



SACRAMENTO MSA | MULTIFAMILY | Q3 2021 REPORT

SACRAMENTO MSA OVERVIEW	01
SACRAMENTO MSA - PER COUNTY ANALYSIS	02
MULTIFAMILY PROPERTY ANALYSIS: 50+ & 5-49 UNITS	03
COMPLETED CONSTRUCTION & PLANNED PROJECTS	04
ABI GEONEWS: SACRAMENTO - SELECT NEWS	05
MULTIFAMILY THRIVING DESPITE ECONOMIC CONSTRAINTS	06-07
ABI COMPARATIVE MARKET REVIEW: Q3 2021	08

5+ UNIT PROPERTIES

Q3 2021 INCREASE/DECREASE Q3 2020

Total Sales Volume \$654M **+192.0%** \$224M

AVERAGE Price/Unit \$238,739 **+0.7%** \$237,158

AVERAGE Price/SF \$277.79 **-10.5%** \$310.27

AVERAGE Year Built 1965 **NO CHANGE** 1965

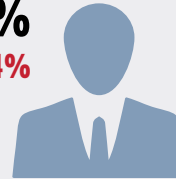
Average Rent \$1,698 **+11.7%** \$1,520

Occupancy Rate 96.6% **+0.5%** 96.1%

Units Delivered (YTD) 1,779 -- --

2,405,603 **POPULATION**
COSTAR

5.5%
-1.4%



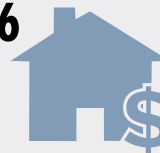
UNEMPLOYMENT
Q-O-Q AS OF SEPT 2021 - BLS

3.6%



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

\$81,696



MEDIAN HH INCOME
COSTAR

\$35,563



PER CAPITA INCOME
2019 ACS 5-YEAR ESTIMATE

ABI GEONEWS: SACRAMENTO MSA - SELECT NEWS

CONTINUED ON PAGE 05



More dense infill housing planned in Arden-Arcade



West Sac, River District see plenty of fall construction



Petrovich Development plans build-to-rent projects in Rocklin, Vineyard and Woodland

6,514
Units (5+)



UNDER CONSTRUCTION
COSTAR

184,985
Units (5+)



TOTAL INVENTORY
AS OF OCT 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	5.5%	\$81,696	\$35,563	184,985	6,514
Sacramento	5.8%	\$88,200	\$34,603	134,994	5,721
Placer	4.1%	\$109,000	\$43,759	21,497	319
Yolo	4.6%	\$93,900	\$34,515	20,859	474
El Dorado	4.7%	\$95,600	\$42,749	8,057	0

* 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 2021)	\$1,534	\$1,911	\$1,617	\$1,506
% Change (y-o-y)	+10.6%	+11.4%	+6.9%	+7.4%
Occupancy Rate (Q3 2021)	97.3%	96.3%	94.3%	97.4%
% Change (y-o-y)	+0.6%	-0.8%	-0.7%	+0.1%
Units Delivered (YTD, 5+)	473	532	560	214

SALES DATA (50+)

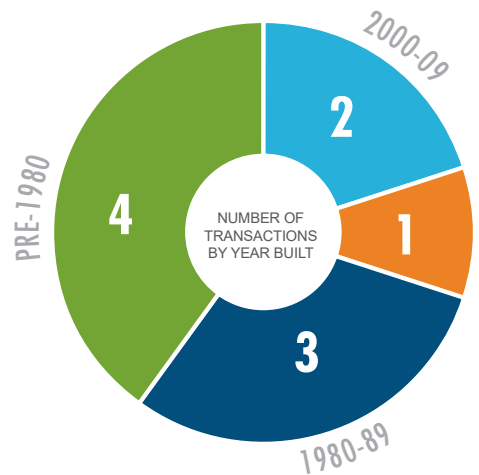
Total Sales Volume (Q3 2021, 50+)	\$450,819,202	\$0	\$87,500,000	\$0
Total Sales Volume (Q3 2020, 50+)	\$141,500,000	\$0	\$30,500,000	\$0
% Change (y-o-y)	+218.6%	--	+186.9%	--
Avg P/U (Q3 2021, 50+)	\$241,467	--	\$358,607	--
Avg P/U (Q3 2020, 50+)	\$332,941	--	\$173,295	--
% Change (y-o-y)	-27.5%	--	+106.9%	--

SALES DATA (5-49)

Total Sales Volume (Q3 2021, 5-49)	\$81,601,876	\$1,275,000	\$21,491,500	\$10,978,455
Total Sales Volume (Q3 2020, 5-49)	\$29,340,333	\$7,650,000	\$6,521,500	\$5,515,000
% Change (y-o-y)	+178.1%	-83.3%	+229.5%	+99.1%
Avg P/U (Q3 2021, 5-49)	\$196,158	\$159,375	\$265,327	\$140,749
Avg P/U (Q3 2020, 5-49)	\$161,211	\$119,531	\$232,911	\$134,512
% Change (y-o-y)	+21.7%	+33.3%	+13.9%	+4.6%

50+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q3 2021	INCREASE/DECREASE	Q3 2020
Total Sales Volume	\$545M	+216.7%	\$172M
AVERAGE Price/Unit	\$250,871	-12.3%	\$286,190
AVERAGE Price/SF	\$284.06	-20.0%	\$355.07
AVERAGE Year Built	1982	-3 Yrs	1985



Q3 2021 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	--	--	--
2000-09	2	\$336K	\$317
1990-99	1	\$284K	\$322
1980-89	3	\$257K	\$286
Pre-1980	4	\$133K	\$205

TOP 3 TRANSACTIONS BY PRICE/UNIT (50+)



Broadleaf Apartments

Sacramento, 244 Units | \$87,500,000
\$358,607/Unit | \$343.64/SF | Built 2006

Lake Point

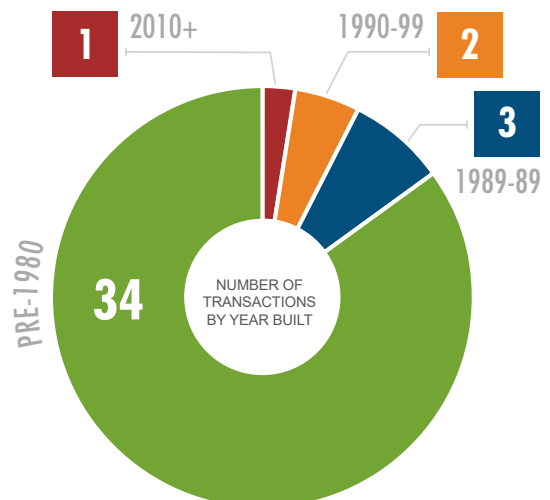
Elk Grove, 232 Units | \$72,300,000
\$311,638/Unit | \$290.63/SF | Built 2004

Autumn Ridge

Citrus Heights, 410 Units | \$120,000,000
\$292,683/Unit | \$368.68/SF | Built 1987

5 - 49 UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q3 2021	INCREASE/DECREASE	Q3 2020
Total Sales Volume	\$109M	+110.2%	\$52M
AVERAGE Price/Unit	\$192,286	+27.1%	\$151,244
AVERAGE Price/SF	\$250.20	+14.4%	\$218.75
AVERAGE Year Built	1961	NO CHANGE	1961



Q3 2021 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	1	\$341K	\$486
2000-09	--	--	--
1990-99	2	\$339K	\$301
1980-89	3	\$217K	\$121
Pre-1980	34	\$165K	\$233

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



Capitol View Apartments

Sacramento, 40 Units | \$13,950,000
\$348,750/Unit | \$312.75/SF | Built 1991

Onyx Apartments

Sacramento, 41 Units | \$13,975,000
\$340,854/Unit | \$485.70/SF | Built 2020

Park McKinley

Sacramento, 13 Units | \$4,100,000
\$315,385/Unit | \$273.33/SF | Built 1935

COMPLETED CONSTRUCTION

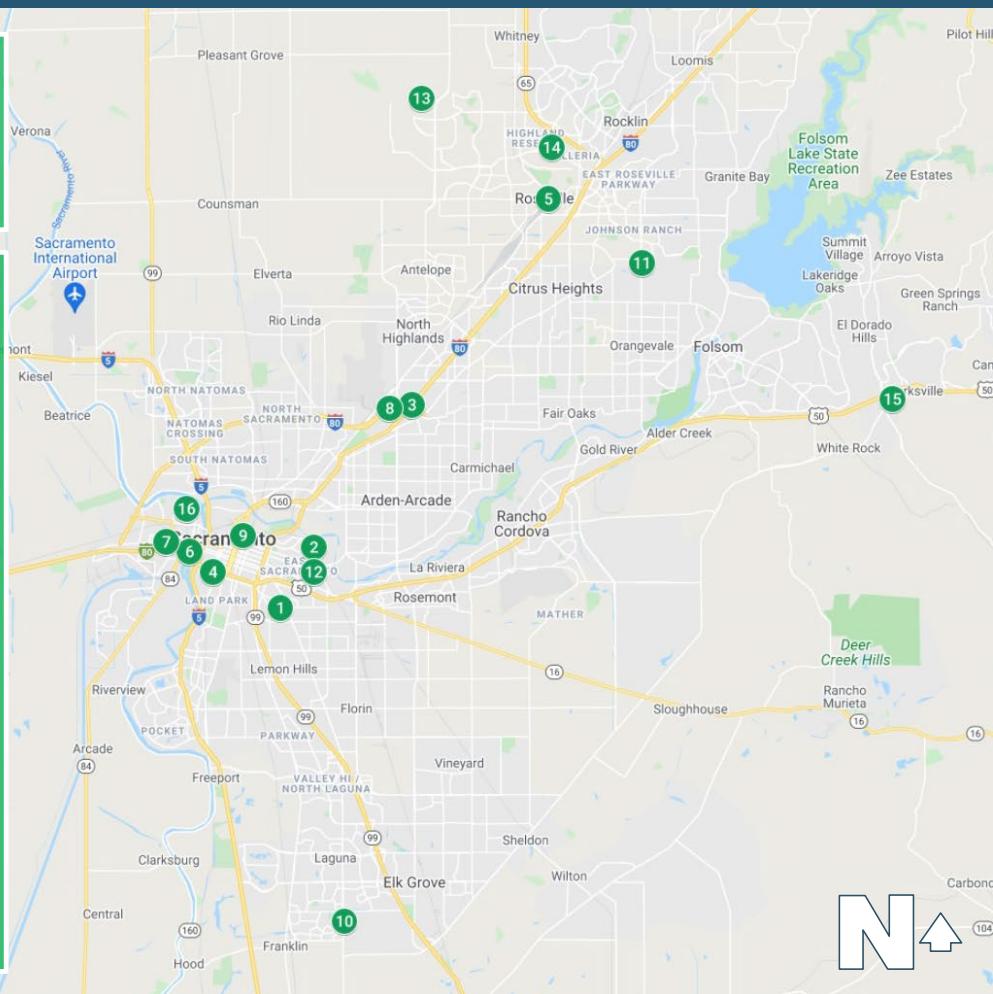
Recently Completed

(2021 YTD)

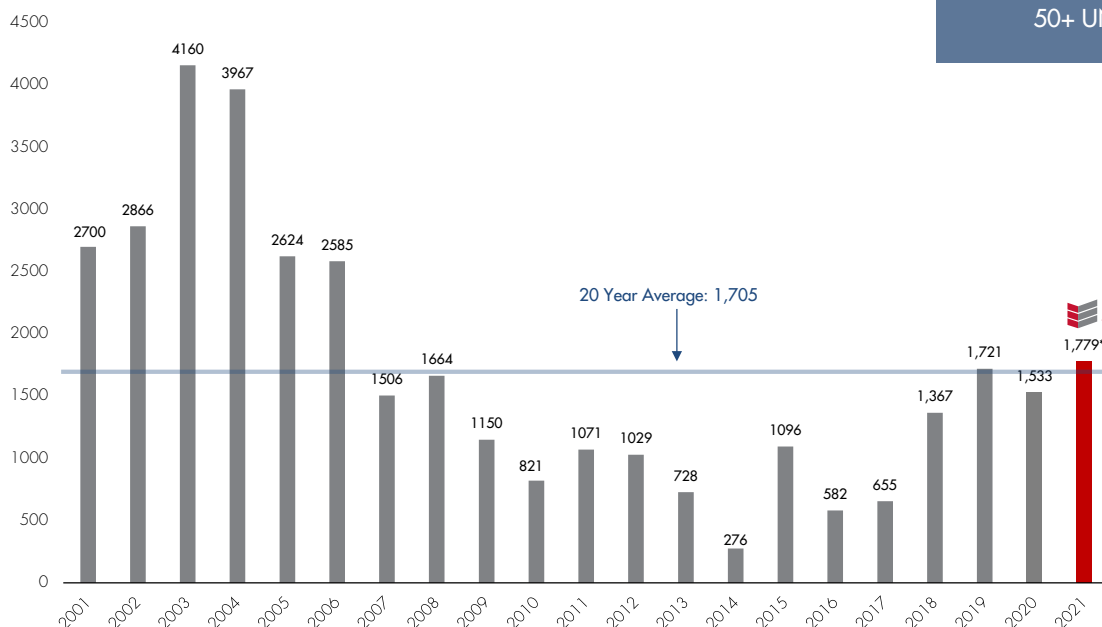
Total # of Units: 1,779

Total # of Properties: 16

1. 4146 Broadway | 9 Units
2. Sutter Triangle | 11 Units
3. Orange Grove Ave (Bldg A & B) | 12 Units
4. 9th & Broadway | 14 Units
5. Main Street Plaza | 65 Units
6. Edge | 67 Units
7. 1801 W Capitol Ave | 85 Units
8. Courtyards on Orange Grove | 92 Units
9. Eleanor Apartments | 95 Units
10. The Gardens at Quail Run | 95 Units
11. Wellquest Senior at Granite Bay Living | 114 Units
12. Oakmont of East Sacramento | 145 Units
13. Cyrene at Fiddymnt | 152 Units
14. Sonrisa Senior Living | 201 Units
15. Element 79 at Town Center | 214 Units
16. The Stand Apartments | 408 Units



SACRAMENTO MULTIFAMILY CONSTRUCTION PIPELINE Q3 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: **184,985**

50+ UNIT PROPERTIES: **149,418**

12 MONTH ABSORPTION

1,785 UNITS

UNDER CONSTRUCTION

TOTAL # OF UNITS: **6,514**

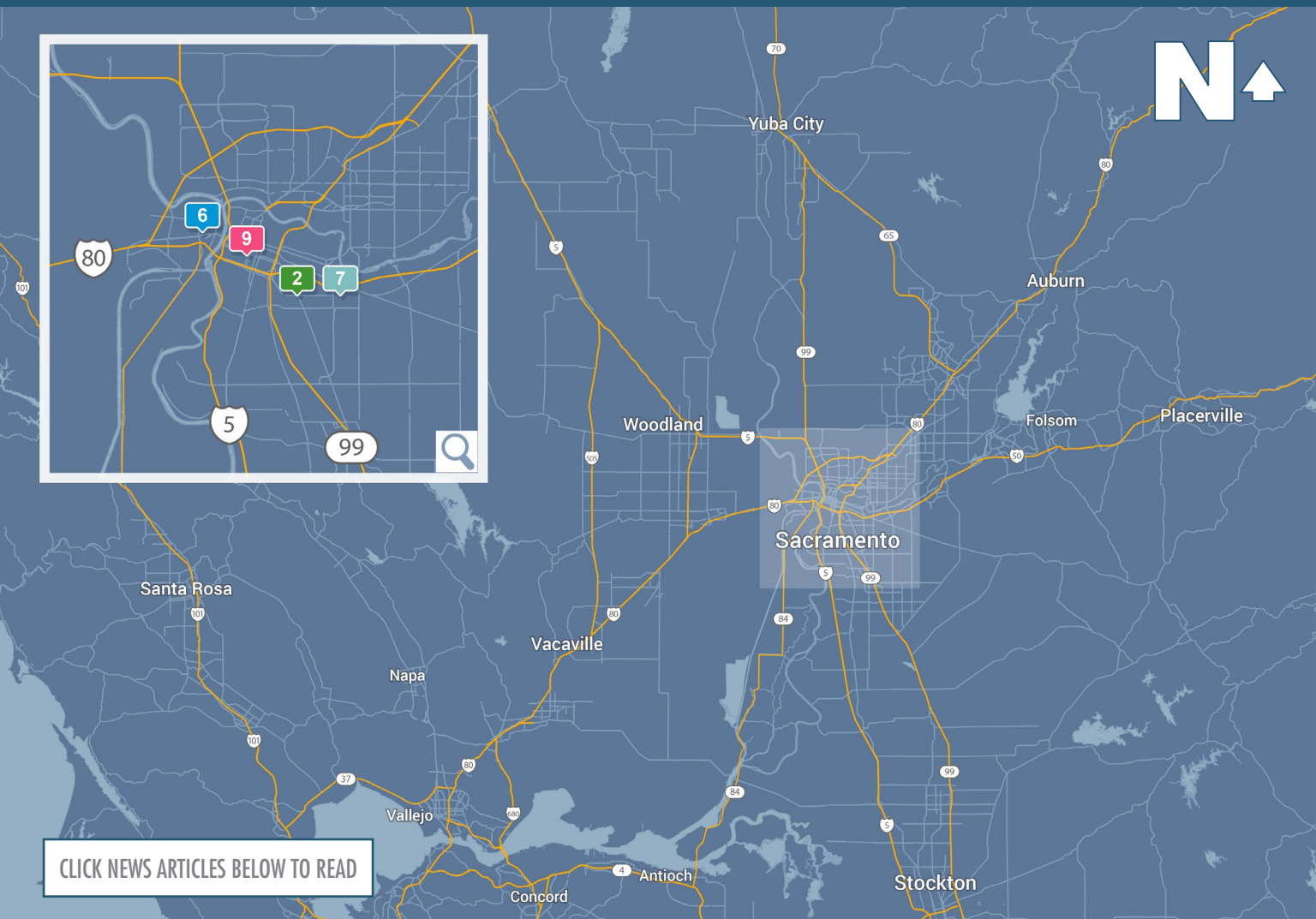
TOTAL # OF PROPERTIES: **30**

PLANNED

TOTAL # OF UNITS: **9,358**

TOTAL # OF PROPERTIES: **61**

ABI GEONEWS: SACRAMENTO MSA - SELECT NEWS



- Regional**
- City of Sacramento**
Sacramento area among tops in country for construction job gains

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

- Regional**
- California State University Sacramento**
Innovation 'hub' for Sac State nears start

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

- Regional**
- State of California**
California to pay off unpaid rent accrued during COVID-19 pandemic

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

- 7** **Amazon**
Amazon hiring 3,000 additional Sacramento employees by year's end

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

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

- Regional**
- Petrovich Development**
Petrovich Development plans build-to-rent projects in Rocklin, Vineyard and Woodland

- Regional**
- City of Sacramento**
West Sac, River District see plenty of fall construction

- Regional**
- City of Sacramento**
More dense infill housing planned in Arden-Arcade



BY: DREW RICCIARDI, ABI RESEARCH MANAGER

Multifamily Thriving Despite Economic Constraints

The multifamily industry has pleasantly outperformed even the brightest projections to start the year. It was clear 2021 was slated to be a robust year barring any more shutdowns, but not to the magnitude witnessed year to date. Demand from renters, investors, and developers is catapulting to new heights as total sales volume, rent growth, and apartment construction reach record highs.

A few macro-economic issues have arisen from the pandemic, giving some pause initially, but proving to be minor speedbumps in the path of the semi-truck that is the multifamily industry.

THE EFFECTS OF INFLATION, SUPPLY CONSTRAINTS, AND THE LABOR SHORTAGE ON MULTIFAMILY

The effects of inflation on our everyday lives are becoming more prevalent than ever. Filling up a tank of gas or a trip to the grocery store may seem substantially more expensive than recent memory... because it is.

The U.S. inflation rate has reached its highest level in past 39 years. A significant result of overall demand outpacing

supply created some lingering effects like bottlenecks at shipping ports, a labor shortage leading to a reduction in the number of truck drivers available to deliver goods, and sharp wage increases.

Multiple factors have contributed to the labor shortage, including enhanced unemployment benefits, baby boomers retiring, and fewer immigrants entering the country. Now, with unemployment benefits expiring and wages increasing rapidly, economists believe many of the effects of the labor shortage and supply constraints will subside during the second half of 2022.

But how does it all relate to multifamily real estate at the moment?

The combination of the rise in the cost of materials, energy prices, and wages – along with a shortage of skilled labor -- has slowed down the supply of single-family housing construction overall. Strong demand for housing persists as more young adults look to move out of their parent's homes or from urban apartments to suburban homes.

As a result, home prices in September jumped a staggering 18% year-over-year nationally, according to the S&P CoreLogic Case-Shiller U.S. National Home Price NSA

index. At the same time, the supply of homes for sale went down 13.4%, according to the National Association of Realtors, forcing many to wait and continue to rent.

From an investor's perspective, it makes sense to put their capital into an appreciating asset like multifamily real estate during times of inflation, with the expectation cap rates will compress and rents will increase from here. Fortunately, the abundance of multifamily debt capital remains as Freddie Mac and Fannie Mae raised their cap an additional \$8 billion each for 2022. On the other hand, interest rates will likely go up eventually.

It is no secret multifamily continues to be one of the most resilient sectors throughout the pandemic, posting significant growth in total sales volume, development, occupancy, and rents.

It is likely that current inflation, supply constraints, and labor shortages will have no dramatic long-term negative effects on the multifamily industry.

MULTIFAMILY CONSTRUCTION TRYING TO KEEP UP WITH DEMAND

Demand for apartments is reaching an all-time high after 255,000 multifamily units were absorbed (newly completed units leased) nationally during the third quarter. That figure marks the largest single-quarter absorption since 1990, according to RealPage data, indicating the supply of apartment construction has become more paramount than ever.

Apartment construction appears to have overcome the cost of materials and labor shortage dilemma better than single-family construction. According to U.S. Census Bureau data, new multifamily construction permits were issued nationally for 57,000 units in August 2021, signifying it as the hottest month since June 2015. For single family housing construction, housing starts fell in September and permits dropped to a one-year low, according to a report from the U.S. Department of Commerce.

Multifamily developers recognize the disparity in current supply/demand levels and are getting creative to keep up with demand. Select developers are taking underperforming commercial spaces and converting them into apartments at a record rate. Obsolete office buildings, old industrial facilities, underperforming malls, and out-of-date hotels are all prospects for potential apartment conversions.

It is projected that 20,100 units will be converted into apartments from commercial spaces by the end of the year nationally, according to a new report by RentCafe.

Creative methods like this will become imperative moving forward if the multifamily industry has any chance of

matching supply with demand. Expect multifamily construction to remain active especially, as supply chain constraints diffuse.

SACRAMENTO MARKET METRICS: BY THE NUMBERS

The Sacramento MSA multifamily market continued its extremely active year with a flurry of transaction activity, new development, and significant rent growth. Here is what the data is reporting.

For 5-49 unit properties, Q3 saw a transaction volume of approximately \$109 Million, which represented a significant 110.2% Year-over-Year increase from Q3 2020. In the 50+ unit category, the quarter brought in about \$545 Million, another enormous increase of 216.7% YoY.

Average Price-Per-Unit amounts were up in the 5-49 segment, rising 27.1% YoY to \$192,286. Contrary to the 5-49 segment, the 50+ unit segment was down 12.3% to \$250,871. This translated to an Average Price/SF of \$250.20 in 5-49 (up 14.4%) and \$284.06 (down 20.0%) in 50+.

Inventory age did not increase in both unit segments Year-over-Year. Average Year Built for 5-49 remained static reporting the year 1961. The Average Year Built in 50+ reported the year 1982, versus 1985.

The market's occupancy rate and average rent continued reporting significant increases this quarter. Q3 2021 occupancy averaged 96.6%, up from 96.1% in Q3 2020. Average rent reported \$1,698, up \$178 (11.7%) 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 5.5%, according to Bureau of Labor Statistics numbers. The employment growth rate finished the quarter at 3.6%, according to Bureau of Labor Statistics numbers. The CoStar estimate of total population was 2,405,603.

Median Household Income was \$81,696, and Per Capita Income came in at \$35,563.

In the realm of new construction for 5+ unit properties, 1,779 units were delivered across 16 projects for the first three quarters of the year.

Currently, a pipeline of 9,358 units is estimated to be in the Planning stages across 61 properties. A total of 6,514 units are listed as Under Construction across 30 properties.

Pre-lease absorption per market (12 month), according to CoStar, reported 1,785 units.

Total Unit Inventory for 5+ properties ended the year at 184,985 units, and 50+ came in at 149,418 units.

ABI COMPARATIVE MARKET REVIEW: Q3 2021



SACRAMENTO

SAN DIEGO

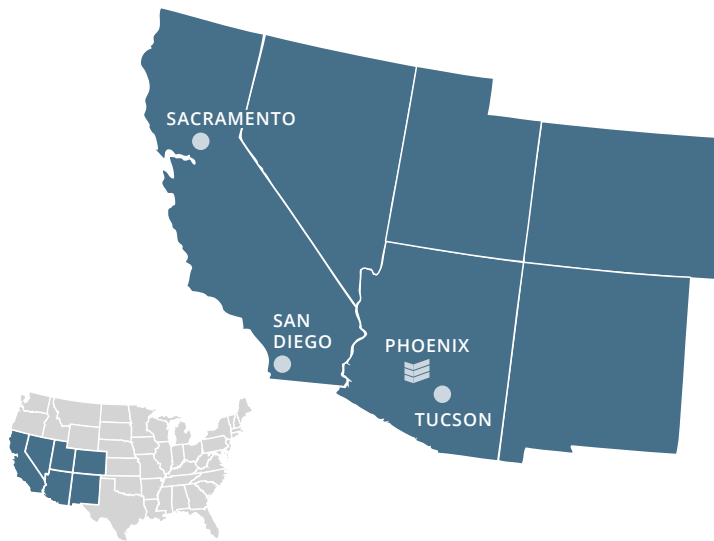
PHOENIX

TUCSON

	SACRAMENTO	SAN DIEGO	PHOENIX	TUCSON	
DEMOGRAPHICS	Total Population	2,405,603	3,339,333	4,948,203	1,047,279
	Unemployment Rate (as of Sept 2021)	5.5%	5.6%	3.8%	4.3%
	Employment Growth (y-o-y)	3.6%	4.6%	6.0%	4.0%
	Median HH Income	\$81,696	\$95,283	\$63,883	\$53,379
	Per Capita Income	\$35,563	\$34,103	\$32,522	\$29,707
RENT/OCC/CONST (50+)	Rent (Q3 2021)	\$1,698	\$2,147	\$1,536	\$1,130
	% Increase/Decrease	+11.7%	+12.9%	+22.8%	+18.4%
	Occupancy (Q3 2021)	96.6%	97.6%	96.5%	96.6%
	% Increase/Decrease	+0.5%	+2.1%	+1.1%	+1.0%
	Total Inventory (50+)	149,418	238,757	327,355	68,774
	Total Under Construction (50+)	6,514	8,879	34,059	979
SALES (50+)	Units Delivered (50+, YTD)	1,779	5,365	7,829	1,009
	Total Sales Volume (Q3 2021)	\$538M	\$1.61B	\$4.28B	\$342M
	y-o-y % Increase/Decrease	+213.0%	+767.4%	+248.2%	+122.8%
	Average P/U (Q3 2021)	\$255,007	\$265,098	\$284,597	\$180,906
	y-o-y % Increase/Decrease	-32.3%	+14.9%	+71.1%	+49.4%

LEADING MULTIFAMILY BROKERAGE TEAM IN THE WESTERN US

200+ YEARS OF COMBINED MULTIFAMILY BROKERAGE EXPERIENCE
SEASONED ADVISORS WITH REGIONAL INSIGHT
COLLABORATION & COOPERATION



APARTMENT BROKERAGE & ADVISORY FIRM

ABI Multifamily is a brokerage and advisory services firm that focuses exclusively on apartment investment transactions. The experienced advisors at ABI Multifamily have completed billions of dollars in sales and thousands of individual multifamily transactions.

SACRAMENTO OFFICE

602.714.1572
CA Lic #02015648

SAN DIEGO OFFICE

1012 Second Street, Ste 100
Encinitas, CA 92024
858.256.5454
CA Lic #02015648

PHOENIX HEADQUARTERS

5227 North 7th Street
Phoenix, AZ 85014
602.714.1400

TUCSON OFFICE

3360 N. Country Club Road
Tucson, AZ 85716
520.265.1993

DISCLAIMER © 2021 ABI Multifamily | The information and details contained herein have been obtained from third-party sources believed to be reliable; however, ABI Multifamily has not independently verified its accuracy. ABI Multifamily makes no representations, guarantees, or express or implied warranties of any kind regarding the accuracy or completeness of the information and details provided herein, including but not limited to the implied warranty of suitability and fitness for a particular purpose. Interested parties should perform their own due diligence regarding the accuracy of the information. SOURCES: ABI Research / Bureau of Labor Statistics / Census Bureau / CoStar / Vizzda / US Chamber of Commerce / RED Comps / ARMLS