

MARKET REPORT

Multifamily
Oakland Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2Q/22

In-Migration and Remote Work Nurture Performance in The Bay's Tightest Market

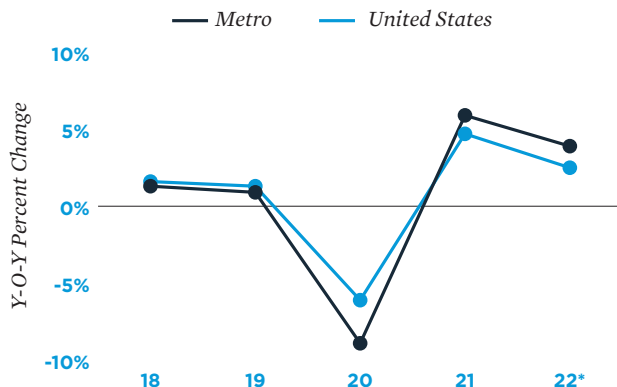
Comparably lower costs advantageous for rental demand.

Oakland has the lowest average effective monthly rent in the Bay Area, helping it secure the tightest vacancy rate of the three. Lower rents appeal to cost-conscious workers moving to the Bay Area from other parts of the country, a factor that may become even more important during a period of high inflation. At the same time, remote work flexibility has encouraged some people already in the area to consider a move to Oakland. The metro recorded higher population growth since the end of 2014 than San Francisco and San Jose combined, and projections indicate this trend will remain intact. The demand created by newly relocated households produced a 170-basis-point decrease in vacancy last year, and availability will continue to fall in 2022.

Vacancy tumbling in Oakland's least expensive submarkets.

All nine of the metro's submarkets recorded vacancy declines and rent growth last year. Availability remains most limited in the submarkets where rental costs are the lowest. In the first quarter of 2022, all four of the submarkets with average effective rents below \$2,500 per month reported vacancy of 2.3 percent or below. Demand is also starting to escalate in areas with higher rates like Oakland-Berkeley and Walnut Creek-Lafayette, with both submarkets recording year-over-year vacancy contraction of at least 280 basis points. Vacancy downtown is still elevated, compared to other submarkets, at 4.2 percent.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

Multifamily 2022 Outlook



**45,000
JOBS**
will be created

EMPLOYMENT:

Employment growth of 3.9 percent this year is a slowdown from the 5.9 percent clip recorded in 2021. Nonetheless, the metro is set to surpass the pre-pandemic job count by roughly 3,000 positions by year-end.



**4,500
UNITS**
will be completed

CONSTRUCTION:

Development has elevated in Oakland, with the metro scheduled to add roughly 380 more units in 2022 than its previous annual record. Inventory is projected to rise 2.1 percent this year, the first time this figure has eclipsed 2 percent since at least 2000.



**40
BASIS POINT**
decrease in vacancy

VACANCY:

After the rate declined 170 basis points last year, vacancy will descend to 2.5 percent at year-end, despite record-setting development. The year 2000 was the last time vacancy in Oakland reached this level.

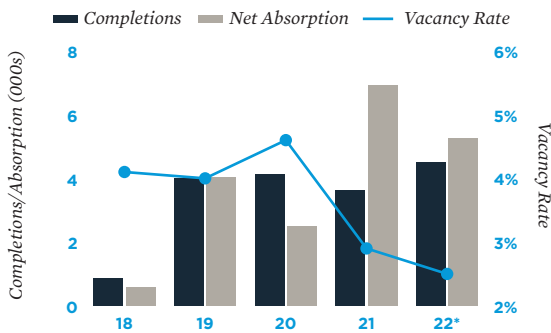


**8.1%
INCREASE**
in effective rent

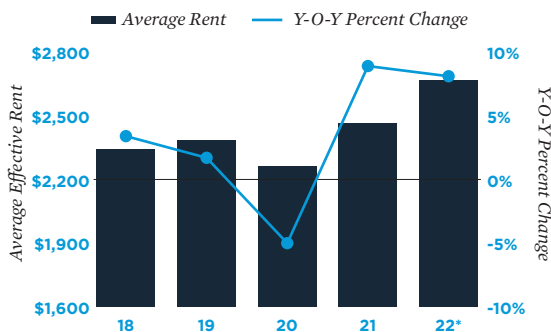
RENT:

The addition of many new upscale units and surging demand across the rental spectrum will lift the average effective rate to \$2,665 per month by the end of this year. Fremont is recording the largest gains, at 17.1 percent year-over-year in March.

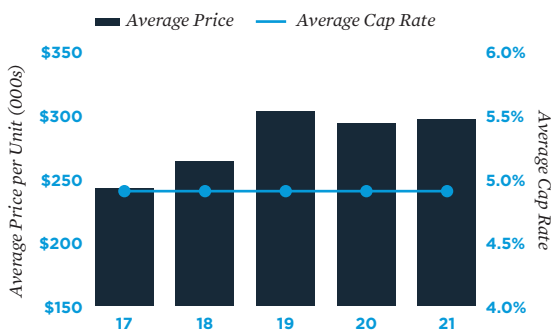
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Price: \$250

1Q 2022 - 12-Month Period

CONSTRUCTION 3,183 units completed

- Builders have more than 9,000 units under construction in the metro, but many of these projects are slated for 2023 or 2024 completion.
- Despite tighter conditions in the suburbs, builders have been more active in the CBD of late, with over two-thirds of new arrivals in the past 12 months arriving in Downtown Oakland.

VACANCY 220 basis point decrease in vacancy Y-O-Y

- Migration to the metro from San Francisco and San Jose has aided in lowering vacancy to 2.7 percent during the first quarter, as some renters looking to reduce living costs have moved to Oakland.
- Comparably cheaper rents in Contra Costa County have helped the county record 2.1 percent vacancy, one of the lowest in the metro.

RENT 12.5% increase in the average effective rent Y-O-Y

- Muted availability has resulted in rising rents, reaching \$2,524 per month during the first quarter of 2022.
- While the average monthly rental payment is now elevated from its pre-pandemic value, the recovery has been uneven. Suburban rents are ahead of 2019 levels, while CBD rates still lag.

Investment Highlights

- Sales volume rose in Oakland last year; however, the number of assets changing hands remained behind 2019 levels. The first quarter of 2022 reported more trades than the opening periods of 2021, 2020 and 2019, suggesting trading velocity may be returning to pre-pandemic levels. State-run agencies drove a larger portion of this volume than usual.
- Performance lulls at the start of 2020 resulted in a 3 percent drop in the average per-unit sale price in the metro; however, as metrics improved during 2021, prices regained upward momentum, resting at \$296,000 per unit on average last year.
- The average cap rate held at 4.9 percent in 2021 — the fifth consecutive year at this level. Sales volume spiked in the Dublin-Pleasanton-Livermore area as a couple large properties transacted. Sale pricing is typically above \$500,000 per unit here, and cap rates on these large facilities are usually close to 4 percent.
- Owners are emphasizing performance when making acquisitions. The average occupancy at time of sale for recently traded assets is nearly 100 percent. This figure was 95 percent, prior to the health crisis.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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