

MARKETBEAT

Sacramento

Investment Q2 2019



SACRAMENTO INVESTMENT

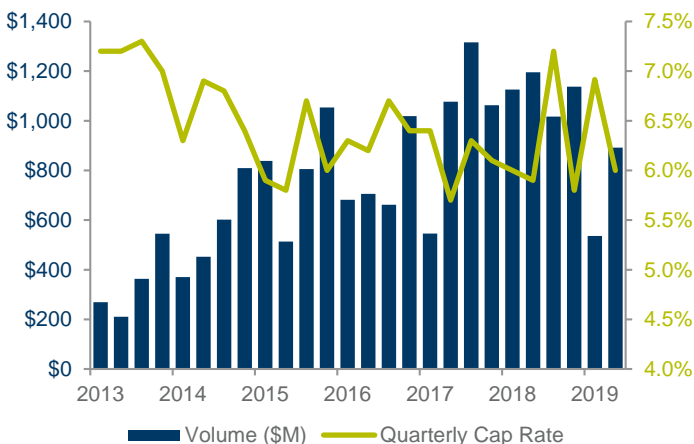
Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Sacramento MSA Employment	996.0k	1,021.6k	▲
Sacramento MSA Unemployment	3.7%	3.9%	▼
U.S. Unemployment	3.9%	3.6%	▼
U.S. GDP	2.2%	2.3%	▲
U.S. 10-year Treasury	2.8%	2.0%	▲

Market Indicators

	Q2 18	Q2 19	12-Month Forecast
Overall Cap Rate	5.9%	6.0%	▼
Total Volume (USD)	\$1.17B	\$892M	▲
Total Properties	75	78	▲
Total SF (Excluding Multifamily)	7.0M	2.6M	▲
Total Units (Multifamily)	2,058	1,268	▼

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



Economy

Sacramento's economy remains robust with signs of continued growth across all major economic sectors. The unemployment rate rose slightly year-over-year (YOY), increasing 20 basis points (bps) to 3.9%. Despite the increase, the market remains near full employment and small variations in the unemployment rate are to be expected. The Sacramento labor market continues to diversify away from the traditional government employment base, but growth has been strong in defensive labor sectors guarding against job loss in future economic downturns.

Market Overview

Total sales volume grew quarter-over-quarter (QOQ) during the second quarter of 2019 in the Sacramento market totaling \$892 million. While capital market transactions have typically been highlighted by multifamily product, two Downtown office properties topped the market, 300 Capitol Mall sold for \$127 million and 1515 S Street sold for \$115 million. The number of transactions was in line with recent quarters and up QOQ from 54 to 78. More high profile office sales are expected in the third quarter as 400 Capitol Mall is currently on the market and will likely set the high water mark for the third quarter.

Office and multifamily properties combined to account for 78.9% of the market's total sales volume during the second quarter with office product slightly edging-out multifamily 40.0% to 38.9%. Both product types have benefitted from strong rent growth for a number of years with multifamily still commanding the lowest cap rates, averaging 5.0%. Across the MSA, cap rates fell during the quarter by 80 bps to 6.0%, leading to an increase in the overall yield particularly for multifamily and office properties.

Outlook

Sacramento remains attractive to buyers looking to leverage the region's strong economy. More significant office sales are expected for the balance of the year combined with strong activity from the multifamily sector. Industrial and retail markets are not expected to demonstrate the same velocity as property value realities exceed market expectations. With that said, overall fundamentals will likely remain strong as the market is well positioned for continued growth. Sacramento continues to offer attractive yields to investors in cap rate compressed markets looking for new investment opportunities.

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PROPERTY TYPE	PROPERTIES SOLD	SALES VOLUME (USD)	TOTAL SF / UNITS	PRICE / SF, UNIT	CAP RATE
Office	20	\$356,628,288	1,217,121	\$166.41	6.9%
Industrial	19	\$81,919,515	957,296	\$77.64	#N/A
Retail	15	\$106,032,588	465,222	\$204.65	#N/A
Multifamily	24	\$347,413,000	1,268	\$140,469	5.0%
TOTAL	78	\$891,993,391	3,955,792	\$134.46	6.0%

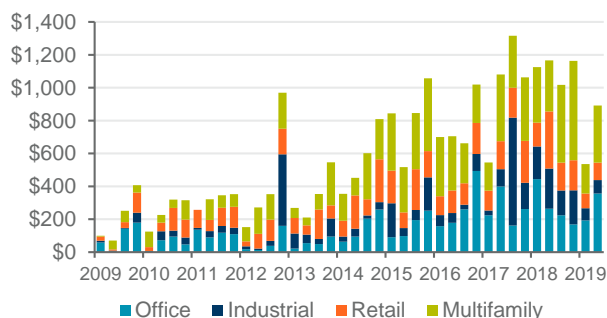
Sources: Real Capital Analytics, Cushman & Wakefield Research Services
 Closed transactions over \$2.5 million
 *SF includes office, industrial and retail. Unit calculation for apartment only.

Significant Sales Q2 2019

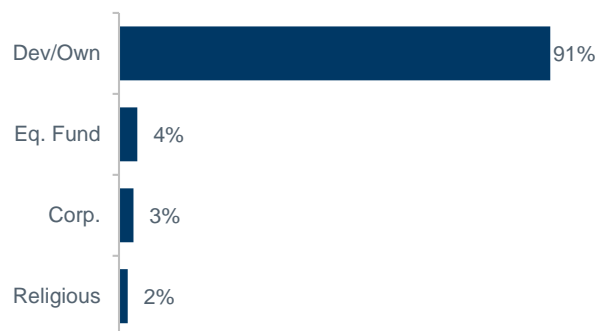
PROPERTY NAME	TYPE	BUYER	SELLER	TOTAL SF / UNITS	PURCHASE PRICE	PRICE/UNIT (\$ PSF)
300 Capitol Mall, Sacramento	Office	Evergreen Co.	Hines	385,844	\$127,500,000	\$333.00
1515 S St, Sacramento	Office	Boyd Watterson	JMA Ventures	399,636	\$114,600,000	\$287.00
6430 Verner Ave, Carmichael	Apartment	Bridge Partners	JCM Partners	268	\$48,000,000	\$179,104
1530 Fulton Ave, Sacramento	Apartment	Affordable Housing Dev Co.	JCM Partners	204	\$37,250,000	\$182,598
5051 El Don Dr, Rocklin	Apartment	Sequoia Equiteies	Ronald P & Maureen A Ashley	152	\$36,500,000	\$240,132
2501 Hurley Way, Sacramento	Apartment	ColRich	Latitude Management	220	\$36,250,000	\$164,773
54 Quay St, Sacramento	Apartment	Tijirian Investment	JCM Partners	98	\$26,800,000	\$273,469
1627 19 th St, Sacramento	Apartment	Woodmont RE Services	SKK Developments	70	\$26,800,000	\$382,857
6930-7032 Fair Oaks, Carmichael	Apartment	FPA MultiFamily	Alex Chapple 1990 Trust	197	\$24,250,000	\$123,096

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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