

MARKET TRENDS

# SACRAMENTO MULTIFAMILY

↑ VACANCY	↑ UNEMPLOYMENT
↓ RENTAL RATES	↓ CONSTRUCTION DELIVERIES
Year-Over-Year Change	

*The vacancy rate has increased by 1.4% over the past year and at 5.9%, now rests above the market’s historical average of 5.6%. The increase in vacancy is tied to historic multifamily construction numbers.*

Generally speaking, renters have shifted focus away from the suburbs to the areas in and around downtown, in contrast with national trends. Downtown led the market regarding renter demand throughout 2022 and early 2023, indicating that renters have pivoted away from the suburbs and now prefer living closer to employers and entertainment venues.

One of the reasons that Downtown has been so popular in recent quarters is the groundswell of new construction entering the market. Until recently, Downtown Sacramento has had almost exclusively old, low-quality inventory. But that trend began to shift before the pandemic and demand has returned as the events and restaurants have returned. The submarket remains the focal point for development within

Sacramento and will likely lead the region in demand, even if vacancy momentarily expands.

Employment has returned to healthy levels throughout Sacramento as the unemployment continues to fall quarter-over-quarter. Recent announcements tied to the Aggie Square development will bring Cytvia and the Alice Waters Institute to the Sacramento area in what could be the first of many new companies taking occupancy to align with the expertise at UC Davis.

The record rent growth from 2021 has moderated significantly, with rents relatively flat over the past 12 months. Slowing rent growth is a function of several factors, including reduced migration from high-cost markets like the Bay Area, a wave of deliveries increasing competition for renters, and waning consumer sentiment slowing new household formation.

There are some areas of high rent growth in the market. The region’s lower-rent submarkets still see positive rent growth, but most have moderated in recent months. The only exception is Davis, which continues to see healthy rent growth, propped up by captive renter demand coming from the university.

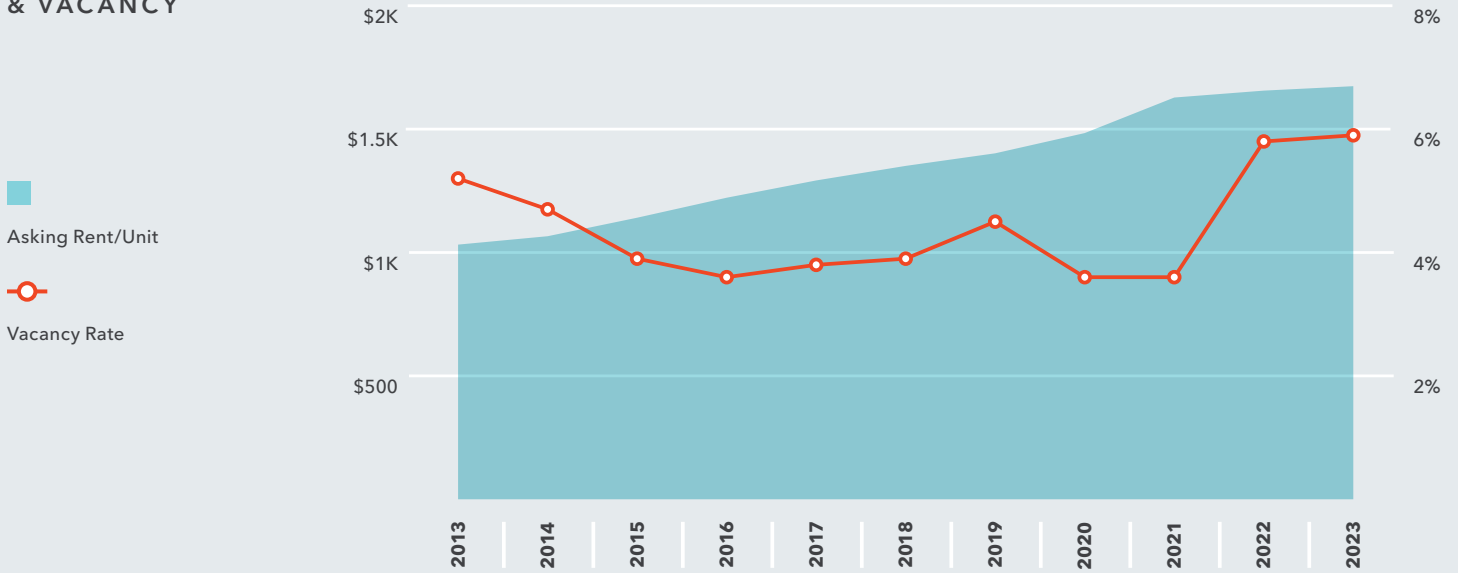
## MARKET BREAKDOWN

	2Q23	1Q23	2Q22	Annual % Change
New Construction	812	562	1,052	-22.81%
Under Construction	5,259	6,071	6,171	-14.78%
Vacancy Rate	5.9%	6.0%	4.5%	31.11%
Average Asking Rents	\$1,674	\$1,661	\$1,677	-0.18%
Average Sales Price	\$158,507	\$203,992	\$212,117	-25.27%
Cap Rates	5.2%	5.1%	4.3%	20.93%
Net Absorption	896	225	26	N/A

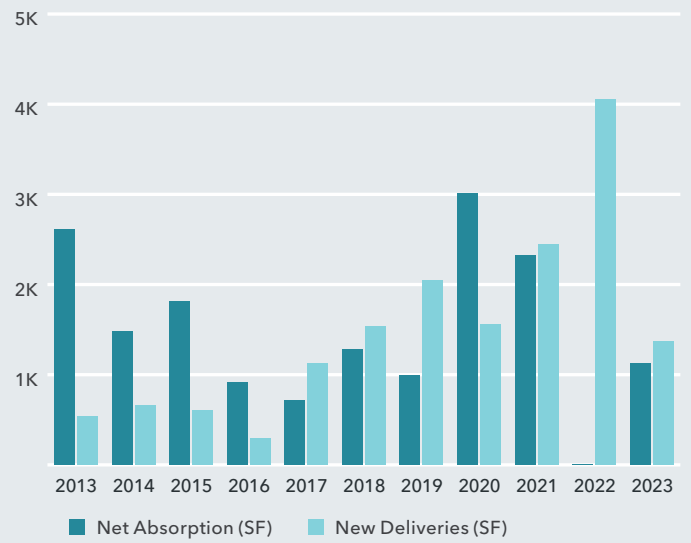
## AVERAGE RENT

Unit Size	Monthly Rent
Studio	\$1,481
1 Bedroom	\$1,491
2 Bedroom	\$1,760
3 Bedroom	\$2,066

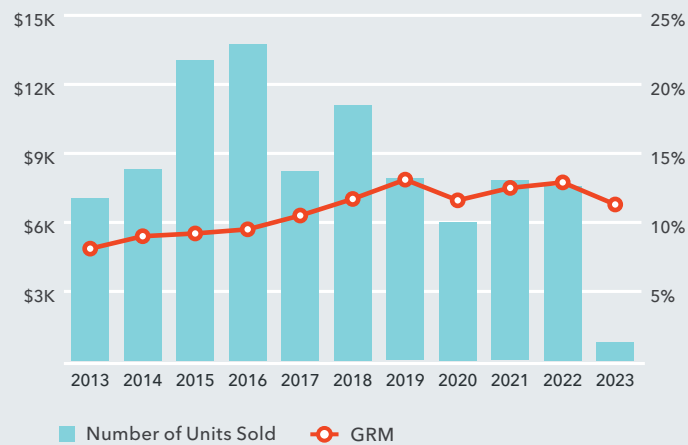
## LEASE RATE & VACANCY



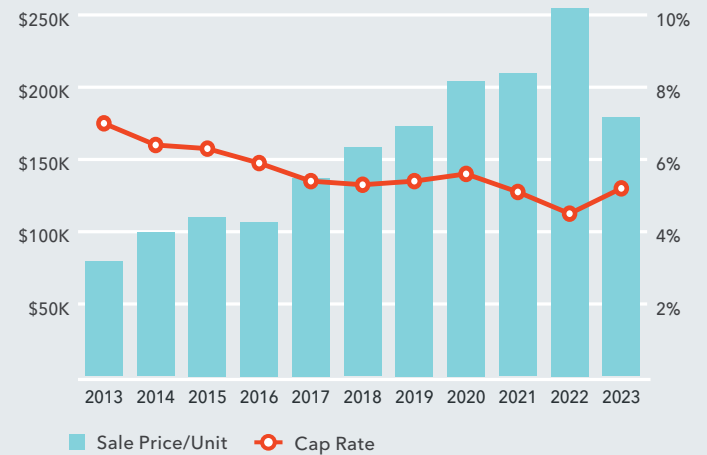
## NET ABSORPTION & NEW DELIVERIES



## NUMBER OF UNITS SOLD & GRM



## AVERAGE SALES PRICE/UNIT & CAP RATE



TOP SALE TRANSACTIONS 2Q 2023

Property	Submarket	# of Units	Sale Price	\$/SF	Cap Rate	Buyer	Seller
Continental Terrace	Florin	142	\$15,750,000	\$110,915	3.93%	Lewinston Way Apartments LLC	Positive Investments, Inc.
Oak Garden Apartments	Outer Arden-Arcade	56	\$10,950,000	\$195,536	5.20%	Lenck Lars H & Mary H Trust	Cobbe Properties LLC
Marconi Vista Apartments	Outer Arden-Arcade	28	\$6,400,000	\$228,571	5.10%	Chestnut Oak Properties LLC	Pong & Ng Investments LLC
Morris Apartments	Outer Arden-Arcade	40	\$6,275,000	\$156,875	5.26%	Morris Apartments LLC	Morris Investment Co
The Chloe	Outer Arden-Arcade	32	\$5,850,000	\$182,813	4.33%	RJM International, Inc.	Trion Properties

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	August 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
Track 281	321 Bercut Dr	River District	281	The Ezralow Company /First Pointe Mgmt.	July 2023
Zeta Luxury Apartments	3701 E Commerce Way	Natomas Crossing	270	Alleghany Corporation	August 2023

TOP COMPLETED CONSTRUCTION 2Q 2023

Property	Address	Submarket	# of Units	Owner	Delivery
Arena Senior Apartments	4401 Truxel Rd	RP Sports Complex	240	Stamas Corporation	May 2023
The Celeste	3820 Chiles Rd	Outer Davis	225	Artemis Real Estate Partners	April 2023
Twelve Bridges	1136 Victorian St	Lincoln	161	Villas at Twelve Bridges Property LLC	May 2023
Sage at Folsom	75 Scholar Way	Broadstone	111	USA Properties Fund, Inc.	April 2023
Bidwell Place	425 E Bidwell St	Outer Folsom/Orangevale/Fair Oaks	75	St Anton Multifamily, Inc.	April 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>	<i>\$12B</i> TRANSACTION VOLUME ANNUALLY	<i>32.1M</i> ANNUAL SALES SF	<i>41.2M</i> ANNUAL LEASING SF
<b>ASSET SERVICES</b>	<i>53M</i> MANAGEMENT PORTFOLIO SF	<i>771+</i> ASSETS UNDER MANAGEMENT	<i>250+</i> ASSET SERVICES CLIENTS
<b>VALUATION ADVISORY</b>	<i>2,600+</i> ASSIGNMENTS ANNUALLY	<i>46</i> TOTAL APPRAISERS	<i>23</i> WITH MAI DESIGNATIONS

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