



MARKET REPORT

From Commercial Kate Multi-Family Market

Tracy - July 2020

www.commercialkate.com

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Vacancy

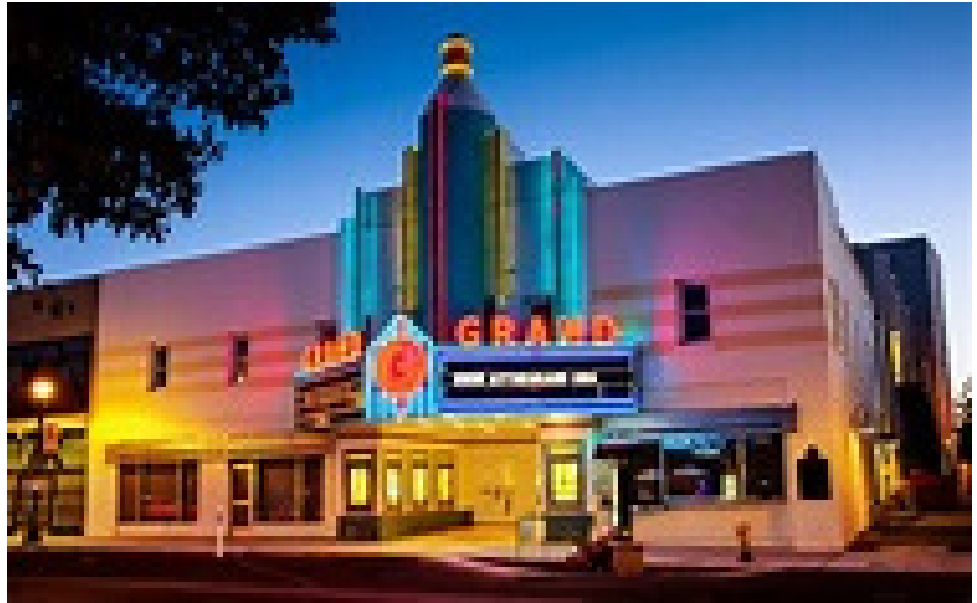
The current (July) vacancy rate for all multi-family product in Tracy is 3%. This is very low.

Average Rent

The average unit rent for a studio is \$505 per month. The average monthly rent for a one bedroom unit is \$1,381; the average rent for a two bedroom unit is \$1,744 and the rent for a three BR unit is \$2,138. Rents for all unit types, have gone down, albeit slightly, since June.

Sale Price / Unit

Average sale price per unit is \$193,945 for all apartment sales in Tracy over the previous twelve months.



Grand Theater for the Arts; originally built in 1923

Overview

The good news is that vacancy remains at only 3% for multi family at this time in the city of Tracy. This is partially attributed to the landlord and tenant wanting to work things out with regards to rent payments. In addition, certain landlords with FHFA loans are able to receive relief on their loan payments.

In this first monthly newsletter I address three timely issues affecting commercial real estate located in San Joaquin County: 1) eligibility for Prop 8, temporary reduction in property taxes, 2) San Joaquin County Eviction Moratorium and 3) the

proposed split role initiative that you will be voting on in the upcoming November ballot.

Prop 8 - Property Tax Reduction

Proposition 8 is a means to establish a temporary reduction in property taxes whereby a property owner in the State of California can apply for a revised assessed value if the current assessed value (on their property tax bill) exceeds the market value. The form is available on the San Joaquin County Assessor's website.

New Construction

No new apartments were delivered in 2020. SFR construction is booming, with approximately 500 new SFRs currently available or in the pipeline.

Cap Rates

The current average cap for Tracy multi-family is 7.7%. Cap rates for lower grade properties are lower than those with a higher class rating.

Number of Sales

During the previous twelve months, 5 multi-family residential projects were sold. The average marketing period was 3.9 months and the difference between list price and sale price was negative 3.7%.

There are currently no multi-family residential properties on the market - though there are two mobile home parks currently listed for sale. Mobile home parks are typically resilient through economic downturns.

San Joaquin County Eviction Moratorium

San Joaquin County tenants, in unincorporated areas and San Joaquin County Cities, including Tracy & Lodi, are protected from evictions related to COVID-19 income disruptions. Until at least May 31, 2020, San Joaquin County landlord's authority to commence evictions on tenants was suspended for non-payment of rent due to financial disruption related to COVID-19. To qualify for eviction protections, San Joaquin County tenants must: 1) demonstrate that the COVID-19 or a government emergency response measure has impacted their household or business income; 2) provide the landlord with written notice of inability to pay rent due to the COVID-19 impact, with supporting documentation.

Landlord Relief

The Federal Housing Finance Agency (FHFA) on March 23 announced that Fannie Mae and Freddie Mac will offer mortgage forbearance for multifamily property owners, under the condition that they suspend all evictions for renters who are unable to pay rent because of COVID-19. "To be eligible, property owners must suspend evictions for as long as the owner remains in forbearance. Forbearance is available only for multifamily housing properties with an "Enterprise-backed performing multifamily mortgage" that is financially impacted by coronavirus. Owners who believe that they qualify should contact

their loan servicer to learn more about the process to seek relief.

Split Roll

California voters this November will likely see an initiative that would undo part of a landmark law that has capped property tax increases for decades. The so-called "split-roll" initiative would change how California taxes properties, retaining a limit on tax increases for residential properties but allowing new assessments of commercial sites worth more than \$3 million. California voters enshrined a strict limit on property tax in 1978, when they passed Proposition 13. It allows reassessments only when a property changes hands or undergoes redevelopment. It also restricts annual tax increases.

Note: All types of residential properties, including multi-family, are excluded at this time.

Questions or Comments?

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