



MULTIFAMILY REPORT

Sacramento Outpaces Nation

December 2024

Occupancy Jumps Above 95%

Rent Gains Surpass US Figures

Construction Starts Temper

SACRAMENTO MULTIFAMILY



Market Performance Shows Momentum

Sacramento displayed improving fundamentals in 2024, exceeding national averages. Average advertised asking rents rose 1.6% year-over-year through October, to \$1,954, almost double the 0.9% U.S. rate. The occupancy rate in stabilized properties increased a strong 70 basis points year-over-year, to 95.3%, in October. Meanwhile, the average U.S. occupancy figure slid 10 basis points, to 94.7%.

Employment growth ebbed and flowed in 2024 in Sacramento, but stayed above the 1.4% U.S. average, at 2.4% as of August. The metro gained 22,500 net jobs in the 12 months ending in August. Even so, most sectors lost jobs, with the steepest contractions recorded in leisure and hospitality (-2,100 jobs), information (-1,100) and manufacturing (-1,000). Education and health services (17,200 jobs) and government (7,000 jobs) led job gains. Unemployment stood at 4.7% in September, outperforming the 5.3% state rate, but trailed the U.S. (4.1%). One notable project underway in Sacramento is The Railyards, which this year had a senior housing component delivered. The 244-acre project also includes a Major League Soccer stadium that is slated to open in 2027.

Developers completed 2,333 units in the area in 2024 through October and had an additional 8,534 apartments under construction. During this period, investors traded \$250 million in multifamily assets, surpassing last year's total. The price per unit increased 12.6% year-to-date, to \$194,100.

Market Analysis | December 2024

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 x14006

Doug Ressler

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

Author

Anca Gagiuc

Senior Associate Editor

On the cover: Photo by Davel5957/iStockphoto.com

Recent Sacramento Transactions

Eviva Midtown



City: Sacramento, Calif.
Buyer: ConAm
Purchase Price: \$40 MM
Price per Unit: \$340,042

Courtyard



City: Carmichael, Calif.
Buyer: EKHO Capital
Purchase Price: \$21 MM
Price per Unit: \$150,725

Wind Chase



City: Sacramento, Calif.
Buyer: Pearl Investments
Purchase Price: \$21 MM
Price per Unit: \$218,085

Mutual Housing at River Garden

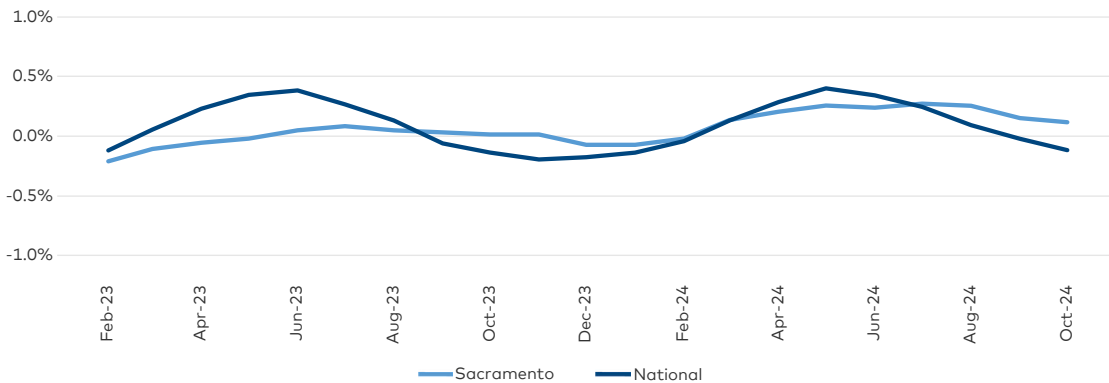


City: Sacramento, Calif.
Buyer: Apartment Corp.
Purchase Price: \$9 MM
Price per Unit: \$74,194

RENT TRENDS

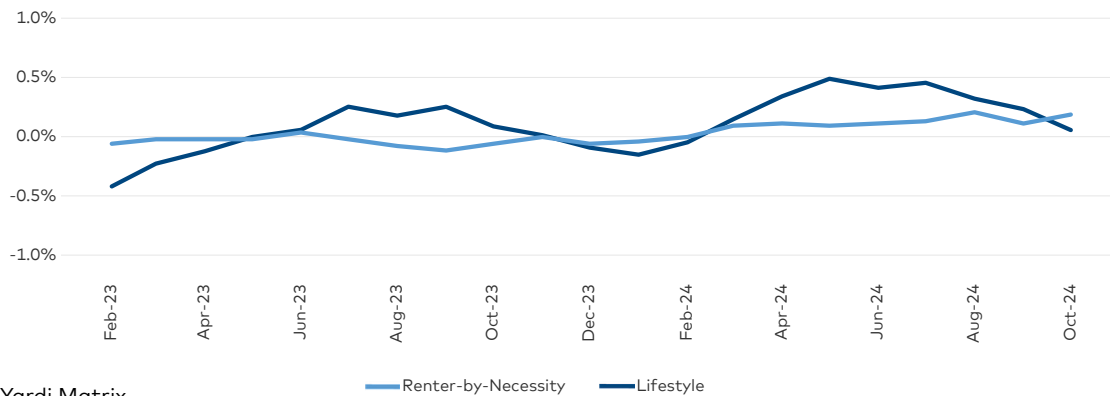
- Rent growth softened but remained positive in Sacramento, at 0.1% on a trailing three-month (T3) basis through October, to \$1,954. The national rate declined 0.1%, to \$1,748. Year-over-year, Sacramento advertised asking rents rose 1.6%, while the U.S. average increased 0.9%.
- Growth was slightly stronger in the working-class Renter-by-Necessity segment, up 0.2%, on a T3 basis through October, to \$1,765. Lifestyle inched up 10 basis points, to \$2,279. Year-over-year, upscale asking rents saw a stronger rebound, up 2.2%, while RBN gains clocked in at 1.2%.
- The occupancy rate in stabilized properties improved to a healthy 95.3% as of October, following a significant 70-basis-point increase year-over-year. Growth was nearly even across segments—up 60 basis points in Lifestyle, to 95.5%, and up 70 basis points in RBN, to 95.1%. Heavy supply pockets across the U.S. pushed national occupancy down 10 basis points, to 94.7%.
- Year-over-year, rent performance was negative in 10 of the 48 submarkets tracked by Yardi Matrix. Some of the largest declines were registered in North Rancho Cordova (-3.5% to \$1,645) and Arcade Village/Mission (-2.2% to \$1,635).
- Average advertised asking rents were up year-over-year in the three most expensive submarkets: Greater Davis (2.6% to \$2,686), Central Davis (2.0% to \$2,454) and Greater Folsom/El Dorado Hills/Shingle Springs (1.6% to \$2,301). The latter also led in construction volume as of October.

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's employment growth fluctuated in 2024 but has consistently outpaced the U.S. rate since December 2023. Growth ranged from 1.9% as of January to 2.6% in the second quarter, clocking in at 2.4% as of August. That placed Sacramento 100 basis points above the U.S. figure at the end of summer. The 22,500 net jobs added by August were primarily driven by growth in education and health services (17,200 jobs) and government (7,000). Six sectors lost 5,100 jobs combined, with the largest drops reported in leisure and hospitality (-2,100 jobs), information (-1,100) and manufacturing (-1,000).
- Sacramento's unemployment rate also oscillated this year, ranging between 3.9% in May and 5.3% in February. It hit 4.7% in September, according to preliminary Bureau of Labor Statistics data. At this rate, the metro trailed the U.S. (4.1%), but surpassed California's 5.3% average.
- The state capital has several large projects underway, which will should spur more development. One such project is The Railyards, a 244-acre mixed-use, infill development north of Downtown. The project will encompass a Major League Soccer stadium, scheduled to open in 2027; a Kaiser Permanente Hospital; The Central Shops District and The Foundry (office and retail space). Another part of the project, the senior housing Wong Center, opened this summer.

Sacramento Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	206.3	18.8%
90	Government	259.3	23.6%
60	Professional and Business Services	136.5	12.4%
15	Mining, Logging and Construction	78.4	7.1%
40	Trade, Transportation and Utilities	167.7	15.3%
55	Financial Activities	48.5	4.4%
80	Other Services	38.7	3.5%
30	Manufacturing	40.3	3.7%
50	Information	8.8	0.8%
70	Leisure and Hospitality	112.9	10.3%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Sacramento gained 15,305 people in 2022, a 0.6% growth rate and 20 basis points above the U.S. rate. However, this was still just one-third of the 2021 rate.
- Between 2010 and 2022, Sacramento grew by 13.6%, well above the 8.9% U.S. rate. This is a notable evolution for a California metro.

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

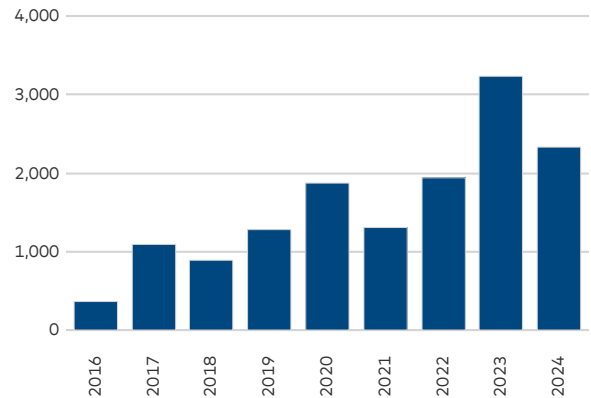
Source: U.S. Census

SUPPLY

- Sacramento's stock expanded by 2,333 units in 2024 through October, the equivalent of 1.7% of existing stock. Although it trailed the 2.4% U.S. rate, the volume is significant for the market, which is notorious for its limited supply growth. For example, since 2016, Sacramento's inventory expanded by fewer than 15,000 units. The bulk of this year's deliveries comprised fully affordable communities (43.7%), followed by Lifestyle projects (32.2%) and RBN properties (24.1%).
- The construction pipeline included 8,534 units underway and another 43,000 in the planning and permitting phases as of October. The composition of projects underway favors the upscale segment, with Lifestyle accounting for 54%, followed by fully affordable communities (39.7%) and RBN (6.4%).
- Construction starts amounted to 2,191 units across 11 properties in 2024 through October. That's less than half the 4,687 units across 23 projects that broke ground during the same period last year.
- Three submarkets had more than 1,000 units under construction each as of October—Greater Folsom/El Dorado Hills/Shingle Springs (1,490 units), the Central Business District (1,370) and Laguna West (1,215).

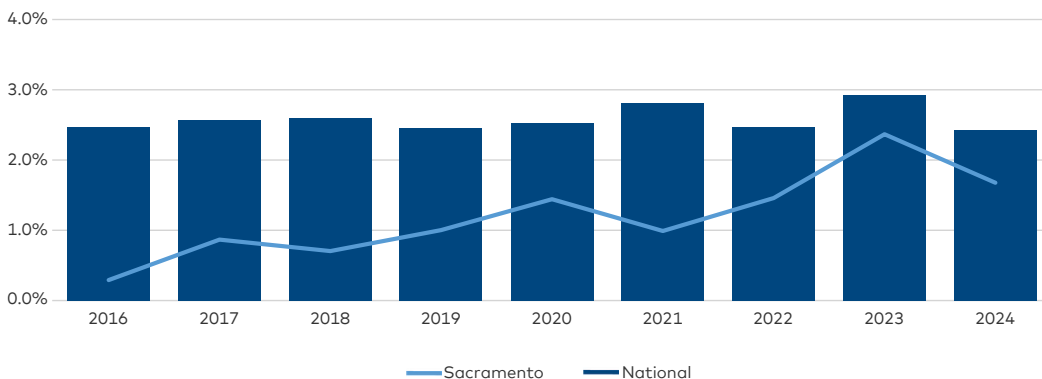
- The CBD houses Sacramento's largest project underway, the 487-unit Mirasol Village, which features 429 affordable units. The asset is owned by a joint venture that includes the Sacramento Housing & Redevelopment Agency, McCormack Baron Salazar and RBC Community Investments. It's being built with aid from three construction loans totaling \$56.9 million.

Sacramento Completions (as of October 2024)



Source: Yardi Matrix

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

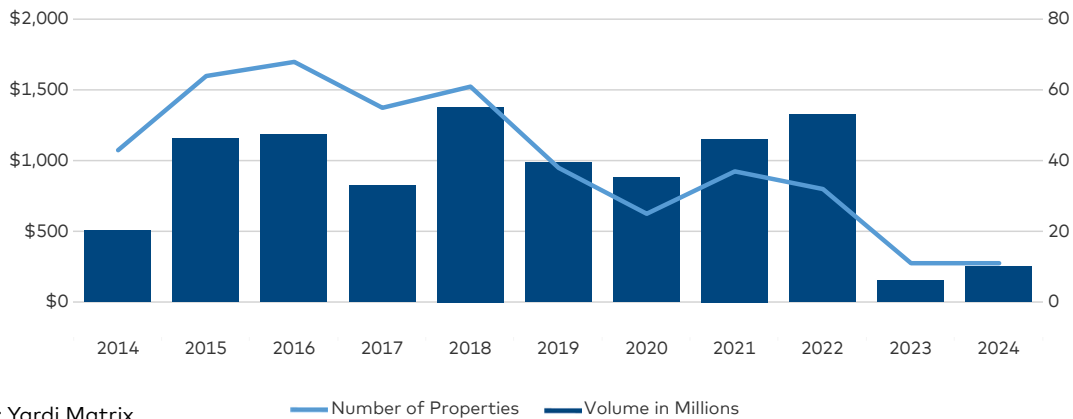


Source: Yardi Matrix

TRANSACTIONS

- ▶ Some \$250 million in multifamily sales were recorded in 2024 through October in metro Sacramento. While investment is still far below historic averages, the figure still surpassed 2021's total, which was just \$152 million.
- ▶ The average price per unit marked a significant 12.6% year-to-date increase, to \$194,100. That figure is noteworthy considering that 80% of sales involved RBN assets. In addition, Sacramento's average again surpassed the U.S. rate, which stood at \$190,509 year-to-date as of October.
- ▶ Notable transactions recorded in the second part of the year included ConAm's acquisition of Eviva Midtown from Sequoia Equities for \$41 million, or \$340,042 per unit. The 118-unit asset is located in the Central Business District and includes 5,195 square feet of retail space. Previously, the asset changed ownership in 2017 for \$53 million.

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



Source: Yardi Matrix

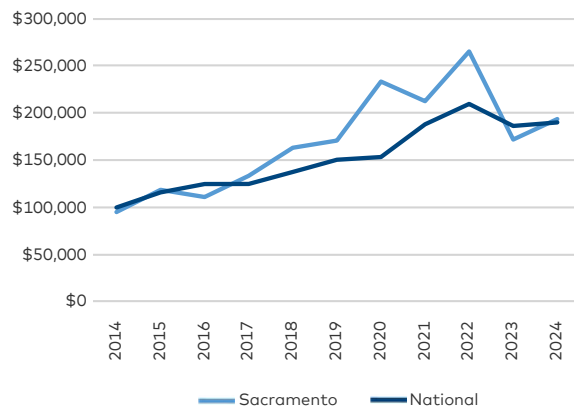
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Elk Grove	77
Bellview/Howe Edison	41
Central Business District	40
Arcade Village/Mission	21
South Rancho Cordova/Rosemont	21
Rocklin/Roseville	20
North Sacramento	16

Source: Yardi Matrix

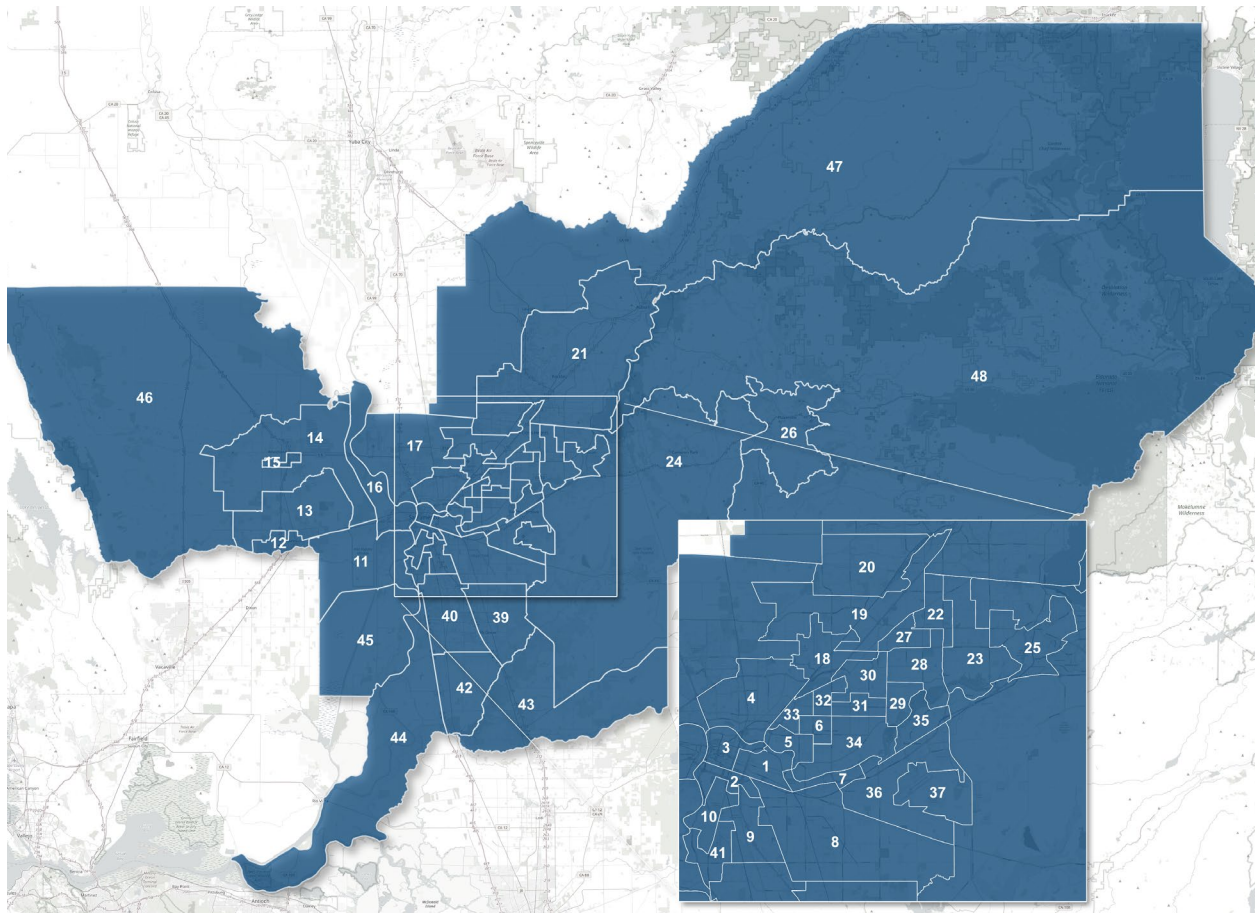
¹ From November 2023 to October 2024

Sacramento vs. National Sales Price per Unit



Source: Yardi Matrix

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 Orangevale
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.

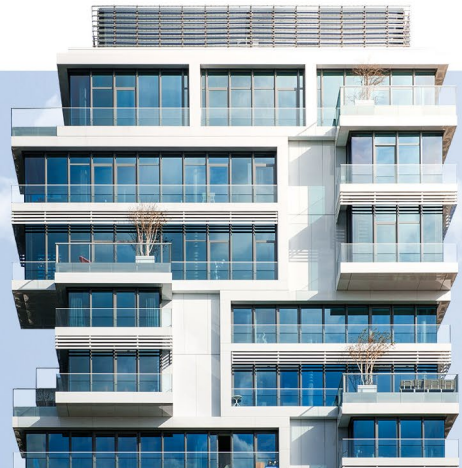
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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