



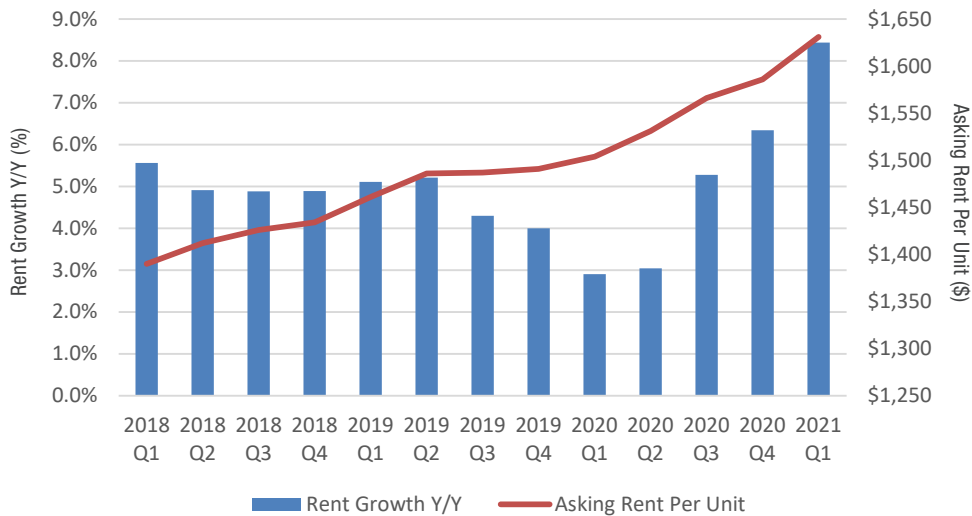
MULTIFAMILY MARKET REPORT

MARKET OVERVIEW

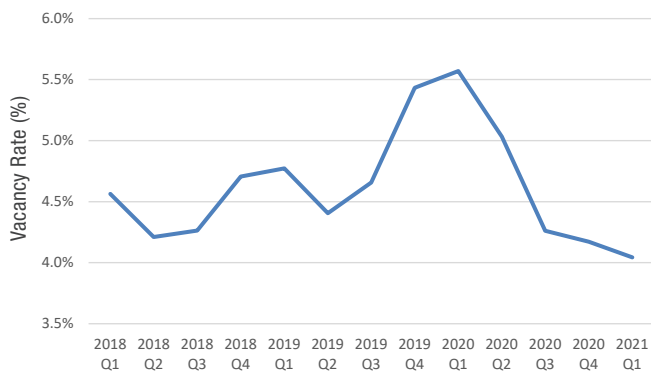
Sacramento multifamily vacancies have compressed to an all-time low in 2021, though the recession continued due to the coronavirus pandemic. Across the United States, metro unemployment remained high, but with many residents having returned to work since job losses bottomed out last April, plus interest from homebound workers and migration of Bay Area residents, demand remains elevated, particularly in pricier markets with large units and areas with an abundance of affordable product.

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Multifamily Market Rent Growth vs/ Asking Rent Per Unit



Multifamily Vacancy Rate



MARKET TRENDS

Apartment rents are continuing to soar in 2021. While rents declined at the start of the pandemic before staging a remarkable comeback, outsized rent growth is nothing new in Sacramento and has increased by over 15% in the last 12 months. Such spikes were created by positive job growth and inbound migrations in years past and now, most recently indicative of all things related to the construction process including materials and products which are not only limited in supply but come at steep cost.

The priciest areas include Downtown and Davis where rent exceeds 14-18% more than the metro average and yet also contributes to the highest vacancy rate, nearly three times the overall regions total. Typically, demand from UC Davis students is unyielding and vacancies are tight, but the pandemic has upended those trends. Instruction is largely being conducted online, and many students are renting in other areas, living with roommates, or living with family. Downtown, similarly has been largely affected by the halt of beloved amenities like walking distance to bars and restaurants, live music, and art that become a main draw for its location.

INVESTMENT HIGHLIGHTS



Sacramento’s multifamily investment market experienced a remarkable late-year surge in 2020 as occupancy and rents increased, and that trend has continued into 2021. While few outsized deals have recorded, deal flow has picked up significantly. And pricing, after easily establishing an all-time high last year, has remained strong despite a lack of high-end deals. Typically, 2 & 3 Star communities dominate metro sales while submarkets like Arden/Arcade, Carmichael/Citrus Heights, and South Sacramento have been especially popular for value-add trades due to their wealth of older quality assets.

One of 2021’s largest deals thus far was for Apex on the River. In February, Seattle-based Horizon Realty Advisors acquired the 144-unit community for \$31 million (\$215,300/unit). Located in South Sacramento at 8719 Woodman Way, the sellers a joint venture of San Francisco-based Ridge Capital Investors and Greenwich, Connecticut-based Contrarian Capital Management, originally picked up the property in 2018 for \$21 million (\$146,000/unit). The partnership performed exterior upgrades and renovated several units, and Horizon plans to continue renovating units as they turn. Occupancy at the time of sale was 97%.

**Quarter Over Quarter Change*

4.0%



Vacancy Rate

\$1,624



Average Monthly Rent

\$1.94



Average Rent Per Square Foot

7.0%



Sacramento
Unemployment

6.0%



United States
Unemployment

NEWS BULLETIN



- Residential home growth drove robust influx into the Sacramento region due to Bay Area migration and fueling the local economy.
- The coronavirus vaccine rollout was put into full effect across the United States yet was challenged by inventory supply.
- A new stimulus package was decided and agreed upon.
Highlights include:
 - Enhanced unemployment benefits
 - Resumption of small business PPP loans
 - Extension of eviction protection
- The local March unemployment rate sat at 7.0%, below 8.2% for the state, but above the national rate of 6.2%. From the highest peak in unemployment last April, Sacramento has returned half of its MSA back into the workforce.

OUTLOOK

Looking ahead, near-term demand and rental growth are expected to remain healthy. While an end to the pandemic is in sight, it is likely people will continue working from home for some time, and for many, the move could be permanent, whether it is on a full or part time basis. This dynamic may also continue to attract additional residents from pricier locales, as already seen by the influx of Bay Area migrants. Rising home prices, a lack of inventory on the market, and a slow delivery completion process will also likely propel apartment demand. The increasing demand for housing coupled with a lack of new deliveries and rising CPI figures will continue to put upward pressure on rents.

Rising CPI numbers are sure to lead to larger rent increases in the post rent control era. The lack of new construction coupled with increasing migration will put continued pressure on rent levels as vacancy falls and key metrics, to which rent control are tied, start to rise.



Multifamily Market Statistics (Submarket criteria based on: 25+ Existing Units, Market Rate & Market/Affordable)

Submarket	COMPARISON TO LAST YEAR					
	Q1-2021			Q1-2020		
	Average Rent	Avg Rent PSF	Vacancy	Average Rent	Avg Rent PSF	Vacancy
Arden Arcade	\$1,271	\$1.64	2.8%	\$1,202	\$1.55	4.5%
Carmichael/Citrus Heights	\$1,457	\$1.80	2.5%	\$1,344	\$1.66	4.4%
Davis	\$2,027	\$2.21	11.0%	\$2,001	\$2.20	2.6%
Downtown Sacramento	\$1,705	\$2.28	11.0%	\$1,695	\$2.27	17.0%
El Dorado Hills	\$1,985	\$2.08	2.0%	\$1,801	\$1.88	5.4%
Elk Grove	\$1,899	\$1.93	2.5%	\$1,648	\$1.67	4.0%
Folsom/Orangevale/Fair Oaks	\$1,863	\$2.05	4.4%	\$1,675	\$1.85	12.5%
N Sacramento/N Natomas/N Highlands	\$1,636	\$1.91	5.2%	\$1,482	\$1.73	4.6%
Rancho Cordova	\$1,459	\$1.80	2.2%	\$1,313	\$1.62	3.5%
Roseville/Rocklin	\$1,983	\$2.09	3.3%	\$1,759	\$1.85	4.9%
South Sacramento	\$1,462	\$1.77	2.6%	\$1,383	\$1.67	4.8%
West Sacramento	\$1,446	\$1.76	3.4%	\$1,446	\$1.76	5.2%
Totals	\$1,624	\$1.94	4.0%	\$1,498	\$1.68	5.6%

About Gallelli Real Estate

Gallelli Real Estate is a private firm that specializes in commercial real estate services and property management. We believe that as a boutique firm whose understanding of the business runs as deep as our core values, our advantage is large. We take pride in our unique approach to offer more individual solutions that address the ever changing needs of our clients and the industry. After all, our success is measured by the success of our clients and the strength and longevity of our relationships. For the latest news from Gallelli Real Estate, visit GallelliRE.com, or follow us on Twitter: [@Gallelli_RE](https://twitter.com/Gallelli_RE) and LinkedIn.

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