

# KEY POINTS

## LABOR MARKETS & REGIONAL ECONOMY

- The unemployment rate now sits at approximately 4.3%, slightly higher than we saw heading into the pandemic, but recent rates appear largely in line with the pre-pandemic economy.
- Among local economic sectors, the Private Education and Health Services sector continues to be a bright spot, growing by 13,500 jobs, or 7.5%, year-over-year.
- Despite widespread inflation across the nation, regional wages have remained relatively flat over the past year.

## SBR/SAFE CREDIT UNION CONSUMER SENTIMENT SURVEY

- Regional and national sentiment continue to improve, with national sentiment slightly ahead of regional.
- The majority of respondents continue to expect inflation to rise over the next year, outpacing the rise in income levels.
- Regional respondents have an increased interest in acquiring mortgage, credit cards, and auto loans for the next year, reflecting expected rate cuts.

## SMALL BUSINESS ECONOMY

- The Small Business Confidence Index (SBCI) results have not reached previous pandemic lows of 2020; however, they are lower than any other period with the exception of 2011.
- Weakest areas were in Access to Credit and Hiring.
- Loan Volume for the Total MSA is estimated to finish 11% lower relative to last year and below the 2-year moving average.
- Revenue and cash flow multiples of closed sales came in higher than multiples recorded in 2021-2022.

## REAL ESTATE

- **Residential Market:** Seasonal patterns have returned to the Sacramento housing market, similar to most major housing markets across the country. Resale housing supply remains limited, hindering sales and pushing buyers to the new home market where there is supply. The new home market continues to outperform the resale market as builders have the ability to offer rate buydowns and other incentives.
- **Office Market:** Significant hardship is likely in 2024. Tenants that signed five-year leases in 2019 have yet to downsize and will likely do so in the coming year. Property values will continue to fall as vacancy creeps up. One point of optimism is the return of user-sales in the market. The office sector is returning to the affordability levels for which it was once known.

- **Industrial Market:** The industrial market is the best positioned in Sacramento. The risk of oversupply has diminished compared to early 2023 as the pace of new construction has slowed. However, fundamentals remain strong and properties are holding their value well in a difficult environment.
- **Retail Market:** The retail market remains in good standing considering the last few years. Availability is still near the lowest it's been since the Great Financial Crisis, and there remains demand for the region's big box spaces. Rising interest rates hampered transaction levels and property values, but the market rests on a strong foundation.

## CAPITAL MARKETS & BANKING

- Equity market returns exceeded expectations, albeit due to outlier returns for large tech names – interest rates ended the year in line with SBR team expectations, it was quite a ride, however!
- Regional banks and credit unions will continue to grapple with lackluster deposit growth and unfavorable asset quality trends in 2024. Interest rates are likely to remain relatively high with a swift decline only coming with the onset of recession and broader economic concerns.
- Our proprietary SBR Financial Conditions Index shows continued expansion through Q3 of 2023, but the team anticipates future slowing due to headwinds on the employment and banking fronts.

## TOURISM & HOSPITALITY

- Occupancy rates continue to increase towards pre-pandemic levels, although they have not been achieved yet.
- Transient Occupancy Tax (TOT) collections in FY2022/23 represented the highest single revenue year since the city began imposing and collecting TOT in FY1993/94.
- Average Daily Rates (ADR) and Revenue per Available Room (RevPAR) are somewhat lower than pre-pandemic levels.
- March 2023 was the highest occupancy month in 2023 based on the first 10 months' statistics.

## HEALTHCARE

- Post-pandemic stabilization fuels optimism within Sacramento's healthcare sector.
- Sacramento achieving world-class status as a destination for medical education and training.
- The healthcare labor force — burned from years of stress and loss — slowly recovers.