

Multifamily Metro Outlook:

Oakland - Q4 2023

Overview:

- Ongoing elevated interest rates curb the availability of capital for tech startups and business expansion causing slowing job growth, particularly in the tech and professional and business services. This trend will likely continue, and Moody's Analytics estimates that just 12,000 jobs will be added in 2024 driven primarily by the healthcare, construction and leisure sectors.
- The average vacancy rate remained at 6.0% as of Q4 2023, 220 basis points above the average in Q3 2019. Rent growth turned negative in Q4 2023 wiping out any gains in 2023. While the metro has significant affordability challenges and could always use more supply, ongoing deliveries coupled with slowing job growth will likely lead to continued volatility near-term.

Market Strengths:

- The world-class University of California at Berkeley produces a well-educated workforce. Just over 50% of the population over age 25 has a bachelor's degree or higher which attracts a diverse group of employers with well paying STEM jobs. Major employers include federally supported Lawrence Berkeley and Livermore labs, Chevron, Bayer, bio-tech firm Grifols, and healthcare systems Kaiser Permanente, John Muir Health, and the UCSF Medical Center.
- The East Bay has ample industrial and office space for tech firms fleeing higher-cost Silicon Valley. Tesla is here as well as Western Digital, which produces computer hardware and employs over 10,000. Many startups choose Oakland including biotech firms such as 10x Genomics, Amyris and Zymergen. However, growth in the tech sector has slowed. In fact, tech jobs represent 8.9% of jobs in 2023, compared to 9.1% in 2022. This is still well above the 5.5% nationwide.
- The Port of Oakland provides jobs in logistics through transportation of goods and distribution facilities.
- Oakland's per capita income of \$96,600 is over \$31,000 higher than the U.S. average boosting spending on goods and services.
- BART is extending to San Jose which will allow Oakland's residents to benefit from well-paying jobs in Silicon Valley.

Market Weaknesses:

- An ongoing elevated interest rate environment means fewer startups and less capital overall for the tech segment.
- Even with rents falling significantly during the pandemic, Oakland remains an expensive place to live. The average renter household would have to earn approximately \$100,000 per year to be able to afford an apartment based on HUD standards.
- From 2020-2023, the metro lost an estimated 63,000 residents in part due to the ongoing ability to work remotely from less expensive areas of the country. This trend is expected to continue over the next five years.
- The single-family housing market is facing one of the steepest price declines in the nation, but homes remains unaffordable.
- Rising crime may cause some outmigration, particularly among renters who are not tied to Oakland.

Multifamily Development:

- According to Dodge SupplyTrack data, about 30,200 apartments have been delivered since 2017, consisting primarily of expensive Class A units. Most of the new supply delivered in and around downtown and many projects are located along the BART. Several transformative projects are starting to wind down, presenting some green shoots. An estimated 5,800 apartments underway as of Q4 2023 down from about 9,400 as of Q3 2019. Nevertheless, new supply still represents an estimated 2.6% increase in current inventory.

Multifamily Outlook:

- There has been an overall softening over the past couple of years. Many employees continue to telework which puts a damper on the demand for apartments even as new apartments are delivered. Properties are offering over one month's rent on average for a concession. While the pace of new supply added appears to be slowing, it may still be some time before supply and demand to return to equilibrium.

Economic Outlook:

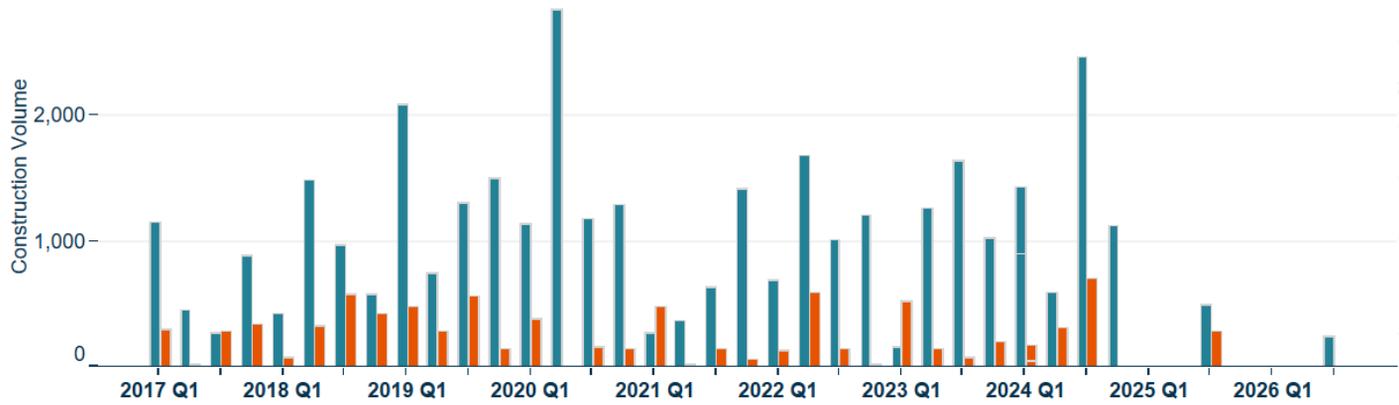
- Near-term, Oakland's economy will continue to struggle. However, the long-term outlook is more favorable. Oakland has a diverse job base and the largest population in the Bay Area. Both population and jobs are expected to grow at approximately the same pace as the rest of the nation. In addition, a well educated and highly-skilled workforce, the lowest costs in the Bay Area and proximity to both San Francisco and Silicon Valley should keep the metro on the radar of companies expanding in the Bay Area.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

Multifamily Vacancy & Rent Estimates

Vacancy Rates

Oakland | National

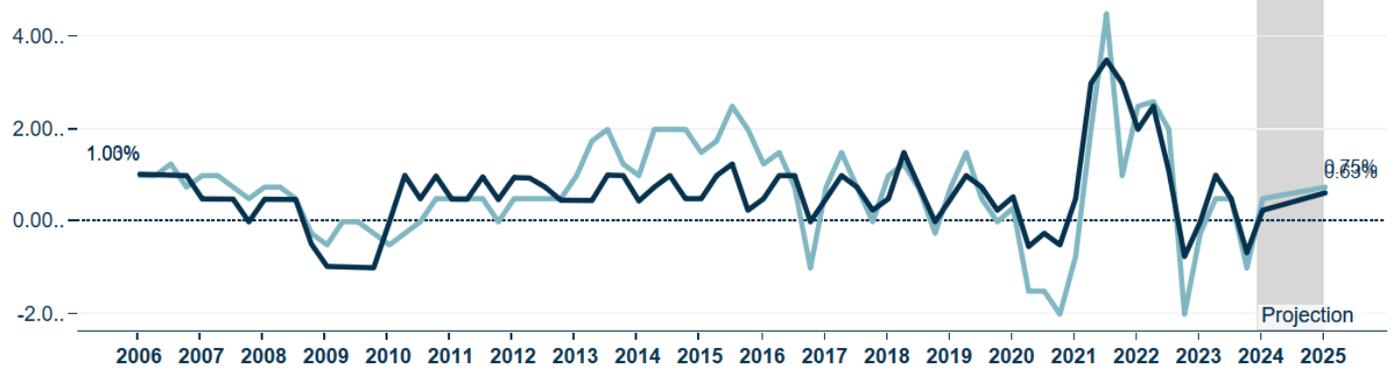
Q4 2023 Vacancy Rate:
6.00%



Asking Rent Growth

Oakland | National

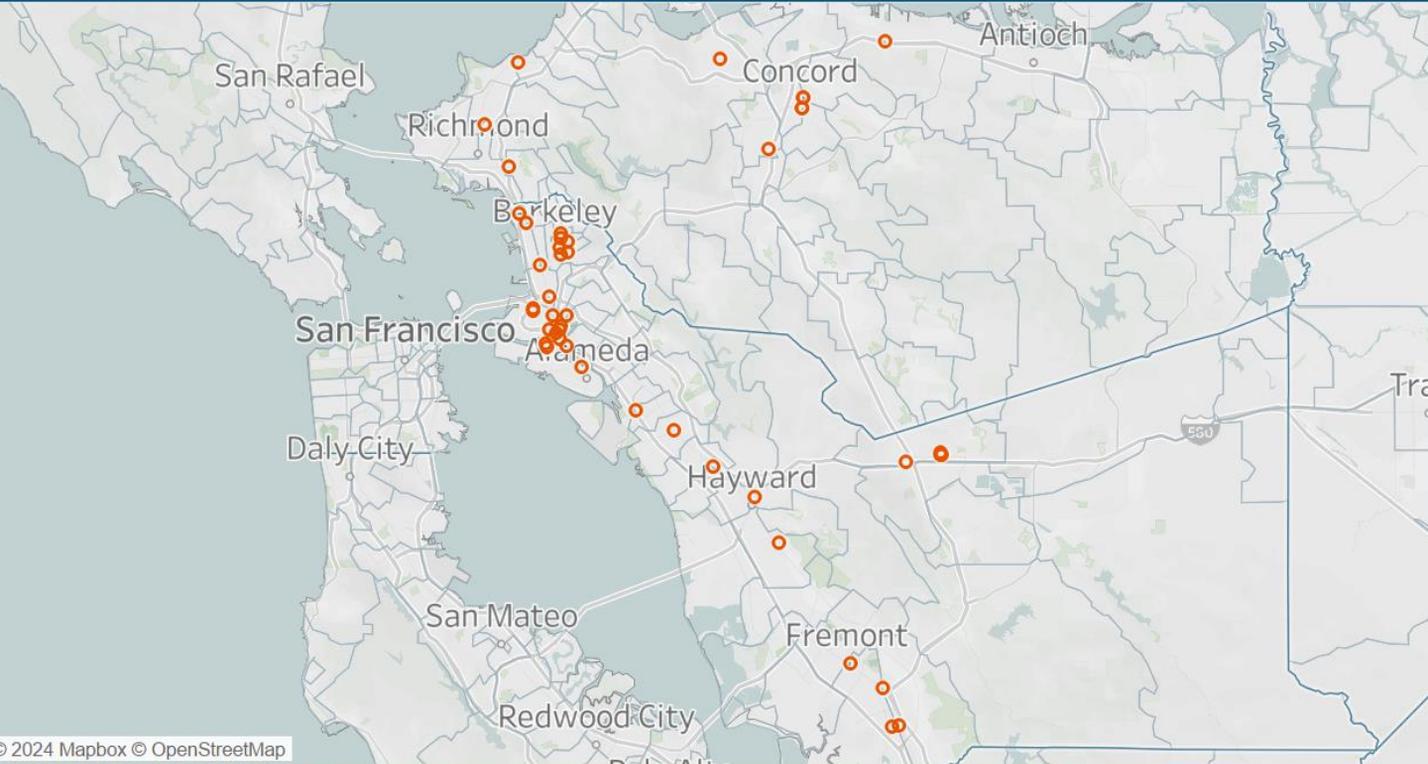
Q4 2023 Asking Rent:
\$2,490



Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



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<i>MultiHousingSubmarketName</i>	<i>Apartments</i>	<i>Units</i>
Concord/Martinez	6	708
Fremont	4	772
Hayward/San Leandro/Union City	4	508
Northeast Contra Costa County	1	100
Northwest Contra Costa County	3	366
Oakland/Berkeley	24	2,821
San Ramon/Dublin	4	523
Grand Total	46	5,798

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily Metro Outlook: Phoenix Q4 2023

Multifamily Economics and Market Research Team

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Sources Used

- Moody's Economy.com
- Moody's CRE/REIS
- CoStar
- Real Capital Analytics
- RealPage
- Greenstreet
- Dodge Data and Analytics SupplyTrack Pipeline
- CBRE-Econometric Advisors
- Yardi

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