

Multifamily Metro Outlook:

Oakland - Q1 2021

Overview:

- The East Bay economy is starting to recover, but much more slowly than the nation as a whole. Less than half of the jobs lost during the pandemic driven lock-downs have been recovered according to Moody's Analytics. Despite slow job recovery, Oakland is seeing some of the strongest inventory growth in a decade due to several transformative projects that were in progress even before the pandemic induced recession.
- These factors, along with the ability to work remotely have dampened demand. As a result, the vacancy rate of 5.1% as of the end of Q1 2021 is almost 50% higher than pre-pandemic, the average concession rate is over one month, and the average rent fell by another just under -1% in Q1 2021. Downtown Oakland/Berkeley and Fremont continue to be hardest hit, with average rents experiencing negative rent growth at -1% year over year as of Q1 2021.

Market Strengths:

- Oakland remains the low-cost alternative to San Francisco and is desirable for expanding companies. In addition, homeownership is out of reach for most renters as the average home price is over \$800,000 as of Q1 2021.
- Some of the lowest risk job sectors during the pandemic have been Professional Services, and Government. The latter sectors because they often allow employees to telecommute. Taken together, these sectors make up nearly 50% of jobs.
- Combined, the city of Oakland, and Alameda and Contra Costa Counties will receive about \$77 million in rental assistance to cover rent in arrears for renters earning up to 80% of the median income for the region.

Market Weaknesses:

- California has one of the most severe outbreaks of COVID-19 and Oakland-Hayward-Berkeley's recovery will likely progress slowly until residents feel comfortable returning to dense urban locations.
- Consumer Services are still struggling with the Leisure/Hospitality segment in the East Bay recouping less than one-third of jobs lost, compared to about half, nationally.
- Even with falling rents in many submarkets, Oakland remains an expensive place to live causing population to leave.

Development:

- According to Dodge SupplyTrack data, in the past six years, over 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 were located along the BART. Construction is picking up with 44 projects containing just under 7,200 apartments underway as of Q1 2021. Sixty percent of units continue to be delivered in and around downtown Oakland and Berkeley.

Outlook:

- While new apartment stock is generally welcome in the expensive Bay Area, the pandemic has disrupted traditional demand patterns due to social distancing and the ability to telework. This has resulted in a bifurcation of the market with Class C properties, which tend to be some of the most affordable, still seeing rents grow, while Class A properties, which tend to be the newest and most expensive rentals, experiencing rising vacancies and falling rents. Overall, it will likely take some time for supply and demand to return to equilibrium.
- Near-term, Oakland's economy will continue to struggle. Although the pace of recovery should pick up in the second half of 2021, Oakland is not expected to regain all lost jobs until 2023. However, the long-term outlook is much more favorable. Oakland has the largest population in the Bay Area and both population and jobs are expected to grow at approximately the same pace as the rest of the nation once the pandemic comes under control. 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..

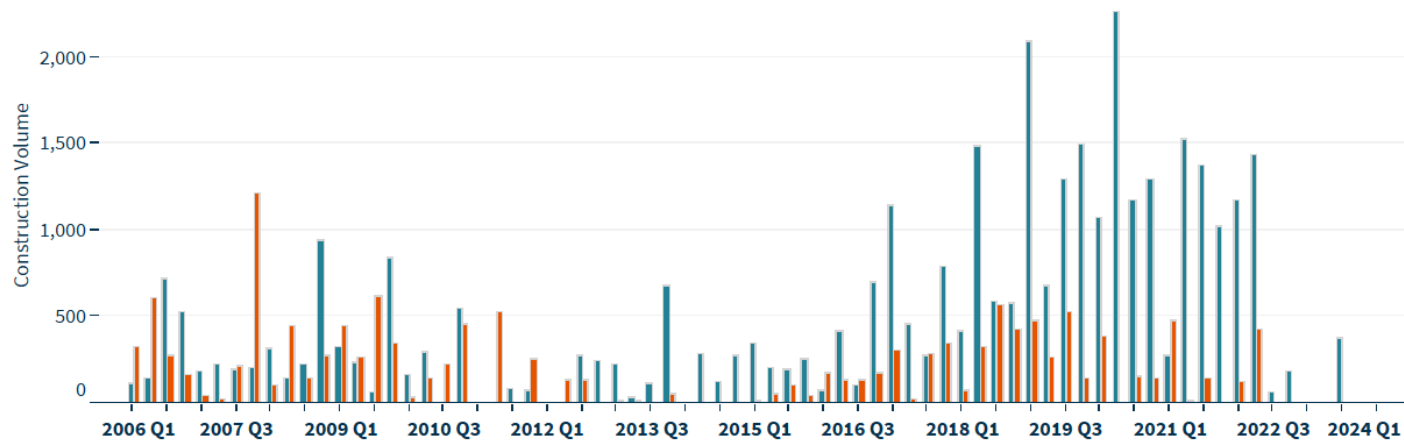
Five Year Metro Area Growth Forecast

Source: Moody's Analytics	Q4 2020	Q4 2025	Oakland Metro (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	2,848	2,925	0.97%	0.52%
Households (000s)	1,001	1,066	2.34%	1.41%
Renting Cohort (Ages 20-34) (000s)	593	579	0.40%	-0.26%
Total Employment (000s)	1,068	1,185	2.05%	1.71%
Median Household Income	\$105,204	\$123,887	2.03%	2.83%
Median SF Home Price	\$927,664	\$1,363,471	3.54%	4.30%
Net Migration	6,426	4,133		

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



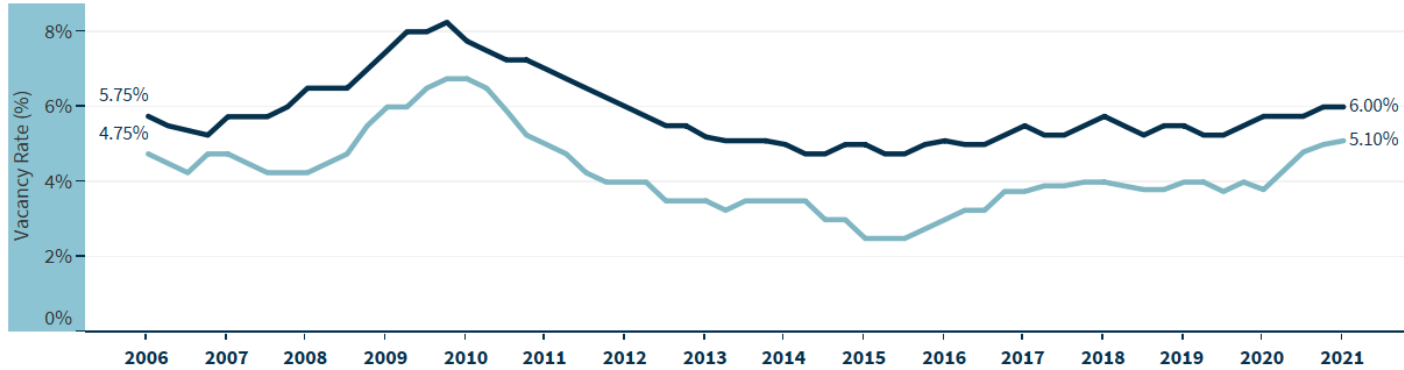
Vacancy & Rent Composite Estimates

Vacancy Rates

Oakland | National

Q1 2021 Vacancy Rate:

5.10%

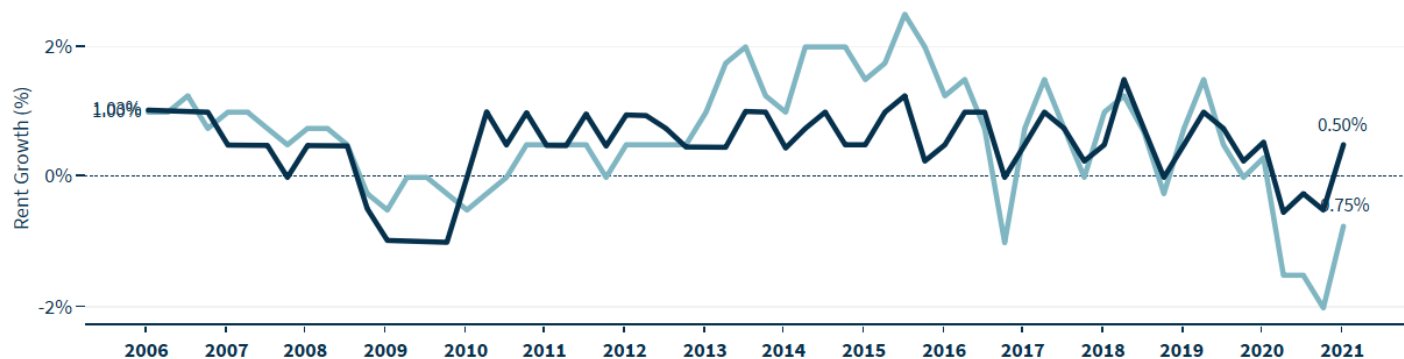


Asking Rent Growth

Oakland | National

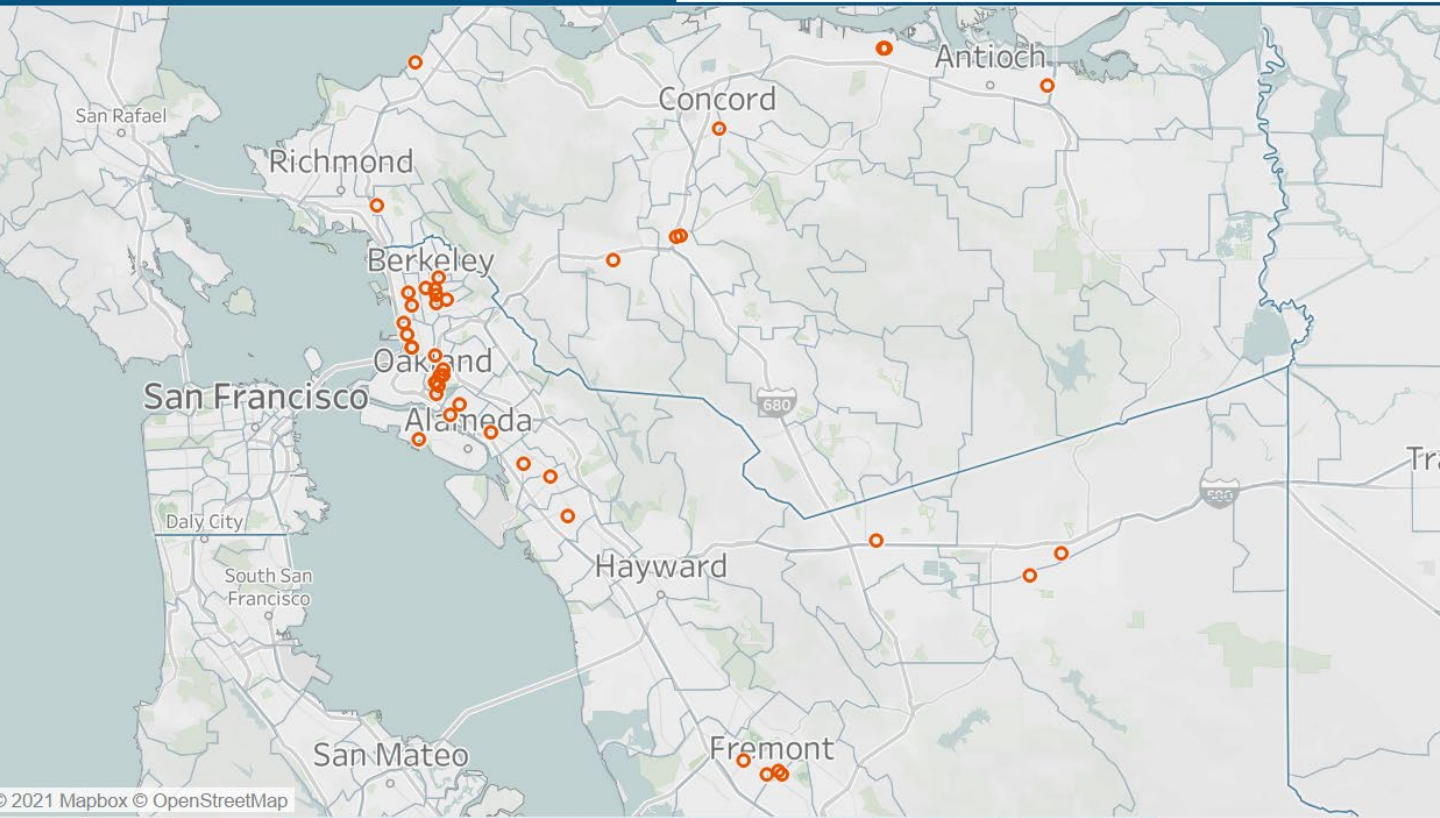
Q1 2021 Asking Rent:

\$2,170



Source: Multifamily Economics and Research

Construction: Bidding & Underway



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<i>Sub-Market</i>	<i>Projects</i>	<i>Units</i>	<i>Sq. Ft. (M)</i>
Concord/Martinez	1	228	0.23M
Fremont	4	390	0.56M
Hayward/San Leandro/Union City	1	62	0.06M
Livermore/Pleasanton	2	266	0.33M
Northeast Contra Costa County	4	428	0.46M
Northwest Contra Costa County	2	465	0.53M
Oakland/Berkeley	26	4,597	5.71M
San Ramon/Dublin	1	220	0.22M
Walnut Creek/Lafayette	3	505	0.57M
Grand Total	44	7,161	8.67M

Multifamily: ESR Team

Multifamily Metro Outlook: Oakland Q1 2021

Multifamily Economics and Market Research Team

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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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