

SACRAMENTO MSA | MULTIFAMILY | Q2 2019 REPORT

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5+ UNIT PROPERTIES		Q2 2019	INCREASE/DECREASE	Q2 2018
Total Sales Volume		\$275M	-10.0%	\$306M
A V E R A G E	Price/Unit	\$161,842	+5.8%	\$152,935
	Price/SF	\$183.99	-0.7%	\$185.24
	Year Built	1971	+3 Yrs	1968
Average Rent		\$1,517	+6.0%	\$1,431
Occupancy Rate		96.4%	NO CHANGE	96.4%
Units Delivered		186	-53.1%	397

ABI GEONEWS: SACRAMENTO MSA - SELECT NEWS

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Sacramento Is a Boomtown Again



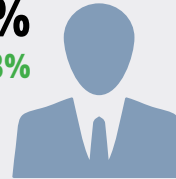
Mayor Proposes Major \$47 Million Transformation Plan for Old Sacramento Waterfront



SAC 'Lifestyle Renters' Could Feel More of a Squeeze

2,296,418  **POPULATION**
CENSUS

3.8%
+0.3%



UNEMPLOYMENT
Q-Q AS OF JUNE 2019 - BLS

1.8%



EMPLOYMENT GROWTH
Y-O-Y AS OF JUNE 2019 - BLS

\$67,902



MEDIAN HH INCOME
CENSUS

\$33,548



PER CAPITA INCOME
CENSUS

3,550
Units (50+)



UNDER CONSTRUCTION
YARDI

160,362
Units (5+)



TOTAL INVENTORY
AS OF JUNE 2019 - YARDI

SACRAMENTO MSA - PER COUNTY ANALYSIS

SACRAMENTO MSA QUICK STATS	UNEMPLOYMENT RATE	MEDIAN HH INCOME	PER CAPITA INCOME	50+	
				TOTAL INVENTORY	UNDER CONSTRUCTION
Sacramento MSA	3.8%	\$67,902	\$33,548	129,505	3,550
Sacramento	3.2%	\$63,045	\$31,449	94,693	2,924
Placer	2.7%	\$80,728	\$39,735	14,766	554
Yolo	3.4%	\$60,788	\$30,900	16,886	50
El Dorado	3.1%	\$79,414	\$38,385	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 (Q2 2019)	\$1,426	\$1,709	\$1,935	\$1,741
% Change (y-o-y)	+5.6%	+6.7%	+7.7%	+5.2%
Occupancy Rate (Q2 2019)	96.2%	96.1%	98.4%	96.8%
% Change (y-o-y)	+0.1%	+0.3%	-0.4%	+0.1%
Units Delivered (Q2 2019, 50+)	--	186	--	--

SALES DATA (50+)

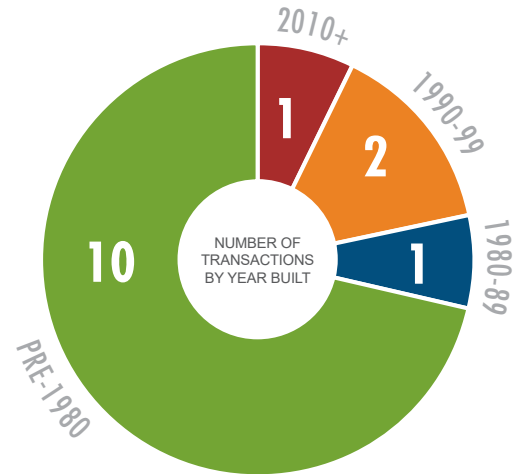
Total Sales Volume (Q2 2019, 50+)	\$177,525,500	\$36,500,000	\$26,800,000	\$0
Total Sales Volume (Q2 2018, 50+)	\$86,046,000	\$148,700,000	\$12,500,000	\$0
% Change (y-o-y)	+106.3%	-75.5%	+114.4%	--
Avg P/U (Q2 2019, 50+)	\$153,702	\$240,132	\$273,469	\$0
Avg P/U (Q2 2018, 50+)	\$100,875	\$242,974	\$164,474	\$0
% Change (y-o-y)	+52.4%	-1.2%	+66.3%	--

SALES DATA (5-49)

Total Sales Volume (Q2 2019, 5-49)	\$24,853,000	\$0	\$2,975,000	\$0
Total Sales Volume (Q2 2018, 5-49)	\$47,158,175	\$9,013,500	\$0	\$2,300,000
% Change (y-o-y)	-47.3%	--	--	--
Avg P/U (Q2 2019, 5-49)	\$126,157	\$0	\$175,000	\$0
Avg P/U (Q2 2018, 5-49)	\$130,995	\$115,558	\$0	\$115,000
% Change (y-o-y)	-3.7%	--	--	--

50+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q2 2019	INCREASE/DECREASE	Q2 2018
Total Sales Volume	\$247M	NO CHANGE	\$247M
AVERAGE Price/Unit	\$167,814	+4.6%	\$160,445
AVERAGE Price/SF	\$185.13	-2.2%	\$189.34
AVERAGE Year Built	1980	+6 Yrs	1974



TOP 3 TRANSACTIONS BY PRICE/UNIT (50+)



Q19

Sacramento, 68 Units | \$26,800,000
\$394,118/Unit | \$580.46/SF | Built 2018

Southwood Garden Townhomes

Sacramento, 98 Units | \$26,800,000
\$273,469/Unit | \$213.37/SF | Built 1979

Shaliko

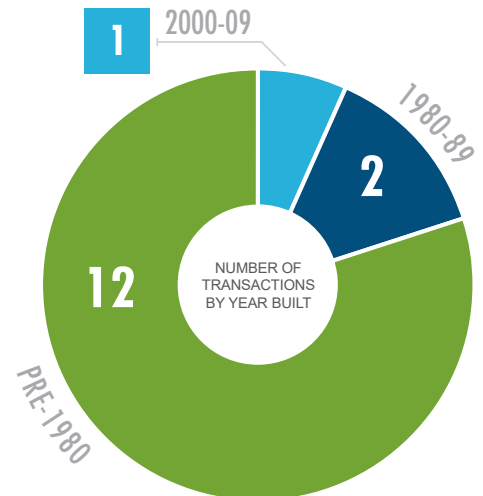
Rocklin, 152 Units | \$36,500,000
\$240,132/Unit | \$235.73/SF | Built 1990

Q2 2019 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	1	\$394K	\$580
2000-09	--	--	--
1990-99	2	\$207K	\$223
1980-89	1	\$93K	\$143
Pre-1980	10	\$150K	\$162

5 - 49 UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q2 2019	INCREASE/DECREASE	Q2 2018
Total Sales Volume	\$28M	-51.9%	\$58M
AVERAGE Price/Unit	\$123,259	-3.5%	\$127,667
AVERAGE Price/SF	\$174.52	+2.9%	\$169.67
AVERAGE Year Built	1963	-2 Yrs	1965



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



2310 Q Street

Sacramento, 5 Units | \$1,732,500
\$346,500/Unit | \$253.55/SF | Built 2009

3500 Jefferson Blvd

West Sacramento, 5 Units | \$950,000
\$190,000/Unit | \$237.50/SF | Built 1927

1612 P Street

Sacramento, 8 Units | \$1,400,000
\$175,000/Unit | \$325.58/SF | Built 1940

Q2 2019 Transactions by Year Built

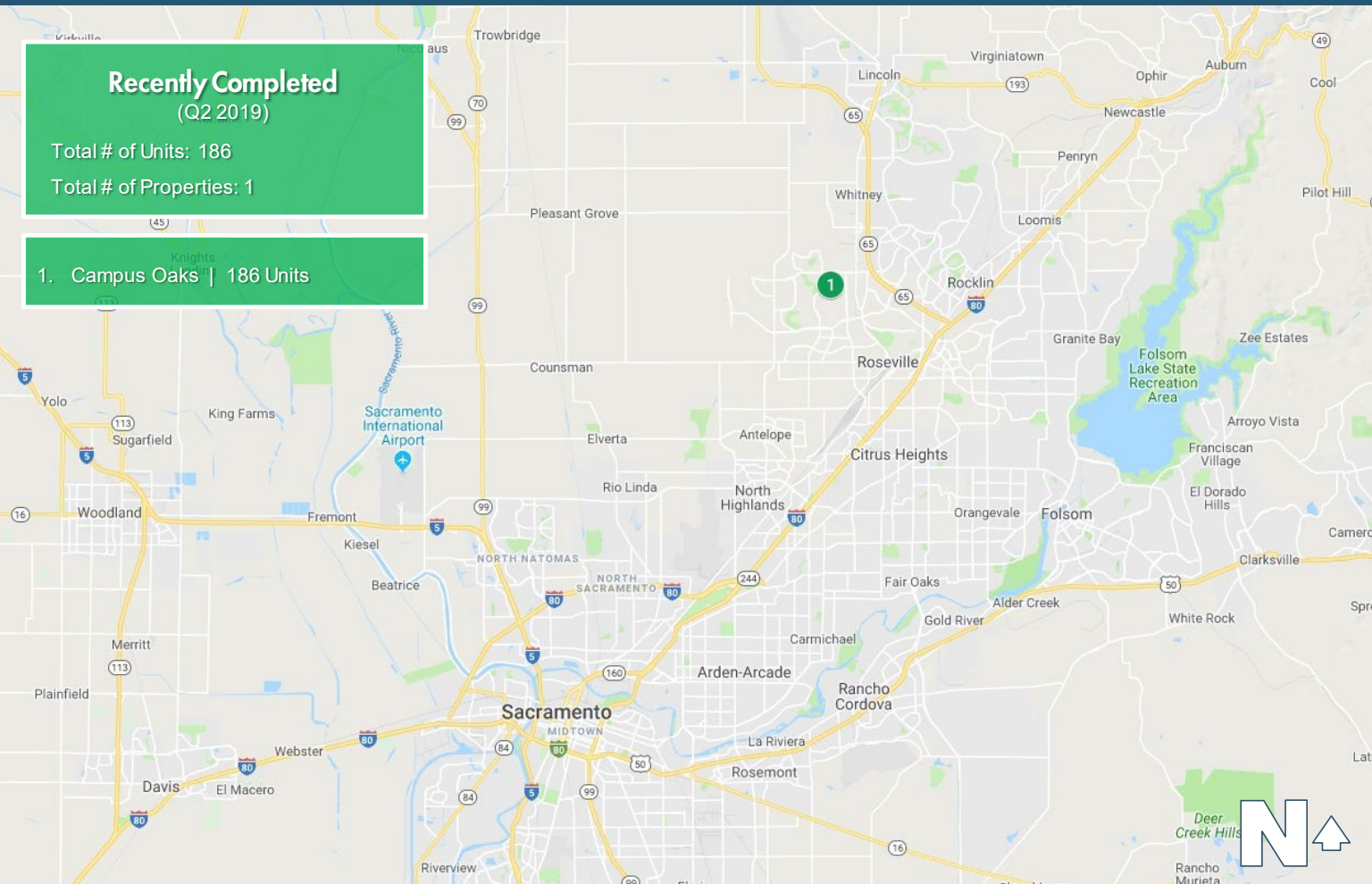
	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	--	--	--
2000-09	1	\$347K	\$254
1990-99	--	--	--
1980-89	2	\$158K	\$201
Pre-1980	12	\$112K	\$166

COMPLETED CONSTRUCTION

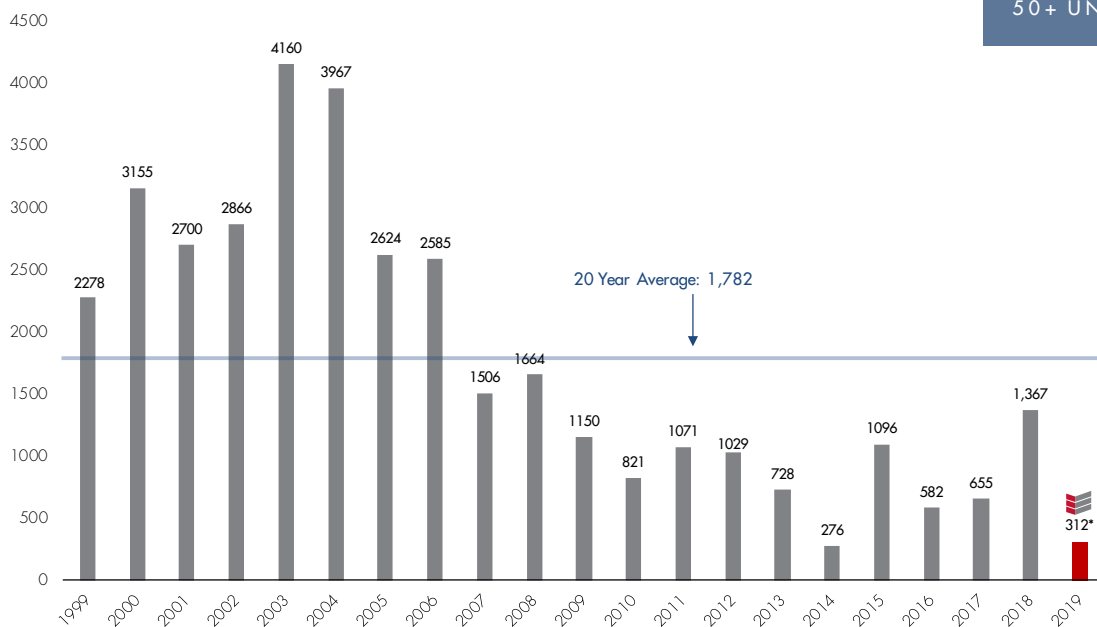
Recently Completed (Q2 2019)

Total # of Units: 186
Total # of Properties: 1

1. Campus Oaks | 186 Units



SACRAMENTO MULTIFAMILY CONSTRUCTION PIPELINE Q2 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: 160,362
50+ UNIT PROPERTIES: 129,505

PRE-LEASE ABSORPTION RATE

15
Units/Property/Month (Q2 Avg)

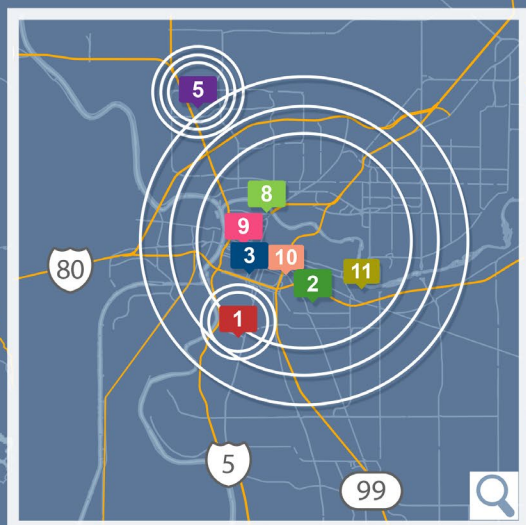
Under Construction

Total # of Units: 3,550
Total # of Properties: 19

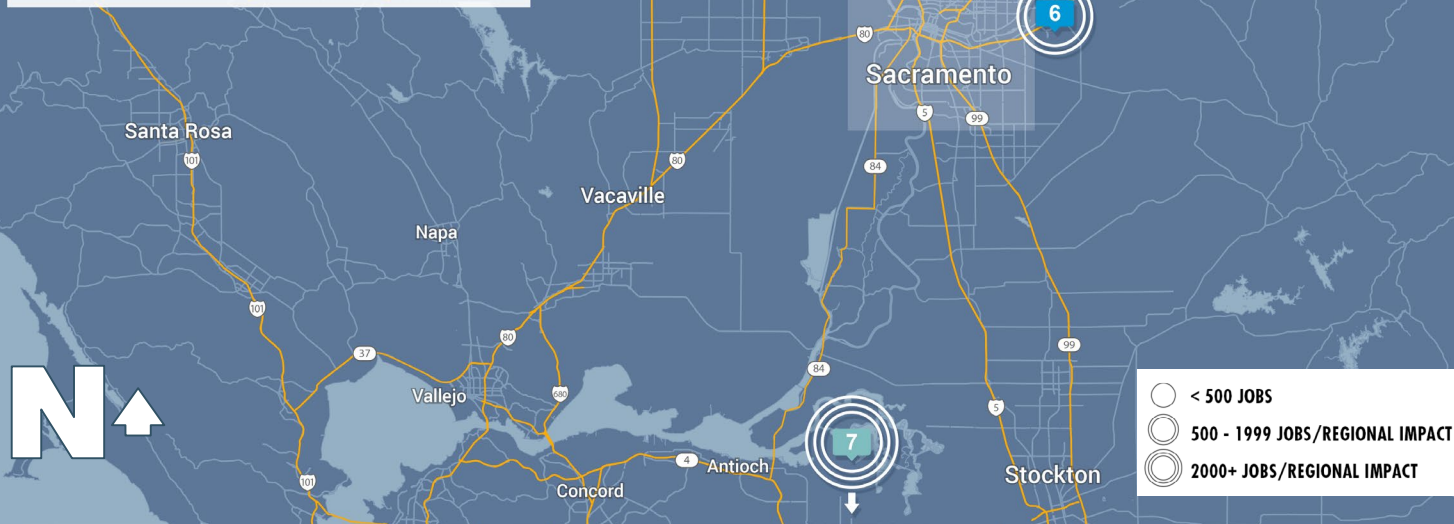
Planned

Total # of Units: 6,316
Total # of Properties: 34

ABI GEONEWS: SACRAMENTO MSA - SELECT NEWS



CLICK NEWS ARTICLES BELOW TO READ



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

Regional Sacramento | Sacramento Is a Boomtown Again

Regional Sacramento | Mayor Proposes Major \$47 Million Transformation Plan for Old Sacramento Waterfront

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

Regional Sacramento | Microunits and Co-living Spaces Gain Traction in Sacramento

BY: ROLAND MURPHY, DIRECTOR OF RESEARCH

Going into 2019, pundits, prognosticators and trend data purveyors were cautiously hedging their bets and warning everyone to be on the lookout for a fairly boring year. “Like 2018, but more so,” was about as far as most would stick their necks out. But many warned that recessionary horrors lay just beyond the horizon.

For the first most part, they’ve been proven right. There was a little excitement when the Fed started moving on raising interest rates, but the resulting panic in the stock market disco was more extreme than when John Travolta’s polyester suit caught fire. (The movie edit that plays in my head is a lot more interesting than the one you saw on the screen.) As a result, Big Money Dance Off continues.

Here be Dragons

Legend has it that back in the old days of exploration and cartography, mapmakers, when they ran out of known coastlines and features, would throw in a fanciful drawing of a hideous beast, label the region in question with, “Here be Dragons,” and go on about their business.

With the longest recovery in history now clocking in at 120 months-plus, the economic and market analytics punditry are well into uncharted territory these days. As a result, the warnings of impending dragon attack and/or sky collapse are pinging around like happy little neutrons at Chernobyl in April of ’86.

Give them long enough, and they’ve gotta smack into something, right? And since everything has been so good for so long, that’s gotta mean disaster is looming, right?

No. Despite predictions of dragons, leviathan, kraken, various sea serpents and even Cthulhu itself, the multifamily market waters remain enchantingly navigable.



Sacramento Market Metrics:

By the Numbers

Rounding the Horn of Q2 and sailing into the Second Half, the Sacramento market continues to move ahead on interesting seas.

For 5-49-unit properties, Q2 saw more a transaction volume of more than \$28 Million, which represented a 52% Year-over-Year decrease from Q2 2018. In the 50+ unit category, Q2 brought in \$247 Million, up unchanged from 2018.

Average Price-Per-Unit amounts were down in 5-49, dipping 3.5% YoY to \$123,259. Price-Per-Unit increased 4.6% for 50+ units to \$167,814. These translated to an Average Price/SF of \$174.52 in 5-49 (up 2.9%) and \$185.13 (down 2.2%) in 50+.

Inventory age shifted slightly Year-over-Year, with Average Year Built for 5-49 being 1963, versus 1965 for the same quarter last year. Average Year Built in 50+ was 1980, compared to 1974 in 2018.

The market’s occupancy rate remained high. Q2 occupancy for 5+ units was 96.4%, unchanged Y-o-Y. Average rent was \$1,517, up 6% (\$86) from Q2 2018.

Sacramento MSA demographics continued their solid trends. The Census estimate of total population was 2,296,418. The unemployment rate finished the quarter at 3.8%, according to Bureau of Labor Statistics numbers.

Median Household Income was \$67,902, and Per Capita Income came in at \$33,548.

In the realm of new construction for 50+ unit properties, an anemic 186 units were delivered at only one project, bringing the year-to-date count to 312 units. An estimated 6,316 units are in the Planning stages across 34 properties. A total of 3,550 units were listed as Under Construction in 19 properties.

Pre-lease absorption rates are still high across the region at a rate of 15 units/property/month.

Total Unit Inventory for 5+ properties was 160,362, and 50+ came in at 129,505.

Portents of DOOM!

Unless you’re Kevin Bacon at the end of “Animal House”, you’re not going to get a lot of attention by saying, “Remain calm. All is well.”

As a result, a couple different things happen. Either pundits obsess about single data points or unusual deviations in order to justify

their air time or column space, or outlets take the one cautionary item in a report that's mostly sunshine, lollipops and rainbows and make that their clarion call.

There are too many examples of the former to count, much less critique, so I'll use an example of the latter as a case study. A recent dire and eye-catching headline in Multi-Housing News read: "[JPMorgan Chase's Head of CRE: Prepare for a Correction.](#)"

Now, when Al Brooks is warning you to duck and cover, you pay attention. The thing is, though, Brooks' responses in the Q&A that made up the bulk of the article were almost all pretty low key and upbeat.

Asked right off the bat about the biggest challenges facing multifamily, Brooks warned one of the biggest issues at the moment is the increasing need to build a higher number of affordable units in major markets, a common theme that's been raised for years, including in multiple past editions of this report.

In all the other questions, save one (sorta), Brooks' comments paint the picture of a healthy market with low vacancy, highly available capital, excellent adoption of new tech to streamline processes and a range of other positives that generally reinforce a justifiably confident outlook for CRE in general and multifamily in particular.

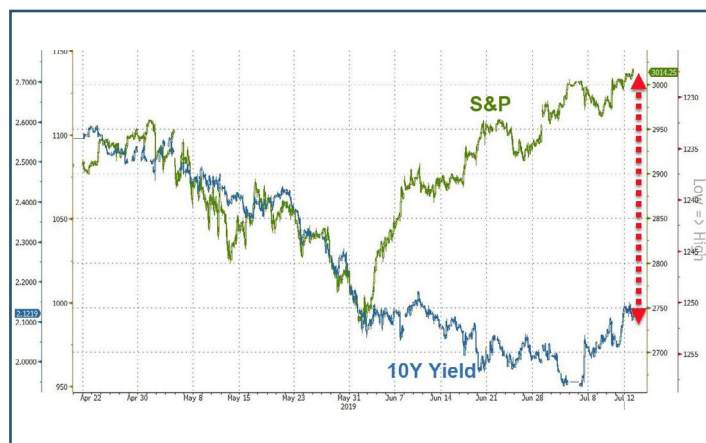
The only even remotely cautionary comment he made was in response to a question concerning what risks lenders need to be aware of given current conditions.

Brooks is quoted as saying: "The multifamily segment continues to see activity in major markets. However, commercial real estate developers and investors should be prepared for a future correction. Although the multifamily segment is benefiting from lower rates and a strong economy, it's important to maintain a fortress balance sheet for the long term and be ready for anything in a changing and uncertain marketplace."

That's it. Don't put all your eggs in one basket and, remember, anything can happen.

But What About the Fed?!

As much as I don't like to talk about the Federal Reserve and monetary policy, only because such discussions tend to go down the rabbit hole of quasi-alechemistic arcania moments after the



thesis statement is uttered, this time around it warrants a brief mention.

In the second half of 2018 the Fed pulled up its Big Kid underpants and moved to reduce its balance sheets and gently nudge up interest rates. Shortly thereafter, in what looked for all the world like an orchestrated tantrum, the stock market lost its metaphorical mind.

Trying to remove the flailing rugrat from the cereal aisle, where it was causing an embarrassing scene, and get it into the mini-van, Chairman Powell and Company backed off and chose to leave rates at 2.5 percent at the end of the year, even promising a cookie in the form of a new rate cut if the market behaved. Thrilled the bad behavior worked, stocks on major indices broke records and Treasury yields dropped.

One of the harbingers of doom some were forecasting due to the Fed's earlier assertive policy announcement was that commercial real estate prices were going to get pushed downward. Well, rack up another missed opportunity for correct tea leaf interpretation. Since the Fed was beaten back, CRE remains one of the few investment types to continue generating appreciable returns and cash flow.

Kinda like before, only more so.

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ABI COMPARATIVE MARKET REVIEW: Q2 2019



SACRAMENTO

SAN DIEGO

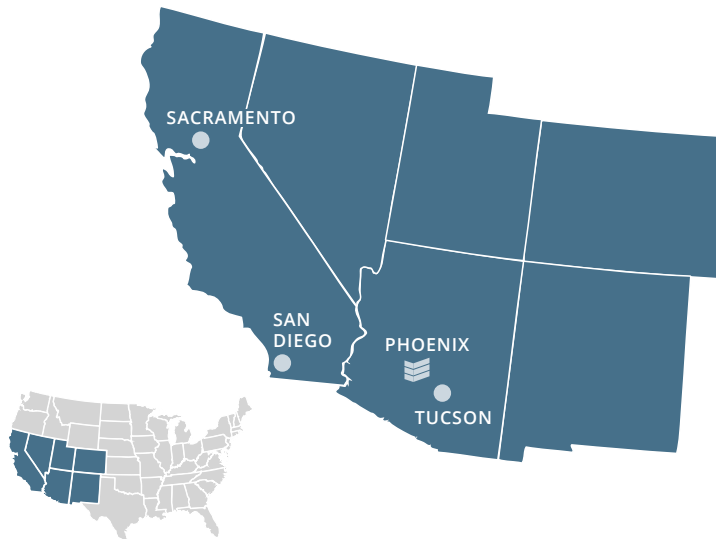
PHOENIX

TUCSON

	SACRAMENTO	SAN DIEGO	PHOENIX	TUCSON
DEMOGRAPHICS				
Total Population	2,296,418	3,337,685	4,737,270	1,026,099
Unemployment Rate (as of June 2019)	3.8%	3.3%	4.6%	5.0%
Employment Growth (y-o-y)	1.8%	1.7%	3.2%	1.7%
Median HH Income	\$67,902	\$70,588	\$57,935	\$48,676
Per Capita Income	\$33,548	\$34,350	\$29,542	\$27,323
RENT/OCC/CONST (50+)				
Rent (Q2 2019)	\$1,517	\$1,979	\$1,163	\$891
% Increase/Decrease	+6.0%	+3.5%	+8.8%	+7.2%
Occupancy (Q2 2019)	96.4%	96.2%	95.6%	94.7%
% Increase/Decrease	NO CHANGE	-0.4%	+0.4%	+0.3%
Total Inventory (50+)	129,505	184,413	305,359	66,759
Total Under Construction (50+)	3,550	8,717	14,192	969
Units Delivered (50+, Q2 2019)	186	362	1,112	0
SALES (50+)				
Total Sales Volume (Q2 2019)	\$247M	\$203M	\$1.86B	\$87M
y-o-y % Increase/Decrease	NO CHANGE	-55.6%	+29.9%	-64.1%
Average P/U (Q2 2019)	\$167,814	\$331,312	\$156,564	\$72,963
y-o-y % Increase/Decrease	+4.6%	+6.6%	+0.8%	-15.8%

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