



# Oakland-Hayward-Berkeley, California

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of January 1, 2017



## Summary

### Housing Market Area



The Oakland-Hayward-Berkeley Housing Market Area (hereafter, Oakland HMA) is coterminous with the Oakland-Hayward-Berkeley, CA Metropolitan Division and comprises Alameda and Contra Costa Counties in Northern California. Across the San Francisco Bay from the city of San Francisco, the HMA serves as a suburban community for residents working in San Francisco and San Jose (the heart of Silicon Valley). Kaiser Permanente®, the largest employer in the HMA 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.

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### Economy

Economic conditions in the Oakland HMA have strengthened significantly since 2012, after 3 years of job losses during the previous decade. During 2016, nonfarm payrolls averaged 1.12 million jobs, an increase of 27,200 jobs, or 2.5 percent, following an increase of 32,800 jobs, or 3.1 percent, during 2015. The local economy is fully recovered following the recession from 2009 through 2011, and the most recent number of nonfarm jobs is more than 5 percent higher than the prerecession peak of 1.06 million jobs in 2007. Nonfarm payrolls are expected to increase by an average of 29,600 jobs, or 2.6 percent, a year during the next 3 years.

### Sales Market

Sales housing market conditions in the HMA are currently very tight, with an overall estimated sales vacancy rate of 0.6 percent, down from 1.9 percent in 2010. During the 3-year forecast period, demand is expected for 19,200 new homes (Table 1). The 3,075 homes currently under construction and a portion of the estimated 16,500 other vacant units in the HMA that may reenter the sales market will satisfy some of the forecast demand.

### Rental Market

Rental housing market conditions in the HMA are also very tight. The overall rental vacancy rate is estimated at 2.7 percent, down from 6.6 percent in April 2010. The apartment vacancy rate was 3.3 percent during the fourth quarter of 2016, up from 2.8 percent a year earlier (MPF Research). During the forecast period, demand is expected for 19,600 new market-rate rental units (Table 1). The 4,325 units currently under construction will satisfy some of the forecast demand.

**Table 1. Housing Demand in the Oakland HMA\* During the Forecast Period**

	Oakland HMA*	
	Sales Units	Rental Units
Total demand	19,200	19,600
Under construction	3,075	4,325

\* Oakland-Hayward-Berkeley HMA.

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, 2017. A portion of the estimated 16,500 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is January 1, 2017, to January 1, 2020.

Source: Estimates by analyst

# Economic Conditions

Economic conditions in the Oakland HMA are strong, in part due to the surge of technology sector growth in neighboring San Francisco and San Jose that has spilled over to the East Bay since 2012. As a result, the rate of job growth has outpaced growth in the nation during this period; from 2012 through 2016, nonfarm payroll growth averaged 2.8 percent a year in the HMA compared with the national rate of 1.8 percent. During 2016, nonfarm payroll growth in the HMA slowed, increasing by 27,200 jobs, or 2.5 percent, to 1.12 million jobs compared with an increase of 32,800 jobs, or 3.1 percent, during 2015. The unemployment rate averaged 4.3 percent in 2016, down from 4.8 percent in 2015, a result of employment growth far exceeding growth in the labor force. By

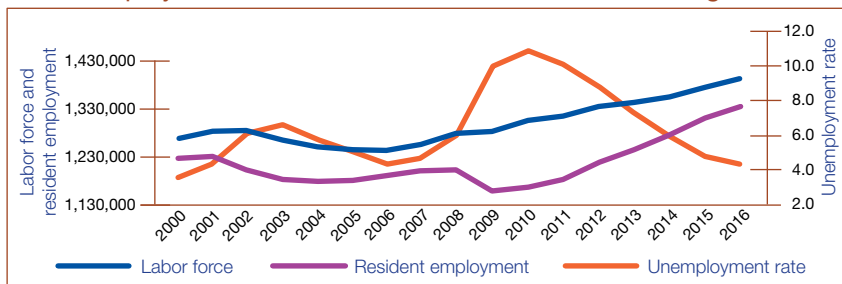
comparison, the unemployment rate averaged 4.7 percent from 2005 through 2007, a period of economic expansion, and peaked in 2010 at 10.9 percent as a result of the national recession and foreclosure crisis. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate from 2000 through 2015.

In contrast to the recent growth trend, job losses during the national recession were more severe in the HMA than in the national economy, with nonfarm payrolls averaging a decline of 21,400 jobs, or 2.1 percent, a year from 2008 through 2011 compared with a 1.3-percent average annual decline nationwide, at least partly due to significant overbuilding in inland portions of the HMA during the national housing boom. During this time, the mining, logging, and construction sector lost the most jobs, averaging declines of 6,100 jobs, or 9.6 percent, annually.

The recession was the second period of economic contraction since 2000 in the HMA; from 2002 through 2004, nonfarm payrolls fell by an average of 8,700 jobs, or 0.8 percent, annually as a result of the dot-com bust, which, although centralized in Silicon Valley, affected the entire San Francisco Bay Area. Growth in the HMA resumed with the housing boom, and from 2005 through 2007, an average of 9,300 jobs were added annually, reflecting a 0.9-percent increase.

Supported by multiple regional health networks and hospital expansions, the education and health services sector is the largest in the HMA, accounting for nearly 17 percent of nonfarm jobs (Figure 2). The sector led job growth during 2016 with the addition of 7,500 jobs, a 4.2-percent increase from 2015 (Table 2). In late 2014 and early 2015,

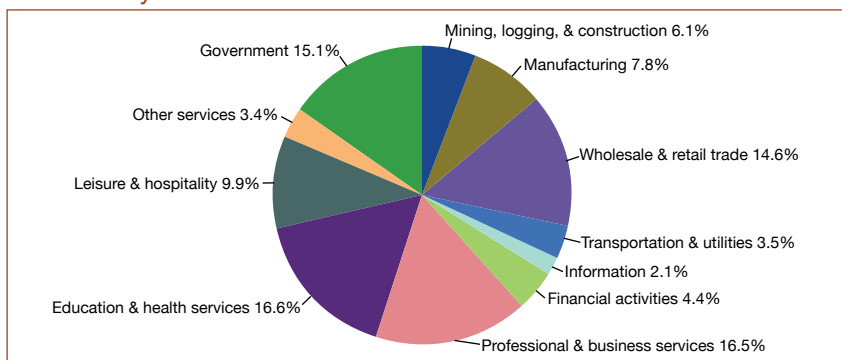
**Figure 1.** Trends in Labor Force, Resident Employment, and Unemployment Rate in the Oakland HMA,\* 2000 Through 2016



\* Oakland-Hayward-Berkeley HMA.

Source: U.S. Bureau of Labor Statistics

**Figure 2.** Current Nonfarm Payroll Jobs in the Oakland HMA,\* by Sector



\* Oakland-Hayward-Berkeley HMA.

Note: Based on 12-month averages through December 2016.

Source: U.S. Bureau of Labor Statistics

four hospitals had \$2.6 billion in expansion and modernization plans under way in the HMA. All the projects had been completed by the current date, including the \$1 billion, 349-bed rebuild of the Kaiser Permanente flagship Oakland Medical Center, the new 238-bed inpatient tower at Alta Bates Summit Medical Center, the new 169-bed inpatient tower at Alameda County Medical Center's Highland Hospital, and the new 216-bed Kaiser Permanente San Leandro Medical Center. Although the number of

permanent jobs resulting from these expansion projects is unavailable, Kaiser Permanente became the largest employer in the HMA, with 23,300 employees (Table 3). The mandate by the state of California requiring hospitals to upgrade or replace inpatient facilities to meet earthquake safety standards was the primary reason for these expansion and modernization projects. Aging healthcare facilities in the HMA may prompt further modernization projects. As part of its \$500 million, 10-year expansion project, the University of California, San Francisco Benioff Children's Hospital Oakland recently broke ground on the first phase of construction to expand its existing campus with a second outpatient center. As part of the project, the hospital will also implement several seismic upgrades. The second phase of construction, expected to begin in 2020, will add 20 inpatient beds and private intensive care units. An estimate of the number of full-time jobs to be added is unavailable.

Along with the recent hospital expansions, other large-scale commercial construction projects and increased residential construction since 2011 have boosted job growth in the mining, logging, and construction sector. Projects during this period include a \$370 million rehabilitation of the Oakland International Airport and continued waterfront improvements in Lake Merritt. From 2012 through 2015, the mining, logging, and construction sector added 3,700 jobs, or 6.8 percent, annually, higher than the average even during the national housing boom, when the sector added an average of 600 jobs, or 0.9 percent, annually from 2004 through 2007. During 2016, the sector was the fastest growing in percentage terms with an

**Table 2. 12-Month Average Nonfarm Payroll Jobs in the Oakland HMA,\* by Sector**

	12 Months Ending		Absolute Change	Percent Change
	December 2015	December 2016		
Total nonfarm payroll jobs	1,095,100	1,122,300	27,200	2.5
Goods-producing sectors	149,900	155,500	5,600	3.7
Mining, logging, & construction	63,300	68,000	4,700	7.4
Manufacturing	86,600	87,400	800	0.9
Service-providing sectors	945,200	966,800	21,600	2.3
Wholesale & retail trade	160,600	164,200	3,600	2.2
Transportation & utilities	38,300	39,700	1,400	3.7
Information	22,400	23,000	600	2.7
Financial activities	49,600	49,600	0	0.0
Professional & business services	183,000	184,700	1,700	0.9
Education & health services	178,400	185,900	7,500	4.2
Leisure & hospitality	106,300	111,500	5,200	4.9
Other services	38,000	38,500	500	1.3
Government	168,700	169,700	1,000	0.6

\* Oakland-Hayward-Berkeley HMA.

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through December 2015 and December 2016.

Source: U.S. Bureau of Labor Statistics

**Table 3. Major Employers in the Oakland HMA\***

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Kaiser Permanente	Education & health services	23,300
University of California, Berkeley	Government	21,400
Albertsons Companies, LLC	Wholesale & retail trade	12,000
Contra Costa County	Government	9,800
State of California	Government	9,200
Alameda County	Government	9,150
Chevron Corporation	Manufacturing	7,100
Tesla Inc.	Manufacturing	6,200
Lawrence Livermore National Laboratory	Professional & business services	5,800
City of Oakland	Government	3,500

\* Oakland-Hayward-Berkeley HMA.

Note: Excludes local school districts.

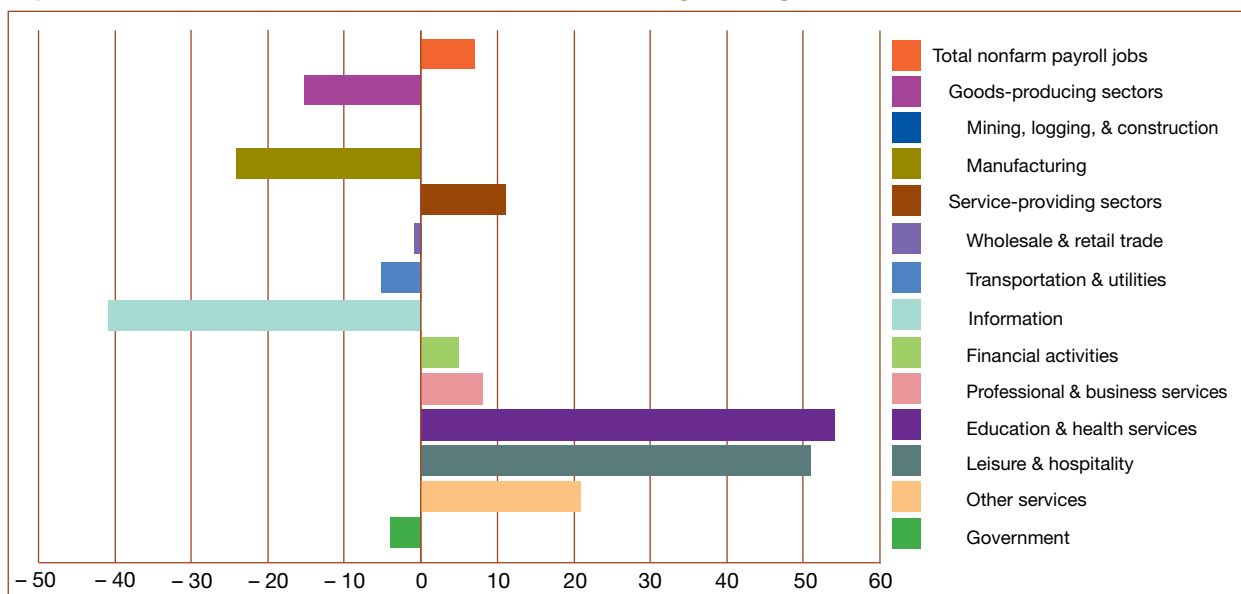
Sources: San Francisco Business Times; City of Oakland Economic and Workforce Development

increase of 7.4 percent, or 4,700 jobs added. In addition, several major employers currently have expansion projects either in planning or under way. The second largest employer in the HMA, the University of California, Berkeley (UC Berkeley), employed approximately 21,400 full- and part-time employees and enrolled 40,200 students during the fall 2016 semester. As of 2010, the most recent data available, UC Berkeley generated an annual economic impact of more than \$4.6 billion in the greater San Francisco Bay Area (University of California, Office of the President). UC Berkeley currently has six capital improvement projects under way, including the \$94 million Bancroft Residence Hall that will house 775 students when completed by the fall 2018 semester and the \$60 million Haas School of Business North Academic Building that will include 12 classrooms, 28 study rooms, and a café when completed in the fall of 2017. In 2012, the Lawrence Berkeley National Laboratory (LBNL)

announced plans for a 40-year build-out of the Berkeley Global Campus, in the city of Richmond. UC Berkeley manages the LBNL, and the two will jointly occupy the new campus that will include 5.5 million square feet of new research and educational facilities. Although construction is currently suspended due to the budget deficit at the university, anticipation for the project attracted several tech incubator startup firms to locate nearby. Figure 3 shows sector growth in the HMA since 2000.

The leisure and hospitality sector also added a significant number of jobs during 2016, increasing by 5,200 jobs, or 4.9 percent, from 2015 due to steadily increasing tourism in the HMA since 2012. During 2015, visitor spending in the HMA increased nearly 5 percent, to \$4.4 billion, from 2014, and tourism-related employment grew 3 percent, to 44,400 jobs (Visit California, most recent data available). Part of the heightened tourism in the HMA may be attributed

**Figure 3. Sector Growth in the Oakland HMA,\* Percentage Change, 2000 to Current**



\* Oakland-Hayward-Berkeley HMA.

Notes: Current is based on 12-month averages through December 2016. During this period, payrolls in the mining, logging, and construction sector showed no net change.

Source: U.S. Bureau of Labor Statistics



to the marketing campaign by Visit Oakland, the city of Oakland's tourism bureau, that promotes the city's art scene and unique small businesses. These marketing promotions include a 65-percent increase in the number of restaurants participating in Oakland Restaurant Week, the "I Am Oakland" training program for tourism workers, and the \$198 million waterfront improvements at Lake Merritt and the Oakland Estuary. The uptick in tourism is prompting proposals for new hotels after years of development inactivity. Currently, 25 hotels are in the planning pipeline in the HMA and are expected to add 4,725 rooms during an undetermined time during the next several years.

During the 3-year forecast period, strong nonfarm payroll growth is expected to continue, averaging 29,600 jobs, or 2.6 percent, annually. Job gains likely will occur in most sectors, with growth in the education and health services, professional and business services, leisure and hospitality, and manufacturing sectors expected to support gains in the wholesale and retail trade and the mining, logging, and construction sectors. In particular,

job additions in the mining, logging, and construction sector during the forecast period include Uber Technologies Inc., the online transportation network company headquartered in San Francisco that has a \$40 million expansion into Oakland under way. An estimated 200 to 300 full-time employees are expected to be added in the HMA when the project is complete in late 2017. Although the company has plans to simultaneously expand its global campus in the Mission Bay district in San Francisco, the Oakland expansion is partly the result of rising office rents across the bay. Office rents in Oakland, at an average of approximately \$32 per square foot, are 53 percent lower than the average asking rent of \$68 per square foot in neighboring San Francisco, the highest office rents in the nation (JLL and CBRE data). 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 would add an additional 3,100 workers on completion at the end of 2018. Construction job estimates are not available for either project.

## Population and Households

As of January 1, 2017, the population of the Oakland HMA is estimated at nearly 2.78 million. Since April 2010, population growth has averaged 33,150 people, or 1.2 percent, annually compared with 16,650, or 0.7 percent, annually during the 2000s. Population increased by an average of 12,100, or 0.5 percent, annually from 2000 to 2006 (intercensal

population estimates for the State of California Department of Finance). Lasting effects of the dot.com bust prompted average net out-migration of 6,200 people annually during this period. Although economic conditions vacillated between growth and decline from 2007 to 2011, a period that includes the height of both the national housing boom and the foreclosure

crisis, population growth remained fairly steady. The HMA added an average of 24,550 people, or 1.0 percent, annually, and net in-migration averaged 7,500 people a year, accounting for more than 30 percent of population growth during this period. The HMA attracted increasing numbers of in-migrants as the economy not only recovered but expanded past the levels of growth witnessed during the housing boom. Since 2011, population growth has averaged 34,050 people a year, or 1.3 percent. Net in-migration has accounted for 57 percent of the growth; an average of 19,400 people relocated to the HMA annually during the same period. Almost 40 percent of recent in-migrants originated from San Francisco County or from Santa Clara

County (part of the San Jose-Sunnyvale-Santa Clara, CA Metropolitan Statistical Area), the centers of Silicon Valley where the technology boom is occurring and where high rental and sales prices are a barrier to entry for many prospective residents (County-to-County Migration Flows, 2010–2014 American Community Survey [ACS] 5-year estimates).

Figure 4 shows population and household growth trends from 2000 to the forecast date, and Figure 5 shows the components of population change from 2000 to the forecast date.

Alameda County, which includes the central city of Oakland, is home to approximately 1.64 million people, or 59 percent of the residents in the HMA, and has added an average of 20,200 people, or 1.3 percent, annually since 2010. By comparison, the population of Contra Costa County is currently estimated at 1.13 million, representing an average annual increase of 12,900, or 1.2 percent, since 2010. Sales housing prices are on average 23 percent higher, and average rents are 13 percent higher, in Alameda County than in Contra Costa County due to the proximity of the former to San Francisco and San Jose. As a result, net in-migration to the more suburban Contra Costa County is a significant factor in population growth in the county. Average annual net in-migration of 8,000 people into Contra Costa County accounted for a larger share of population growth, at 62 percent, compared with 51 percent, or average annual net in-migration of 10,300, in Alameda County.

An estimated 982,900 households currently reside in the HMA, representing an average annual increase of 1.0 percent, or 9,250 households, since 2010 compared with an average

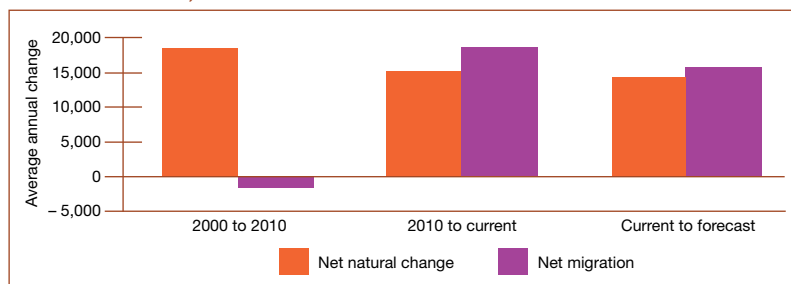
**Figure 4. Population and Household Growth in the Oakland HMA,\* 2000 to Forecast**



\* Oakland-Hayward-Berkeley HMA.

Notes: The current date is January 1, 2017. The forecast date is January 1, 2020.  
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

**Figure 5. Components of Population Change in the Oakland HMA,\* 2000 to Forecast**



\* Oakland-Hayward-Berkeley HMA.

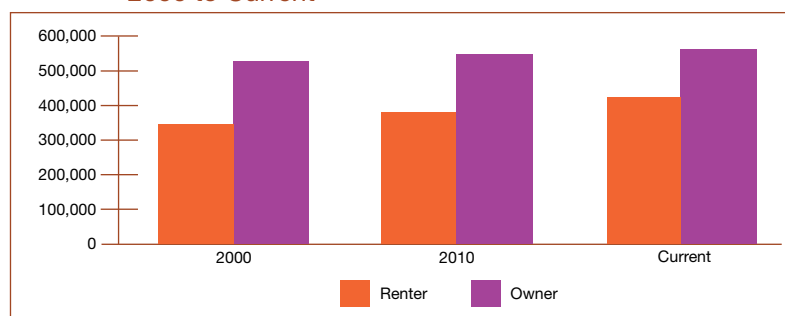
Notes: The current date is January 1, 2017. The forecast date is January 1, 2020.  
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

annual increase of 0.6 percent, or 5,300 households, from 2000 to 2010. From 2010 to the current date, the number of owner households increased at an average annual rate of 0.4 percent, or 2,375 households, compared with an average annual increase of 0.3 percent, or 1,850 owner households, from 2000 to 2010. Renter households increased at a much faster rate during both time periods, but the trend has been particularly pronounced in the current period because of greater household preferences toward renting and declining rental affordability in San Francisco and San Jose. From 2000 to 2010, renter households increased

by an average of 1.0 percent, or 3,450 households. By comparison, renter households have increased by an average of 1.7 percent, or 6,875 households, from 2010 to the current date. The current homeownership rate is estimated at 56.9 percent, down from 59.0 percent in 2010. Figure 6 shows the number of households by tenure for 2000, 2010, and the current date.

Economic growth is expected to moderate slightly in the HMA and surrounding Bay Area during the 3-year forecast period, and in-migration is likely to slow, resulting in both lower population and household growth. During the forecast period, population growth is expected to average 1.1 percent, or 29,650 people, a slight decline from the 1.2-percent rate since 2010. Net in-migration is expected to account for 52 percent of the increase. As affordability pressures in the HMA bring up the average household size, the number of households is expected to increase at a slower rate of 0.8 percent, or an average of 8,375 households, during the forecast period compared with the average 1.0-percent rate since 2010.

**Figure 6. Number of Households by Tenure in the Oakland HMA,\* 2000 to Current**



\* Oakland-Hayward-Berkeley HMA.

Note: The current date is January 1, 2017.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

## Housing Market Trends

### Sales Market

The sales housing market in the Oakland HMA is currently very tight, with an overall estimated vacancy rate of 0.6 percent, down from 1.9 percent in April 2010. Increased demand coming from households with improved finances and those priced out of San Francisco and San Jose, along with the absorption of much of the excess

inventory from the foreclosure crisis, resulted in the vacancy rate decline. As of January 2017 in Alameda County, a 2.0-month supply of homes was available for sale, unchanged from a year earlier (California Association of Realtors®). In Contra Costa County, a 2.2-month supply of homes was available for sale, down

from a 2.5-month supply in January 2016. By comparison, a 3.7-month supply of homes was available for sale statewide in January 2017.

During 2016, new and existing home sales (including single-family homes, townhomes, and condominiums) totaled 34,600, up more than 3 percent from a year ago and nearly 10 percent higher than the low during the height of the foreclosure crisis in 2010 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). The average sales price was \$710,600 during 2016, an 8-percent increase from 2015 and the highest average price recorded since 2005 (the earliest data available). Despite strong economic conditions during the national housing boom from 2005 through 2007, total sales declined by an average of 27 percent annually. Sales price appreciation was steady during this period at an average of 2 percent a year reaching a peak of \$658,500 during 2007. From 2007 through 2009, when prices declined by an average of 25 percent annually, total sales growth averaged 12 percent a year. Sales prices were depressed during this period because of an increasing number of real estate owned (REO) sales, which accounted for 40 percent of all existing sales compared with only 2 percent during the 2005-through-2007 period. The gradual absorption of the foreclosed inventory from 2010 through 2014 meant that fewer homes were available at the most affordable price ranges; the average sales price rose 10 percent a year and as a result, total sales increased by only a modest 1 percent annually. Declines in sales were recorded during most of this 4-year period, but the average sales growth was pulled up by an anomalous 1-year increase of 10 percent in 2012, likely because

of buyers acting quickly on the remaining distressed inventory. From 2010 through 2014, REO sales declined an average of 33 percent a year, with the largest decline of 55 percent in 2013.

The economic expansion in the HMA since 2014 has strengthened housing demand at all price ranges. Since 2014, sales growth has averaged 3 percent annually, although price appreciation has expanded faster, at an average of 7 percent annually. REO sales accounted for less than 6 percent of total sales during this period. As of December 2016, 0.9 percent of all home loans were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status compared with a high of 9.9 percent in February 2010 (CoreLogic, Inc.).

Housing affordability in the HMA has declined as sales market conditions have continued to tighten. Increased demand from households priced out of San Francisco and San Jose far exceeded home construction activity. From 2010 to 2015, average sales prices increased 57 percent, whereas median household income for owner households rose only 14 percent, increasing problems of affordability in the HMA (Metrostudy, A Hanley Wood Company, with adjustments by the analyst; 2010 and 2015 ACS 1-year data). Sales housing affordability within the HMA varies from neighborhood to neighborhood, depending on a variety of characteristics, including proximity to high-speed transit to San Francisco and San Jose. Generally, sales housing is more expensive in Alameda County, which includes the principal city of Oakland, than in Contra Costa County. During 2016, the average sales price in Alameda



## Housing Market Trends

### Sales Market *Continued*

County was \$142,000, or nearly 23 percent, higher at \$765,700 compared with the average sales price of \$623,700 in Contra Costa County. The difference in average sales price has risen over time as an increasing number of households prefer to live in the urban core in Alameda County as opposed to suburban neighborhoods in Contra Costa County. The average sales premium (the difference between average sales housing prices in Alameda County and Contra Costa County) was lower, at 17 percent, in January 2016, and was negative during the national housing boom from 2005 through 2007, when locational preferences were reversed. Table DP-1 at the end of this report provides a statistical profile of the HMA from 2000 to the current date.

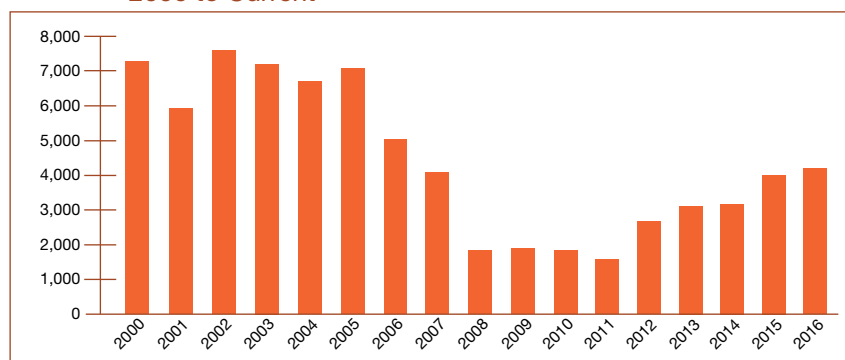
Starting in 2012, builders responded to the improvement in the sales market by increasing new home construction activity, as measured by the number of single-family homes permitted (Figure 7). During 2016, approximately 4,125 single-family homes were permitted, up 4 percent from a year earlier (preliminary data). Single-family homebuilding is below the peak levels from 2000 to 2007, when an average of 6,350 homes were permitted annually. As a consequence of the housing

collapse, single-family homes permitted declined 56 percent in 1 year from 2007 to 2008. From 2008 to 2011, construction activity remained low, and single-family homes permitted declined an average of 5 percent, or 1,750 homes permitted, annually. Because economic conditions recovered and both household finances and access to credit improved, demand for new homes increased. From 2012 through 2015, single-family homes permitted expanded by an average of 15 percent annually, or an average annual increase of 3,200 homes.

Most market-rate development in the construction and planning pipeline within the city of Oakland will be in the \$1.5 billion, 65-acre, mixed-use Brooklyn Basin waterfront development. When completed in the next 15 years, the development is expected to contain 3,100 residential units in 13 buildings, 60 to 70 percent of which will be for-sale condominium or townhome units. Currently, no for-sale housing is under way during the first phase of construction. Due to high land costs, single-family home development is limited to more inland locations. 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 of about 400 homes is expected to be complete sometime in 2017. Sales prices for the development are not yet available.

During the next 3 years, demand is expected for 19,200 new single-family homes, townhomes, and condominiums (Table 1), with greater demand during the first 2 years of the forecast

**Figure 7. Single-Family Homes Permitted in the Oakland HMA,\* 2000 to Current**



\* Oakland-Hayward-Berkeley HMA.

Notes: Includes townhomes. Current includes data through December 2016. Data through 2015 are final, subsequent data are preliminary.

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

## Housing Market Trends

### Sales Market *Continued*

**Table 4.** Estimated Demand for New Market-Rate Sales Housing in the Oakland HMA\* During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
400,000	499,999	1,975	10.2
500,000	599,999	3,425	17.8
600,000	699,999	2,875	15.0
700,000	899,999	4,350	22.6
900,000	1,199,999	3,200	16.7
1,200,000	and higher	3,400	17.6

\* Oakland-Hayward-Berkeley HMA.

Notes: The 3,075 homes currently under construction and a portion of the estimated 16,500 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is January 1, 2017, to January 1, 2020.

Source: Estimates by analyst

period and tapering off in the third year as economic growth moderates. The 3,075 homes currently under construction and a portion of the 16,500 other vacant homes that may come back on the market likely will satisfy part of the forecast demand. Demand for new homes is anticipated to be strongest for new homes priced between \$700,000 and \$899,000 (Table 4).

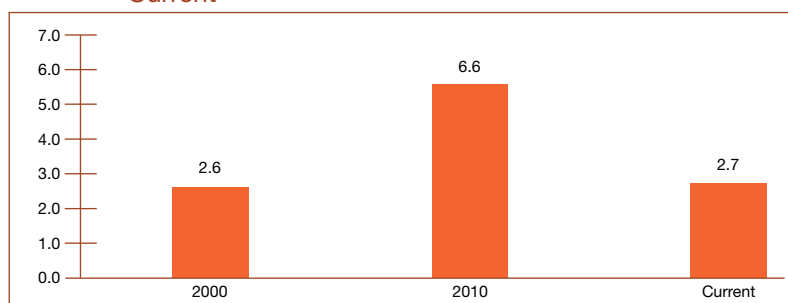
## Rental Market

Rental housing market conditions in the Oakland HMA are currently very tight, with an overall estimated rental vacancy rate of 2.7 percent, down from 6.6 percent in April 2010 (Figure 8). A combination of factors has contributed to increased rental demand since 2010, including strong net in-migration from households priced out 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, the most recent data available, single-family homes comprised 35 percent of the rental inventory in the HMA, up from 33 percent in 2010 (ACS 1-year data). By comparison, single-family homes comprised 29 percent of the rental

inventory in the HMA during April 2000 (2000 Census). The increase in single-family homes is because investors purchased and rented out a number of REO homes following the national recession and local foreclosure crisis during 2010.

The apartment market is also very tight, despite a high number of recently completed units, with a 3.3-percent vacancy rate during the fourth quarter of 2016, up from 2.8 percent a year earlier (MPF Research, Inc.). During the same period, the average apartment rent rose 3 percent to \$2,066. Although high, the average rent in the HMA is 15 percent lower than the average rent of \$2,444 in San Jose and 31 percent lower than average rent of \$2,982 in San Francisco. As of January 2017, Oakland was the fifth most expensive city in the country in which to rent a one-bedroom unit, behind San Jose at number four and San Francisco at number one (Zumper). From 2011 to 2015, average rents increased 40 percent while median household income for renter households rose only 31 percent, increasing problems of affordability in the HMA (MPF Research; 2011 and 2015 ACS 1-year data).

**Figure 8.** Rental Vacancy Rates in the Oakland HMA,\* 2000 to Current



\* Oakland-Hayward-Berkeley HMA.

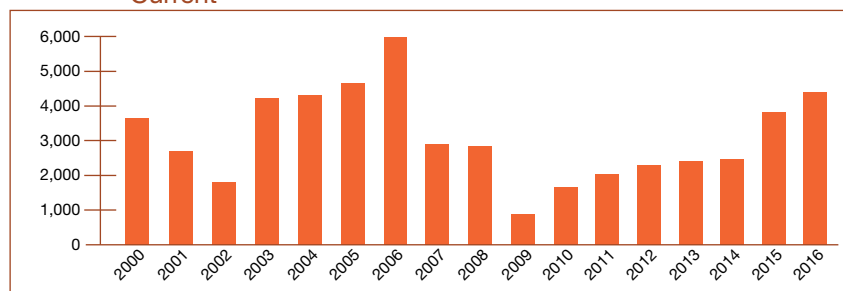
Note: The current date is January 1, 2017.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Of the nine MPF Research-defined market areas (hereafter, market areas) that comprise the HMA, apartment vacancy rates during the fourth quarter of 2016 were lowest in the Hayward/San Leandro/Union City, Northwest Contra Costa County (encompassing cities such as Richmond and San Pablo), and Concord/Martinez market areas, with vacancy rates of 2.2, 2.4, and 2.4 percent, respectively. All the foregoing market areas have average rents under \$2,000, among the most affordable in the HMA. Rents were highest in the Oakland/Berkeley market area at \$2,550, up nearly 5 percent from the previous year. All but two of the nine market areas in the HMA recorded rent gains during the fourth quarter of 2016. Rent gains ranged from nearly 4 percent in the Livermore/Pleasanton market area, where the average rent was \$2,200, to 10 percent in both the Northeast Contra Costa County (encompassing cities such as Antioch and Oakley) and Northwest Contra Costa County market areas, where rents were more affordable at \$1,547 and \$1,707, respectively. Average rents declined only in the Fremont market area, to \$2,188, a 3-percent decrease, and remained stable in the San Ramon/Dublin market area, at \$2,197.

Builders have responded to very tight rental market conditions with a steady increase in multifamily construction, as measured by the number of units permitted, since 2012. During 2016, approximately 4,350 multifamily units were permitted, a 15-percent increase from the 3,800 units permitted during 2015 (preliminary data). By comparison, an average of 3,875 multifamily units were permitted annually from 2000 through 2006 (Figure 9). Although apartments were the predominant type of multifamily construction activity occurring during most of this period, accounting for an average of 79 percent of all multifamily units permitted, condominium construction was increasing in significance. By 2006, when multifamily permitting peaked at 5,975 units, condominium construction accounted for 45 percent of all multifamily building, the highest percentage during the 16-year period since 2000. The onset of the recession and the subsequent housing market collapse caused multifamily construction to decline at an average rate of 46 percent annually from 2007 through 2009 to a low of 852 multifamily units permitted. During this time, new construction financing was difficult to obtain, leading to a very limited supply of new apartment units. Coupled with increased demand for rental units brought on by the foreclosure crisis, these factors caused apartment market conditions to tighten. Condominium construction also declined during this time and averaged only 14 percent of all multifamily construction from 2007 through 2009. As the economy began to recover and financing returned, multifamily construction expanded by an average of 430 units, or 18 percent, annually from 2010 to 2015 and averaged 2,425 units permitted each

**Figure 9. Multifamily Units Permitted in the Oakland HMA,\* 2000 to Current**



\* Oakland-Hayward-Berkeley HMA.

Notes: Excludes townhomes. Current includes data through December 2016. Data through 2015 are final, subsequent data are preliminary.

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

## Housing Market Trends

Rental Market *Continued*

year. Condominium construction did not fully recover and accounted for only 7 percent of all multifamily units permitted during this same period.

Of the 4,350 units currently under way, 57 percent, or 2,462 units, are in the Oakland/Berkeley market area, where average asking rents are the highest in the HMA. Because of greater demand for urban neighborhoods, an increasing number of apartment developments in the planning and construction pipeline are intended for downtown Oakland. Groundbreaking plans for the 241-unit Terrace Apartments, the first residential units at the large-scale Brooklyn Basin waterfront development, are expected to begin in April 2017. Construction is expected to be complete by late 2018 or early 2019. Other major projects under way include the 423-unit 3093 Broadway Apartments that will include 21,000 square

feet of ground-floor commercial space. The development will be on a previous Chevrolet dealership lot in the city's Auto Row district. The project will add to the larger revitalization efforts under way in the neighborhood and are the first highrise apartment units built in the city since 2008. Rents for both developments have not yet been determined.

During the 3-year forecast period, demand is expected for 19,600 market-rate rental units (Table 1). Demand is expected to be strongest in the first 2 years of the forecast period, as economic growth slows from its recent peak growth. The 4,325 apartment units currently under construction will satisfy some of this demand. Table 5 shows the estimated demand by rent level and number of bedrooms for new market-rate rental housing during the forecast period.

**Table 5.** Estimated Demand for New Market-Rate Rental Housing in the Oakland HMA\* During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
1,300 to 1,499	180	1,450 to 1,649	1,950	1,750 to 1,949	2,425	1,900 to 2,099	270
1,500 to 1,699	500	1,650 to 1,849	4,825	1,950 to 2,149	6,025	2,100 to 2,299	640
1,700 or more	300	1,850 or more	1,075	2,150 or more	1,350	2,300 or more	70
Total	980	Total	7,850	Total	9,800	Total	980

\* Oakland-Hayward-Berkeley HMA.

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 4,325 units currently under construction will likely satisfy some of the estimated demand. The forecast period is January 1, 2017, to January 1, 2020.

Source: Estimates by analyst



# Data Profile

**Table DP-1. Oakland HMA\* Data Profile, 2000 to Current**

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	1,225,385	1,165,026	1,331,000	- 0.5	2.2
Unemployment rate	3.6%	10.9%	4.3%		
Nonfarm payroll jobs	1,052,000	969,800	1,122,000	- 0.8	2.5
Total population	2,392,557	2,559,296	2,783,000	0.7	1.2
Total households	867,495	920,502	982,900	0.6	1.0
Owner households	524,726	543,146	559,200	0.3	0.4
Percent owner	60.5%	59.0%	56.9%		
Renter households	342,769	377,356	423,700	1.0	1.7
Percent renter	39.5%	41.0%	43.1%		
Total housing units	894,760	982,812	1,014,000	0.9	0.5
Owner vacancy rate	0.7%	1.9%	0.6%		
Rental vacancy rate	2.6%	6.6%	2.7%		
Median Family Income	\$65,700	\$89,300	\$92,900	3.1	0.7

\* Oakland-Hayward-Berkeley HMA.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through December 2016. Median Family Incomes are for 1999, 2009, and 2015. The current date is January 1, 2017.

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

## Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census  
 2010: 4/1/2010—U.S. Decennial Census  
 Current date: 1/1/2017—Analyst's estimates  
 Forecast period: 1/1/2017–1/1/2020—Analyst's estimates

The metropolitan division and metropolitan statistical area definitions in this report are based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

**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.

**Other Vacant Units:** In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.

**Building Permits:** Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As

a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to [huduser.gov/publications/pdf/CMARtables\\_Oakland\\_Hayward\\_BerkeleyCA\\_17.pdf](http://huduser.gov/publications/pdf/CMARtables_Oakland_Hayward_BerkeleyCA_17.pdf).

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This analysis has been prepared for the assistance and guidance of 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 expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to [huduser.gov/portal/ushmc/chma\\_archive.html](http://huduser.gov/portal/ushmc/chma_archive.html).