

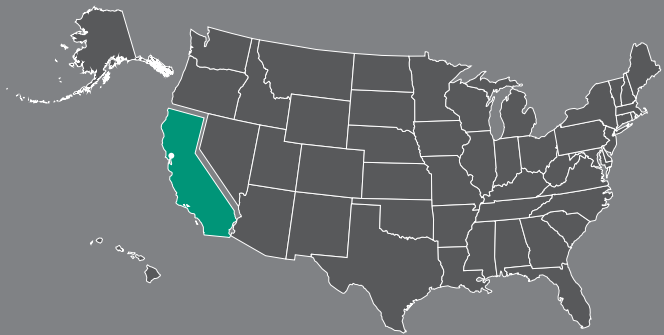
# HUD PD&R Housing Market Profiles

## Oakland-Hayward-Berkeley, California



### Quick Facts About Oakland-Hayward-Berkeley

- **Current sales market conditions: very tight.**
- **Current apartment market conditions: very tight.**
- **Kaiser Permanente®, which is the largest employer in the metropolitan division, with 23,300 employees, has a multistate network of 38 hospitals and medical care providers that employ approximately 174,300 people and serve 9.3 million members nationally.**



By Elaine Ng | As of March 1, 2017

### Overview

The Oakland-Hayward-Berkeley, CA Metropolitan Division (hereafter, Oakland metropolitan area) consists of Alameda and Contra Costa Counties in Northern California. Across the San Francisco Bay from San Francisco, the Oakland metropolitan area serves as a suburban community for residents working in the cities of San Francisco and San Jose (the heart of Silicon Valley) and is also a major transportation hub and trade center for Northern California. The metropolitan area is home to several headquarters of large corporations, smaller technology firms, and the University of California, Berkeley.

- As of March 1, 2017, the estimated population of the Oakland metropolitan area is 2.79 million, representing an average increase of 33,100, or 1.2 percent, annually since April 2010. By comparison, from 2000 to 2010, the population increased by an average of 16,700, or 0.7 percent, annually.
- Net in-migration to the metropolitan area has accounted for 55 percent of population growth since 2010, averaging 18,300 people, annually. Almost 40 percent of recent in-migrants

continued on page 2



PD&R

continued from page 1

originated from San Francisco and Santa Clara Counties (part of the San Jose-Sunnyvale-Santa Clara, CA Metropolitan Statistical Area), the centers of the Silicon Valley where the technology boom is occurring and where high housing costs price out many prospective residents (County-to-County Migration Flows, 2010–2014 American Community Survey [ACS] 5-year estimates).

- From 2011 to 2016, net in-migration averaged 19,650 people annually, contributing to 57 percent of population growth. By comparison, net natural change accounted for all the population growth from 2000 to 2006 because of average net out-migration of 6,200 people annually while the Oakland metropolitan area slowly recovered from the effects of the dot-com bust.

## Economic Conditions

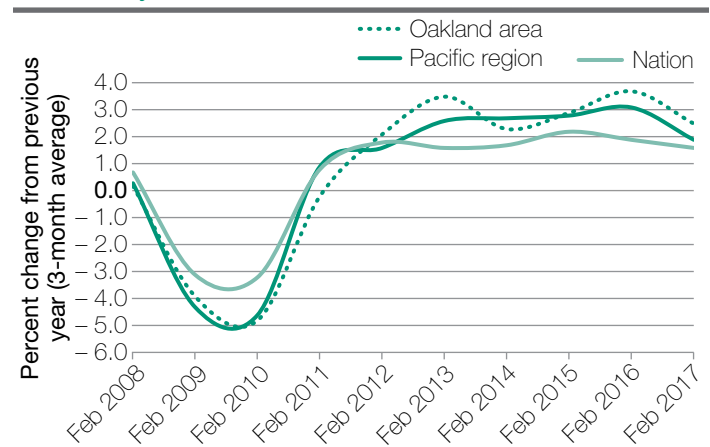
Economic conditions in the Oakland metropolitan area have strengthened significantly since 2012, after 3 years of job losses. Nonfarm payroll growth has averaged 2.8 percent annually since 2012. The local economy fully recovered in 2015 following payroll losses from 2009 through 2011, and the most recent nonfarm jobs total is more than 5 percent higher than the prerecession peak of 1.06 million jobs averaged in 2007.

During the 3 months ending February 2017—

- Nonfarm payrolls averaged 1.15 million jobs, an increase of 30,800 jobs, or 2.8 percent, compared with the number of jobs during the same 3-month period in 2016, resulting from growth in all 11 sectors.
- The education and health services sector led job growth with an addition of 5,700 jobs, a 3.1-percent increase, and is the largest sector in the metropolitan area, accounting for 16 percent of total nonfarm jobs. Recent regional health network and hospital

continued on page 3

**Job growth in the Oakland area has exceeded the regional rate since early 2015 and the national rate since early 2012.**



Note: Nonfarm payroll jobs.

Source: U.S. Bureau of Labor Statistics

**In the Oakland area, all 11 sectors added jobs year over year, with 6 sectors expanding by more than 3 percent.**

	3 Months Ending		Year-Over-Year Change	
	February 2016 (thousands)	February 2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	1,116.8	1,147.6	30.8	2.8
Goods-producing sectors	154.4	157.3	2.9	1.9
Mining, logging, and construction	65.2	67.6	2.4	3.7
Manufacturing	89.3	89.7	0.4	0.4
Service-providing sectors	962.3	990.4	28.1	2.9
Wholesale and retail trade	163.7	167.1	3.4	2.1
Transportation and utilities	38.5	40.2	1.7	4.4
Information	26.0	26.7	0.7	2.7
Financial activities	56.2	59.1	2.9	5.2
Professional and business services	177.6	181.9	4.3	2.4
Education and health services	182.6	188.3	5.7	3.1
Leisure and hospitality	107.4	111.1	3.7	3.4
Other services	38.3	38.9	0.6	1.6
Government	171.8	177.2	5.4	3.1
	(percent)	(percent)		
Unemployment rate	4.4	4.0		

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics



continued from page 2

expansions supported the growth in the sector, including the \$500 million, 10-year expansion of the UCSF Benioff Children's Hospital Oakland, which recently broke ground. When the project is completed in 2027, additions will include a second outpatient center and private intensive care units.

- Significant job gains also occurred in the government, the professional and business services, and the leisure and hospitality sectors, which added 5,400, 4,300, and 3,700 jobs, or 3.1, 2.4, and 3.4 percent, respectively. Increased hiring of educational workers in local governments offset declines in state and federal government employment.
- The unemployment rate declined to 4.0 percent from 4.4 percent during the 3 months ending February 2016 and well below a high of 10.9 percent during the 3 months ending February 2010.

Several company expansions and relocations are planned in the Oakland metropolitan area, which will contribute to continued economic growth. Uber Technologies Inc., the online transportation

network company headquartered in San Francisco, has a \$40 million expansion into Oakland under way. An estimated 200 to 300 full-time employees are to be added in the Oakland metropolitan area when the project is complete in late 2017. In Fremont, Tesla Inc. has plans to double the size of its manufacturing plant, adding 4.6 million square feet, to meet long-term production plans for the Model 3 sedan and Model Y compact sport utility vehicle. The expansion is expected to add an additional 3,100 workers on completion at the end of 2018.

### Largest employers in the Oakland area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Kaiser Permanente®	Education and health services	23,300
University of California, Berkeley	Government	21,400
Safeway, Inc.	Wholesale and retail trade	12,000

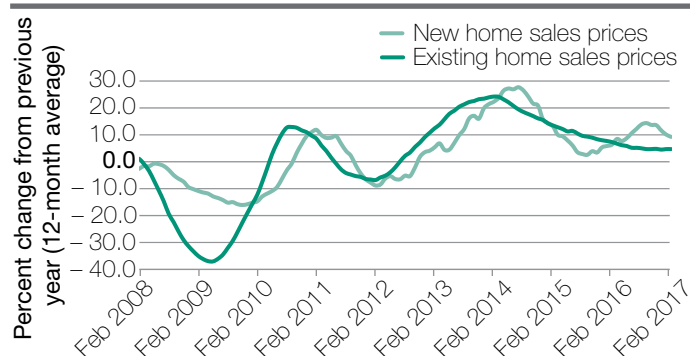
Note: Excludes local school districts.

Sources: *San Francisco Business Times*; City of Oakland Economic and Workforce Development

## Sales Market Conditions

The sales housing market in the Oakland metropolitan area is currently very tight, with an overall estimated vacancy rate of 0.6 percent, down from 1.9 percent in April 2010. Increased demand from households benefitting from the recent economic recovery and those seeking less-expensive housing options from San Francisco and San Jose have helped absorb much of the excess inventory that resulted from the foreclosure crisis, leading to current tight market conditions. As of February 2017, in Alameda County, a 2.6-month supply of homes was available for sale, down from a 3-month supply a year earlier (California Association of Realtors®).

**Recent sales price growth has been moderately low, but average sales prices for both new and existing homes are at record highs in the Oakland area.**



Note: Includes single-family homes, townhomes, and condominiums.

Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

In Contra Costa County, a 3-month supply of homes was available for sale, unchanged from a year earlier. By comparison, a 4-month supply of homes was available for sale in the state of California during February 2017. As sales market conditions have improved, the percentage of home loans in the Oakland metropolitan area that were seriously delinquent (those 90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status declined from 1.2 percent in January 2016 to 0.9 percent in January 2017 (CoreLogic, Inc.). The current rate is below the 1.3-percent rate for California and 2.6-percent for the nation.

During the 12 months ending February 2017—

- New home sales increased 27 percent, or 810 homes, to 3,825 homes sold, compared with the 12 months ending February 2016 and were up from the average of 2,150 during 2010 and 2011, when market conditions were weak (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). New home sales remain below the peak from 2005 through 2007, when an average of 7,075 homes sold annually.
- The average sales price for new homes was \$880,200, a 10-percent increase from the average price during the previous 12 months and 26 percent above the previous peak of \$701,300 during the 12 months ending February 2006.
- Existing home sales totaled 30,900, down almost 4 percent from the 32,050 homes sold during the 12-month period ending February 2016 but up 9 percent from the average of 29,400 homes

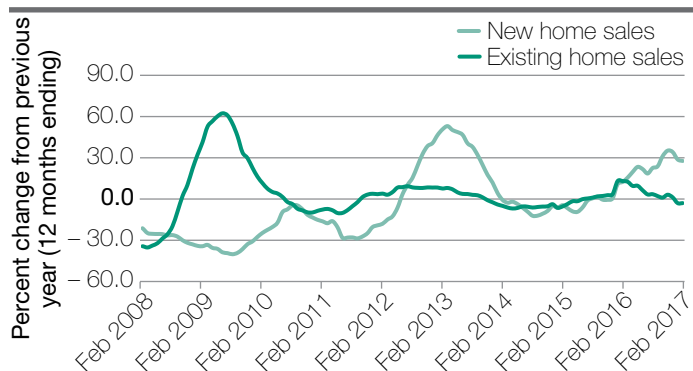
continued on page 4

continued from page 3

sold annually during 2010 and 2011. The decline in existing home sales resulted from a 17-percent decline in REO sales, to 1,625, and a 3-percent decline in regular resales, to 29,300, due to a shortage of inventory rather than a decline in demand.

- The average sales price for existing homes was \$697,600, an increase of 5 percent compared with the average price during the 12 months ending February 2016. The average price for existing

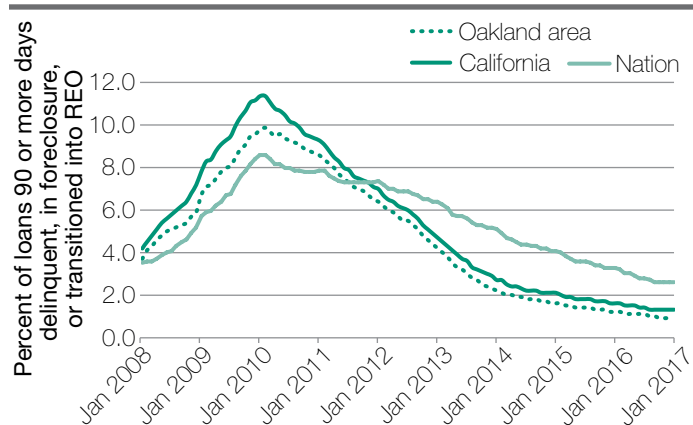
**Despite tight sales market conditions in the Oakland area, existing sales declined recently because of lower inventory of affordable homes, particularly distressed sales.**



Note: Includes single-family homes, townhomes, and condominiums.

Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

**The rate of seriously delinquent mortgages and REO properties in the Oakland area was below the rates for both the state and the nation.**



REO = real estate owned.

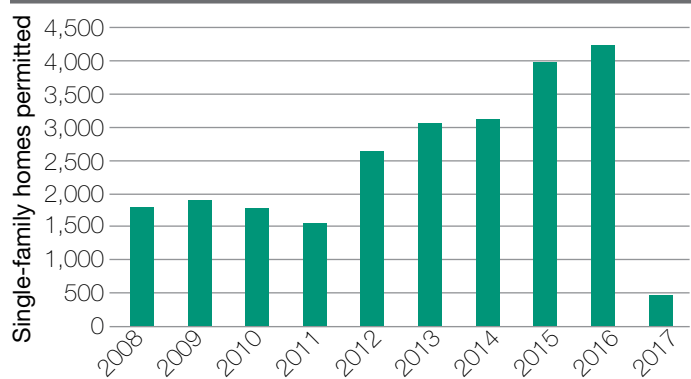
Source: CoreLogic, Inc.

homes increased 10 percent annually from the end of 2011 through 2015 and currently exceeds by 7 percent the previous high of \$649,200, which occurred during the 12 months ending February 2008.

Single-family construction activity, as measured by the number of homes permitted, has increased each year since 2011 but remains well below prerecessionary levels.

- The number of single-family homes permitted declined to 4,000 during the 12 months ending February 2017, down 4 percent from 4,125 homes permitted during the previous 12 months (preliminary data).
- Single-family construction activity averaged 3,200 homes permitted annually from 2012 through 2015, up from an average of 1,750 homes a year from 2008 through 2011 but far less than the average of 6,325 each year from 2000 through 2007.
- Due to high land costs, single-family home development is limited to inland cities. In Dublin, the master-planned, \$1 billion Dublin Crossing community is currently under way close to the Dublin/Pleasanton Bay Area Rapid Transit station. When complete, the development is expected to contain 1,995 single-family and multifamily homes for sale. The first phase of construction, including approximately 400 homes, is expected to be complete during 2017. Sales prices for the development are not yet available.

**Single-family home permitting in the Oakland area has increased each year since 2011.**



Note: Includes preliminary data from January 2016 through February 2017.

Source: U.S. Census Bureau, Building Permits Survey

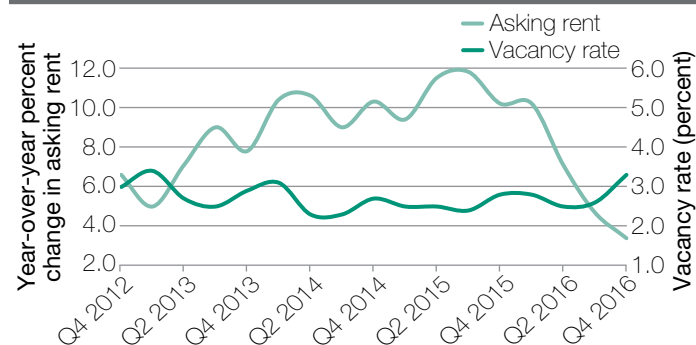


## Apartment Market Conditions

Rental housing market conditions in the Oakland metropolitan area are currently very tight. Tight apartment market conditions are due to a combination of factors including strong net in-migration from households seeking more affordable housing than in the cities of San Francisco and San Jose, rising for-sale home prices, and a preference for urban neighborhoods, where limited for-sale inventory exists. During 2015, single-family homes comprised 35 percent of the rental inventory in the metropolitan area, up from 33 percent in 2010 (2010 and 2015 ACS 1-year data). By comparison, single-family homes comprised 29 percent of the rental inventory in the metropolitan area during April 2000. The increased number of single-family homes in the rental market is because a significant portion of REO home purchases by investors during and after the national recession have been rented.

- The estimated vacancy rate for all rental units (including renter-occupied single-family homes, manufactured homes, and apartment units) is 2.7 percent as of February 1, 2017, down from 6.6 percent in 2010.
- The apartment market, which represents approximately 64 percent of all rental units in the metropolitan area, had a vacancy rate of 3.3 percent in the fourth quarter of 2016, up from 2.8 percent a year earlier but less than the 3.6-percent rate during the fourth quarter of 2011 (earliest data available, MPF Research).

**Although average rent growth is slowing, and the apartment vacancy rate has slightly increased, the rental market in the Oakland area remains very tight.**



Q2 = second quarter. Q4 = fourth quarter.

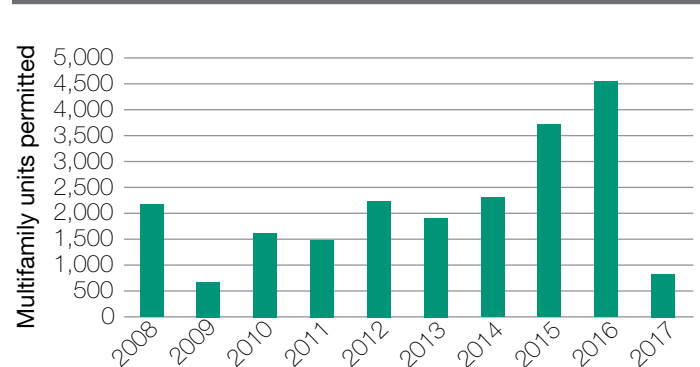
Source: MPF Research

- The average monthly apartment asking rent was \$2,066 in the fourth quarter of 2016, a 3-percent increase from the fourth quarter of 2015 and a 45-percent increase from the fourth quarter of 2011 during the end of the national recession.

Builders responded to declining vacancy rates with significantly increased levels of multifamily construction activity beginning in 2012. During the 12 months ending February 2017, multifamily construction, as measured by the number of units permitted, totaled 4,925 units, a 24-percent increase from the 3,950 units permitted during the previous 12-month period (preliminary data).

- Multifamily units permitted averaged 2,550 units a year from 2012 through 2015, doubling the average of 1,275 units permitted from 2009 through 2011, when apartment market conditions were weak.
- From 2003 through 2006, multifamily construction averaged 4,450 units permitted annually, the highest since 2000.
- A majority of apartment units currently under way are in the Oakland/Berkeley area where average asking rents are the highest in the metropolitan division. Projects under way include the 423-unit 3093 Broadway Apartments that will include 21,000 square feet of ground-floor commercial space and a new mid-block crossing that is expected to enhance the urban environment. Rents have not yet been determined.

**Builders responded to declining vacancy rates with significantly increased levels of multifamily construction activity in the Oakland area beginning in 2012.**



Note: Includes preliminary data from January 2016 through February 2017.

Source: U.S. Census Bureau, Building Permits Survey