

MARKETBEAT

Sacramento

Investment Q1 2019



SACRAMENTO INVESTMENT

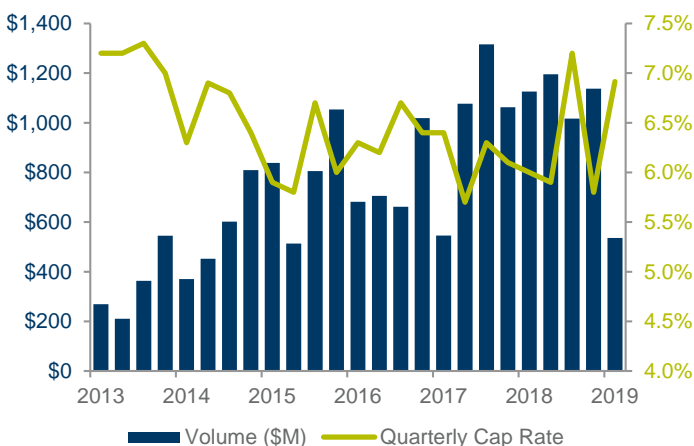
Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Sacramento MSA Employment	989.4k	1,017k	▲
Sacramento MSA Unemployment	4.0%	3.6%	▼
U.S. Unemployment	4.1%	3.8%	▼
U.S. GDP	2.6%	2.9%	▲
U.S. 10-year Treasury	3.0%	2.5%	▲

Market Indicators

	Q1 18	Q1 19	12-Month Forecast
Overall Cap Rate	5.9%	6.9%	▲
Total Volume (USD)	\$1.13B	\$536M	▲
Total Properties	95	53	▲
Total SF (Excluding Multifamily)	6.2M	2.6M	▲
Total Units (Multifamily)	2,711	1,267	▼

Total Dollar Volume and Cap Rate Trend
(Dollar Volume in Millions)



Economy

Sacramento's economy remains robust with signs of growth across all major economic sectors. The market is near full-employment, with the unemployment rate at only 3.6%, leaving little room for further decline. Strong demand is expected to remain for both housing and highly skilled talent as new employers like Centene and Penumbra anticipate entering the market in the near future.

Market Overview

Sacramento continues to draw significant interest from investors despite a decrease in sales volume during the first quarter of 2019, which totaled \$536 million. This was significant as sales volume topped \$1.0 billion in each of the previous seven quarters. This was primarily driven by a lack of large multi-family projects trading. While the quantity of transactions was similar to prior periods, the first quarter only had eight transactions of 25 units or more whereas the prior period had 34. However, the market is expected to quickly bounce back with a number of prominent projects currently on the market including 300 Capital Mall and 1515 St., both of which are expected to sell at prices exceeding \$100 million.

Sales of office property accounted for the majority of activity during the quarter, totaling \$193 million with multifamily close behind with \$179 million. Both product types have benefitted from strong rent growth for a number of years. Cap rates rose during the quarter but the market average remains below 7.0%. This was driven by high cap rate retail properties trading during the period, averaging 8.5% while cap rates for other product types remained mostly flat. Multifamily properties, however, continued to pace the market reporting an average of 5.7% for the quarter. In contrast to prior quarters, where multifamily properties dominated capital markets activity, top investors were spread among office, industrial and multifamily products.

Outlook

Sacramento can now boast three property types with rent growth strong enough to bring national investors to the region. The balance of 2019 is expected to bring significant office sales, an influx of sophisticated industrial investors with prominent project entering the market. Market fundamentals will likely remain strong as construction of new industrial and office buildings is not close to offsetting growing occupier demand.

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PROPERTY TYPE	PROPERTIES SOLD	SALES VOLUME (USD)	TOTAL SF / UNITS	PRICE / SF, UNIT	CAP RATE
Office	15	\$192,627,925	1,217,121	\$166.41	8.5%
Industrial	10	\$74,321,000	957,296	\$77.64	N/A
Retail	14	\$89,723,776	427,804	\$209.73	6.6%
Multifamily	14	\$179,254,983	1,267	\$130,444	5.7%
TOTAL	90	\$1,162,979,812	4,385,868	\$127.35	5.8%

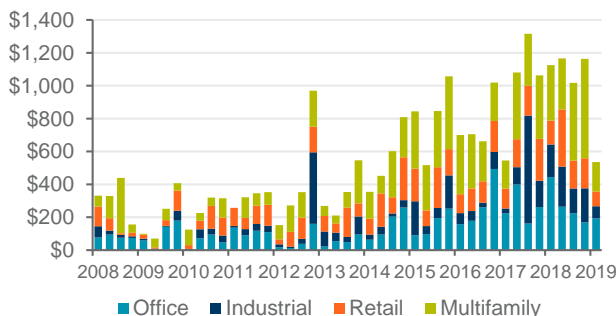
Sources: Real Capital Analytics, Cushman & Wakefield Research Services
 Closed transactions over \$2.5 million
 *SF includes office, industrial and retail. Unit calculation for apartment only.

Significant Sales Q1 2019

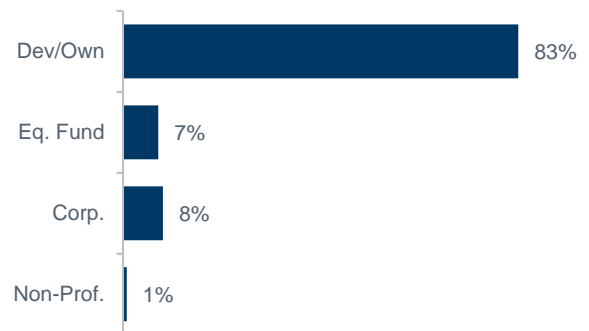
PROPERTY NAME	TYPE	BUYER	SELLER	TOTAL SF / UNITS	PURCHASE PRICE	PRICE/UNIT (\$ PSF)
1620-1680 E Roseville Pkwy, Roseville	Office	Morgan Stanley	Bluett & Associates	287,000	\$79,000,000	\$275.00
JCM Partners Portfolio (2 Properties)	Apartment	Open Path Investments	JCM Partners	298	\$43,000,000	\$144,295
3771 Channel Dr, West Sacramento	Industrial	LBA Realty	Transpacific Dev Co	623,000	\$39,300,000	\$63.00
RREEF CA Office Portfolio (2 Properties)	Office	The Wonderful Co.	RREEF Funds	178,000	\$37,000,000	\$208.00
Sunrise Commons, Citrus Heights	Apartment	Gallery Park, Westfal	Sunrise Boulevard Associates	168	\$32,500,000	\$193,452
11307 Trade Center Dr, Rancho Cordova	Office	Ovadia Mizrahi	Callahan Prop Co	153,879	\$18,662,500	\$121.00
Riverside Villas, Sacramento	Apartment	Tijirian Investment	JCM Partners	100	\$16,010,000	\$160,010
1010 E Bidwell St, Folsom	Retail	Millbrae Square Co.	Thomas Properties	79,080	\$15,325,000	\$194.00
The Crossing, Elk Grove	Retail	West Valley Props, Inc	Crossing, LLC	39,039	\$12,450k000	\$319.00

Sources: Real Capital Analytics, Cushman & Wakefield Research Services
 *Approximate allocation based on purchase price

Total Dollar Volume by Property Type
 (Dollar Volume in Millions)



Total Acquisitions by Capital Sector



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