

Sacramento Growth Continues

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Downtown Developments

Situated between Sacramento's Central Business District and River District, the 244-acre **Sacramento Railyards** is one of the nation's largest urban infill projects and will nearly double the size of Downtown Sacramento upon completion. In August 2020, **LDK Ventures broke ground on The A.J.**, a 345-unit residential complex and the first project within the Sacramento Railyards. The development is expected to feature 10,000 residential units, 1,100 hotel units, and several million square feet of office space. Other major projects within the Railyards may include an 18-acre **Kaiser Permanente** medical center campus and a 13-acre stadium venue with seating for 20,000 attendees. While Kaiser Permanente reported that design work for the first phase of its medical development had commenced as of February 2023, the future of the stadium project remains in question.



Source: Railyards.com

In 2019, Major League Soccer (MLS) announced that **Sacramento's Republic FC would join the league in 2022**. However, due to the COVID-19 pandemic and loss of a major investor, the team's MLS expansion bid was put on indefinite hold. **Ontario-based Stronach Group reportedly expressed interest in 2023 to support the team's entry into MLS**; no further details have been released.

The **SAFE Credit Union Convention Center** underwent a \$180-million renovation and expansion that was completed in the summer of 2021. The renovation included updates to the building's exterior and interior, upgraded technology, and the addition of 110,000 square feet of programmable space. In June 2023, Mayor Steinberg announced plans for a 330-room, 28-story hotel to be connected to the convention center via a walkway. The development will also feature four floors of residential units (28 in total), 18,760 square feet of meeting space, and a rooftop bar and restaurant.

Natomas Developments

In the wake of Hurricane Katrina, **FEMA** re-evaluated the Natomas Basin in 2008, remapping the region to a

Summary

Over the past decade, Sacramento has seen strong economic growth, driven by investment in the Downtown and Natomas submarkets. Fueled by rising costs in the San Francisco Bay Area, businesses and individuals have migrated inland toward the more cost-efficient Sacramento Valley. With several major commercial developments in the works, Sacramento should experience sustained growth in the near term.

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flood zone designating less than 100-year flood protection. This redesignation triggered a building moratorium, halting all development in the area. In the summer of 2015, construction and repair of levees progressed enough for FEMA to change the flood zone designation to A99, an interim designation that would allow for new developments. Since the redesignation, there has been significant construction activity in the Natomas region. Completed projects include thousands of residential units, six hotels, numerous office parks, a community college campus, and an 855,000-square-foot Amazon fulfillment center.

North Natomas Medical Center Campus Rendering



Source: **CNSU.edu**

In February 2022, **California Northstate University** (CNU) announced receiving final approval on its proposed North Natomas Medical Center Campus. The 35-acre campus is expected to be a major component of Innovation Park, a redevelopment project led by the **Sacramento Kings** of the 170-acre former Sleep Train Arena which will feature a mix of residential, commercial, health, and educational uses. The **CNU Medical Center** is planned to feature a 13-story, 400-bed teaching hospital, college, dormitories, senior residential-care facilities, a childcare center, and commercial and retail uses. According to CNU, the medical campus is projected to produce roughly \$14 billion in economic activity and create approximately 87,000 new jobs.

Effects on the Hotel Industry

These aforementioned developments will undoubtedly benefit the hotels, restaurants, and retail shops in the greater Sacramento area. Given an influx of new supply and a rise in remote workforce policies, market-wide demand has not yet fully recovered to pre-pandemic levels. However, ADRs have surpassed 2019 metrics since 2022 and continue to improve. Looking forward, a recent and notable increase in government per-diem rates should bode well for sustained rate growth, as government business generates a notable portion of demand for area hotels. Over the longer term, given the recent renovation and expansion of the convention center, as well as the entrance of new supply in Downtown Sacramento, the market is expected to attract more meeting/group business.

Sources:

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<https://www.cityofsacramento.org/Community-Development/Resources/Natomas-Basin>

About **Brandon Conner**



Brandon Conner is a Manager with the HVS San Francisco office, based remotely in Sacramento. He holds a Bachelor of Arts degree in economics from the University of California, Davis. This field of study reflects his passion for analyzing complex, data-driven issues. Prior to joining HVS in 2022, he gained knowledge and experience working with Marriott International and managing Wyndham-branded properties in Northern California. As a consultant, he focuses on markets in Northern California, Sacramento, and the Central Valley. Contact Brandon at +1 (312) 519-4503 or [\[email protected\]](#).

About **John Berean**



John Berean, a Managing Director with HVS San Francisco, conducts hotel appraisals and feasibility studies in markets across the western U.S.; John is the firm's Hawaii expert. HVS leaders now live in and work from markets throughout the western Americas region, including LA, San Francisco, Portland, Vancouver, Las Vegas, and Phoenix. John's hands-on hospitality experience includes work at the Queen Kapiolani Hotel in Honolulu. John earned a Masters of Economics, with a concentration in Quantitative Finance, from the Peking University HSBC Business School in Shenzhen, China. He previously earned a B.A. in International Studies with a focus on China and economics, as well as a minor in Environmental Studies, at Middlebury College in Vermont. Contact John at +1 (281) 381-3456 or [\[email protected\]](#).