

Housing Market Profile



Pacific • HUD Region IX

Oakland-Fremont-Hayward, California

The Oakland-Fremont-Hayward Metropolitan Division (hereafter referred to as the Oakland metropolitan area) includes Alameda and Contra Costa Counties, which are located east of the city of San Francisco, across the San Francisco Bay. As of July 1, 2011, the population was estimated to be 2.6 million, a nearly 1-percent increase since July 1, 2010. Because of slower in-migration, the annual growth rate has decreased since the 2008-to-2009 period, when it was 1.5 percent.

The economy in the Oakland metropolitan area remains weak, but the job loss rate is slowing. During the 12 months ending May 2011, nonfarm payrolls decreased by 8,000 to average 945,800 jobs, a 0.8-percent loss compared with payrolls during the previous 12-month period. In contrast, nonfarm payroll jobs contracted by 6.1 percent from 2008 to 2009 and 2 percent from 2009 to 2010. Most nonfarm payroll sectors lost jobs in the 12-month period ending May 2011, led by the mining, logging, and construction, manufacturing, and government sectors, with respective declines of 3,900, 3,800, and 3,600 jobs, or 7.7, 4.6, and 2.1 percent. The soft housing market was mainly responsible for construction subsector losses. The March 2010 closure of New United Motor Manufacturing, Inc., which employed 5,000 workers, contributed to losses in the manufacturing sector. Reduced tax revenues during the soft economy have led to government sector contraction since 2007. Four sectors are showing signs of recovery; the professional and business services, education and health services, leisure and hospitality, and financial activities sectors increased by 2,400, 2,200, 1,900, and 200 jobs, or 1.6, 1.6, 2.3, and 0.4 percent, respectively. The average unemployment rate for the 12 months ending May 2011 was 11 percent, relatively unchanged from the 11.1 percent rate of the previous 12-month period.

The largest employment sectors in the Oakland metropolitan area are government, professional and business services, wholesale and retail trade, and education and health services, each comprising a nearly equal 16 percent share of total nonfarm payrolls. The largest employer in the metropolitan area—the University of California, Berkeley (UCB)—employed 23,500 faculty and staff and enrolled 35,850 students during the fall 2010 semester. According to UCB, the university generates an annual

economic impact of \$1.3 billion in the metropolitan area and currently has \$480 million in capital projects under construction. The other largest employers in the area are AT&T Communications and the food retailer Safeway, Inc., with 14,000 and 7,400 employees, respectively.

The sales housing market in the metropolitan area is soft, but showing tentative signs of recovery. After the housing bubble burst in 2006, subsequent foreclosure activity destabilized the market further as REO (Real Estate Owned) homes and short sales exerted downward pressure on prices. The foreclosure rate has begun to diminish but remains high. According to LPS Applied Analytics, the percentage of loans 90 or more days delinquent, in foreclosure, or in REO in the metropolitan area decreased from 9.5 percent in June 2010 to 8 percent in June 2011. In June 2011, 8.8 percent of all loans in Contra Costa County were distressed, with distressed loans concentrated in the newest suburbs in the northeastern part of the county, compared with 7.2 percent for Alameda County. According to data from Hanley Wood, LLC, existing home sales declined nearly 9 percent, to 17,500 homes sold, in the metropolitan area during the 12 months ending June 2011 compared with the number sold during the previous 12 months. The proportion of REO sales relative to total existing sales decreased from 42 to 39 percent during this period, reflecting slight improvement. Median sales prices for non-REO homes decreased to \$424,100 in Alameda County and \$345,800 in Contra Costa County, down approximately 4 percent in both counties, and for REO homes decreased to \$252,100 in Alameda County and \$197,000 in Contra Costa County, down 1 and 5 percent, respectively.

New homes sales activity in the metropolitan area declined nearly 33 percent to 2,000 homes sold during the 12 months ending June 2011, and prices are beginning to increase. Condominiums and townhomes constituted 30 percent of all new home sales in the metropolitan area during the most recent 12-month period, compared with 46 percent during 2007, at the peak of new condominium development. During the 12 months ending June 2011, the median sales price increased 4 percent, to \$681,000, for new single-family homes and 8 percent, to \$398,000, for new condominiums in Alameda County, compared with prices during the same period a year earlier. The median sales price in Contra Costa County increased 6 percent, to \$404,100, for new single-family homes and declined 9 percent, to \$389,200, for new condominiums during the same period.

In response to the weakening sales volume beginning in 2006, builders reduced new home construction



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U.S. Housing Market Conditions
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activity, as measured by the number of single-family building permits issued. From 2008 through 2010, an average of 1,825 single-family homes was permitted annually in the metropolitan area. During the 12 months ending May 2011, 1,475 single-family homes were permitted, representing a 32-percent decline from the number of permits issued during the preceding 12-month period, based on preliminary data. Single-family permits were evenly divided between the two counties.

Multifamily construction, as measured by the number of units permitted, has also declined sharply since 2006, as builders responded to softening condominium sales. During the peak years from 2003 through 2006, 4,450 multifamily units on average were permitted annually in the metropolitan area. Multifamily permit levels have been volatile during the past 3 years as permits fell to a two-decade historical low of 680 units in 2009. Based on preliminary data, in the 12 months ending May 2011, nearly 1,500 multifamily permits were issued, up 62 percent compared with the number issued in the preceding 12-month period. Condominiums and townhomes constitute about 60 percent of all multifamily unit permits.

Rental conditions are tight in Alameda County but balanced in Contra Costa County. MPF Research reported that only 260 new apartment units became available for leasing in the past 12 months. With fewer apartments entering the market, the apartment vacancy rate in the metropolitan area declined from 4 percent in the second quarter of 2010 to 3.4 percent in the second quarter of 2011. The average rent in the metropolitan area increased nearly 7 percent, to \$1,364, in the second quarter of 2011. In Alameda County, the apartment vacancy rate decreased from 5 percent in the second quarter of 2010 to 3 percent in the second quarter of 2011. During the same period, the average rent increased slightly more than 7 percent, to \$1,438. The apartment vacancy rate in Contra Costa County remained unchanged from 4.6 percent in the second quarter of 2010 to the second quarter of 2011. During the same period, the average rent increased slightly more than 3 percent, to \$1,228.