



SACRAMENTO MSA | MULTIFAMILY | YE 2019 REPORT

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5+ UNIT PROPERTIES

YE 2019 INCREASE/DECREASE YE 2018

Total Sales Volume **\$1.30B** **-28.3%** **\$1.82B**

Price/Unit **\$168,398** **+1.1%** **\$166,556**

Price/SF **\$202.26** **+1.4%** **\$199.42**

Year Built **1968** **NO CHANGE** **1968**

Average Rent **\$1,406** **+3.4%** **\$1,360**

Occupancy Rate **94.9%** **+0.5%** **94.4%**

Units Delivered **1,505** **+10.1%** **1,367**

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Regulation Could Push Multifamily Investors Out of California



Healthy Sacramento Housing Propels Rental Growth, Investor Demand



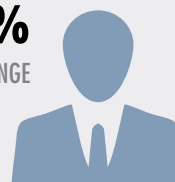
Construction to Start on Major 'Transit Oriented' Apartment Complex Near Sac. State

2,375,770 

POPULATION
COSTAR

3.6%

NO CHANGE



UNEMPLOYMENT

Q-O-Q AS OF DEC 2019 - COSTAR

1.6%



EMPLOYMENT GROWTH

Y-O-Y AS OF DEC 2019 - BLS

\$75,921



MEDIAN HH INCOME
COSTAR

\$33,548



PER CAPITA INCOME
CENSUS

2,721

Units (50+)



UNDER CONSTRUCTION
COSTAR

177,833






Units (5+)



TOTAL INVENTORY
AS OF DEC 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	3.6%	\$74,403	\$33,548	143,277	2,721
 Sacramento	3.2%	\$69,475	\$29,693	104,856	1,611
 Placer	2.8%	\$89,175	\$39,734	18,122	383
 Yolo	3.6%	\$67,804	\$30,615	15,403	477
 El Dorado	3.1%	\$81,869	\$38,156	5,021	250

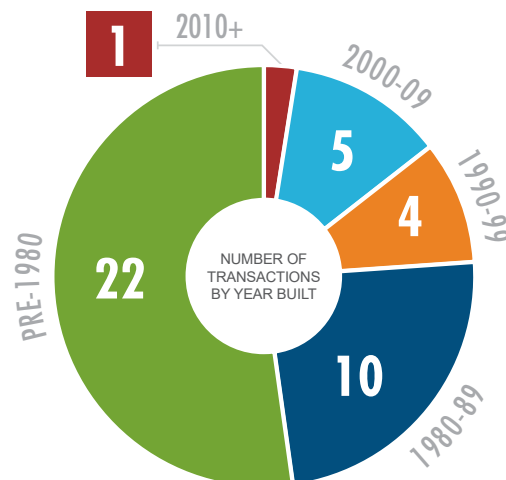
* Total inventory numbers may vary due to zip/city overlap

SACRAMENTO MSA - PER COUNTY ANALYSIS

		Sacramento	Placer	Yolo	El Dorado
RENT & OCCUPANCY STATS	Average Rent (YE 2019)	\$1,277	\$1,517	\$1,450	\$1,290
	% Change (y-o-y)	+3.3%	+1.7%	+4.2%	+1.7%
	Occupancy Rate (YE 2019)	95.1%	95.2%	97.0%	95.6%
	% Change (y-o-y)	-0.6%	-0.2%	-0.1%	-0.3%
	Units Delivered (YE 2019, 50+)	1,019	457	--	--
SALES DATA (50+)	Total Sales Volume (YE 2019, 50+)	\$852,215,500	\$50,500,000	\$212,415,000	\$0
	Total Sales Volume (YE 2018, 50+)	\$1,207,166,723	\$148,700,000	\$224,000,000	\$27,100,000
	% Change (y-o-y)	-29.4%	-66.0%	-5.2%	--
	Avg P/U (YE 2019, 50+)	\$164,393	\$238,208	\$210,938	\$0
	Avg P/U (YE 2018, 50+)	\$158,900	\$242,974	\$251,403	\$138,974
	% Change (y-o-y)	+3.5%	-2.0%	-16.1%	--
SALES DATA (5-49)	Total Sales Volume (YE 2019, 5-49)	\$153,565,662	\$8,590,000	\$16,935,000	\$2,367,500
	Total Sales Volume (YE 2018, 5-49)	\$156,671,675	\$9,013,500	\$28,181,360	\$2,300,000
	% Change (y-o-y)	-2.0%	-4.7%	-39.9%	+2.9%
	Avg P/U (YE 2019, 5-49)	\$141,666	\$136,349	\$180,160	\$182,115
	Avg P/U (YE 2018, 5-49)	\$126,246	\$115,558	\$138,144	\$115,000
	% Change (y-o-y)	+12.2%	+18.0%	+30.4%	+58.4%

50+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	YE 2019	INCREASE/DECREASE	YE 2018
Total Sales Volume	\$1.12B	-30.7%	\$1.62B
AVERAGE Price/Unit	\$173,311	+0.1%	\$173,137
AVERAGE Price/SF	\$202.11	-0.5%	\$203.11
AVERAGE Year Built	1982	+4 Yrs	1978



TOP 3 TRANSACTIONS BY PRICE/UNIT (50+)



Q19

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



Sycamore Terrace

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



Southwood Garden Townhomes

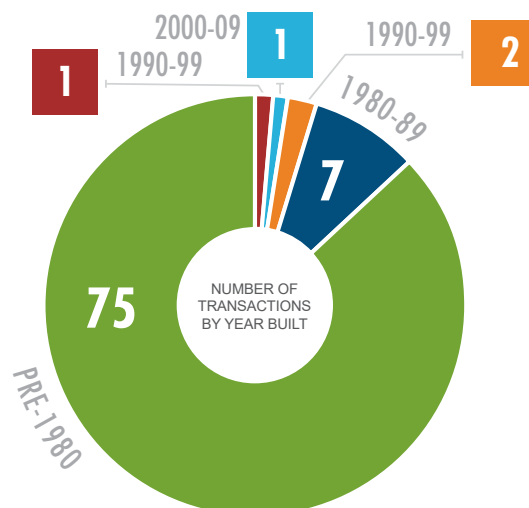
Sacramento, 98 Units | \$26,800,000
\$273,469/Unit | \$213.37/SF | Built 1980

YE 2019 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	1	\$394K	\$580
2000-09	5	\$203K	\$197
1990-99	4	\$149K	\$164
1980-89	10	\$197K	\$231
Pre-1980	22	\$145K	\$180

5 - 49 UNIT MULTIFAMILY PROPERTY ANALYSIS

	YE 2019	INCREASE/DECREASE	YE 2018
Total Sales Volume	\$182M	-8.7%	\$199M
AVERAGE Price/Unit	\$143,323	+12.6%	\$127,232
AVERAGE Price/SF	\$203.13	+16.3%	\$174.59
AVERAGE Year Built	1961	NO CHANGE	1961



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



Winn Park Lofts

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



The Kensington

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

YE 2019 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	1	\$344K	\$282
2000-09	1	\$347K	\$254
1990-99	2	\$236K	\$190
1980-89	7	\$145K	\$192
Pre-1980	75	\$137K	\$206

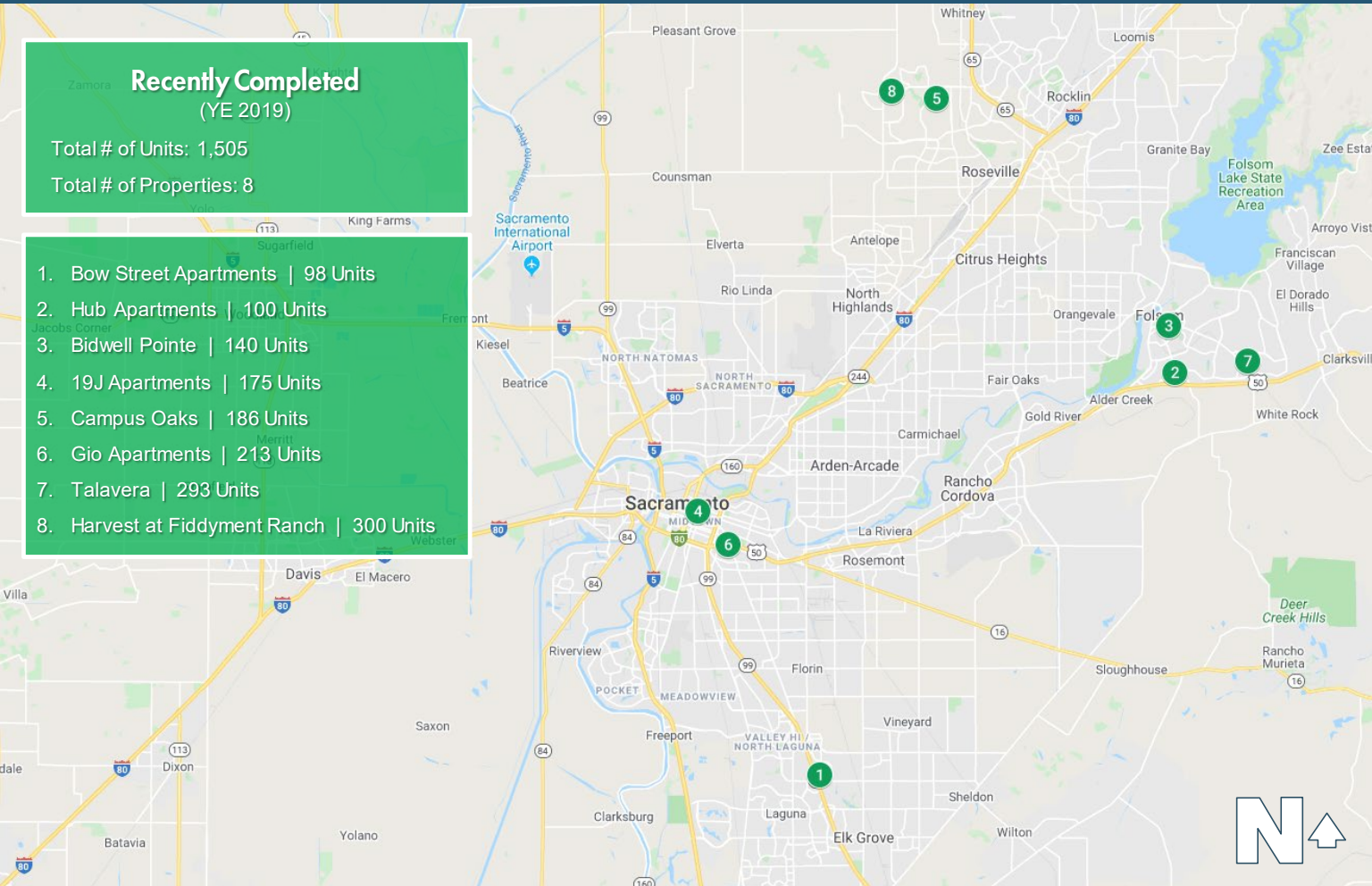
COMPLETED CONSTRUCTION

Recently Completed (YE 2019)

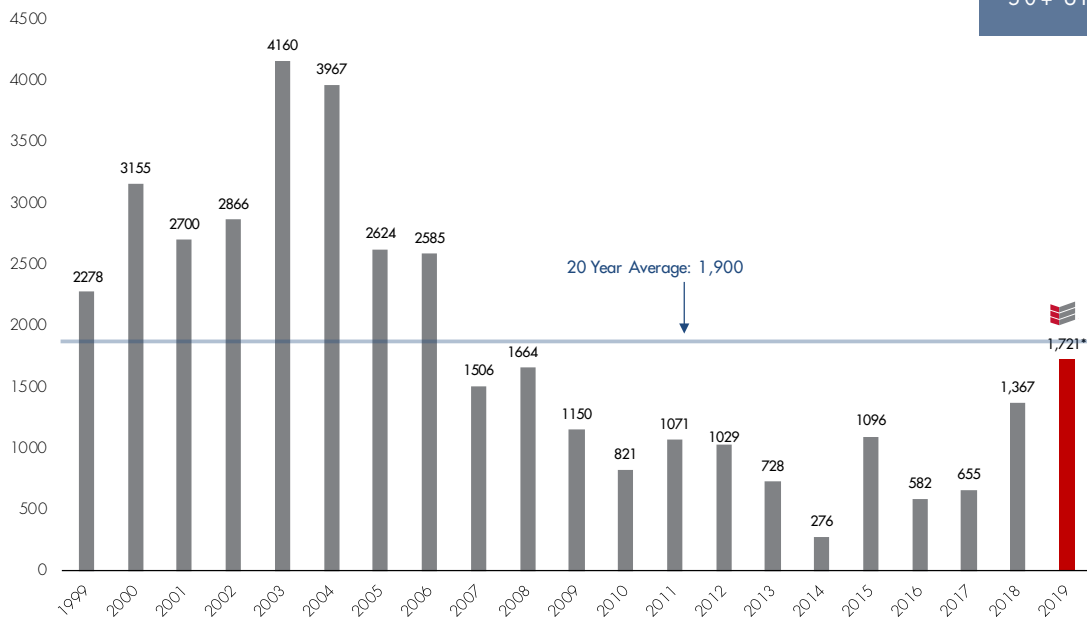
Total # of Units: 1,505

Total # of Properties: 8

1. Bow Street Apartments | 98 Units
2. Hub Apartments | 100 Units
3. Bidwell Pointe | 140 Units
4. 19J Apartments | 175 Units
5. Campus Oaks | 186 Units
6. Gio Apartments | 213 Units
7. Talavera | 293 Units
8. Harvest at Fiddymont Ranch | 300 Units



SACRAMENTO MULTIFAMILY CONSTRUCTION PIPELINE YEAR END 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: **177,833**

50+ UNIT PROPERTIES: **143,277**

12 MONTH ABSORPTION

728 Units

Under Construction

Total # of Units: 2,721

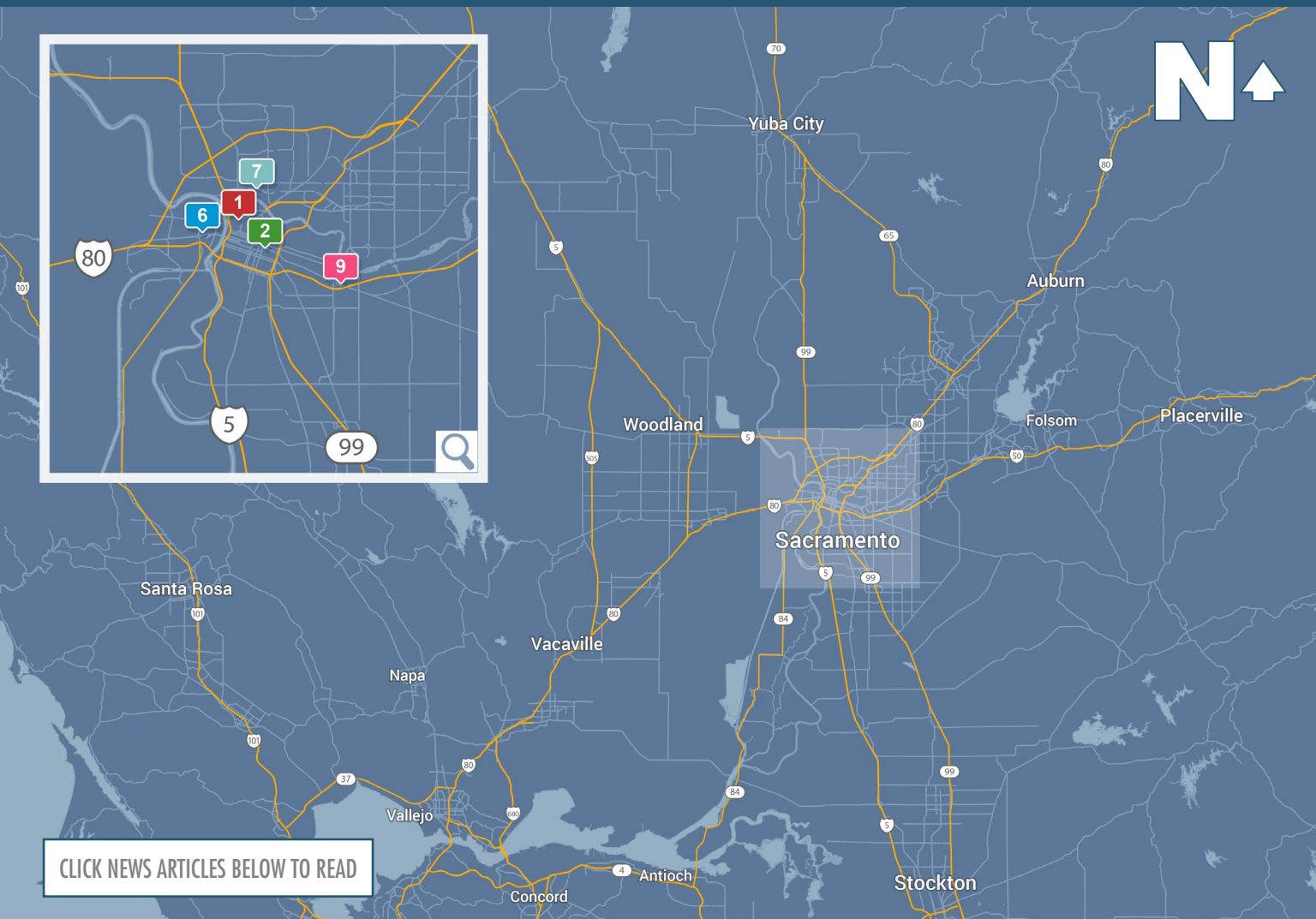
Total # of Properties: 15

Planned

Total # of Units: 7,088

Total # of Properties: 34

ABI GEONEWS: SACRAMENTO MSA - SELECT NEWS



CLICK NEWS ARTICLES BELOW TO READ

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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

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Strategic Legacy Investment Group

Sacramento Sues Over Future River District Housing Site

Regional

Multiple

5 Takeaways from a Midyear Commercial Real Estate Forecast

9

Multiple

Construction to Start on Major 'Transit Oriented' Apartment Complex Near Sac. State

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

ColRich

New Purchase Gives ColRich More Than 1,100 Sacramento Apartments

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City of Sacramento

SAC Adopts Rent Control, Just Cause Eviction Ordinance

Regional

City of Sacramento

Regulation Could Push Multifamily Investors Out of California

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Fulcrum

River One roposal Planned as Riverfront Destination, Housing

Regional

City of Sacramento

Healthy Sacramento Housing Propels Rental Growth, Investor Demand



BY: DREW RICCIARDI, RESEARCH MANAGER

With the year and decade coming to an end, where does the housing market stand in comparison to the horrific ending of the previous decade from the 2008 crash? Are we to expect another Roaring Twenties or an economic drought?

Across the major markets we cover, a vast pool of data reflects a healthy and thriving housing market at the end of 2019 and gives us a good idea of what is in store for the year to come.

National Overview

2019 was a very strong economic year for the real estate industry. We saw low interest rates that seem to be sticking around, a healthy consumer saving rate, homeownership rate on the rise again, high employment growth, and vacancy rates reaching historic lows in all types of housing.

After the year concluded, many reputable sources started forecasting a similar trend for 2020, with a rather bright outlook for the immediate future -- the 2020 Fannie Mae Multifamily Forecast being one of them.

Doug Duncan, Fannie Mae's senior vice president & chief economist, forecasts a full-year 2020 economic growth at 2.1% and expects the Federal Reserve will not raise interest rates this year. Duncan also expects consumer demand will re-establish housing construction as a significant contributor to economic growth this year.

The Fannie Mae forecast states "rent appreciation and income growth rates have recently converged, implying that rental property markets are currently balanced, but we expect strength in multifamily construction to persist as solid job growth and demographic trends continue to boost demand, while low interest rates are likely to continue enabling corresponding increases in supply."

On the development front, demand is outpacing supply. Construction costs, such as labor and materials, remain high and

on the rise. Lower interest rates are helping mask the construction cost problem to some extent, but developers are still somewhat cautious to build.

The market is desperate for more affordable housing and less class A. Some experts believe 2020 could be a very active year for affordable housing development. The principal and managing director of capital markets at NRP, George Currall, said "affordability is an enormous concern for many renters and the industry is working hard to create the supply that will remedy demand-driven rent increases." Currall continued to say "more specifically, 2020 will be The NRP Group's biggest year yet for both our moderate and low-income product. Our goal is to continue meeting the needs of residents with incomes below their area median income."

Multifamily: Best Investment During Eventual Slowdown

Investors and analysts are always trying to predict when, where, and why the next economic downturn will take place. While these questions are always subject to a fair amount of speculation and chance, one thing that industry experts seem to agree on is that the next recession will be nowhere near as dire or impactful as The Great Recession of 2008.

Still, a recession is a recession, and with the fear of storm clouds brewing on the horizon, many investors are left wondering which asset classes offer the best shelters in which to weather any upcoming storm. Some experts suggest multifamily is the safest bet going into a potential downturn.

Nat Kunes, SVP of investment management at AppFolio, said: "multifamily is a safe bet in the real estate investment ecosystem because, historically, it's always been an in-demand asset class." Kunes goes on to say "Unlike retail property, the value of which might shift dramatically depending on larger, economic factors,

multifamily is generally shielded from significant market swings. People need housing, and as a number of potential homebuyers continue to get priced out of the market, multifamily renting remains a top choice for many Americans.”

With fears of a market correction looming in the distance, multifamily development plans remain robust and apartment rents project to continue to surge in an upward trend. According to RealPage data, about 550,000 new apartment units are planned to be completed in the next 18 to 24 months nationwide. Despite that, leasing-up new class A developments may prove challenging in a slowdown.

Sacramento Market Metrics:

By the Numbers

In 2019, Sacramento saw a slightly down year in terms of transaction volume but had increases in units delivered, rent and occupancy.

For 5-49 unit properties, 2019 saw a transaction volume of approximately \$182 Million, which represented an 8.7% Year-over-Year decrease from 2018. In the 50+ unit category, 2019 brought more than \$1.2 Billion in, down 30.7% from the 2018 volume.

Average Price-Per-Unit amounts increased in the 5-49 segment, rising 12.6% YoY to \$143,323. 50+ remained consistent with a small increase of 0.1% to 173,311 in 2019. These translated to an Average Price/SF of \$203.13 in 5-49 (up 16.3%) and \$202.11 (down 0.5%) in 50+.

Inventory age for 5-49 units remained the same at 1961 Year-over-Year, with Average Year Built for 50+ units being 1982, versus 1978 in 2018.

The market's average occupancy rate finished the year at 94.9%, a 0.5% increase from 2018. Average rent was \$1,406 up \$46 (3.4%) from 2018.

Sacramento MSA demographics continued their solid trends. The CoStar estimate of total population was 2,375,770. The unemployment rate finished the quarter at 3.6%, according to Bureau of Labor Statistics numbers.

Median Household Income was \$75,921 and Per Capita Income came in at \$33,548.

In the realm of new construction for 50+ unit properties, 1,505 units have been delivered over 8 projects in 2019.

An estimated 7,088 units are in the Planning stages across 34 properties. A total of 2,721 units were listed as Under Construction in 15 properties.

The average 12-month absorption, according to CoStar, is 728 units.

Total Unit Inventory for 5+ properties is 177,833, and 50+ came in at 143,277.

California Rent Control

This year's new statewide rent control law, the California Tenant Protection Act, brought panic and outrage throughout the industry. The new law caps annual rent increases at either 5% plus the increase in the regional CPI (approx. 8%) or 10% of the lowest rent charged at any time during the 12 months before the increase throughout the state for properties built more than 15 years ago.

These regulations have stalled the value-add market due to low ROI's if an investor wants to renovate a property in order to raise rents. Instead, multifamily investors are being pushed out of California. David Harrington, EVP and National Director of Multifamily at Mathews Real Estate Services, elaborated on the subject saying “many of the private investors expressed interest in issuing a 60-day notice to terminate tenancy to those units that are severely below market rents.”

“A new property being delivered to the market will not be subject to rent control, but keeping rents up with market pricing will be critical to ensure a drop off in rents does not occur over time that could create a delta between current and market that becomes greater than the maximum allowable rent increase” Harrington added. “This delta will certainly have an effect on the underwriting of the property and ultimately the value.”

Now, a new rent control measure is coming to this year's November ballot in California that would overwrite the California Costa-Hawkins Rental Housing Act of 1995. Costa-Hawkins was put in place in 1995 to ban local governments from enacting rent control on housing that became first occupied after 1995. Condos, townhouses, and single-family homes were also affected by this law.

The newest measure will be called the Rental Affordability Act and would enable local governments to pass their own rent control policies. The law is not a full repeal of Costa-Hawkins, it would only affect housing properties that are at least 15 years old, like the Tenant Protection Act, and would exempt single-family homes, condos, and homeowners that only own one or two homes.

Another factor under the Rental Affordability Act is a partial form of vacancy control. This would allow landlords to raise the rental increase cap to 15% over a three-year period after a tenant moves out from a unit.

Overall, rent control is having a dramatic affect for investors in the multifamily asset class in California. Only time will tell how impactful the fallout from current regulations and possible future regulations will be.

ABI COMPARATIVE MARKET REVIEW: YE 2019



SACRAMENTO

SAN DIEGO

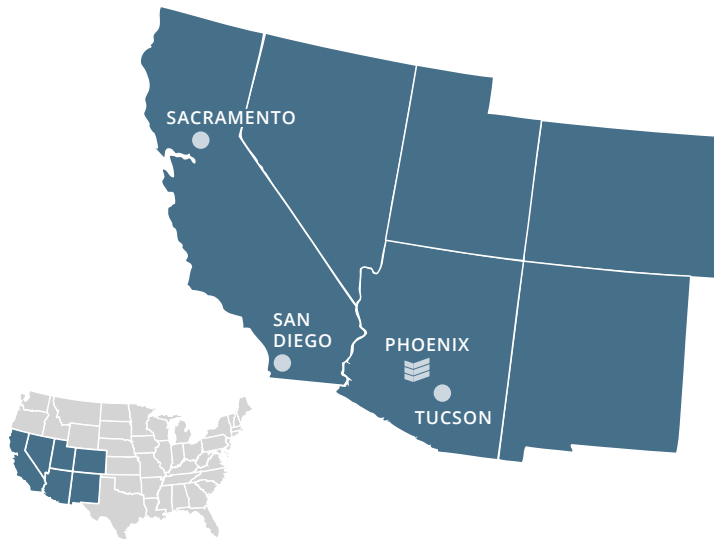
PHOENIX

TUCSON

DEMOGRAPHICS	Total Population	2,375,770	3,376,860	4,737,270	1,026,099
	Unemployment Rate (as of Dec 2019)	3.6%	3.1%	3.7%	4.1%
	Employment Growth (y-o-y)	1.6%	2.3%	3.2%	1.7%
	Median HH Income	\$75,921	\$82,692	\$57,935	\$48,676
	Per Capita Income	\$33,548	\$34,350	\$29,542	\$27,323
RENT/OCC/CONST (50+)	Rent (YE 2019)	\$1,406	\$1,861	\$1,185	\$920
	% Increase/Decrease	+3.4%	+3.2%	+9.0%	+8.4%
	Occupancy (YE 2019)	94.9%	95.0%	95.3%	94.7%
	% Increase/Decrease	+0.5%	+0.1%	+0.1%	+0.2%
	Total Inventory (50+)	143,277	227,478	310,213	67,202
	Total Under Construction (50+)	2,721	7,177	15,896	1,190
	Units Delivered (50+, YE 2019)	1,505	3,925	8,874	803
SALES (50+)	Total Sales Volume (YE 2019)	\$1.12B	\$1.66B	\$7.88B	\$655M
	y-o-y % Increase/Decrease	-30.7%	+28.6%	+26.5%	-27.1%
	Average P/U (YE 2019)	\$173,311	\$271,490	\$163,991	\$110,375
	y-o-y % Increase/Decrease	+0.1%	+9.4%	+11.4%	+20.6%

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