

# Multifamily Metro Outlook:

## Sacramento - Q1 2024

### Overview:

- After an extended period of tepid expansion, job growth in the metro continues to be an above-average performer. For the period ending Q1 2024 job growth in the Sacramento metro expanded by 2.8% compared to the national rate of 1.8%. Much of the accelerated growth during this period can be attributed to the economic pillar of the metro, the Education and Health Services sector, which expanded by 7.2% in Q1 2024.
- Sacramento's apartment fundamentals performed well throughout the recovery period, however, as a result of the current economic environment where interest rates have increased and inflation is high, fundamentals have taken a hit, more specifically vacancies. As of Q1 2024 vacancies remain elevated at 5.25% however, rent growth has remained resilient and was approximately 0.5% during the same period.

### Market Strengths:

- One of positive lasting impacts of the (end of) pandemic has been the increased affordability in the area. According to CoStar, as a result of many (tech) employers shifting to remote and/or hybrid working models, there has been an influx of residents from Southern California and the Bay Area moving to the Sacramento metro to take advantage of the lower costs of living. Due to the influx of residents from other California metros, apartment vacancies continue to perform slightly better than neighboring California metros despite elevated levels of inflation and increased interest rates.
- The demographic profile in the metro has been improving over the last few years and it looks as if this trend will become a mainstay for the Sacramento metro. According to CoStar, currently the general population growth rates in the metro are on par with the national rate (0.4% vs 0.5%). However, in the last decade, the metro boasts a stronger general population rate of 0.8% compared to 0.5% nationally and going forward, the five-year forecast indicates that Sacramento's population will expand slightly faster than the national rate at 0.6% compared to 0.5%.

### Market Weaknesses:

- According to Moody's Analytics after 2.5 years of experiencing budget surpluses, the Government sector is now facing a shortfall mainly due to the current economic climate that has seen stock market volatility, higher interest rates and (continued) elevated levels of inflation. However, due to the previous years of budget surpluses, the sector is in much better shape to handle a rough period than previously.
- Even though the metro's local economy is in a strong recovery period, there is some concern about rising business costs. As a result of not only the current economic environment but also due to the statewide measure that saw minimum wage increases at the beginning the year (2024) according to Moody's Analytics.

### New Development:

- Fortunately, new apartment construction continues to be at low levels. Since 2017, approximately 18,000 multifamily rental units have been added with less than 6,000 new units underway.

### Multifamily Outlook:

- Apartment market fundamentals, specifically vacancies continue to soften as a result of the current state of economic uncertainty. Despite its slightly below average demographic trends, there is continued optimism about relocating residents from more expensive tech-centric metros relocating to the area.

### Economic Outlook:

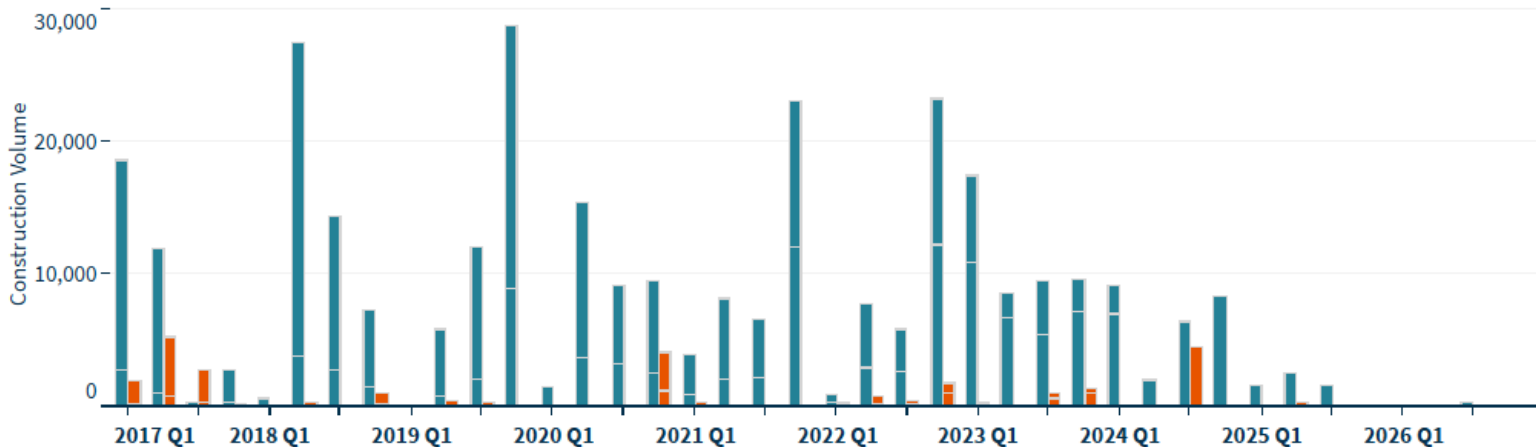
- The slower pace of recovery for the local job market, more specifically the Government sector, prevents the metro from earning a higher rating as the job market recovery is progressing but playing a bit of catchup after being slow for an extended period. However, the trend of hybrid working becoming more common is a boon for the metro as many workers have relocated to the metro from more expensive tech markets as their employers continue to allow them to work remotely.



## Multifamily Apartment Pipeline

### Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

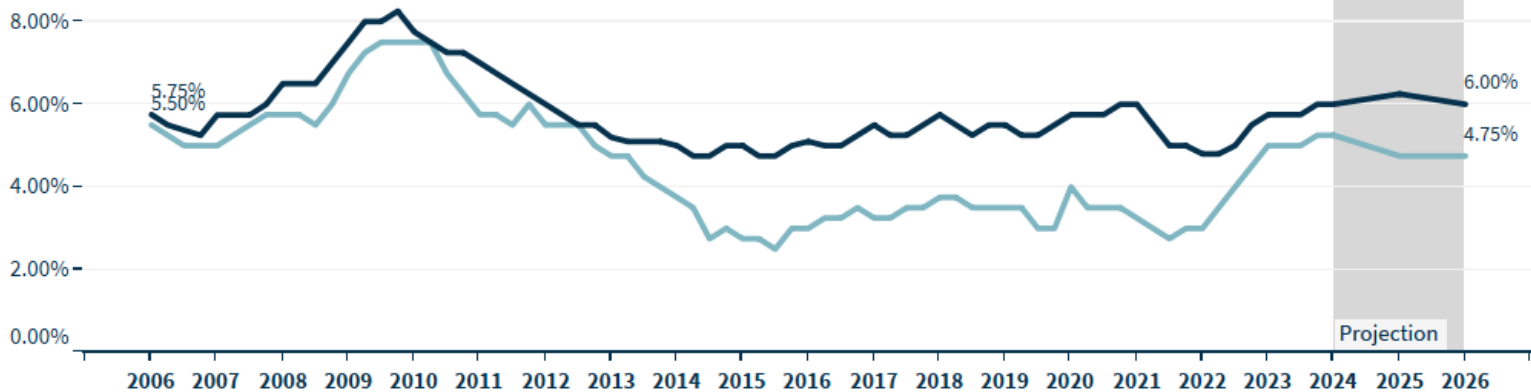
## Multifamily Vacancy & Rent Estimates

### Vacancy Rates

Sacramento | National

Q1 2024 Vacancy Rate:

5.25%

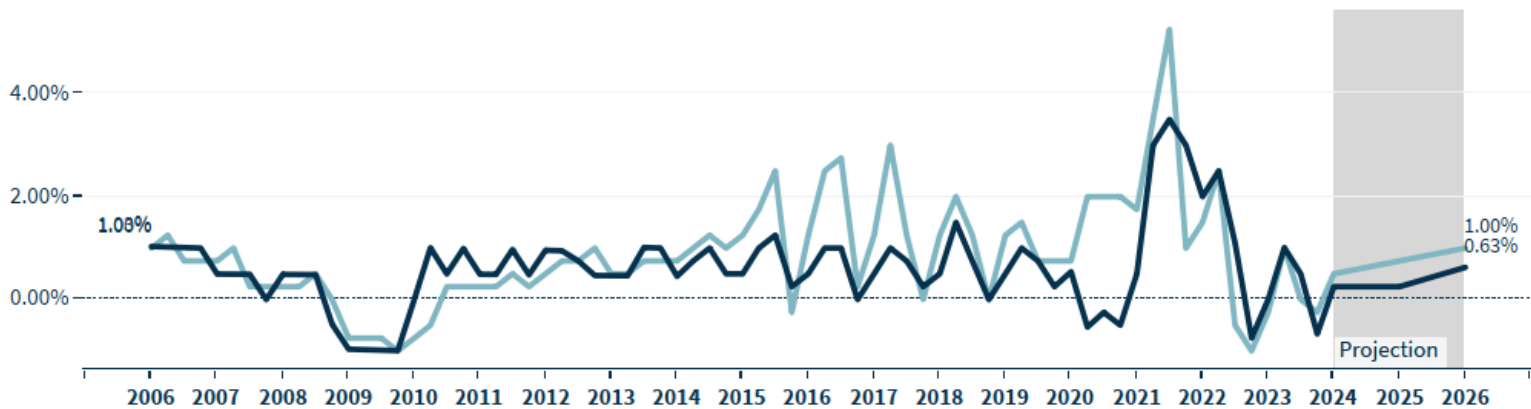


### Asking Rent Growth

Sacramento | National

Q1 2024 Asking Rent:

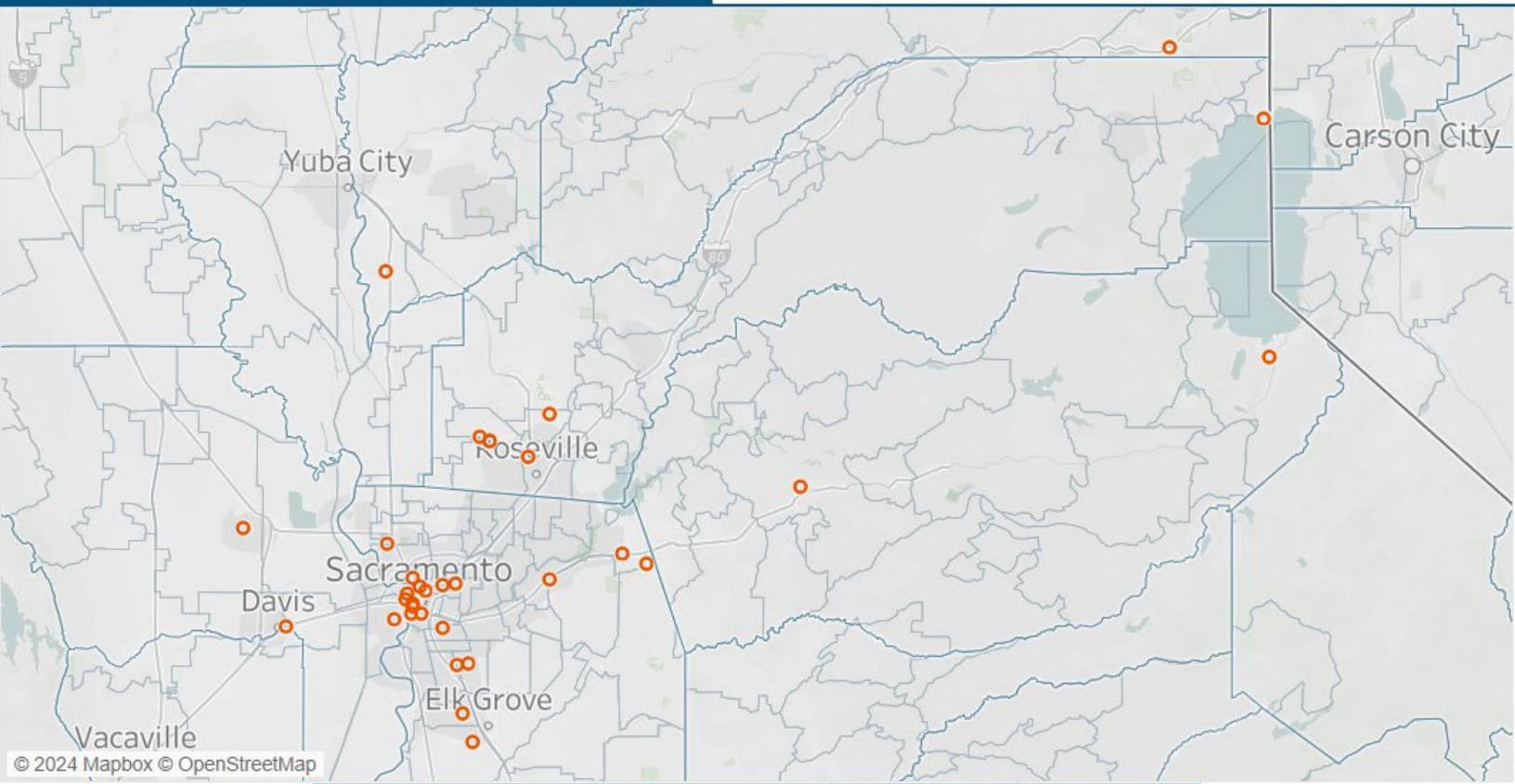
\$1,810



Source: Fannie Mae Multifamily Economics and Research



# Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Central Sacramento	6	1,088
Davis	1	200
Folsom/Orangevale/Fair Oaks	5	620
NA	2	98
Natomas	2	310
North Sacramento/North Highlands	2	452
Rancho Cordova/East Sacramento	1	82
Roseville/Rocklin	5	1,323
South Sacramento	5	950
Woodland/West Sacramento	4	496
<b>Grand Total</b>	<b>33</b>	<b>5,619</b>

Source: Dodge Data & Analytics SupplyTrack Pipeline



## Multifamily: ESR Team

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## Multifamily Economics and Market Research Team

Francisco Nicco-Annan - Economic and Strategic Research – Economist Advisor

### Sources Used

- Moody's Economy.com
- Moody's CRE/REIS
- CoStar
- Real Capital Analytics
- RealPage
- Greenstreet
- Dodge Data and Analytics SupplyTrack Pipeline
- CBRE-Econometric Advisors
- Yardi

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