TRANSWESTERN

SACRAMENTO

MULTIFAMILY MARKET | Q2 2025

182,542
Unit Inventory

1,023
Net Absorption (Units)

6.1%
Vacancy Rate

5.8%
Cap Rate

2,867
Units Under Construction

$1,791
Effective Rent $/Unit

Sacramento Multifamily Market Regains Momentum in Q2

Market Observations

- The Sacramento multifamily market rebounded in Q2 following a sluggish start to 2025, with fundamentals improving across the board to align with levels seen a year ago. Improved tenant demand and heightened investor activity have driven rent growth, lowered vacancy rates, and, along with a modest uptick in leasing activity, signaled renewed momentum heading into the second half of the year.

- Unit absorption in Sacramento increased by 35% since the beginning of Q2, bringing total quarterly absorption to approximately 1,028 units. Reflecting a positive sign of momentum for the market as 1,084 new units came online throughout the period, a strong tailwind for overall leasing activity.

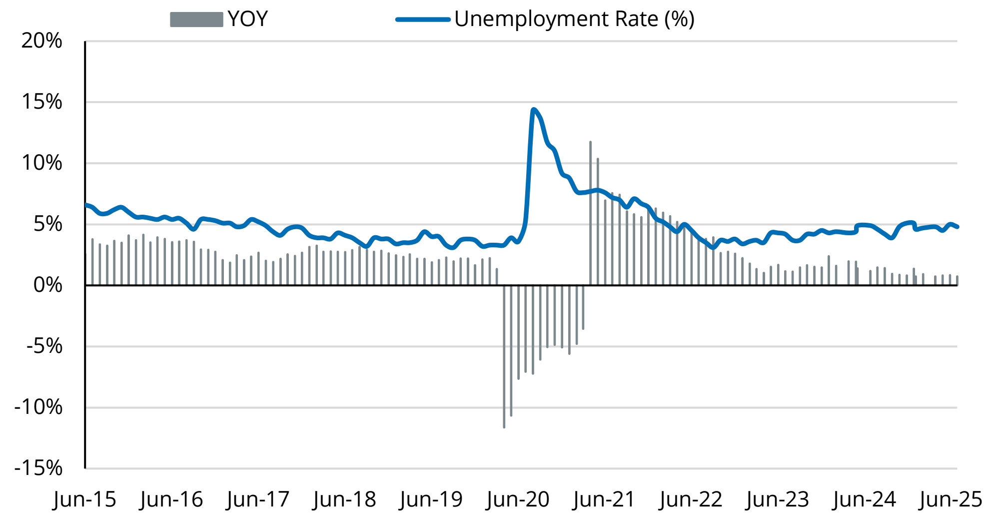
- Sacramento's economy remains stable, closely mirroring trends in neighboring metros as it navigates broader economic crosswinds while continuing to attract talented workers. Similar to the Bay Area, Sacramento has seen its private education and healthcare sectors drive employment growth, adding 11,900 jobs over the past year. However, the ongoing reshaping of the Professional and Business sector has weighed on overall growth, with the sector shedding 3,100 jobs, the most of any industry. As a result, the unemployment rate has edged up by 50 basis points year-over-year bring the rate to 5.3%

ECONOMY

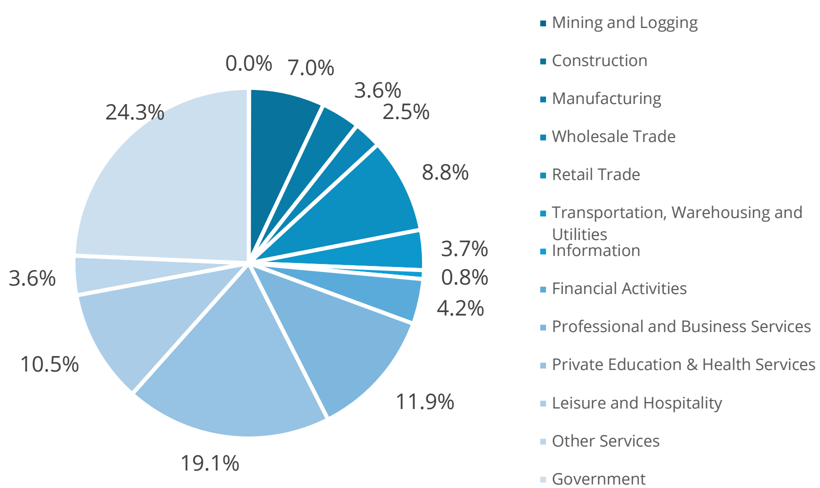
Sacramento's Labor Market Expands Yet is Uneven

- Although Sacramento's unemployment rate has risen by 50 basis points year-over-year, the local economy remains dynamic, with fluctuations ranging from a high of 5.1% in Q2 2024 to a low of 4.3% in Q1 2025, before climbing back to 5.4% as of June. Both population and nonfarm employment have continued to grow steadily, outpacing the rate of hiring and contributing to the rise in unemployment. Nevertheless, the Sacramento metro area has added roughly 80,000 jobs over the past five years significantly outpacing both San Francisco and the East Bay.
- Private education, healthcare, and hospitality were the only sectors to post year-over-year employment gains. All other sectors reported losses, led by business services and closely followed by construction.

OFFICE-USING JOBS AND UNEMPLOYMENT RATE

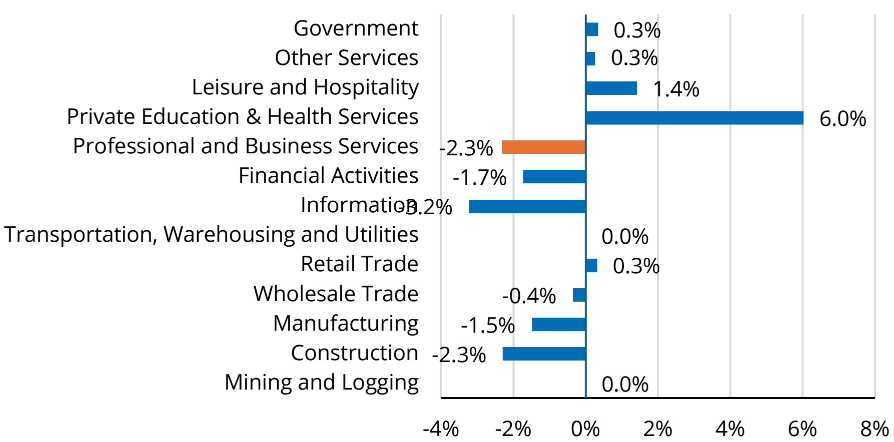


SHARE OF EMPLOYEES BY INDUSTRY



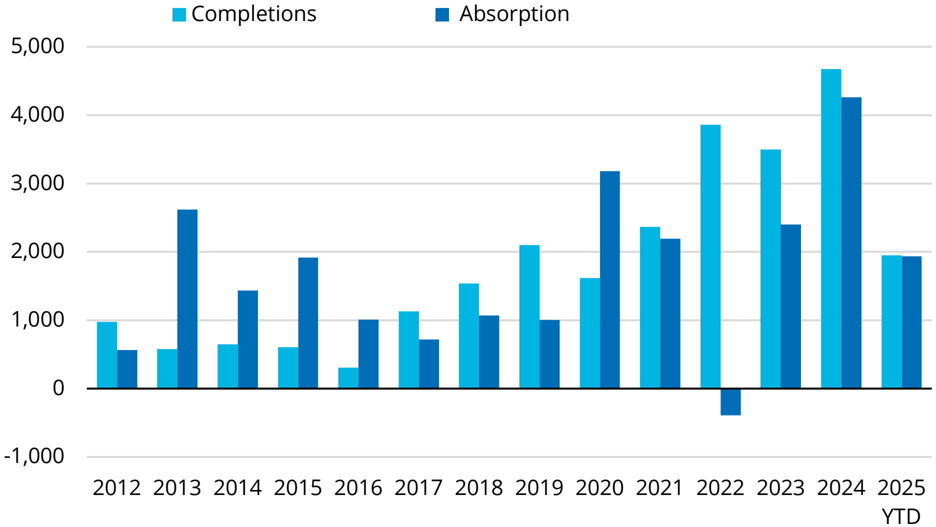
Source: Bureau of Labor Statistics, Transwestern

JOB CHANGE BY INDUSTRY



Source: Bureau of Labor Statistics, Transwestern

SUPPLY AND DEMAND



NET ABSORPTION

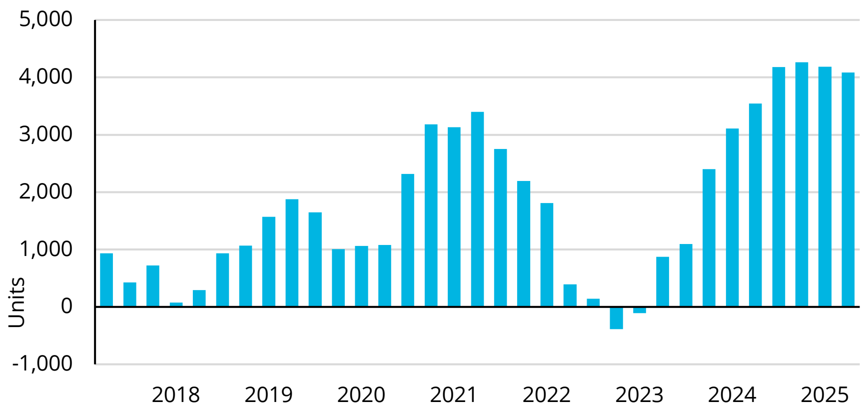
Multifamily Absorption Rebounds in Q2

- Matching the strong absorption seen in the first half of 2024 has proven elusive, as Q1 and Q2 2024 were two of the highest quarterly absorption figures in Sacramento's multifamily market history. Since then, the market has struggled, with absorption dipping below 1,000 units per quarter. However, as of Q2 2025, the market appears back on track. Net absorption rose significantly over the past quarter, increasing by 35.6% to reach 1,028 units, accounting for 58% of the year-to-date total of 1,786 units.

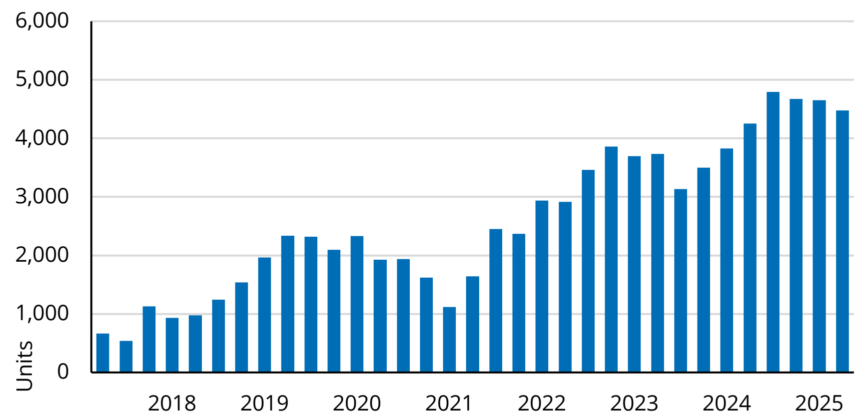
- Class B properties continue to carry the weight of the market, with an inventory of roughly 76,800 units contributing 761 units to overall positive absorption in Q2. This marks a 67% increase quarter-over-quarter, though still a 13% decline compared to the same period last year, indicating there's still room for improvement.

- Class A properties account for 14,800 units in the market and contributed 245 units to total positive absorption in Q2. However, this represents a 25% decline year-over-year and a 13% decrease from the previous quarter.

NET ABSORPTION 4-QUARTER TOTAL



COMPLETIONS 4-QUARTER TOTAL



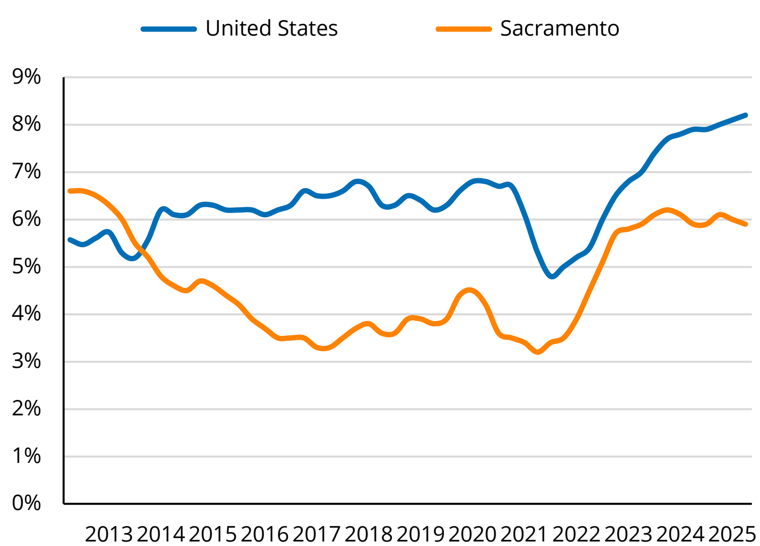
Source: CoStar, Transwestern

VACANCY

Vacancy Trends Stabilize Across Asset Classes

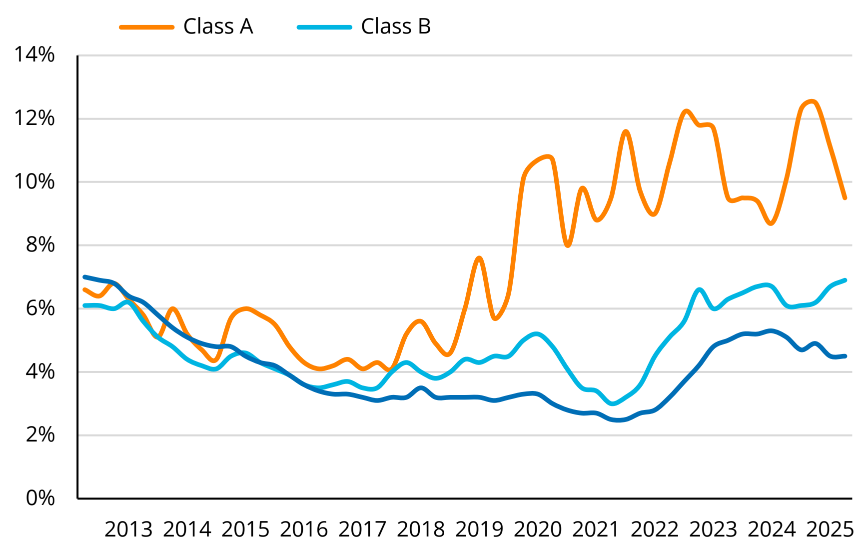
- Class-wide vacancy rates declined for the second consecutive quarter, ticking down 10 basis points to 5.9%, matching the rate seen during the strong Q2 of 2024. Overall vacancies in the region have been steadily rising, partly due to an influx of new units coming online. That said, occasional quarterly declines have helped moderate the pace of increase. Over the past five years, vacancy rates have trended upward from around 3.5% in 2021.
- Class A vacancy rates fell by 1.6 percentage points quarter-over-quarter, marking a significant improvement not seen since 2023, when rates averaged 11.5%. As of now, Class A vacancy stands at 9.5%.
- Class B vacancy rates have been gradually increasing over the past year, rising an average of 20 basis points per quarter and now sitting at 6.9%.
- Class C properties hold the lowest vacancy rate at 4.5% and have seen a gradual decline since Q4 2024, when the rate was approximately 5%.

OVERALL VACANCY RATE



Source: CoStar, Transwestern

VACANCY RATE BY CLASS



Source: CoStar, Transwestern

SACRAMENTO MULTIFAMILY MARKET | Q2 2025

MORTGAGE RATES

ASKING RENT

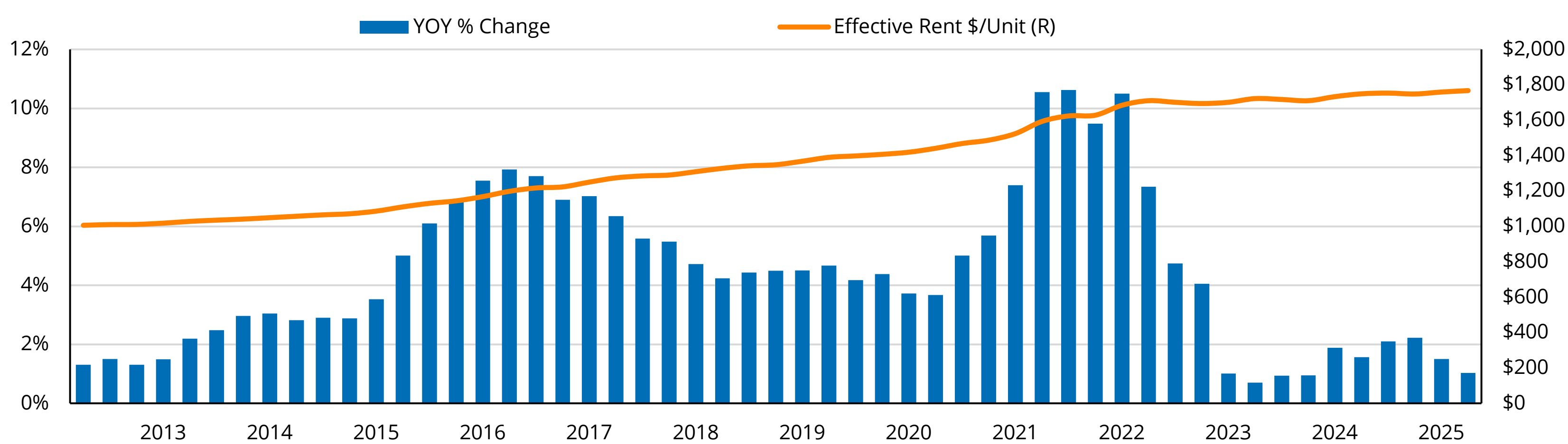
Sacramento Rent Growth Persists

- Sacramento's asking rents continue to rise, posting an 18.8% increase since 2020. Over the past year, class-wide asking rents are up 1%, with a 50-basis-point increase quarter-over-quarter. The average asking rent now stands at $1,767 per unit, marking the highest level on record for the market.

- The Roseville/Rocklin submarket holds the highest effective rents in the Sacramento area, averaging $2,206 per unit. It is closely followed by the Davis submarket at $2,171 per unit. Meanwhile, the Arden/Arcade submarket shows signs of struggle, with rates at $1,464 per unit. For comparison, the national average apartment asking rent currently stands at $1,773.

- 30-year fixed mortgage rates reached a historic high of 7.8% in 2023, the highest level since 2000. After this peak, rates declined briefly between January and May of 2024 but have been steadily increasing since July. At the beginning of 2025 rates were around 6.9% and briefly touching 7%, before declining slightly to 6.8%

EFFECTIVE RENTS AND Y-O-Y GROWTH



Source: CoStar, Transwestern

SACRAMENTO MULTIFAMILY MARKET | Q2 2025

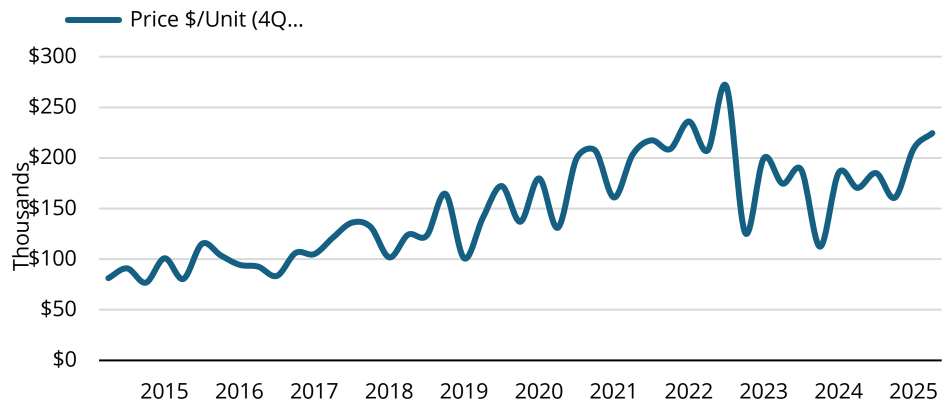
SALES

Strong Q2 Deal Volume Led by Private Buyers and Portfolio Sales

- Investor activity in the Sacramento area surged in Q2, reaching the highest transaction volume since Q3 2022. Total sales reached $333 million, marking a 25% increase quarter-over-quarter. This uptick also supported a significant rise in the average price per unit, which climbed to $224,524.

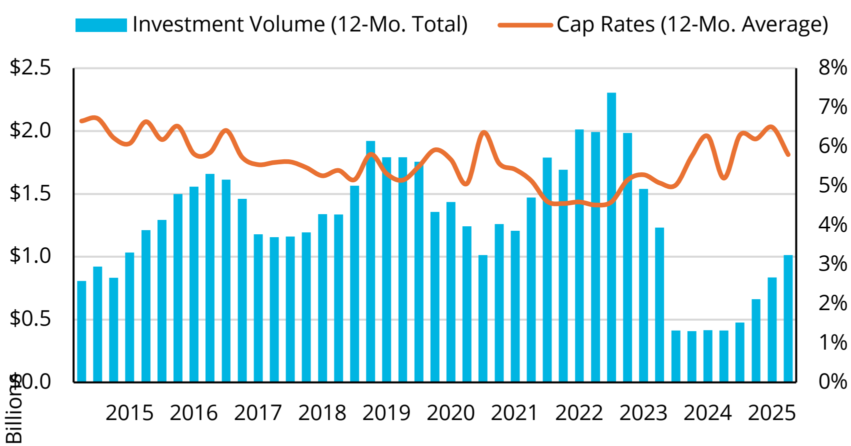
- Private buyers accounted for 61% of investor activity in Q2. There were also several institutional transactions, including Greystar Real Estate Partners' $94 million purchase involving two properties in the West Sacramento submarket. Lincoln Avenue Communities also acquired a three-property portfolio in North Sacramento for a total of $49.25 million.

PRICE $/UNIT



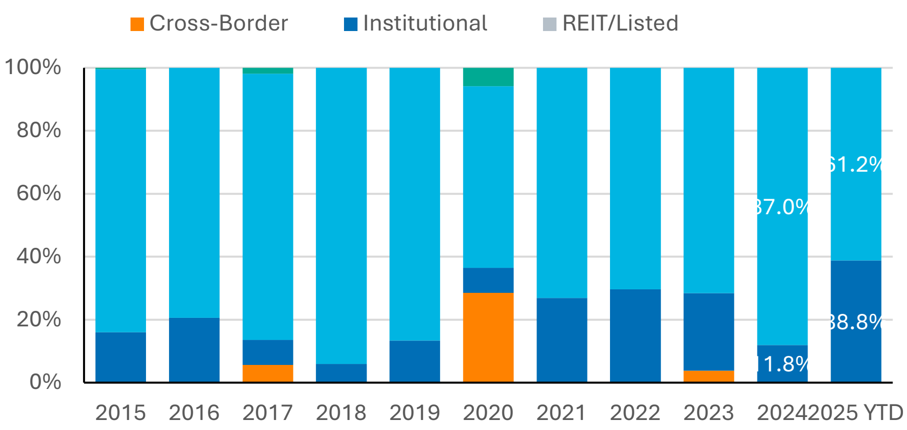
Source: CoStar, Real Capital Analytics, Transwestern

INVESTMENT VOLUME AND CAP RATE



Source: CoStar, Real Capital Analytics, Transwestern

BUYER CAPITAL COMPOSITION



Source: CoStar, Real Capital Analytics, Transwestern

SACRAMENTO MULTIFAMILY MARKET | Q2 2025

NOTABLE SALES

ADDRESS	CITY	SALE DATE	SALES PRICE	NUMBER OF UNITS	PRICE PER UNIT	YEAR CONSTRUCTED	BUYER	SELLER
805 S Riverfront St	West Sacramento	June 2025	$108,400,000	285	$380,351	2023	Cottonwood Residential	CA Residential LLC
2150 Valley Oak	West Sacramento	May-2025	$51,200,000	208	$246,154	2007	Greystar Real Estate Partners	EQT Real Estate
850 Sacramento Ave	West Sacramento	May-2025	$42,800,000	192	$222,917	2005	Greystar Real Estate Partners	EQT Real Estate
5511 Harrison St	North Highlands	May-2025	$27,750,000	141	$196,809	1986	Lincoln Avenue Communities	Rainbow Housing
385 Bell Ave	Sacramento	May-2025	$14,500,000	76	$190,789	1991	Lincoln Avenue Communities	Rainbow Housing

Q2 SUBMARKET FUNDAMENTALS

TENANT	INVENTORY (UNITS)	EFFECTIVE RENT $/UNIT	YOY RENT GROWTH	VACANCY RATE	ABSORPTION (4 QUARTER)	COMPLETIONS (4 QUARTER)	ANNUAL CAP RATE	ANNUAL $/UNIT
Arden/Arcade	18,560	$1,464	1.4%	5.0%	103	124	5.9%	$120,423
Carmichael/Citrus Heights	18,605	$1,647	1.9%	4.9%	71	108	5.3%	$161,905
Central Sacramento	14,890	$1,762	1.3%	9.0%	1,066	878	4.9%	$183,200
Davis	8,640	$2,171	-2.2%	5.8%	16	160	6.1%	$234,211
Folsom/Orangevale/Fair Oaks/El Dorado County	18,716	$1,950	-0.8%	7.6%	595	1,042	6.1%	$160,887
North Sacramento/North Highlands/Natomas	30,867	$1,800	1.6%	5.7%	727	828	6.0%	$187,013
Rancho Cordova	9,452	$1,749	1.2%	7.4%	203	151	5.1%	$218,085
Roseville/Rocklin	16,152	$2,206	0.9%	5.0%	367	303	6.0%	$145,977
South Sacramento/Elk Grove	32,483	$1,645	2.4%	4.9%	618	731	6.5%	$164,205
Woodland/West Sacramento	12,756	$1,518	-0.7%	5.9%	227	340	6.2%	$289,235
Sacramento Total	**182,542**	**$1,791**	**0.7%**	**6.1%**	**3,993**	**4,665**	**5.8%**	**$186,514**

Research Methodology

The information in this report is the result of a compilation of information on office properties located in the east bay. This report includes single tenant, multi-tenant and owner-user properties 10,000 SF and larger, excluding condo and medical facilities and those properties owned and occupied by a government agency.

About Transwestern

Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award-winning, collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all. Learn more at transwestern.com and @Transwestern.

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