

Sacramento Under Pressure

July 2025



Investment Activity Picks Up
Employment Expansion Softens
Construction Starts Down

SACRAMENTO MULTIFAMILY



Supply Growth Slows, Occupancy Stabilizes

Sacramento average advertised asking rents were down 0.1%, on a T3 basis as of May, to \$1,947, lagging the national figure by 40 basis points. This marked a 10-basis-point improvement from the previous month. The average overall occupancy rate in stabilized properties was down 10 basis points year-over-year, to 94.9% as of April, but remained above the 94.4% national figure.

Employment in Sacramento continued to soften, at 0.9% year-over-year through March, on par with the U.S. figure. With performance spotty across sectors, education and health services led growth, with 9,900 positions added to the workforce. The area's unemployment rate stood at 4.4% as of April. The figure was 20 basis points above the U.S. rate, according to preliminary data from the Bureau of Labor Statistics. Sacramento's economy could get a boost from the development of the 12,000-seat Republic FC soccer stadium. A financing plan has been approved for the \$321 million project, which is set to break ground this year, with completion slated for 2027.

Developers delivered 1,149 units through May, representing 0.8% of stock and below the 1.0% national rate. Although no new construction starts were recorded in the first five months of 2025, 7,108 units were under construction in May. A total of \$371 million in assets traded year-to-date through May, some \$92 million short of 2024's entire volume, signaling an uptick in activity.

Market Analysis | July 2025

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Recent Sacramento Transactions

Monticello at Southport Residences



City: West Sacramento, Calif.
Buyer: Greystar
Purchase Price: \$51 MM
Price per Unit: \$246,154

850 on the Avenue



City: West Sacramento, Calif.
Buyer: Greystar
Purchase Price: \$43 MM
Price per Unit: \$222,917

Auburn Palms



City: Auburn, Calif.
Buyer: Redwood Housing Partners
Purchase Price: \$10 MM
Price per Unit: \$200,000

Hudson Bay

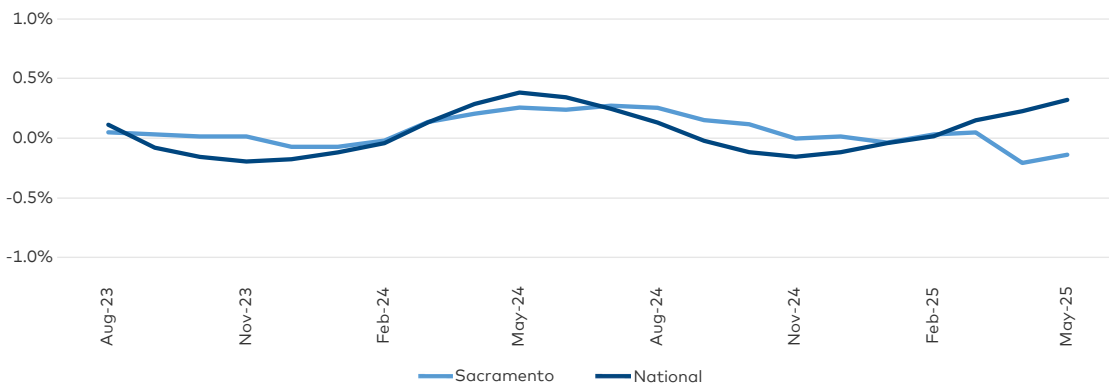


City: Galt, Calif.
Buyer: Pro Residential
Purchase Price: \$7 MM
Price per Unit: \$91,000

RENT TRENDS

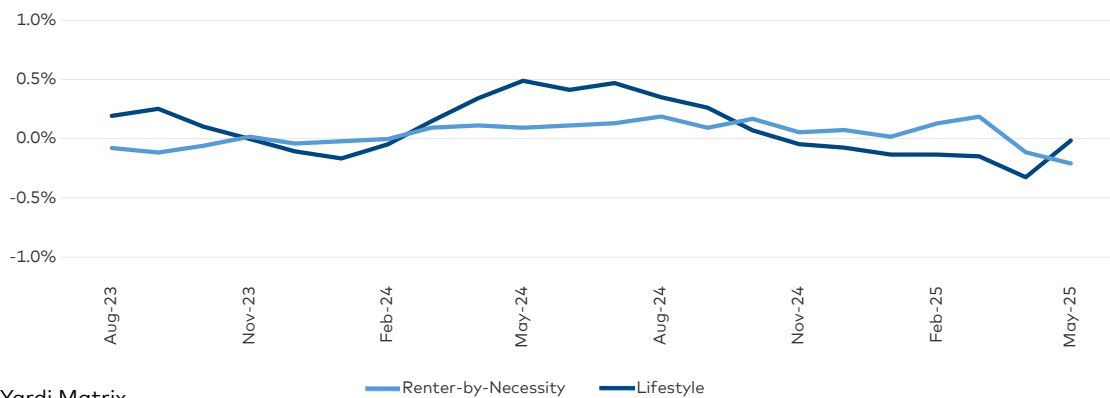
- ▶ Sacramento's advertised asking rents were down 0.1% on a trailing three-month (T3) basis as of May, to \$1,947. The rate was 40 basis points below the national figure, which has been on an upward trajectory since March. Year-over-year, rent movement in the metro reached a plateau in November last year and then turned negative in April, with a slight 10-basis-point uptick into positive territory in March 2025.
- ▶ Advertised asking rent growth was uneven across quality segments. Rates for working-class, Renter-by-Necessity properties were down 0.2%, on a T3 basis through May, to \$1,759. Meanwhile, Lifestyle rates remained flat, at \$2,268. This was an improvement, as the segment's rates had been declining since December, reaching the lowest point of -0.3% in April this year.
- ▶ The metro's average overall occupancy rate in stabilized properties stood at 94.9% as of April, a 10-basis-point downtick year-over-year. The national average was down 30 basis points, to 94.4%. Sacramento's Lifestyle rates depreciated 20 basis points, to 95.2%, while occupancy for RBN assets declined as well, down 10 basis points to 94.7%.
- ▶ Of the 48 Sacramento submarkets tracked by Yardi Matrix, 16 registered contractions for advertised asking rents year-over-year through May. The metro's urban core stayed within positive margins, maintaining the area's high value. Midtown saw a 0.2% rent increase to \$2,003, followed by the Central Business District (up 0.4% to \$2,197) and North Sacramento (up 1.0% to \$1,748).

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 employment growth continued to soften, down to 0.9% year-over-year through March and on par with the national figure. The rate had been on a slight downward trend since June last year, when it stood at 1.8%.
- The metro gained a modest 7,000 net jobs over the 12-month period ending in March. Performance was spotty across sectors. Education and health services led growth, with 9,900 positions added to the workforce, followed by government (2,000) and other services (600). Six other sectors lost a combined 5,500 jobs, with professional and business services accounting for the largest loss—3,100 positions.
- Sacramento's unemployment rate stood at 4.4% as of April, 20 basis points above the U.S. rate, but below California's 5.3% figure, according to preliminary data from the BLS. Over the 12-month period ending in March, the metro's highest rate was 5.1% between July and August 2024.
- The Sacramento City Council approved a financing plan, paving the way for construction to begin on Republic FC's new soccer stadium. The 12,000-seat facility will cost an estimated \$321 million, with the city paying \$90 million for infrastructure costs in the form of future tax revenue. With Turner Construction Co. as lead builder of the stadium, groundbreaking is set for this year and completion scheduled for 2027.

Sacramento Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	207.3	19.0%
90	Government	265.8	24.4%
80	Other Services	39	3.6%
40	Trade, Transportation and Utilities	165	15.2%
70	Leisure and Hospitality	112.1	10.3%
30	Manufacturing	39.3	3.6%
15	Mining, Logging and Construction	73.7	6.8%
50	Information	9	0.8%
55	Financial Activities	45.4	4.2%
60	Professional and Business Services	131.6	12.1%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Sacramento gained 15,305 new residents in 2022, accounting for a 0.6% increase and surpassing the 0.4% U.S. rate of expansion recorded during the same interval.
- Between 2012 and 2022, the metro added almost a quarter of a million new residents to its population.

Sacramento vs. National Population

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

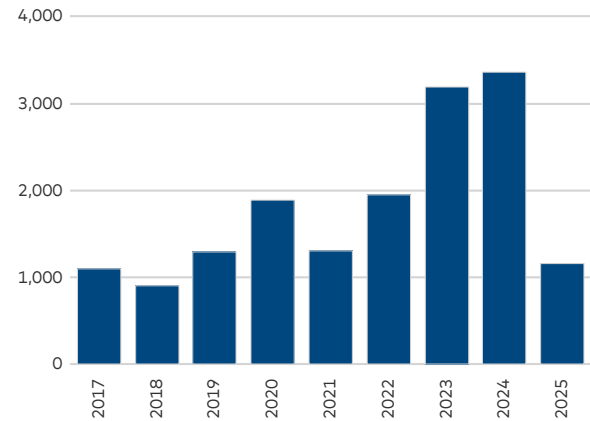
Source: U.S. Census

SUPPLY

- Sacramento added 1,149 units, or 0.8% of existing stock, during the first five months of 2025. The expansion was 20 basis points below the national figure. Last year marked the largest delivery volume of the past eight years, with 3,362 units or 2.4% of existing stock delivered. Between 2017 and 2024, developers completed an average of 1,871 units each year. Should market conditions hold, Yardi Matrix expects around 2,400 units to come online this year.
- Developers had 7,108 units under construction in May, with another 41,000 in the planning and permitting stages. Construction was concentrated in upscale projects (68.7% of units underway), with the remaining units in RBN and fully affordable developments.
- No new projects broke ground in the first five months of 2025, marking a clear decline in new development driven by tougher lending conditions and overall market uncertainty. In the first five months of 2024, developers started work on 674 units.
- As of May, developers had projects under construction in 16 submarkets; three had more than 1,000 units underway. Laguna West led with 1,115 units, followed by Outlying Placer County (1,037) and the CBD (1,025).

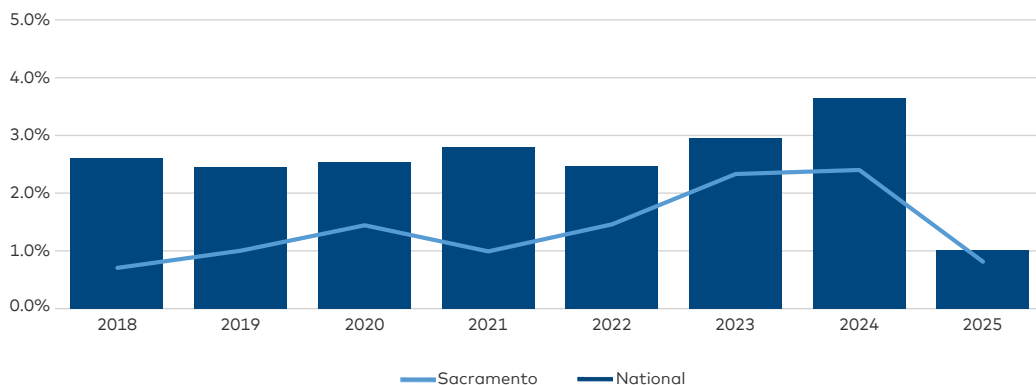
- Mirasol Village was the largest development underway as of May. Slated for delivery this summer, the partially affordable, 487-unit project is being developed by Sacramento Housing & Re-development Agency together with McCormack Baron Salazar and RBC Community Investments. The developers broke ground in 2020 and secured \$57 million in construction financing, along with just under \$1 million in Freddie Mac funds.

Sacramento Completions (as of May 2025)



Source: Yardi Matrix

Sacramento vs. National Completions as a Percentage of Total Stock (as of May 2025)

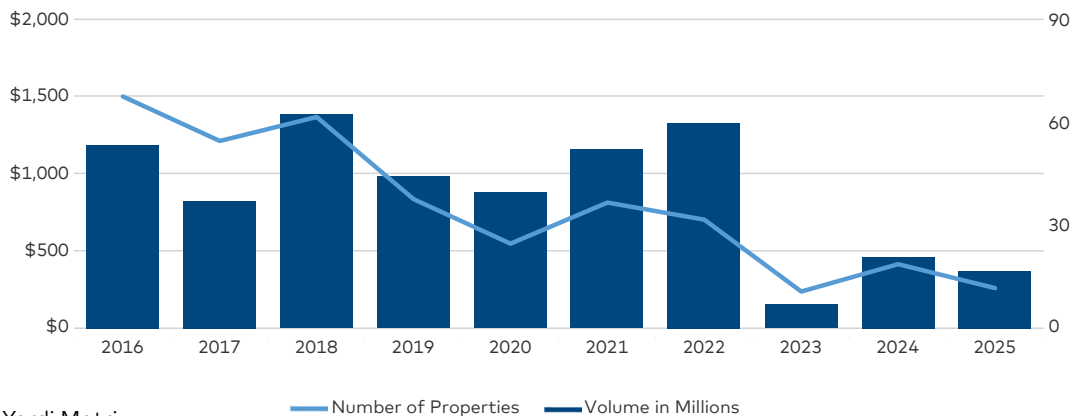


Source: Yardi Matrix

TRANSACTIONS

- ▶ Multifamily investment activity in Sacramento has been picking up. A total of \$371 million changed hands in the first five months of 2025, falling just \$91 million short of 2024's \$462 million total volume. It remains to be seen, however, if the momentum will continue and 2025 will approach the \$949 million annual average recorded over the past 10 years.
- ▶ Investor interest was tilted toward value-add plays, as eight out of the total 12 assets that traded were RBN properties. Despite this sale composition, the \$229,471 per-unit price was up by more than \$50,000 from 2024's average and above the \$213,979 U.S. figure.
- ▶ Only two submarkets crossed the \$100 million mark for transactions in the 12 months ending in May. North West Sacramento led with \$169 million. Of this total, \$126 million accounted for just one transaction—Bascom Group acquired a 408-unit community dubbed The Strand, at roughly \$308,824 per unit.

Sacramento Sales Volume and Number of Properties Sold (as of May 2025)



Source: Yardi Matrix

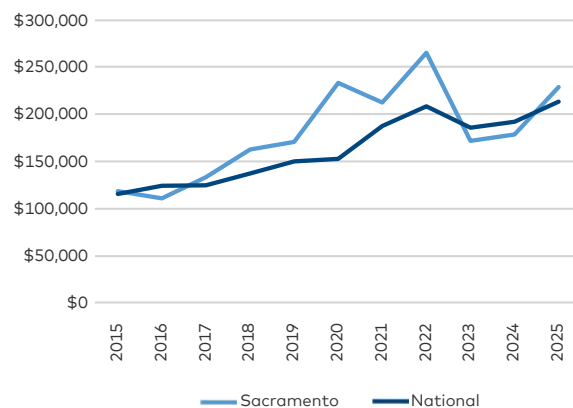
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
North West Sacramento	169
North Highlands	128
Rocklin/Roseville	73
Natomas	53
Pocket/West Greenhaven	51
South Woodland	41
Central Business District	40

Source: Yardi Matrix

¹ From June 2024 to May 2025

Sacramento vs. National Sales Price per Unit



Source: Yardi Matrix



Expanding California's Affordable Housing Stock: A Local Perspective

By Diana Firtea

Density restrictions, ballooning land prices and high construction costs have forced some developers to postpone their California projects or even look for other areas for their developments. Despite all these barriers, nonprofit EAH Housing has delivered 600 new units in the past year alone and has more than 750 units currently under construction.

How do you identify new construction opportunities in California?

Location is paramount. We seek sites that offer residents easy access to public transportation, services and employment. Community and political support is another key factor. We look for areas where local governments recognize the need for affordable housing and offer the resources and incentives necessary to support these projects. Financial feasibility is equally as critical as securing diverse funding sources is key to long-term viability.

How do you ensure that the needs and preferences of local communities are incorporated into your project plans?

For a long-term developer, owner and operator, receiving feedback is an essential part of the development process, particularly for projects involving public land or city-led initiatives. Whether outreach is handled by the city or directly by EAH as the developer, engaging with neighbors and residents is key



to understanding priorities and concerns.

Once we've gathered feedback, we integrate it in meaningful ways that align with project feasibility. Some aspects—such as exterior design choices or the inclusion of community amenities—can be tailored to reflect neighborhood preferences. At the same time, we must balance input with funding and regulatory requirements.

You recently developed Greenfield Commons I in Greenfield, your first modular construction development. What are the benefits of modular construction?

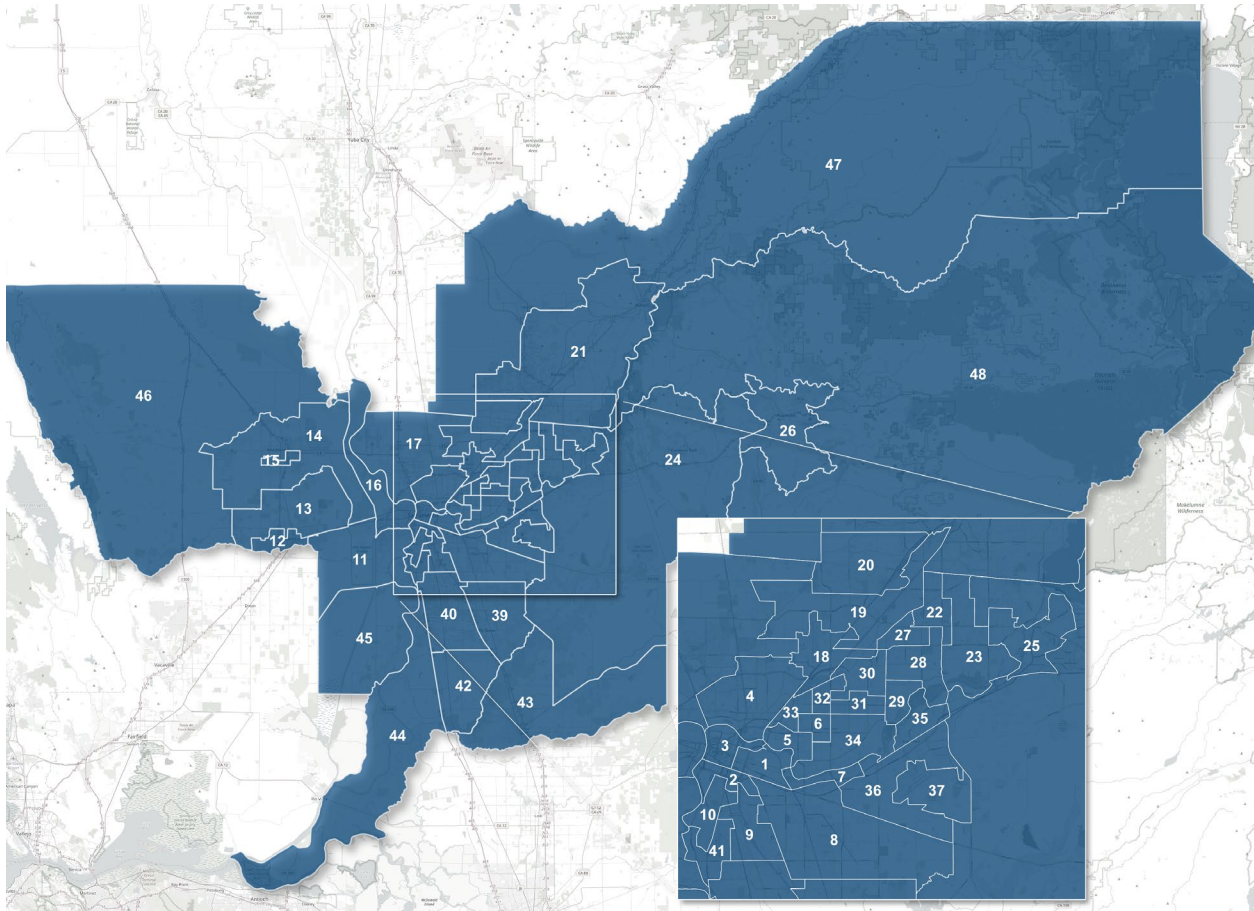
Especially in areas with labor shortages or logistical constraints. At Greenfield Commons I, modular construction was a strategic choice to navigate challenges regarding the site's size, location and labor constraints.

Are there any specific areas in California that are more suitable for new affordable housing development than others?

The need for affordable housing spans all of California, making it difficult to pinpoint specific regions as the most suitable. However, some areas like Sacramento, Monterey County and parts of the San Francisco Bay Area have been more receptive to development. Local governments in these areas are taking a more proactive approach, recognizing that expanding affordable housing is critical to addressing workforce shortages and economic stability.

(Read the complete interview on 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.

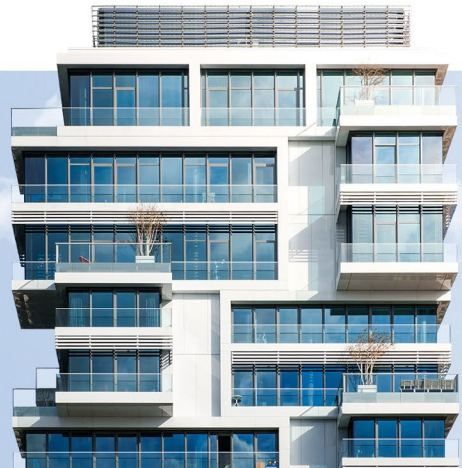
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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