

# MARKETBEAT

## Sacramento

### Investment Q3 2019



#### SACRAMENTO INVESTMENT

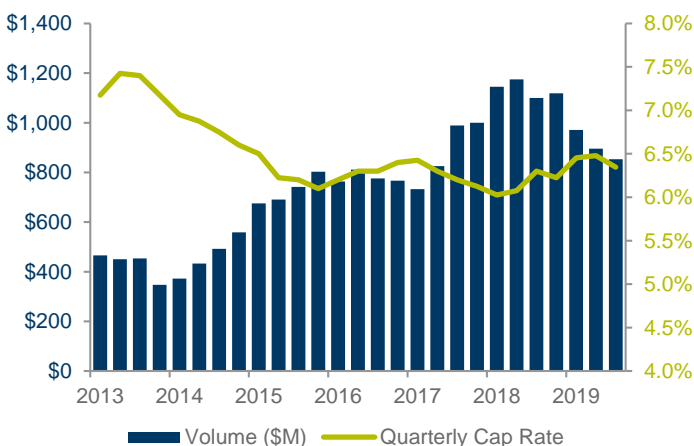
##### Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
Sacramento MSA Employment	1,003k	1019k	▲
Sacramento MSA Unemployment	3.6%	3.8%	▲
U.S. Unemployment	3.8%	3.7%	▲
U.S. GDP	3.1%	2.1%	▼
U.S. 10-year Treasury	3.0%	1.8%	▲

##### Market Indicators

	Q3 18	Q3 19	12-Month Forecast
Overall Cap Rate	6.7%	6.7%	▼
Total Volume (USD)	\$1.01B	\$848M	▲
Total Properties	88	69	▲
Total SF (Excluding Multifamily)	4.7M	3.6M	▲
Total Units (Multifamily)	3,119	1,921	▼

Total Dollar Volume and Cap Rate Trend  
(Dollar Volume in Millions – 4 Qtr Rolling average)



## 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 3.8%, leaving little room for further decline. While traditionally anchored by Government growth, Sacramento is experiencing increasingly more demand from Healthcare, Technology industries which is diversifying our employment base more than anytime in the city's history.

## Market Overview

Total sales volume fell by 10.1% quarter-over-quarter (QoQ) during the third quarter of 2019 in the Sacramento market totaling \$848 million. Multifamily product once again led the region in total sales volume with \$360 million trading during the third quarter, accounting for 42.4% of the total. The total number of transactions was down slightly QoQ from 84 to 69 but remains in line with recent activity. More high profile office sales are expected in the fourth quarter as 400 Capitol Mall and the Ziggurat are both expected to close before the end of the year and will likely set the high water mark for office product in the region.

Office and industrial properties combined for 49.2% of the market's total sales volume during the third quarter with office product slightly edging-out industrial 26.1% to 23.1%. Both product types have benefitted from strong rent growth for a number of years. However, investment sales of industrial product have declined in recent periods with owners content to hold and ride the strong lease rate growth. Cap rates rose during the quarter but remain between 6.0% and 7.0%, where they have been for four of the last five quarters.

## 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. Conversely, retail markets are not expected to demonstrate the same velocity as property value realities fail to meet seller 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	21	\$221,164,392	1,422,983	\$172.44	7.4%
Industrial	23	\$195,803,870	1,831,667	\$105.97	N/A
Retail	11	\$71,205,000	299,708	\$237.58	7.4%
Multifamily	14	\$359,665,000	1,921	\$187,228	5.3%
<b>TOTAL</b>	<b>69</b>	<b>\$847,838,262</b>	<b>3,955,792</b>	<b>\$137.34</b>	<b>6.7%</b>

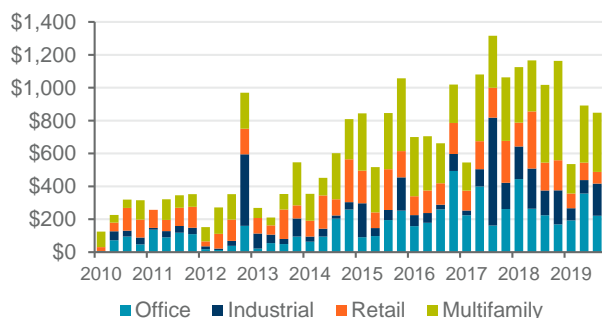
Sources: Real Capital Analytics, Cushman & Wakefield Research Services  
 Closed transactions over \$2.5 million  
 \*SF includes office, industrial and retail. Unit calculation for apartment only.

### Significant Sales Q3 2019

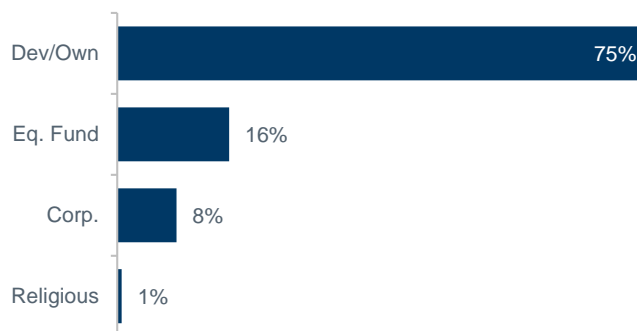
PROPERTY NAME	TYPE	BUYER	SELLER	TOTAL SF / UNITS	PURCHASE PRICE	PRICE/UNIT (\$ PSF)
The Creek @ 2645	Apartment	Bridge Investment Group	Bascom Group, Oaktree	368	\$72,000,000	\$195,652
2 Property Portfolio, Sacramento	Retail	Fairbourne Properties	Clarion Partners	409,681	\$58,442,000	\$142.65
1850 Club Center Dr, Sacramento	Apartment	Jackson Properties	Avanth Capital Partners	212	\$37,000,000	\$174,528
740 Watt Ave, Antelope	Apartment	Benedict Canyon Equities, Inc	JCM Partners	188	\$29,750,000	\$158,245
9190 Schmuckley Dr, Sacramento	Apartment	Pathfinder Partners	Virtu Investments	170	\$28,825,000	\$169,559
2868 Prospect Park Dr, Rancho Cordova	Office	Brent Lee	Oaktree	223,028	25,000,000	\$112.09
3001 Lava Ridge Ct, Roseville	Office	Desimoni Family	PCCP	110,381	\$24,900,000	\$225.58
950 Iron Point Rd, Folsom	Office	Marcos Gomez	Buzz Oates Real Estate	105,30	\$23,700,000	\$225.07
5820 Fair Oaks Blvd, Carmichael	Apartment	Western Management Properties	Aspen Square, Deancurt Realty Group	114	\$23,175,000	\$203,289

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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