



GALLELLI REAL ESTATE

MULTIFAMILY NEWSLETTER

MARCH 2018

Proposed Legislation Threatens Landlords' Eviction Abilities

Following the defeat of rent control in the legislative committee last month, lawmakers continue to introduce bills that would be damaging to landlords in order to shield tenants from hardships brought about by California's current housing crisis. These proposed bills would make it harder for landlords to evict tenants (even problem or potentially criminal tenants) and extend the time before landlords can start the eviction process.

Two main bills have been introduced that would limit the ability of landlords to evict tenants. The first bill, AB 2925, would impose a "just case" eviction policy that would require landlords to provide tenants written notice outlining the reason for termination. California cities with existing rent control ordinances already have similar requirements in place that limit the number of reasons a property owner can terminate a tenancy; AB 2925 would impose these requirements statewide. Under current law, landlords can give 30 days' notice (if the tenant has lived in the unit less than a year or if the owner is in contract to sell) or 60 days' notice (if the tenant has lived in the unit for a year or more) to evict without listing a cause.

The second bill, AB 2343 would extend the time a tenant has to pay rent before being evicted, and also give tenants more time to respond to an eviction lawsuit. Under existing law, landlords are required to provide tenants a 3-day notice to vacate or correct in the event of a default on rent or serious violation of the lease. Once an eviction lawsuit is filed, a tenant has 5 days to file a response. Under the proposed legislation, these timeframes would expand and require landlords to give a 10-day notice in the event of a default on rent and a 5-day notice in the event of a serious violation of the lease. AB 2343 would also increase the time a tenant has to respond to an eviction lawsuit from 5 days to 14 days.

While these bills are aimed at protecting tenants and helping to ease the effects of the housing shortage, they actually remove important protections for landlords to control their own properties and make it more difficult for them to evict problem tenants, including tenants suspected of criminal activities.

For more information on these bills, as well as other issues affecting landlords, please contact one of our apartment experts, and make sure to check out the California Apartment Association's website at <https://caanet.org/>. The CAA is dedicated to protecting the interests of owners, investors, developers, managers and suppliers of rental homes and apartment communities.

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SIGNIFICANT APARTMENT SALES

NAME / ADDRESS	PRICE	# OF UNITS	PRICE/UNIT	PRICE PSF	CAP RATE	SALE DATE	YEAR BUILT
16 Powerhouse 1606 P Street Sacramento, CA 95814	\$32,500,000	50	\$570,000	\$590.91	4.75%	3/6/2018	2015
Brentwood Court Apartments 5307-5325 Marconi Ave Carmichael, CA 95608	\$19,000,000	197	\$96,447	\$119.02	5.31%	2/1/2018	1960
The Confluence 3130 Occidental Dr Sacramento, CA 95826	\$18,500,000	168	\$110,119	\$145.52	3.55%	1/29/2018	1975
Walnut Village 5341 Walnut Ave Sacramento, CA 95841	\$17,000,000	144	\$118,056	\$166.67	~4.2%	1/17/2018	1987
Woodridge East Apartments 2811 Cold Springs Rd Placerville, CA 95667	\$11,750,000	100	\$117,500	\$149.90	5.00%	2/15/2018	1971

*Based on gross SF includes interior corridors, garages and tenant storage.

APARTMENT SALES

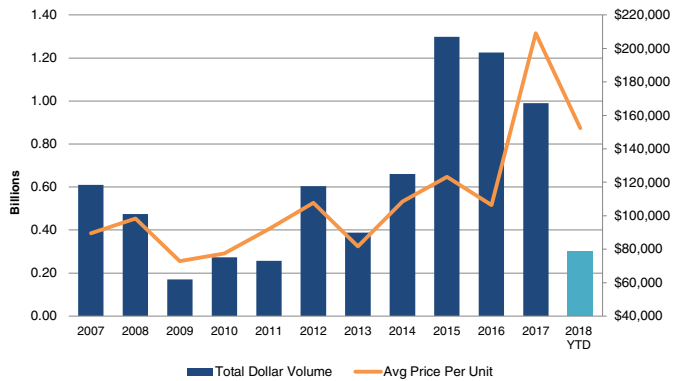
16 Powerhouse – 1606 P Street

16 Powerhouse located at 1606 P Street, directly across from Fremont Park in Downtown Sacramento, recently sold for \$32.5 million (approximately a 4.75% pro-forma cap rate). The sale of this 50-unit property for approximately \$570,000 per unit (after taking into account the 7,800 square feet of ground floor retail) represents another high water mark for urban infill property pricing. The asset was delivered in 2015 and at the time of sale was achieving some of the highest rents in the region, averaging \$3.34 per square foot. The purchase represented the up-leg for Demmon Partners in their 1031 exchange. Despite rents approaching \$3,500 per month, 16 Powerhouse was fully leased with a waiting list of potential tenants.

Brentwood Court Apartments – 5307-5325 Marconi Ave

Brentwood Court Apartments in Carmichael recently sold for the second time in 24 months. Cascade Investments purchased the property in January 2016 for approximately \$12.475 million, and then put just under \$2 million into a renovation of the unit interiors. The 197-unit property was then sold for \$19 million (approximately a 5.31% cap rate) to a private investor from Southern California. This sale continues the trend of Class B and C properties being bought, renovated, and sold for substantial profits in relatively short time frames. Class B and C properties, which offer upside through capital improvements, continue to remain in high demand which is expected to continue with little new construction on the horizon.

2018 YTD SACRAMENTO MULTIFAMILY INVESTMENT SALES VOLUME



CA LANDLORD UPDATES

SB 1340 & 1341 - CEQA Reform

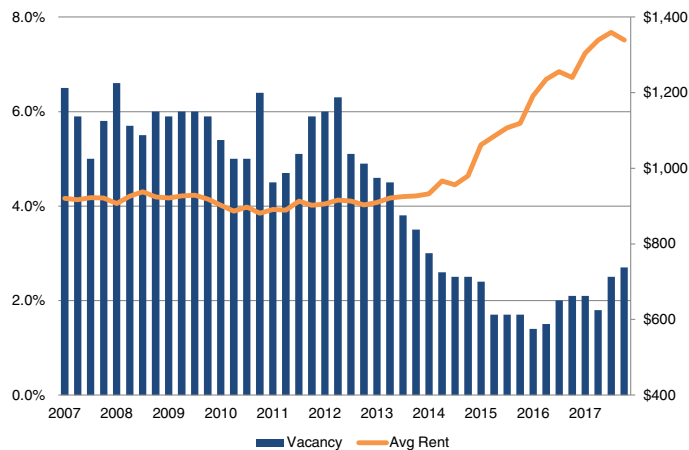
A pair of new bills has been introduced to protect housing projects from frivolous lawsuits brought about under the California Environmental Quality Act (CEQA). Under SB 1340, courts would have 270 days to rule on lawsuits that challenge housing projects. This deadline would speed up the judicial process and get much needed housing development underway sooner. SB 1341 would bring greater transparency to CEQA-based litigation. Currently plaintiffs can file CEQA lawsuits anonymously, but under the proposed bill, parties would have to disclose their identities. The bill would also prohibit duplicative CEQA lawsuits protecting individual projects from being litigated against multiple times.

AB 2390 – Extension of Eviction Pilot Program

This bill seeks to extend a California pilot program that helps to rid apartment communities of tenants who are in illegal possession of guns, ammo or drugs. The pilot program allows prosecutors and city attorneys to initiate the eviction process, at a landlord's request, to stop nuisances involving unlawful weapons, ammunition or drugs. It allows those evictions to be based on law enforcement paperwork, such as an arrest report, and affects the cities of Los Angeles, Long Beach, Sacramento, and Oakland. If this bill is not passed, the program would expire on January 1, 2019.

Source: Caanet.org

SACRAMENTO HISTORICAL VACANCY & AVERAGE RENTAL RATE GROWTH



ON THE MARKET / NEW DEVELOPMENT

We are tracking 6 complexes over 40 units that are currently on the market. These complexes range in price from \$9 million to \$13.9 million and are located in Sacramento, Fair Oaks, and Davis. We are also tracking off-market transactions of properties 50 units or greater, as well as current multifamily construction and planned developments throughout the four-county region. Please contact our multifamily experts to learn more about any of these transactions or new developments.

MULTIFAMILY TEAM



GARY GALLELLI
President
916 784 2700
gary@gallellire.com

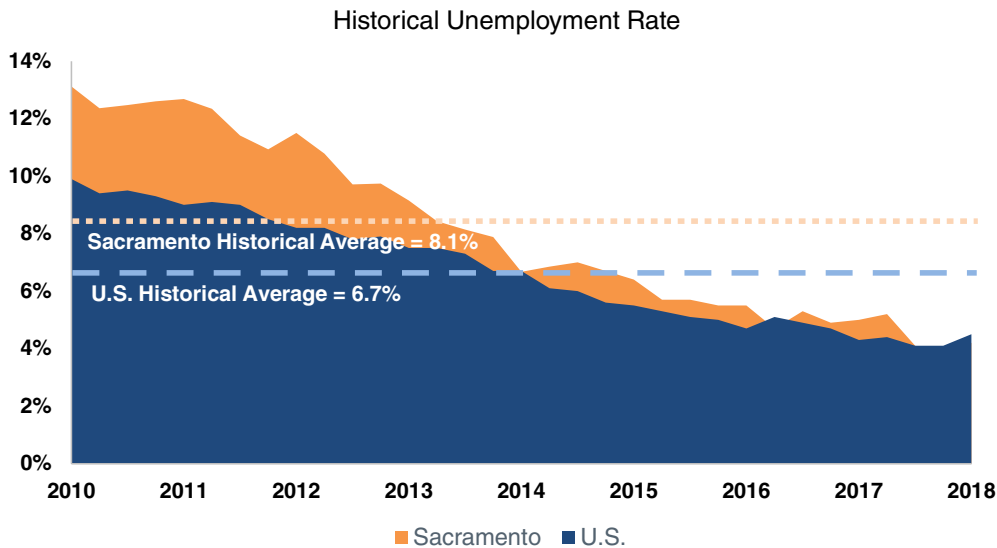


PAT RONAN
Assistant Vice President
916 784 2700
pat@gallellire.com



LAUREN GODBEE
Senior Investment Analyst
916 784 2700
lauren@gallellire.com

EMPLOYMENT TRACKER - MARCH 2018



ABOUT GALLELLI REAL ESTATE

Multifamily Team

Gary Gallelli, Pat Ronan, and Lauren Godbee specialize in the sale of multifamily investment real estate. The team has assisted many financial institutions and investors throughout the US with assets on the west coast and have fulfilled transactions in California, Washington, Nevada and Arizona. With a deep understanding of real estate fundamentals and an intimate knowledge of local, regional, and national markets, Gallelli Real Estate is committed to providing clients with the highest commitment of service and expertise in the industry.



3005 Douglas Blvd #200
Roseville, CA 95661
P 916 784 2700
F 916 784 2098
www.GallelliRE.com

