

HUD PD&R Housing Market Profiles

Oakland-Hayward-Berkeley, California



Quick Facts About Oakland-Hayward-Berkeley:

- **Current sales market conditions: tight.**
- **Current apartment market conditions: tight.**
- **Kaiser Permanente®**, which is the largest employer in the metropolitan area, 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 Pamela J. Leong | As of May 1, 2014

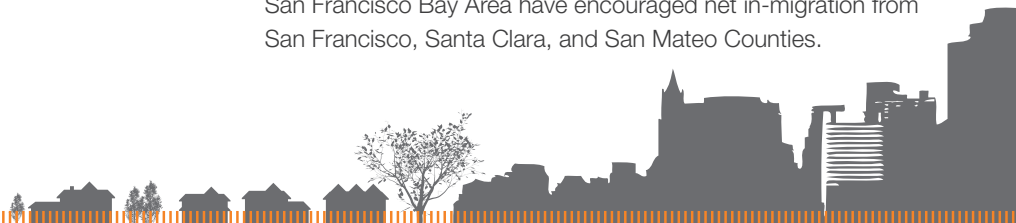
Overview

The Oakland-Hayward-Berkeley Metropolitan Division (hereafter, Oakland metropolitan area), along the eastern shore of the San Francisco Bay, comprises Alameda and Contra Costa Counties. The metropolitan area is home to the corporate headquarters of two 2014 Fortune 100 companies: Chevron Corporation (ranked 3rd) and Safeway, Inc. (67th). Safeway, Inc., is the third largest employer in the metropolitan area, with 12,000 employees.

- As of May 1, 2014, the estimated population of the Oakland metropolitan area was 2.68 million, an increase of 117,300, or 1.1 percent, annually since April 1, 2010; 59 percent of the population resides in Alameda County.
- Since April 1, 2010, net in-migration has averaged 13,400 people annually, accounting for 47 percent of the population growth. By comparison, net out-migration averaged 1,475 people annually from April 1, 2000, to April 1, 2010, primarily because of two periods of significant employment losses.
- Since July 1, 2012, population growth in the metropolitan area has averaged 1.4 percent annually, the fastest rate of growth since 2001, because increases in housing costs in the greater San Francisco Bay Area have encouraged net in-migration from San Francisco, Santa Clara, and San Mateo Counties.



PD&R



Job gains in the Oakland area occurred in nearly every nonfarm payroll sector.

	3 Months Ending		Year-Over-Year Change	
	April 2013 (thousands)	April 2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	1,023.5	1,042.4	18.9	1.8
Goods-producing sectors	133.1	135.8	2.7	2.0
Mining, logging, and construction	55.6	55.9	0.3	0.5
Manufacturing	77.5	80.0	2.5	3.2
Service-providing sectors	890.4	906.5	16.1	1.8
Wholesale and retail trade	149.1	151.0	1.9	1.3
Transportation and utilities	32.8	34.3	1.5	4.6
Information	21.3	21.3	0.0	0.0
Financial activities	49.3	49.4	0.1	0.2
Professional and business services	171.0	172.3	1.3	0.8
Education and health services	170.5	176.4	5.9	3.5
Leisure and hospitality	94.8	97.9	3.1	3.3
Other services	36.7	37.2	0.5	1.4
Government	164.8	166.8	2.0	1.2
	(percent)	(percent)		
Unemployment rate	7.6	6.5		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

Economic Conditions

Economic conditions in the Oakland metropolitan area have been improving since April 2011, as reflected by the recent increase of 18,900 jobs, or 1.8 percent, in nonfarm payrolls.

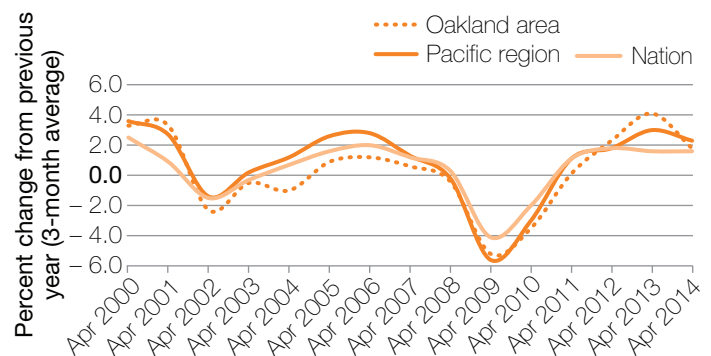
During the 3 months ending April 2014—

- Approximately 31 percent of the total nonfarm payroll gains were in the education and health services sector, the largest payroll sector in the metropolitan area, with 17 percent of all nonfarm payrolls. Kaiser Permanente® will open the \$600 million San Leandro Medical Center and the \$1 billion Oakland Medical Center in June and July 2014, respectively, which will replace older hospital facilities.
- The leisure and hospitality sector, which accounts for 9 percent of all nonfarm payrolls, increased by 3,100 jobs because the recent strong net in-migration supported the expansion of the food services and drinking places industry, in which 70 percent of the increase in this sector occurred.
- The manufacturing sector increased by 2,500 jobs, to 80,000 jobs, after losing 38,000 jobs during the previous decade. Tesla Motors, Inc., an electric car manufacturer, is currently in the process of hiring 200 workers in the metropolitan area.

The University of California, Berkeley (UCB), is the second largest employer in the Oakland metropolitan area. As of October 2013, UCB enrolled 36,200 students and employed 22,000 faculty and

continued on page 3

Nonfarm payroll growth in the Oakland area surpassed the rates of growth for the Pacific region and the nation in early 2012 but slowed during the past year.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

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	22,000
Safeway, Inc.	Wholesale and retail trade	12,000

Note: Excludes local school districts.
Sources: San Francisco Business Times; San Francisco Center for Economic Development



continued from page 2

staff members. As of September 2011 (the most recent data available), the university generated an economic impact of nearly \$4.7 billion in the San Francisco Bay Area (UCB Economic Impact Report). Construction continues at the Lower Sproul Student Community

Center, the centerpiece of the \$193 million Lower Sproul Redevelopment project, and at the new \$103 million UCB Art Museum & Pacific Film Archive. The former is anticipated to be complete in the fall of 2015 and the latter in early 2016.

Sales Market Conditions

The sales housing market in the Oakland metropolitan area is tight, with a current estimated sales vacancy rate of 1.1 percent. During the 12 months ending April 2014, sales of new homes increased 2 percent, to 3,150 homes, compared with the 3,075 homes sold during the previous 12-month period (CoreLogic, Inc.). The average new home sales price rose 25 percent, to \$656,500. Sales of existing homes declined 7 percent, to 32,100 homes, compared with the 34,500 homes sold during the same 12-month period in 2013. The average existing home sales price increased 24 percent, to \$546,600, reflecting improving conditions as the number of regular existing home sales increased and the number of distressed sales, which include REO (Real Estate Owned) sales and short sales, declined.

During the 12 months ending April 2014—

- New home sales activity was unchanged in Alameda County and increased 4 percent in Contra Costa County. The average new home sales price increased at the same rate in both counties and averaged \$688,900 in Alameda County and \$618,400 in Contra Costa County.
- Existing home sales activity declined 6 percent in Alameda County and 8 percent in Contra Costa County. The average sales price increased 24 percent, to \$568,600, in Alameda County and 25 percent, to \$522,100, in Contra Costa County.
- Distressed sales comprised 13 percent of all existing home sales in the Oakland metropolitan area, down from 34 percent

in the previous 12-month period. The average sales price of a short sale was \$320,000, and the average sales price of an REO home was \$385,900, 45 and 33 percent less, respectively, than the average sales price of a regular existing home.

- The percentage of home loans in the metropolitan area that were 90 or more days delinquent, were in foreclosure, or transitioned into REO status decreased from 3.5 percent in April 2013 to 1.9 percent in April 2014.

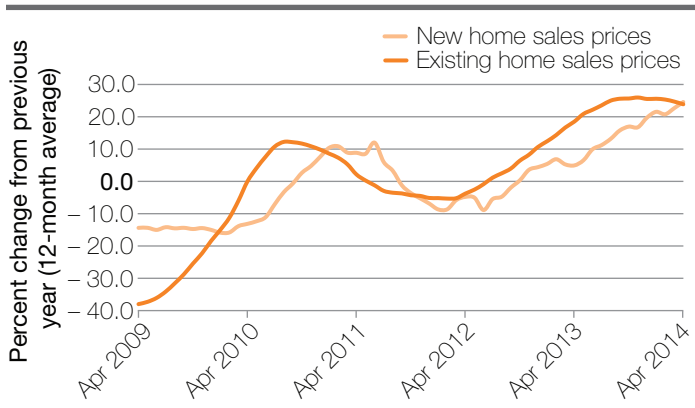
Despite strong price increases for new homes, single-family construction activity, as measured by the number of single-family homes permitted, declined during the 3 months ending April 2014 in the Oakland metropolitan area.

During the 3 months ending April 2014—

- Permits were issued for 650 single-family homes, down 16 percent from the 780 homes permitted during the same 3-month period in 2013 (preliminary data).
- An equal number of homes were permitted in each county, by contrast to the historical pattern since 2000 when 65 percent of the single-family homes have been permitted in Contra Costa County.
- Single-family building activity in the metropolitan area was much less than the averages of 1,750 and 6,200 homes permitted annually from 2008 through 2011 and from 2001 through 2007, respectively.

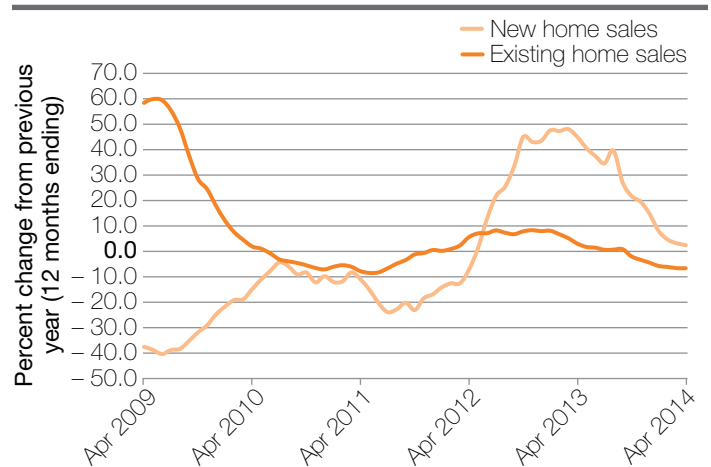
continued on page 4

Existing home sales prices in the Oakland area began to improve in July 2012, 3 months before new home sales prices began to recover.



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

The decrease in homes available for sale in the Oakland area contributed to the recent decline in new and existing home sales.



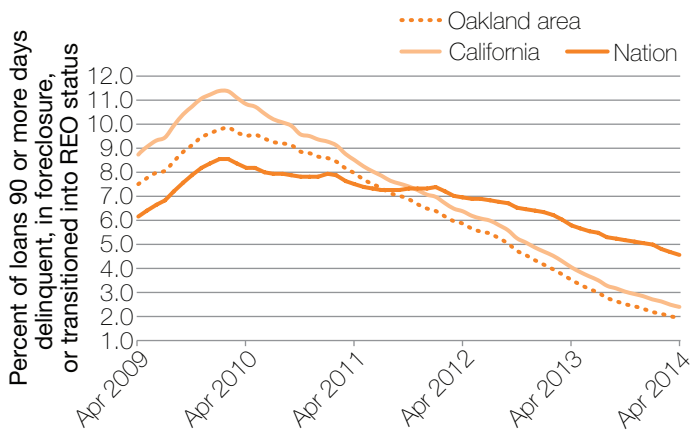
Note: Includes single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc.



continued from page 3

- The construction of condominium units increased with the March 2014 groundbreaking of Brooklyn Basin, a 64-acre project adjacent to Jack London Square in the city of Oakland. The project will include 3,100 multifamily units, of which 60 to 70

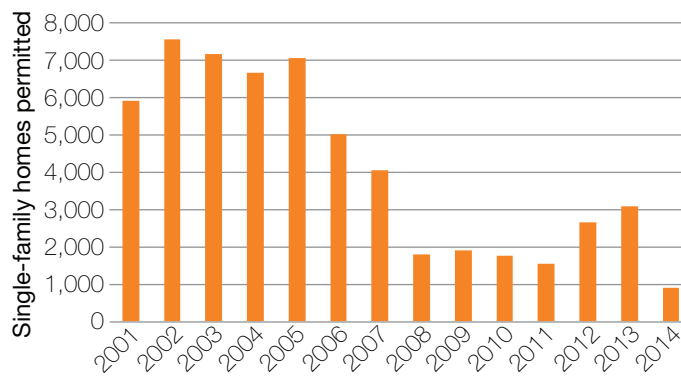
The distressed mortgage rate in the Oakland area has returned to the level of before the Great Recession.



REO = Real Estate Owned.
Source: CoreLogic, Inc.

percent will be condominium units and townhomes available for sale. Phase I comprises 1,125 condominium units anticipated to be complete by March 2018.

Although new home sales prices in the Oakland area have increased strongly since 2013, single-family permitting activity slowed during early 2014.



Note: Includes preliminary data from January 2014 through April 2014.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Apartment Market Conditions

Apartment market conditions in the Oakland metropolitan area are tight because fewer single-family homes moved into the rental housing inventory, employment conditions continued to improve, and net in-migration was strong.

During the first quarter of 2014—

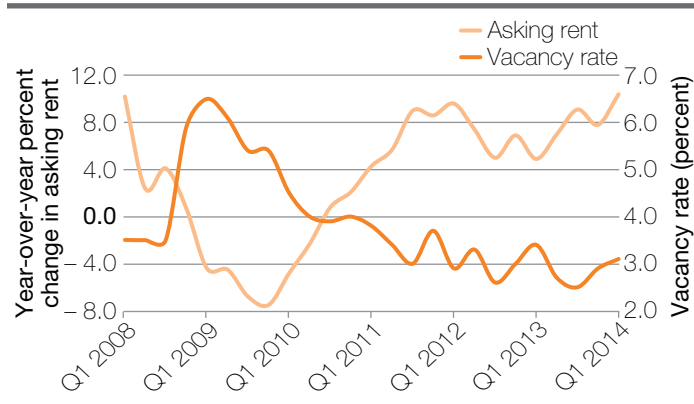
- The apartment vacancy rate in the metropolitan area was 3.1 percent, down from 3.5 percent in the first quarter of 2013, and it has remained below 4.0 percent since the first quarter of 2011 (MPF Research).
- Vacancy rates varied little among the MPF Research-defined market areas, but the vacancy rate was lowest in the Fremont area, where it declined to 1.9 percent from 2.1 percent in the first quarter of 2013.
- The average apartment rent in the metropolitan area increased 10 percent, from \$1,525 during the first quarter of 2013 to \$1,675 during the first quarter of 2014. The average asking rents for one-, two-, and three-bedroom units were \$1,500, \$1,850, and \$1,925, respectively.
- The rent in Alameda County averaged \$1,800 and ranged from \$1,475 in the Hayward/San Leandro area to \$2,075 in the Oakland/Berkeley area.
- The rent in Contra Costa County averaged \$1,500 and varied from \$1,200 in the Northeast Contra Costa area to \$1,900 in the San Ramon/Dublin area.

Multifamily construction, as measured by the number of multifamily units permitted, increased in the Oakland metropolitan area during the 3 months ending April 2014.

- During the 3 months ending April 2014, 330 multifamily units were permitted, up 67 percent from the 200 units permitted during the 3 months ending April 2013 (preliminary data).
- By comparison, multifamily permitting activity in the metropolitan area declined to 680 units in 2009 and averaged 1,800 units annually from 2010 through 2012.
- Approximately 2,325 multifamily rental units are currently under construction in the metropolitan area, with 55 percent of the units in Alameda County and 45 percent in Contra Costa County.
- Nearly 1,300 units in 13 apartment projects are under construction in Alameda County, including approximately 1,050 units in the Oakland/Berkeley area. About 500 units are anticipated to be complete in 2014, and the remainder are expected to be complete by October 2015.
- Approximately 1,025 units in 10 apartment projects are under way in Contra Costa County, including 8 projects in the city of Walnut Creek. Approximately 850 units are anticipated to be ready for occupancy in 2014 and the remainder by December 2015.

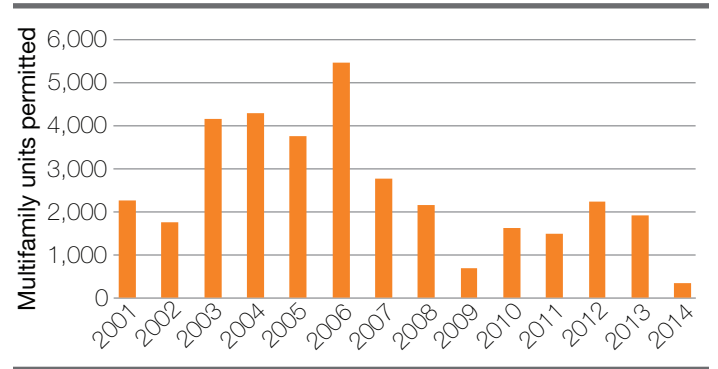


The recovery in nonfarm payrolls that began in early 2011 has led to rising rents and falling vacancy rates in the Oakland area apartment market.



Source: MPF Research

Although apartment market conditions in the Oakland area have tightened, building activity has declined since 2012.



Note: Includes preliminary data from January 2014 through April 2014.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst