

# Multifamily Metro Outlook:

## Sacramento - Q3 2024

### Overview:

- After a brief period of above-average job market expansion, the local metro job market has returned to tepid growth. For the period ending Q3 2024, growth in the Sacramento job market was 1.3%, which was on par with the national rate of 1.4%. The slowdown from the above-average growth from previous quarters can be attributed to the contraction of six different employment sectors during this period.
- 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, especially vacancies. As of Q3 2024, vacancies remain elevated at 5.0%. However, rent growth has remained resilient and was approximately 0.25% during the same period.

### Market Strengths:

- One of the 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 higher-than-desired interest rates.
- The demographic profile in the metro has been improving over the last few years, and it looks like 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 (0.5% vs 0.6%). 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 at the same rate as the national rate of 0.4%.

### Market Weaknesses:

- According to Moody's Analytics, the government employment sector is in a period of flux. The prominence of wildfires throughout California have impacted state-level employment as hiring freezes have also been instituted in 2024. Furthermore, the new administration could potentially threaten state budgets and the funds that are available for dealing with wildfires and other emergencies throughout the state.
- 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 of 2024, according to Moody's Analytics. Furthermore, although not the main reason, with many businesses and residents relocating from other expensive California metro areas, the business costs in Sacramento are 32% above the national average.

### New Development:

- Fortunately, new apartment construction continues to be at low levels. Since 2017, approximately 19,000 multifamily rental units have been added with less than 5,600 new units underway.

### Outlook:

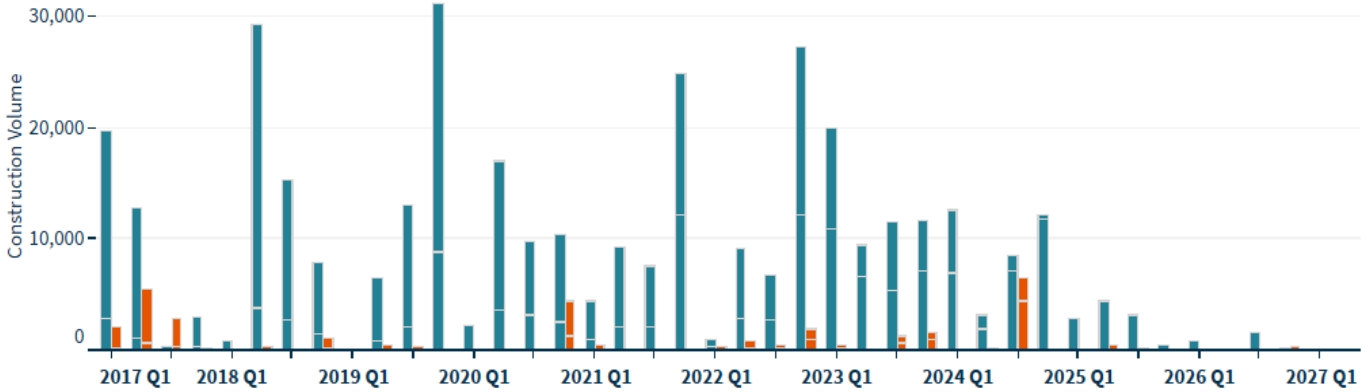
- Apartment market fundamentals, specifically vacancies, continue to soften as a result of the current state of economic uncertainty. Despite its slightly below-average demographic trends, there is continued optimism about residents from more expensive tech-centric metros relocating to the area.
- The slower pace of recovery for the local job market, more specifically the government sector, prevents the metro from a stronger outlook, 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

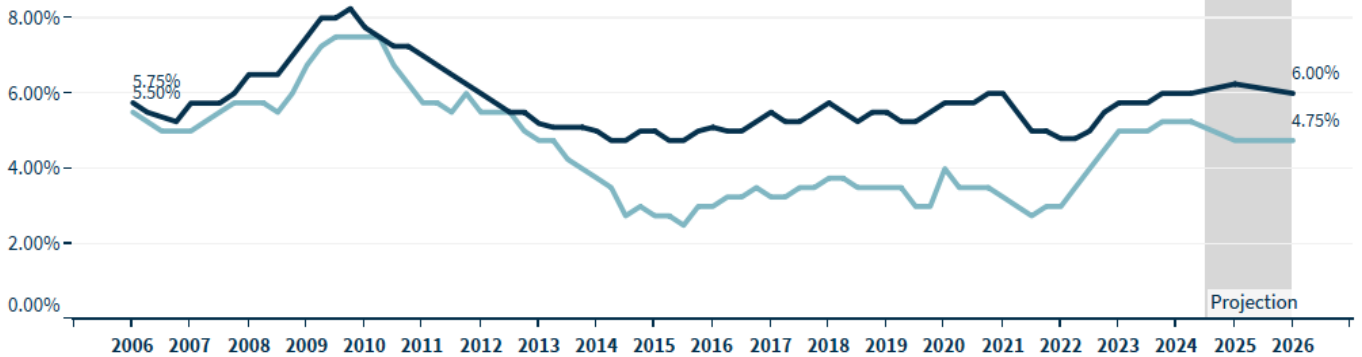
## Multifamily Vacancy & Rent Estimates

### Vacancy Rates

Sacramento | National

Q3 2024 Vacancy Rate:

5.00%

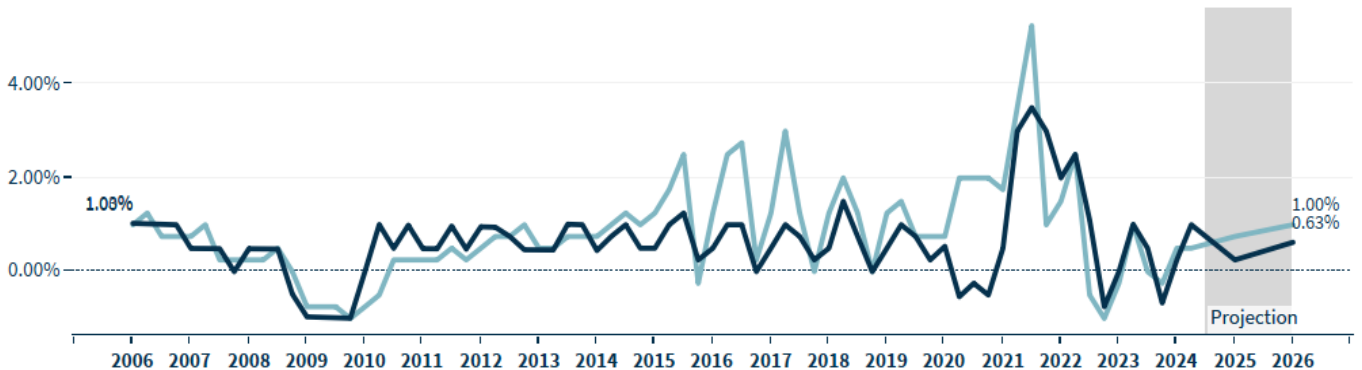


### Asking Rent Growth

Sacramento | National

Q3 2024 Asking Rent:

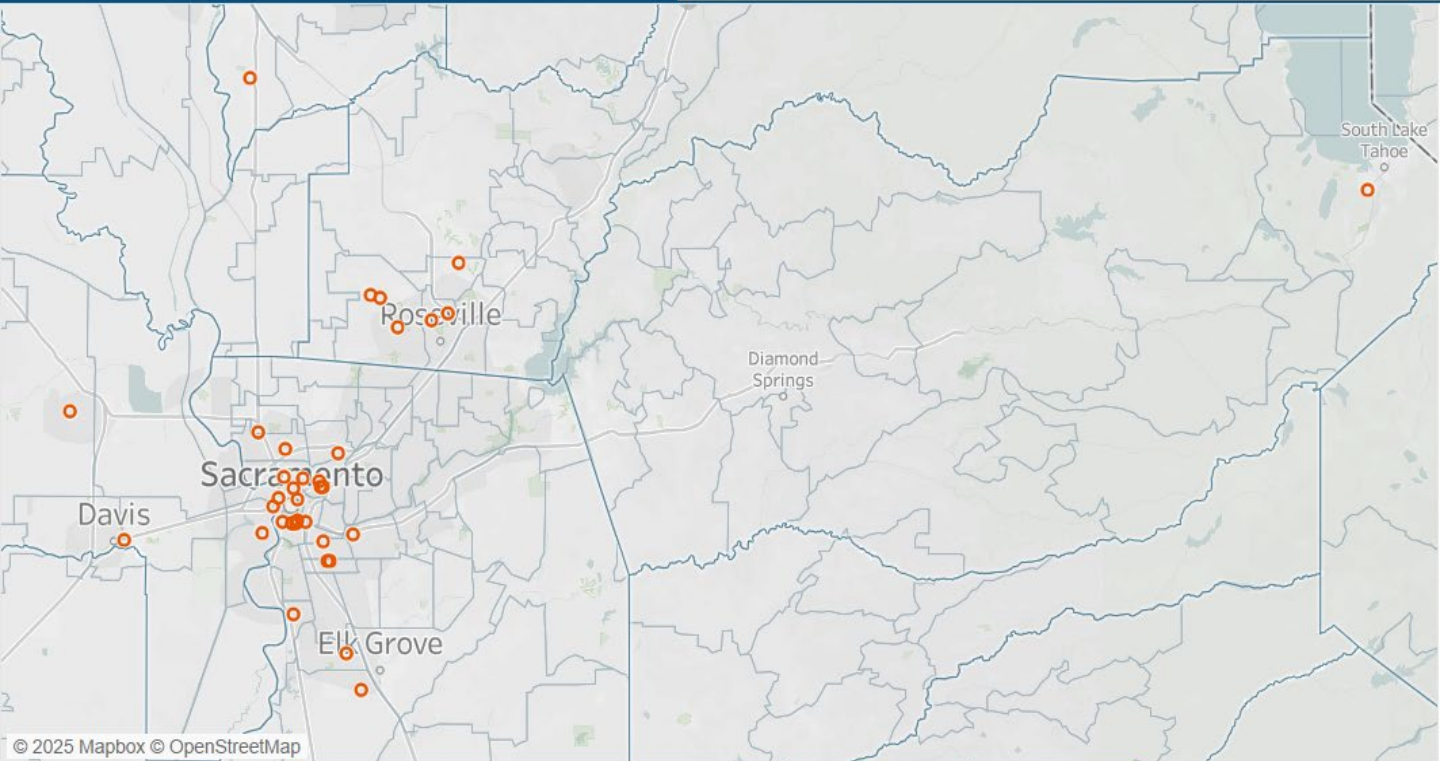
\$1,830



Source: Fannie Mae Multifamily Economics and Research



# Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Central Sacramento	8	1,166
Davis	1	200
Folsom/Orangevale/Fair Oaks	1	60
NA	1	48
Natomas	4	531
North Sacramento/North Highlands	4	386
Rancho Cordova/East Sacramento	1	70
Roseville/Rocklin	6	1,579
South Sacramento	6	1,090
Woodland/West Sacramento	4	496
<b>Grand Total</b>	<b>36</b>	<b>5,626</b>

Source: Dodge Data & Analytics SupplyTrack Pipeline



## Multifamily: ESR Team

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## Multifamily Economics and Market Research Team

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### Sources Used

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

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