



# TRENDS Sacramento Apartment Market Report Q2 2005

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## Underlying Economic Factors Affecting the Supply and Demand of Multi-Family Housing

The metropolitan area is currently posting its slowest employment growth in several years. Estimated in the low- to mid- 1% range, the forecast for the remainder of the year is 1.1% to 1.2%. Despite this fact, Sacramento continues to be one of the fastest growing regions in California with population growth near 2%. This population growth has driven the demand for housing, education, health care services and retail trade.

Median single-family home prices approached \$380,000 in Q2, a 26.9% increase over the same period in 2004. The price growth has been fueled by historically low interest rates and by a high percentage of buyers employed outside of the Sacramento MSA.

The affordability index for single-family homes has plummeted. In 2002, nearly 50% of the Sacramento area's population could afford a median-priced home as compared to early 2005, when barely 25% could do so.

It is estimated that 3,500 multi-family permits will be issued for 2005, a continued trend from 2004 and a decline from 2002 and 2003 when a combined average of 4,600 permits per year were issued.

An estimated 3,500 apartment units have been or are in the process of undergoing condominium conversion. Because the likely purchaser of these condominiums were previously residents of rental communities, the overall affect on the supply and demand for rental housing will be minimal.

## Occupancy Rates

The aforementioned factors; population growth, decline in single family affordability and fewer multi-family units constructed led to an improved occupancy rate of 93.3%, an increase of 1.6% over one year ago. The occupancy rate by product class is reported as follows:

	Class A	Class B	Class C	All
<b>Occupancy Rate</b>	90.8%	93.8%	93.7%	93.3%
<b>Annual % Change</b>	5.6%	2.0%	0.2%	1.6%

*Data Source: Real Facts*

For additional information concerning the Sacramento Apartment Market or for a market evaluation of your property, please contact the TRI Commercial Multi-Family Advisory Team or visit our web site at [www.tricommercial.com](http://www.tricommercial.com)

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Sources: U.S. Department of Labor, Rosen Consulting Group, Real Facts, CoStar and The Sacramento Business Journal

## Rental Rates

The average asking rental rate for area apartments rose 1.4% from one year ago. Rents by product class and various floor plans are illustrated in the following chart.

FLOOR PLAN	CLASS A		CLASS B		CLASS C	
	AVG RENT	AVG \$/SF	AVG RENT	AVG \$/SF	AVG RENT	AVG \$/SF
STUDIO	\$940	\$1.24	\$675	\$1.42	\$621	\$1.33
1BR / 1BA	\$991	\$1.23	\$779	\$1.14	\$720	\$1.08
2BR / 1BA	\$1,081	\$1.12	\$851	\$1.01	\$818	\$0.99
2BR / 2BA	\$1,211	\$1.13	\$967	\$1.01	\$952	\$0.98
3BR / 2BA	\$1,443	\$1.15	\$1,277	\$1.08	\$1,206	\$0.98

Data Source: RealFacts

## Sales Statistics

Sacramento area sales activity during the first two quarters of the year has been robust with average Capitalization Rates below 6%. Categorized by the range of community size, sales statistics are reported below. Sales that have occurred at a premium due to condominium conversion potential, etc., have been eliminated from the reported figures.

	5 -19 Units	20 -50 Units	51 -100 Units	101 -300 Units	301+ Units
Transactions	32	23	7	13	1
Average Price Per Unit	\$96,214	\$87,868	\$75,522	\$93,458	\$138,498
Average Price Per SF	\$136.46	\$116.12	\$101.21	\$112.08	\$151.17
Average GIM	11.98	10.26	8.92	8.79	10.22
Average Cap Rate	5.12%	6.02%	6.01%	6.13%	5.49%

Data Source: CoStar

## Market Trends

The multi-family rental market is positioned for continued improvement as building activity declines and demand improves due to the decline of single-family affordability especially under the effect of increased interest rates.

The investment market is expected to remain active as sellers take advantage of the current low capitalization rates, volume and availability of equity and debt capital.

## TRI's Multi-Family Advisory Team Sales and Marketing Activity

The following represent recent listings and sales in the greater Sacramento area and Yuba City markets.

Property	Units	Price	Price / Unit	Cap Rate	Sub-Market	Status
Victoria	52	\$ 4,225,000	\$ 81,250	5.0%	Yuba City	Closed
Rivergate	140	\$12,800,000	\$ 91,429	5.1%	Pocket	Active
Bonanza Suites	54	\$ 3,900,000	\$ 72,222	5.3%	Yuba City	In Escrow
River College Manor	32	\$ 3,100,000	\$ 96,875	5.3%	Carmichael	Active