

# Multifamily Metro Outlook:

## Oakland - Q3 2024

### Overview:

- Employment growth in the region has been stagnant since late last year, falling behind both state and national averages. According to Moody's Analytics, Tech, Transportation/Warehousing and Construction continue to tread water and 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. Oakland is projected to add just 18,000 jobs in 2025-2026, after 12,000 jobs added in 2024.
- The average vacancy was 5.8% as of Q3 2024, which is still 130 basis points above the average in Q3 2019. According to RealPage, concessions remain elevated with just over 21% of units offering just over a month of free rent. However, rent growth returned in 2024, and grew by 1.8% the first three quarters. With more tech companies calling workers back to the office, Oakland's multifamily market may finally stabilize in 2025.

### 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. Net migration is projected to top 6,000 in 2024 returning to positive territory for the first time since 2019.
- The Port of Oakland provides jobs in logistics through transportation of goods and distribution facilities.
- Per capita income of \$105,000 is over \$35,000 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, and job growth has been stronger than anticipated, which may delay anticipated rate cuts by the Federal Reserve.
- Given the tech sector's slowdown, its weakness affects 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 33,900 apartments since 2017, are winding down. An estimated 4,000 apartments are underway as of Q3 2024, a 1.8% increase inventory, but down significantly from 9,400 apartments under construction Q3 2019.
- Over the past year, according to RealPage, net absorption has reached 3,900 units, surpassing the 2015-2019 average of 1,500 units.

### 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. However, the addition of new supply is slowing, and much of the excess supply should be absorbed in 2025 should the continued slow job growth materialize as projected. As a result, Oakland may be turning the corner in 2025.

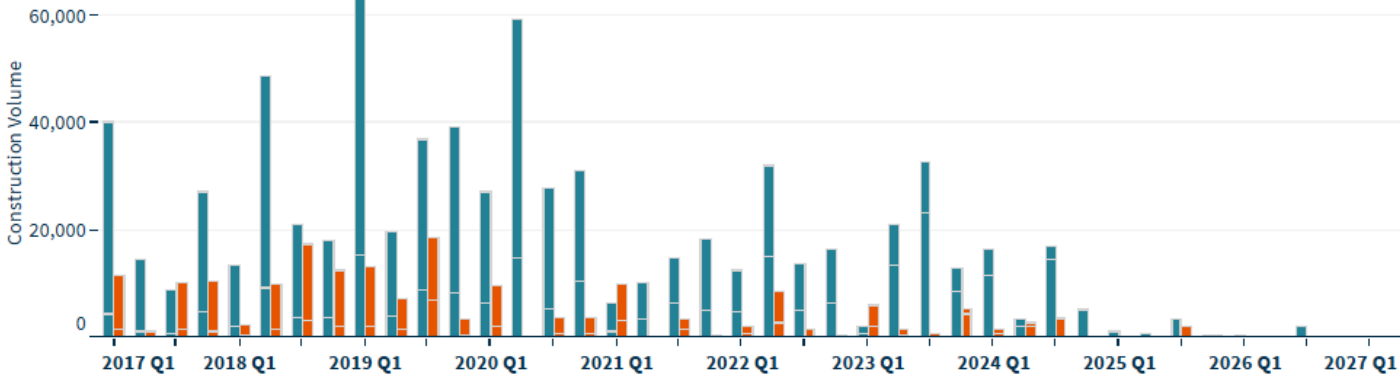
### Economic Outlook:

- Near-term, Oakland's economy is expected to grow 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.
- 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

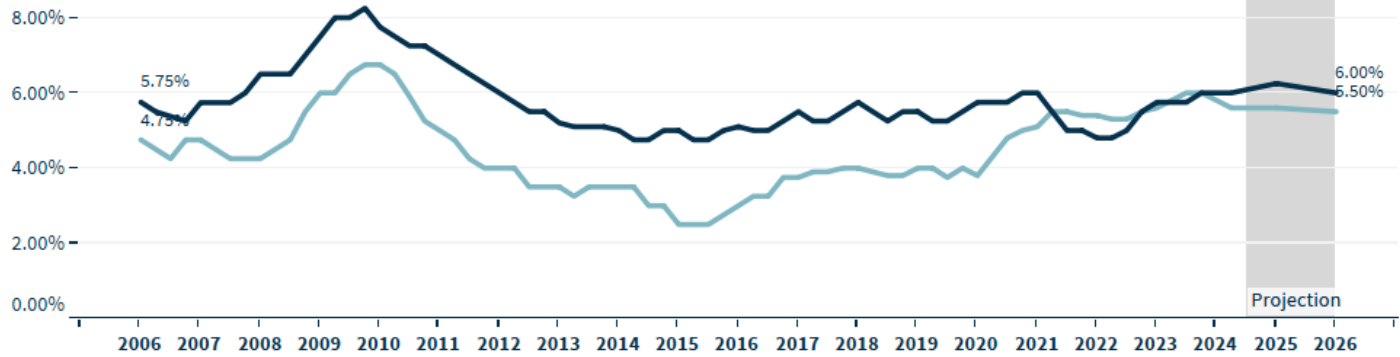
## Multifamily Vacancy & Rent Estimates

### Vacancy Rates

Oakland | National

Q3 2024 Vacancy Rate:

5.60%

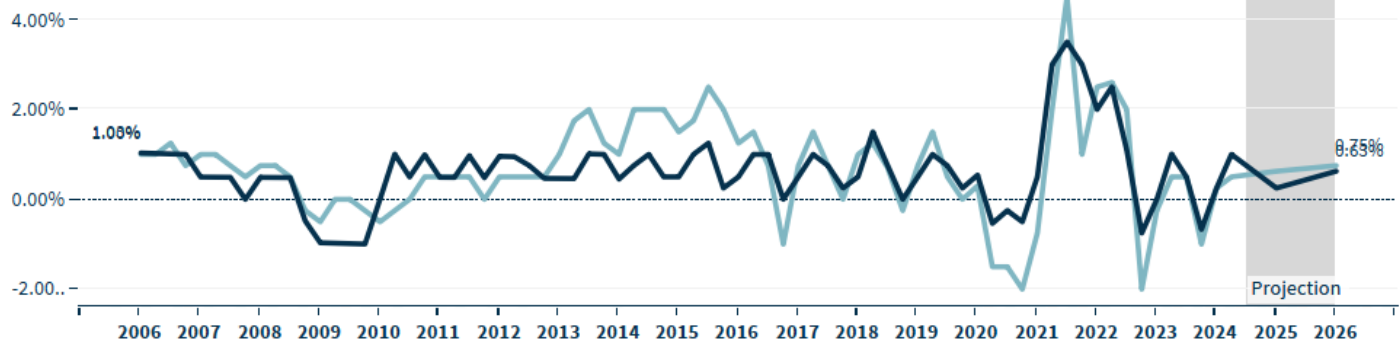


### Asking Rent Growth

Oakland | National

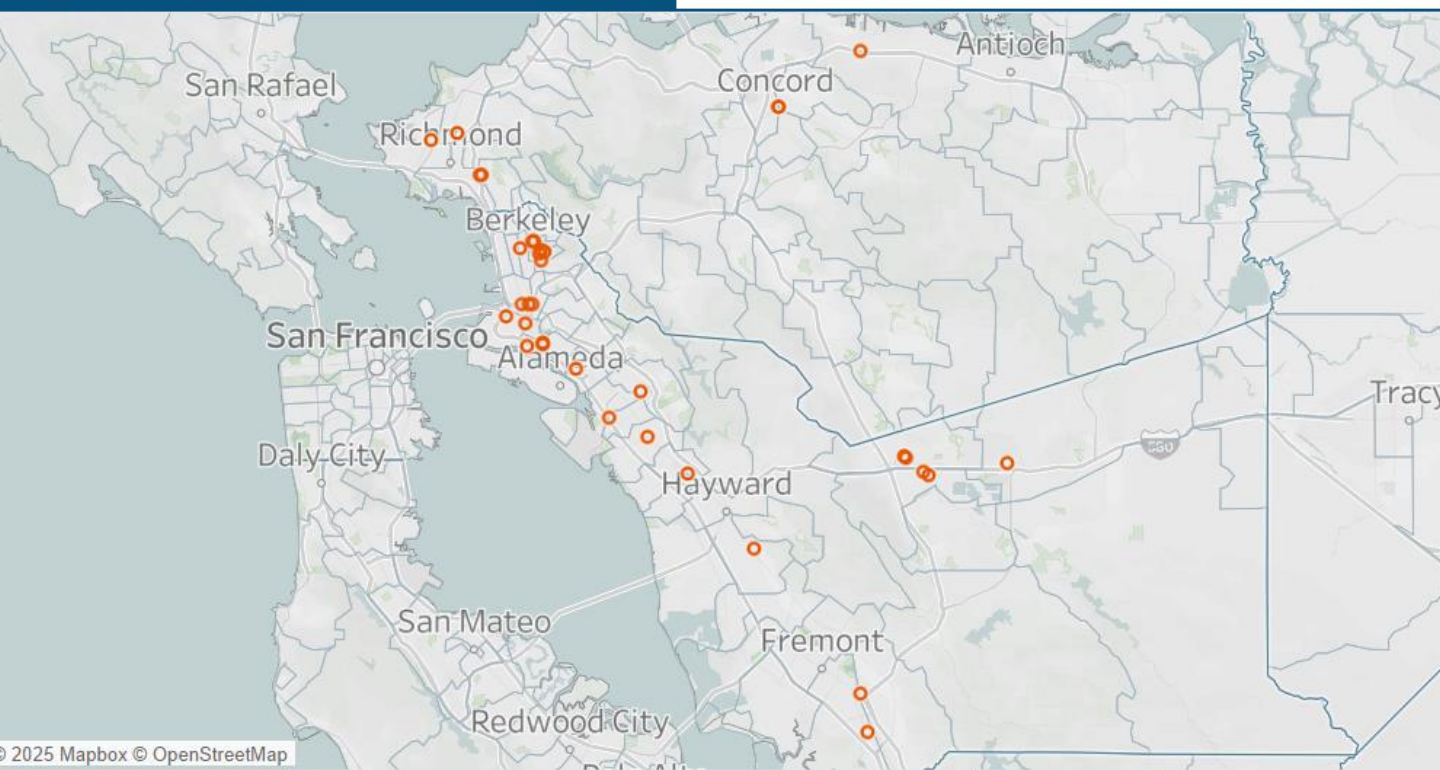
Q3 2024 Asking Rent:

\$2,520



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	2	352
Fremont	2	507
Hayward/San Leandro/Union City	3	451
Livermore/Pleasanton	3	538
Northeast Contra Costa County	1	100
Northwest Contra Costa County	4	445
Oakland/Berkeley	18	1,513
San Ramon/Dublin	2	51
<b>Grand Total</b>	<b>35</b>	<b>3,957</b>

Source: Dodge Data & Analytics SupplyTrack Pipeline

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## 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
- Dodge Data and Analytics SupplyTrack Pipeline
- CBRE-Econometric Advisors
- Yardi

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