



# Multifamily Report

Q1 2016  
GALLELLI REAL ESTATE MARKET REPORT

## Overview

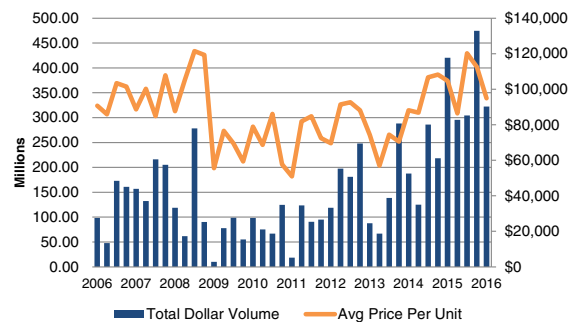
Apartment vacancy in the Sacramento region hit a record low during Q1 2016, falling from 1.6% to 1.4%. Vacancy has been trending downward since peaking at 6.4% during Q4 2010 and the 1.4% rate recorded during Q1 is the lowest apartment vacancy rate the Sacramento region has seen. High demand, strong job growth and limited new construction continue to bolster the apartment market, in addition to putting upward pressure on rents. The overall average rent for apartment units currently stands at \$1,191 per unit, per month, which marks an increase of \$72 over the \$1,119 rate that was recorded three months ago. As of March 2016, Yardi ranked the Sacramento region third in the nation for apartment rent growth.

## Market Trends

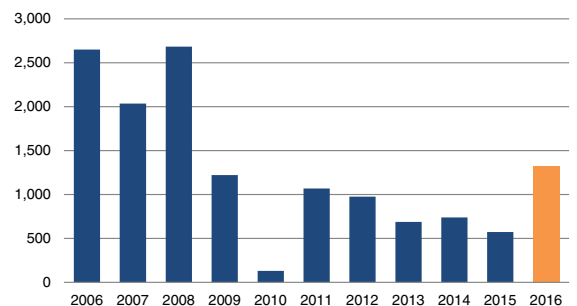
- Regional apartment vacancy is now at 1.4%, which is the lowest vacancy rate on record.
- Apartment rents continue to rise – they now stand at \$1,191 per unit, per month. Rental rate growth shows no signs of stopping any time soon, and the Sacramento region is currently ranked third in the nation for rental rate growth.
- Folsom, Roseville/Rocklin and Downtown \ Sacramento currently have the highest average asking rent with rates well over \$1,500 per unit, per month.



## Multifamily Investment Sales Volume



## Multifamily Units Delivered Per Year



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# Multifamily Q12016

Investor demand for apartment product in Sacramento remains strong.

Vacancy

**1.4%**



Avg. Asking Rate

**\$1,191** UNIT

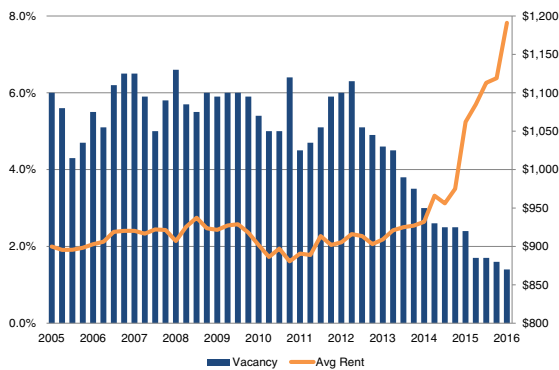


Avg. Rent PSF

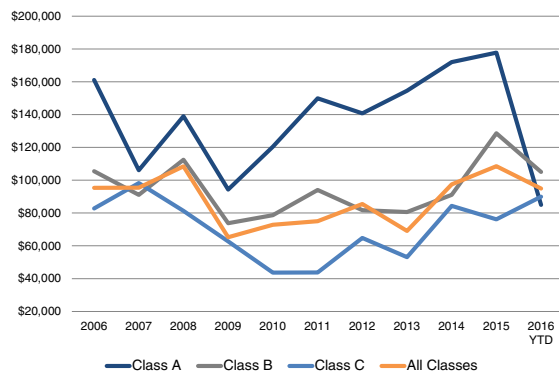
**\$1.40** PSF



Historical Vacancy & Average Rental Rate Growth



Historical Price Per Unit by Class



## Investment Highlights

- Apartment investment sales volume was down slightly from the previous quarter. Q1 saw 44 transactions totaling just over \$322 million in transactional volume, compared to the \$475 million recorded during Q4 2015.
- The average price per unit dropped in Q1, going from \$112,589 to \$94,951 per unit, primarily due to the lack of Class A transactions during the quarter. However, despite the slight decrease, the overall average price per unit has increased over 20% in the last five years.
- Investor demand for apartment product in Sacramento remains strong – high occupancy, local employment growth and shrinking available inventory continues to draw both private and institutional investors to the region.
- The sale of The Palms Apartments in the Arden Arcade submarket was the largest investment sale of the quarter – the property sold for \$67.5 million dollars, or \$135,000 per unit.



Units Under Construction

1,729



Sacramento Unemployment

5.4%



US Unemployment

5.0%



### Spotlight: Development

Apartment rent growth has been on fire in the Sacramento region, but unlike other regions across the nation where high job and income growth are fueling rental rates, high occupancy and little new multifamily and single-family development are primarily driving rents in our region. While there has been a number of new construction projects coming online – we are currently tracking 10 multifamily projects under construction in the region totaling 1,700 units – the number of units the region is delivering per year has declined significantly. 2015 saw only 574 new multifamily units added to the overall inventory; prior to the economic recession, the market was averaging over 2,800 new units delivered per year.

New regulations and increasing building costs have been the primary culprit of the anemic development, but with average rents beginning to skyrocket, lawmakers are working on introducing new legislation to help encourage residential development. Some of these proposed laws, AB 2501 and AB 2018 for example, would offer density bonuses to developers who build affordable housing, as well as expediting the building permit process to get new projects approved faster.

### Outlook

With vacancy currently at a record low, the Sacramento apartment market is nearing full occupancy. Rents continue to climb and the region is currently seeing record high average asking rents. This trend will likely continue throughout the year, as new regulations and increasing building costs continue to limit multifamily construction. The projects currently under construction combined with the projects in the development pipeline will only add around 6,000 units to the overall inventory over the next few years (if all of the currently proposed projects are built), which is not nearly the amount needed to help satisfy current demand levels. Record high occupancy and limited new single and multifamily construction will continue to put upward pressure on rental rates throughout the year – which may be bad news for tenants, but great news for investors looking for quality assets in the Sacramento region.

### Research

Our team focuses on providing high quality, data driven, accurate market information to our clients. We provide in-depth commercial real estate market analysis and insight into market trends in order to help optimize our clients' real estate decisions.



# Multifamily Q12016

## Market Statistics

Submarket	# of Units	Avg Rent	Avg Rent PSF	Vacancy
Downtown Sacramento	1,211	\$1,515	\$1.86	1.8%
East Sacramento	81	\$778	\$1.05	1.2%
Land Park	200	\$988	\$1.15	0.5%
South Sacramento	1,477	\$775	\$1.07	0.4%
Florin	2,035	\$909	\$1.23	0.7%
Greenhaven	3,988	\$1,292	\$1.45	1.1%
Rancho Cordova	5,118	\$1,056	\$1.30	1.4%
Capital Center	1,996	\$1,296	\$1.52	1.1%
Arden/Arcade	4,907	\$1,077	\$1.32	1.0%
Arden	2,130	\$866	\$1.14	0.7%
Carmichael	2,739	\$890	\$1.08	0.8%
South Natomas (W)	2,332	\$1,392	\$1.53	1.4%
South Natomas ('E)	3,795	\$1,107	\$1.35	1.2%
North Natomas	2,674	\$1,464	\$1.55	2.9%
North Highlands	2,879	\$909	\$1.15	0.6%
Antelope	1,707	\$1,288	\$1.52	1.3%
Citrus Heights	6,558	\$1,084	\$1.34	1.5%
Fair Oaks	2,639	\$1,025	\$1.24	1.3%
Orangevale	1,994	\$1,177	\$1.47	1.6%
Folsom	3,034	\$1,558	\$1.64	3.1%
Roseville/Rocklin	8,384	\$1,514	\$1.60	2.0%
Elk Grove	1,170	\$1,164	\$1.20	0.8%
West Sacramento	164	\$820	\$1.18	1.2%
El Dorado Hills	688	\$1,543	\$1.53	1.6%
Cameron Park	668	\$1,180	\$1.33	1.3%
<b>Totals</b>	<b>64,568</b>	<b>\$1,191</b>	<b>\$1.40</b>	<b>1.4%</b>

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## About Gallelli Real Estate

Gallelli Real Estate is a boutique firm that specializes in commercial estate services and property management. We believe that as a boutique firm whose understanding of the business runs as deep as our core values, our advantage is large. We take pride in our unique approach to offer more individual solutions that address the ever changing needs of our clients and the industry. After all, our success is measured by the success of our clients and the strength and longevity of our relationships. For the latest news from Gallelli Real Estate, visit [GallelliRE.com](http://GallelliRE.com), or follow us on Twitter @Gallelli\_RE and LinkedIn.