

MARKET TRENDS

# SACRAMENTO MULTIFAMILY

- ↑ VACANCY
- ↓ UNEMPLOYMENT
- ↑ RENTAL RATES
- ↓ CONSTRUCTION DELIVERIES

Year-Over-Year Change

*Located just 90 miles east of San Francisco, Sacramento was a popular destination throughout the pandemic as new residents flocked to the capitol region seeking a higher quality of life at a lower cost of living.*

The metro offers easy access to the Bay Area, as well as state and national parks, making it a prime location to settle down. As firms have relaxed restrictions on employee location, Sacramento benefited greatly, surpassing net migration figures by 50% over the prior decade’s average.

Over the past year, the market has started to slow. Both net migration and apartment demand slowed drastically in 2022. This coincided with the delivery of a wave of new inventory, causing the vacancy rate to increase by 2.1% over the past year to 6.1%. This is due to new units coming to market during that time, while net absorption fell year over year. High inflation throughout the year, increasing interest rates, weakening national economy, and years of record rent growth have

made local residents very price sensitive, and those that are looking to relocate are shifting their focus towards smaller units in some cases or seeking out roommates or returning home in others.

The rapid increase in available supply has not stopped developers from continuing active projects with thousands more units underway. Construction starts slowed in the back half of 2022 but has yet to stop entirely, with more breaking ground in early 2023.

The supply-side pressure and slowing demand have led to slowing rent growth, which has been flat, over the past year. At the same time, concession rates are increasing, reaching the highest point in years and putting additional downward pressure on effective rents.

Despite broad declining metrics, investor interest remains. The Class C sector should continue to remain tight as renters in the area are favoring affordability. Transaction volume is expected to pick up in the second half of 2023 in B & C Class apartments, as the labor market remains strong, markets normalize, and the gap between Buyer and Seller expectations continues to narrow.

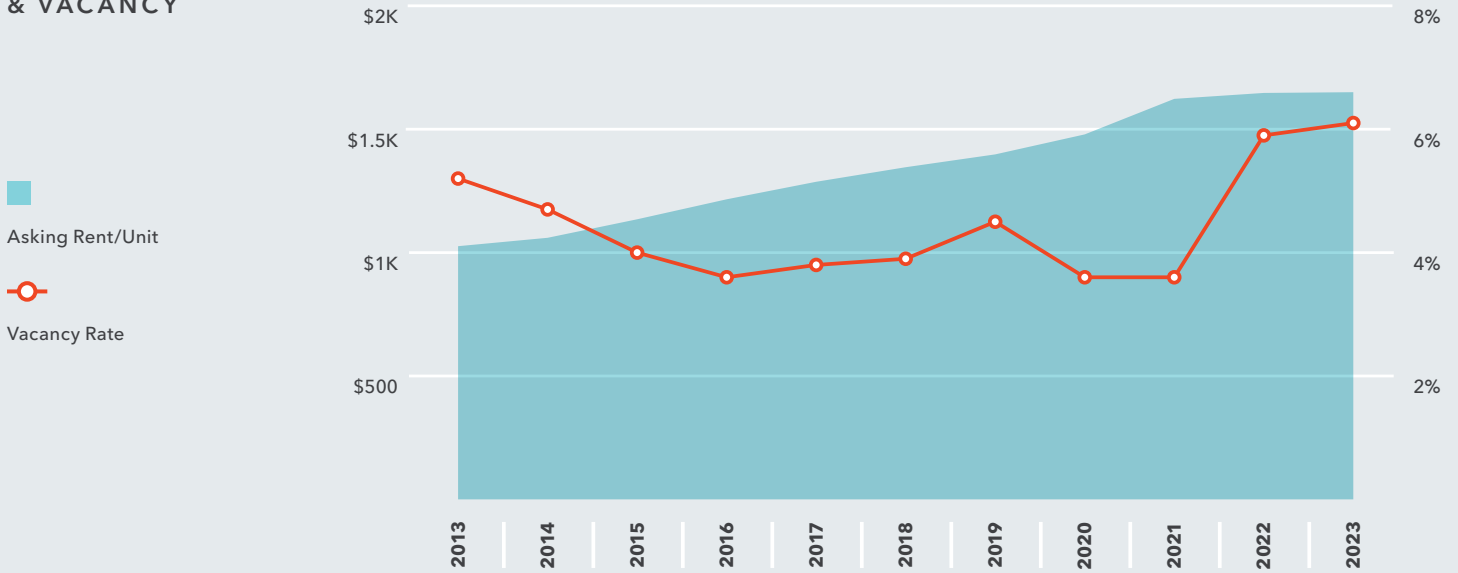
## MARKET BREAKDOWN

	1Q23	4Q22	1Q22	Annual % Change
New Construction	253	665	674	-62.46%
Under Construction	6,669	6,505	6,660	0.14%
Vacancy Rate	6.1%	5.9%	4.0%	52.50%
Average Asking Rents	\$1,650	\$1,647	\$1,647	0.18%
Average Sales Price	\$144,957	\$157,915	\$305,966	-52.62%
Cap Rates	5.2%	5.2%	4.4%	18.18%
Net Absorption	(177)	(770)	61	N/A

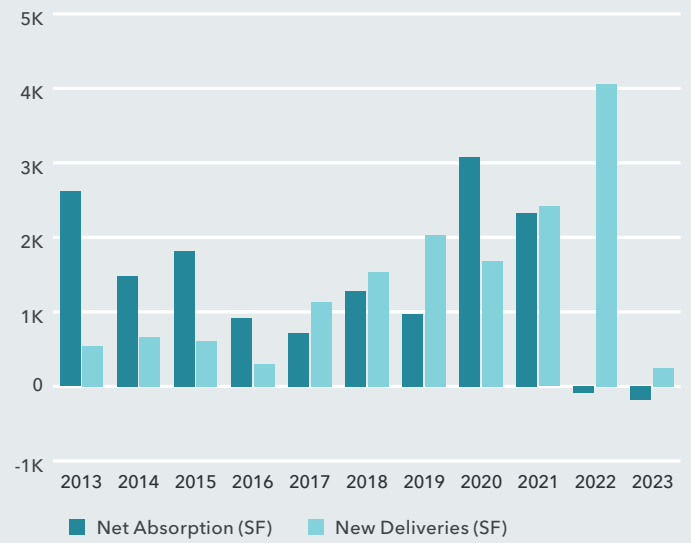
## AVERAGE RENT

Unit Size	Monthly Rent
Studio	\$1,472
1 Bedroom	\$1,474
2 Bedroom	\$1,730
3 Bedroom	\$2,035

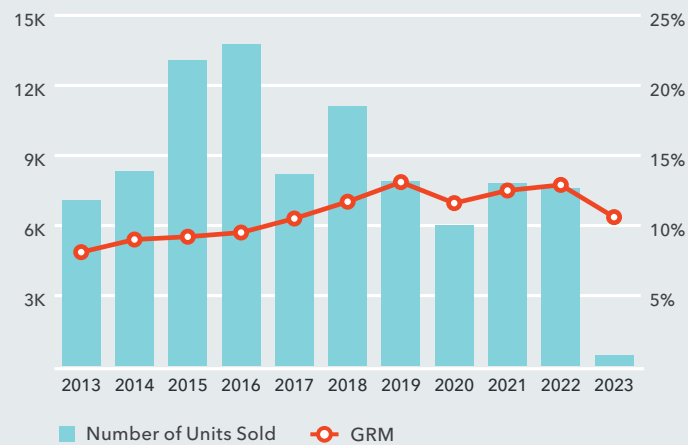
## LEASE RATE & VACANCY



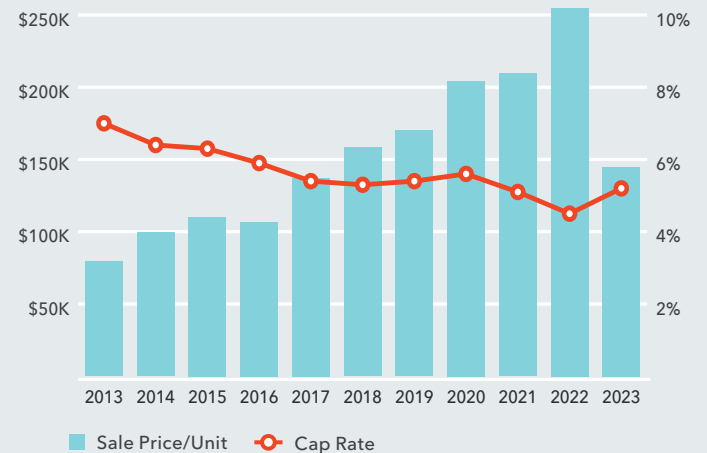
## NET ABSORPTION & NEW DELIVERIES



## NUMBER OF UNITS SOLD & GRM



## AVERAGE SALES PRICE/UNIT & CAP RATE



## TOP SALE TRANSACTIONS 1Q 2023

Property	Submarket	# of Units	Sale Price	\$/SF	Buyer	Seller
Courtyard at Artisan Square	Outer Arden-Arcade	104	\$23,600,000	\$226,923	Trion Properties	SOC Courtyard At Artisan Square Inc
Arden Oaks Apartment	Outer Carmichael/Citrus Heights	36	\$6,800,000	\$188,889	Meridian Sports Club	Caplis Family Trust
Date Tree Apartments	North Highlands	42	\$6,100,000	\$145,238	Date Tree Partners LP	Willow Creek Diversified Inc
2808-2812 T St	Newton Booth	16	\$2,550,000	\$159,375	Redwood Property Inv.	PF Yuen & Kathy Yuen Revocable Trust
3723 Jasmine St	East Del Paso Heights	10	\$850,000	\$85,000	BLMV Investments	4N Holdings LLC

## TOP UNDER CONSTRUCTION

Property	Address	Submarket	# of Units	Owner	Expected Delivery Date
The A.J.	251 6th St	South Pacific/Richards	345	McClellan Park, LLC	June 2023
Kinect @ Southport	2415 Jefferson Blvd	Southport	322	American Capital Group	May 2024
Terracina at Whitney	711 University Ave	Whitney Ranch	288	USA Properties Fund Inc	February 2024
Zeta Luxury Apartments	3701 E Commerce Way	Natomas Crossing	270	Alleghany	May 2023
Solasta Luxury Apartments	7699 Klotz Ranch Ct	Pocket-Greenhaven	266	A.G. Spanos Companies	June 2023

## TOP COMPLETED CONSTRUCTION 1Q 2023

Property	Address	Submarket	# of Units	Owner	Delivery
Sierra Gateway Apartments	5180 Rocklin Rd	Outlying Placer County	195	The Ezralow Company / First Pointe Mgmt.	January 2023
Sonrisa	1322 O St	Capitol Park	58	Capitol Area Development Authority	February 2023

Data Source: EDD, CoStar



Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 20 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, project and construction management, and debt equity finance services for all property types.

The information in this report was composed by the Kidder Mathews Research Group.

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<b>COMMERCIAL BROKERAGE</b>	<b>\$12B</b> TRANSACTION VOLUME ANNUALLY	<b>32.1M</b> ANNUAL SALES SF	<b>41.2M</b> ANNUAL LEASING SF
<b>ASSET SERVICES</b>	<b>53M</b> MANAGEMENT PORTFOLIO SF	<b>771+</b> ASSETS UNDER MANAGEMENT	<b>250+</b> ASSET SERVICES CLIENTS
<b>VALUATION ADVISORY</b>	<b>2,600+</b> ASSIGNMENTS ANNUALLY	<b>46</b> TOTAL APPRAISERS	<b>23</b> WITH MAI DESIGNATIONS

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