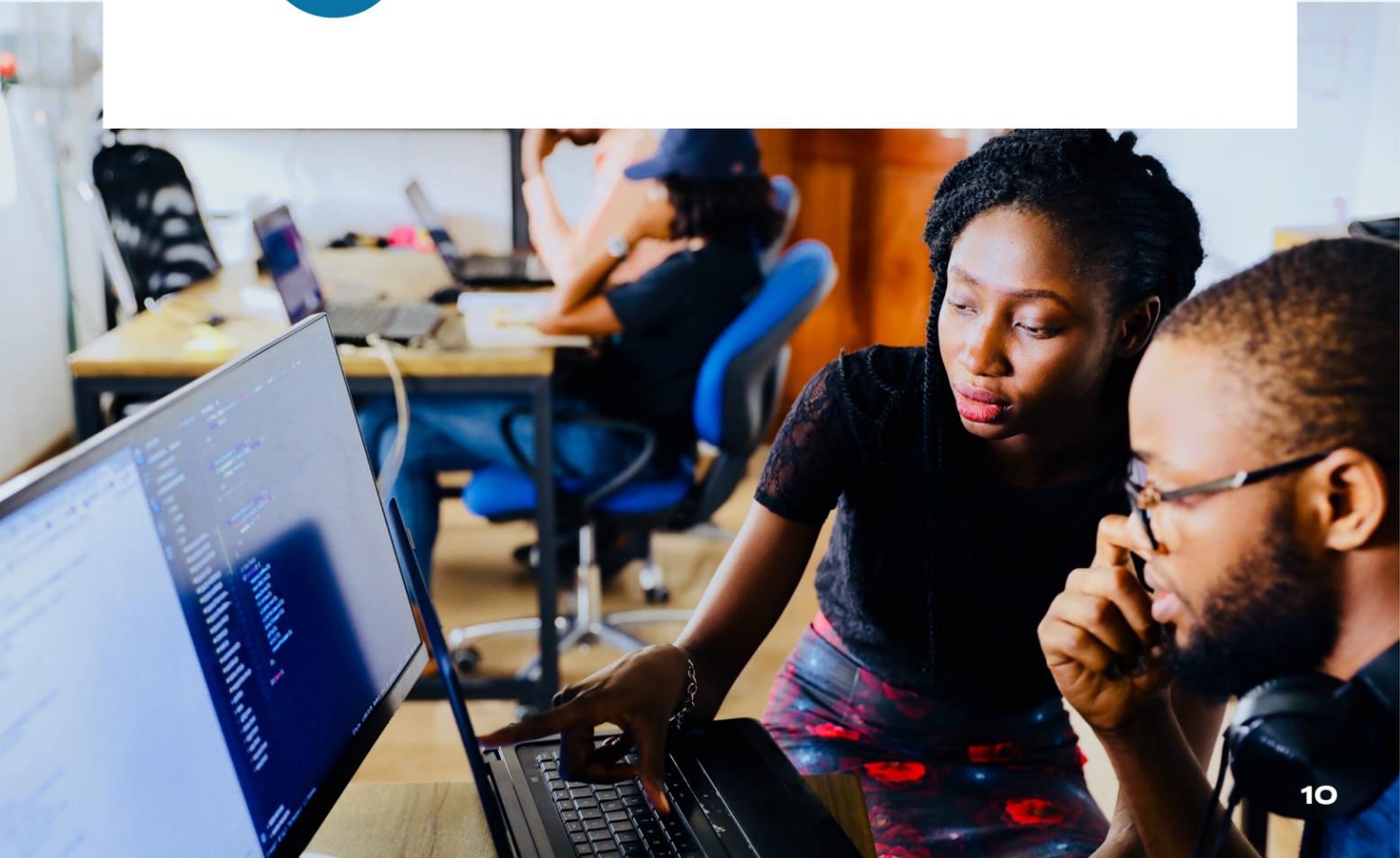


Source: Emsi Burning Glass Market Analytics, 2022

LOCATION QUOTIENT

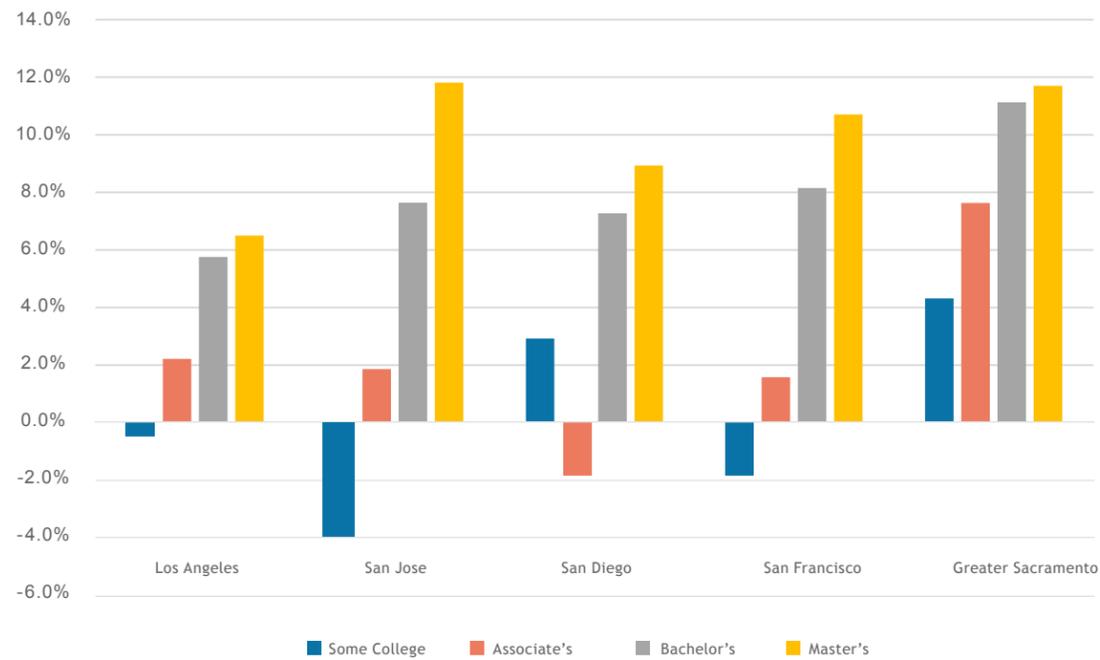
Miscellaneous life scientists	4.8
Life scientists, all other	4.8
Materials scientists	3.36
Food scientists and technologists	3.1
Biological scientists, all other	2.49
Agricultural and food science technicians	1.99
Biological technicians	1.39
Biological scientists	1.39

Source: Emsi Burning Glass Market Analytics, 2022



**THE REGION'S TALENT PIPELINE IS SET TO GROW FASTER THAN MAJOR CALIFORNIA MARKETS OVER THE NEXT FIVE YEARS, WITH A 7.6% INCREASE IN ASSOCIATE'S DEGREES, 11.1% INCREASE IN BACHELOR'S DEGREES AND 11.7% INCREASE IN MASTER'S DEGREES.**

**FIVE-YEAR PROJECTED GROWTH IN EDUCATIONAL ATTAINMENT**

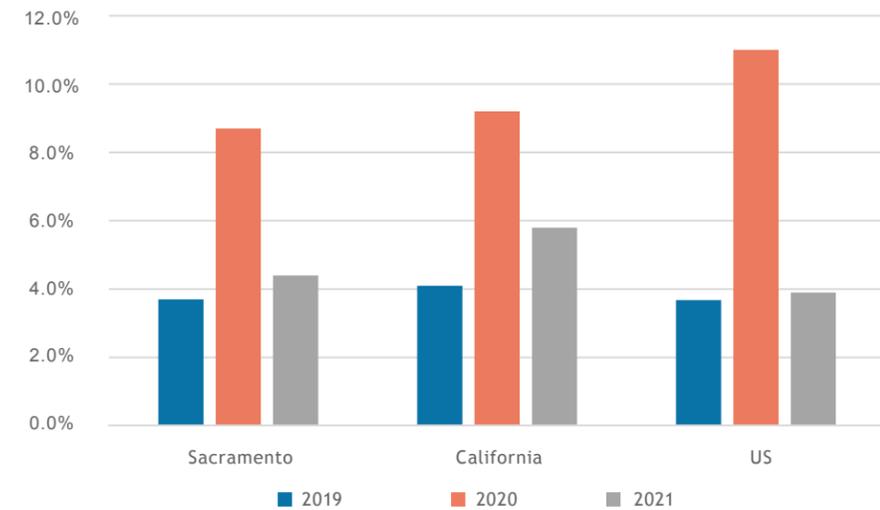


Source: Emsi Burning Glass Market Analytics, 2022

**COVID-19 ECONOMIC RECOVERY**

Greater Sacramento's job market is recovering well in the wake of the COVID-19 pandemic. The region's unemployment rate (4.4%) has almost returned to its pre-pandemic level and is lower than both the California and national averages.

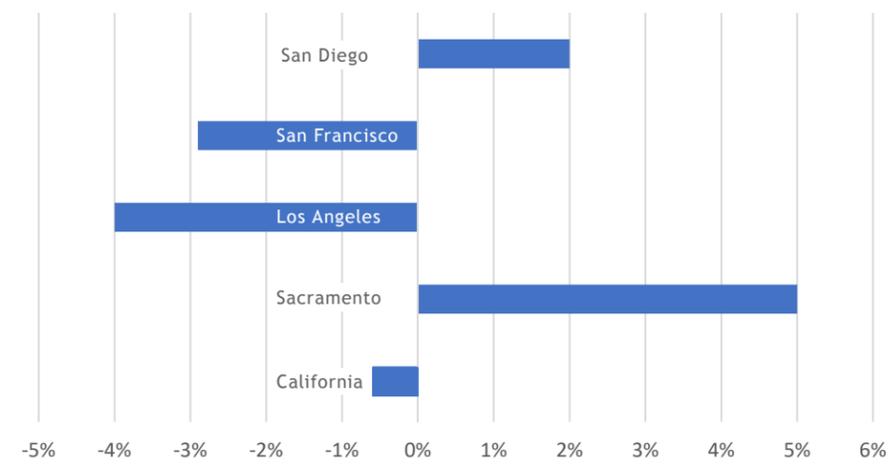
**UNEMPLOYMENT RATE**



Source: U.S. Bureau of Labor Statistics, Mar 2022

In spite of COVID-19's impact, the region's occupation growth outpaced that of all major California markets and the statewide average from 2016-2022.

**OCCUPATION GROWTH 2016-2022**



Source: Emsi Burning Glass Market Analytics, 2022



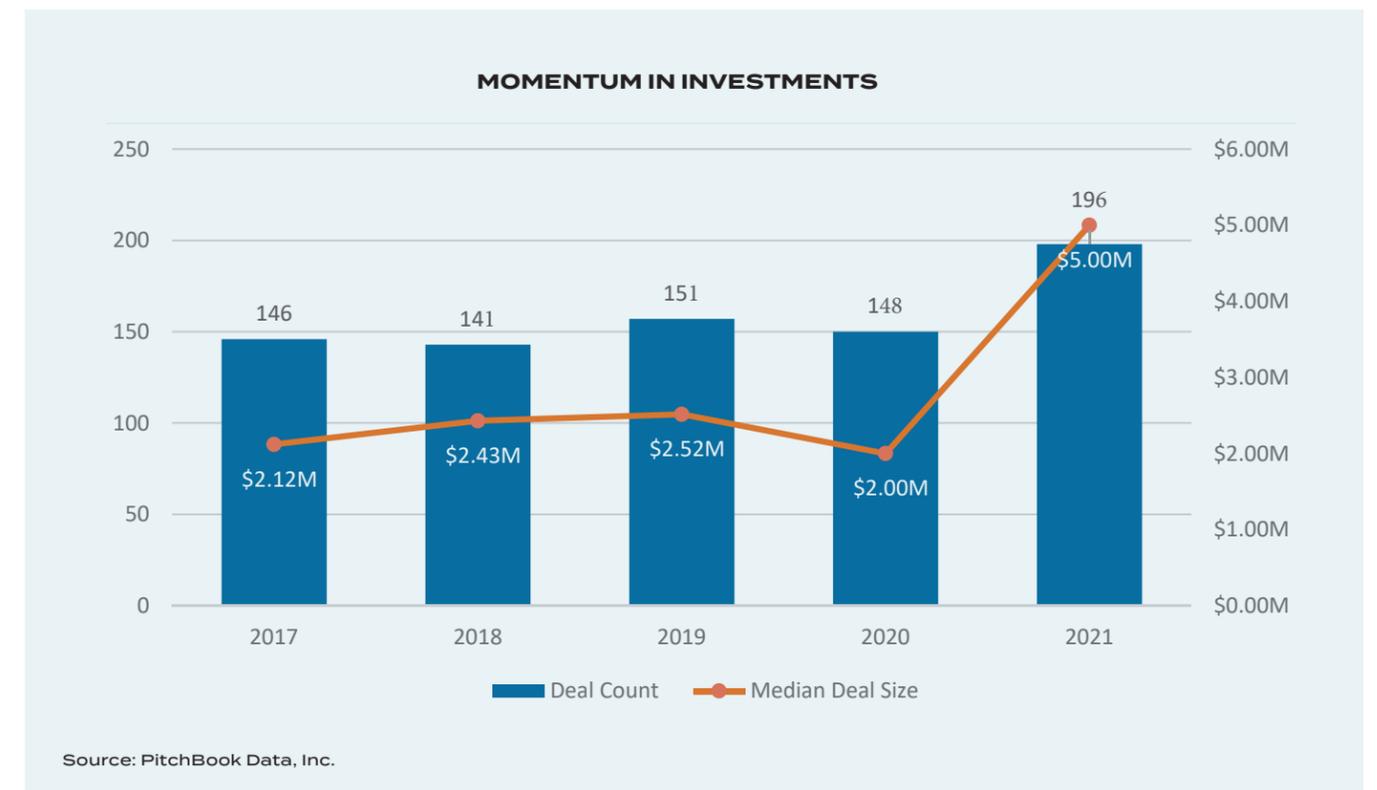
03.

# ENTREPRENEURIAL ECOSYSTEM & INVESTMENT

**AS GREATER SACRAMENTO'S TALENT NETWORK STRENGTHENS AND EXPANDS, INNOVATION, VENTURE CAPITAL INVESTMENT, IPOS, SPACS AND M&AS IN THE REGION HAVE RISEN.** 483 companies received capital funding in the Greater Sacramento region between 2017 and 2021. 782 deals were made by 1,289 investors from inside and outside of the country, and over \$13 billion was invested in the region.

Year	Capital invested	Deal count
2017	\$3.77 billion	146
2018	\$2.02 billion	141
2019	\$2.90 billion	151
2020	\$921.92 million	148
2021	\$3.62 billion	196

Source: PitchBook Data, Inc.



Source: PitchBook Data, Inc.

## NOTABLE DEALS IN 2021/2022

2021 was a landmark year for investment, with regional companies raising \$3.62 billion in capital investments. The majority of the deals were in information technology (software), healthcare (pharmaceuticals and biotechnology) and financial services. These companies are drawing new income into the region, catalyzing high-wage job growth and driving innovation within the region's industry clusters.

### ORIGIN MATERIALS

The world's leading carbon negative materials company raised \$1.8 billion in its SPAC merger.

### GOODLEAP

The fintech company's \$800 million in capital placed its valuation at \$12 billion.

### POWERSCHOOL

The edtech provider's IPO was the largest in K-12 education software in North America and raised the company's valuation to \$4.3 billion.

### NOVOGENE

The gene sequencing company's debut on the SSE STAR Market brought its valuation to \$1.6 billion.

### ONEFINANCE

The financial services app's \$66 million venture raise brought its valuation to \$180 million. The app is being acquired by Walmart-backed Hazel.

Company	Funding type	Funds raised	Types of business
<b>ORIGIN MATERIALS</b>	<b>SPAC</b>	<b>\$1.80 BILLION</b>	<b>INDUSTRIAL CHEMICAL, CLEANTECH</b>
<b>GOODLEAP</b>	<b>CAPITAL</b>	<b>\$800.00 MILLION</b>	<b>FINANCIAL SOFTWARE, FINTECH</b>
<b>POWERSCHOOL</b>	<b>IPO</b>	<b>\$766.08 MILLION</b>	<b>BUSINESS/PRODUCTIVITY SOFTWARE</b>
Revel	VC	\$126.00 million	Automotive application software
GRIN	VC	\$111.23 million	Business/productivity software
<b>NOVOGENE</b>	<b>IPO</b>	<b>\$78.39 MILLION</b>	<b>BIOTECHNOLOGY</b>
Blaize	VC	\$71.00 million	Application specific semiconductors
Sibros	VC	\$70.00 million	Automotive: business/productivity software
<b>ONEFINANCE</b>	<b>M&amp;A</b>	<b>\$66.00 MILLION</b>	<b>FINANCIAL SERVICES, FINTECH</b>
Evolve Biosystems	VC	\$65.00 million	Biotechnology
TurtleTree	VC	\$30.00 million	Biotechnology, food product, foodtech

Source: PitchBook Data, Inc.



## INNOVATION ECOSYSTEMS

Greater Sacramento's growing innovation infrastructure supplies entrepreneurial resources, financing and collaboration for start-ups and businesses to grow and thrive.

### Bayer CoLaborator

A shared lab space for biotech startups located at the global headquarters of Bayer Cropscience Biologics group

### Carlsen Center for Innovation and Entrepreneurship

Platform for entrepreneurial education, community and support hosted by Sacramento State

### Black Star Fund

Invests in Black founders

### Lab@AgStart

The only integrated wet lab and food lab in Northern California, featuring 4,800 square feet of shared wet lab, food lab and coworking space

### FourthWave

Supports women-led tech

### Inventopia

A life science and engineering incubator with wet lab, coworking and engineering prototyping spaces

### Folsom Innovation District

Innovation network that connects startups to accelerators, funding, co-working spaces and partnerships

### Growth Factory

Regional accelerator for early-stage startups

### Regional fintech consortium

Composed of state regulators, venture capitalists, financial institutions and fintech firms, the consortium funds and fuels efforts to recruit, retain and attract fintech firms and jobs across the regional ecosystem

# 04. OFFICE AND INDUSTRIAL MARKET

## OFFICE MARKET SUMMARY

The Greater Sacramento office market remained stable over the last few years, in spite of the COVID-19 pandemic. The vacancy rate was 12.1% in the first quarter of 2022. Over the past two years, the office vacancy rate fluctuated between 10.1% to 12.1% but the quarterly vacancy changes were minimal.

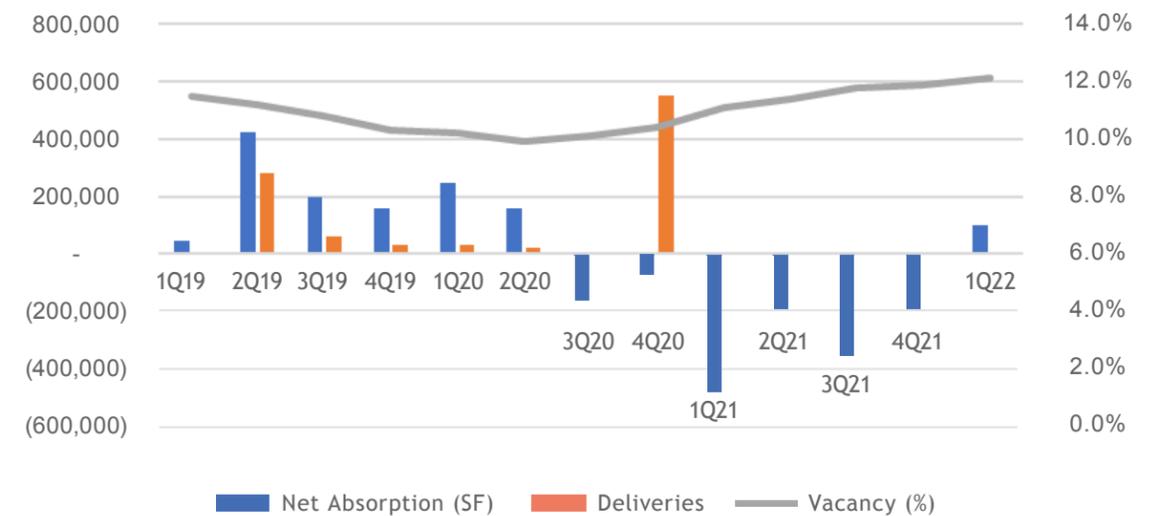
Office building construction has been steady. The State of California built close to two million square feet in the last year. Construction has been underway on the new Sacramento County Courthouse (543,290 square feet), the State of California Richards Blvd Complex (1.2 million square feet) and the CalSTRS expansion (272,000 square feet). The last private sector building that completed construction was two buildings in the Centene Campus, totaling over 511,000 square feet in the fourth quarter of 2020. Private sector buildout is expected to grow as new developments take root.

Regional office sales remained active in the fourth quarter of 2021, and Greater Sacramento continues to be an attractive market to investors. Both existing and new investors are noticing the region.

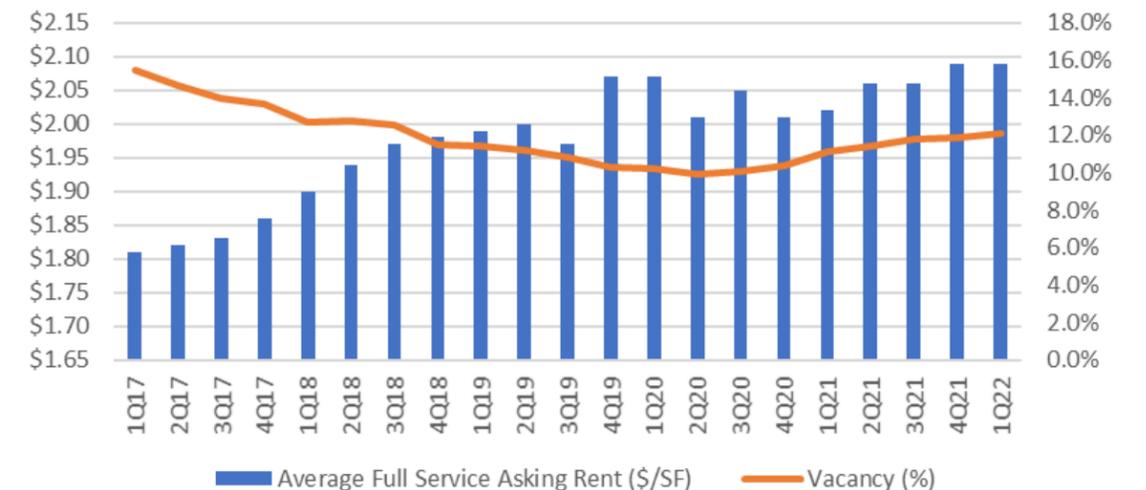
Tenant activity increases in the market weekly. The market is expected to remain stable as companies implement reentry plans into office buildings.

MARKET SUMMARY	Q1 2022	Prior quarter	Year ago period	12-month forecast
Total inventory (SF)	69.5M	70.4M	70.6M	◀▶
Vacancy rate	12.1%	11.9%	11.4%	▼
Qtr net absorption (SF)	-101K	-236K	-477K	▲
Avg FS asking rent/SF	\$2.09	\$2.09	\$2.02	▲
Under construction (SF)	281K	281K	0M	◀▶

## OFFICE MARKET



## OFFICE MARKET



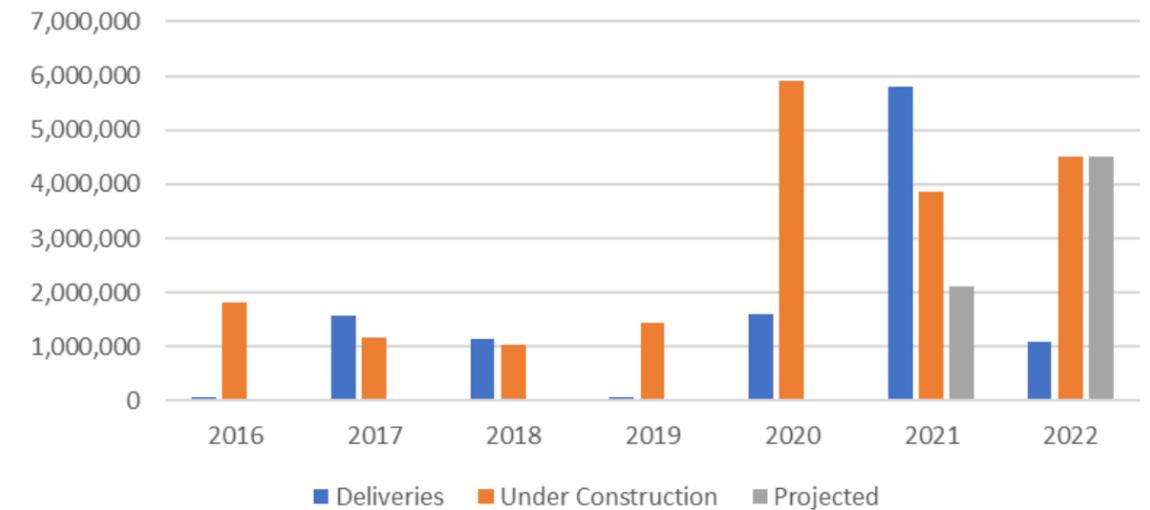
## INDUSTRIAL MARKET SUMMARY

The Greater Sacramento industrial market not only survived the pandemic but thrived during it. Among the various sectors of commercial real estate, industrial real estate is uniquely positioned for success in the wake of the pandemic. Prior to the pandemic, ecommerce was reshaping the warehousing and distribution markets around the country, leading to dramatic growth for the industrial market. In the wake of logistic delays in the ports, many companies started reshoring products to be less affected by potential future disruptions. Migration from the Bay Area to more affordable housing markets, such as Greater Sacramento, has also led to solid gains for the construction industry. Together, these conditions created one of the hottest industrial real estate markets the region has ever seen.

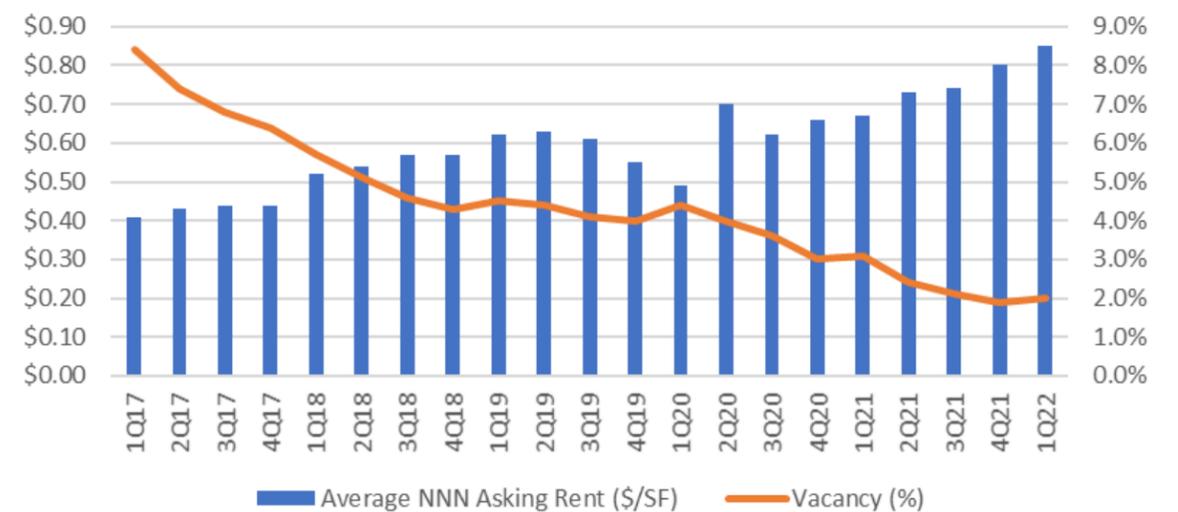
Strong rent growth, strong leasing demand, limited available land and relatively low interest rates created a red-hot sellers' market for existing industrial buildings in Greater Sacramento. This momentum is expected to continue. The only current unknown is the pace of the increases, as the region is already in record low territory for lease rates, prices and absorption. Regardless, 2022 is predicted to be a strong year for Greater Sacramento's industrial market.

MARKET SUMMARY	Q1 2022	Prior quarter	Year ago period	12-month forecast
Total inventory (SF)	<b>165.5M</b>	<b>164.2M</b>	<b>162.7M</b>	▲
Vacancy rate	<b>2.0%</b>	<b>1.9%</b>	<b>3.1%</b>	◀▶
Qtr net absorption (SF)	<b>819K</b>	<b>487K</b>	<b>2.7M</b>	◀▶
Avg NNN asking rent/SF	<b>\$0.85</b>	<b>\$0.80</b>	<b>\$0.67</b>	▲
Under construction (SF)	<b>4.5M</b>	<b>3.8M</b>	<b>2.3M</b>	▲

## INDUSTRIAL MARKET

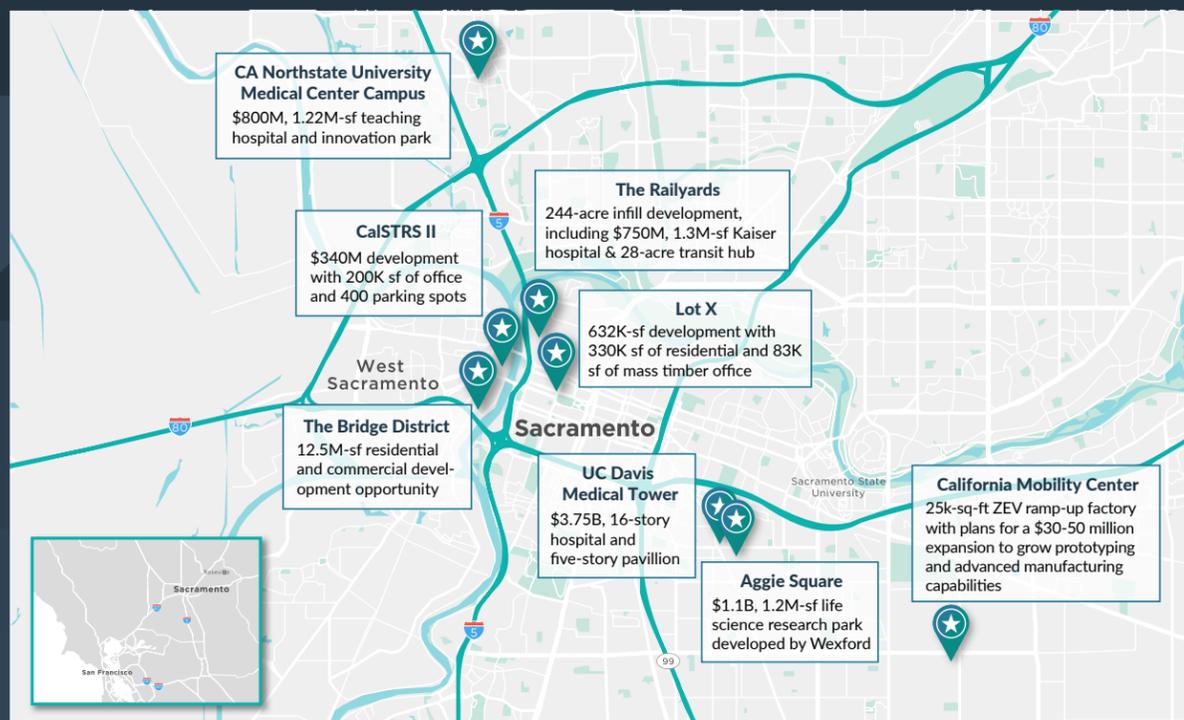
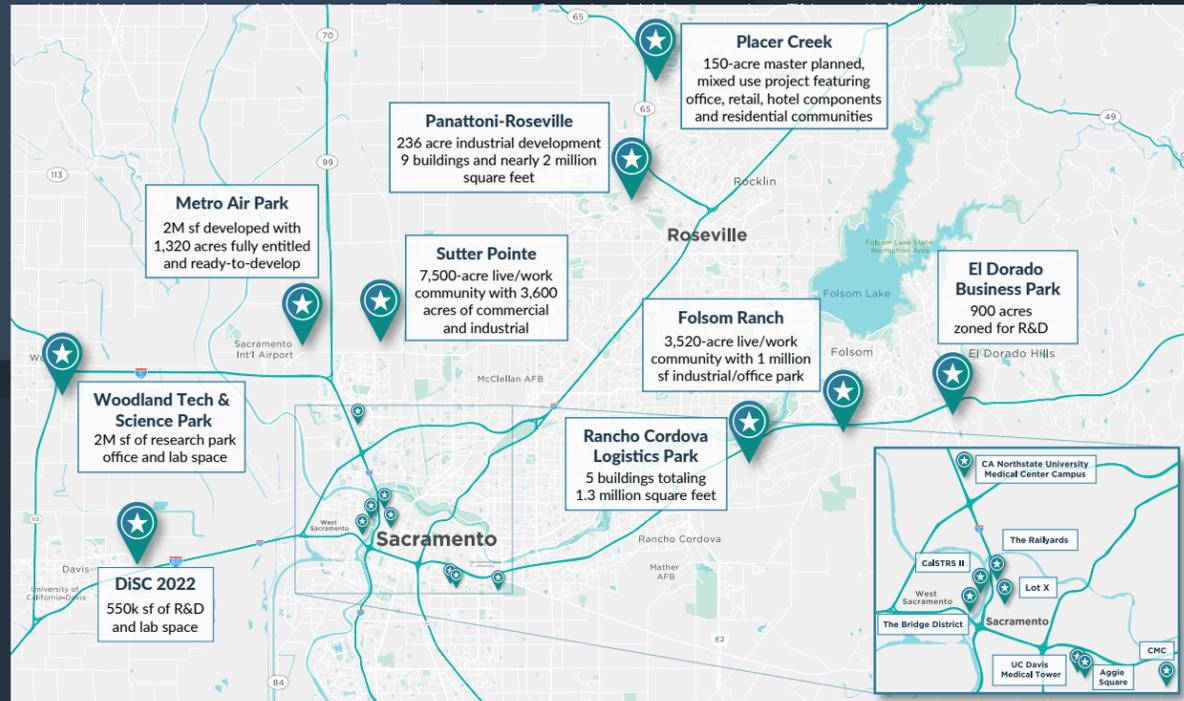


## INDUSTRIAL MARKET



## TRANSFORMATIVE PROJECTS BUILDING ON REGIONAL STRENGTH

Momentum in Greater Sacramento's population growth and industry advancements is driving the creation of new developments that will change the economic landscape of the region.



## AFFORDABLE, RELIABLE AND RENEWABLE POWER

The Greater Sacramento region's growth is supported by key infrastructure provided by its forward-looking utilities. The region's two community-owned utilities not only offer incredible savings but also are pioneering next-generation solutions to serve the needs and requirements of future clients.



**SMUD** is the nation's fourth highest ranked publicly-owned utility and its sixth largest community-owned electric utility. It is the first utility to receive J.D. Power's electric utility sustainability designation and the first large utility in California to receive more than 20% of its energy from renewable sources. SMUD has launched the most ambitious carbon reduction goal of any large utility in the United States, committing to reach zero carbon emissions in its power supply by 2030.



**ROSEVILLE ELECTRIC** is recognized for being at the forefront of renewable energy programs. Roseville Electric customers net a total cost savings of about \$20 million per year.

# 05. DEAL MOMENTUM

## THE GREATER SACRAMENTO ECONOMIC COUNCIL HAS SEEN GROWING INTEREST IN BUSINESS RELOCATIONS AND EXPANSIONS IN THE REGION.

From March 2021 to March 2022, the team saw a steady increase in pipeline activity and a 19% increase of projects.

Fiscal Year 2021/2022 is set to be a banner year for the organization. The organization brought a significant amount of investment into the region over the past twelve months:

<b>JOBS:</b>	<b>2,672</b>
<b>COMPANIES:</b>	<b>14</b>
<b>AVERAGE WAGE:</b>	<b>\$147,000</b>
<b>ECONOMIC IMPACT:</b>	<b>\$6.4 BILLION</b>
<b>FISCAL IMPACTS:</b>	<b>\$19.7 MILLION</b>

### ACTIVE PROJECTS BY INDUSTRY

<b>TECHNOLOGY:</b>	<b>21</b>
<b>AGTECH:</b>	<b>15</b>
<b>ADVANCE MANUFACTURING:</b>	<b>12</b>
<b>LIFE SCIENCE:</b>	<b>11</b>
<b>MOBILITY:</b>	<b>08</b>

As of March 2022

## INCENTIVES

GSEC has extensive experience helping companies secure state-level incentives, including through California Competes. The organization also helps companies navigate incentives from regional counties and communities. Several local jurisdictions offer incentive programs, including:

### CITY OF ELK GROVE ECONOMIC DEVELOPMENT INCENTIVE PROGRAM

A total of \$200,000 set aside each fiscal year for companies creating high-wage jobs

### PLACER COUNTY HELP TO HIRE SUBSIDIZED WAGE

Reimbursement up to \$10,500 for hiring eligible Placer County Employment Services participants

### CITY OF RANCHO CORDOVA JOBS AND TALENT ATTRACTION INCENTIVE

Up to \$100,000 per company available to support high-wage job creation

### CITY OF SACRAMENTO JOB GROWTH AND EMPLOYMENT INCENTIVE STRATEGY

Supports projects creating 500 net new high-wage, full-time jobs; funds available dependent on city council allocation

## CASE STUDIES

### Centene / Health Net

**Jobs: 2,500**  
**Capital investment: \$37.5 million**  
**Footprint: 68-acre campus**

The City of Sacramento provided an incentive package worth up to \$13.5 million, awarded as a performance-based inducement at a rate of up to \$9,000/job created and maintained. The City expedited the approval process to meet Centene's aggressive timeline. The State of California also assisted by awarding a \$7 million California Competes tax credit. GSEC provided full-service project management services, including liaising with local governments, California Competes application support, economic impact modeling, introductions to local workforce providers and public relations.

### Kubota

**Jobs: 125**  
**Capital investment: \$60 million**  
**Footprint: 630,000-square-foot warehouse and training center**

GSEC advised Kubota's pursuit of California Competes tax credits. The team consulted on how to best position the project for success and provided letters of support. Due to these efforts, Kubota was able to secure \$1.95 million in tax credits.

## CONCLUSION

# IN SPITE OF THE SETBACKS OF COVID-19, THE GREATER SACRAMENTO REGION IS THRIVING, AND TRANSFORMATIONAL GROWTH IS ON THE HORIZON.

The region continues to attract diverse talent and offers access to one of the strongest labor markets in the nation, with more than 730,000 students within a 100-mile radius and high STEM degree completions. As more people are drawn into the region, companies and investment will continue to grow. Venture capital activity was at an all-time high in 2021 and business relocation and expansion projects jumped 19%. These trends are expected to continue in the coming years and are fueling additional investment. As key developments become available, the region is set for an unprecedented economic shift. Companies looking to do business in one of the most productive and innovative economies in the world should consider Greater Sacramento.

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