

## SACRAMENTO MSA | MULTIFAMILY | Q3 2019 REPORT

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5+ UNIT PROPERTIES	Q3 2019	INCREASE/DECREASE	Q3 2018
<b>Total Sales Volume</b>	<b>\$536M</b>	<b>+20.5%</b>	<b>\$445M</b>
<b>AVERAGE Price/Unit</b>	<b>\$190,447</b>	<b>+18.5%</b>	<b>\$160,671</b>
<b>AVERAGE Price/SF</b>	<b>\$229.76</b>	<b>+12.7%</b>	<b>\$203.92</b>
<b>AVERAGE Year Built</b>	<b>1966</b>	<b>-1 Yr</b>	<b>1967</b>
<b>Average Rent</b>	<b>\$1,392</b>	<b>+4.0%</b>	<b>\$1,339</b>
<b>Occupancy Rate</b>	<b>95.6%</b>	<b>NO CHANGE</b>	<b>95.6%</b>
<b>Units Delivered</b>	<b>0</b>	<b>-100.0%</b>	<b>142</b>

### ABI GEONEWS: SACRAMENTO MSA - SELECT NEWS

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SAC Adopts Rent Control, Just Cause Eviction Ordinance



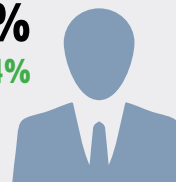
River One Proposal Planned as Riverfront Destination, Housing



Virginia Firm Enters Sacramento Market with \$26.8 Million Apartment Buy

**2,371,109**  **POPULATION**  
COSTAR

**3.0%**  
**+0.4%**



**UNEMPLOYMENT**  
Q-0-Q AS OF SEP 2019 - BLS

**1.8%**



**EMPLOYMENT GROWTH**  
Y-0-Y AS OF SEP 2019 - BLS

**\$74,403**



**MEDIAN HH INCOME**  
COSTAR

**\$33,548**



**PER CAPITA INCOME**  
CENSUS

**3,074**  
Units (50+)



**UNDER CONSTRUCTION**  
COSTAR

**181,838**  
Units (5+)



**TOTAL INVENTORY**  
AS OF SEP 2019 - 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	3.0%	\$74,403	\$33,548	147,242	3,074
Sacramento	3.2%	\$63,045	\$31,449	106,771	1,844
Placer	2.7%	\$73,747	\$35,711	18,124	383
Yolo	3.4%	\$61,621	\$30,900	17,507	597
El Dorado	3.1%	\$72,586	\$38,385	4,850	250

\* 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 (Q3 2019)	\$1,259	\$1,366	\$1,249	\$1,405
% Change (y-o-y)	+4.0%	+1.3%	+6.6%	+3.3%
Occupancy Rate (Q3 2019)	96.3%	86.7%	96.0%	95.6%
% Change (y-o-y)	0.0%	-10.9%	-0.3%	+0.5%
Units Delivered (Q3 2019, 50+)	876	486	--	--

### SALES DATA (50+)

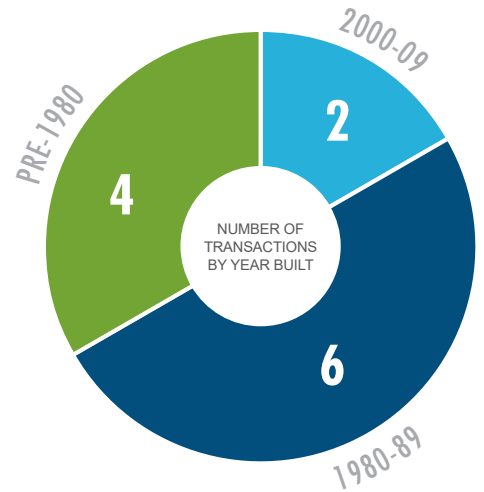
Total Sales Volume (Q3 2019, 50+)	\$319,665,000	\$14,000,000	\$165,650,000	\$0
Total Sales Volume (Q3 2018, 50+)	\$312,944,910	\$0	\$59,450,000	\$15,350,000
% Change (y-o-y)	+2.1%	--	+178.6%	--
Avg P/U (Q3 2019, 50+)	\$170,125	\$233,333	\$260,047	\$0
Avg P/U (Q3 2018, 50+)	\$159,992	\$0	\$193,019	\$163,298
% Change (y-o-y)	+6.3%	--	+34.7%	--

### SALES DATA (5-49)

Total Sales Volume (Q3 2019, 5-49)	\$36,412,357	\$0	\$0	\$0
Total Sales Volume (Q3 2018, 5-49)	\$35,433,000	\$0	\$10,400,000	\$0
% Change (y-o-y)	+2.8%	--	--	--
Avg P/U (Q3 2019, 5-49)	\$153,639	\$0	\$0	\$0
Avg P/U (Q3 2018, 5-49)	\$137,872	\$0	\$101,961	\$0
% Change (y-o-y)	+11.4%	--	--	--

# 50+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q3 2019	INCREASE/DECREASE	Q3 2018
<b>Total Sales Volume</b>	<b>\$499M</b>	<b>+25.2%</b>	<b>\$399M</b>
<b>AVERAGE Price/Unit</b>	<b>\$193,833</b>	<b>+17.1%</b>	<b>\$165,592</b>
<b>AVERAGE Price/SF</b>	<b>\$230.07</b>	<b>+10.9%</b>	<b>\$207.39</b>
<b>AVERAGE Year Built</b>	<b>1983</b>	<b>+5 Yrs</b>	<b>1978</b>



## TOP 3 TRANSACTIONS BY PRICE/UNIT (50+)



**Sycamore Terrace**  
Sacramento, 244 Units | \$68,450,000  
\$280,533/Unit | \$269.51/SF | Built 2007



**Shore Park at Riverlake**  
Sacramento, 393 Units | \$97,200,000  
\$247,328/Unit | \$261.02/SF | Built 1989



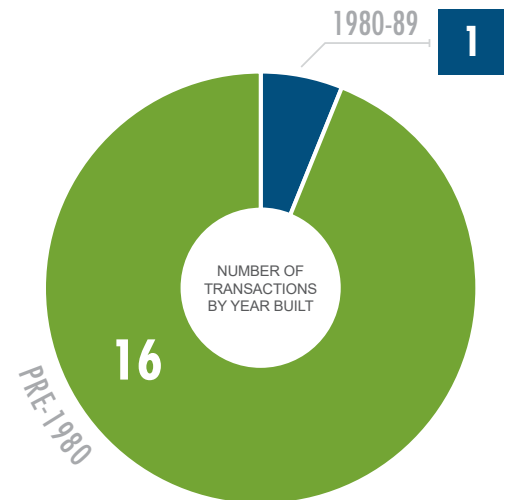
**Promenade Park**  
Roseville, 60 Units | \$14,000,000  
\$233,333/Unit | \$300.94/SF | Built 1981

Q3 2019 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	--	--	--
2000-09	2	\$231K	\$224
1990-99	--	--	--
1980-89	6	\$201K	\$233
Pre-1980	4	\$170K	\$223

# 5 - 49 UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q3 2019	INCREASE/DECREASE	Q3 2018
<b>Total Sales Volume</b>	<b>\$36M</b>	<b>-20.6%</b>	<b>\$46M</b>
<b>AVERAGE Price/Unit</b>	<b>\$153,639</b>	<b>+20.3%</b>	<b>\$127,669</b>
<b>AVERAGE Price/SF</b>	<b>\$225.60</b>	<b>+26.7%</b>	<b>\$178.06</b>
<b>AVERAGE Year Built</b>	<b>1954</b>	<b>-5 Yrs</b>	<b>1959</b>



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



**The Kensington**  
Sacramento, 8 Units | \$2,600,000  
\$325,000/Unit | \$438.60/SF | Built 1895



**2819 E Street**  
Sacramento, 9 Units | \$2,175,000  
\$241,667/Unit | \$388.39/SF | Built 1975



**The Palms**  
Sacramento, 13 Units | \$2,885,000  
\$221,923/Unit | \$401.53/SF | Built 1954

Q3 2019 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	--	--	--
2000-09	--	--	--
1990-99	--	--	--
1980-89	1	\$148K	\$196
Pre-1980	16	\$154K	\$230

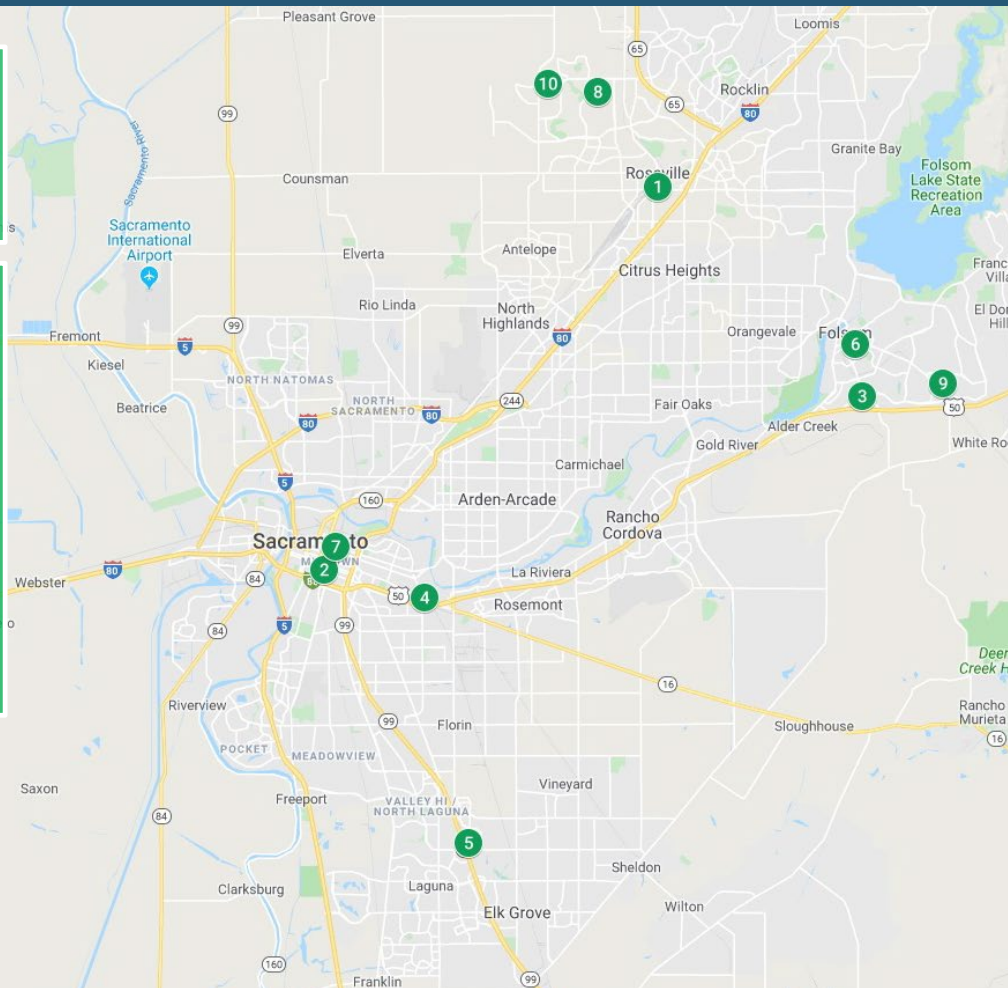
# COMPLETED CONSTRUCTION

## Recently Completed (2019 YTD)

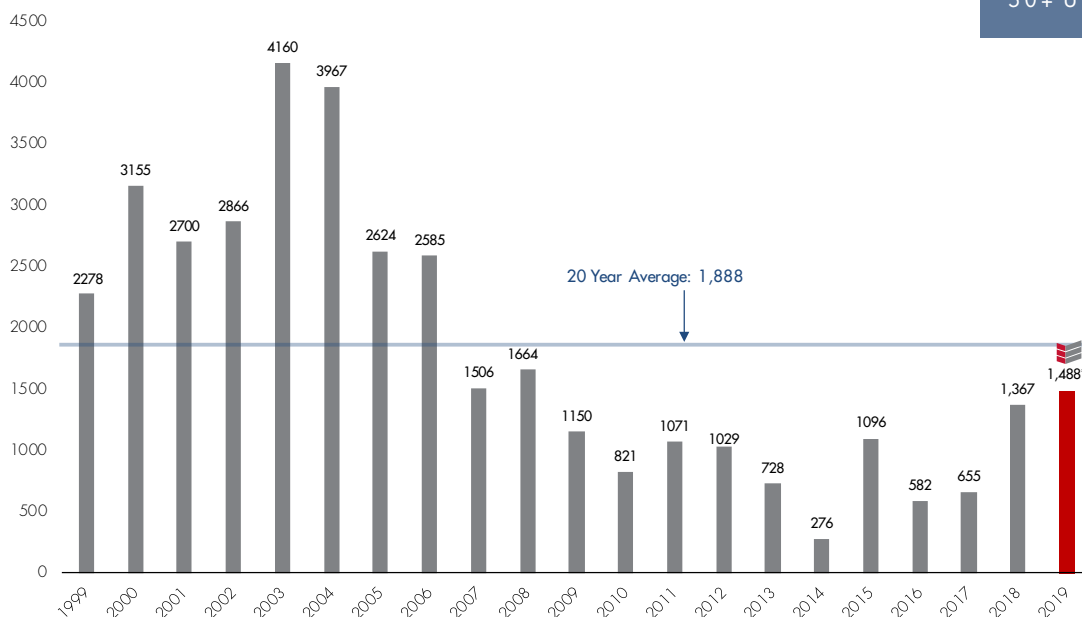
Total # of Units: 1,488

Total # of Properties: 10

1. 623 Vernon Street | 58 Units
2. 1907 Q Street | 68 Units
3. Hub Apartments | 80 Units
4. Academy65 | 90 Units
5. Bow Street Apartments | 98 Units
6. Bidwell Pointe | 140 Units
7. 19J Apartments | 175 Units
8. Campus Oaks | 186 Units
9. Talavera | 293 Units
10. Harvest at Fiddymt Ranch | 300 Units



## SACRAMENTO MULTIFAMILY CONSTRUCTION PIPELINE Q3 2019



**TOTAL UNIT INVENTORY**  
 5+ UNIT PROPERTIES: **181,838**  
 50+ UNIT PROPERTIES: **147,242**

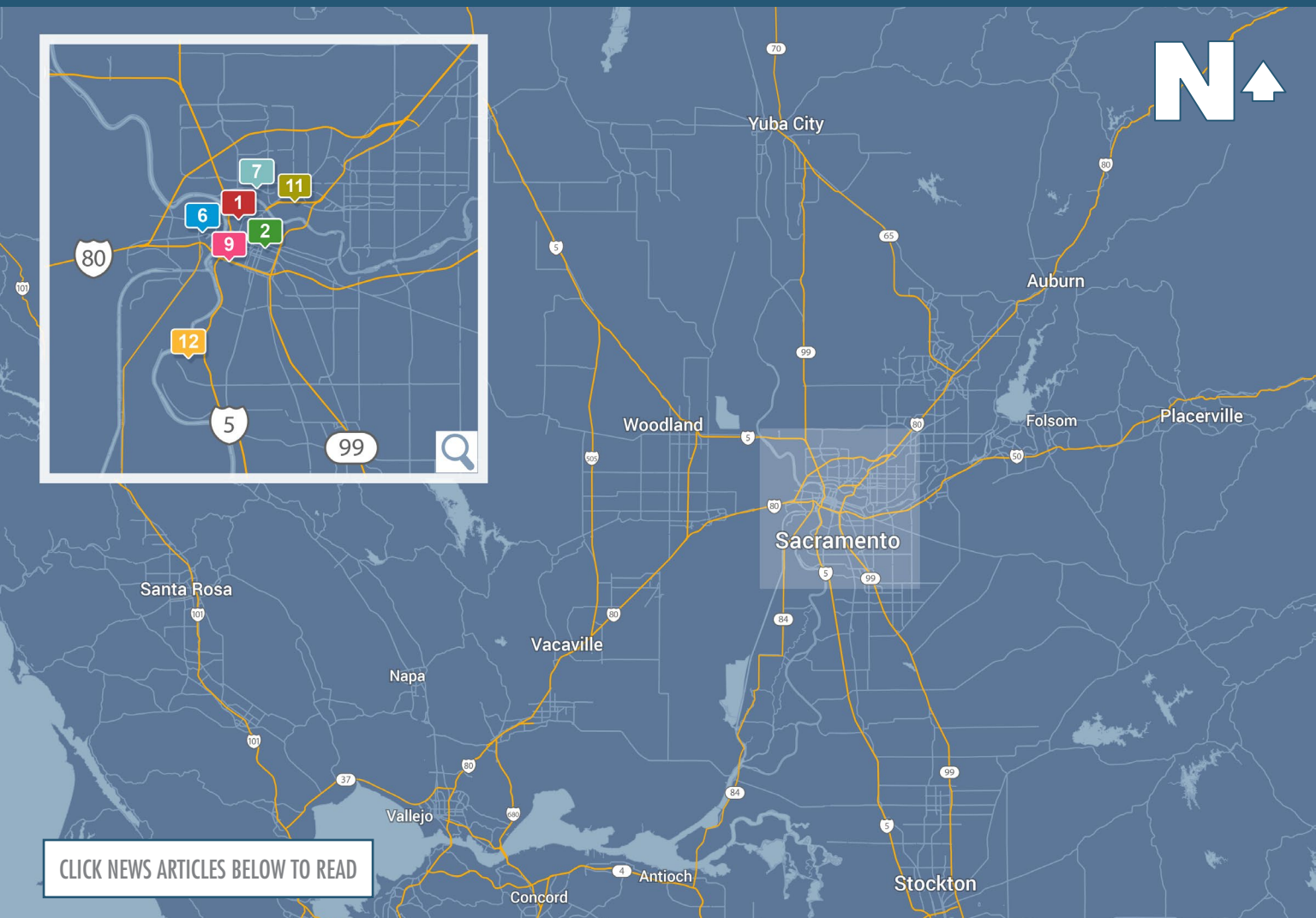
**AVERAGE ABSORPTION**  
**89 Units**

**Under Construction**  
 Total # of Units: 3,074  
 Total # of Properties: 17

**Planned**  
 Total # of Units: 7,144  
 Total # of Properties: 35

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

# ABI GEONEWS: SACRAMENTO MSA - SELECT NEWS



CLICK NEWS ARTICLES BELOW TO READ

**1** **CIM Group**  
With CIM Out, 301 Capitol Mall Development Site in Limbo Again

**2** **Weidner Apartment Homes**  
More Than 400 Apartments Coming to Downtown Sacramento Near the Capitol

**Regional** **Various**  
Sacramento Rent Growth Outpaces National Average, as Folsom Costs Jump

**Regional** **City of Sacramento**  
5 Things About Sacramento's Proposed Rent Control Ordinance

**Regional** **City of Sacramento**  
SAC Adopts Rent Control, Just Cause Eviction Ordinance

**6** **Fulcrum**  
River One roposal Planned as Riverfront Destination, Housing

**7** **Strategic Legacy Investment Group**  
Sacramento Sues Over Future River District Housing Site

**Regional** **Multiple**  
5 Takeaways from a Midyear Commercial Real Estate Forecast

**9** **Shorenstein Properties**  
601 Capitol Mall Project to Start Construction by Year's End

**Regional** **ColRich**  
New Purchase Gives ColRich More Than 1,100 Sacramento Apartments

**11** **Tommy Young**  
Del Paso Boulevard Plan Includes Housing, Events Space, Food Hall

**12** **Klingbeil Capital Management**  
Virginia Firm Enters Sacramento Market with \$26.8 Million Apartment Buy



# Busy Times Where to Start?



BY: ROLAND MURPHY, DIRECTOR OF RESEARCH

**A**s a reporter and an analyst, you are always on the lookout for things like riots, fires and mudslides because they're riveting to report and write about.

As someone who actually cares about the areas you cover, you want things to be slow, incremental and even placid.

Q3 gave a fair amount of both and, unusually, did it in all the markets we cover. Following is a quick look at many of the happenings we've been following.

## National Rents

In major markets across the U.S., rent growth has slowed or retreated slightly. While we tend to make a point of trying to ignore analysts who look at nine weeks of data and pretend that's a broad enough set to predict a trend, it does merit discussion.

While certainly not saturating, Class A vacancies have begun to inch up over the last two years in major markets like New York, LA, Washington (D.C.) and Seattle. An interesting quote in the "Emerging Trends in Real Estate® 2020" report noted, "It has largely to do with the finite limits of that more price-elastic group that can tolerate pass-along costs in their monthly rents, versus a far-larger and much faster-growing universe of people whose household incomes set lower rent tolerance levels."

More people are moving out of their parents' basements and moving into their own place, but even people who can afford it are looking at other-than-top-tier properties. As we have noted here repeatedly, that's putting more pressure on availability in Class B and even Class C properties.

In still hot markets like Arizona in general and Phoenix in particular, that's going to have continuing impacts on affordability and continue fueling the drive toward value-add renovations, particularly in the face of labor shortages and land costs in highly desirable submarkets, compared to completing and pressing new unit deliveries into the markets.

## What's Up with California?

California is exceptionally fortunate that it has an economy larger than most developed nations to absorb the scope and breadth of its policy practices, even though it's anyone's guess how long that will remain the case if it continues its business-hostile ways from the past three-plus decades.

Most recently, the state has passed and scheduled a rent control process that has investors worried about what to do next. Short version: Rent growth is capped at 5% per year for properties older than 15 years. That's likely going to gut the renovation and value-add market.

Combined with a slew of 18 new laws intended to create tax exemptions during construction, ease permitting, simplify zoning and remove other barriers to creating new and affordable housing, rent control could, potentially, fuel new development, particularly given the rent control statute's exemption for properties newer than 15 years.

However, no amount of legislation is going to overcome the three harshest realities slowing development in California and around the country: 30 years of shunning trade skill training across the U.S. has created a horrifying lack of workers to execute projects; land prices are continuing to increase, and everything from concrete to rebar to drywall to nails is getting more expensive.

On the California upside, however, a 9/27 GlobeSt discussion with David Harrington of Matthews Real Estate Investment Services noted an interesting possibility as a result of the new state regulation: California properties, even those that haven't traditionally raised rents on a year-over-year basis, could now start implementing 5% bumps every year like clockwork. For properties with secure and stable debt, that's not the worst potential ROI outcome.

Oregon and New York also passed rent control measures this year, and many experts are concerned this could be the beginning

of a national trend that could hamper the industry across the board.

The field of Democratic Party 2020 presidential candidates is still huge, and candidates are reaching far and wide to issue proposals that will get them noticed. Toward that end, a couple of the more prominent aspirants have floated the trial balloon of federal-level rent control. Details have been scant, but the idea could be appealing to younger voters starting their careers and having trouble affording the \$1,189 national average for a two-bedroom.

Industry opinions on the idea have ranged from denial and dismissal to amusement to abject terror.

## Sacramento Market Metrics:

### *By the Numbers*

While rent growth is slowing nationwide, Sacramento saw healthy, if not astounding, increases, and as a result the transaction interest was mixed.

For 5-49 unit properties, Q3 saw a transaction volume of more than \$36 Million, which represented a 20.6% Year-over-Year decrease from Q3 2018. In the 50+ unit category, Q3 brought in \$499.3 Million, up 25.2% from the Q3 2018 volume.

Average Price-Per-Unit amounts were down in the 5-49 segment, falling 20.3% YoY to \$153,639, and up 17.1% to \$193,833 for 50+. These translated to an Average Price/SF of \$225.60 in 5-49 (up 26.7%) and \$230.07 (up 10.9%) in 50+.

Inventory age remained relatively consistent Year-over-Year, with Average Year Built for 5-49 being 1954, versus 1959 for the same quarter last year. Average Year Built in 50+ was 1983, compared to 1978 in 2018.

The market's occupancy rate remained high. Q3 occupancy for 5+ units was 95.6%, unchanged Y-o-Y. Average rent was \$1,392 up 4% (\$53) from Q3 2018.

Sacramento MSA demographics continued their solid trends. The CoStar estimate of total population was 2,371,109. The unemployment rate finished the quarter at 3.0%, according to Bureau of Labor Statistics numbers.

Median Household Income was \$74,403 and Per Capita Income came in at \$33,548.

In the realm of new construction for 50+ unit properties, 1,488 units have been delivered at 10 projects so far in 2019.

An estimated 7,144 units are in the Planning stages across 35 properties. A total of 3,047 units were listed as Under Construction in 17 properties.

The average absorption rate, according to CoStar, is 89 units.

Total Unit Inventory for 5+ properties was 181,838, and 50+ came in at 147,242.

## What's in Store for California?

Most experts at a recent conference in Los Angeles said they aren't particularly worried about California's 5% cap. However, if that turns out to be the beginning of the more sweeping changes some experts anticipate, and they have the effect of driving down transaction volume, it will likely turn up the heat for investment in Arizona as more investors look for new outlets.

California is seeing a significant out-migration as both companies and their workers look for less restrictive and more hospitable environments. While California's economy remains robust, the dilution or outright loss of productive companies and the erosion of the population base are not sustainable.

At a recent business conference, Arizona Governor Doug Ducey said former California Governor Jerry Brown was the best friend he ever had, referring to the number of businesses and skilled employees who have shifted from California to Arizona. Current California Gavin Newsom is continuing many-to-most of Brown's policies, so the trend can be expected to continue.

Negatives and hindrances aside, California's cumulative wealth and commercial/industrial diversity are not going away anytime soon. While the rent control measure may be ill-advised in (nearly) every aspect, it is not as draconian as many initially feared it would be. That, combined with the 15-year asset age exemption and development-encouraging measures recently enacted, could, and likely will, serve as a bulwark against at least some of the damage the state's policies, practices and general direction could have inflicted.

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# ABI COMPARATIVE MARKET REVIEW: Q3 2019



**SACRAMENTO**

**SAN DIEGO**

**PHOENIX**

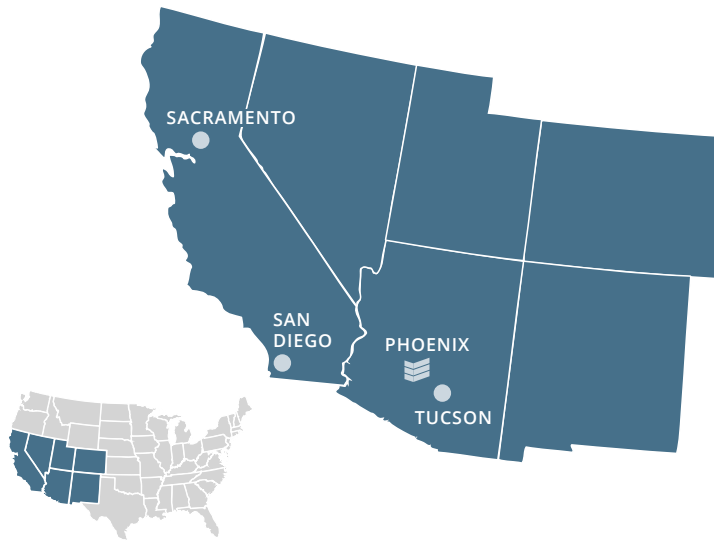
**TUCSON**

	SACRAMENTO	SAN DIEGO	PHOENIX	TUCSON	
<b>DEMOGRAPHICS</b>	<b>Total Population</b>	2,371,109	3,370,979	4,737,270	1,026,099
	<b>Unemployment Rate</b> (as of Sep 2019)	3.0%	2.7%	3.8%	4.1%
	<b>Employment Growth</b> (y-o-y)	1.4%	1.8%	2.4%	3.1%
	<b>Median HH Income</b>	\$74,403	\$82,786	\$57,935	\$48,676
	<b>Per Capita Income</b>	\$33,548	\$34,350	\$29,542	\$27,323
<b>RENT/OCC/CONST (50+)</b>	<b>Rent</b> (Q3 2019)	\$1,392	\$1,840	\$1,176	\$918
	% Increase/Decrease	+4.0%	+3.0%	+7.2%	+8.1%
	<b>Occupancy</b> (Q3 2019)	95.6%	95.5%	95.3%	94.5%
	% Increase/Decrease	NO CHANGE	NO CHANGE	+0.1%	NO CHANGE
	<b>Total Inventory</b> (50+)	147,242	231,916	307,928	67,053
<b>SALES (50+)</b>	<b>Total Under Construction</b> (50+)	3,074	7,810	14,728	1,156
	<b>Units Delivered</b> (50+, Q3 2019)	0	549	1,895	154
	<b>Total Sales Volume</b> (Q3 2019)	\$499M	\$313M	\$2.03B	\$193M
y-o-y % Increase/Decrease	+25.2%	+34.6%	+11.1%	-37.4%	
<b>SALES (50+)</b>	<b>Average P/U</b> (Q3 2019)	\$193,833	\$224,284	\$171,381	\$111,993
	y-o-y % Increase/Decrease	+17.1%	+34.5%	+21.3%	-3.6%



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