



MULTIFAMILY REPORT

Sacramento Weathers Slowdown

March 2023



YoY Rent Gains Lag Nation

Investment Activity Still Solid

Construction Starts Contract

SACRAMENTO MULTIFAMILY



Weakening Demand Transforms Fundamentals

Sacramento's multifamily market experienced the effects of weakening demand, posting a negative absorption rate (-0.3%) and a 1.4% drop in the occupancy rate in stabilized properties year-over-year through December, to a still solid 95.4%. Meanwhile, the average rent contracted 0.3% on a trailing three-month basis through January, on par with the U.S. figure for the first time in 18 months. Sacramento's \$1,912 overall average rate led the \$1,701 national figure.

Unemployment improved to 3.3% in December, outperforming the U.S. (3.5%), state (4.1%) and Los Angeles (3.9%) rates, according to preliminary data from the Bureau of Labor Statistics. The job market expanded by 3.4%, or 34,000 positions, in the 12 months ending in November. Nearly half of the additions were in the metro's two largest sectors—education and health services (11,100 jobs) and government (4,600 jobs). In early 2023, the Sacramento International Airport announced a \$1.3 billion expansion project over the next five years to keep up with increasing passenger traffic.

Sacramento's stock expanded 1.3% year-over-year in December, which is above its five-year average. Developers had 6,695 units underway in January, with a considerable drop in construction starts. Meanwhile, investment surpassed \$1.3 billion in 2022, with the price per unit increasing by a strong 23.1% year-over-year to \$273,419, leading the \$211,873 U.S. figure.

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Contacts

Jeff Adler

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

Ron Brock, Jr.

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

Doug Ressler

Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Author

Anca Gagiuc

Senior Associate Editor

Recent Sacramento Transactions

The Falls at Willow Creek



City: Folsom, Calif.
Buyer: Prime Group
Purchase Price: \$149 MM
Price per Unit: \$348,826

The Eleven Hundred



City: Sacramento, Calif.
Buyer: KF Properties
Purchase Price: \$119 MM
Price per Unit: \$210,619

Legends at Willow Creek



City: Folsom, Calif.
Buyer: Prime Group
Purchase Price: \$61 MM
Price per Unit: \$295,192

Sierra Park Townhomes



City: North Highlands, Calif.
Buyer: Tesseract Capital Group
Purchase Price: \$25 MM
Price per Unit: \$237,029