

# Multifamily Metro Outlook:

## Oakland - Q4 2024

### Overview:

- Employment growth in the region has been stagnant since late last year, falling behind both state and national averages. The tech sector, which forms 8.7% of the job base, has been losing jobs since 2022 and is expected to continue to struggle into 2025. Meanwhile, computers and electronics, which make up one-fifth of the manufacturing sector, rely on imported semiconductor materials, which will likely be negatively impacted by the new tariffs. According to Moody's Analytics, Oakland is projected to add just 17,000 jobs in 2025-2026, after 12,000 jobs were added in 2024.
- The average vacancy rate was 5.6% as of Q4 2024, which is still 160 basis points above the average in Q4 2019. According to RealPage, concessions remain elevated with almost 27% of units offering just over three weeks of free rent. The average asking rent fell by 0.6% in Q4 2024, reversing some earlier gains in the year. Nevertheless, rent growth was positive in 2024. Even with weak job growth, with supply cooling, Oakland's multifamily market may finally stabilize in 2025.

### 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 health care systems Kaiser Permanente, John Muir Health, and the UCSF Medical Center.
- Per capita income of \$105,000 is over \$35,000 higher than the U.S. average, boosting spending on goods and services.
- The health care industry has been a crucial provider of mid- and high-wage jobs, driving the metro's economic recovery. 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.
- The Port of Oakland provides jobs in logistics through transportation of goods and distribution facilities.
- BART is extending to San Jose, which will allow Oakland's residents to benefit from well-paying jobs in Silicon Valley.

### Market Weaknesses:

- The tech sector supports 8.7% of the job base compared to 5.3% nationwide. 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.
- Oakland is facing deteriorating migration trends due to persistent out-migration and weak population growth. While 2024 saw net migration of just over 6,000 residents, increasingly restrictive immigration policies coupled with the loss of domestic population seeking lower housing costs will weigh on the multifamily market over the next few years.
- 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 out-migration, particularly among renters who are not tied to Oakland.

### Multifamily Development:

- According to Dodge Real Estate Analyzer data, several transformative projects, which delivered about 34,100 apartments since 2017, are winding down. An estimated 4,000 apartments are underway as of Q3 2024, a 1.7% increase in inventory, but down significantly from 9,400 apartments under construction in Q3 2019.
- In 2024, according to CBRE, net absorption exceeded 5,500 units, surpassing the 2015-2019 average of an estimated 2,000 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, companies have been calling workers back to the office and the addition of new supply is slowing. As a result, much of the excess supply should be absorbed in 2025 should job growth materialize as projected. As a result, Oakland may be turning the corner. However, the impact of tariffs is an unknown and conditions could still deteriorate.

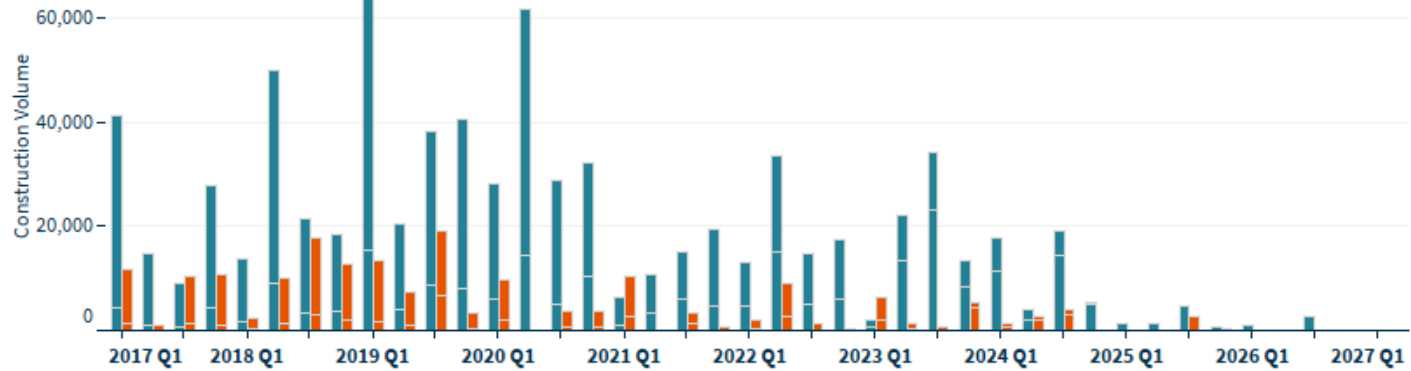
### Economic Outlook:

- In the near term, Oakland's economy is expected to slow in alignment with national trends this year. Restrictive monetary policies are still impacting key economic drivers, and while the health care sector will provide some support, its influence on downstream industries is significantly less than that of the tech industry. However, Fed rate cuts later in 2025 could improve tech hiring.
- 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

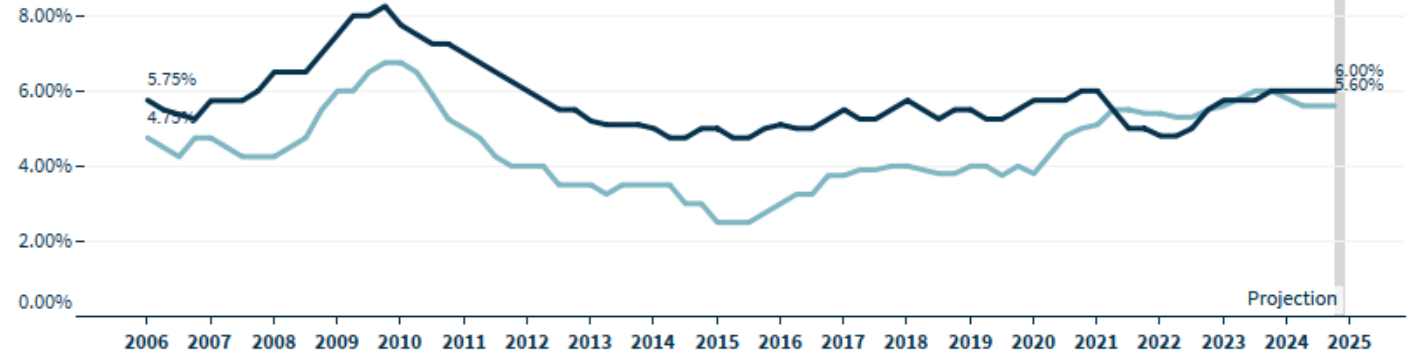
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Oakland | National

Q4 2024 Vacancy Rate:

5.60%



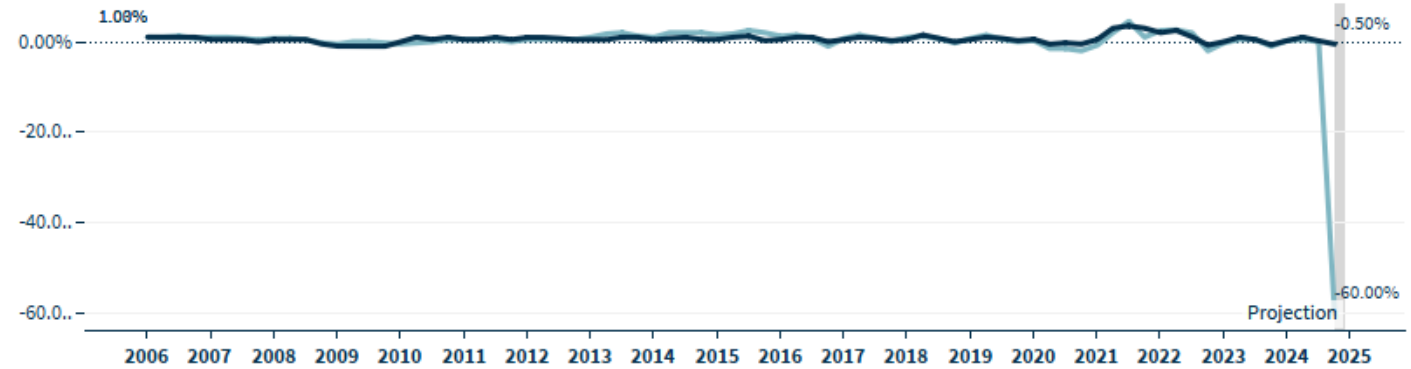
Projection

Asking Rent Growth

Oakland | National

Q4 2024 Asking Rent:

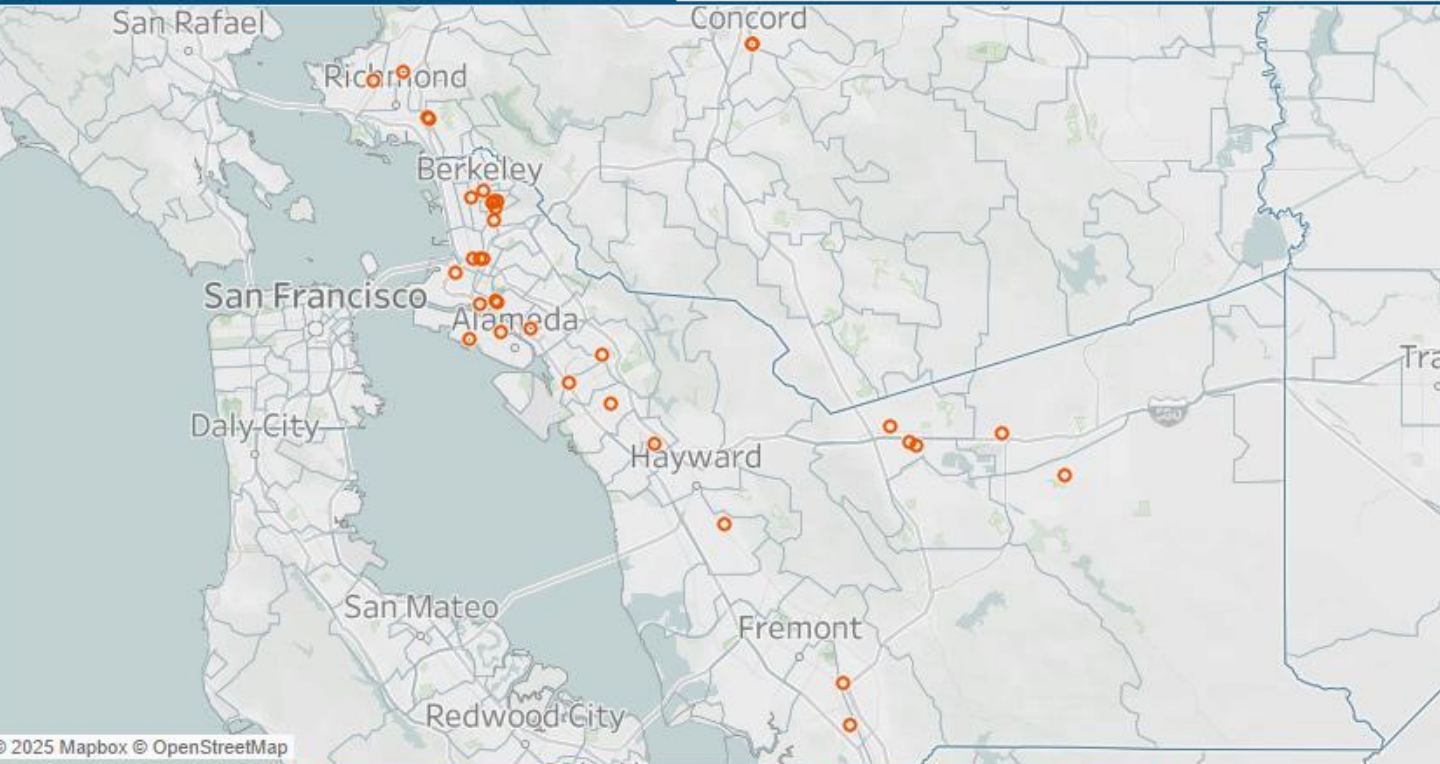
\$2,500



Projection

Source: Fannie Mae Multifamily Economics and Research

Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Concord/Martinez	2	352
Fremont	2	507
Hayward/San Leandro/Union City	3	451
Livermore/Pleasanton	4	617
Northwest Contra Costa County	4	445
Oakland/Berkeley	19	1,609
San Ramon/Dublin	1	30
Grand Total	35	4,011

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
- Greenstreet
- Dodge Data and Analytics Real Estate Analyzer
- CBRE-Econometric Advisors
- Yardi

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