INVESTMENT FORECAST

Multifamily

Oakland

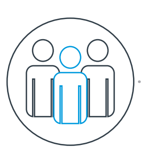
IPA | INSTITUTIONAL PROPERTY ADVISORS

2025

Fewer Arrivals Aid Upper-Tier Fundamentals, Drawing Investor Interest

Oakland hits an inflection point with tightening vacancy. Leading the Bay Area in post-pandemic workforce recovery, the metro experienced an uptick in renter demand in 2024, with favorable conditions expected to carry over into 2025. Demand was widespread last year — seven of the nine submarkets reported declining vacancy as metrowide net absorption reached its highest level since 2021. With 2025 development focused in Fremont and the Oakland-Berkeley area, 2024's vacancy tightening trend should continue this year. Oakland-Berkeley's inventory has grown over 15 percent since 2018 — the highest among submarkets — but mild development beyond 2025 should allow for gradual absorption and rent stabilization. Class A vacancy remains lower than Class B or C here, suggesting new luxury supply is being well-absorbed. Elsewhere, Class B assets see the tightest vacancy, especially in the Fremont, Concord-Martinez and San Ramon-Dublin areas. Here, the notable rent gap between Class A and B units underscores demand for mid-tier options from those priced out of luxury rentals.

Strong upper-tier apartment performance attracts attention. Higher-end assets are positioned to see heightened interest from institutional investors, particularly in areas near Fremont and Pleasanton. Last year, investors from outside the Bay Area were more active in acquiring institutional grade product in these areas, potentially driven by declining local Class A and B vacancy through this period. Pleasanton, in particular, may draw greater investor interest, as minimal new supply expected here poises the submarket for further compression. Despite anticipating a large 2025 delivery slate, Berkeley and the city of Oakland may also see greater attention for newer units. An October 2024 ridership report suggests a growing weekday commuter base in the area as more companies enforce an in-person work model. This submarket also saw the greatest 2024 net absorption among submarkets at over 1,200 units, more than double the runner-up, while noting a drop in Class A and B vacancy. This dynamic may have driven the recent uptick in higher-end transactions in the stretch from Downtown Berkeley to the Marina and Downtown Oakland. Meanwhile, investors interested in larger Class C complexes may look to the San Ramon-Dublin area. Class C vacancy here has stayed consistently under 3 percent since 2020, supporting the second-highest mean rent among submarkets.



19.9%

2024 share of local population between 20 and 34 years old

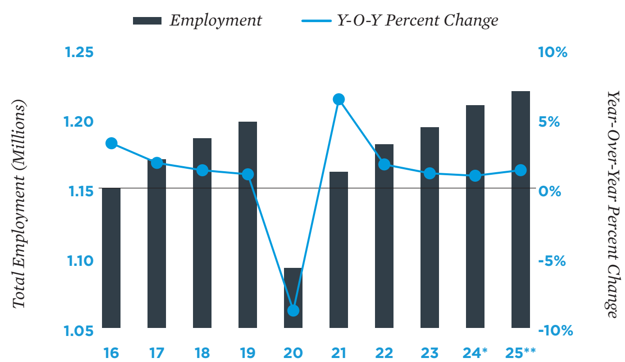
45.3%

of local population hold bachelor's degree or higher ⌘

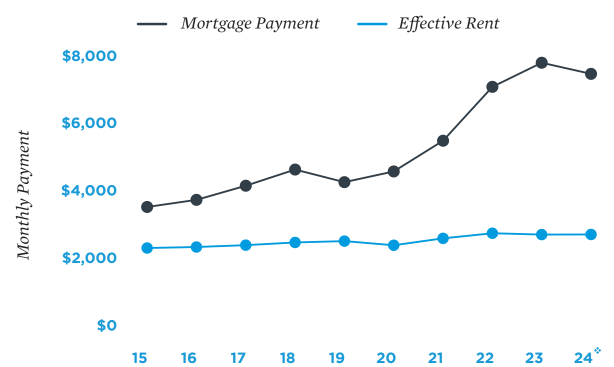
$1,101,600

2024 median home price ✥

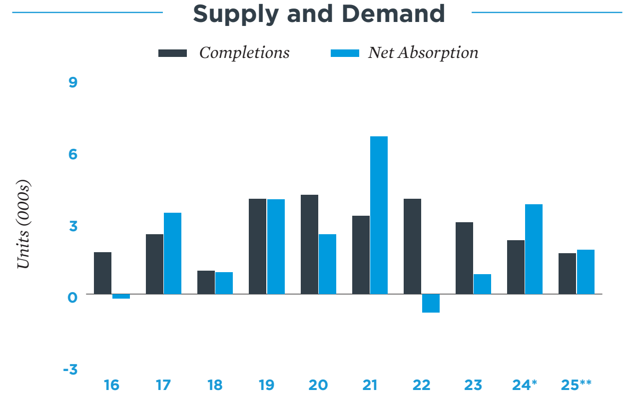
Employment Trends



Housing Affordability Gap



Supply and Demand



** Estimate ** Forecast ✥ Through 3Q*
⌘2024: 25+ years old
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

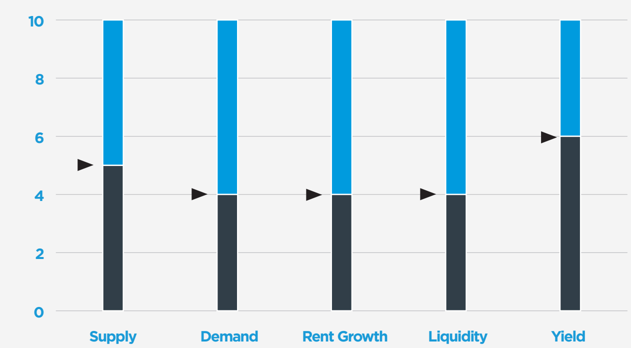
Investment Outlook

Modest inventory growth of 0.8 percent grants a supply index rating of 5, one of the most positive scores for major markets this year. While Oakland's demand and rent growth scores of 4 are also each up one level from 2024, vacancy in the metro will decrease for the second consecutive year, supporting higher effective rents.

Of the major California markets, only San Diego notes a higher liquidity value than Oakland and San Francisco at a value of 4. Contributing to that activity is a yield rating of 6 — the highest among the same group of markets.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.

Key Performance Index

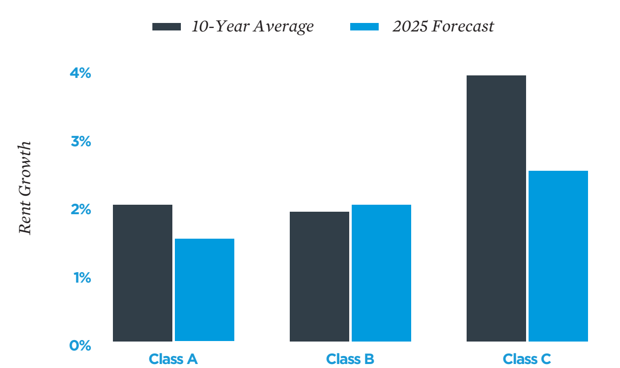


2025 MARKET FORECAST

	Metro	U.S.
Employment 15,500 *jobs*	1.3%	1.1%
Construction *% of inventory*❖	0.8%	2.1%
Class A Vacancy Down 10 bps	6.0%	6.1%
Class A Rent $3,246 *per month*	1.5%	2.8%

Vacancy by Class

Rent Growth by Class



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** Estimate ** Forecast*
❖ Arrow reflects completions trend compared with 2024
Sources: IPA Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics