

# Sacramento Faces Challenges

July 2024

**T3 Rates At Standstill**

**Investment Volume Remains Low**

**Employment Gains Lead US**

# SACRAMENTO MULTIFAMILY



## Rent Growth Flat, Deliveries Low

The Sacramento multifamily market's performance has been mixed, likely due to economic volatility that continues to impact the metro. Advertised asking rents remained flat on a T3 basis, to \$1,916, 30 basis points lower than the national rate. The average overall occupancy rate in stabilized properties was down 10 basis points year-over-year, to 94.7%, although the Lifestyle segment recorded a 30-basis-point appreciation.

Employment in Sacramento expanded 2.5% in the 12 months ending in March, adding 32,600 net jobs. The metro's growth rate was 90 basis points above the national average. Education and health services led gains with 17,900 added positions. The area's unemployment rate stood at 4.5% as of April, 60 basis points above the U.S. figure. UC Davis Medical Center will boost Sacramento's economy with its 900,000-square-foot California Tower. The \$3.7 billion project will feature a 14-story hospital with 332 inpatient beds. The development is slated for completion in 2030.

The 645 units delivered through May, which account for 0.5% of stock, put the metro below the national rate of completions by 40 basis points. Construction starts also declined from the beginning of the year. Transaction activity remains low, with \$36 million in assets changing hands, a far cry from the \$1 billion-plus that traded in Sacramento in 2021 and 2022.

### Recent Sacramento Transactions

#### Greenbriar



City: Sacramento, Calif.  
Buyer: Forward Housing  
Purchase Price: \$29 MM  
Price per Unit: \$210,144

## Market Analysis | July 2024

### Contacts

#### Jeff Adler

Vice President & General  
Manager of Yardi Matrix  
[Jeff.Adler@Yardi.com](mailto:Jeff.Adler@Yardi.com)  
(303) 615-3676

#### Doug Ressler

Media Contact  
[Doug.Ressler@Yardi.com](mailto:Doug.Ressler@Yardi.com)  
(480) 695-3365

### Author

#### Madalina Pojoga

Associate Editor

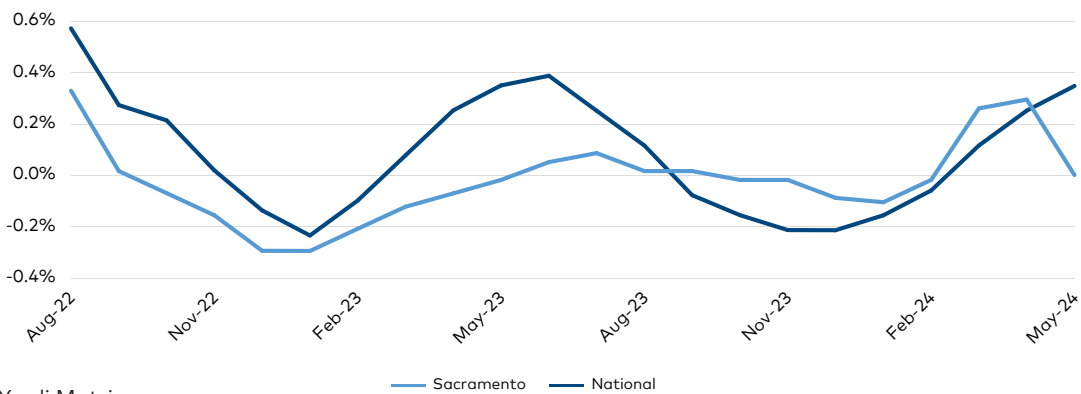
#### Ron Brock, Jr.

Industry Principal, Matrix  
[JR.Brock@Yardi.com](mailto:JR.Brock@Yardi.com)  
(480) 663-1149 x2404

## RENT TRENDS

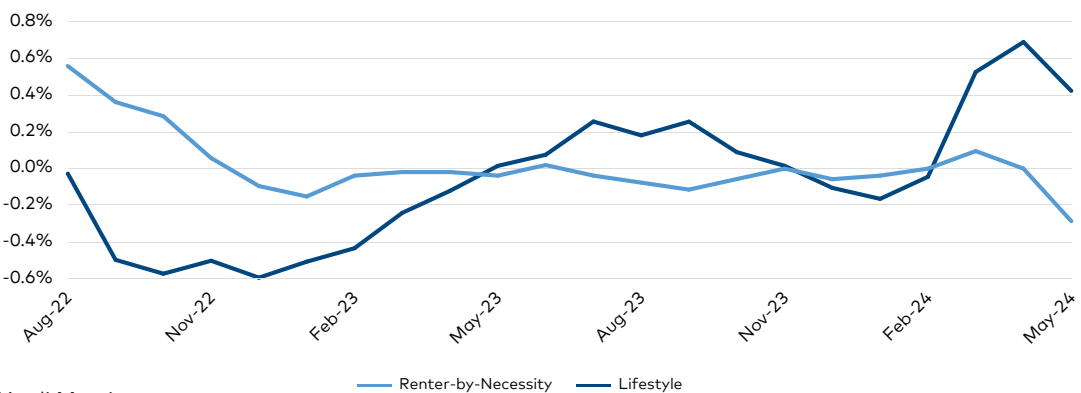
- ▶ Sacramento's advertised asking rents remained flat on a trailing three-month (T3) basis as of May, at \$1,916. The rate of improvement was 30 basis points lower than the national figure, which has been on an upward trajectory since March. On a year-over-year basis, rates in the metro were mostly up or flat, recording negative performance only between December and January, at -0.1%.
- ▶ Advertised asking rent movement for each quality segment progressed at a different pace. Working-class Renter-by-Necessity rates were down 0.3% on a T3 basis, to \$1,731, after remaining mostly flat since January. Meanwhile, the Lifestyle figure rose 0.4%, to \$2,245. The segment has been showing signs of improvement since March, when the rate was already up by 0.5%.
- ▶ The metro's average overall occupancy rate in stabilized properties stood at 94.7% as of April, a 10-basis-point downtick year-over-year. Lifestyle rates appreciated by 30 basis points, to 95.2%. Meanwhile, occupancy in RBN assets declined, down 30 basis points to 94.4%.
- ▶ Of the 42 submarkets tracked by Yardi Matrix, almost half performed negatively on a year-over-year basis. Sacramento's urban core had some contractions, but the area maintained high values. Despite Midtown registering a 4.7% appreciation, to \$2,074, the Broadway Corridor saw a 3.7% contraction, to \$2,172, while advertised rents in the Central Business District were down 3.0%, to \$2,160.

**Sacramento vs. National Rent Growth (Trailing 3 Months)**



Source: Yardi Matrix

**Sacramento Rent Growth by Asset Class (Trailing 3 Months)**



Source: Yardi Matrix

## ECONOMIC SNAPSHOT

- Sacramento added 32,600 jobs in the 12 months ending in March, accounting for 2.5% employment growth year-over-year. The figure was 90 basis points higher than the U.S. rate. Education and health services led growth, jointly accounting for 17,900 jobs. Government (8,900 positions) and mining, logging and construction (5,100) have also contributed to Sacramento's employment growth.
- The metro lost 1,800 positions across four sectors, with the information field accounting for the largest loss of 900 jobs, followed by trade, transportation and utilities (-700).
- Sacramento's unemployment rate stood at 4.5% as of April, 60 basis points above the U.S. rate,

according to preliminary data from the Bureau of Labor Statistics, but below California's 5.3% unemployment figure. Over a 12-month period, the metro's highest rate was 5.3% in February.

- UC Davis Medical Center is expanding Sacramento's economy and the health services sector with the 900,000-square-foot California Tower. The hospital was approved by the UC Board of Regents in 2022. The \$3.7 billion project is now underway; it will feature a 14-story hospital building and five-story pavilion and include 332 inpatient beds. The development is slated for completion in 2030.

### Sacramento Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	202	18.5%
90	Government	265	24.3%
15	Mining, Logging and Construction	76	7.0%
60	Professional and Business Services	136	12.5%
80	Other Services	38	3.5%
70	Leisure and Hospitality	112	10.3%
55	Financial Activities	49	4.5%
30	Manufacturing	40	3.7%
40	Trade, Transportation and Utilities	166	15.2%
50	Information	9	0.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

## Population

- The population in Sacramento expanded by 15,305 residents in 2022, a 0.6% increase and above the 0.4% U.S. rate of expansion registered during the same interval.
- Over a 10-year period, the metro added some 240,000 new residents to its growing population.

### Sacramento vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Sacramento	2,315,980	2,338,866	2,379,368	2,394,673

Source: U.S. Census

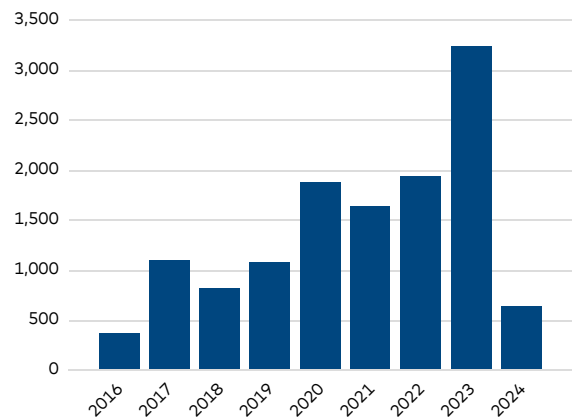
## SUPPLY

- Sacramento added 645 units during the first five months of 2024, accounting for 0.5% of existing stock and 40 basis points lower than the national rate of completions. The metro delivered its highest number of units in 2023, with 3,236 units completed, accounting for 2.4 percent of stock. Deliveries have surpassed the 1,000-unit mark for the last five years, but the metro remains a fairly conservative market for new rental inventory.
- Sacramento's development pipeline had 8,319 units underway, with another 45,000 in the planning and permitting stages. Construction was concentrated in upscale projects (72.3% of units underway), while RBN and fully affordable units accounted for the remaining 27.7%.
- Construction starts posted a decline, with 165 units across two projects breaking ground in the first five months of 2024. The effects of tougher lending conditions have been more visible in the metro this year compared to 2023, when Sacramento had 2,068 units across nine projects that began construction during the same period.
- As of May, developers had projects under construction in 17 submarkets, and only two had more than 1,000 units underway. The Central

Business District led with 1,571 units, followed by Laguna West with 1,322 units.

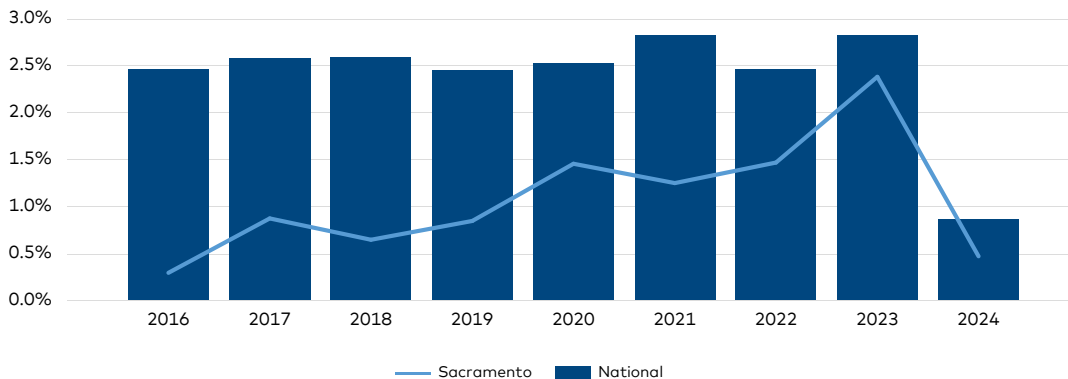
- Mirasol Village is currently the largest development underway in the metro. Slated for delivery by the end of this year, the mostly affordable 487-unit project is being developed by Sacramento Housing & Redevelopment Agency, McCormack Baron Salazar and RBC Community Investments.

**Sacramento Completions** (as of May 2024)



Source: Yardi Matrix

**Sacramento vs. National Completions as a Percentage of Total Stock** (as of May 2024)



Source: Yardi Matrix

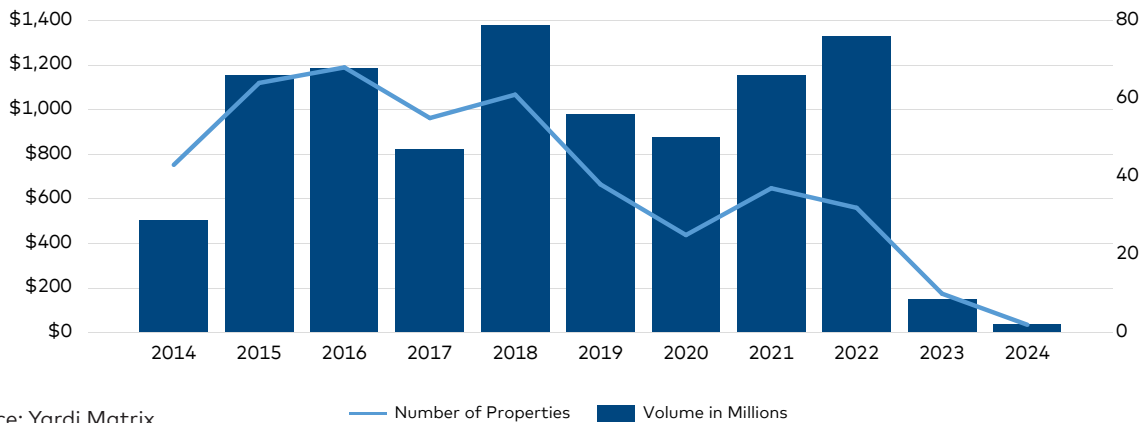
## TRANSACTIONS

- ▶ Multifamily investment activity in Sacramento has been tepid, as transactions in the metro reached just \$36 million in the first five months of 2024. The slowdown in sales activity started during the final months of 2022 then became more visible in 2023, which ended with \$152 million worth of traded assets. Current figures are a far cry from the \$1 billion-plus recorded in 2021 and 2022.
- ▶ Only two assets changed hands in the metro, and both were in the RBN segment. However,

despite the sales composition, the \$179,797 per-unit price was up by almost \$7,500 compared to 2023 and still higher than the \$176,968 U.S. figure.

- ▶ Only five submarkets registered transaction activity in the 12 months ending in May. Pocket/West Greenhaven led the metro with \$48 million, followed by Bellview/Howe Edison (\$29 million), South Rancho Cordova/Rosemont (\$18 million) and North Woodland (\$13 million).

### Sacramento Sales Volume and Number of Properties Sold (as of May 2024)



Source: Yardi Matrix

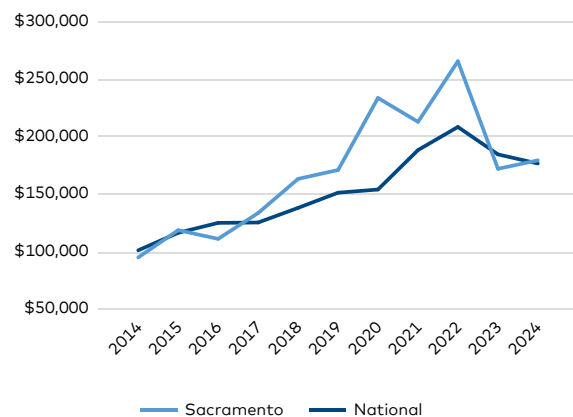
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Pocket/West Greenhaven	48
Bellview/Howe Edison	29
South Rancho Cordova/Rosemont	18
North Woodland	13
North Sacramento	7

Source: Yardi Matrix

<sup>1</sup> From June 2023 to May 2024

### Sacramento vs. National Sales Price per Unit



Source: Yardi Matrix



## Serving the Underserved: An Affordable Housing Provider's Take

By Diana Firtea

Despite being one of the most supply-constrained markets in the country, California presents significant opportunities to both build and preserve affordable housing. Housing on Merit has been a co-developer in numerous bond-financed and government-supported multifamily housing projects across the state. CEO Jaymie Beckett talks about challenges and investment opportunities, as well as policies and advocacy efforts meant to ease the notorious crisis.

*In today's economic environment, how difficult is it for affordable housing developers in California to stay active?*

While California can be a challenging affordable housing market due to the state's particular regulatory burdens and high costs, it remains one of the largest areas of growth for the company.

Recently, we have seen an influx of new and experienced developers navigating the affordable housing development process for the first time, incentivized by new state density bonuses and approval streamlining measures at the state and local level.

*How do your projects get off the ground?*

Federal incentives, particularly the LIHTC program, serve as the cornerstone of our efforts. LIHTC not only supports the construction and revitalization of affordable rental housing but also attracts substantial private investment.



Additionally, we tap into HUD programs such as the HOME Investment Partnerships Program and the Community Development Block Grant to further bolster affordable housing projects and community development endeavors.

*What would work best in alleviating California's notorious affordable housing crisis, besides simply building more?*

The scale of building and preservation of affordable housing needed requires us to not only scale our efforts with our current development partners, but also to continue thinking outside the box on welcoming more development

partners into the affordable housing space.

*How do you expect this housing crisis to evolve? Are there any signs of improvement in the immediate future?*

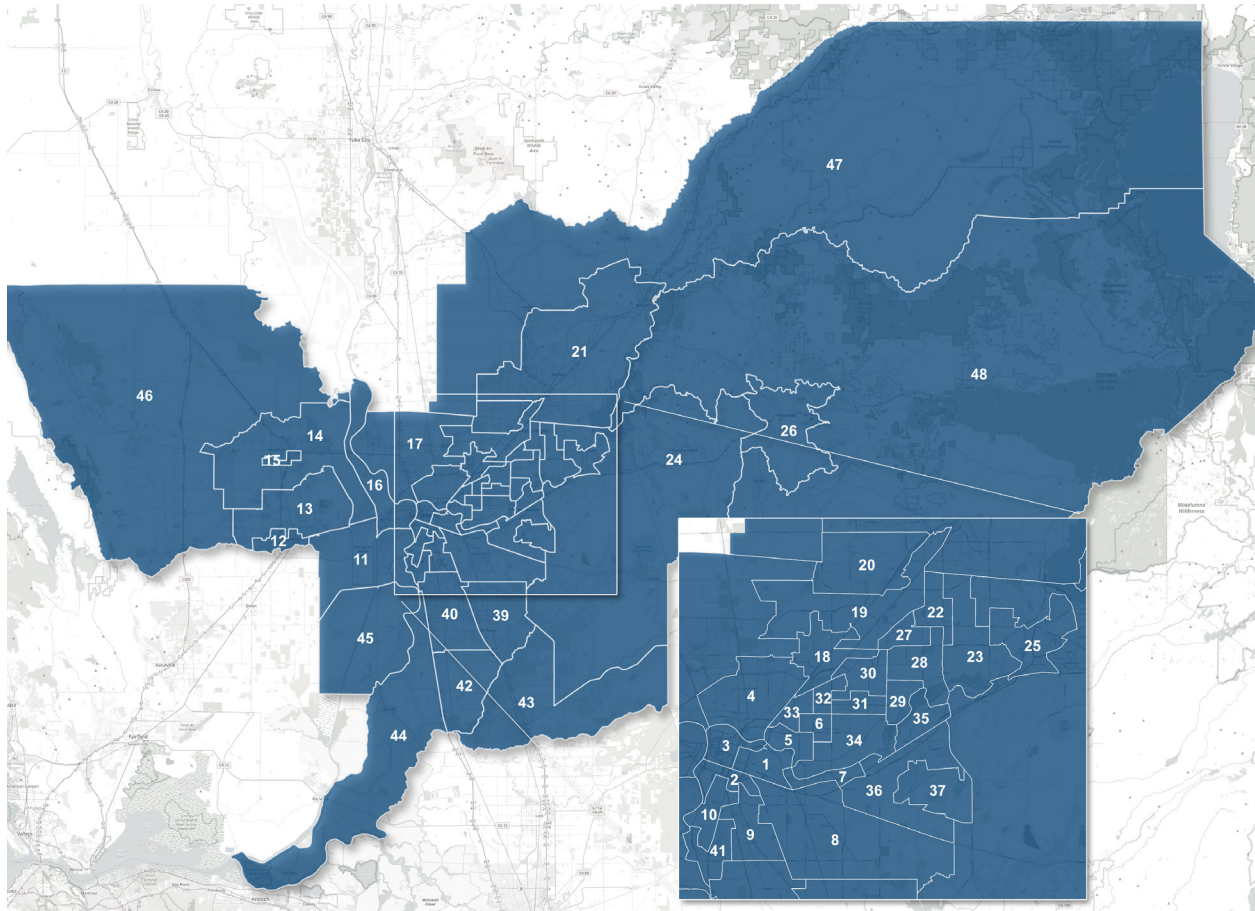
The affordable housing crisis in California and nationwide is a significant challenge, but there's reason for optimism.

We see California adding innovative programs to help alleviate the affordable housing crisis. Homekey is a state program that represents a proactive approach to tackling the need for more housing by repurposing existing properties to provide stable housing and support services for those in need.

However, obstacles such as high land and construction costs remain, underscoring the ongoing need for collective action.

*(Read the complete interview on [multihousingnews.com](https://multihousingnews.com).)*

## SACRAMENTO SUBMARKETS



Area No.	Submarket
1	Midtown
2	Broadway Corridor
3	Central Business District
4	North Sacramento
5	Encina/Ethan/Woodside
6	Arden Gardens/Arden Terrace
7	La Riviera
8	Florin/Southeast Sacramento
9	Parkway/South Sacramento
10	Land Park
11	Pocket/West Greenhaven
12	Central Davis
13	Greater Davis
14	North Woodland
15	South Woodland
16	North West Sacramento

Area No.	Submarket
17	Natomas
18	North Highlands
19	Foothills Farms/West Citrus Heights
20	Antelope
21	Rocklin/Roseville
22	Central Citrus Heights
23	Fair Oaks
24	Greater Folsom/El Dorado Hills
25	Central Folsom/South Orangeval
26	Placerville
27	Southwest Citrus Heights
28	Northeast Carmichael/West Fair Oaks
29	Southeast Carmichael
30	West Carmichael
31	Arcade Village/Mission
32	Mira Loma/Marconi

Area No.	Submarket
33	Bellview/Howe Edison
34	Arden Manor/Sierra Oaks Vista
35	North Rancho Cordova
36	South Rancho Cordova/Rosemont
37	Mather Airport
39	Elk Grove
40	Laguna Wes
41	East Greenhaven/South Land Park
42	Franklin/Laguna
43	Galt
44	Outlying Sacramento County
45	South Yolo County
46	Western Yolo County
47	Outlying Placer County
48	Outlying El Dorado County



## DEFINITIONS

**Lifestyle households (renters by choice)** have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

**Renter-by-Necessity households** span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit [www.yardimatrix.com](http://www.yardimatrix.com) or call Ron Brock, Jr., at 480-663-1149 x2404.



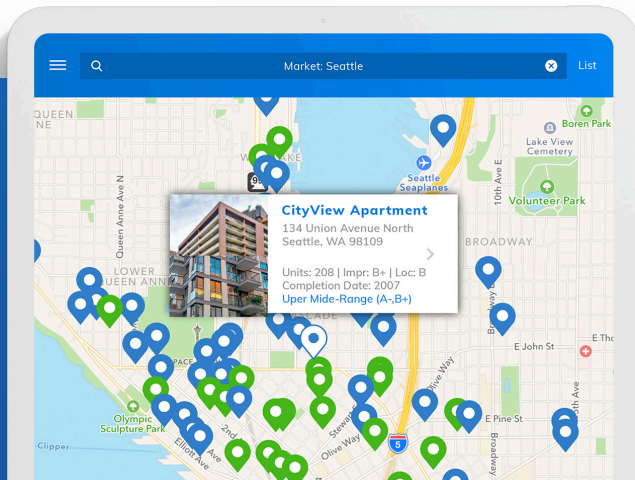
# Yardi® Matrix

Power your business  
with the industry's  
leading data provider



## MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily  
provides accurate data on  
22.3+ million units, covering over  
92% of the U.S. population.



(800) 866-1144

Learn more at [yardimatrix.com/multifamily](https://yardimatrix.com/multifamily)

Contact  
US



#### DISCLAIMER

Although every effort is made to ensure the accuracy, timeliness and completeness of the information provided in this publication, the information is provided "AS IS" and Yardi Matrix does not guarantee, warrant, represent or undertake that the information provided is correct, accurate, current or complete. Yardi Matrix is not liable for any loss, claim, or demand arising directly or indirectly from any use or reliance upon the information contained herein.

#### COPYRIGHT NOTICE

This document, publication and/or presentation (collectively, "document") is protected by copyright, trademark and other intellectual property laws. Use of this document is subject to the terms and conditions of Yardi Systems, Inc. dba Yardi Matrix's Terms of Use (<http://www.yardimatrix.com/Terms>) or other agreement including, but not limited to, restrictions on its use, copying, disclosure, distribution and decompilation. No part of this document may be disclosed or reproduced in any form by any means without the prior written authorization of Yardi Systems, Inc. This document may contain proprietary information about software and service processes, algorithms, and data models which is confidential and constitutes trade secrets. This document is intended for utilization solely in connection with Yardi Matrix publications and for no other purpose.

Yardi®, Yardi Systems, Inc., the Yardi Logo, Yardi Matrix, and the names of Yardi products and services are trademarks or registered trademarks of Yardi Systems, Inc. in the United States and may be protected as trademarks in other countries. All other product, service, or company names mentioned in this document are claimed as trademarks and trade names by their respective companies.

© 2024 Yardi Systems, Inc. All Rights Reserved.