

# APARTMENT REPORT

## GALLELLI INVESTMENT

SECOND QUARTER | 2011 | SACRAMENTO CALIFORNIA

## MARKET SUMMARY

### RENTAL AND VACANCY RATES

The Sacramento market had over \$321,000,000 in transactions for 2010, which was more than double the amount for 2009. For 2011, we are expecting to see slight increases in rental rates, increased occupancies and over \$400,000,000 in sale transactions.

The Gallelli Investment Team 2nd quarter 2011 apartment rental survey reports an overall market vacancy rate of 4.7% and an average rental rate for all types of units across all submarkets of \$889 per month. Average rental rates rose from \$886 in the 2nd quarter of 2010 to \$889 in the 2nd quarter of 2011. The survey also revealed a 130 basis points vacancy reduction over the past year, resulting in a decrease from 6.0% to 4.7%.

Average rental rates increased slightly as concessions waned as landlords have experienced vacancy decreases in most Sacramento submarkets. The shadow market is still a factor, but not to the extent that it was when the recession began.

### SALES TRANSACTIONS

Second tier markets, such as Sacramento, are becoming increasingly popular as buyers are being priced out of the major metro centers. Lower pricing in secondary markets allows buyers to purchase anywhere from 100 to 150 basis points higher than in primary markets, such as the San Francisco Bay Area. Transaction volume has picked up since the 1st Quarter of 2011. There are still significant amounts of REO and distressed properties on the market, but the market is no longer dominated by that class of product.

Compared to the first half of 2010, when a majority of the REO product on the market was lower quality, Class C REO

product, we are now seeing some more attractive opportunities of better quality Class B-/C+ class assets in need of some value add or rehab work. More Class A product is being brought to market as investors are deploying capital into stable long term growth deals and paying top dollar for them. The +400-unit Meridian at Stanford Ranch is on the market as well as the Villages at Galleria. Each property is listed at more than \$120,000 per unit.

Units transacted increased dramatically in the 2nd Quarter 2011. Total units transacted were about equal to 1st Quarter 2011. However, the sale of the 612 unit Slate Creek at Johnson Ranch in the Roseville submarket accounted for the bulk of the total 2nd Quarter 2011 transaction volume. The property which was purchased in 2009 for \$54,000,000 fetched \$76,500,000 this time around. The only other notable transaction occurred in the downtown Sacramento submarket, as Governor's Village sold for \$8,450,000. The two large and notable transactions accounted for a combined 85% of the total 2nd Quarter 2011 sales volume.

### NEW CONSTRUCTION

Through July of this year, Sacramento has already surpassed last year's total of 476 multifamily units permits issued.

### EMPLOYMENT

In July 2011, the Sacramento MSA unemployment rate rose to 12.5% from an 11.8% rate in May 2011. Sacramento's unemployment rate has remained in the 12% to 13% range since October of 2009.

### SIGNIFICANT APARTMENT SALES

		Price	# of Units	Price/Unit	Price PSF	Actual Cap Rate	Year Built
Slate Creek at Johnson Ranch	Roseville, CA	\$76,500,000	612	\$125,000	\$119.90	6.20%	1989
Governor's Village	Sacramento, CA	\$8,450,000	103	\$82,039	\$118.63	5.80%	1973
Parkmont(1)	Sacramento, CA	\$3,400,000	156	\$21,795	\$38.20	N/A	1959
Moraine Gardens(1)	Rancho Cordova, CA	\$2,400,000	74	\$32,432	\$42.29	N/A	1965/1980
Palm Garden	Sacramento, CA	\$2,275,000	80	\$28,438	\$33.85	N/A	1955
Carol Manor	Sacramento, CA	\$1,860,000	26	\$71,538	\$135.96	N/A	1955
Westgate Gardens(1)	West Sacramento, CA	\$1,575,000	48	\$32,813	\$50.48	8.20%	1960
Omega Court	North Highlands	\$1,320,000	106	\$12,453	\$17.97	N/A	1963
Portofino(1)	Sacramento, CA	\$1,160,000	38	\$30,526	\$44.10	10.40%	1960

(1) REO Sale

# APARTMENT REPORT

GALLELLI INVESTMENT

SECOND QUARTER 2011

## MULTI FAMILY COMPARISON

SACRAMENTO, CA

Area	SECOND QUARTER 2011				SECOND QUARTER 2010			
	<u>Units Surveyed</u>	<u>Avg Rent</u>	<u>Avg Rent Per Sq/Ft</u>	<u>Percent Vacant</u>	<u>Units Surveyed</u>	<u>Avg Rent</u>	<u>Avg Rent Per Sq/Ft</u>	<u>Percent Vacant</u>
1 Downtown Sacramento	1,049	\$1,124.50	\$1.49	3.3%	824	\$1,169.50	\$1.44	7.2%
2 East Sacramento	122	\$793.00	\$1.09	4.9%	123	\$785.00	\$1.07	4.1%
3A Land Park	200	\$761.00	\$0.90	9.5%	200	\$752.00	\$0.89	6.4%
3B South Sacramento	1,109	\$664.00	\$0.94	7.1%	1,095	\$682.00	\$0.95	8.2%
3C Florin	2,048	\$730.50	\$0.98	4.1%	1,393	\$723.50	\$0.97	6.3%
4 Greenhaven	3,768	\$908.00	\$1.02	5.8%	2,934	\$914.50	\$1.01	5.4%
5A Rancho Cordova	5,297	\$838.00	\$1.04	4.5%	3,971	\$821.00	\$1.02	5.2%
5B Capital Center	1,996	\$832.00	\$0.95	4.3%	1,996	\$817.50	\$0.93	5.9%
6 Arden/Arcade	5,009	\$868.50	\$1.06	5.2%	4,701	\$861.00	\$1.05	5.0%
7A Arden	2,663	\$686.00	\$0.93	8.2%	2,382	\$700.00	\$0.93	7.0%
7B Carmichael	2,347	\$762.00	\$0.92	4.6%	1,898	\$753.50	\$0.89	5.8%
8 Del Paso	110	\$608.00	\$0.71	2.7%	110	\$626.00	\$0.74	0.9%
9A South Natomas (W)	2,186	\$1,045.50	\$1.16	6.4%	2,186	\$1,060.50	\$1.18	6.3%
9B South Natomas (E)	4,344	\$806.50	\$0.97	5.4%	4,344	\$810.50	\$0.98	7.4%
10 North Natomas	2,918	\$1,084.50	\$1.14	5.1%	2,738	\$1,082.00	\$1.14	4.7%
11 N. Highlands/Rio Linda	2,814	\$748.00	\$0.95	6.1%	2,560	\$733.50	\$0.92	6.0%
12 Antelope	1,707	\$947.50	\$1.12	4.3%	1,707	\$870.50	\$1.03	4.5%
13 Citrus Heights	5,904	\$812.00	\$1.00	3.8%	5,123	\$806.50	\$0.99	7.7%
14 Fair Oaks	2,781	\$819.50	\$0.99	5.4%	2,104	\$804.00	\$1.01	7.0%
15 Orangevale	1,839	\$852.50	\$1.08	2.9%	1,405	\$871.00	\$1.04	3.7%
16 Folsom	2,004	\$1,183.00	\$1.30	4.2%	2,680	\$1,104.50	\$1.16	5.1%
17 Roseville/Rocklin	7,890	\$1,059.50	\$1.13	3.0%	7,585	\$1,020.00	\$1.09	6.0%
18 Elk Grove	982	\$938.00	\$0.98	3.2%	892	\$923.50	\$0.95	10.0%
19 West Sacramento	164	\$738.50	\$1.06	7.9%	72	\$600.00	\$0.91	2.8%
20 El Dorado Hills	276	\$1,304.50	\$1.23	0.7%	688	\$1,192.50	\$1.18	3.6%
21 Cameron Park	606	\$931.50	\$1.07	2.3%	667	\$928.50	\$1.07	4.6%
<b>TOTALS</b>	<b>62,133</b>	<b>\$888.86</b>	<b>\$1.05</b>	<b>4.7%</b>	<b>56,378</b>	<b>\$886.34</b>	<b>\$1.03</b>	<b>6.0%</b>

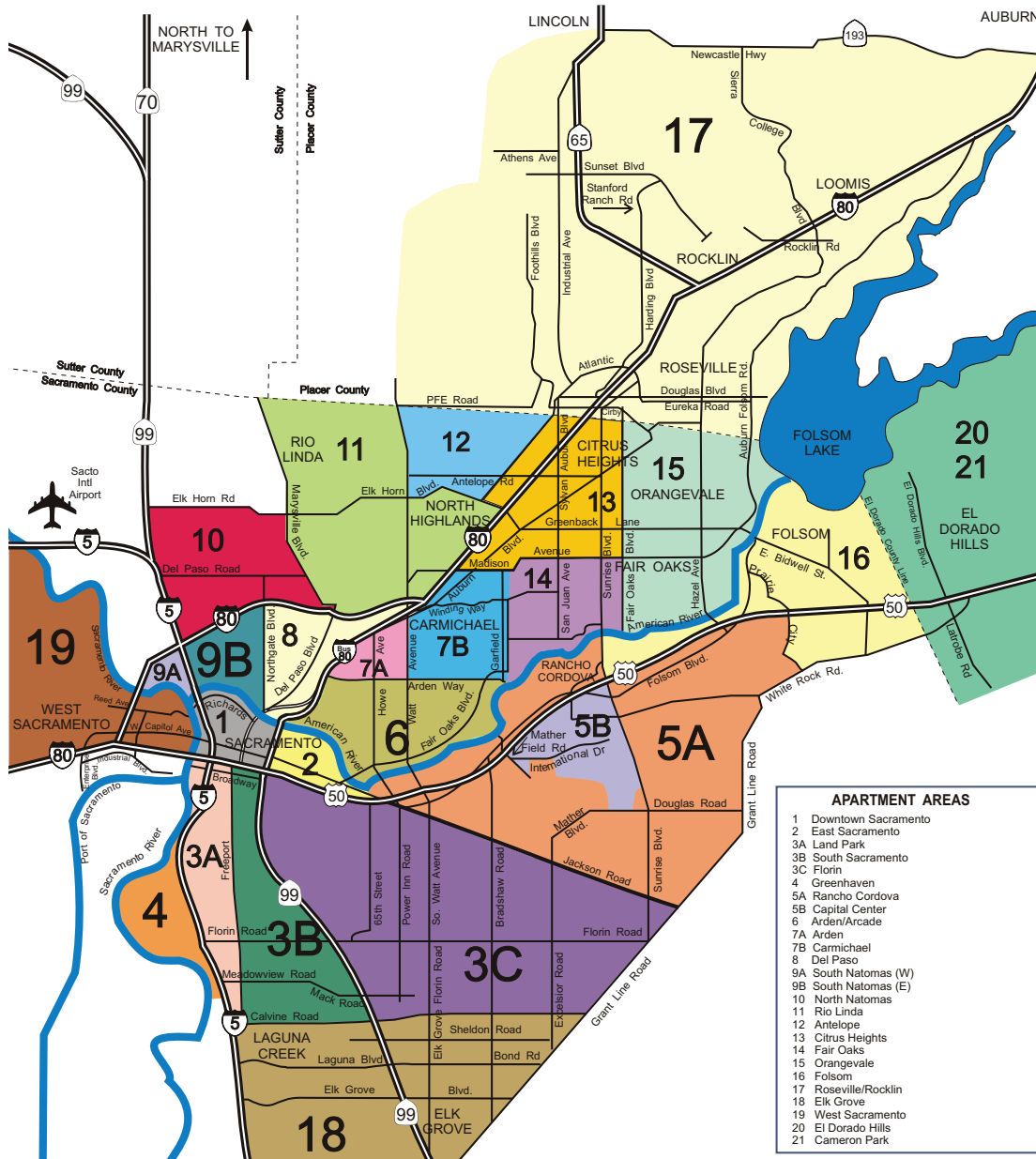
# APARTMENT REPORT

GALLELLI INVESTMENT

SECOND QUARTER 2011

## AREA MAP

MULTI FAMILY COMPARISON



REAL ESTATE SERVICES



### Contact Us:

**Gary Gallelli, E.V.P.**  
 Director Investment Sales  
 DRE LIC 01099383  
[Gary@gallellivoitco.com](mailto:Gary@gallellivoitco.com)

**Rod Ballinger**  
 Assistant Vice President  
 DRE LIC 01279441  
[Rod@gallellivoitco.com](mailto:Rod@gallellivoitco.com)

2237 Douglas Blvd. #100  
 Roseville, ca 95661  
**T 916.784.2700 | F 916.784.2098**  
[www.gallellivoitco.com](http://www.gallellivoitco.com)