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SACRAMENTO MSA | MULTIFAMILY | YE 2020 REPORT

5+ UNIT PROPERTIES		YE 2020	INCREASE/DECREASE	YE 2019
Total Sales Volume		$1.44B	+9.8%	$1.31B
AVERAGE	Price/Unit	$241,225	+43.3%	$168,284
	Price/SF	$253.00	+25.1%	$202.21
	Year Built	1969	+1 Yr	1968
Average Rent		$1,509	+7.3%	$1,406
Occupancy Rate		96.0%	+1.2%	94.9%
Units Delivered		1,533	-10.9%	1,721

2,384,963
POPULATION
COSTAR

7.9%
+1.2%
UNEMPLOYMENT
Q-O-Q AS OF DEC 2020 - BLS

-5.8%
EMPLOYMENT GROWTH
Y-O-Y AS OF DEC 2020 - BLS

$81,172
MEDIAN HH INCOME
COSTAR

$35,563
PER CAPITA INCOME
2019 ACS 5-YEAR ESTIMATE

3,707
Units (5+)
UNDER CONSTRUCTION
COSTAR

181,008
Units (5+)
TOTAL INVENTORY
AS OF DEC 2020 - COSTAR

ABI GEONEWS: SACRAMENTO MSA - SELECT NEWS

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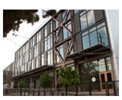
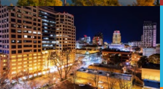
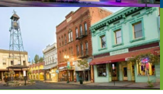
SBJ — Sacramento Tops The Nation for Rent Increases



Press at Midtown Quarter is Largest Single-Asset Market-Rate Multifamily Trade

SBJ — Sacramento Reports Lowest Apartment Vacancy Rate in the State

SACRAMENTO MSA QUICK STATS		UNEMPLOYMENT RATE	MEDIAN HH INCOME	PER CAPITA INCOME	5+ TOTAL INVENTORY	5+ UNDER CONSTRUCTION
	Sacramento MSA	7.9%	$81,172	$33,548	181,008	3,707
	Sacramento	8.1%	$83,500	$34,603	132,598	2,544
	Placer	6.0%	$99,600	$43,759	20,609	179
	Yolo	7.0%	$87,500	$34,515	20,157	734
	El Dorado	7.5%	$94,300	$42,749	7,644	250

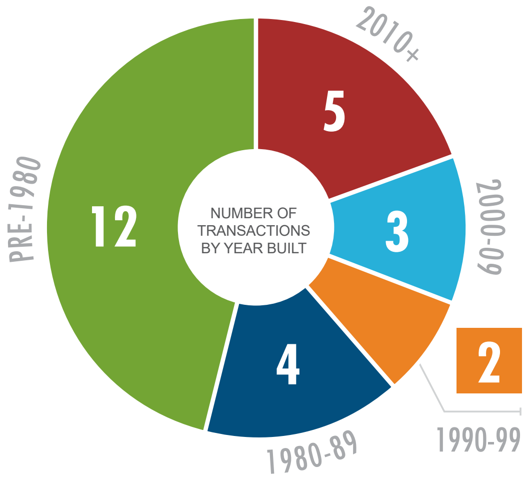
** Total inventory numbers may vary due to zip/city overlap*

SACRAMENTO MSA - PER COUNTY ANALYSIS

		Sacramento	Placer	Yolo	El Dorado
RENT & OCCUPANCY STATS	Average Rent (YE 2020)	$1,366	$1,653	$1,503	$1,383
	% Change (y-o-y)	+7.0%	+9.0%	+3.7%	+7.2%
	Occupancy Rate (YE 2020)	96.6%	96.4%	95.9%	97.0%
	% Change (y-o-y)	+0.9%	+1.0%	-1.2%	+1.1%
	Units Delivered (YE 2020, 5+)	1,224	21	186	--
SALES DATA (50+)	Total Sales Volume (YE 2020, 50+)	$761,565,000	$95,000,000	$380,920,000	$0
	Total Sales Volume (YE 2019, 50+)	$852,215,500	$50,500,000	$212,415,000	$0
	% Change (y-o-y)	-10.6%	+88.1%	+79.3%	--
	Avg P/U (YE 2020, 50+)	$222,615	$347,985	$361,062	$0
	Avg P/U (YE 2019, 50+)	$164,393	$238,208	$210,938	$0
	% Change (y-o-y)	+35.4%	+46.1%	+71.2%	--
SALES DATA (5-49)	Total Sales Volume (YE 2020, 5-49)	$124,200,166	$15,650,000	$43,786,500	$13,005,000
	Total Sales Volume (YE 2019, 5-49)	$158,915,662	$8,590,000	$16,935,000	$2,367,500
	% Change (y-o-y)	-21.8%	+82.2%	+158.6%	+449.3%
	Avg P/U (YE 2020, 5-49)	$161,509	$134,914	$226,873	$127,500
	Avg P/U (YE 2019, 5-49)	$141,762	$136,349	$180,160	$182,115
	% Change (y-o-y)	+13.9%	-1.1%	+25.9%	-30.0%

50+ UNIT MULTIFAMILY PROPERTY ANALYSIS

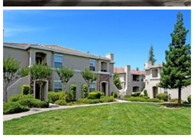
		YE 2020	INCREASE/DECREASE	YE 2019
	Total Sales Volume	$1.24B	+10.3%	$1.12B
AVERAGE	Price/Unit	$260,578	+50.4%	$173,311
AVERAGE	Price/SF	$267.01	+32.1%	$202.11
AVERAGE	Year Built	1988	+6 Yrs	1982



TOP 3 TRANSACTIONS BY PRICE/UNIT (50+)

Sol at West Village
Davis, 663 Units | $292,690,000
$441,463/Unit | $364.59/SF | Built 2011

The Press at Midtown Quarter
Sacramento, 277 Units | $118,000,000
$425,993/Unit | $588.19/SF | Built 2020



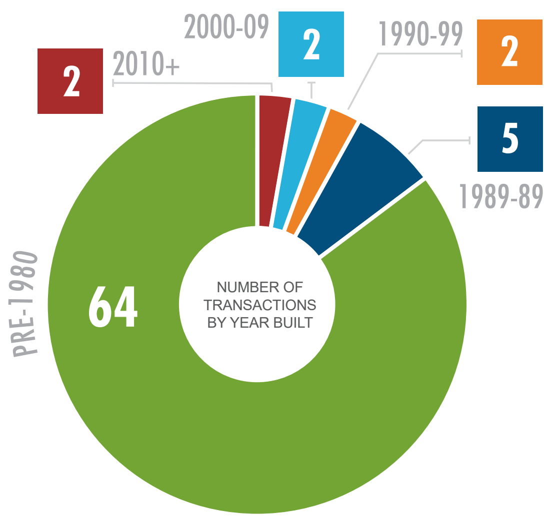
The Terraces at Highland Reserve
Roseville, 273 Units | $95,000,000
$347,985/Unit | $342.75/SF | Built 2002

YE 2020 Transactions by Year Built

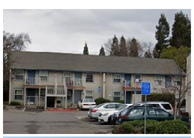
	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	5	$373K	$358
2000-09	3	$268K	$215
1990-99	2	$250K	$212
1980-89	4	$133K	$179
Pre-1980	12	$188K	$228

5 - 49 UNIT MULTIFAMILY PROPERTY ANALYSIS

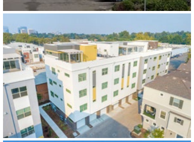
		YE 2020	INCREASE/DECREASE	YE 2019
	Total Sales Volume	$199M	+6.6%	$187M
AVERAGE	Price/Unit	$165,142	+15.2%	$143,359
AVERAGE	Price/SF	$190.88	-6.0%	$203.00
AVERAGE	Year Built	1962	+1 Yr	1961



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



9205 Elk Grove Blvd
Sacramento, 16 Units | $6,510,000
$406,875/Unit | $465.00/SF | Built 1986



The Flats at The Mill
Sacramento, 12 Units | $4,450,000
$370,833/Unit | $297.46/SF | Built 2020

5499 Carlson Drive
Sacramento, 15 Units | $5,200,000
$346,667/Unit | $345.42/SF | Built 2016

YE 2020 Transactions by Year Built

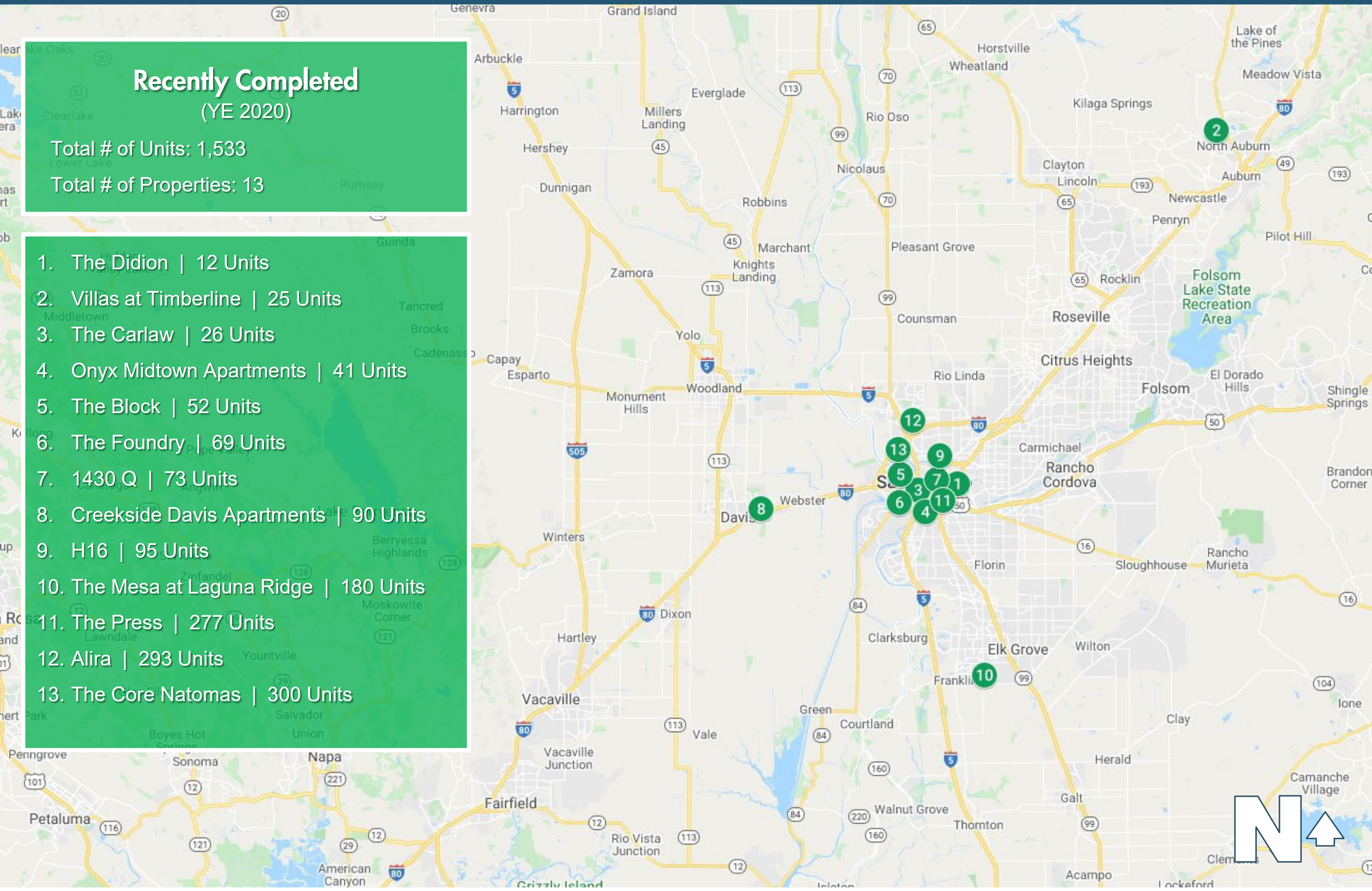
	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	2	$357K	$322
2000-09	2	$76K	$71
1990-99	2	$131K	$176
1980-89	5	$131K	$145
Pre-1980	64	$164K	$227

Recently Completed
(YE 2020)

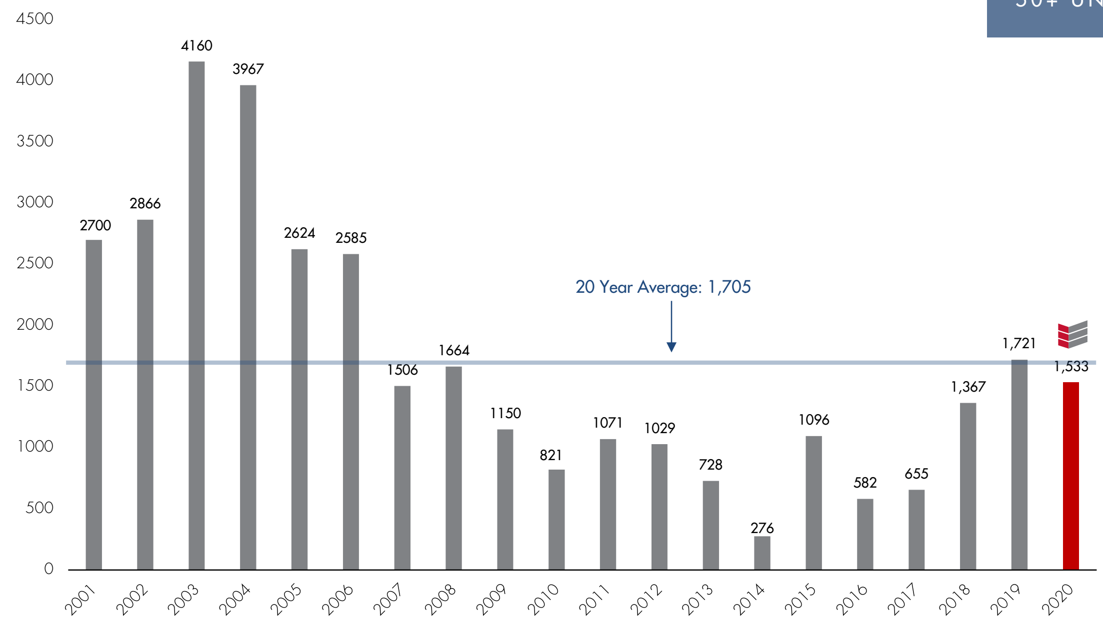
Total # of Units: 1,533

Total # of Properties: 13

1. The Didion | 12 Units
2. Villas at Timberline | 25 Units
3. The Carlaw | 26 Units
4. Onyx Midtown Apartments | 41 Units
5. The Block | 52 Units
6. The Foundry | 69 Units
7. 1430 Q | 73 Units
8. Creekside Davis Apartments | 90 Units
9. H16 | 95 Units
10. The Mesa at Laguna Ridge | 180 Units
11. The Press | 277 Units
12. Alira | 293 Units
13. The Core Natomas | 300 Units



SACRAMENTO MULTIFAMILY CONSTRUCTION PIPELINE
YEAR END 2020



* 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: 181,008

50+ UNIT PROPERTIES: 145,888

12 MONTH ABSORPTION

2,729 Units

Under Construction

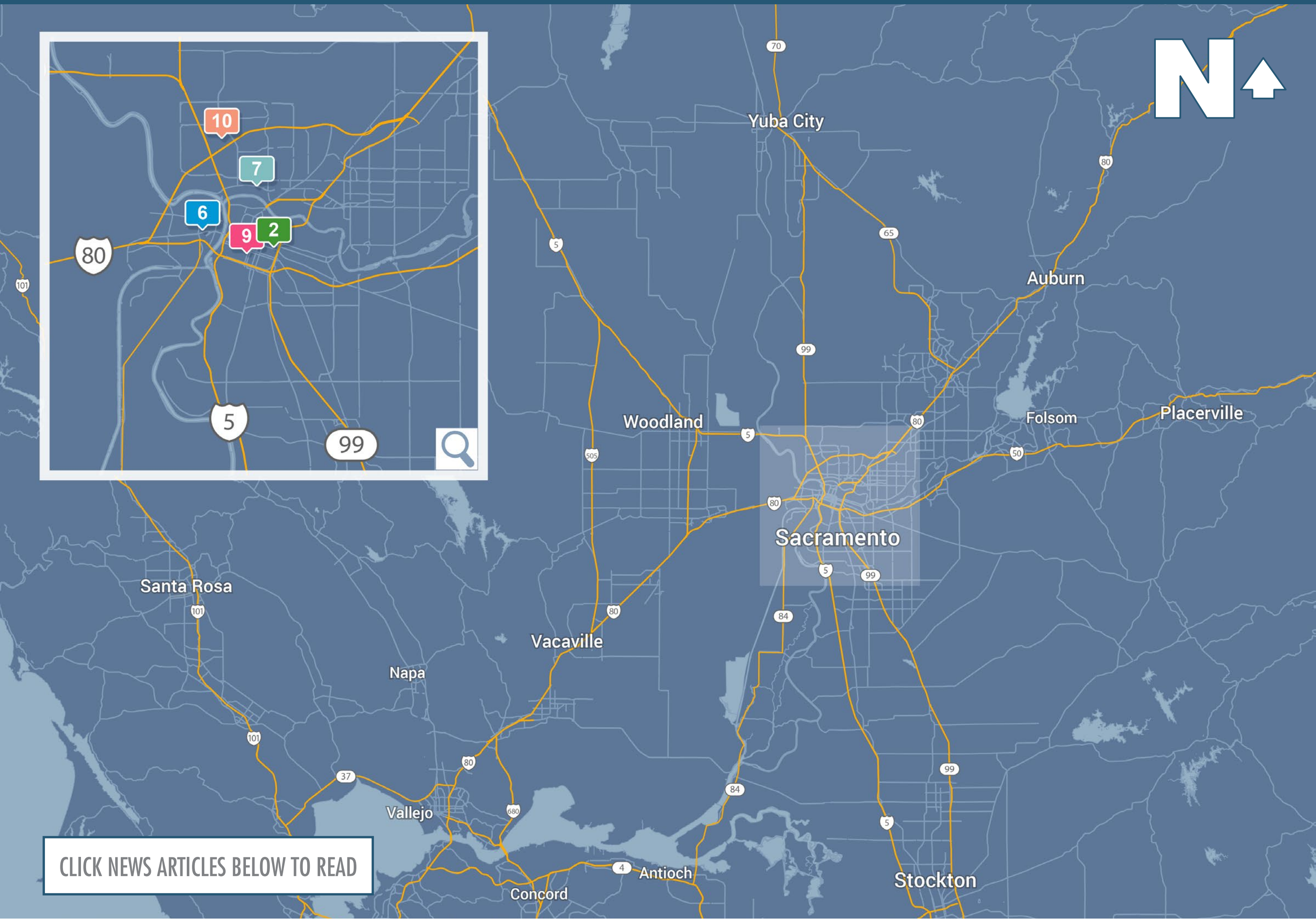
Total # of Units: 3,074

Total # of Properties: 17

Planned

Total # of Units: 7,359

Total # of Properties: 50



Regional	**City of Sacramento** City Considers New Rules Preventing Apartments From Becoming Airbnbs
7	**LDK Ventures** LDK Ventures Break Ground on 345-Unit Multifamily Projec at Sacramento's Railyards
2	**Weidner Apartment Homes** More Than 400 Apartments Coming to Downtown Sacramento Near the Capitol
Regional	**Multiple** New Apartments Planned in Sacramento's Robla Neighborhood
Regional	**Various** Sacramento Rent Growth Outpaces National Average, as Folsom Costs Jump
9	**Oakmont Properties** Press at Midtown Quarter is Largest Single-Asset Market-Rate Multifamily Trade
Regional	**City of Sacramento** 5 Things About Sacramento's Proposed Rent Control Ordinance
10	**Oakmont Properties** Recent $92M Multifamily Sale Shows Strength of Sac Market
Regional	**City of Sacramento** SAC Adopts Rent Control, Just Cause Eviction Ordinance
Regional	**City of Sacramento** Recent $92M Multifamily Sale Shows Strength of Sac Market
6	**Ezralow Co.** Development Company Plans Full Conversion of River District Hotel to Apartments
Regional	**City of Sacramento** Sacramento Reports Lowest Apartment Vacancy Rate in the State

ABInsight®

BY: DREW RICCIARDI, ABI RESEARCH MANAGER

Resiliency Tested in Unprecedented Year

National Outlook

It's no secret COVID-19 took its economic toll in 2020. The pandemic impacted some areas in the nation harder than other regions, mainly depending on the outbreak's scope and the severity of each state's restrictions.

Many lost their jobs as businesses started to shut down and stay-at-home orders swept the nation, propelling unemployment rates to record levels. Augmented unemployment benefits, eviction moratoriums, stimulus checks, and paycheck protection programs helped keep the economy and renters afloat, while The Federal Reserve pledged to keep interest rates low for years to come, but damage still ensued.

The National Multifamily Housing Council Rent Payment Tracker consistently reported 2020 monthly rent collections as being just slightly lower than 2019. However, the tracker analyzes professionally managed properties, so smaller privately-owned properties may be facing a more significant drop-off in rent payments, hurting landlords' incomes more severely.

At the time of publication for this report, another stimulus package worth $1.9 trillion has passed in Washington. The package includes enhanced unemployment benefits, direct rental assistance, $1,400 stimulus checks to qualifying individuals, and expanded child tax credits of up to $3,600 per child.

In other news, a U.S. District Judge ruled to overturn the CDC Eviction Moratorium, stating it exceeded the federal government's constitutional authority. Many believe the ruling will be appealed and certain states will continue to enforce their own statewide eviction bans.

For multifamily construction, COVID-19 hit developers hardest in states that did not define construction as a form of essential business. Now that most construction activity is allowed to resume, developers are experiencing a sharp spike in the cost of materials and supply chain delays.

Signs indicate markets will return to pre-pandemic levels by the end of 2021.

Accelerated Outflow Continues in California

For years, the state of California has been experiencing some sort of negative outflow of major companies relocating to other states. Investors tend to take their money to markets deemed more profitable, and they head to markets experiencing population migration.

As a result of the unprecedented and tumultuous year that 2020 delivered, the outflow was somewhat amplified.

During the pandemic, certain industries were deemed "essential business," meaning some companies were able to leave their doors open and conduct business during statewide lockdown orders and heightened restrictions.

Depending on the state, definitions of "essential business" were either stricter or more relaxed. California fell into the stricter category.

This factor may have been the final straw for companies debating a relocation of headquarters or entire operations that were previously frustrated with the typical high taxes, high cost of living, and a harsher business regulatory environment.

Some notable major companies that fled California were Tesla, Digital Realty Trust, Stitch Fix, Charles Schwab, Oracle, Hewlett Packard Enterprise, and many others. The states with more favorable business environments, like Texas, Arizona, Tennessee, and Florida, have benefited from this relocation trend.

That is not to say all companies are fleeing the state. Many CA companies plan to continue to stay put and further invest/expand in the state. For example, Google has announced that they plan to invest $1 Billion on California real estate in 2021.

Regarding investors, new rent control and eviction laws have left some multifamily property investors unsatisfied and looking elsewhere.

The Tenant Protection Act of 2019, which went into effect at the start of 2020, implemented new statewide rent control laws that placed strict limits on rent increases by landlords in an effort to address housing and homelessness issues.

According to the act, a landlord may not raise rental rates over a 12-month period by a cap of 5% plus the CPI (CPI generally averages 2.5% in CA). In addition, some individual counties are imposing even harsher rent control measures. Stricter rules and requirements to terminate leases are a part of the act as well.

There are exemptions to this law like condos, single-family homes, units built within 15 years, and owner-occupied buildings.

In turn, these new measures have diminished investors' ROIs and have caused them to ponder pivoting to a more business-friendly environment.

Population migration is another issue that has been heightened from the effects of 2020. Data suggests more and more people are escaping dense high-cost CA markets for more affordable options.

The rise of remote working in a post-COVID world is a big factor and has people reconsidering their living situation. According to a Redfin study, Los Angeles and The Bay Area were in the top 4 for metro areas with the largest net outflow in 2020.

Some may argue that the data doesn't necessarily mean they're leaving the state altogether but moving to secondary markets like Sacramento and San Diego. If true, that migration could prove to be very beneficial to the metro areas of Sacramento and San Diego.

Company relocation, multifamily investment activity, and population migration will all be important market indicators to follow in 2021.

Rent Payments Remained Steady

It wasn't all bad for the Sacramento and San Diego markets. According to Yardi matrix, Sacramento was among the top three in year-over-year occupancy growth and showed a huge jump in rent growth to finish out the 2020 year.

San Diego and Sacramento, had some of the smallest percentage drops in regards to residents paying rent according to the National Multifamily Housing Council.

Rent payments were a major data point to watch during 2020 as unemployment rates sky rocketed. The San Diego and Sacramento markets were impacted minimally relative to other regions.

Markets more dependent on tourism, like Las Vegas and New Orleans, were impacted more severely from decreased rent payments.

San Diego posted some of the lowest unemployment rates during the Pandemic compared to the rest of the nation's metros.

Millennials Electing to Rent Instead of Owning

Preliminary stereotypes of the millennial generation have suggested millennials prefer to rent instead of owning a home, and new data may be backing up that hypothesis.

The generation grew up witnessing one of the worst financial crises in U.S. history due to the housing market and is now living through an unpredictable global pandemic that has turned the world upside down.

A recent new survey from Apartment List analyzing homeownership trends found that 18% of millennials expect to rent forever. At age 30, only 42% of millennials own a home, compared to 48% of generation X and 51% of baby boomers at the same age.

One reason for this gap is an affordability issue. 63% of millennials have no down payment saved, and only 15% have more than $10,000 in a down payment saved.

In California, renting may be viewed as more beneficial to millennials versus buying because rent control laws inhibit a sharp increase in rental rates

Sacramento Market Metrics: By the Numbers

2020 delivered one of the most turbulent years in modern history. Some quarters data faced harsher repercussions as a result of the COVID-19 pandemic but overall, the year fared rather well relative to recent past years and given the circumstances.

For 5-49 unit properties, 2020 saw a transaction volume of approximately $199 Million, which represented a 6.6% Year-over-Year increase from 2019. In the 50+ unit category, 2020 brought in $1.24 Billion, up 10.3% from the 2019 volume.

Average Price-Per-Unit amounts were up in the 5-49 segment, rising 15.2% YoY to $165,142, and up significantly in the 50+ unit segment at an increase of 50.4% to $260,578. These translated to an Average Price/SF of $190.88 in 5-49 (down 6.0%) and $267.01 (up 32.1%) in 50+.

Inventory age took a jump Year-over-Year in both segments, with Average Year Built for 5-49 being 1962, versus 1961 for last year. Average Year Built in 50+ was 1988, compared to 1982 in 2019.

The market's occupancy rate made a large positive leap. 2020 occupancy for 5+ units was 96.0%, up 1.2% Y-o-Y. Average rent was $1,509, up $103 (7.3%) from 2019.

San Diego MSA demographics took a hit in employment data as a result of statewide lockdowns and businesses closing doors. The unemployment rate finished the quarter at 7.9%, according to Bureau of Labor Statistics numbers. The CoStar estimate of total population was 3,376,860.

Median Household Income was $81,172 and Per Capita Income came in at $35,563.

In the realm of new construction for 5+ unit properties, 1,533 units were delivered over 13 projects in 2020.

An estimated 7,359 units are in the Planning stages across 50 properties. A total of 3,707 units were listed as Under Construction in 20 properties.

Pre-lease absorption per market (12 month), according to CoStar, reported 2,729 units.

Total Unit Inventory for 5+ properties finished the year at 181,008 units, and 50+ came in at 233,045 units.

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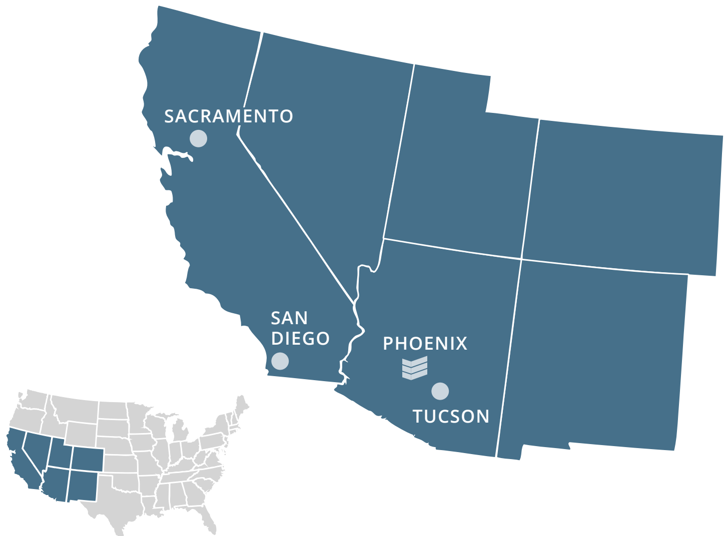

APARTMENT BROKERAGE & ADVISORY FIRM

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