

Multifamily Metro Outlook:

Oakland - Q2 2024

Overview:

- Employment growth in the region has been stagnant since late last year, falling behind both state and national averages. Oakland's tech sector is still recovering from layoffs in 2022 and 2023, while manufacturing continues to decline sharply. Healthcare stands out as the only major industry consistently adding jobs. The unemployment rate is steadily increasing, even as the labor force shrinks, suggesting a combination of job losses and a growing number of potentially discouraged workers.
- The average vacancy rate fell to 5.6% as of Q2 2024, which is still 180 basis points above the average in Q3 2019. However, rent growth returned in 2024, and grew by 0.8% the first two quarters. While the metro has significant affordability challenges and could always use more supply, ongoing deliveries coupled with slowing job growth likely mean continued volatility near-term.

Market Strengths:

- The healthcare industry has been a crucial provider of mid- and high-wage jobs, driving the economic recovery of the metro. Higher wages have helped protect the metro area from worker shortages, while commuters from nearby regions with stronger population growth will continue to support demand for services and labor supply.
- According to Moody's Analytics, immigrants typically settle near established migrant communities and urban areas due to the greater job opportunities available. Therefore, Oakland is well-positioned to attract a significant share of immigrants.
- 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:

- Oakland's growth in office-using tech jobs is struggling, and factory payrolls have been declining for over a year. Additionally, high interest rates have hindered investment. Nationwide, inflation has moderated, but progress has stalled, delaying anticipated rate cuts by the Federal Reserve. However, it is likely that the Federal Reserve will cut rates in the fall perhaps stimulating investment somewhat.
- Given the tech sector's slowdown, its weakness will affect consumer services. The impact will be somewhat muted by the rise of remote work since the start of the pandemic, as some tech employees no longer reside locally and have not been spending money locally. However, this provides little support, as it coincides with several consecutive years of population loss.
- The single-family housing market is facing one of the steepest price declines in the nation, but homes remains unaffordable.
- Elevated crime rates may cause some outmigration, particularly among renters who are not tied to Oakland.

Multifamily Development:

- According to Dodge SupplyTrack data, several transformative projects which delivered about 32,000 apartments since 2017, are starting to wind down, presenting some green shoots. An estimated 4,800 apartments are underway as of Q2 2024, a 2.1% increase inventory, but down significantly from 9,400 apartments under construction Q3 2019.
- Over the past year, net absorption has reached 3,300 units, surpassing the 2015-2019 average of 1,100 units. Demand has been predominantly focused on the market's high-end inventory, with 4 and 5-Star properties accounting for 2,900 units of absorption during this time, according to CoStar.

Multifamily Outlook:

- Over the last few years, there has been noticeable softening in the multifamily market. The ongoing trend of teleworking has significantly reduced the demand for apartments, while developers continued the introduction of new units. While the addition of new apartments is decelerating, it will still take some time before the market reaches equilibrium between supply and demand.

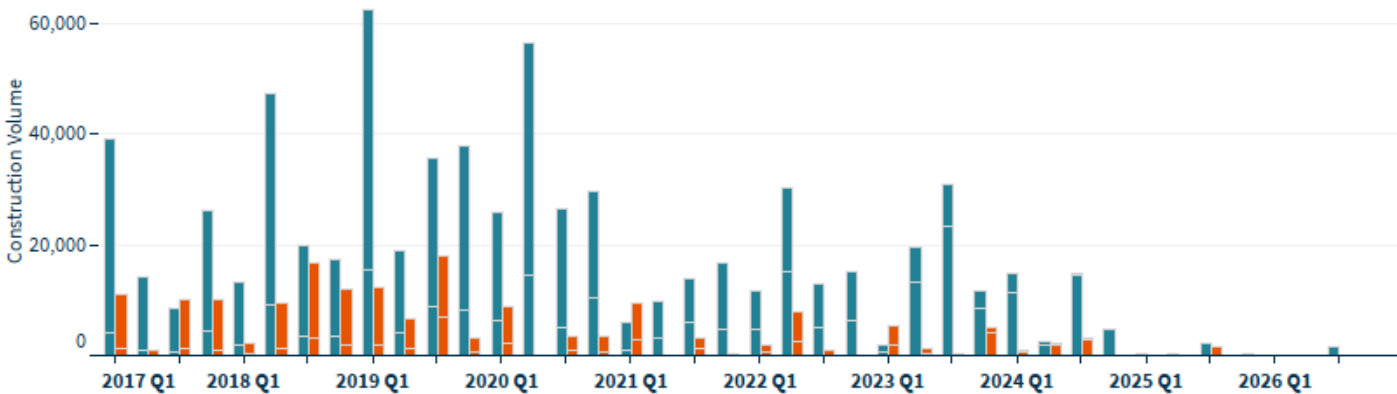
Economic Outlook:

- Near-term, Oakland's economy is expected to slow down in alignment with national trends this year. Restrictive monetary policies will impact key economic drivers, and while the healthcare sector will provide some support, its influence on downstream industries is significantly less than that of the tech industry. Additionally, out-migration will restrict any potential growth.
- 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

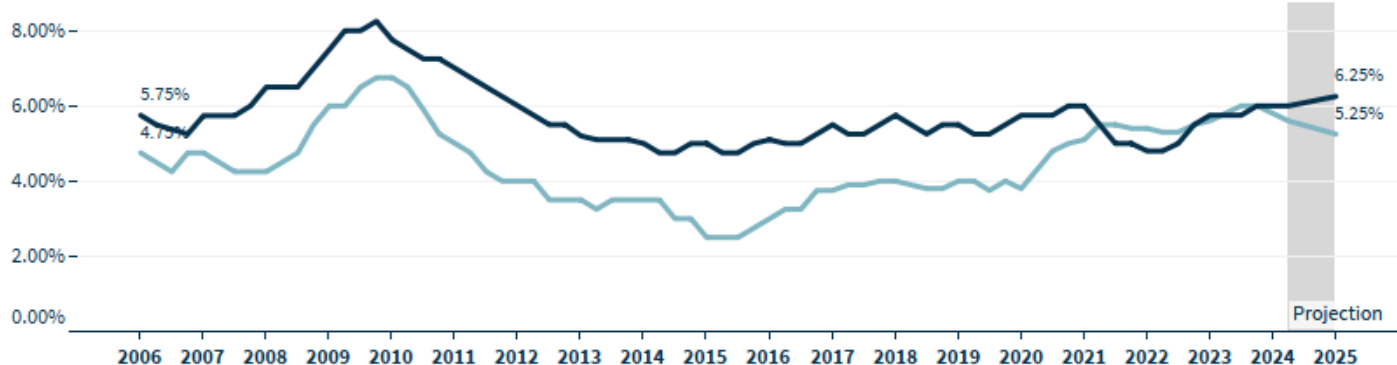
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Oakland | National

Q2 2024 Vacancy Rate:

5.60%

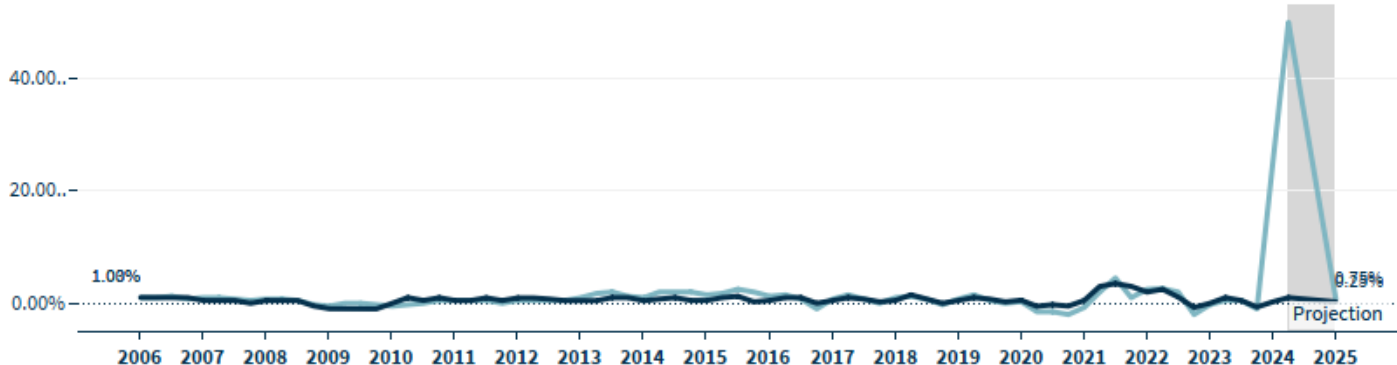


Asking Rent Growth

Oakland | National

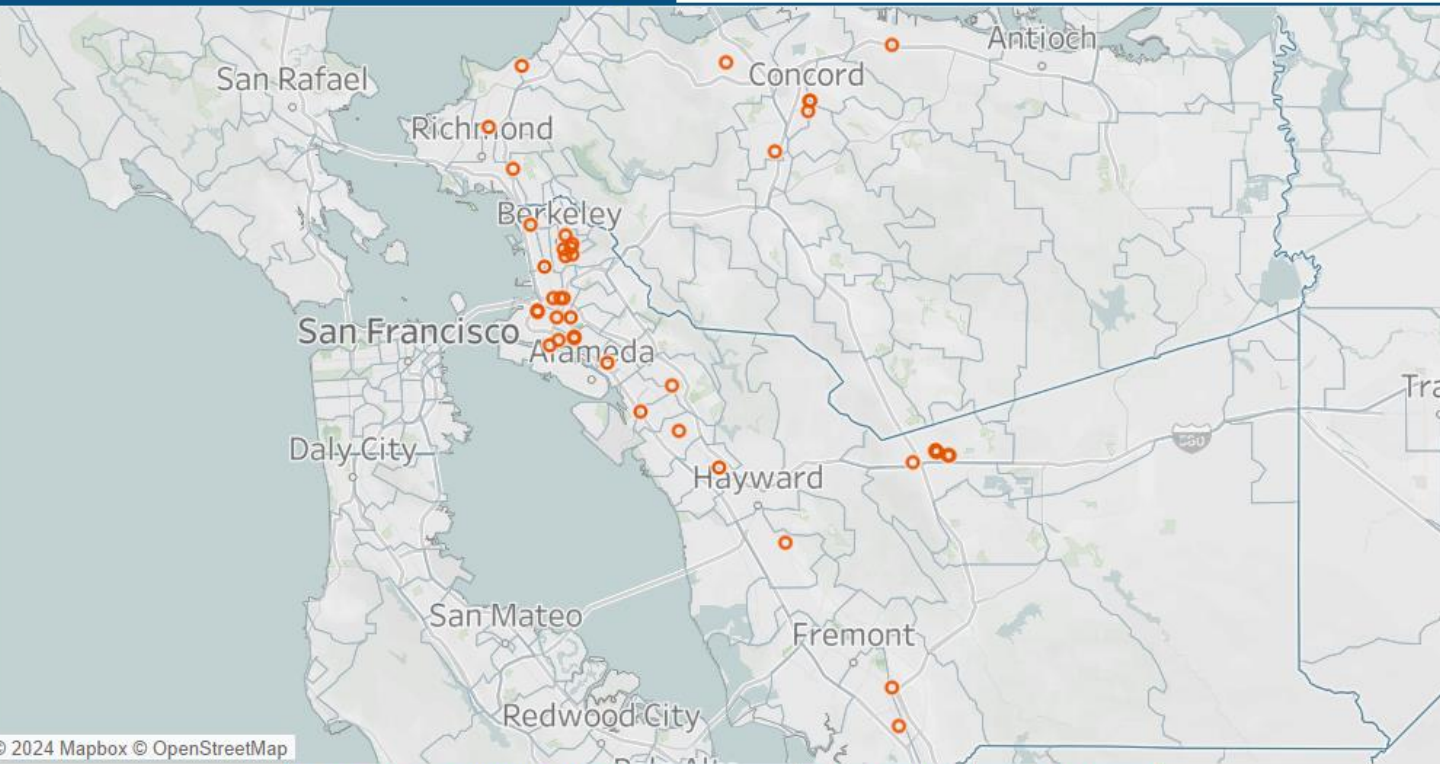
Q2 2024 Asking Rent:

\$2,520



Source: Fannie Mae Multifamily Economics and Research

Multifamily Construction: Bidding & Underway



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MultiHousingSubmarketName	Apartments	Units
Concord/Martinez	5	646
Fremont	2	507
Hayward/San Leandro/Union City	3	451
Northeast Contra Costa County	1	100
Northwest Contra Costa County	3	366
Oakland/Berkeley	22	2,140
San Ramon/Dublin	6	576
Grand Total	42	4,786

Source: Dodge Data & Analytics SupplyTrack Pipeline

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Multifamily Economics and Market Research Team

Tanya Zahalak, Economic and Strategic Research – Economics – Advisor

Sources Used

- Axiometrics
- U.S. Bureau of Labor Statistics
- CBRE-Econometric Advisors
- CoStar
- Dodge Data and Analytics
- Fannie Mae
- John Burns Research & Consulting
- Moody's Analytics
- MSCI Real Assets
- RealPage
- Redfin
- REIS
- Yardi
- Zillow

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