

GALLELLI REAL ESTATE

MULTIFAMILY NEWSLETTER

JUNE 2016

A Look at Downtown Development



Though the Sacramento region continues to struggle with a lack of new multifamily development, development itself isn't entirely non-existent. We are starting to see more development in areas where rental rates are high enough to justify new construction - primarily in the Downtown submarket, where current asking rents are well over \$1,500 per month. However, we're also beginning to see movement in other markets such as Elk Grove and Folsom, which have both recently announced plans for future multifamily developments. Here is a quick look at some of the current and future multifamily projects for the Downtown submarket.

DOWNTOWN / MIDTOWN

Under Construction:

> Eviva

- Located at 16th & N Streets
- Once completed, the project will add 118 apartment units and 5,000 square feet of ground-floor retail space to the local multifamily and retail inventory
- Scheduled to be completed Summer 2016

> Ice Blocks

- Located 16th & R Streets
- Though a fire in November 2015 derailed construction on the first phase of the project, construction on the other two phases was unaffected
- The apartment component of the project will add 150 units to the Downtown inventory
- Completion is scheduled for late 2016

Proposed:

> Sacramento Commons

- Located in the block between 5th & 7th Streets and N & P Streets
- This project would include two, seven-story buildings that would add 206 apartment units and 4,000 square feet of retail to the local multifamily and retail inventory
- Construction is scheduled to begin late 2016 or early 2017



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SIGNIFICANT APARTMENT SALES

NAME / ADDRESS	PRICE	# OF UNITS	PRICE/UNIT	PRICE PSF	SALE DATE	YEAR BUILT
Lesarra 2230 Valley View Pky, El Dorado Hills	\$28,500,000	105	\$271,429	\$244.01	5/20/2016	2013
Arlington Creek 8131 Walerga Rd Antelope	\$19,100,000	148	\$129,054	\$135.20	5/12/2016	2003
River Walk Villas Apartments 631 Garden Hwy, Sacramento	\$9,800,000	65	\$150,769	\$154.64	5/6/2016	2007
Azalea Court 3821 Marconi Ave, Sacramento	\$8,910,000	119	\$74,874	\$96.42	6/14/2016	1965
Hallmark Apartments 2852 Paseo Rio Way, Sacramento	\$7,300,000	100	\$73,000	\$78.10	5/11/2016	1988

Lesarra

The 105-unit Lesarra Condos traded for \$271,429 per unit, which is a record for the Sacramento region. This complex contains arguably some of the most beautiful units around with rents to show for it. The site is located in the affluent El Dorado Hills submarket where these kinds of rents are justified by the high cost of housing. Current listings for single family housing have a median price of \$719,060 and an average price of \$869,019. The property was built as condos and a few units sold to individuals a few years ago before Ridge Capital purchased the asset in 2013. Oakmont Properties, who has been one of the area's most active and aggressive buyers, swooped in to satisfy a 1031 exchange.

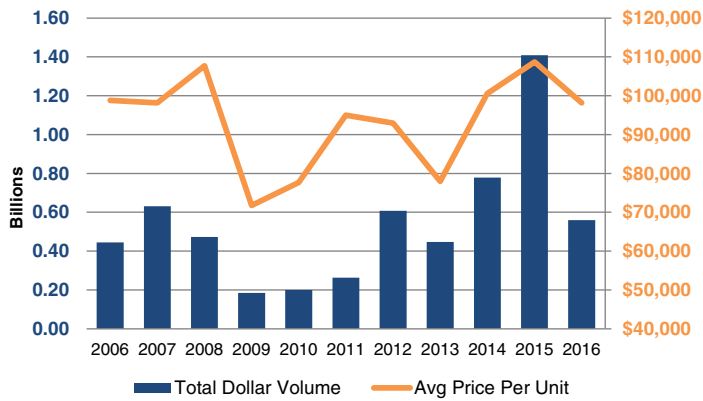
River Walk Villas Apartments

River Walk Villas Apartments is a 65 unit complex located on Garden Highway near Northgate Boulevard. The property was purchased by Scot McKay as an REO from Chase Bank in August 2011 for \$6,610,666. The asset was built in 2007 and offers numerous amenities for a property of its limited size. Mr. McKay passed away in the summer of 2013; his heirs received numerous offers to purchase the property in the subsequent years. Bob Cota Realty purchased the property for \$9.8 million (\$150,769 per unit) in an off market transaction. The property was originally built to condominium specs and offers many high end finishes along with the amenities.

For more information on these and other apartment transactions, please contact our office 916 784 2700.

SALES VOLUME

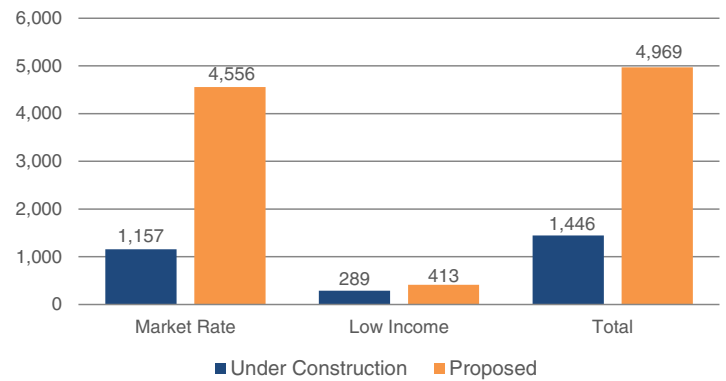
Multifamily Investment Sales Volume



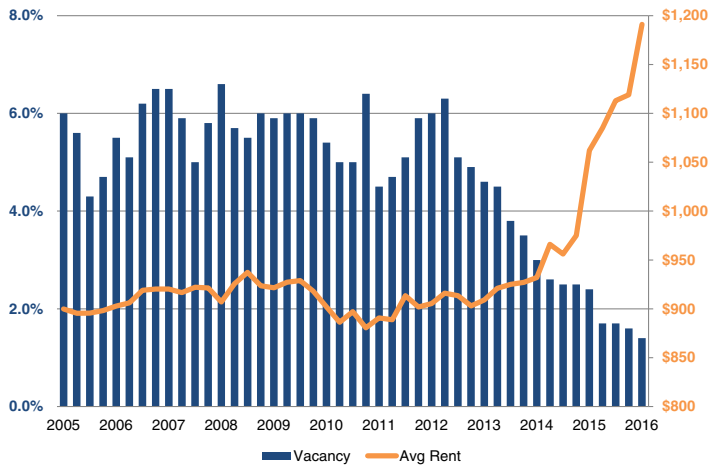
*Price per unit dropped slightly in Q1-2016 due to the majority of sales being pre-1990, Class B/C complexes.

CONSTRUCTION

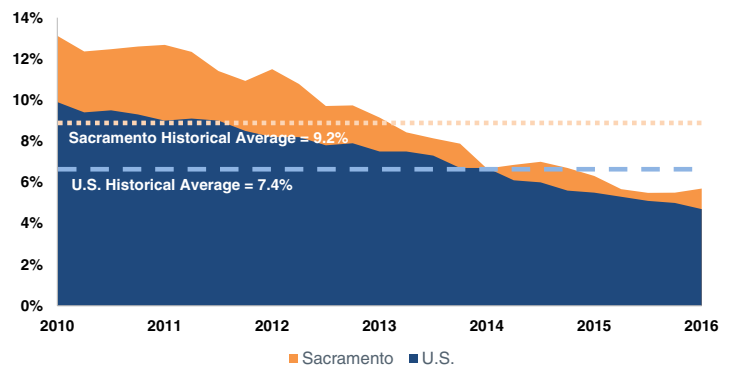
Multifamily Units Under Construction/Proposed



RENTAL RATE GROWTH



UNEMPLOYMENT RATE



EMPLOYMENT TRACKER

Region	Labor Force	Employed	Unemployed	Unemployment Rate
Sacramento	1,056,700 ▼	996,400 ▼	60,200 ▲	5.7% ▲

CA LANDLORD UPDATES

SB 879 - Affordable Housing Bond Act of 2016

This bill would issue a \$3 million bond to be used to help finance more affordable housing projects in the state. SB 879 is one of numerous other proposals to try to boost residential housing construction, as the lack of new development continues to drive up rental rates. The bill specifically cites lack of low-income housing, increasing homelessness, increasing rental rates, high housing costs and a reduction of state funding as the primary reasons the bill is necessary. "Senate Bill 879 enables Californians to set down roots in their communities," the author of the bill, Sen. Jim Beall said. "By jump starting home construction, the bill will create jobs and stimulate the state economy. And the bond allows us to leverage federal tax incentives to attract developers." SB 879 was approved by the Senate during the first week of June, and is currently waiting for Assembly approval. If the measure passes both houses of the legislature, it will appear before voters on the ballot in the November 8th general election.

Source: Caanet.org

ON THE MARKET

We are tracking 19 complexes over 40 units that are currently on the market. These complexes range in price from \$3 million to \$17 million dollars and are located in Sacramento, North Highlands, Rancho Cordova, and Carmichael. Please contact our multifamily experts to get more information on any of these sales.

ABOUT GALLELLI REAL ESTATE

Multifamily Team

Gary Gallelli, Rod Ballinger and Pat Ronan 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.

MULTIFAMILY TEAM



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