

SACRAMENTO MSA | MULTIFAMILY | Q1 2021 REPORT

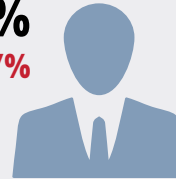
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5+ UNIT PROPERTIES	Q1 2021	INCREASE/DECREASE	Q1 2020	
Total Sales Volume	\$221M	-59.3%	\$544M	
AVERAGE	Price/Unit	\$162,533	-40.1%	\$271,251
	Price/SF	\$211.60	-16.6%	\$253.68
	Year Built	1959	-12 Yrs	1971
Average Rent	\$1,577	+9.2%	\$1,444	
Occupancy Rate	96.4%	+1.5%	94.9%	
Units Delivered	157	--	--	

2,365,946  **POPULATION**
COSTAR

6.9%
-0.7%



UNEMPLOYMENT
Q-O-Q AS OF MAR 2021 - BLS

-5.4%



EMPLOYMENT GROWTH
Y-O-Y AS OF MAR 2021 - BLS

\$87,541



MEDIAN HH INCOME
COSTAR

\$35,563



PER CAPITA INCOME
2019 ACS 5-YEAR ESTIMATE

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CONTINUED ON PAGE 05



Aggie Square details new community benefits agreement, \$50 million for affordable housing



Sacramento tops the nation for rent increases



Local developers embrace strategy of building single-family homes to rent

3,820
Units (5+)



UNDER CONSTRUCTION
COSTAR

183,541
Units (5+)



TOTAL INVENTORY
AS OF MAR 2021 - COSTAR

SACRAMENTO MSA - PER COUNTY ANALYSIS

SACRAMENTO MSA QUICK STATS	UNEMPLOYMENT RATE	MEDIAN HH INCOME	PER CAPITA INCOME	5+	
				TOTAL INVENTORY	UNDER CONSTRUCTION
Sacramento MSA	6.9%	\$87,541	\$33,548	183,541	3,820
Sacramento	7.2%	\$83,500	\$34,603	133,573	2,549
Placer	5.3%	\$99,700	\$43,759	21,807	247
Yolo	6.0%	\$87,600	\$34,515	20,425	774
El Dorado	6.0%	\$94,000	\$42,749	7,736	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 (Q1 2021)	\$1,418	\$1,791	\$1,562	\$1,461
% Change (y-o-y)	+7.7%	+12.8%	+2.2%	+5.6%
Occupancy Rate (Q1 2021)	97.0%	97.4%	95.3%	97.6%
% Change (y-o-y)	+1.7%	+1.8%	-2.2%	+1.5%
Units Delivered (Q1 2021, 5+)	157	0	0	0

SALES DATA (50+)

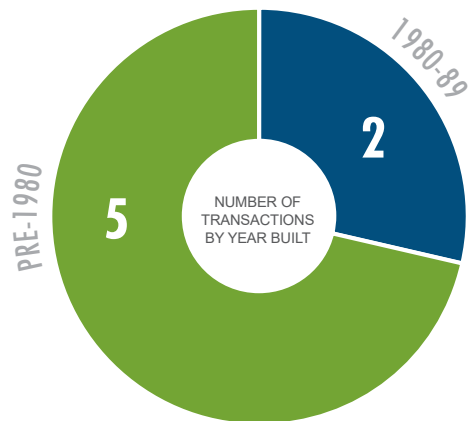
Total Sales Volume (Q1 2021, 50+)	\$136,525,000	\$0	\$0	\$0
Total Sales Volume (Q1 2020, 50+)	\$136,140,000	\$0	\$334,690,000	\$0
% Change (y-o-y)	+0.3%	--	--	--
Avg P/U (Q1 2021, 50+)	\$161,951	--	--	--
Avg P/U (Q1 2020, 50+)	\$179,368	--	\$416,800	--
% Change (y-o-y)	-9.7%	--	--	--

SALES DATA (5-49)

Total Sales Volume (Q1 2021, 5-49)	\$67,073,980	\$5,430,000	\$650,000	\$11,690,760
Total Sales Volume (Q1 2020, 5-49)	\$42,491,500	\$5,475,000	\$24,505,000	\$1,100,000
% Change (y-o-y)	+57.9%	-0.8%	-97.3%	+962.8%
Avg P/U (Q1 2021, 5-49)	\$163,197	\$164,545	\$130,000	\$167,011
Avg P/U (Q1 2020, 5-49)	\$140,236	\$195,536	\$237,913	\$100,000
% Change (y-o-y)	+16.4%	-15.8%	-45.4%	+67.0%

50+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q1 2021	INCREASE/DECREASE	Q1 2020
Total Sales Volume	\$137M	-71.0%	\$471M
AVERAGE Price/Unit	\$161,951	-46.3%	\$301,428
AVERAGE Price/SF	\$219.20	-17.1%	\$264.27
AVERAGE Year Built	1973	-14 Yrs	1987



TOP 3 TRANSACTIONS BY PRICE/UNIT (50+)



Apex on the River

Sacramento, 144 Units | \$31,000,000
\$215,278/Unit | \$258.71/SF | Built 1972

Woodmore Manor

Citrus Heights, 110 Units | \$22,725,000
\$206,591/Unit | \$297.64/SF | Built 1985

The Woods

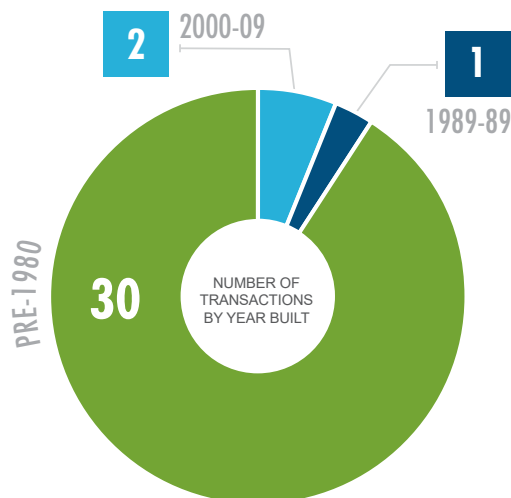
Citrus Heights, 124 Units | \$25,350,000
\$204,435/Unit | \$252.19/SF | Built 1986

Q1 2021 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	--	--	--
2000-09	--	--	--
1990-99	--	--	--
1980-89	2	\$205K	\$269
Pre-1980	5	\$145K	\$199

5 - 49 UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q1 2021	INCREASE/DECREASE	Q1 2020
Total Sales Volume	\$85M	+15.3%	\$74M
AVERAGE Price/Unit	\$163,477	-1.1%	\$165,329
AVERAGE Price/SF	\$200.41	-0.7%	\$201.90
AVERAGE Year Built	1956	-10 Yrs	1966



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



The Crest at Memory Lane

Sacramento, 12 Units | \$3,195,000
\$266,250/Unit | \$138.14/SF | Built 2009

296 California Street

Auburn, 6 Units | \$1,550,000
\$258,333/Unit | \$226.58/SF | Built 1915

Sierra Court

Sacramento, 37 Units | \$9,454,536
\$255,528/Unit | \$339.31/SF | Built 1963

Q1 2021 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	--	--	--
2000-09	2	\$241K	\$167
1990-99	--	--	--
1980-89	1	\$137K	\$236
Pre-1980	30	\$160K	\$203

COMPLETED CONSTRUCTION

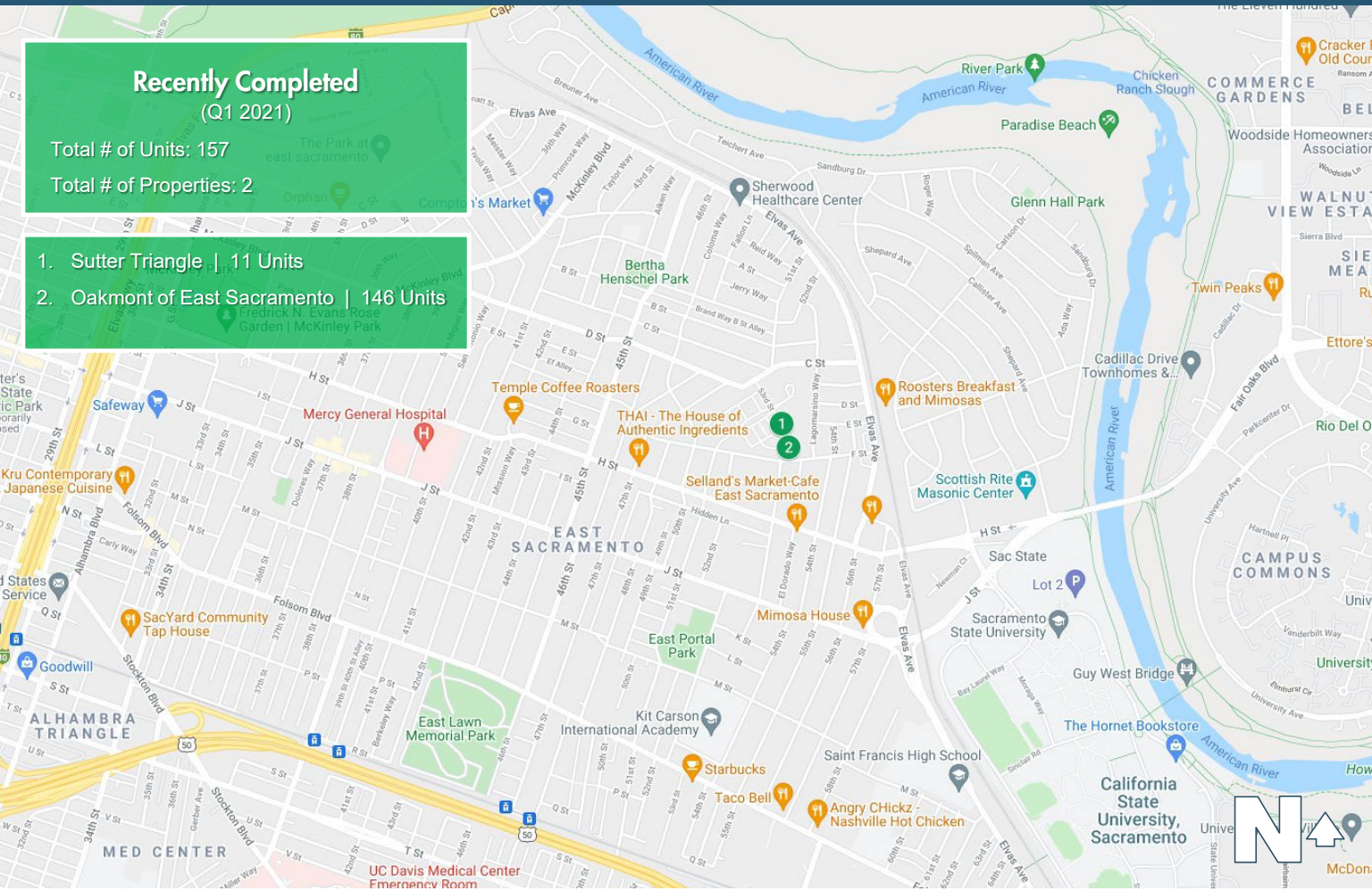
Recently Completed

(Q1 2021)

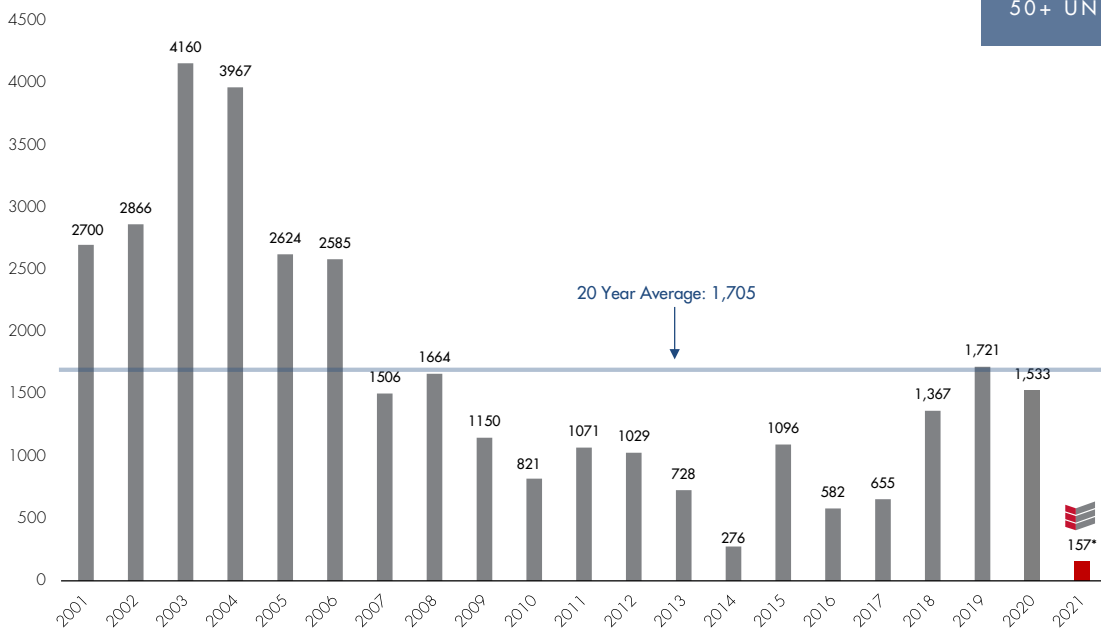
Total # of Units: 157

Total # of Properties: 2

1. Sutter Triangle | 11 Units
2. Oakmont of East Sacramento | 146 Units



SACRAMENTO MULTIFAMILY CONSTRUCTION PIPELINE Q1 2021



* 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: **183,541**

50+ UNIT PROPERTIES: **148,284**

12 MONTH ABSORPTION
2,821 Units

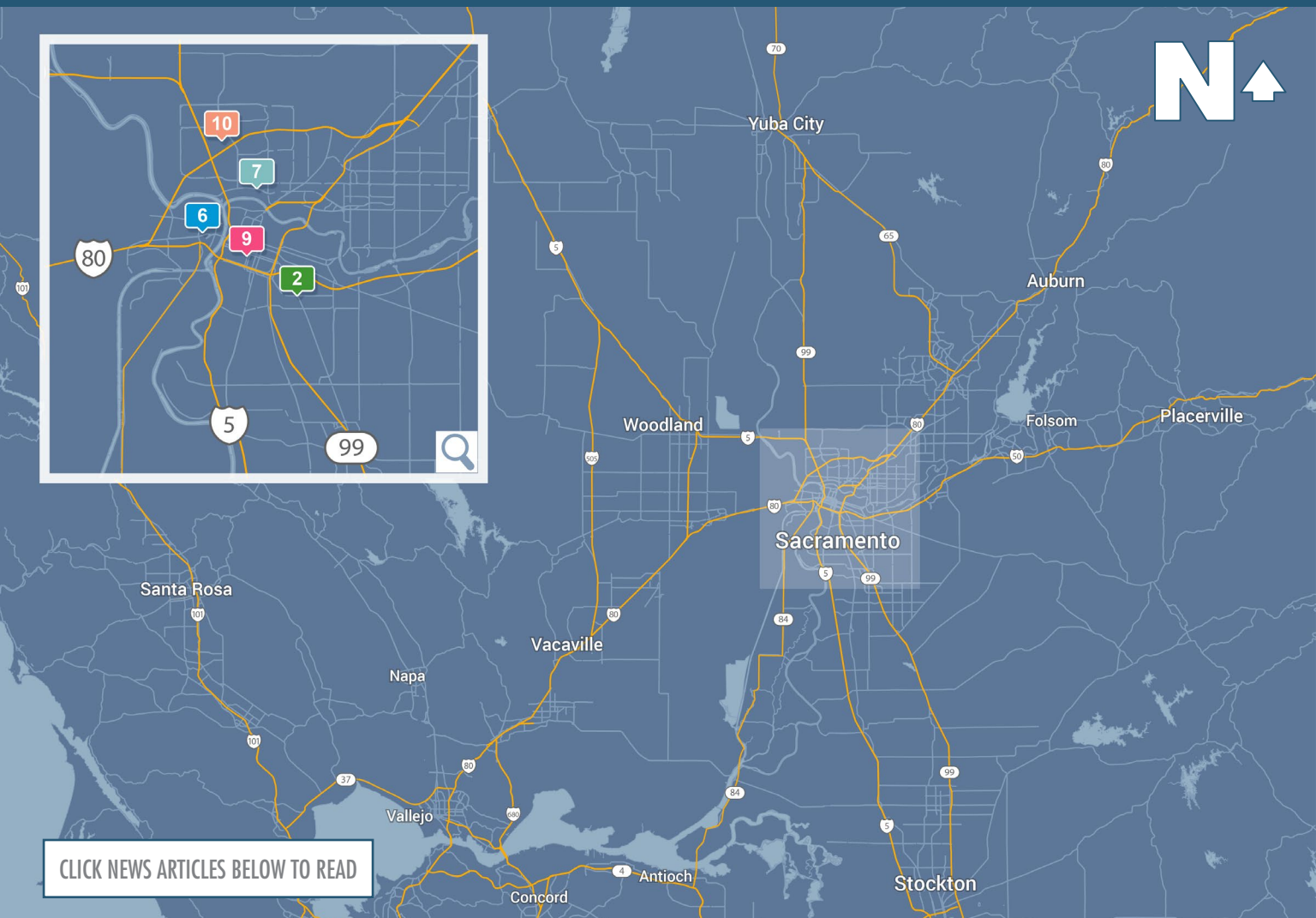
Under Construction

Total # of Units: 3,820
Total # of Properties: 21

Planned

Total # of Units: 8,085
Total # of Properties: 58

ABI GEONEWS: SACRAMENTO MSA - SELECT NEWS



- Regional**
- 2

University of California Davis & Wexford Science and Technology LLC
Aggie Square details new community benefits agreement, \$50 million for affordable housing
- Regional**
- 6

City of Sacramento
Sacramento tops the nation for rent increases
- Regional**
- 7

City of Sacramento
SAC Adopts Rent Control, Just Cause Eviction Ordinance
- Regional**
- 6

Ezralow Co.
Development Company Plans Full Conversion of River District Hotel to Apartments

- Regional**
- 7

LDK Ventures
LDK Ventures Break Ground on 345-Unit Multifamily Project at Sacramento's Railyards
- Regional**
- Multiple

Multiple
New Apartments Planned in Sacramento's Robla Neighborhood
- Regional**
- 9

Oakmont Properties
Press at Midtown Quarter is Largest Single-Asset Market-Rate Multifamily Trade
- Regional**
- 10

Oakmont Properties
Recent \$92M Multifamily Sale Shows Strength of Sac Market
- Regional**
- Multiple Development Companies

Multiple Development Companies
Local developers embrace strategy of building single-family homes to rent
- Regional**
- City of Sacramento

City of Sacramento
Sacramento Reports Lowest Apartment Vacancy Rate in the State



BY: DREW RICCIARDI, ABI RESEARCH MANAGER

The COVID-19 Recovery Coming Quicker Than Expected

The National Recovery Effort

As a miserable unforgettable year is joyously placed in the rearview mirror, previous pandemic restrictions are beginning to fade rapidly as COVID-19 vaccinations continue to cycle throughout the nation.

The economy is starting to heat up with unemployment rates dropping and significant recovery of COVID-19-related job loss persists. 916,000 jobs were added in March, and unemployment is down to 6%, according to Yardi Matrix.

Apartments are stabilizing as rent rates return to pre-pandemic levels. Most markets experienced positive net absorption and the highest recorded rent collection rates in over a year.

Urban cores and gateway markets like San Francisco, New York City, and Los Angeles, which were hit hardest by strict restrictions and an exodus of people migrating to less dense, more affordable markets, have slowly begun to recover.

Multifamily deal flow manifested strong investor interest for sunbelt markets like Phoenix, Dallas, Austin, and Atlanta. Generally, northern markets saw more of a decline in sales volume.

Overall, national multifamily sales volume witnessed a decline year-over-year but projects to show an increase next quarter.

Sacramento Emerging as a Target for California Multifamily Investment

Rocked by some of the most intense COVID-19 restrictions in the country, the California state economy attempts to pick up the pieces as these restrictions begin to dissolve across the board.

The Sacramento MSA lost a devastating \$3.7 Billion in tourist spending and 316,000 tourism-related jobs during COVID-19.

Extended eviction moratoriums and rent control measures have made the past year tough to be a landlord. Despite these negative factors, Sacramento has emerged as a shining bright spot for California multifamily in the post-COVID era.

Following the introduction of mainstream working from home, data indicates people are migrating from the expensive dense Bay Area cities to Sacramento in search of more space and cheaper rent.

In the face of multifamily sales being down this quarter, Sacramento is reporting astonishing rent growth. Overall, the Sacramento MSA finished in the top three in the nation for Year-over-Year rent growth at 9.2%.

According to a Realtor.com report, Sacramento witnessed year-over-year rent increases of 20.3%, 12.4%, and 9.1% for studios, one-bedrooms, and two-bedrooms. All extremely high rent increases for each floor plan.

In comparison, San Francisco rents have fallen up to 34%, depending on the floor plan.

Along with being a top metro in rent growth, Sacramento finished second in the nation for year-over-year occupancy growth at a 1.5% increase to 96.4%, further illustrating the type of in-state migration the area is experiencing.

These data points are helping investors identify the region as a target when expanding their multifamily portfolios.

Like investors, local developers are noticing the positive multifamily fundamentals in Sacramento and plan to adopt the increasingly popular build-to-rent model in an effort to keep up with migration and provide renters flexibility before buying a home.

The city of Sacramento has its plans to combat the increased migration as well. The revision of designating land to have only single-family housing is part of a new general plan update that may change the area's multifamily landscape. Traditional one-unit zoned neighborhoods will begin to allow up to four units per lot in 2022.

Keep Sacramento on your radar to become more and more of a destination for multifamily investment as it rebounds from the COVID-19 Recession.

Proposed Tax Reform's Potential Effects on CRE

President Biden's American Families Plan proposal contains new tax proposals that may be frightening to some institutional investors. Here are the proposed changes:

Implement a raise to the top-tier income tax rate from 37% to 39.6%. The long-term capital gains rate would also increase exponentially from 23.8% to 39.6% for taxpayers with an

income above \$1 million. With the addition of Net Investment Income Tax (NIIT) of 3.8%, the final rate would be 43.4%.

The plan could put an end to the step-up in basis, which allows one to reduce or eliminate capital gains tax on inherited assets. The proposed rule would make inherited assets of \$1 million or more subject to the hiked capital gains tax rate.

1031 exchanges may become a thing of the past for investors attempting to escape capital gains tax. The proposal will institute a cap of \$500k on 1031 exchanges.

The 1031 exchange rule allows an owner to defer capital gains tax if the proceeds of a property sale are used to purchase another property deemed like-kind within 180 days. According to the National Association of Realtors, 1031 exchanges accounted for roughly 12% of CRE transactions between 2016 and 2019.

1031 exchanges help create economic activity by adding jobs/labor from value-add investments and supplying federal, state and local tax revenue.

Currently, the proposal is facing an uphill battle in Congress, as members from both parties are wary of the proposed tax reforms.

If the American Families Plan is successful, it may steer multifamily investors to reassess their portfolios and strategies, hindering significant economic growth.

Strained Housing Supply Forcing Buyer Patience

A large portion of the Millennial Generation is at an age where they are looking to buy their first home, but strong demand, low supply, and record low interest rates have caused home prices to rise swiftly. These key factors are forcing some to continue renting until the market cools.

Data provided by realtor.com showed the national inventory of homes was 53% lower than a year ago in March 2020. The data also indicated there were 117,000 fewer new listings compared to recent years.

Redfin reported the average home sold in the past year sold for 1% more than its asking price.

Current demand is vastly outpacing the existing supply of housing. Construction costs like lumber, steel, concrete, and

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labor continue to skyrocket as a result of pandemic-induced supply chain constraints and inflation.

According to the National Association of Home Builders, lumber prices have increased a whopping 250% in a single year. These cost increases may impede future home building at a time when low supply is a current issue.

It will be interesting to see if these factors delay new multifamily construction, but no data currently indicates that to be the case, as multifamily deliveries continue to perform well. But one thing is for sure it will cost more to build, and replacement costs will rise, forcing rents to increase in order to compensate.

The current situation bodes well for the influx of the new build-to-rent communities developers have been incredibly bullish on. This hybrid concept provides newly built single-family detached rental units in a community with common area luxury amenities.

Sacramento Market Metrics: By the Numbers

For 5-49 unit properties, Q1 saw a transaction volume of approximately \$85 Million, which represented a 15.3% Year-over-Year increase from Q1 2020. In the 50+ unit category, the quarter brought in about \$137 Million, down 71.0% YoY.

Average Price-Per-Unit amounts were down slightly in the 5-49 segment, falling 1.1% YoY to \$163,477, and a significant decrease of 46.3% to \$161,951 for 50+. This translated to an Average Price/SF of \$200.41 in 5-49 (down 0.7%) and \$219.20 (down 17.1%) in 50+.

Inventory age saw large decreases in both unit segments Year-over-Year. Average Year Built for 5-49 reported the year 1956, versus 1966. The Average Year Built in 50+ reported the year 1973, versus 1987.

The market's occupancy rate and average rent had one of the

nation's best increases. Q1 2021 occupancy averaged 96.4%, up from 94.9% in Q1 2020. Average rent reported \$1,577, up \$133 (9.2%) from last year.

Sacramento MSA demographics reported improved employment numbers following abysmal 2020 data due to the COVID-19 Recession. The unemployment rate finished the quarter at 6.9%, according to Bureau of Labor Statistics numbers. The CoStar estimate of total population was 2,365,946.

Median Household Income was \$87,541, and Per Capita Income came in at \$35,563.

In the realm of new construction for 5+ unit properties, a low 157 units were delivered across 2 projects to start the year due to delays from pandemic restrictions.

Currently, a pipeline of 8,085 units is estimated to be in the Planning stages across 58 properties. A total of 3,820 units are listed as Under Construction across 21 properties.

Pre-lease absorption per market (12 month), according to CoStar, reported 2,821 units.

Total Unit Inventory for 5+ properties ended the year at 183,541 units, and 50+ came in at 148,284 units.

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ABI COMPARATIVE MARKET REVIEW: Q1 2021



SACRAMENTO

SAN DIEGO

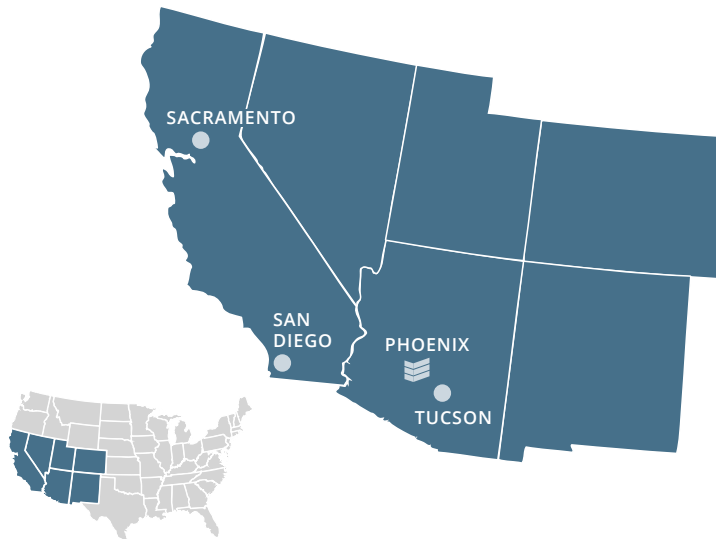
PHOENIX

TUCSON

	SACRAMENTO	SAN DIEGO	PHOENIX	TUCSON	
DEMOGRAPHICS	Total Population	2,365,946	3,334,380	4,948,203	1,047,279
	Unemployment Rate (as of Mar 2021)	6.9%	6.9%	6.1%	6.7%
	Employment Growth (y-o-y)	-5.3%	-7.4%	-2.4%	-2.4%
	Median HH Income	\$87,541	\$93,676	\$63,883	\$53,379
	Per Capita Income	\$35,563	\$34,103	\$32,522	\$29,707
RENT/OCC/CONST (50+)	Rent (Q1 2021)	\$1,577	\$1,938	\$1,320	\$1,004
	% Increase/Decrease	+9.2%	+4.2%	+7.1%	+8.1%
	Occupancy (Q1 2021)	96.4%	96.2%	95.8%	96.3%
	% Increase/Decrease	+1.5%	+1.3%	+0.6%	+1.4%
	Total Inventory (50+)	148,284	234,405	321,926	68,020
SALES (50+)	Total Under Construction (50+)	3,820	10,066	31,533	1,765
	Units Delivered (50+, Q1 2021)	157	1,455	2,867	0
	Total Sales Volume (Q1 2021)	\$137M	\$220M	\$2.09B	\$209M
y-o-y % Increase/Decrease		-11.8%	+55.1%	-57.1%	
SALES (50+)	Average P/U (Q1 2021)	\$161,951	\$292,123	\$214,729	\$100,036
	y-o-y % Increase/Decrease		-13.9%	+16.8%	-31.5%

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