

# MARKETBEAT

## Sacramento

### Investment Q3 2018



#### SACRAMENTO INVESTMENT

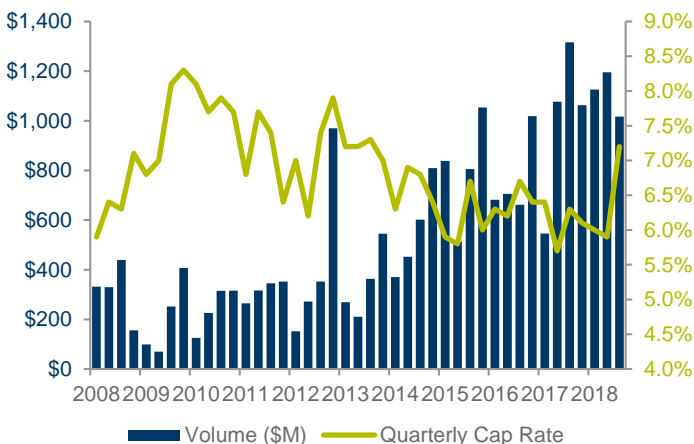
##### Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Sacramento MSA Employment	973.8k	987.8k	▲
Sacramento MSA Unemployment	4.7%	3.8%	▼
U.S. Unemployment	4.4%	3.8%	▼
U.S. GDP	2.3%	3.1%	▲
U.S. 10-year Treasury	2.33	3.06	▲

##### Market Indicators

	Q3 17	Q3 18	12-Month Forecast
Overall Cap Rate	6.3%	7.2%	▲
Total Volume (USD)	\$1.32B	\$1.02B	▲
Total Properties	146	88	▲
Total SF (Excluding Multifamily)	10.7M	4.7M	▲
Total Units (Multifamily)	2,014	3,011	▲

Total Dollar Volume and Cap Rate Trend  
(Dollar Volume in Millions)



### Economy

Sacramento's economy remains robust with signs of growth across all major economic sectors. The market is near full-employment, with the unemployment rates at only 3.8%, leaving little room for further decline. Strong demand is expected to remain for both housing and highly skilled talent as new employers like Centene and Penumbra anticipate entering the market in the near future.

### Market Overview

Sacramento continues to draw significant interest from investors looking to capitalize on the burgeoning local economy. Investment activity reached \$1.02 billion during the third quarter of 2018. This represents a quarter-over-quarter decrease of \$179 million but brings the year-to-date total to \$3.34 billion, a year-over-year increase of 13.6%. Multifamily properties accounted for the lion's share of activity accounting for 46.5% of total sales volume, continuing the product's popularity among investors. Office product was also very popular during the period, responsible for 22.0% of sales. The primary cause for strong showings in these sectors – rapid rent growth within multifamily and strong value-add opportunities within office. Cap rates increased during the quarter, largely due to a number of high cap suburban office properties trading hands during that period. Specifically, office product saw a 150-basis point increase in its average cap rate, the highest of any product type. As seen in the second quarter, investment activity was overwhelmingly dominated by the developer/owner user category, representing 80.0% of the total dollar volume. The top transaction during the quarter was once again multifamily as Villagio, a 272-unit community in the Natomas submarket, acquired by Oakmont Properties.

### Outlook

Sacramento continues to draw interest from national investors. Of the 80 properties sold during the quarter, 16 were to companies based outside of California with one of those based in France. Cap rates are comparatively high for office product, when contrasted with neighboring markets making the region attractive to investors. However, sustained upward pressure for multifamily rents continues to push cap rates down for that product type. More broadly, low vacancy rates market-wide will continue to drive rents higher to support strong growth.

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PROPERTY TYPE	PROPERTIES SOLD	SALES VOLUME (USD)	TOTAL SF / UNITS	PRICE / SF, UNIT	CAP RATE
Office	23	\$223,839,575	1,808,131	\$123.80	8.6%
Industrial	17	\$151,260,602	1,947,219	\$77.68	N/A
Retail	18	\$168,824,664	924,464	\$182.66	6.8%
Multifamily	30	\$472,774,333	3,011	\$157,015	6.1%
<b>TOTAL</b>	<b>88</b>	<b>\$1,016,699,174</b>	<b>4,679,814</b>	<b>\$217.25</b>	<b>7.2%</b>

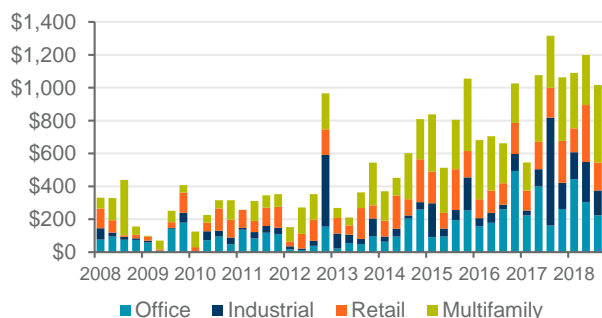
Sources: Real Capital Analytics, Cushman & Wakefield Research Services  
 Closed transactions over \$2.5 million  
 \*SF includes office, industrial and retail. Unit calculation for apartment only.

### Significant Sales Q3 2018

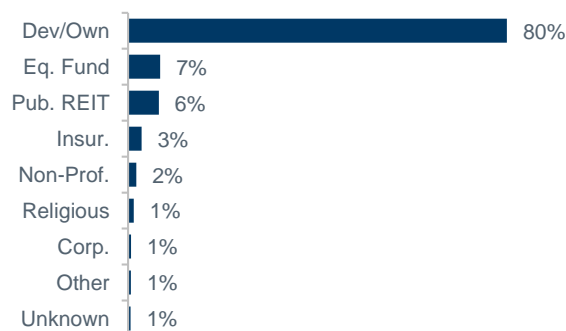
PROPERTY NAME	TYPE	BUYER	SELLER	TOTAL SF / UNITS	PURCHASE PRICE	PRICE/UNIT (\$ PSF)
Villagio, Sacramento	Apartment	FPY Mgmt	JCM Partners	272	\$70,000,000	\$257,353
Elk Grove Commons, Elk Grove	Retail	Acadia	Donahue Schriber	241,911	\$59,298,482	\$245.00
Portofino on the Lake, Sacramento	Apartment	Benedict Canyon Equities	Oakmont Properties	200	\$40,000,000	\$200,000
Lincoln Place, Sacramento	Apartment	29 <sup>th</sup> Street Capital	JCM Partners	240	\$35,000,000	\$145,833
3510 Carlin Dr, West Sacramento	Industrial	Bixby Land, AXA, IM	Ridge Capital	387,420	\$33,290,523	\$86.00
Creekside Oaks, Sacramento	Office	Creekside Properties	Ridge Capital	178,694	\$32,200,000	\$180.00
2 Property Portfolio, Sacramento	Apartment	29 <sup>th</sup> Street Capital	JCM Partners	416	\$60,999,970	\$146,635
Westwood Apartments, Sacramento	Apartment	ColRich	Investwest, Sana Barbara Capital	182	\$23,400,000	\$128,571
The Summit at Douglas Ridge, Roseville	Office	Vetra Mgmt Group	Ellis Partners	97,279	\$22,757,404	\$234.00

Sources: Real Capital Analytics, Cushman & Wakefield Research Services  
 \*Approximate allocation based on purchase price

Total Dollar Volume by Property Type  
 (Dollar Volume in Millions)



Total Acquisitions by Capital Sector



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### About Cushman & Wakefield

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