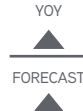
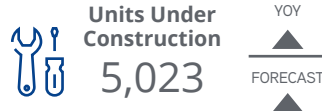


## Key Takeaways

- Market average effective rents have increased at a double-digit annual rate for four consecutive quarters and jumped 13.6% year-over-year to \$1,886 in Q1 2022.
- The overall market occupancy rate declined 30 basis points quarter-over-quarter to 97.8%, its first occupancy decline since Q1 2020, but still up 50 basis points from Q1 2021.
- There have been 1,965 units delivered over the last 12 months, which still lags annual absorption by 659 units. There are currently 5,023 units under construction (3.3% of existing inventory).
- Quarterly sales volume of \$509 million was the highest quarterly deal volume recorded since Q4 2018 and the average sale price per unit of \$302,883 was an all-time high.



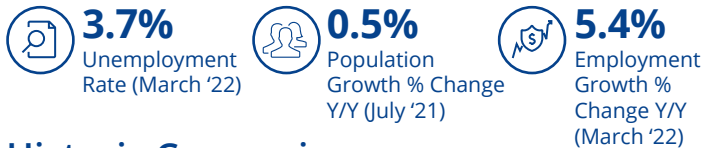
# Sacramento Multifamily 22Q1



## Record-High Pricing for Sacramento Apartment Properties

Sacramento's apartment market remains one of the most sought-after secondary markets in the country. Quarterly sales volume revealed elevated levels of buyer demand and the quarterly average price per unit posted a record high. A competitive sales market has placed downward pressure on average cap rates, which fell to an all-time low in Q1 2022. The Sacramento region has been one of the most resilient apartment markets in the country and never posted a pandemic-related downturn in occupancy or rents. Demand still outpaces supply, but there is an incredible amount of construction activity across the market likely to moderate occupancy and rents in the year ahead. As investors increasingly shift capital into the apartment sector and Sacramento's market fundamentals continue to prove durable, expect increasing sale prices, robust deal activity, and declining cap rates through the remainder of the year.

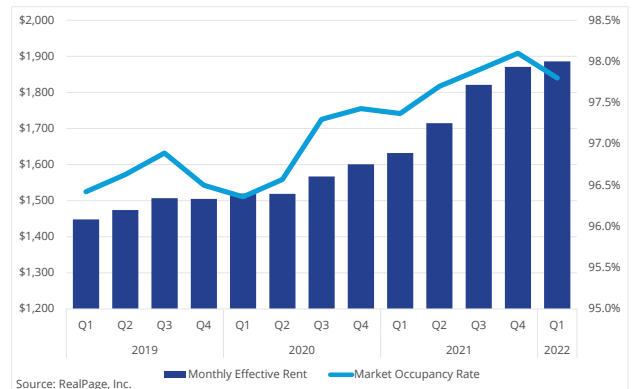
## Market Indicators



## Historic Comparison

	21Q1	21Q4	22Q1
Total Inventory (Existing Units)	151,582	153,158	153,547
New Supply (Units Delivered)	273	512	389
Demand (Units Absorbed)	165	799	-16
Occupancy Rate	97.3%	98.1%	97.8%
Under Construction (Units)	4,713	4,767	5,023
Average Monthly Effective Rent	\$1,639	\$1,871	\$1,886

## Monthly Rent & Occupancy



After increasing for seven consecutive quarters from Q1 2020 through Q4 2021 to 98.1%, the Sacramento region's overall occupancy rate declined 30 basis points from its 20-year high to 97.8% in Q1 2022. Renter demand continues to outpace supply, placing ongoing upward pressure on effective asking rents. The regional effective rent of \$1,886 increased 13.6% year-over-year. With more than 5,000 units under construction and 3,800 units delivering in 2022, rent growth will likely moderate from its record rate of recent quarters and occupancy should see a slight decline to around 97% by year-end 2022.

## Q1 2022 Sales Transactions



**The Core Natomas**  
300 Units | Natomas  
\$147.25M | \$491K/Unit



**The Archer Apartments**  
240 Units | Arden-Arcade  
\$59.75M | \$249K/Unit



**1430 Q**  
75 Units | Central Sacramento  
\$57.1M | \$761K/Unit



**Adora Luxury Townhomes**  
103 Units | Roseville/Rocklin  
\$50.75M | \$493K/Unit



**Aspire Sacramento**  
204 Units | Arden-Arcade  
\$48M | \$235K/Unit



**The Hawthorne**  
76 Units | Carmichael  
\$16.5M | \$217K/Unit

Sacramento's apartment market has maintained its solid footing in Q1 2022 with cost-conscious renters pouring into the region over the last two years. Though occupancy dropped for the first time in two years, regional occupancy is still at its highest point in more than 20 years. The region has been undersupplied with new apartment units over the last decade and demand continues to well outpace supply despite the significant uptick in construction activity in recent years. Rent growth persists at a double-digit pace at 13.6 percent in Q1 2022, down slightly from its peak two quarters ago. The market saw nearly 2,000 units delivered in the 12 months ending Q1 2022, the highest level since 2006. In addition, there are more than 3,800 units coming online in the next 12 months. This new supply will be an all-time high for the Sacramento region and expand existing inventory by 2.5 percent, according to RealPage.

New construction delivering over the next year will test the market's demand. This new supply should release some pent-up demand though occupancy is likely to fall closer to 97 percent by the end of 2022. Tight occupancy will keep rents increasing at an annual double-digit pace through the rest of this year. The market is poised for a return to normal as Bay Area companies return to the office and in-migration related to the pandemic begins to subside. With more than 5,000 units under construction, developers are still bullish on the outlook of the market. Of note, there are more than 2,100 units under construction in Central Sacramento, which will provide Class A rental options for urban renters looking to be near major employers in the urban core. This influx of population into Downtown and Midtown will help the area's rejuvenation as it strives to recover from the lack of both public and private sector office workers over the last two years.

Central Sacramento has the lowest occupancy rate at 93.9 percent, a 220 basis point decline quarter-over-quarter as more than 160 units delivered in the submarket this quarter. Demand

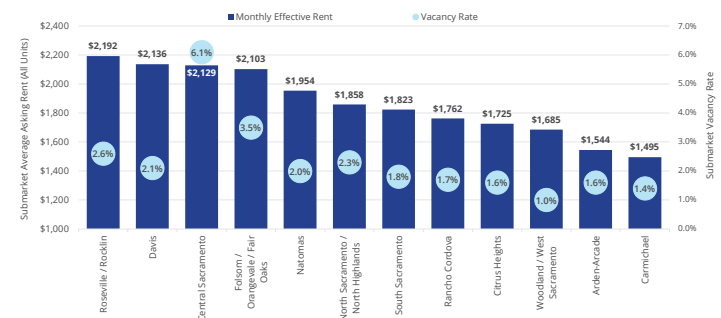


*The Frederic at 609 Capitol Mall in Downtown Sacramento is the first residential property completed on Capitol Mall. The 162-unit project, developed by Shorenstein Properties, delivered at the end of 2021 and includes studio, one-bedroom, and two-bedroom units. This property, currently in lease-up, contains luxury apartment units across the street from Golden 1 Center. The pedestrian paso (pictured above) is in between The Frederic and the US Bank Tower and connects Capitol Mall with L Street. A rooftop deck boasts impressive views of the Capitol and Tower Bridge.*

is picking up in the urban core, however, with occupancy rising above 96 percent at the end of 2021. There are nearly 2,000 units slated for delivery over the next 12 months in Central Sacramento, which will test renter demand for these high-end urban units. North Sacramento / North Highlands, which has seen new supply deliver at The Easley in recent quarters, led all submarkets in annual rent growth at 18.7 percent. All submarkets except for Davis posted double-digit annual rent growth. However, Davis is recovering from its pandemic downturn stemming from a lack of students on the UC Davis campus – its occupancy rate spiked

**Sacramento Multifamily Submarkets**

Average Monthly Effective Rent & Vacancy Rate by Submarket | Q1 2022

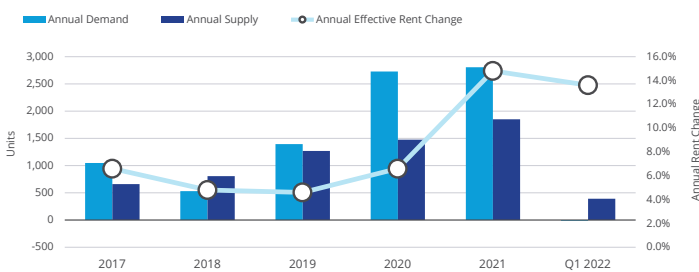


Source: RealPage, Inc.  
Effective rent is the average of all unit types in all apartment properties with 5 or more units

580 basis points year-over-year to 97.9 percent with more than 500 units absorbed annually as of Q1 2022. Demand is strong in Natomas as well with 326 units absorbed over the last 12 months, but there are 1,000 units under construction in that suburban submarket north of Downtown.

**Sacramento Multifamily Market | Annual Supply/Demand & Annual Rent Change**

Annual New Supply Delivered, Annual Units Absorbed, and Annual Rent Change - 2017 to 2022



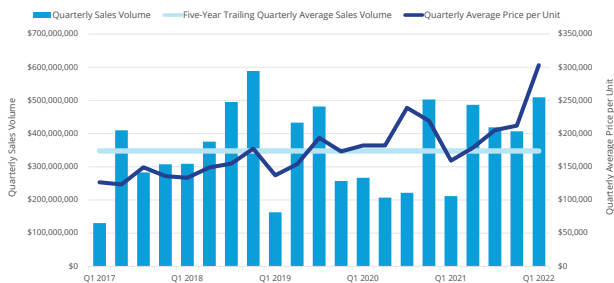
Source: RealPage, Inc.  
Q1 2022 supply/demand totals are quarterly

## Pricing & Sales Volume

Sales activity continued at its escalating pace in Q1 2022 with four sales of more than \$50 million closed. Quarterly sales volume of \$509 million was the highest quarterly total since Q4 2018 and already matched one-third of 2021's annual sales volume. There is strong buyer demand for new apartment assets in the region, as evidenced by two 2020-delivered properties trading hands: 1430 Q sold for a record high price point of more than \$761,000 per unit and The Core Natomas sold for \$491,000 per unit. Buyers continue to acquire assets that are still in lease-up, signaling their continued confidence in the market's fundamentals and future growth prospects. The quarterly average price per unit of \$302,883 was an all-time high – increasing 90 percent year-over-year and finishing 50 percent above 2021's annual average. With robust buyer demand, resilient market fundamentals, and a competitive sales market, expect rising prices and elevated deal volume through the rest of the year.

Sacramento Multifamily Sales Activity

Quarterly Sales Volume & Quarterly Average Price per Unit - 2017 to 2022



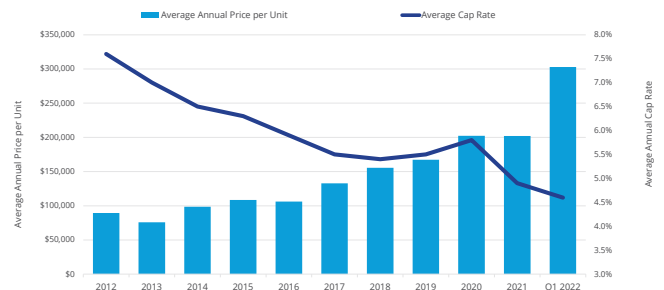
Source: CoStar  
Sales data includes all 5+ unit apartment properties in the four-county Sacramento metro area

## Cap Rates

The incredible amount of buyer demand combined with a limited amount of inventory available for sale has placed considerable downward pressure on cap rates. Q1 2022 posted an all-time low cap rate of 4.6 percent, down 30 basis points from 2021's annual average and 120 basis points below 2020. Average annual cap rates were hovering in the five percent range up to 2020 before commencing on its steep downward trend over the last two years. Some high quality, newly delivered properties are trading at cap rates in the three percent range. With buyers continuing to shift more capital into the apartment sector, strong competition for a limited amount of assets available will continue to compress cap rates closer to four percent by the end of this year.

Sacramento Multifamily Sales Activity

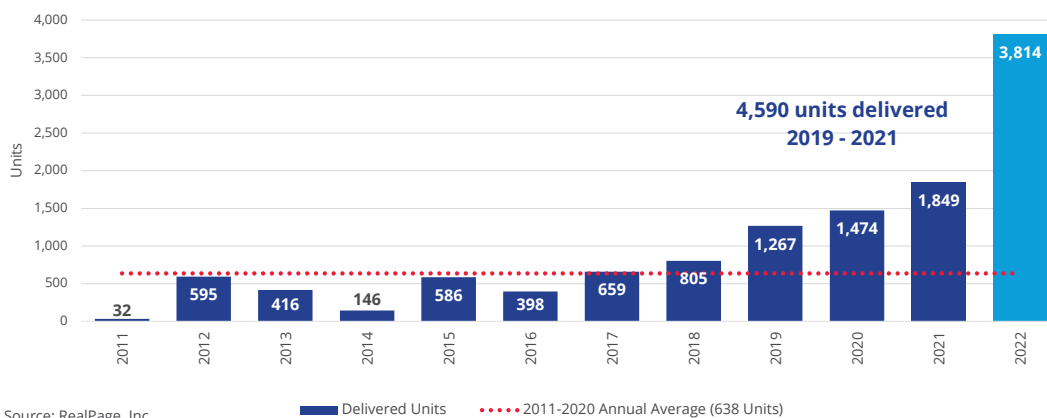
Annual Average Price per Unit & Average Annual Cap Rate - 2012 to 2022



Source: CoStar  
Sales data includes all 5+ unit apartment properties in the four-county Sacramento metro area

## Development Pipeline

Sacramento Apartment Market New Supply  
2011 - 2022 Annual New Units Delivered

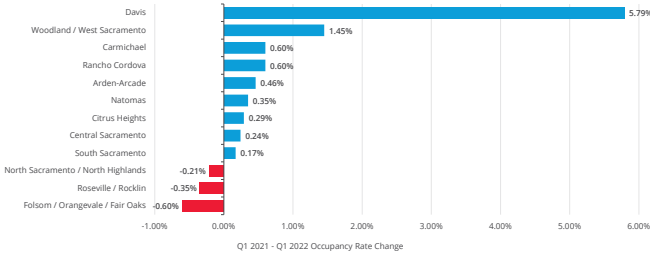


Source: RealPage, Inc.

# Sacramento | 22Q1 | Multifamily | Market Statistics

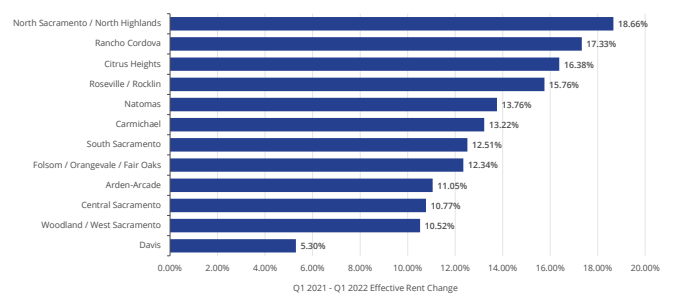
Submarket	Existing Inventory (Units)	Occupancy Rate	Annual Occupancy Rate Change	Average Monthly Effective Rent	Annual Rent Change	Average Effective Rent per SF	Annual New Supply (Units Delivered)	Annual Demand (Units Absorbed)	Units Under Construction
<b>Sacramento Multifamily Market</b>									
South Sacramento	20,770	98.2%	0.2%	\$1,823	12.5%	\$2.06	0	35	266
Roseville / Rocklin	17,576	97.4%	-0.4%	\$2,192	15.8%	\$2.28	329	260	481
Central Sacramento	17,479	93.9%	0.2%	\$2,129	10.8%	\$2.54	349	369	2,185
Arden-Arcade	13,891	98.4%	0.5%	\$1,544	11.1%	\$2.02	0	64	0
Folsom / Orangevale / Fair Oaks	14,406	96.5%	-0.6%	\$2,103	12.3%	\$2.27	310	215	0
Natomas	13,417	98.0%	0.4%	\$1,954	13.8%	\$2.22	285	326	1,009
Rancho Cordova	11,888	98.3%	0.6%	\$1,762	17.3%	\$2.14	0	71	114
North Sacramento / North Highlands	10,528	97.7%	-0.2%	\$1,858	18.7%	\$2.12	331	302	74
Carmichael	9,187	98.6%	0.6%	\$1,495	13.2%	\$1.87	0	55	0
Davis	8,883	97.9%	5.8%	\$2,136	5.3%	\$2.38	0	514	309
Woodland / West Sacramento	8,325	99.0%	1.5%	\$1,685	10.5%	\$2.11	361	474	585
Citrus Heights	7,197	98.4%	0.3%	\$1,725	16.4%	\$2.14	0	21	0
<b>Total</b>	<b>153,547</b>	<b>97.8%</b>	<b>0.5%</b>	<b>\$1,886</b>	<b>13.6%</b>	<b>\$2.18</b>	<b>1,965</b>	<b>2,624</b>	<b>5,023</b>

Sacramento Multifamily Submarkets  
Year-Over-Year Occupancy Change | Q1 2022



Source: RealPage, Inc.

Sacramento Multifamily Submarkets  
Year-Over-Year Effective Rent Change | Q1 2022



Source: RealPage, Inc.



## 1430 Q

1430 Q in Central Sacramento off the R Street Corridor sold for a record high price point of \$761,333 per unit. The 2020-delivered property was developed by D&S Development and was acquired by San Francisco-based Soma Capital Partners at a 3.57% cap rate in March. The 75-unit, 8-story asset has studio, one-bedroom, two-bedroom, and three-bedroom units ranging from 660 to 1,905 square feet with building amenities including a gym, rooftop terrace, pet washing station, and 8,774 square feet of ground floor retail.

FOR MORE INFORMATION  
 Bob Shanahan  
 Research Manager  
 Sacramento  
 +1 916 563 3018  
[bob.shanahan@colliers.com](mailto:bob.shanahan@colliers.com)

Randy Dixon  
 Regional Managing Director  
 Sacramento  
 +1 916 563 3023  
[randy.dixon@colliers.com](mailto:randy.dixon@colliers.com)

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