Market Report

MULTIFAMILY 2Q/26

Sacramento Metro Area

IPA | INSTITUTIONAL PROPERTY ADVISORS

2026 FORECAST

EMPLOYMENT
7,000 — Jobs will be created
0.6% — Increase Y-O-Y

CONSTRUCTION
1,300 — Units will be added
0.8% — Inventory increase Y-O-Y

VACANCY
4.4% — Vacancy rate
40 — BPS decrease Y-O-Y

RENT
$2,012 — Average effective rent by year-end
1.7% — Increase Y-O-Y

Onset of 2026 Positions Sacramento for Near-Term Vacancy Compression

Class-cut metrics stand out nationally. Following a challenging second half of 2025, Sacramento's multifamily sector logged moderate vacancy compression during the first quarter of 2026. This 20-basis-point reduction is encouraging; however, the comparable demand that exists for apartments of various qualities more clearly reflects the current state of the local rental landscape. At the start of April, Class B and C vacancy rates stood at 4.6 percent, with the local Class A rate at 4.5 percent. The lack of disparity between property tiers' vacancies, which nationally is matched only by Atlanta, reflects a healthy market well positioned to maintain sub-5 percent vacancy over the near term.

Pipeline shrinks to near-term low. Local Class A vacancy is on par with its long-term average, which would appear to warrant new supply. The metro's active pipeline as of May, however, consisted of just 1,950 units, or 1.2 percent of existing inventory, with 375 to 500 apartments underway in Central Sacramento, West Sacramento, Roseville-Rocklin, and South Sacramento. As these properties come online, the active pipeline is poised to shrink rather than be refilled. The six-month period ending this March lacked project starts, after developers broke ground on more than 1,200 rentals during the prior 12 months.

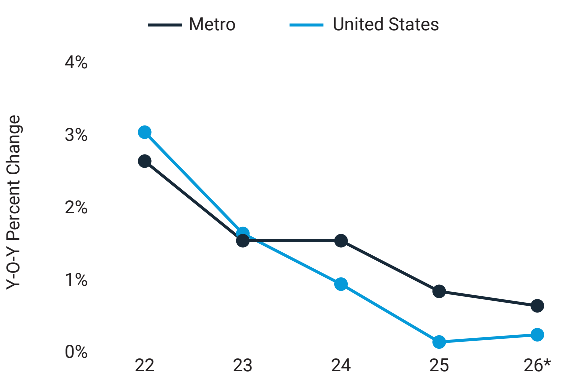
EMPLOYMENT

Approximately 10,400 education and health services roles were added over the past year ending in March, offsetting job losses across most other employment segments. Sacramento's health sector is poised for further gains, as its population aged 65 and older is projected to rise by 46,000 over the next five years. Ongoing hospital projects — a new tower at UC Davis Medical Center and Kaiser Permanente's Railyards center — also stand to increase the number of health-related roles in the long term.

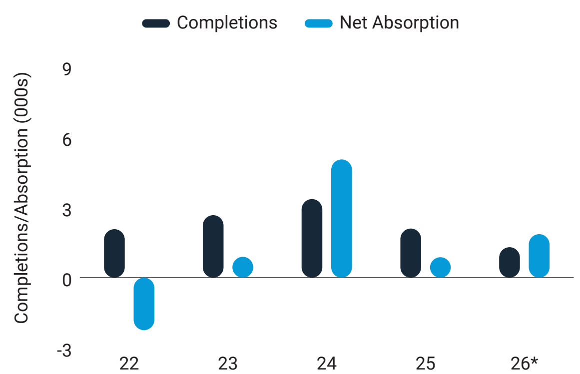
CONSTRUCTION

Developers completed 210 units during the first three months of this year, representing the lowest quarterly total since late 2020. Deliveries should remain occasional over the remainder of 2026, highlighted by a group of smaller additions in Central Sacramento and lone 200-plus-unit properties in Natomas and West Sacramento. As such, the metro's rental inventory is on track to expand by less than 1 percent for a second straight year, with the active pipeline indicating this trend may repeat in 2027.

EMPLOYMENT TRENDS



CONSTRUCTION TRENDS



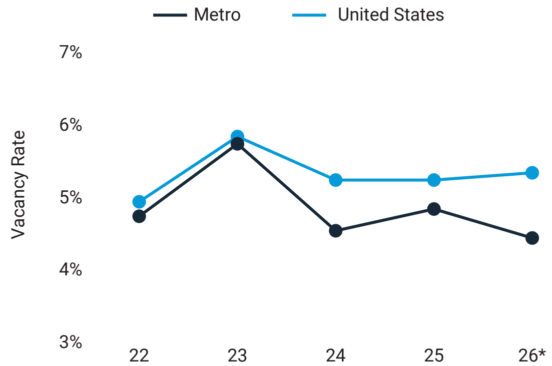
* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

VACANCY

Sacramento entered April with 4.6 percent vacancy, just 40 basis points above its prior five-year average. Conditions are slightly tighter in the suburbs at 4.4 percent, with vacancy down 30 basis points during the first quarter. At 7.0 percent, vacancy is locally elevated in the CBD; however, the local rate compressed by 140 basis points during the first three months of 2026. Here, demand for Class A rentals is improving as upper-tier vacancy fell 70 basis points over the past 24 months amid the delivery of 1,200 units.

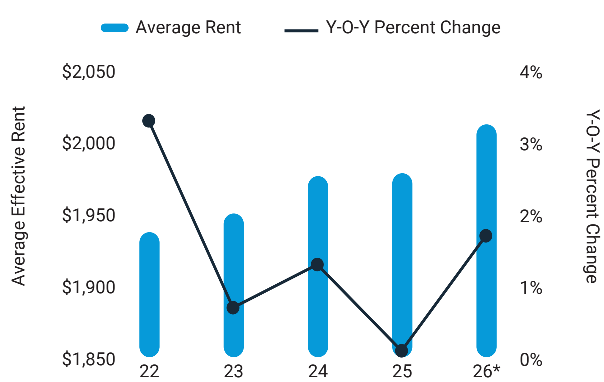
VACANCY TRENDS



RENT

Comparable vacancy across class cuts during the past year contributed to similar, albeit moderate, rent growth among these property tiers, lifting Sacramento's average effective rate to $1,991 per month. Upward overall momentum is being driven by rent increases at renewal, which averaged 3.4 percent over the 12 months ended in March. This trend is poised to continue in the near term, as a recent rise in concessions usage among available apartments impacts rent movement for new leases.

RENT TRENDS



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

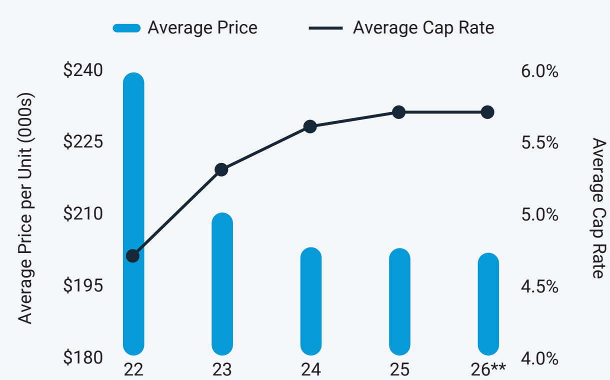
INVESTMENT HIGHLIGHTS

- Driven by a rise in $1 million to $10 million transactions, deal flow climbed 40 percent year-over-year during the 12 months ended in March. Private investors continue to utilize 1031 exchanges to acquire Class C properties at a notable discount to other major in-state markets. Of late, pre-1980s-built complexes with fewer than 30 units frequently transacted for under $200,000 per unit, with Arden-Arcade, South Sacramento, and North Highlands ranking as popular close-in suburbs. In the CBD, smaller Class C assets in Midtown still rarely command more than $300,000 per unit.

- Investors targeting California submarkets with vacancy well below the statewide average may consider listings in Carmichael and Roseville — submarkets that entered April with vacancy rates of 3.2 and 3.6 percent, respectively. Property metrics in Carmichael are poised for stability as the area lacks construction and offers residents the metro's lowest average rent. Roseville, meanwhile, boasts limited vacancy while ranking as the metro's second highest-cost submarket for renters. This latter performance may stir interest among some institutional investors eyeing properties built after 2000.

- Multifamily fundamentals in Davis are likely to catch the attention of investors with a history of owning rentals in college towns. Over the past 15 months, nearly 600 units were removed from the submarket's apartment stock — outpacing completions and translating to a 3.3 percent inventory reduction. A decline in multifamily stock amid a period of record enrollment at UC Davis should bode well for future rental demand.

SALES TRENDS



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