

1614 K

MIDTOWN MULTIFAMILY FOR SALE



TURTON
COMMERCIAL REAL ESTATE

1614 K



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The information contained in the Offering memorandum is confidential and provided solely for the purpose of review by prospective purchasers of 1614 K Street, Sacramento, CA (the "Property") and is not to be used for any other purpose or made available to other persons without the express written consent of Turtton Commercial Real Estate ("TCRE"), Ken Turton or the Owner. The material contained herein is based upon information supplied by owner in coordination with information provided by TCRE from sources it deems reasonably reliable. Summaries of documents are not intended to be comprehensive or all-inclusive but rather a general outline of the provisions contained herein and subject to more diligent investigation on the part of the prospective purchaser. No warranty, expressed or implied, is made by owner, TCRE or any other respective affiliates, as to the accuracy or completeness of the information contained herein or any other written or oral communication provided to a prospective purchaser in the course of its evaluation of the Property. No legal liability is assumed or to be applied in connection with the information or such other communication. Without limiting the general nature of the foregoing, the information shall not be deemed a representation of the state of affairs of the Property or constitute an indication that there has been no change in the business affairs, specific finances or specific condition of the Property since the date of preparation of the information. Prospective purchaser shall make their own projections and conclusions without reliance upon the materials contained herein and conduct their own independent due diligence, inspection and review of the Property, including but not limited to engineering and environmental inspections, to determine the condition of the Property and the existence of any potential hazardous material located at the site. This Offering Memorandum is subject to prior placement, errors, omissions, changes or withdrawal without notice and does not constitute a recommendation, endorsement or advice as to the value of the Property by TCRE or the Owner. Each prospective purchaser is to rely upon its own investigation, evaluation and judgement as to the advisability of purchasing the Property described herein. TCRE is not authorized to make any representations or agreements on the part of the Owner.



THE OPPORTUNITY

Turton Commercial Real Estate is pleased to present to market a rare eight (8) unit artist-loft building located on the highly desirable K Street thoroughfare in the much sought after live-work-play destination of Midtown Sacramento. Prominently positioned on a 12,858 SF parcel on K Street between 16th and 17th Streets, the Subject Property is a walker’s paradise located within an easy stroll to over 20 of Sacramento’s finest mid-town eateries, cafés, and local watering holes.

The Subject Property presents a stabilized-income opportunity with a favorable composition of artist-loft studios with rents set by SHRA (Sacramento Housing and Redevelopment Agency), approximately 1,024 Sq. Ft in size. Offered for \$2,500,000, this represents an “as-is” capitalization rate of 3.80% inclusive of pro-forma property taxes and a 4% vacancy factor. New ownership also has the potential to develop an additional 8-12 Multifamily units at market rents at

the the rear portion of the parcel. There is currently an easement/parking agreement in place at this rear portion with the neighboring property, that ownership is exploring alternatives to extinguish and/or terminate, and making advances daily to remove. Should current ownership be unsuccessful in removing the easement by close of escrow, the Sellers will discount \$400,000 from the purchase price, bringing the new purchase price to \$2,100,000, representing a 4.52% capitalization rate.





THE PROPERTY

8	1,024	8
UNITS	UNIT SIZE	PARKING STALLS

1614 K Street is an extremely well-designed mid-century modern two-story apartment complex comprised of eight 1-bedroom. Each unit is efficiently designed to provide residents with ample kitchen and cabinet space, including electric stoves, window-unit A/C, generously sized living rooms and a spacious separate bedroom area with hall bathroom. In addition, the Property contains eight (8) onsite parking spaces, representing a significant source of additional income as average rent rate for such parking spaces are \$150 per month in this submarket. There is a regulatory agreement in place until October of 2029, mandating lofts are to be rented at 110% Area Median Income (AMI). New ownership also has the potential to develop an additional 8-12 Multifamily units

at market rents at the the rear portion of the parcel, contingent upon removal of the current easement in place. The alley access provides several feasible options to further increase the cash flow and enhance the value of the asset. The configuration of the lot offers a possible infill development opportunity of additional residential units, such as, a single family residences, townhomes, or a multi-family apartment building with parking garage underneath. Centrally located in the Boulevard Park area of Midtown Sacramento, the Subject Property offers its residents excellent walkability, with easy access to some of the most vibrant streets, restaurants, shops, and districts of Sacramento including J Street, the Handle District, Lavender Heights, the Sutter Dis-

trict, and more. In a time where the average Sacramento professional commutes an average of 26 minutes, 1614 K St offers the rare and attractive possibility of short commute times to its residents, being well-located between two of Sacramento's largest employment areas—Downtown Sacramento and the Med Center area in East Sacramento. As an added bonus, the property is located near the 244-acre Railyards development, which, when finished, will be largest infill development west of the Mississippi. The Railyards plans include the future MLS Sacramento Republic FC stadium (a \$300M project) with a 17-acre surrounding entertainment district, new music venue, and enhanced public transportation options.





PROPERTY DETAILS

BUILDING INFORMATION

PROPERTY NAME:	ART SPACE
ADDRESS:	1614 K ST, SACRAMENTO, CA 95814
TOTAL PRICE:	\$2,500,000
PRICE FOR EXISTING BUILDING:	\$2,100,000
PRICE FOR DEVELOPABLE LAND:	\$400,000
CAP RATE ON ACTUAL INCOME:	4.52%
(BASED ON EXISTING BUILDING PRICE)	
CAP RATE ACTUAL:	3.80%
(BASED ON EXISTING BUILDING + LAND)	
YEAR BUILT:	1997
NUMBER OF UNITS:	8
RENTABLE SQUARE FEET:	8,192 SF
PARKING STALLS:	8
AVERAGE UNIT SIZE:	1,024 SF
AVERAGE IN-PLACE RENT:	\$1608
OCCUPANCY:	100%

UTILITIES

ELECTRICITY	SMUD
WATER	City of Sacramento
SEWER/STORMWATER	City of Sacramento
GAS	Pacific Gas & Electric
GARBAGE	Republic Services
FIBER	Comcast / Direct TV / U-Verse

Section One: The Property

1614 K





BUILDING LOCATION

10+

NEARBY DEVELOPMENTS

1,000+

NEW HOUSING UNITS

75+

NEARBY AMENITIES

The 16th Street Corridor, The Golden Block, The Sutter, and The Handle District, a few of Sacramento's best kept secrets, bring delicious cocktails, theater, live music, and award-winning cuisine to the Urban Core. Between 2016 and 2019 over 1,000 new residential units will be added to the Downtown Grid and/or immediately surrounding blocks. Midtown, already recognized nationally as one of the most walkable business/residential neighborhoods in America, unofficial home of the farm-to-fork movement and home to over 100 restaurants and eateries, became even more popular with rents soaring into the upper \$30 per sf annual range and vacancies diminishing to under 4%. Residential rents which had historically

hovered below \$2 per square foot escalated to \$3+ per sf for best-in-class properties. The significantly increased demand for residences is not just a function of increased amenities (although that appears to be the piece that was missing to expedite the process). It is also a function of the evolution taking place at a national level to manage resources more efficiently. Dominated by single and two-person family structures, urban renters recognize they have virtually no maintenance requirements (yard, pool, larger scale housing, etc...) and much more efficient transportation options. Today, urban residents may not even need a car. This is particularly true if one is a resident of The Palms

located just a few blocks from the busiest public transportation hub in the City, and blocks from the primary urban grocery store (Safeway). Over 120,000 people work in the Downtown/Midtown area and there is no workplace that isn't in walking distance from the Subject Property. In addition, the amount of utility resources (electricity, gas, water and trash) are greatly minimized in apartment environments and this is certainly true in the Subject Property. Sacramento's multi-family residential occupancy has been well below national averages for Tier 1 and 2 population centers for many years and current rents and waiting lists indicate it may be many more years for supply to meet the pending demand.



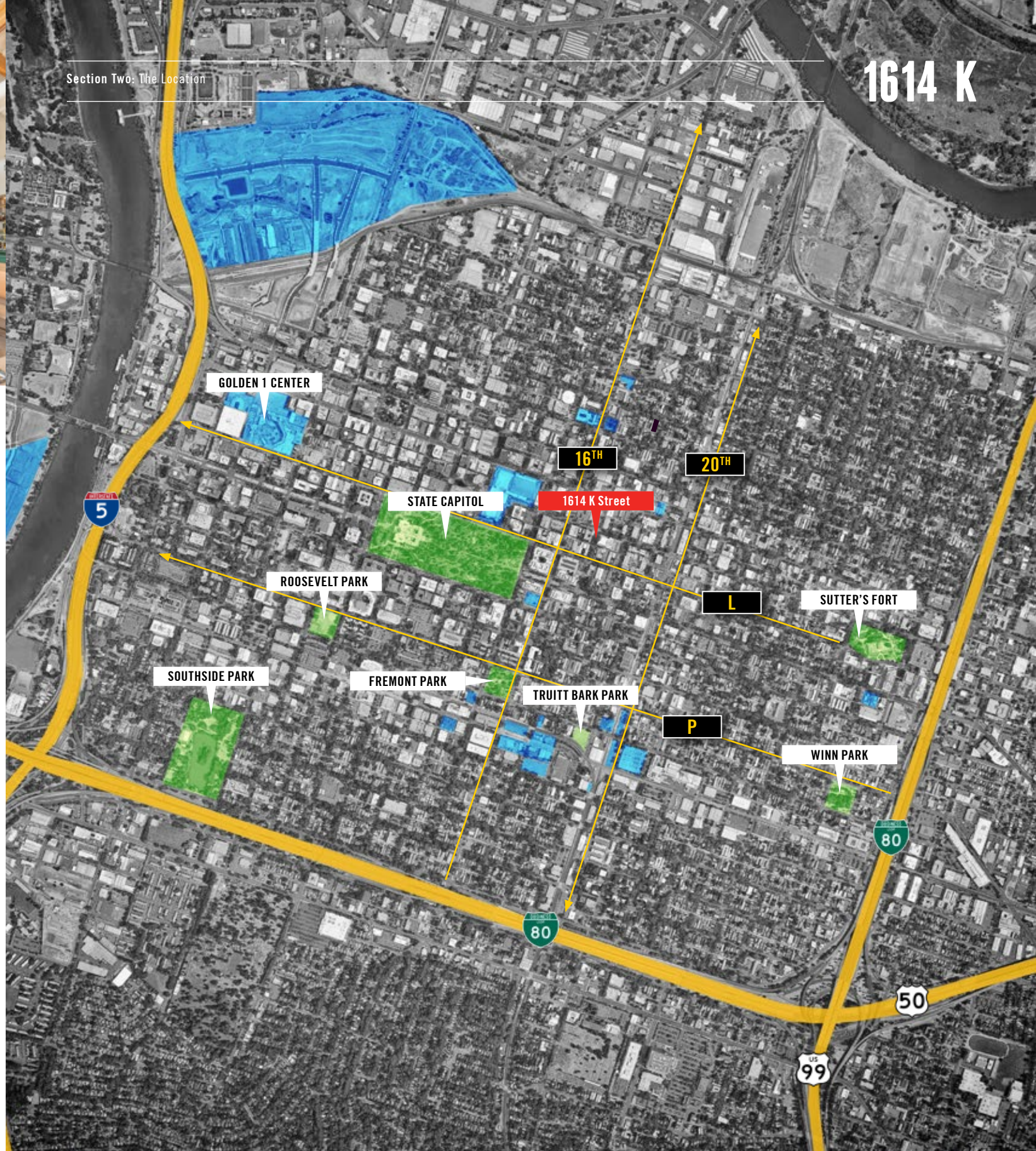


NEARBY AMENITIES

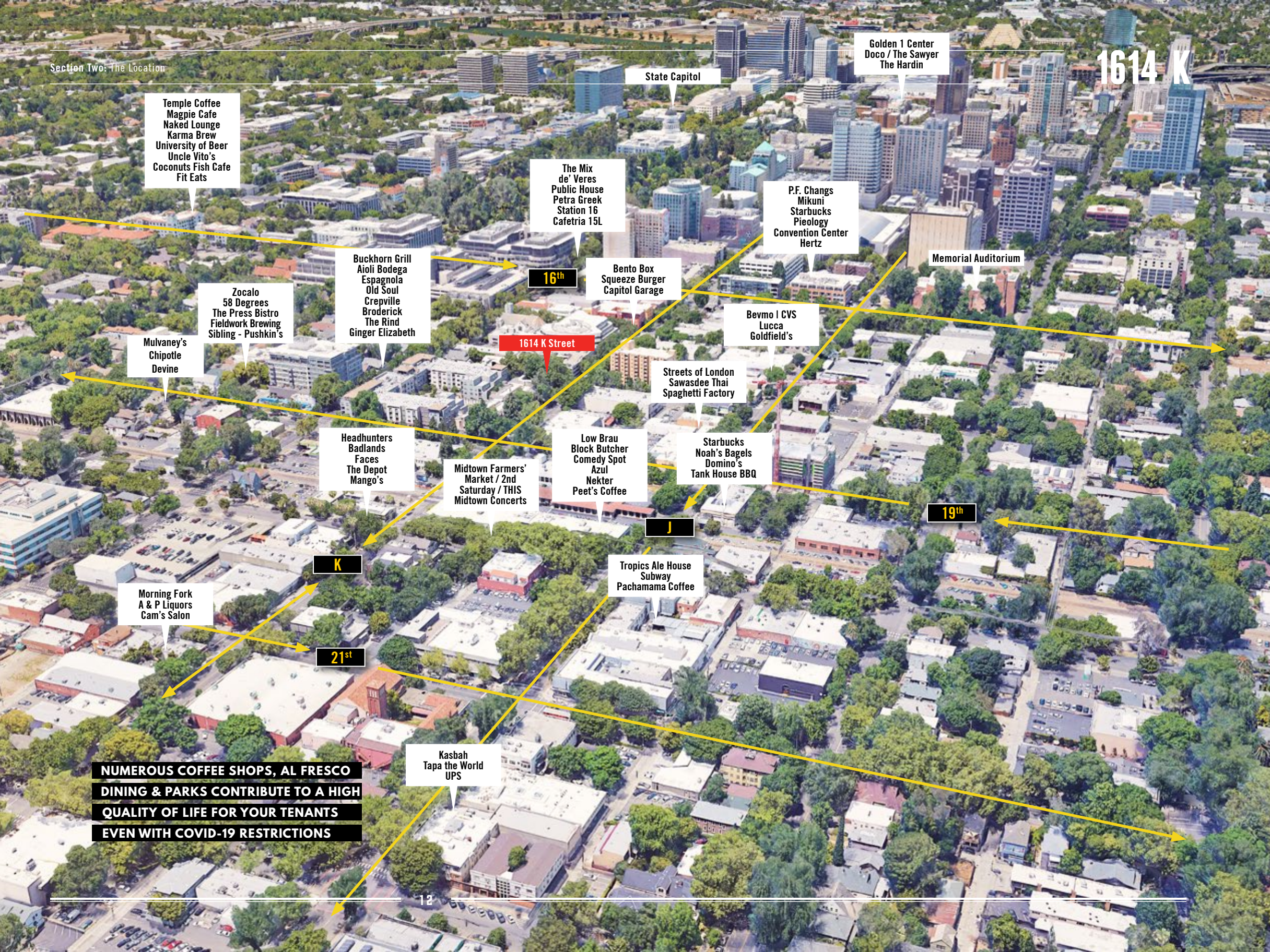
This property has one of, if not, the finest locations in the highly-desirable midtown submarket of Sacramento and is within easy walking distance of virtually every significant landmark in Sacramento's urban core:

POPULAR RESTAURANTS NEAR 1614 K STREET (NOT ALL ARE MENTIONED HERE):

58 Degrees & Holding Co.	Cornerstone	Karma Brew	Paesano's	Tank House BBQ
Ace of Spades	Crepeville	Kru Japanese	Paragary's	Tapa the World
Aioli Bodega Espanola	Der Biergarten	Bombay Bar & Grill	Pizzeria Urbano	Tea Cup Cafe
Amaro Italian Bistro & Bar	Dos Coyotes	Kupros Craft House	Portofino's	Temple Coffee
Art of Toys	Eatuscany Cafe	Lowbrau	Press Bistro	Thai Basil
Azul Mexican	Elixir Bar & Grill	Lucca	Pronto Pizza	Thai Canteen
Badlands	Faces	Luna's Cafe & Juice Bar	Pushkin's Bakery	The Bread Store
Bar West	Federalist Public House	Mango's/Burgertown	Q Street Bar & Grill	The Golden Bear
Bento Box	Fieldwork Brewing Co.	Make Fish	R15	The Mill Coffee House
BevMo	FishFace Poke Bar	Mercantile Saloon	Red Rabbit	The Porch
Block Butcher Bar	Fit Eats	Metro Kitchen & Drinkery	Rick's Dessert Diner	The Press
Bottle & Barlow	Fox & Goose Public House	Mikuni Sushi	Roxie Deli and Barbecue	The Rind
Broderick Midtown	Ginger Elizabeth Chocolates	Monkey Bar	Saddle Rock	The Waterboy
Buckhorn Grill	Grange	Mulvaney's B&L	Sakamoto	Tres Hermanas
Burgers and Brew	Highwater	N Street Cafe	See's Candies	Uncle Vito's Pizza
Cafe Bernardo	Hot Italian	Nekter	Shady Lady	University of Beer
Café Bernardo's	I Love Teriyaki	Nido	Shoki Ramen House	Waffle Square Country Kitchen
Cantina Alley	Identity Coffee	Nishiki Sushi	Skool	Yogurt a GoGo
Centro Cocina Mexicana	Iron Horse Tavern	Old Soul Coffee	Squeeze Inn	Zelda's Pizza
Chipotle	Jack's Urban Eats	Pachamama Coffee Coop	Sun & Soil Juice	Zocalo



Section Two: The Location



1614 K

THIS LOCATION IS A SACRAMENTO
HOTSPOT. AND THERE IS PLENTY OF
PENT UP DEMAND FOR GOING OUT





H16 MURAL BY JOLENE ROSE RUSSELL

NEARBY REDEVELOPMENT PROJECTS

The Property also benefits from proximity to several nearby development projects which will serve tenants of 1614 K Street for years to come.

H16 Midtown by SKK

95 units completed April 2020 on NEC 16th & H St

Manor Flats

27 Victorian-style units completed SWC 16th & F

Eleanor Apartments by SKK

95 units nearing completion October 2020 on SEC 16th & E Streets

17 Central by D&S

111 units under construction on NWC 17th & K

The Mansion by SKK

186 units under construction delivering early 2022 on SWC 16th & H Streets

16J and 17J

147 units planned, start of construction early 2021

Lavender Courtyard by Mutual Housing

50 units planned for SEC 16th & F Streets

Lotus Equity Partners

60 units proposed for NEC 14th & H Streets

Convention Center

Plans for the project include additional ballrooms, larger exhibit hall and more meeting space. These plans allow the Convention Center to hold multiple events at the same time. It is part of a 3-project renovation/modernization that includes the Memorial Auditorium and the Community Center Theatre.





SACRAMENTO

15.3 MILLION	71,335	215+
ANNUAL REGIONAL VISITORS	DAYTIME EMPLOYEES	BARS / RESTAURANTS

California’s fastest-growing metropolitan area!

While the Golden 1 Center has expedited urban renovation on the K Street Grid, the renaissance of Sacramento’s urban sectors surrounding the K Street Grid has been underway for several years now. Residential migration to the higher density urban cores is a phenomenon easily recognizable in Tier 1 population centers like New York, Chicago, Philadelphia, and in California, Los Angeles, San Francisco and San Diego. This same pattern is now beginning in

Tier 2 population centers like Portland, Denver, San Antonio and Sacramento. The urban core of Sacramento (Downtown and Midtown) is the most desirable business location the Sacramento region and easily boasts the lowest combined commercial vacancy rate, hovering between 5 – 8%. This figure is impressive when factoring in many buildings marketed as “available” that are functionally obsolete and non-compliant. The ur-

ban core is the perfect fusion of multi-generational locally owned business, organic youth infused retail and services, a healthy dose of carefully selected national and regional retailers, the best restaurants east of the Bay Bridge, an eclectic mix of high-end demographic occupations all magically embedded in a landscape of unique older buildings and mature trees and flora.



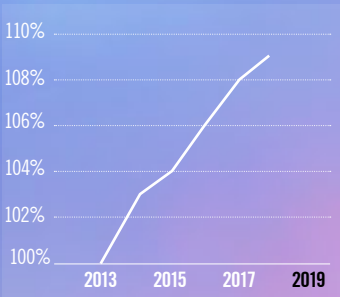
THERE’S A REASON EVERYONE IS COMING HERE.



SACRAMENTO DATA BITES

Sacramento's relative affordability versus amenities remains one of its biggest draws. Population growth is expected to average about 1% (20,000 annually for the region) over the next five years and is expected to outpace the national average. Household growth continues to far outpace the rate of single-family and apartment deliveries. In recent years, Bay Area residents have flocked to Sacramento to escape exorbitant housing costs.

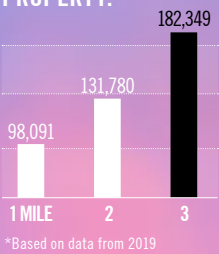
FASTER GROWTH THAN AVG IN PROFESSIONALS WITH BACHELORS



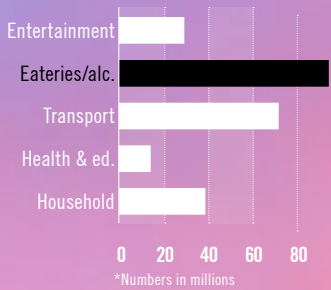
SACRAMENTO'S CITY RANKINGS

- #1 Happiest workers in midsize cities
- #2 Top 10 most fun, affordable U.S. cities
- #4 U.S. metro clean tech index
- #4 Best cities for nerds
- #5 Hot startup cities
- #10 Best cities for women in the workforce
- #10 Best cities for coffee snobs
- #10 Least Stressed-out cities
- #14 America's coolest cities
- #16 Best cities for millennials

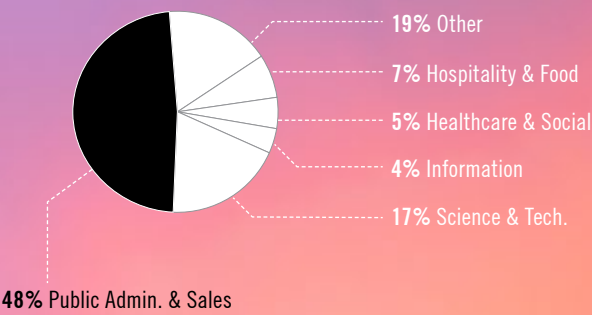
NUMBER OF EMPLOYEES WITHIN VARYING RADIUS OF THE PROPERTY:



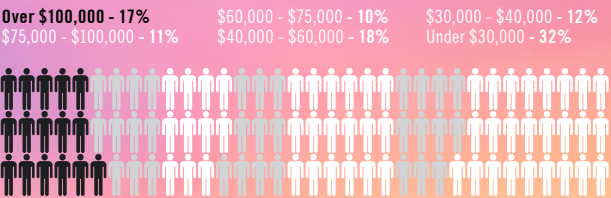
ANNUAL CONSUMER SPENDING WITHIN A ONE MILE RADIUS OF THE PROPERTY:



LARGEST EMPLOYMENT INDUSTRIES WITHIN 1 MILE RADIUS OF THE PROPERTY:



SACRAMENTO REGION ANNUAL SALARY BREAKDOWN:



WALK SCORE: 90

BIKE SCORE: 98

TRANSIT SCORE: 69



THE MARKET

DEMAND

Sacramento’s strong economic momentum has continued through 2019. Apartment demand began in 2012 driven by distress in the housing market, forcing many former homeowners to become renters, in addition to a steady rebound in employment beginning that same year. The metro’s vacancy recovery has not yet been burdened by large-scale supply additions, which has allowed vacancies to remain near historical lows. Greater net in-migration, particular-

ly from the Bay Area, and solid demographics have helped boost demand. According to Apartments.com, more than 20% of year-to-date searches for Sacramento apartments came from Bay Area residents (as of May 2017). Midtown Sacramento was listed as one of their most popular search areas. Improving economic conditions have supported steady demand. Construction, Education and Health services led the way in job growth year-to-date and

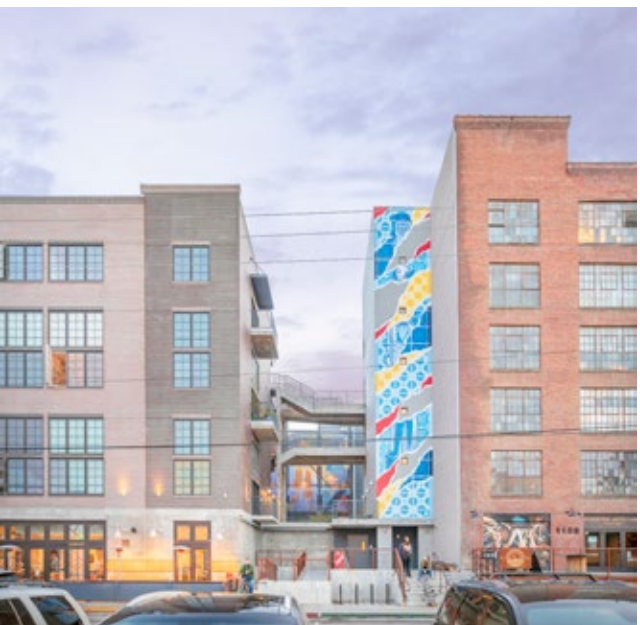
this trend is expected to continue in Sacramento’s urban core with Kaiser expected to occupy their new 200,000 sf location at 6th and J Street as well as their new medical campus spread out over 17 acres in the Railyards over the next decade. Above-average employment growth is also expected to continue in the leisure and hospitality sector, thanks in large part to the new retail and hotels opening in relation to the Golden 1 Center development.

SUPPLY

The majority of projects underway are in the affluent suburban submarkets of Roseville/Rocklin and Elk Grove. A few developers have focused on market rate urban core properties such as 19J, a 160 unit development 6 blocks West of the Subject Property, Ice House, a 146-unit development, (occupancy October, 2017), Q19 (44 units occupancy Q2/2018), the 700 Block of K Street (136 units on K Street occupancy

Q2/2018), Eviva (118-unit modular development) and the 800 Block of K Street (170 units scheduled for Q3/2019). This does not even come close to supplying the apparent demand for urban core apartments as most of these projects have waiting lists at rents above pro forma (and pro forma is over \$3 per sf). As stated earlier and pointed out in the recent study completed by Bay Area Economics, the pend-

ing demand for higher end fair market apartments is at least 2,000. Given the scarcity of available land, the emphasis at the City level for providing “low income” housing options, the increasing cost of permit fees and the ever-extending construction timelines for project completions, it appears the supply of market rate urban housing will be constrained for the foreseeable future.





ECONOMICS

Available upon request:

- 10 Year Pro Forma Cash Flow
- Assumptions to the Pro Forma Cash Flow model

Offerors shall also receive electronically:

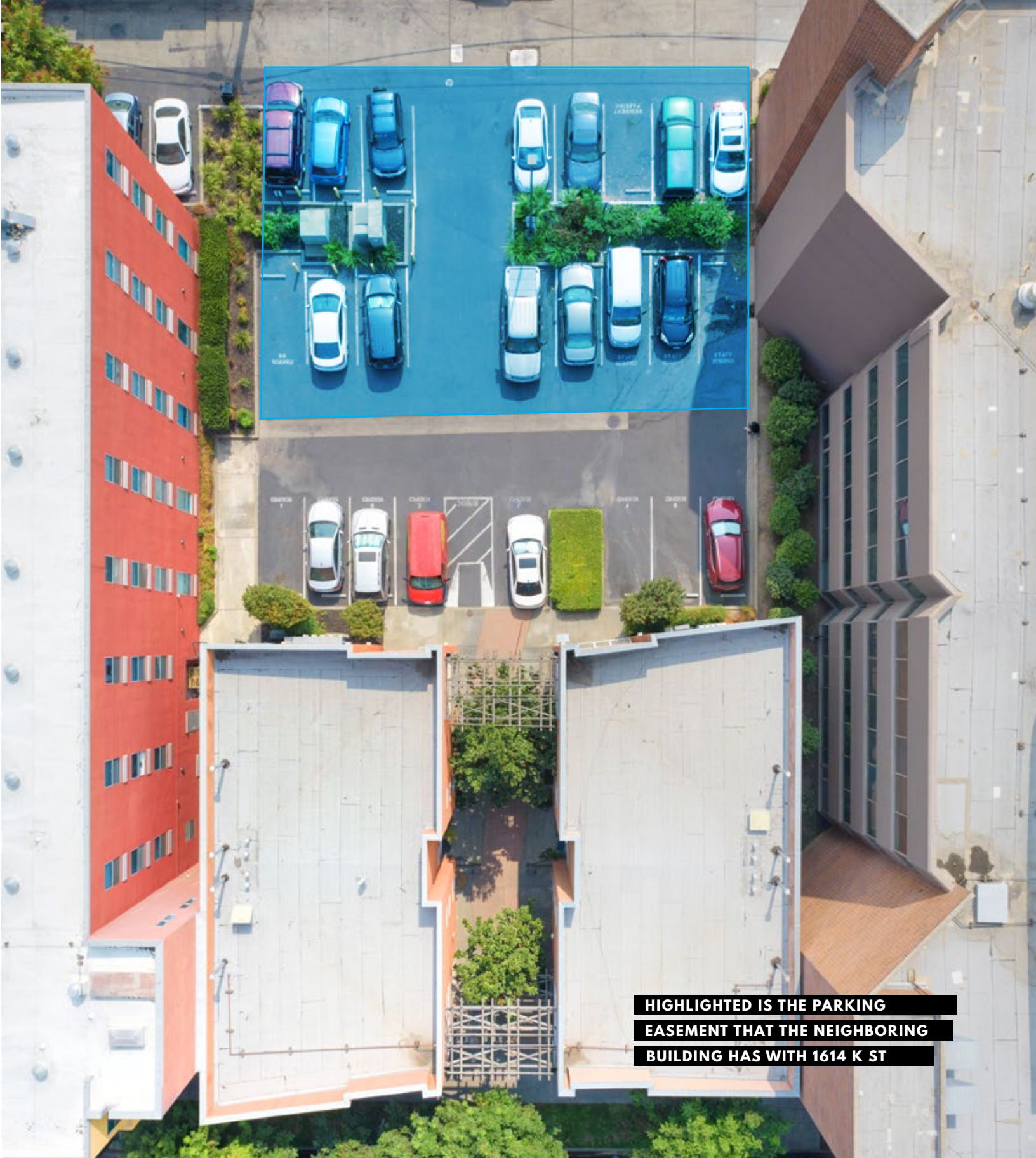
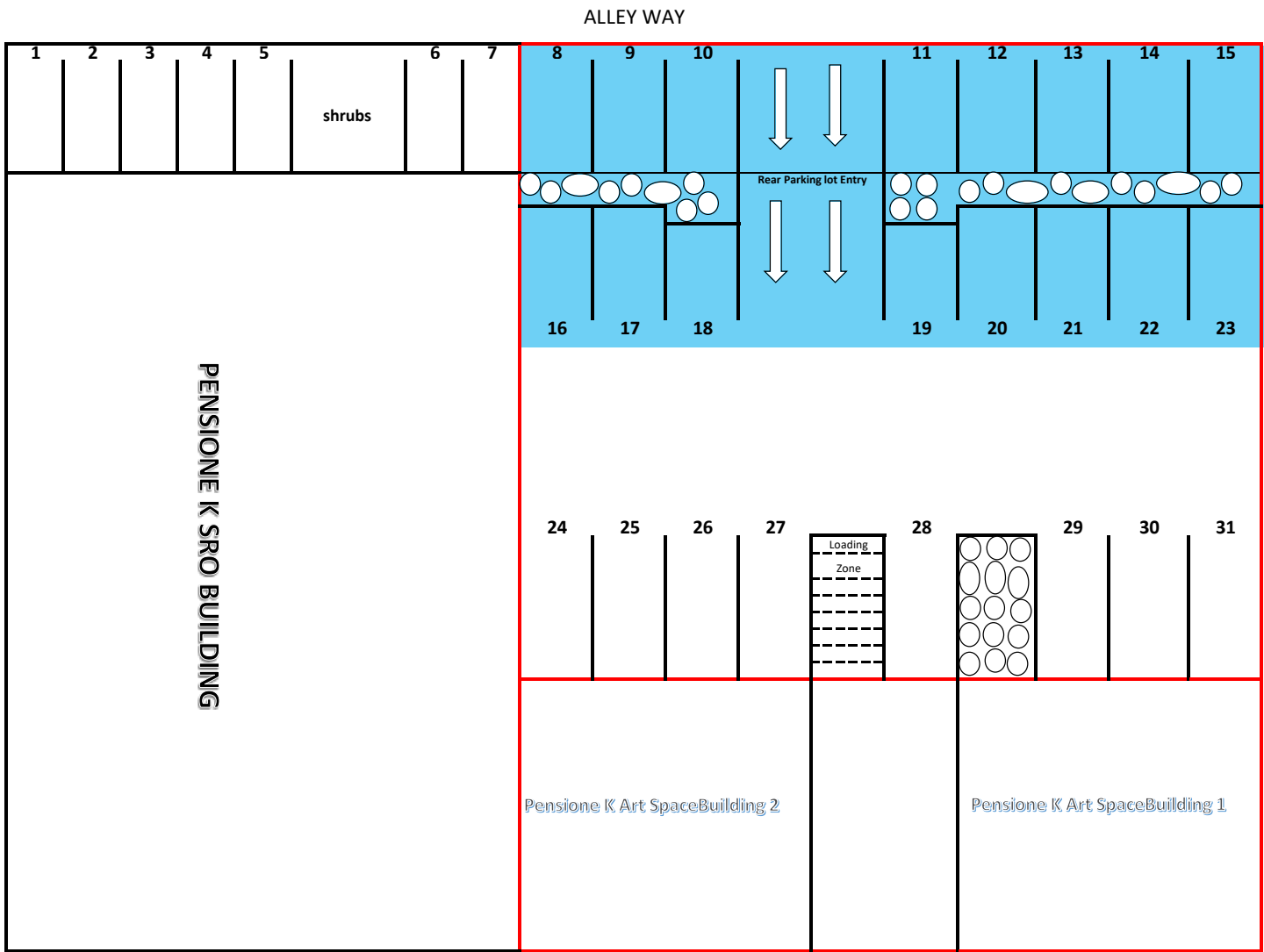
- Detailed current residential rent roll
- Operating Statement
- Property Due Diligence

FINANCING

Purchase Price:	\$2,500,000
Loan to value:	60/40
Term:	25 years
Fixed Rate Term:	10 years
Interest Rate:	3.50%



SITE PLAN



HIGHLIGHTED IS THE PARKING
EASEMENT THAT THE NEIGHBORING
BUILDING HAS WITH 1614 K ST



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