



Oakland, California

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of January 1, 2007



Housing Market Area



The Oakland, California Housing Market Area (HMA) comprises Alameda and Contra Costa Counties, coterminous with the East Bay, a subregion of the San Francisco Bay Area. The combined port activity at the cities of Oakland and Richmond has resulted in the container port being ranked as the fourth busiest in the nation. Air traffic at Oakland International Airport has tripled since the 1990s, with 15 million flights annually, making it one of the fastest growing airports in the nation.

Summary

Economy

Nonfarm employment in the Oakland HMA increased in the past 12 months, breaking the stagnant trend from 2000 to 2005. In the past year, the number of new jobs has increased most rapidly in the construction, financial activities, and leisure and hospitality sectors, causing the unemployment rate to decrease from 5.0 percent in the previous 12 months to 4.5 percent. The two top employers in the HMA, the University of California, Berkeley (UC Berkeley) and Kaiser Permanente, provide stable sources of employment and are expected to expand during the forecast period.

Sales Market

The home sales market in the HMA was relatively balanced in 2006, after tight conditions in recent years. Both new and existing home sales declined, but the median sales price remained constant and the inventory of unsold homes increased. Builders responded to the decline in sales with a cutback in production. Demand is estimated for 20,650 new

homes during the forecast period (see Table 1).

Rental Market

The rental housing market in the HMA remained balanced as of the current date, with a vacancy rate of 5.0 percent compared with the 2.6-percent vacancy rate in 2000. Rents have increased significantly in the past year but not by as much as in some adjacent areas. Rent concessions are insignificant, limited to 1 month's free rent. The demand for new market-rate rental units in the 3-year forecast period is estimated to be 9,475 units (see Table 1).

Table 1. Housing Demand in the Oakland HMA, 3-Year Forecast, January 1, 2007 to January 1, 2010

	Oakland HMA	
	Sales Units	Rental Units
Total Demand	20,650	9,475
Under Construction	4,000	3,000

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of January 1, 2007.

Source: Estimates by analyst

Market Details

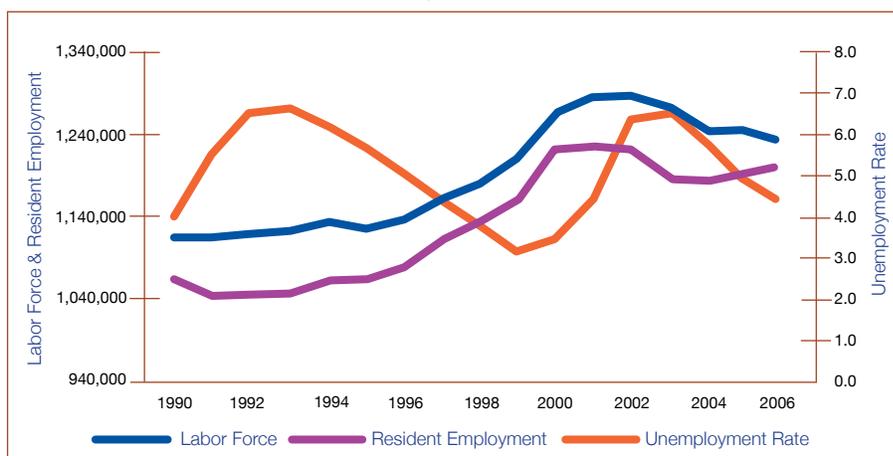
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Economic Conditions

In 2006, nonfarm employment in the Oakland HMA averaged 1,051,300 jobs, an increase of 17,000 jobs, or 1.7 percent, from 2005. Service-providing jobs increased by 11,400, and construction jobs increased by 5,700. Recent nonfarm employment expansion trends were significantly above the average annual increases from April 2000 to December 2005,

when jobs increased by 3,240 jobs annually, or 0.3 percent. During 2006, the unemployment rate was 4.5 percent, down from 5.0 percent in 2005. Figure 1 and Table DP-1 (at the end of the report) show labor force, resident employment, and the unemployment rate since 1990. Figure 2 shows the percent change in each employment sector since 1990, and Figure 3 illustrates the percentage of employment in each sector during the current 12 months.

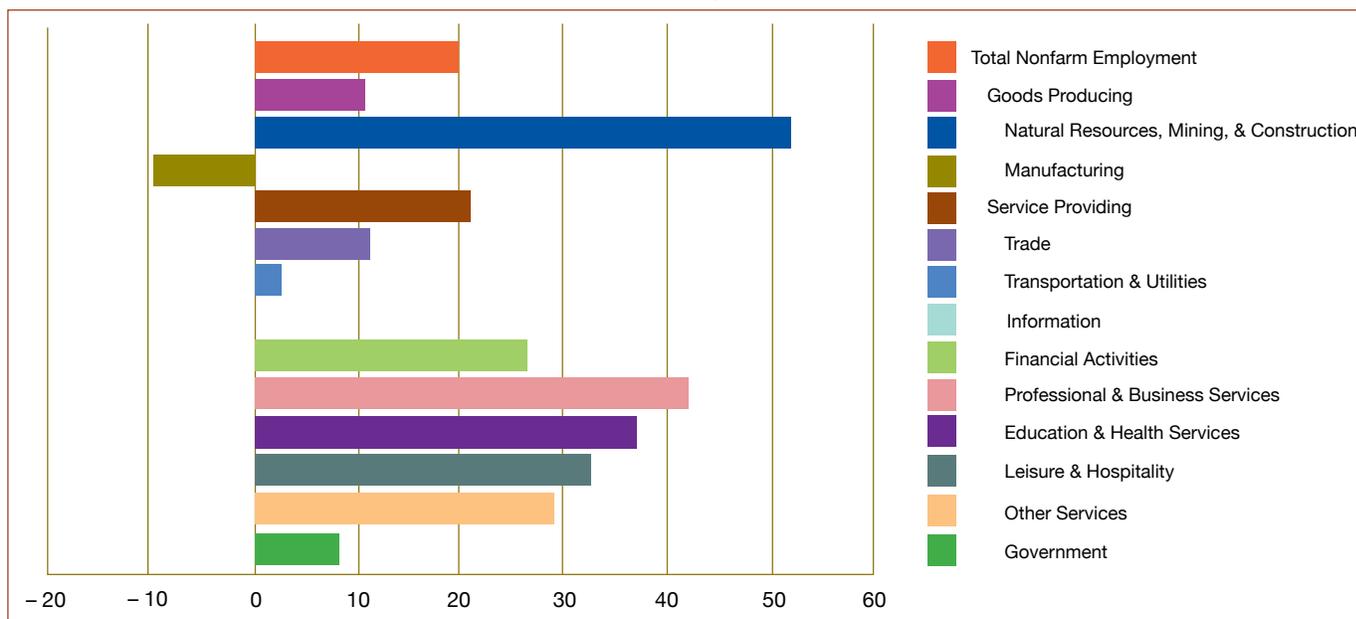
Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Oakland HMA, 1990 to 2006



Source: U.S. Bureau of Labor Statistics

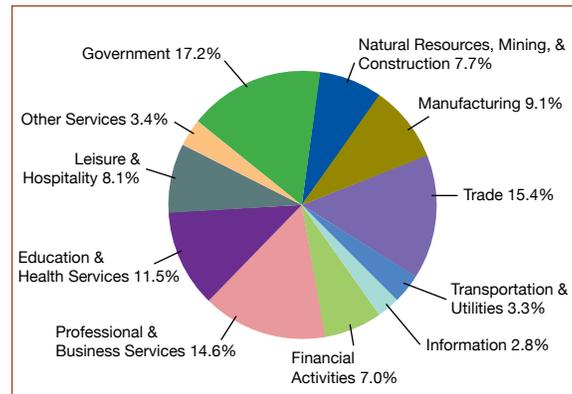
Because of strong demand for professional, technical, and administrative workers, jobs in the professional and business services sector increased by 3,200 jobs, or 2.1 percent, during the past 12 months. The financial activities sector added 2,600 jobs, or 3.7 percent, because mortgage lending and real estate activities have expanded in the HMA. Greater Bay Bancorp now has branches in the cities of San Leandro and Fremont along the

Figure 2. Sector Growth in the Oakland HMA, Percent Change, 1990 to Current



Note: Current is based on 12-month averages through December 2006.

Source: U.S. Bureau of Labor Statistics

Figure 3. Current Employment in the Oakland HMA, by Sector

Note: Based on 12-month averages through December 2006.

Source: U.S. Bureau of Labor Statistics

Table 2. 12-Month Average Employment in the Oakland HMA, by Sector

Employment Sector	12 Months Ending December 2005	12 Months Ending December 2006	Percent Change
Total Nonfarm Employment	1,035,200	1,051,300	1.6
Goods Producing	170,500	176,200	3.3
Natural Resources, Mining, & Construction	75,100	80,700	7.5
Manufacturing	95,400	95,500	0.1
Service Providing	863,700	875,100	1.3
Trade	160,700	162,300	1.0
Transportation & Utilities	34,400	34,300	-0.3
Information	30,400	29,800	-2.0
Financial Activities	70,500	73,100	3.7
Professional & Business Services	150,600	153,700	2.1
Education & Health Services	118,600	121,000	2.0
Leisure & Hospitality	82,600	84,700	2.5
Other Services	35,800	35,600	-0.6
Government	180,000	180,600	0.3

Notes: Numbers may not add to totals due to rounding. Based on 12-month averages through December 2005 and December 2006.

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Oakland HMA

Name of Employer	Employment Sector	Number of Employees
University of California, Berkeley	Education	35,221
Kaiser Permanente	Health Services	25,070
AT&T Inc.	Information	20,118
Safeway Inc.	Trade	10,000
Lawrence Livermore National Laboratory	Education	8,646
Chevron Corporation	Manufacturing	6,000
John Muir/Mt. Diablo Health System	Health Services	5,574
Wells Fargo & Company	Financial Activities	5,135
Alta Bates Summit Medical Center	Health Services	5,000

Source: Moody's Economy.com, Inc., 2006

Interstate-880 corridor, and Wachovia Corporation is planning to make the city of Oakland its west coast headquarters. Table 2 illustrates the rate of growth in each sector during 2006 compared with 2005.

Backed by strong educational and medical institutions, jobs in the education and health services sector increased by 2,300 jobs, or 2 percent, in the past 12 months. The HMA is home to two large public universities: UC Berkeley, with a fall 2006 enrollment of 33,250, and California State University, East Bay, with a fall 2006 enrollment of 12,706, representing 1.1 and 1.4 percent increases, respectively, from the previous year. UC Berkeley, with 35,225 jobs, is the largest employer in the area; the university also generates a significant number of private-sector jobs through contracts. Kaiser Permanente, with 25,075 jobs in the medical sector, is the next largest employer. The integrated healthcare organization is currently building a new hospital in the city of Antioch and is expected to add approximately 1,800 new jobs in the HMA during the forecast period. Table 3 lists the top 10 employers in the HMA.

During 2006, the construction sector added 5,700 jobs. Approximately 870,000 sq. ft. of retail space was under construction in 2006, the largest amount since 1990. Construction of the new San Francisco-Oakland Bay Bridge, other nonresidential development, and several housing projects are still ongoing. A proposed new research facility at UC Berkeley is already funded, and continued growth in

the HMA would further enhance construction during the forecast period. In 2006, employment in the leisure and hospitality sector increased by 2,100 jobs due to increases in tourism. The Oakland International Airport, second only to the San Francisco International Airport in the Bay Area in passenger levels, offers more than 1,000 flights weekly. Currently, the airport is undergoing a \$300 million renovation. In the past 12 months, retail trade employment increased by 1,500 jobs. During the same period, job gains in the wholesale trade sector were flat, but small

gains of approximately 300 jobs have occurred in the third quarter of 2006 at the port authorities of Richmond and Oakland.

Manufacturing is the weakest job-providing sector. From 1995 to 2001, manufacturing jobs increased by 12,900 jobs but declined from 2002 to 2005. Most of the decline occurred in computer and electronic manufacturing, reflecting the weak high technology sector in the neighboring Silicon Valley area of San Jose. In 2006, employment in the manufacturing sector has stabilized at 95,500 jobs.

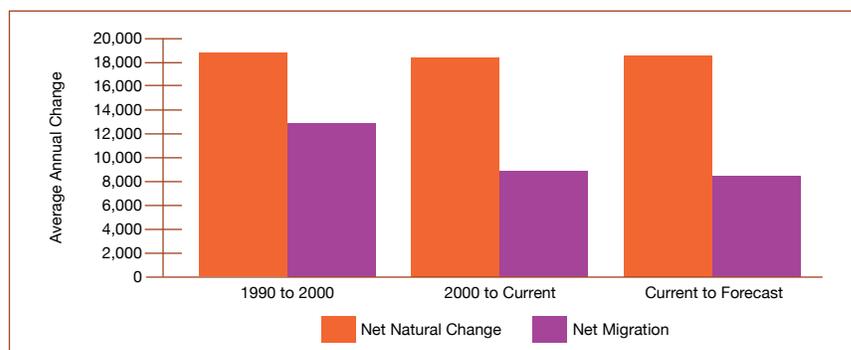
Population and Households

As of January 1, 2007, the population of the Oakland HMA is estimated to be 2,572,500, a 1.1-percent average annual gain since the 2000 Census, which is slightly less than the 1.4-percent trend in the 1990s. Between 2000 and 2006, the average annual net in-migration was 8,450 people compared with the average annual gain of 12,450 people from 1990 to 2000 (see Figure 4).

The adjacent areas of Sacramento, Fairfield, Vallejo, and Stockton had a lower appreciation of home prices, which helped attract households, particularly first-time homebuyers, from the Oakland area. From 2000 to 2006, the average annual net natural change (resident births minus resident deaths) was an increase of 18,200, approximately the same rate as in the 1990s. Cities with the largest population growth in 2006 include Alameda, Brentwood, and Dublin. People are attracted to these cities mainly for proximity to job centers and more relatively affordable home prices.

As of the current date, the number of households in the HMA is 921,900, an average annual increase of 8,050, or 0.9 percent, since 2000, compared with the average annual increase of 8,775, or 1.1 percent, from 1990

Figure 4. Components of Population Change in the Oakland HMA, 1990 to Forecast

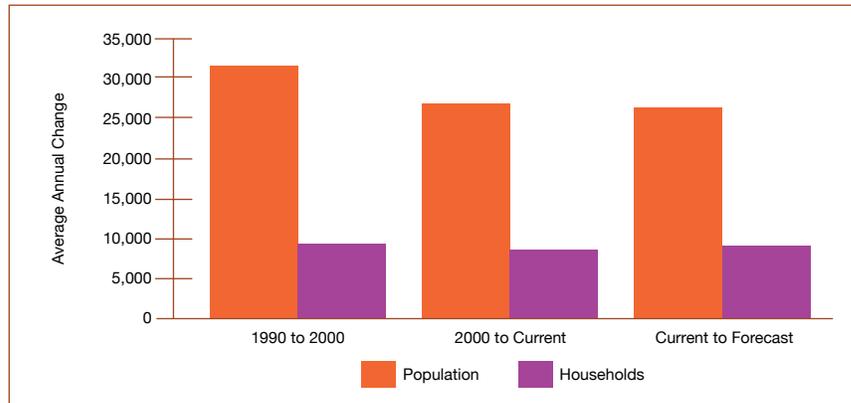


Sources: 1990 and 2000—U.S. Census; current and forecast—estimates by analyst

to 2000 (see Figure 5). From 2000 to the current date, the percentage of homeowners increased from 60.5 percent to 61.7 percent, with higher levels of homeownership

occurring in Contra Costa County, where more homes are built. Most new household formation is occurring in the suburbs of the HMA where more land is available.

Figure 5. Population and Household Growth in the Oakland HMA, 1990 to Forecast



Sources: 1990 and 2000—U.S. Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Oakland HMA, 1990 to Current



Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

Population and the number of households in the HMA will continue to increase during the forecast period as job growth continues. The population is projected to reach 2,651,500, adding 26,350, or 1 percent, annually during the forecast period. The number of households is projected to increase to 947,700, adding 8,600 households, or 0.9 percent, annually during the next 3 years. The number of households by tenure is shown in Figure 6.

Housing Market Trends

Sales Market

In the Oakland HMA, conditions in the single-family housing market were more balanced in 2006 after tight conditions in recent years. According to The Gregory Group, because of higher interest rates and elevated housing sales prices, unsold

inventory of new homes increased to 7,825 in 2006, more than tripling the amount in 2005. From 2001 to 2005, the increase in sales prices by approximately 7 percent annually encouraged the development of higher priced units in the suburbs

of San Ramon, Brentwood, and Oakley, where most new units are being built.

In 2006, the median sales price for all homes was \$615,000, unchanged from 2005. According to The Gregory Group, the number of new home sales fell to 4,300 in 2006, a 19-percent decrease from 2005. Since 2005, existing home sales fell by 22 percent, from 45,200 homes to 35,050, according to Real Estate Research Council data. As of the current date, the existing median home price is \$620,000 in

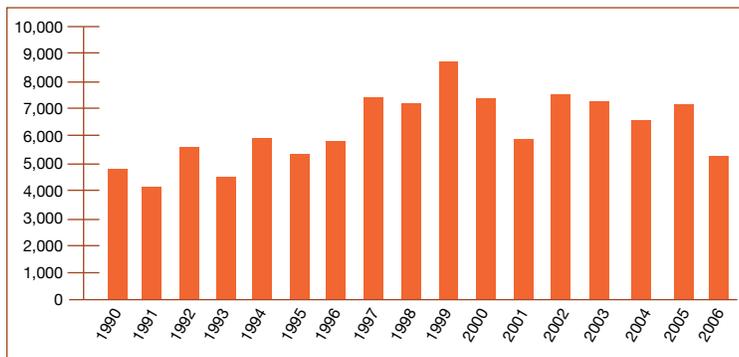
Alameda County and \$582,500 in Contra Costa County, up more than 3 percent and 5 percent, respectively, from the previous year.

During 2006, construction activity for single-family homes, as measured by the number of building permits issued, declined to 5,325, or 34 percent, compared with 2005, as builders reacted to the increases in unsold inventory (see Figure 7). From 2000 to 2005, the number of single-family units permitted averaged 7,000 annually. Because of the greater availability of land and lower prices in Contra Costa County, since 2000, approximately 20 percent more single-family homes were built there than in Alameda County. The cities of San Ramon, Brentwood, and Oakley have the largest number of construction projects and the largest quarterly sales volume compared with other cities in the HMA.

During the third quarter of 2006, no apartment units were converted to condominiums, compared with the 734 units converted in the third quarter of 2005, according to Reis, Inc. Builders have been targeting new construction in the condominium market. Most new large-scale condominium projects are located in the Oakland area, including the 367-unit Broadway Grand, Phase II, project that has not yet started construction; a 281-unit project at Lake Merritt; and a 202-unit project at Market Square.

A demand for 20,650 new single-family homes is estimated for the 3-year forecast period. Table 4 provides a distribution of this demand by price levels.

Figure 7. Single-Family Building Permits Issued in the Oakland HMA, 1990 to 2006



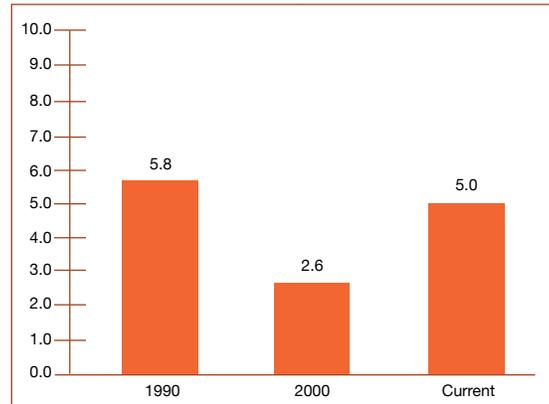
Note: Includes only single-family units.

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

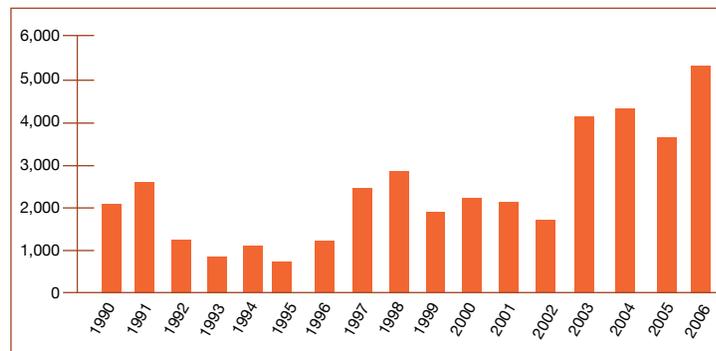
Table 4. Estimated Demand for New Market-Rate Sales Housing in the Oakland HMA, January 1, 2007 to January 1, 2010

Price Range (\$)		Units of Demand	Percent of Total
From	To		
450,000	499,999	1,025	5.0
500,000	549,999	1,850	9.0
550,000	599,999	2,475	12.0
600,000	649,999	2,475	12.0
650,000	699,999	2,475	12.0
700,000	749,999	2,075	10.1
750,000	799,999	2,075	10.1
800,000	849,999	1,650	8.0
850,000	899,999	1,050	5.1
900,000	949,999	825	4.0
950,000	999,999	825	4.0
1,000,000	and higher	1,850	8.8

Source: Estimates by analyst

Figure 8. Rental Vacancy Rates in the Oakland HMA, 1990 to Current

Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

Figure 9. Multifamily Building Permits Issued in the Oakland HMA, 1990 to 2006

Note: Includes all multifamily units in structures with two or more units.
Source: U.S. Census Bureau, Building Permits Survey

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Oakland HMA, January 1, 2007 to January 1, 2010

1 Bedroom		2 Bedrooms		3 or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
1,300	2,850	1,400	4,725	1,475	1,900
1,350	2,500	1,450	3,925	1,525	1,700
1,400	2,300	1,500	3,600	1,575	1,525
1,450	2,075	1,550	3,225	1,625	1,325
1,500	1,825	1,600	2,800	1,675	1,100
1,550	1,525	1,650	2,375	1,725	970
1,600	1,275	1,700	2,000	1,775	850
1,700	1,025	1,800	1,600	1,875	625
1,800	825	1,900	1,050	1,975	450
1,900	650	2,000	700	2,075	325
2,000	525	2,100	475	2,175	275
and higher		and higher		and higher	

Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.

Source: Estimates by analyst

Rental Market

The Oakland HMA rental housing market is balanced as of the current date. The current vacancy rate is 5.0 percent compared with 2.6 percent in 2000 (see Figure 8). Since 2000, approximately 40 percent more rental units were built in Alameda County than in Contra Costa County because of its closer proximity to job centers and access to public transportation. Multifamily construction, as measured by the number of units permitted, increased steadily from 1,725 in 2002 to 4,250 in 2004 (see Figure 9).

After a slight dip in 2005, the number of units permitted rose to 5,279 in 2006, which is the largest number of permits issued in a single year during the 1990-to-2006 period. The largest planned apartment project, a 665-unit mixed-income complex to be built in phases in the city of Berkeley, is expected to be complete in 2009.

According to M/PF YieldStar, monthly apartment rents for the HMA averaged \$1,265 in the third quarter of 2006, a 7-percent increase from the same quarter a year ago but less than the 9-percent increase for the whole San Francisco Bay Area in the same period. In the HMA, rents averaged \$1,115 for a one-bedroom unit, \$1,391 for a two-bedroom unit, and \$1,617 for a three-bedroom unit. Limited rent concessions of less than a month's free rent are being offered, unchanged from a year ago.

The demand for rental units during the 3-year forecast period is estimated at 9,475 units, including estimates for losses and changes in tenure. Table 5 displays a noncumulative estimate of demand by number of bedrooms and rent levels.

Data Profile

Table DP-1. Oakland HMA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	1,042,347	1,144,190	1,206,700	0.9	0.8
Unemployment Rate (%)	5.7	5.2	4.5		
Nonfarm Employment	1,029,248	1,141,224	1,051,300	1.0	- 1.2
Total Population	2,082,914	2,392,557	2,572,500	1.4	1.1
Total Households	779,806	867,495	921,900	1.1	0.9
Owner Households	458,280	524,726	568,900	1.4	1.2
Percent Owner (%)	58.8	60.5	61.7		
Renter Households	321,526	342,769	353,000	0.6	0.4
Percent Renter (%)	41.2	39.5	38.3		
Total Housing Units	820,279	894,760	961,300	0.9	1.1
Owner Vacancy Rate (%)	1.6	0.7	1.0		
Rental Vacancy Rate (%)	5.8	2.6	5.0		
Median Family Income	\$42,400	\$68,902	\$83,800	5.0	2.9

Note: Median family income data are for 1989, 1999, and 2006.

Sources: U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 1/1/2007—Analyst's estimates

Forecast period: 1/1/2007–1/1/2010—Analyst's estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_OaklandCA.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

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