

# MARKETBEAT

## Sacramento Region Multifamily Q1 2019



### SACRAMENTO REGION MULTIFAMILY

Economic Indicators* (6)	Q1 18	Q1 19	12-Month Forecast
Sacramento Region Employment	986M	1.01M	▲
Sacramento Region Unemployment	3.9%	3.7%	▼
U.S. Unemployment	4.1%	3.8%	▼

\*Q1 data is based on the seasonally adjusted average for the first three months

### Economy

The Sacramento Region job market added 28,500 jobs year-over-year through the first quarter of 2019. During the same time period, the unemployment rate dropped to 3.7% from 3.9% and labor force increased 25,200 to a total 1,112,900.

### Market Overview

The Sacramento Region multifamily market finished the first quarter of 2019 with strong rent growth, absorption and completions. The market absorbed over 180 units during the first quarter. The Sacramento County (160 units) and Placer County (30 units) submarkets recorded the highest net gains in positive absorption in the first quarter of 2019.

The Sacramento Region vacancy remained at a constant 2.7%. Smaller markets experienced the largest vacancy rate increases year-over-year (YOY). The Yolo County submarket vacancy rate increased from 1.5% to 2.6%, making the 110 basis point (bps) rise the largest increase in the region followed by Placer County submarket from 3.2% to 4.2%. Sacramento County vacancy rate remained at a low 2.5%, however, its forecasted to increase above 3.0% with over 1,800 units scheduled to deliver by years end.

Asking rent growth remained positive in the first quarter, marking it the 10th straight year of this trend. Average asking rates increased to \$1,332 per unit in the first quarter of 2019, over 6.3% higher YOY, 19.7% over three years, and 37.5% over five years. Yolo County (\$1,574 per unit) experienced the highest asking rate increase of 25.7% YOY. Sacramento County (\$1,268 per unit) recorded a modest increase of 4.5% YOY; over the past five years the quarterly rent growth has averaged 1.4%. New supply in Sacramento County has helped contain the rent growth from spiking while providing desirable product for the expanding workforce.

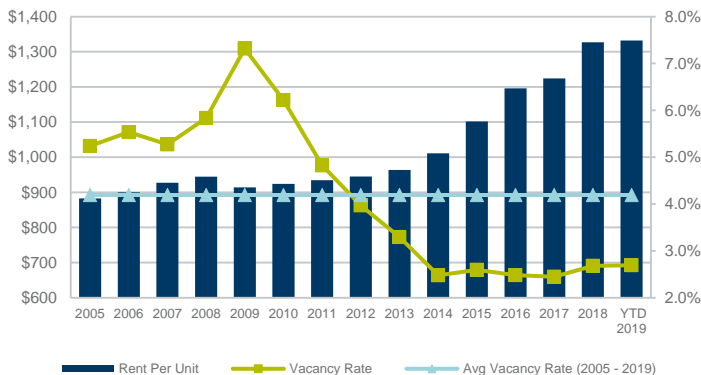
Sales volume has started off slow in 2019, with six properties trading for a total of \$137 million at \$160,900 price-per-unit (PPU). Every year since 2015, sales volume has surpassed \$900 million with 2018 recording the highest year on record at nearly \$1.5 billion. Capitol Place in West Sacramento was the top transaction at \$34.9 million, Artemis Real Estate Partners acquired this class A property with 192 units at \$181,771 PPU.

The development pipeline in the Sacramento Region has 3,658 units that are under construction and an additional 7,762 units planned for development. Sacramento County accounts for majority of the developments with the booming economy fueled by the government, health and office sectors.

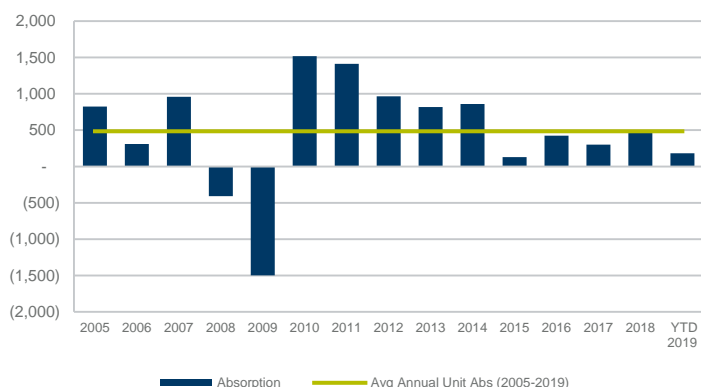
### Market Indicators (Overall, All Classes)

	Q1 18	Q1 19	12-Month Forecast
Overall Vacancy	2.5%	2.7%	▲
Net Absorption (sf)	(21)	182	▲
Under Construction	3,330	3,658	▲
Average Asking Rent	\$1,253	\$1,332	▲

### Overall Asking Rent vs. Overall Vacancy (1)



### Overall Absorption (1)



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## Sacramento Region

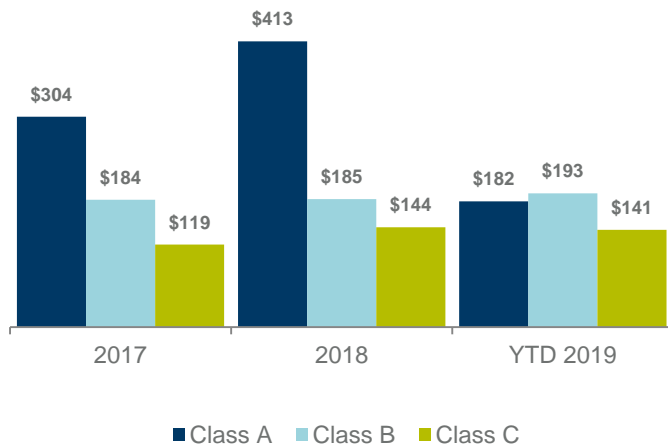
### Multifamily Q1 2019



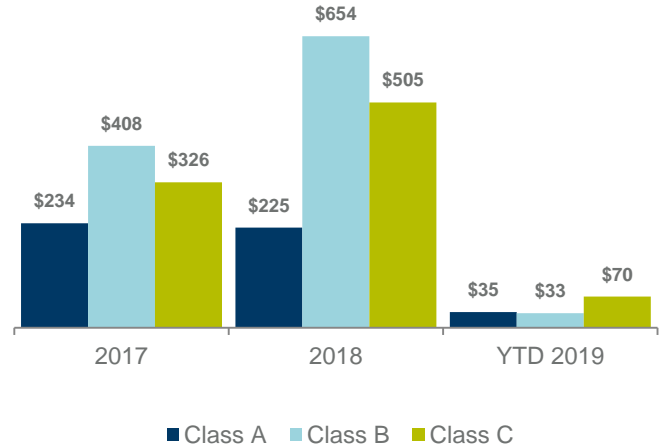
SUBMARKET	INVENTORY UNIT	Q1 VACANCY RATE	NET ABSORPTION IN UNITS		RENTAL RATE PER UNIT	UNITS UNDER CONSTRUCTION	UNITS PLANNED
			Q1	YTD 2019			
Sacramento – Downtown	3,007	6.4%	12	12	\$1,724	947	3,353
Sacramento – Suburban	43,976	2.4%	24	24	\$1,197	1,020	2,594
Carmichael	5,095	2.7%	-3	-3	\$1,064	0	0
Citrus Heights	10,640	1.9%	4	4	\$1,242	0	0
North Highlands	7,564	2.0%	8	8	\$1,184	0	80
Orangevale – Folsom	5,314	2.7%	16	16	\$1,518	663	60
Rancho Cordova	8,796	2.5%	99	99	\$1,264	0	48
<b>SACRAMENTO COUNTY TOTALS</b>	<b>84,392</b>	<b>2.5%</b>	<b>160</b>	<b>160</b>	<b>\$1,268</b>	<b>2,630</b>	<b>6,135</b>
Davis	3,412	3.7%	0	0	\$1,793	453	824
Woodland	3,686	1.5%	-7	-7	\$1,071	0	0
<b>YOLO COUNTY TOTALS</b>	<b>7,098</b>	<b>2.6%</b>	<b>-7</b>	<b>-7</b>	<b>\$1,574</b>	<b>453</b>	<b>824</b>
Roseville	11,997	4.2%	29	29	\$1,513	575	803
<b>PLACER COUNTY TOTALS</b>	<b>11,997</b>	<b>4.2%</b>	<b>29</b>	<b>29</b>	<b>\$1,513</b>	<b>575</b>	<b>803</b>
<b>TOTAL MARKET</b>	<b>103,487</b>	<b>2.7%</b>	<b>182</b>	<b>182</b>	<b>\$1,332</b>	<b>3,658</b>	<b>7,762</b>

#### Year Over Year Sales Comparison <sup>(5)</sup>

#### Average Price/Unit (Thousands)



#### Total Dollar Volume (Millions)



#### Q1 2019 Key Sales Transactions <sup>(5)</sup>

PROPERTY	CITY	UNITS	AVG SF	SALE PRICE	PRICE/UNIT	PRICE/SF	CLASS	BUYER	Seller
Sunrise Commons	Citrus Heights	168	793	\$32,500,000	\$193,452	\$215	B	Oregon Pacific	JCM Partners
Crossing at Wyndham I	Sacramento	151	734	\$21,788,590	\$144,295	\$204	C	OpenPath Investments	JCM Partners
Crossing at Wyndham II	Sacramento	147	734	\$21,211,409	\$144,295	\$204	C	OpenPath Investments	JCM Partners
Riverside Villas	Sacramento	100	827	\$16,000,000	\$160,000	\$188	C	Tajirian Investments	JCM Partners
Florin Woods Apartments	Sacramento	95	788	\$10,800,000	\$113,684	\$144	C	Florin Woods LLC	Margaret Murphy

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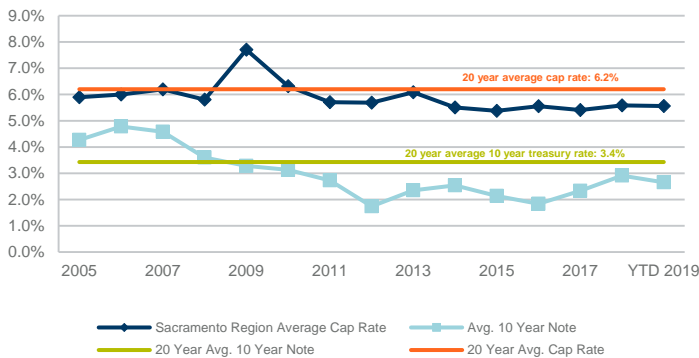
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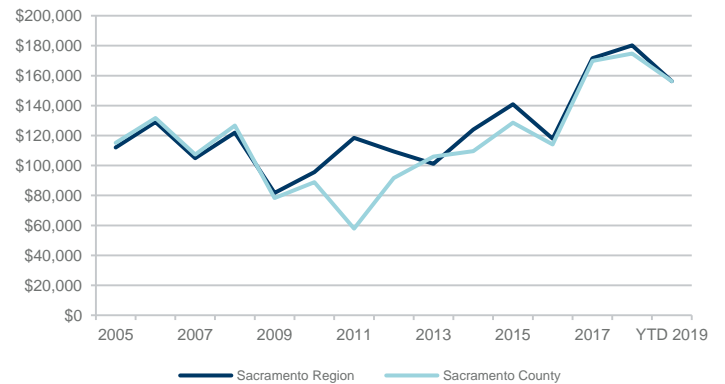
#### Average Cap Rate <sup>(2)</sup>

SACRAMENTO REGION'S CAP RATE AND THE 10 YEAR U.S. TREASURY RATE ARE BELOW HISTORICAL AVERAGES AND ABOVE THE HISTORICAL AVERAGE CAP RATE SPREAD OF 2.8%



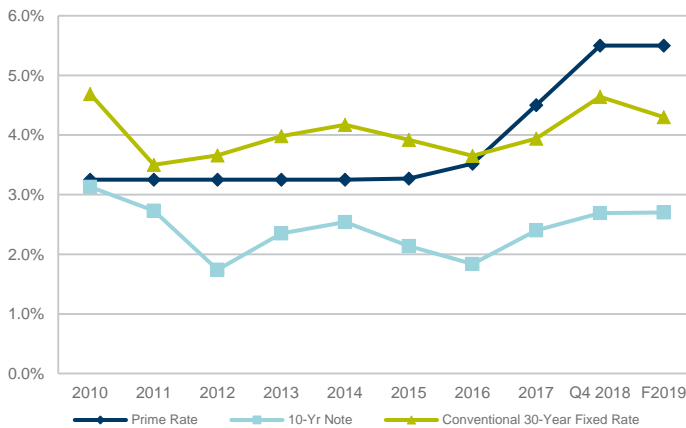
#### Average Price Per Unit History <sup>(5)</sup>

SACRAMENTO REGION'S PPU INCREASED 26.1% OVER THE PAST FIVE YEARS FROM \$123,971 PPU TO \$156,266 PPU.



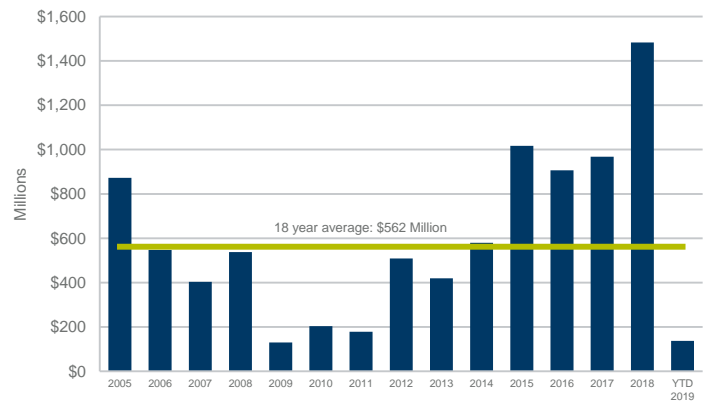
#### Interest Rates <sup>(3)</sup>

FEDERAL FUNDS TARGET RATE FORECASTED TO CONTINUE TO RISE IN THE NEAR FUTURE ; CONVENTIONAL 30-YEAR FIX RATE AT 4.3%.



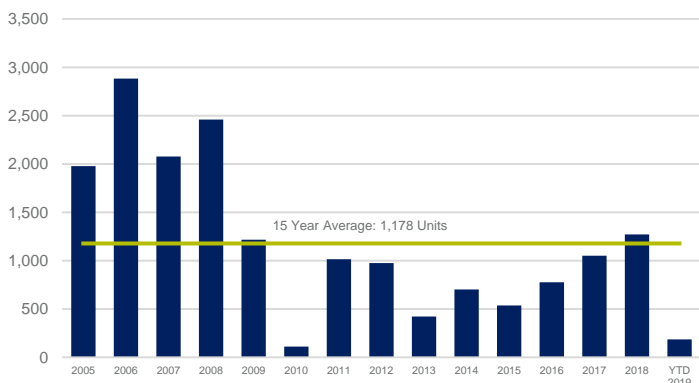
#### Sales Transaction Volume <sup>(5)</sup>

SIX PROPERTIES TRANSACTED TOTALING \$137 MILLION , SALES VOLUME IS EXPECTED REACH THE 18 YEAR ANNUAL AVERAGE OF \$562 MILLION.



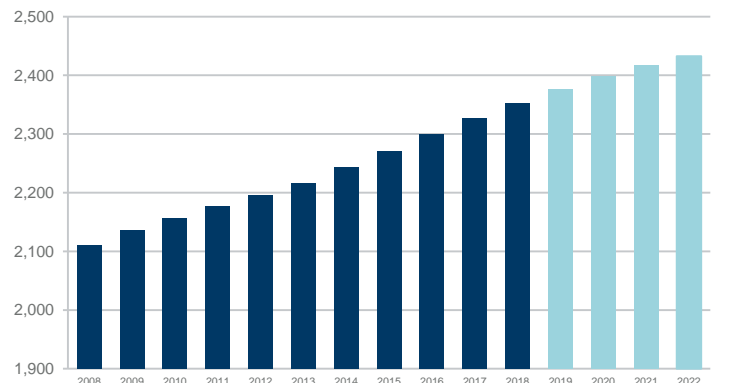
#### New Inventory <sup>(4)</sup>

26 PROPERTIES ARE UNDER CONSTRUCTION TOTALING 3,658 UNITS AND OVER 2,700 ARE SCHEDULED TO DELIVER IN 2019.



#### Population <sup>(6)</sup>

POPULATION GROWTH IS EXPECTED TO STRENGTHEN THROUGH 2022 PROJECTS



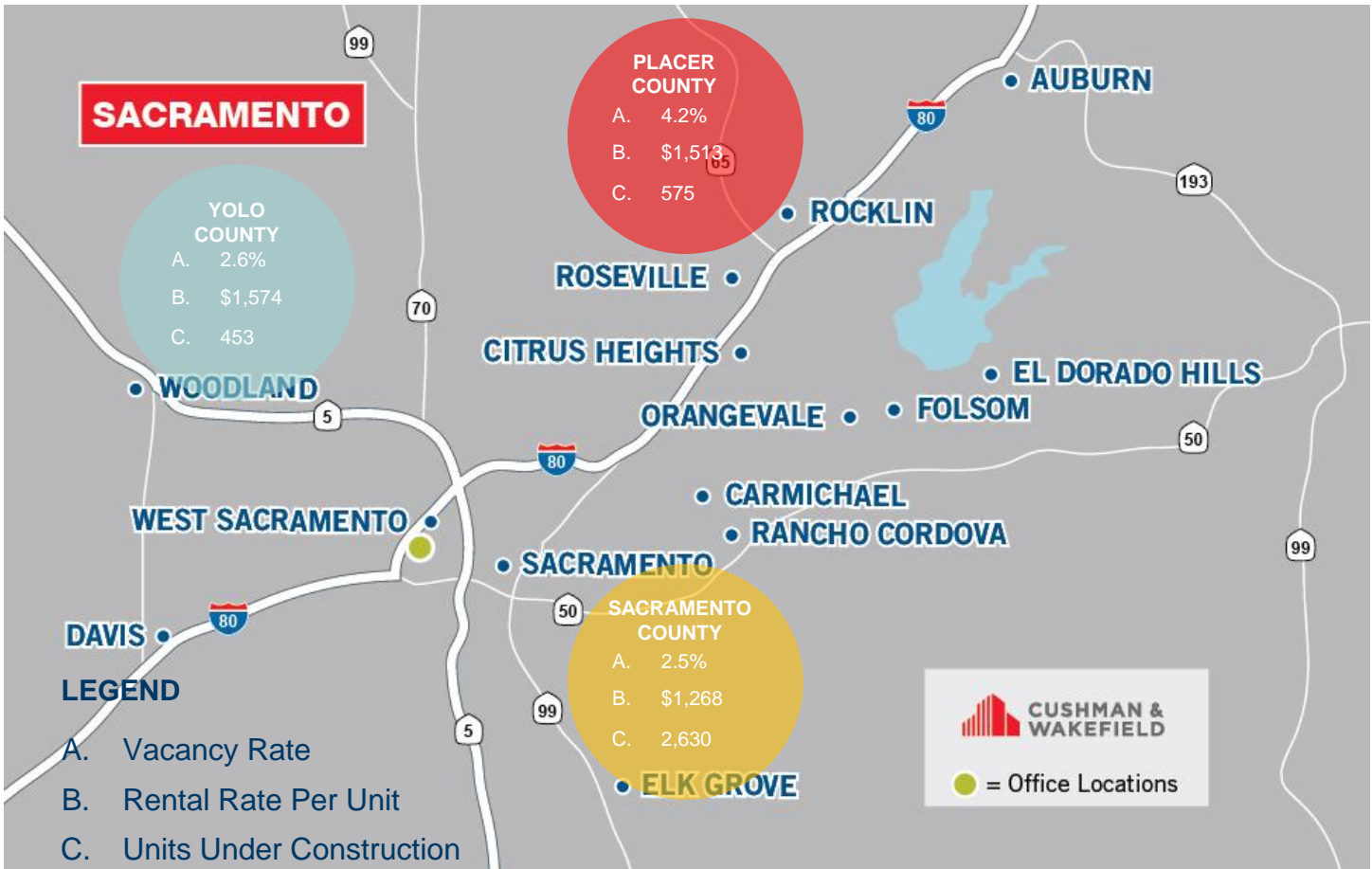
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## Sacramento Region

Multifamily Q1 2019



### MULTIFAMILY SUBMARKETS



- (1) REIS, Cushman & Wakefield
- (2) Federal Reserve Board
- (3) Federal Reserve Board, Wells Fargo
- (4) REIS, CoStar, Cushman & Wakefield

- (5) Real Capital Analytics, Cushman & Wakefield
- (6) Moody's & U.S. Census Bureau

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