

INVESTMENT FORECAST

Multifamily
Oakland

IPA


INSTITUTIONAL
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ADVISORS


2020

Blossoming Tech Scene Breathing More Life Into Oakland; Downtown Seeing Benefits

Tech firms like Square setting stage to boost Oakland/East Bay presence. Apartment availability in the East Bay remains tight, staying near 4 percent as sustained job creation in the urban core drives marketwide rental demand. Mobile payment processor Square recently moved into a 356,000-square-foot building in downtown Oakland with the capacity to hold 2,000 employees, putting even more pressure on the area's already-tight apartment vacancy rate. This move could spur more relocations to Oakland as companies seek lower business costs in a market with high growth potential. Additional employment growth is supported by increased venture capital investment into Oakland-based startups, providing these firms with more power to expand and create opportunities for job seekers. To account for the expected pool of new jobs, developers are elevating their interest in the East Bay as 4,600 units are on tap for 2020, the highest annual total this millennium. Much of the focus will be on the urban core, where a variety of 200-plus-unit complexes are on track for finalization, although neighborhoods around the University of California, Berkeley will also witness substantial construction activity.

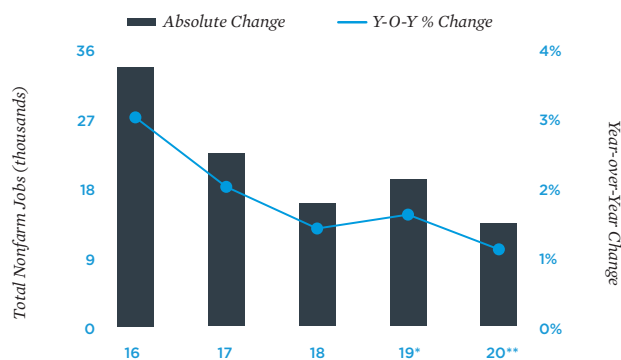
Expanding core assets and value-add opportunities will lead transactions. The East Bay's investment climate has shifted in the last few years as both individuals and companies have migrated into the metro to avoid the much higher costs of living and doing business in neighboring metros. As this migration trend has included both major tech firms and the employees that work at them, institutional multifamily capital has taken notice. The city of Oakland now draws increased numbers of professional renter households that are targeted heavily by core investors, which in turn makes the area attractive for acquisition. In addition, the potential pipeline for newly developed core assets looks strong as 26 properties are scheduled for completion over the next two years in high-density Oakland neighborhoods. In addition, the new rent control caps do not apply to properties less than 15 years old, which should allow for underwriting that reflects the true market conditions for high-quality rentals in the urban core. Not to be left out, suburban garden properties with renovation upside will also remain exceedingly sought by private buyers seeking to capitalize on well-located properties in the Dublin/Pleasanton and northeast Contra Costa submarkets. Overall, the East Bay appears well positioned to continue seeing investment capital inflows to take advantage of higher yields and the steady growth of apartment fundamentals.

20.9%  2019 share of local population between 20 and 34 years old

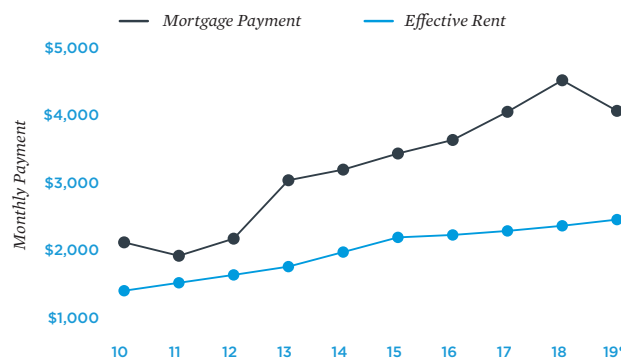
42.5%  of local population hold bachelor's degree or higher*

\$800,834  2019 median home price

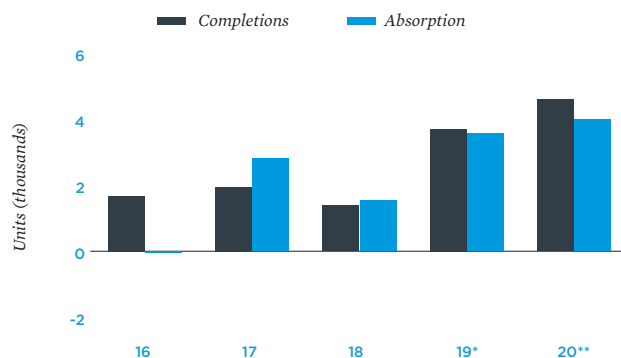
Employment Trends



Housing Affordability Gap



Supply and Demand



* Estimate ** Forecast * Through 3Q
* 2019: 25+ years old

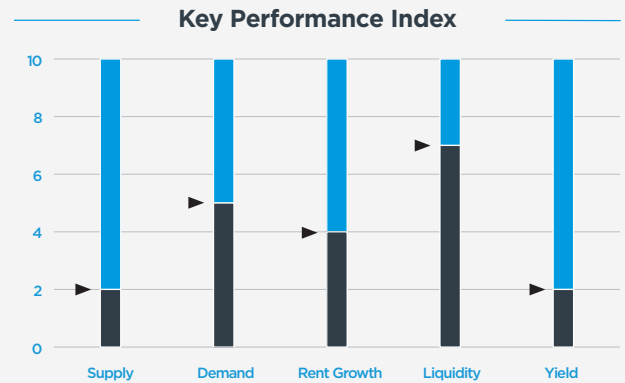
Sources: Marcus & Millichap Research Services; RealPage, Inc.

2020 Investment Outlook

Little change in Oakland's Key Performance Index over the past six months emphasizes the overall stability and balance of the market's fundamentals. Rent growth did slip one notch but given that the supply and demand indexes remain steady, this most likely will prove temporary.

A combination of strong investor interest and the growing availability of assets for sale pushed up liquidity by one point since midyear. Competitive bidding for assets also pushed down yield one notch but Oakland remains the highest yield index for the Bay Area.

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



2020 Market Forecast

Employment
13,300 jobs



Metro **1.1%**
U.S. **1.0%**

Construction
as % of inventory*



Metro **2.2%**
U.S. **1.7%**

Class A Vacancy
Up 30 bps



Metro **5.5%**
U.S. **5.3%**

Class A Rent
\$3,162 per month

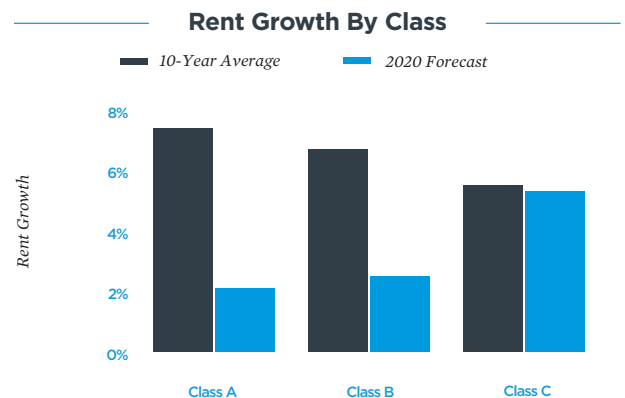
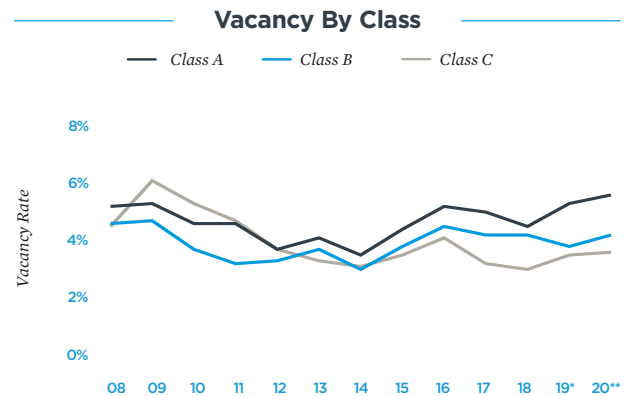


Metro **2.1%**
U.S. **3.3%**

Investment
3-yr. avg. activity
\$20+ million



Deals: **24**
Volume: **\$1.4 billion**



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* Estimate ** Forecast
* Arrow reflects completions trend compared with 2019
Sources: Marcus & Millichap Research Services;
CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics