

Investment Q4 2019

	YoY Chg	12-Mo. Forecast
5.9% Cap Rate	▲	▼
\$839M Total Volume (USD)	▼	▲
58 Total Properties Sold	▼	▲
2.5 MSF Total SF (Excluding MF)	▼	▲
1,454 Total Units (MF)	▼	▲

(All Property Classes)
MF = Multifamily

ECONOMIC INDICATORS Q4 2019

	YoY Chg	12-Mo. Forecast
1.02M Sacramento MSA Employment	▲	▲
3.4% Sacramento MSA Unemployment Rate	▼	▲
3.6% U.S. Unemployment Rate	▼	▲
1.7% U.S. 10-Yr Treasury Yield	▼	▲

Source: BLS

ECONOMIC OVERVIEW: Market continues to push the envelope

Sacramento's economy remains healthy with continued optimism for further growth. The unemployment rate fell slightly year-over-year (YOY), decreasing by 20 basis points (bps) to 3.4%. Additional job growth is expected in the near term as Centene nears completion of their new regional headquarters and will begin hiring early in 2020.

INVESTMENT OVERVIEW: Cap rates remain low as lack of offerings slow activity

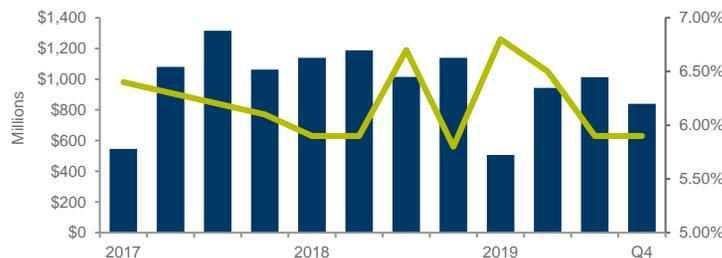
Total sales volume slowed during the fourth quarter, totaling \$839 million a decrease of 17.1%. However, the annual total was strong surpassing the \$3.0 billion threshold for the fifth consecutive year. Bucking recent trends in which multifamily product led the market in total sales volume, office product amassed the largest total reaching \$361 million, 43.0% of the quarterly total. Office totals were buoyed by the sale of 400 Capitol Mall to Manulife for \$199 million. The sale of large class A office buildings is expected to continue as a market trend with both Park Tower and the Ziggurat building are expected to trade during the first quarter of 2020.

Office and multifamily properties combined with the vast majority of sales volume (77.1%) but the number of properties sold were much more evenly distributed with 16 office and multifamily properties each and 13 industrial and retail each trading. Sales of both industrial and retail properties have slowed in recent quarters but for very different reasons. Industrial vacancy is at an all time low of 3.7%, with little construction on the horizon for the smaller product that most industrial tenants occupy incentivizing landlords to hold onto property. Retail, on the other hand, is perceived as a more risky investment, except in cases of exceptional local demographics. The market cap rate held at 5.9% during the quarter but rose by 10 bps YOY, equaling the low point from the prior economic cycle in the first quarter of 2008.

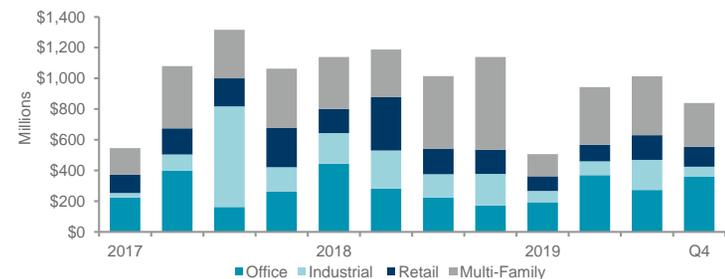
OUTLOOK: More of the same

Sacramento remains attractive to buyers for a variety of different reasons. Multifamily product continues to set pricing records; both the office and industrial market have record low vacancy with little new speculative construction underway but both have a significant difference between current asking lease rates and those that justify new, speculative construction. In all three of these cases in recent years, demand has consistently outpaced available supply creating increasingly advantageous positions for property owners. With that in mind, the market still has significant runway for both lease rates and property value growth throughout 2020.

INVESTMENT \$ VOLUME & CAP RATE (4-QTR TRAILING)



INVESTMENT \$ VOLUME BY PROPERTY TYPE



Source: Real Capital Analytics

INVESTMENT ACTIVITY

PROPERTY TYPE	PROPERTIES SOLD	SALES VOLUME (USD)	TOTAL SOLD	PRICE / SF*, UNIT	CAP RATE
Office	16	\$361,228,500	1,344,940 SF	\$268.58	6.8%
Industrial	13	\$63,242,000	689,650 SF	\$91.70	7.6%
Retail	13	\$129,129,066	458,474 SF	\$281.65	5.5%
Multifamily	16	\$285,782,161	1,454 UNITS	\$222,038	5.3%
TOTAL	58	\$847,838,262	2,493,064	\$222.06	5.9%

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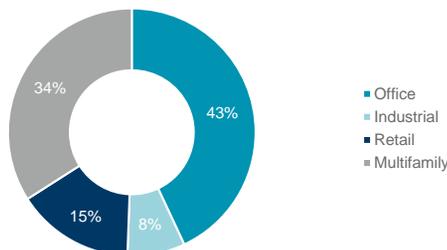
SIGNIFICANT SALES

PROPERTY NAME	TYPE	BUYER	SELLER	TOTAL SF / UNITS	PURCHASE PRICE	PRICE / UNIT (\$ PSF)	CITY
400 Capitol Mall	Office	ManuLife	Starwood Capital	500,662	\$198,750,000	\$396.97	Sacramento
2 Property Portfolio	Multifamily	TC Miramonte I LLC	Clarion Partners	440	\$104,000,000	\$236,364	Sacramento
The Crossings	Multifamily	Property Income Advisors, Inc	Coleraine Capital Group, AMCAL	212	\$93,250,000	\$439,858	Sacramento
3341 Power Inn Rd	Office	Boyd Watterson	Eaton Vance RE	164,981	\$40,500,000	\$245.48	Sacramento
Sterling Pointe	Multifamily	Ridge Capital Advisors	Lefever Mattson	250	\$33,000,000	\$132,000	Sacramento
2365 Iron Point Rd	Office	Basin Street Properties	Swift Realty Partners	150,709	\$31,900,000	\$211.67	Folsom

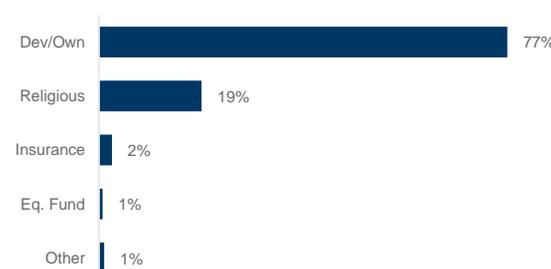
Sources: Real Capital Analytics, Cushman & Wakefield Research Closed transactions over \$2 million

*SF includes office, industrial and retail. Unit calculation for apartment only

% \$ VOLUME BY PROPERTY TYPE



TOTAL ACQUISITIONS BY CAPITAL SECTOR



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