

Multifamily Metro Outlook:

Oakland - Q1 2022

Overview:

- The East Bay is not anticipated to recover all the jobs lost due to the pandemic until 2023 according to Moody's Analytics. While tech, healthcare, logistics and manufacturing have largely recovered, consumer services are struggling as Bay Area employees continue to work remotely. In addition, recent increases in the interest rate will likely start to curb the availability of capital for startups and business expansion, likely putting a damper on job growth in the tech sector in the second half of 2022.
- Downtown Oakland and Berkeley which have received the lion's share of new apartment rentals over the past few years, continue to be a drag on the multifamily market. According to CoStar, as of Q1 2022, the vacancy rate in these submarkets remains about 1.5% above pre-pandemic levels and rents have yet to return to pre-pandemic levels. Nevertheless, these submarkets continue to see some improvement in fundamentals in Q1 2022 as renters take advantage of generous concessions being offered.

Market Strengths:

- The world-class University of California at Berkeley produces a well-educated workforce. Just over 50% of the population over age 25 have 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. As a result, 9.6% of jobs are in tech compared to just 5.4% nationwide. Tesla is here as well as Western Digital, which produces computer hardware and employs over 10,000. Fintech firms such as Marqueta, Square and Credit Karma are also in Oakland. In addition, many startups choose to locate here including biotech firms such as 10x Genomics, Amyris and Zymergen.
- Despite recent issues at the Port of Oakland, there is ample infrastructure for transportation and distribution facilities.
- Oakland's per capita income of \$97,000 is over \$30,000 higher than the U.S. average.
- BART is extending to San Jose which will allow Oakland's residents to benefit from well-paying jobs in Silicon Valley.

Market Weaknesses:

- Oakland continues to see some of the strongest growth apartment inventory in a decade due to several transformative projects.
- Oakland-Hayward-Berkeley is still suffering from the outmigration caused by COVID-19 and this will only reverse slowly.
- A rising 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 the average apartment based on HUD standards.
- There is uncertainty around the impact of rental assistance and eviction moratoriums winding down.

Development:

- According to Dodge SupplyTrack data, in the past six years, about 20,000 apartments have been delivered, 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. While still elevated, construction underway is starting to slow with 38 projects containing about 7,250 apartments underway as of Q1 2022. Over sixty percent of units continue to be delivered in and around downtown Oakland and Berkeley.

Outlook:

- While suburban submarkets remain tight, downtown Oakland and Berkeley are only recovering slowly since many employees continue to telework. This puts a damper on the demand for apartments at a time of elevated apartment deliveries. In addition, a rising interest rate environment may start to dampen job growth and the demand for apartments in the second half of 2022. Overall, it may take some time for supply and demand to return to equilibrium.
- Near-term, Oakland's economy will continue to struggle. However, the long-term outlook is much 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 highly-skilled workforce, the lowest costs in the Bay Area and proximity to both San Francisco and Silicon Valley should keep the metro desirable for expanding companies.

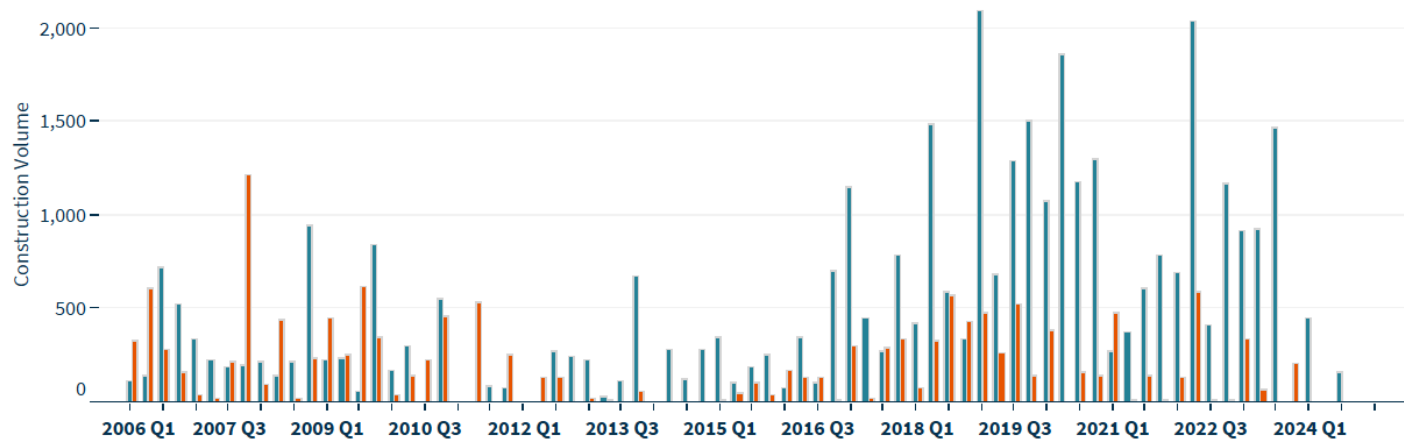
Five Year Metro Area Growth Forecast

Source: Moody's	Q4 2021	Q4 2026	Oakland (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	2,855	2,923	0.48%	0.47%
Households (000s)	1,020	1,059	0.76%	0.90%
Renting Cohort (Ages 20-34) (000s)	591	570	-0.69%	-0.30%
Total Employment (000s)	1,113	1,200	1.51%	1.08%
Median Household Income	\$108,588	\$128,560	3.43%	3.30%
Median SF Home Price	\$1,089,402	\$1,402,937	5.19%	1.93%
Net Migration	3,447	3,155		

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



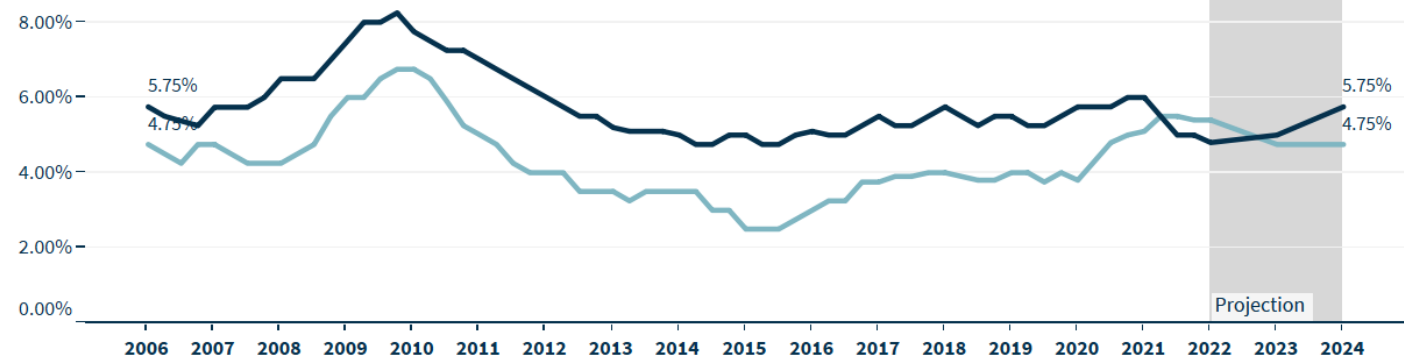
Vacancy & Rent Composite Estimates

Vacancy Rates

Oakland | National

Q1 2022 Vacancy Rate:

5.40%

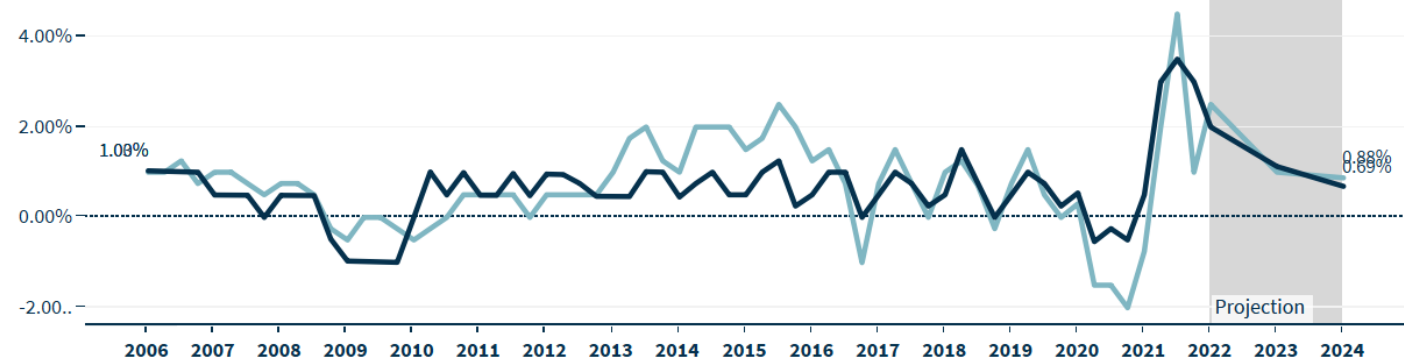


Asking Rent Growth

Oakland | National

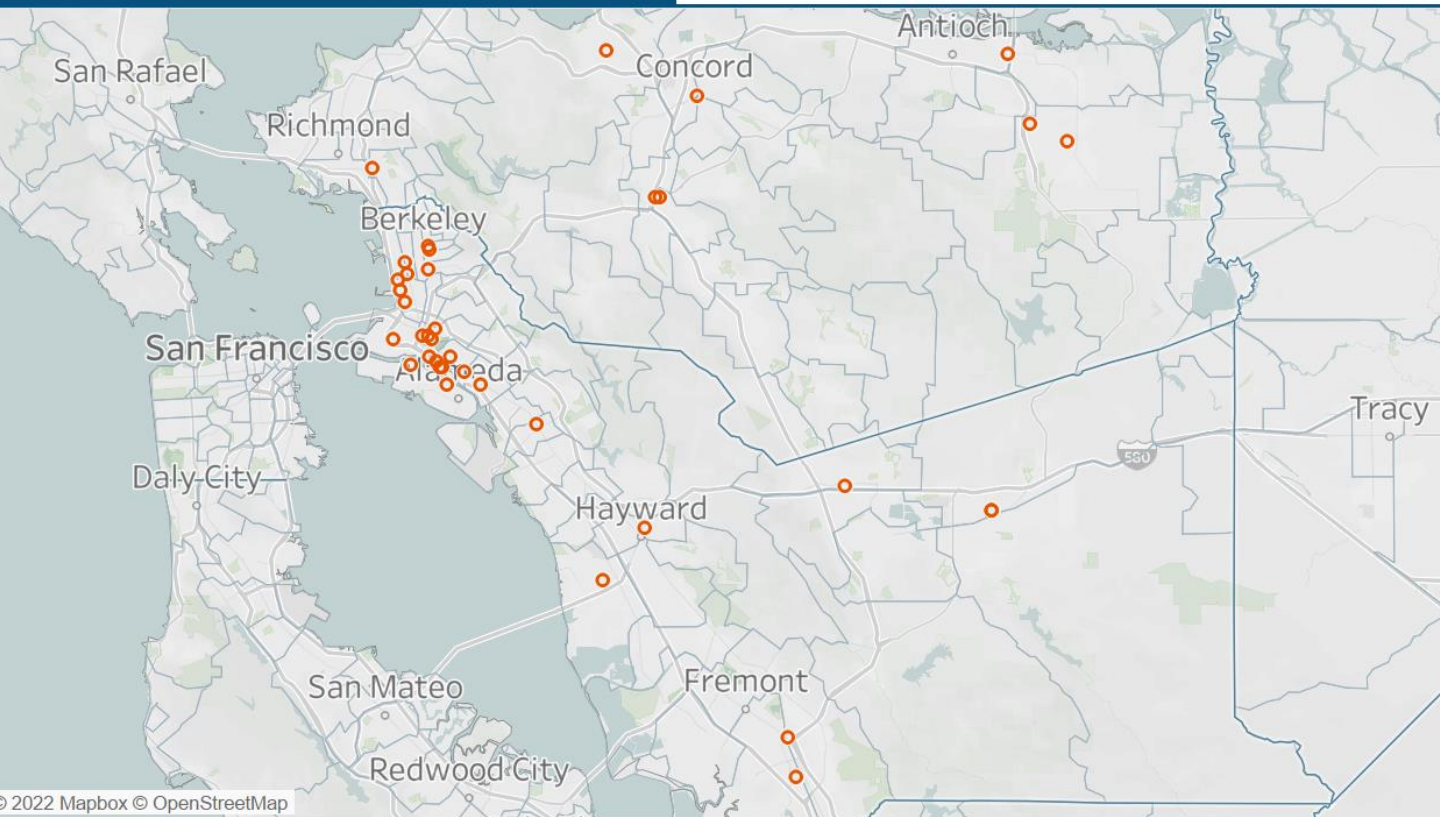
Q1 2022 Asking Rent:

\$2,410



Source: Multifamily Economics and Research

Construction: Bidding & Underway



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<i>TWR Submarket Name</i>	<i>Apartments</i>	<i>Building Units</i>	<i>Building Area SF</i>
Concord/Martinez	2	258	0.29M
Fremont	2	414	0.57M
Hayward/San Leandro/Union City	2	186	0.13M
Livermore/Pleasanton	2	48	0.05M
Northeast Contra Costa County	3	848	0.78M
Northwest Contra Costa County	1	233	0.30M
Oakland/Berkeley	23	4,553	5.22M
San Ramon/Dublin	1	220	0.22M
Walnut Creek/Lafayette	2	493	0.55M
Grand Total	38	7,253	8.10M

Multifamily: ESR Team

Multifamily Metro Outlook: Oakland Q1 2022

Multifamily Economics and Market Research Team

Tanya Zahalak, Economic and Strategic Research - Economics – Advisor

Sources Used

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

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