



SACRAMENTO MSA | MULTIFAMILY | Q1 2019 REPORT

SACRAMENTO MSA OVERVIEW	01
SACRAMENTO MSA - COUNTY ANALYSIS	02
MULTIFAMILY PROPERTY ANALYSIS: 50+ & 5-49 UNITS	03
COMPLETED CONSTRUCTION & PLANNED PROJECTS	04
ABI GEONEWS: SACRAMENTO MSA - SELECT NEWS	05
ABInsight® SACRAMENTO MSA: BRUH! DO YOU EVEN PICKLEBALL?	06-07
ABI COMPARATIVE MARKET REVIEW: Q1 2019	08

5+ UNIT PROPERTIES	Q1 2019	INCREASE/DECREASE	Q1 2018
Total Sales Volume	\$136M	-62.3%	\$360M
AVERAGE Price/Unit	\$126,190	-6.6%	\$135,085
Price/SF	\$161.38	-11.1%	\$181.61
Year Built	1963	-3 yrs	1966
Average Rent	\$1,478	+5.6%	\$1,400
Occupancy Rate	96.3%	+0.1%	96.2%
Units Delivered	126	+57.5%	80

ABI GEONEWS - SACRAMENTO MSA SELECT NEWS

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Yardi® Matrix

Sac 'Lifestyle Renters' Could Feel More of a Squeeze



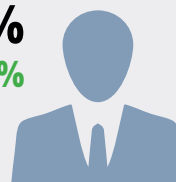
Revised 12th Street Proposal Goes to Five Stories, With Retail

VRILAKAS | GROEN

New R Street Proposal Would Have Apartments

2,296,418 **POPULATION**
CENSUS

4.3%
+0.3%



UNEMPLOYMENT
Q-Q AS OF MARCH 2019

+2.8%



EMPLOYMENT GROWTH
Y-O-Y AS OF MARCH 2019

\$69,308



MEDIAN HH INCOME
CENSUS

\$34,550



PER CAPITA INCOME
CENSUS

3,646
Units (50+)



UNDER CONSTRUCTION
YARDI






180,391
Units (5+)



TOTAL INVENTORY
COSTAR



SACRAMENTO MSA - PER COUNTY ANALYSIS

SACRAMENTO MSA QUICK STATS	UNEMPLOYMENT RATE	MEDIAN HH INCOME	PER CAPITA INCOME	50+	
				TOTAL INVENTORY	UNDER CONSTRUCTION
 Sacramento MSA	4.3%	\$69,308	\$34,550	146,013	3,646
 Sacramento	8.8%	\$60,239	\$29,693	94,693	2,284
 Placer	5.6%	\$80,488	\$39,734	14,766	730
 Yolo	7.2%	\$61,621	\$30,615	16,886	50
 El Dorado	8.1%	\$74,885	\$38,156	3,017	- -

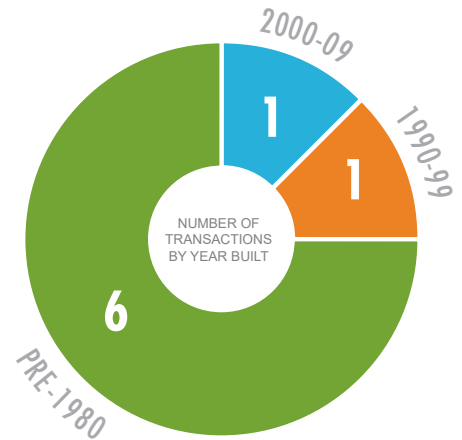
* Total inventory numbers may vary due to zip/city overlap

SACRAMENTO MSA - PER COUNTY ANALYSIS

RENT & OCCUPANCY STATS		Sacramento	Placer	Yolo	El Dorado
	Average Rent (Q1 2019)	\$1,394	\$1,637	\$1,866	\$1,675
	% Change (y-o-y)	+6%	+4.8%	+4.6%	+4.4%
	Occupancy Rate (Q1 2019)	96%	95.5%	98.6%	95.9%
	% Change (y-o-y)	-0.1%	-0.2%	-0.5%	-0.4%
SALES DATA (50+)	Units Delivered (50+)	68	58	- -	- -
	Total Sales Volume (Q1 2019, 50+)	\$101,785,000	\$0	\$0	\$0
	Total Sales Volume (Q1 2018, 50+)	\$246,034,813	\$0	\$76,050,000	\$11,750,000
	% Change (y-o-y)	-58.6%	- -	- -	- -
	Avg P/U (Q1 2019, 50+)	\$119,606	\$0	\$0	\$0
	Avg P/U (Q1 2018, 50+)	\$123,760	\$0	\$204,987	\$116,337
	% Change (y-o-y)	-3.4%	- -	- -	- -
SALES DATA (5-49)	Total Sales Volume (Q1 2019, 5-49)	\$29,844,500	\$1,670,000	\$2,355,000	\$0
	Total Sales Volume (Q1 2018, 5-49)	\$17,410,500	\$0	\$8,620,000	\$0
	% Change (y-o-y)	+71.4%	- -	-72.7%	- -
	Avg P/U (Q1 2019, 5-49)	\$151,495	\$104,375	\$214,091	\$0
	Avg P/U (Q1 2018, 5-49)	\$106,162	\$0	\$215,500	\$0
	% Change (y-o-y)	+42.7%	- -	-0.7%	- -

50+ UNIT PROPERTIES

	Q1 2019	INCREASE/DECREASE	Q1 2018
Total Sales Volume	\$102M	-69.5%	\$334M
AVERAGE Price/Unit	\$119,606	-11.9%	\$135,705
AVERAGE Price/SF	\$146.98	-19%	\$181.35
AVERAGE Year Built	1976	+3 yrs	1973



TOP 3 TRANSACTIONS BY PRICE/UNIT (50+)



Riverside Villas

Sacramento, 100 Units | \$16,010,000
\$160,100/Unit | \$193.12/SF | Built 1972



The Crossing at Wyndham

Sacramento, 298 Units | \$43,000,000
\$144,295/Unit | \$191.32/SF | Built 1974



Florin Woods

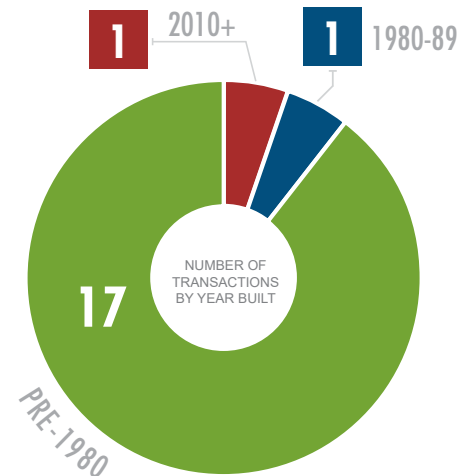
Sacramento, 95 Units | \$10,800,000
\$113,684/Unit | \$144/SF | Built 1966

Q1 2019 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	--	--	--
2000-09	1	\$88K	\$41
1990-99	1	\$71K	\$108
1980-89	--	--	--
Pre-1980	6	\$125K	\$171

5 - 49 UNIT PROPERTIES

	Q1 2019	INCREASE/DECREASE	Q1 2018
Total Sales Volume	\$34M	+30.1%	\$26M
AVERAGE Price/Unit	\$151,203	+18.5%	\$127,600
AVERAGE Price/SF	\$228.69	+23.6%	\$185.06
AVERAGE Year Built	1957	+1 yr	1956



TOP 3 TRANSACTIONS BY PRICE/UNIT (5-49)



Winn Park Lofts

Sacramento, 9 Units | \$3,100,000
\$344,444/Unit | \$281.82/SF | Built 2019



212 University Avenue

Davis, 6 Units | \$1,700,000
\$283,333/Unit | \$346.94/SF | Built 1940



117 Ruth Court

Sacramento, 10 Units | \$2,500,000
\$250,000/Unit | \$320.18/SF | Built 1960

Q1 2019 Transactions by Year Built

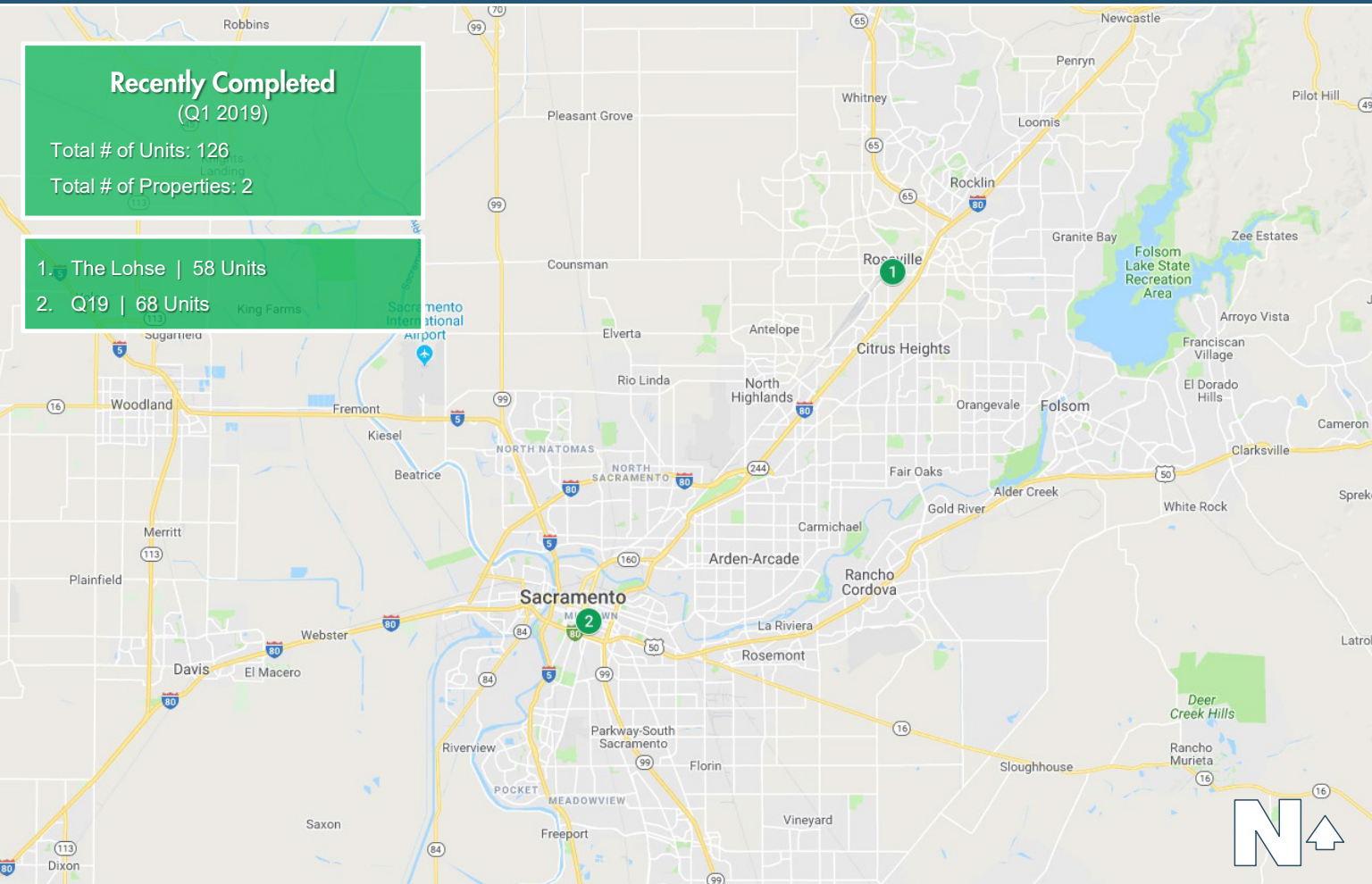
	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	1	\$344K	\$282
2000-09	--	--	--
1990-99	--	--	--
1980-89	1	\$147K	\$180
Pre-1980	17	\$142K	\$235

COMPLETED CONSTRUCTION

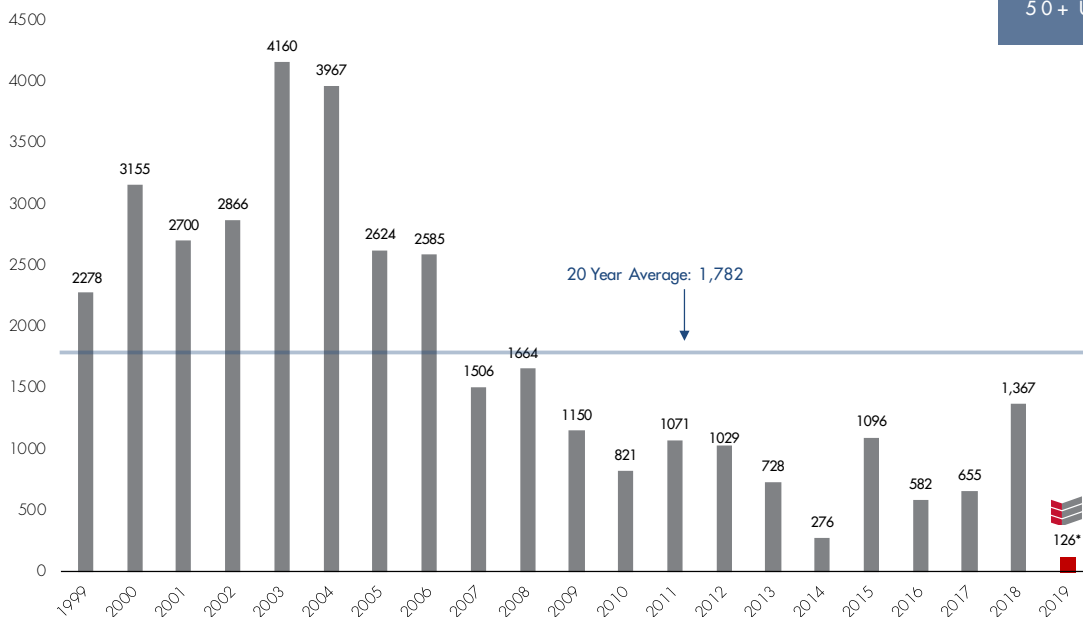
Recently Completed (Q1 2019)

Total # of Units: 126
Total # of Properties: 2

1. The Lohse | 58 Units
2. Q19 | 68 Units



SACRAMENTO MULTIFAMILY CONSTRUCTION PIPELINE Q1 2019



* Project Units Delivered. Project units delivered is based on when the total project is completed, not as individual buildings/units are delivered

TOTAL UNIT INVENTORY

5+ UNIT PROPERTIES: 180,391

50+ UNIT PROPERTIES: 146,013

PRE-LEASE ABSORPTION RATE

5

Units/Property/Month (Q1 Avg)

Under Construction

Total # of Units: 3,646

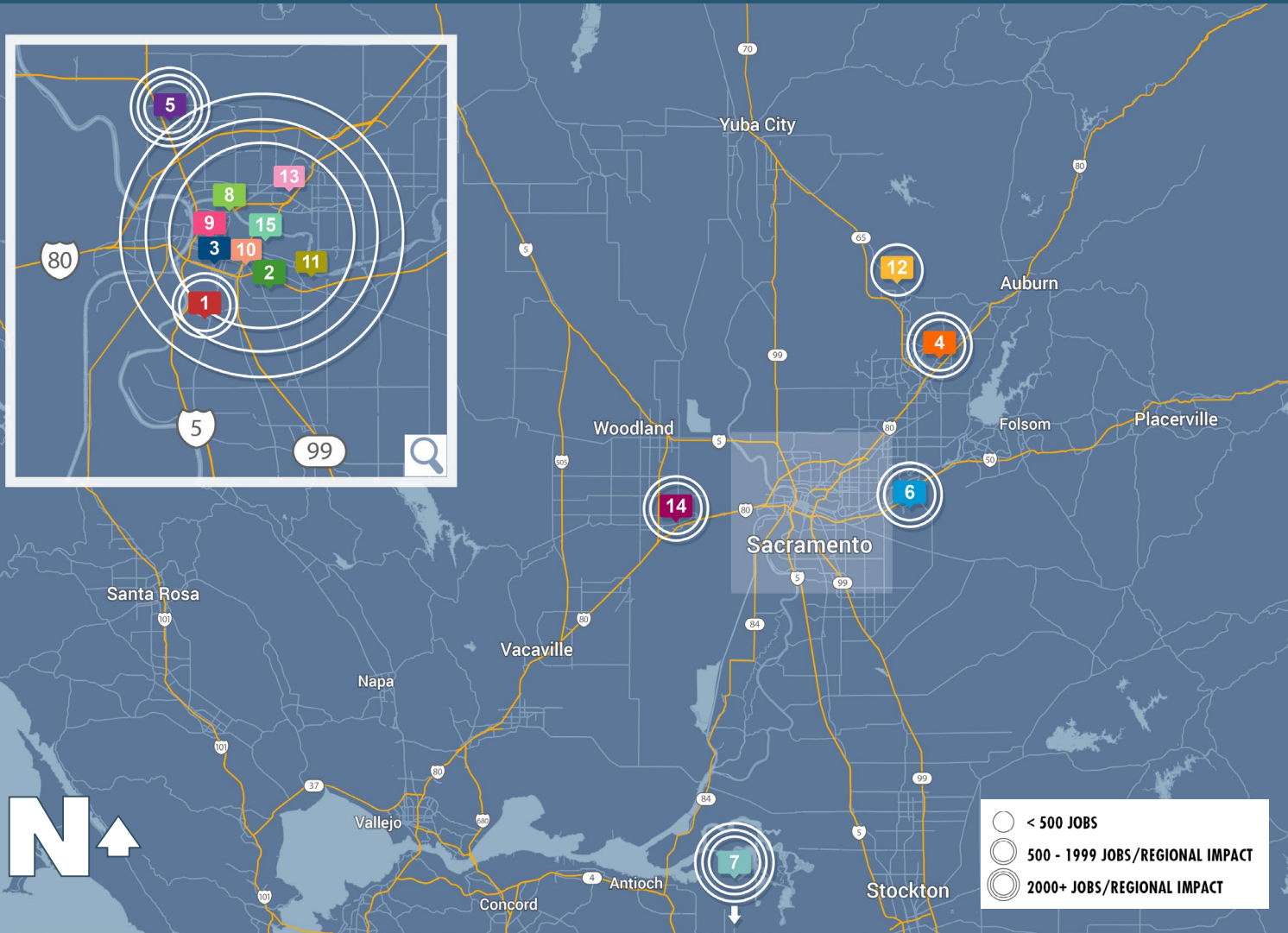
Total # of Properties: 19

Planned

Total # of Units: 6,405

Total # of Properties: 35

Q1 2019 SELECT NEWS



1 Sacramento Zoo | Proposal to Move SAC Zoo to Arena Site Will Bring 1000 Jobs

2 UC Davis | UC Davis Plans Aggressive Development of Aggie Square Research and Innovation Center

3 Vrilakas Groen Architects | New R Street Proposal Would Have Apartments

4 Quarry Park Adventures | With Rocklin's Quarry Park Adventures Set to Open June 15, Rocklin Sees a Future in Its Historic Quarries

5 Centene | Possible Centene Site Fuels New Housing Development

6 California Military | Construction Begins on \$135 Million California Military Headquarters Project

7 Valley Rail | Valley Rail Project Gets \$500.5 Million to Connect Sacramento, San Jose

8 Alkali Flats | Revised 12th Street Proposal Goes to Five Stories, With Retail

9 Kazan Networks | Kazan Networks' Move to Roseville Makes Room for Expansion

10 Highlands Power | Advanced Electric Motor Company, Highlands Power, Moving Into Urban Hive Co-Work Space

11 Sac State | Sac State Plans up to 1,100 Student Beds in \$150 Million Project Southeast of Campus

12 GC Products | Manufacturing Firm, GC Products INC, Moving to Lincoln

13 Progressive | Progressive Ramps up Sacramento Hiring, to Hire 325 Locally

14 Engage3 | Engage3 Leases Large Office Space in Downtown Davis

15 KAI Partners | Tech Consulting Firm, Kai Partners, Leases Its First Space in East Sacramento

Regional Yardi Matrix | SAC 'Lifestyle Renters' Could Feel More of a Squeeze

BY: ROLAND MURPHY, DIRECTOR OF RESEARCH

Market slowdowns are inevitable at some point, and many thought leaders are projecting the next one could potentially start in the next 18 months — which, coincidentally, is within the general turnaround timeframe for projects in the final planning/construction commencement phase. As a result, many multifamily developers are starting to reconsider the actual ROI of their amenities offerings.

For several years, new community developers and renovation-minded investors have been building and rebuilding multifamily assets with a frantic, frenetic and frenzied eye toward keeping up with the Joneses as far as the latest, greatest and most in-demand amenities all throughout this so-called Decade of the Renter, fueled by shifting demographic mindsets and the market power of the Renter by Choice.

As the boom cycle enters what's likely its final stages before a brief moderation, now is the time to ask: To what degree is amenitization worthwhile, and what's the right balance?

Pickleball:

Essential Offering or Waste of Space?

Full disclosure: I freely admit my contempt for pickleball is irrational. It comes from being saturation bombed as a news editor with announcements that it was/is the coming thing and a nearly essential quality of life value add. While I have no inclination to play the game, I also bear no actual ill will toward its participants, advocates or participatory bodies. (So don't message me about it.)

That said, I think in a lot of cases facility design is a lot like fashion design. Designers come up with an "innovation" because it's fun to create, then shops end up with 200 pairs of bellbottoms (or six pickleball courts) and they have to be marketed as the new "must have" so they don't just sit and languish. As essential as quality design is, left untempered by pragmatic restraint, the field can generate startling feedback loops, thinking it's an [Ouroboros](#) when in reality it's a [Null Set](#).



The most valuable amenities are the ones residents will actually use. Space-occupying, development dollar-hoovering, faddish add-ons like pickleball courts and misted running tracks may look great in the brochure, but are they worth the cost over time for construction and upkeep? In some instances, maybe. As a default, likely not.

If a feature isn't going to be regularly and fully used by a significant percentage of tenants, developers are really just paying for bullet points on the marketing page. Again picking on pickleball, which costs up to \$75,000/per court to build, is that a best use for development **or** marketing dollars?

Putting this column together I read more than three dozen articles and surveys of both owner/developers and tenants. What struck me most, as it always does in these kinds of things, was the disconnect between what's being provided and what's desired by the user.

In order to differentiate themselves, developers and designers have gone hog wild with amenitization, including everything from meditation rooms, mini-soccer fields, putting greens and sky gardens into their projects. At the same time, they have been quietly adjusting layouts and floorplans to cut the square footage of living space to save on materials and labor costs. That seems more than just a little bit backward.

Sacramento Market Metrics:

By the Numbers

From the amenity-saturated to the barebones, the Sacramento market had an interesting First Quarter.

For 5-49 unit properties, Q1 saw \$34M in transaction volume, a 30.1% Year-over-Year increase from Q1 2018. In the 50+ unit category, Q1 took in \$102M, a 69.5% drop from 2018.

Average Price-Per-Unit amounts were mixed, rising 18.5% YoY to \$151,203 for 5-49 units, and falling 11.9% to \$119,606 for 50+. These translated to an Average Price/SF of \$228.69 in 5-49 (up 23.6%) and \$146.98 (down 19%) in 50+.

Inventory age got newer, with Average Year Built for 5-49 being 1957, compared to 1956 for Q1 last year. For 50+, the Average Year Built was 1976, or three years newer.

The market's occupancy rate remained high. Q1 occupancy for 5+ units was 96.3%, an increase of 0.1% Y-o-Y. Average rent was \$1,478, up \$78 from Q1 2018.

Sacramento MSA demographics continued to look positive. The Census estimate of total population was 2,296,418. The unemployment rate finished at 4.3%, according to March's

Bureau of Labor Statistics numbers.

Median Household Income was \$69,308, and Per Capita Income came in at \$34,550.

In the realm of new construction for 50+ unit properties, 126 units were delivered across two projects. Current projections show 6,405 total units in the Planning stages across 35 properties. A total of 3,646 units were listed as Under Construction in 19 properties.

Pre-lease absorption was moderate across the region at a rate of five units/property/month.

Total Unit Inventory for 50+ came in at 146,013.

If You Build it They Will Come.

Build it Right and They Will Stay

Of course there are, “Essential,” “Nice-to-have,” and, “What were you thinking?” classes of amenities. Not surprisingly, because they have become so standard over the past 40 years, swimming pools and fitness centers rate highly on the “essential” scale among surveys of prospective tenants, even though they have consistent usage rates of less than 10%.

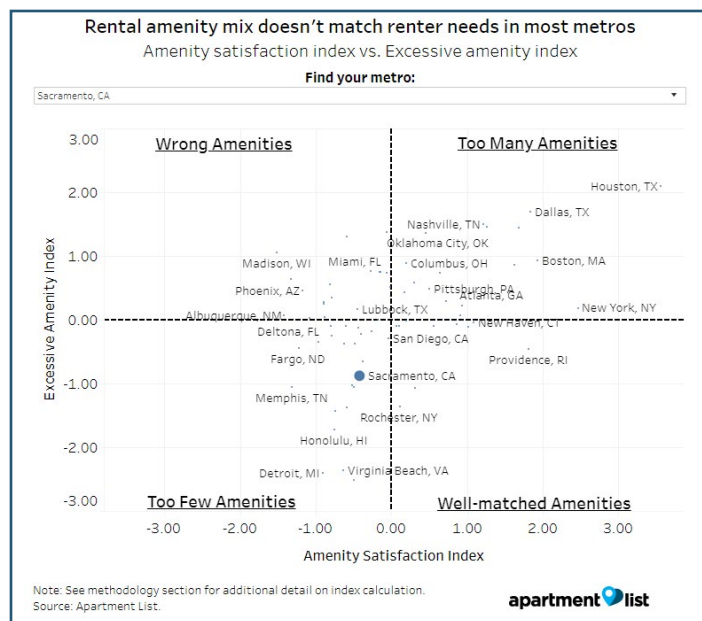
Even on these default-standard offerings, I have to call shenanigans on this. When you’re looking at markets where 6% describes both the maximum average vacancy and minimum average YoY rent growth, only active infestations of mutant rats hauling carts of demonically possessed cockroaches launching balls of asbestos steeped in anthrax actually warrant an 80%+ “deal killer” score.

Meanwhile, actual residents are looking for things like package delivery centers, apps that manage paying rent and scheduling maintenance/work orders, facility-wide network/cellular connectivity, customizable keyless entry, and open spaces with designated dog-friendly areas.

Some designers and developers are trying to create and deliver [Adnan Khashoggi's yacht](#), whereas residents really just want a well-appointed hybrid Honda Accord — an ultra-reliable and well, but not ridiculously well, apportioned space — to meet their daily living needs.

A recent post on Apartment List’s “Rentonomics” page offered up a great example, charting whether multifamily spaces in markets across the country had too many, too few, well matched or wrong amenities for renters’ needs. In Phoenix and Tucson, the amenities came up wrong. In Sacramento, they were too few. Only San Diego had an apparent Goldilocks formula, landing mostly on the line between too few and well matched.

Perhaps the greatest example centers around one obvious quality



of living value-add. Nationally, 87 percent of renters want it, according to multiple surveys, but only 13 percent of communities have it as a standard feature, according to Apartment List. It’s not pickleball. It’s not surround-sound equipped digital theaters. It’s not an onsite car wash, and it’s certainly not a rooftop water park.

It’s in-unit washers and dryers. The national spread between desired by tenants and offered by properties is -40%. The gap in Phoenix is a whopping -53%. In Tucson it’s -48%. Sacramento comes in at -48%, and San Diego is at -44%.

Forget zipline courses, adventure rooms, performance stages and artist-in-residence programs. If you want to keep tenants happy, let them pay their rent with the push of a button, pick up their Prime packages on the way to their units, open their door without fumbling for a key, buzz in visitors from their phone, and wash their bellbottoms without leaving the comfort of their globally connected homes.

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ABI COMPARATIVE MARKET REVIEW: Q1 2019



SACRAMENTO

SAN DIEGO

PHOENIX

TUCSON

DEMOGRAPHICS

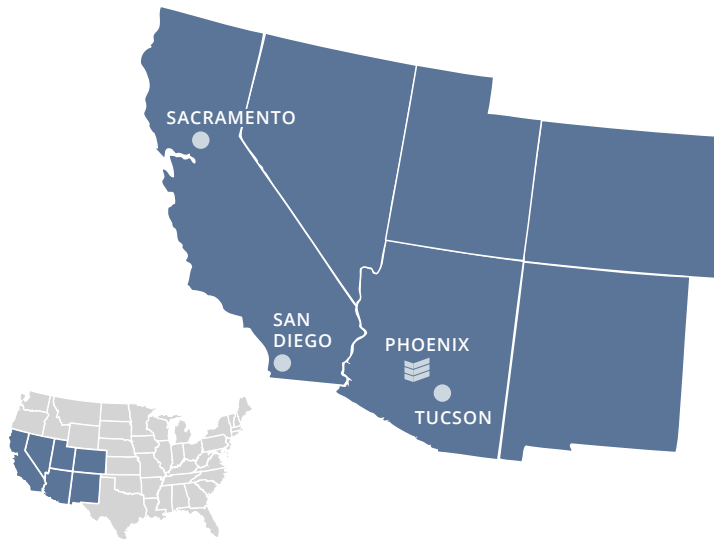
RENT/OCC/CONST (50+)

SALES (50+)

DEMOGRAPHICS	Total Population	2,296,418	3,337,685	4,737,270	1,026,099
	Unemployment Rate (as of Mar '19)	4.1%	3.5%	4.2%	4.5%
	Employment Growth (y-o-y)	2.8%	1.4%	2.8%	1.4%
	Median HH Income	\$62,813	\$70,588	\$57,935	\$48,676
	Per Capita Income	\$51,370	\$34,350	\$29,542	\$27,323
RENT/OCC/CONST (50+)	Rent (Q1 2019)	\$1,478	\$1,940	\$1,131	\$879
	% Increase / Decrease	+5.6%	+4.1%	+8.4%	+6.9%
	Occupancy (Q1 2019)	96.3%	95.9%	95.2%	94.6%
	% Increase / Decrease	+0.1%	-0.5%	+0.1%	+0.4%
	Total Inventory (50+)	146,013	226,901	314,191	69,262
	Total Under Construction (50+)	3,646	8,714	14,372	939
	Units Delivered (50+, Q1 2019)	126	595	2,521	290
	Total Sales Volume (Q1 2019)	\$2,044,561,185	\$184,075,000	\$101,785,000	\$528,435,500
SALES (50+)	y-o-y % Increase / Decrease	+71.6%	+40.7%	-69.5%	+715.8%
	Average P/U (Q1 2019)	\$152,659	\$125,306	\$119,606	\$273,517
	y-o-y % Increase / Decrease	+7.5%	+111.7%	-11.9%	+37.7%

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SACRAMENTO ADVISORS

DAVID C. JUSTESEN
SENIOR VICE PRESIDENT

916.330.4040
david.justesen@abimultifamily.com
CA DRE Broker #00853627

TYLER JUSTESEN
VICE PRESIDENT

916.330.4818
tyler.justesen@abimultifamily.com
CA DRE Broker #02044409

SACRAMENTO OFFICE

2251 Douglas Blvd, Suite 115
Roseville, CA 95661
916.330.4040
CA Lic #02015648

SAN DIEGO OFFICE

1012 2nd Street, Suite 100
Encinitas, CA 92024
858.256.7690
CA Lic #02015648

PHOENIX HEADQUARTERS

5227 North 7th Street
Phoenix, AZ 85014
602.714.1400

TUCSON OFFICE

1650 North Kolb Road, Suite 230
Tucson, AZ 85715
520.265.1945

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