

# VIEWPOINT



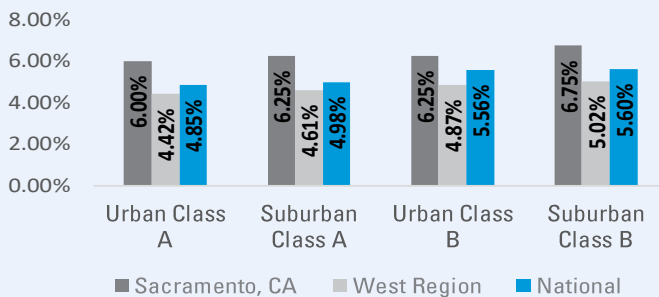
## 2023 SACRAMENTO, CA MULTIFAMILY ANNUAL REPORT

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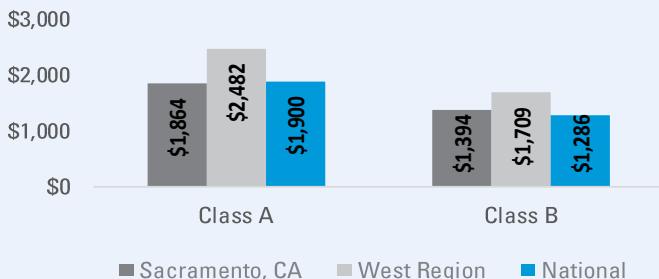
### Market Rate Indicators (Y/Y)

| Categories            | Class A | Class B |
|-----------------------|---------|---------|
| Going In Cap Rate (%) | ▲       | ▲       |
| Asking Rent (\$/Unit) | ▲       | ▲       |
| Vacancy Rate (%)      | ▼       | ▲       |

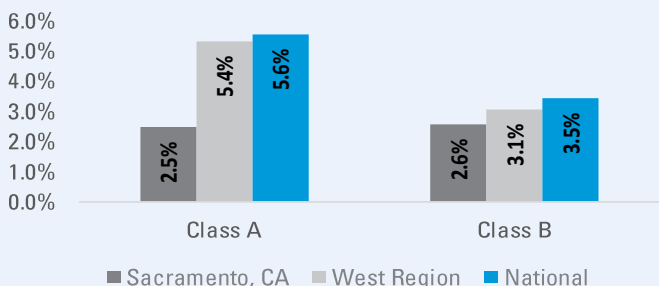
### Going In Cap Rate Comparisons (%)



### Asking Rents (\$/Unit)



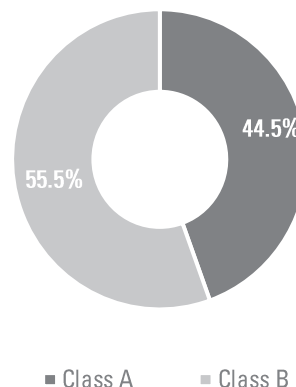
### Vacancy Rates (%)



### Sacramento, CA Multifamily Market Overview

The strong market fundamentals resulting from job growth and recovery in the local economy in 2021 continued into the first half of 2022 but moderated in the second half. The market's very tight conditions left little room for continued improvement. The wave of migration from the higher-priced Bay Area markets slowed and a significant level of new units were delivered, offering renters greater options. Though key market indicators are still very strong, the market is beginning to stabilize. On an overall basis, net absorption in the market continues to be positive, but because of new deliveries, vacancy remains flat. However, on a submarket level, the submarkets with the greatest level of new development are seeing higher absorption, whereas markets with predominantly Class C properties are experiencing occupancy loss. As rental rates have increased across all property types and all submarkets, renters are increasingly moving to these new projects that offer higher quality and amenities. Rental rate growth has also begun moderating in the second half of 2022. While the market has consistently ranked among the highest in the nation's largest metro areas for annual rent growth, as demand tempers and as expenses continue to increase over the next year, rental rate growth is projected to continue to decline. Additions to the inventory from new deliveries will likewise put downward pressure on rental rates and will help bring the market into equilibrium after several years of demand significantly outpacing supply. Investor interest has been on the rise over the past several years in response to the apartment market's strong performance. Sales volume and pricing have been on an upward trajectory, while capitalization rates have been declining. Looking forward, we expect capitalization rates to increase slightly over the near term as rental rate growth contracts and the cost of capital continues to increase. Likewise, pricing is expected to stabilize and sales volume to decline. Over the next year, the Sacramento apartment market will settle into a period of stabilization. Near term demand will soften, while the high rental rate increases and minimal vacancy experienced over the past two years will give way to more options for renters, steering the market toward an equilibrium between demand and supply.

### Distribution of Total Inventory



107,516 Units  
Multifamily Inventory

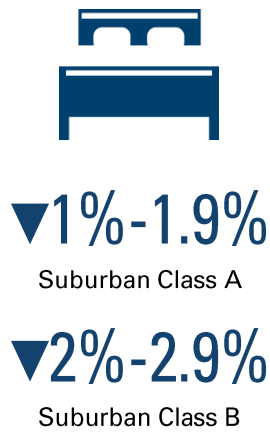
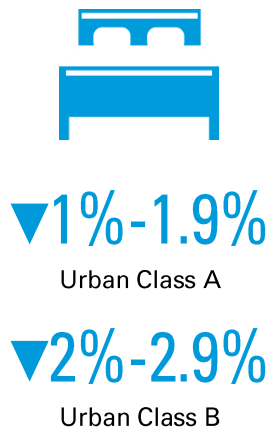
0.60% - 12 Mo. Proj.  
Construction/Inventory

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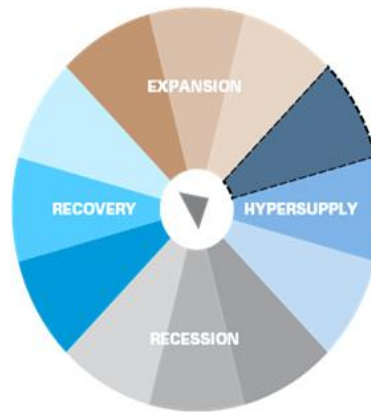
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## Change In Value Next 12 Months



## Market Cycle: Hypersupply Stage 1



- Increasing Vacancy Rates
- Med/Low Rental Rate Growth
- Low/Negative Absorption
- Moderate/Low Employment Growth
- Moderate/High New Construction

## Forecasts

### Sacramento, CA 12-Month Multifamily Forecasts

| Categories           | Urban Class A      | Urban Class B      | Suburban Class A   | Suburban Class B   |
|----------------------|--------------------|--------------------|--------------------|--------------------|
| Going-In Cap Rates   | Increase 25-49 bps | Increase 25-49 bps | Increase 25-49 bps | Increase 25-49 bps |
| Discount Rate        | Increase 25-49 bps | Increase 25-49 bps | Increase 25-49 bps | Increase 25-49 bps |
| Reversion Rate       | Increase 25-49 bps | Increase 25-49 bps | Increase 25-49 bps | Increase 25-49 bps |
| Construction (Units) | 645                |                    |                    |                    |
| Market Rent Change   | +1.00%             | +1.00%             | +1.00%             | +1.00%             |
| Expense Rate Change  | +5.00%             | +5.00%             | +5.00%             | +5.00%             |
| Years to Balance     | 1                  |                    |                    |                    |

### Sacramento, CA 36-Month Multifamily Forecasts

| Categories         | Urban Class A    | Urban Class B    | Suburban Class A | Suburban Class B |
|--------------------|------------------|------------------|------------------|------------------|
| Market Rent Change | +15.33%          |                  |                  |                  |
| Change in Value    | Decrease 2%-2.9% | Decrease 4%-4.9% | Decrease 2%-2.9% | Decrease 4%-4.9% |

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