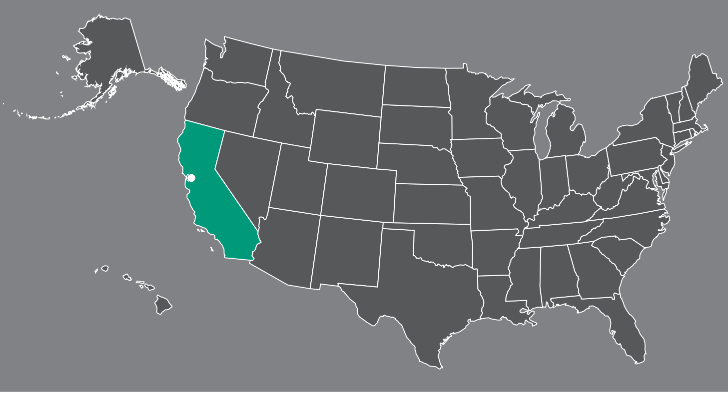
HUD PD&R **Housing Market Profiles**

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 division, with 34,400 employees—has a multistate network of 39 hospitals and medical care providers that employ approximately 219,200 people and serve 12.4 million members nationally as of 2019 (Kaiser Permanente). After a $1.1 billion net loss during the first quarter of 2020 due primarily to losses in its investment portfolio, the company scrapped plans to build its new $900 million headquarters in Oakland that was expected to break ground later in the year.**



By Elaine Ng | As of April 1, 2020

Overview

The Oakland-Hayward-Berkeley, CA (hereafter, Oakland) metropolitan division includes Alameda and Contra Costa counties, on the east side of San Francisco Bay in northern California, and is part of the San Francisco-Oakland-Berkeley Metropolitan Statistical Area. The workforce in the metropolitan division has high levels of educational attainment due to the presence of the University of California, Berkeley (hereafter, UC Berkeley) and California State University, East Bay, which have contributed to the growth in high-tech industries in nearby San Francisco and San Jose. Roughly 43 percent of residents in the Oakland metropolitan division have a bachelor's degree or higher, compared with 30 percent nationwide (2018 American Community Survey [ACS] 1-year data). UC Berkeley alumni have founded or cofounded more than 30 tech startup companies since 2000, including Tesla, Inc., Zynga Inc., and TechCrunch. The metropolitan division has become an increasingly popular location for Bay Area businesses to locate because the average asking rent for office space in the Oakland central business district was $4.88 per square foot during the first quarter of 2020, a small fraction of the $91.23 per square foot average rent in the San Francisco central business district (Avison Young).

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- A recent decline in net in-migration coincided with slower job growth, but significant out-migration to more affordable, outlying areas of California was also a factor. Approximately 86 percent of people moving out of the metropolitan division during the 2013-to-2017 period relocated to San Joaquin County, to the east, and Solano County, to the north. Home prices in those areas during the 12 months ending March 2020 were approximately 45 and 51 percent lower, respectively, than in the Oakland metropolitan division (County-to-County Migration Flows, 2013–2017 ACS 5-year estimates; and Metrostudy, A Hanley Wood Company).
- Following the Great Recession, a strong economic recovery, coupled with a significant inventory of relatively affordable sales housing, contributed to stronger population growth, averaging 38,700—or 1.5 percent—a year from 2010 to 2015 (Census Bureau population estimates as of July 1). During that period, net in-migration of 23,700 people a year accounted for 61 percent of total population growth.
- Housing costs are high throughout the Bay Area due to the concentration of high-paying tech jobs, although housing is relatively more affordable in the Oakland metropolitan division compared with the neighboring markets of San Francisco and San Jose. As a result, the metropolitan division partly serves as a bedroom community, with 32 percent of workers living in the Oakland metropolitan division commuting to jobs in San Francisco and San Jose in 2017, up from 27 percent in 2010 (U.S. Census, OnTheMap, 2017).

Economy

The economy of the Oakland metropolitan division has been expanding since 2011, but recent job growth slowed from the earlier part of the decade. From 2011 through 2016, nonfarm payroll growth averaged 2.9 percent annually but slowed to 0.7 percent a year since 2017. By comparison, payrolls fell an average of 3.1 percent annually from 2007 through 2010—a period that included the Great Recession. Despite the slower rate of growth since 2017, the current nonfarm payroll total of 1.18 million jobs surpasses the prerecession peak of 1.07 million jobs in 2007 by 10 percent.

During the first quarter of 2020—

- Nonfarm payrolls increased by 2,100 jobs, or 0.2 percent, from the first quarter of 2019, as growth in 5 of the 11 sectors offset declines or flat growth in the other 6 sectors. Growth has slowed significantly from the gain of 9,000 jobs, or 0.8 percent, a year earlier.
- Job additions were largest in the mining, logging and construction, education and health services and the government sectors, which added 2,100, 1,500, and 1,500 jobs—or 2.9, 0.8, and 0.9 percent, respectively—during the period. All industries within the education and health services sector added jobs except for the hospital industry, which lost 400 jobs—a 2-percent decline from the first quarter of 2019. Although the decline is small and does not show the full impact of COVID-19 on the industry, it is at

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Nonfarm payroll growth slowed significantly in the Oakland metropolitan division in the past year, with declines in 5 of the 11 sectors.

	3 Months Ending		Year-Over-Year Change	
	March 2019 (Thousands)	March 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	1,175.5	1,177.6	2.1	0.2
Goods-Producing Sectors	173.2	173.9	0.7	0.4
Mining, Logging, & Construction	72.2	74.3	2.1	2.9
Manufacturing	101.0	99.6	-1.4	-1.4
Service-Providing Sectors	1,002.3	1,003.7	1.4	0.1
Wholesale & Retail Trade	157.5	156.5	-1.0	-0.6
Transportation & Utilities	43.1	42.5	-0.6	-1.4
Information	27.8	27.8	0.0	0.0
Financial Activities	54.7	55.2	0.5	0.9
Professional & Business Services	188.6	189.3	0.7	0.4
Education & Health Services	197.5	199.0	1.5	0.8
Leisure & Hospitality	117.3	116.5	-0.8	-0.7
Other Services	40.6	40.3	-0.3	-0.7
Government	175.1	176.6	1.5	0.9
Unemployment Rate	3.3%	3.4%		

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

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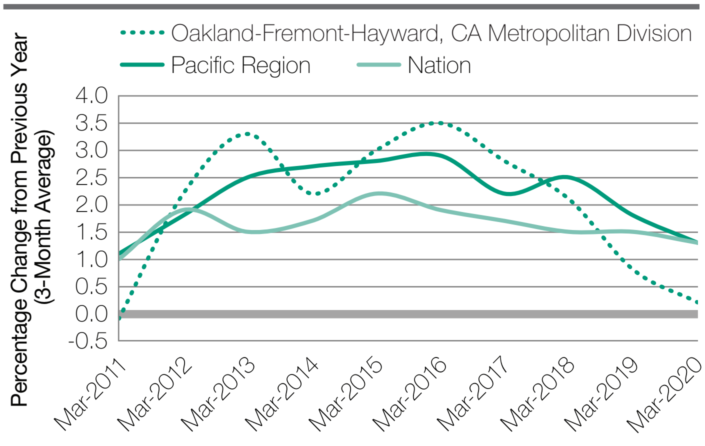
least partly due to furloughs because of declining hospital revenues from cancellations of elective surgeries to prepare for COVID-19 patients.

- The most significant job declines occurred in the manufacturing, the wholesale and retail trade, and the leisure and hospitality sectors, down by 1,400, 1,000, and 800 jobs—or 1.4, 0.6, and 0.7 percent—respectively, from the first quarter of 2019. Although the official shelter-in-place order for the metropolitan division was instituted in mid-March, declines in nonessential travel and entertainment outings, following the earlier introduction of social distancing guidelines, likely resulted in job declines in those industries.
- The average unemployment rate increased slightly to 3.4 percent from 3.3 percent a year earlier but was lower than the national unemployment rate of 4.1 percent, which was unchanged from a year earlier.

Post-Analysis Update

As of May 2020, a total of 296 companies have laid off approximately 33,200 employees within the Oakland metropolitan division (*San Francisco Chronicle*). One of the largest layoffs from a single employer was 11,100 workers at the Tesla, Inc. factory in the city of Fremont. Under the shelter-in-place order in Alameda County, as of March 16, 2020, the manufacturer of electric cars was required to cease operations, leading to the temporary furloughs of almost all workers at the Fremont plant. In mid-May 2020, the company resumed operations after reaching an agreement with the county that allowed the manufacturing plant to start producing vehicles again—with additional safety precautions for employees.

Nonfarm payroll growth in the Oakland metropolitan division has been declining since 2016 and fell below the national and regional rates in the past year.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Oakland Metropolitan Division

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Kaiser Permanente	Education & Health Services	34,400
University of California, Berkeley	Government	24,000
Safeway Inc.	Wholesale & Retail Trade	15,700

Note: Excludes local school districts.
Sources: Economy.com, *San Francisco Business Times*

Sales Market Conditions

Sales housing market conditions in the Oakland metropolitan division are currently tight, with an estimated sales vacancy rate of 0.7 percent—down from 1.9 percent in 2010. Strong job growth, partly attributable to spillover from the tech boom in San Francisco, led to increased sales demand that has outpaced supply and kept the market tight despite the slower population growth. As of March 2020, a 1.2-month supply of homes was available for sale, down from the 1.6-month supply a year ago (Redfin). Single-family home development has been more prevalent in the Oakland metropolitan division compared with San Francisco due to greater land availability in the Oakland metropolitan division. As a result, the average sales price of $835,100 for new and existing homes during the 12 months ending March 2020 is nearly 50 percent less than the average sales price of $1.6 million in the San Francisco metropolitan division (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). Sales prices are still relatively high throughout much of the Bay Area, however, and the average sales price in the Oakland metropolitan division is 17 percent higher than the average sales price of $712,500 in California and almost two-and-a-half times higher than the average sales price of $346,200 nationwide.

- During the 12 months ending March 2020, existing home sales (which include regular resale and real estate owned [REO] home sales) totaled 27,200, reflecting a 4-percent decline from a year ago, whereas the average price of an existing home increased 1 percent from a year ago to $832,900 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).
- Existing home sales have generally declined since 2016 by an average of 4 percent annually, whereas the average price of an existing home increased 6 percent annually as a result of low for-sale inventory, particularly in the lowest price ranges.

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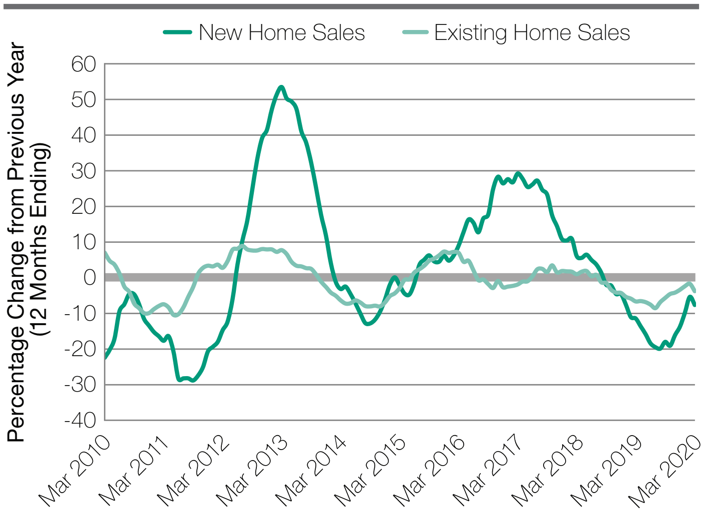
- In February 2020, 0.4 percent of home loans in the metropolitan division were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status, and the rate has declined every year since peaking at a high of 9.9 percent in February 2010. The current rate is lower than the 0.6-percent rate for California and the 1.3-percent rate for the nation.
- During the 12 months ending March 2020, new home sales declined 8 percent to 3,400 sales compared with a year ago. New home sales have contributed minimally to total overall sales, primarily because of limited new home construction; the recent level represents only 11 percent of total sales during that period. From 2010 through 2019, new home sales averaged 370 annually, or 13 percent of total sales.
- During the 12 months ending March 2020, the average sales price of a new home was $1.10 million, up 7 percent from the previous 12 months. From 2010 through 2019, average new home prices rose at an annual rate of 7 percent, as the supply of new homes—which are constrained by high development costs and a shortage of skilled labor—was not able to meet demand.

Single-family homebuilding activity, as measured by the number of single-family homes permitted, has generally declined since reaching a decade high during 2016 and 2017 after a steady increase during the recovery from the Great Recession.

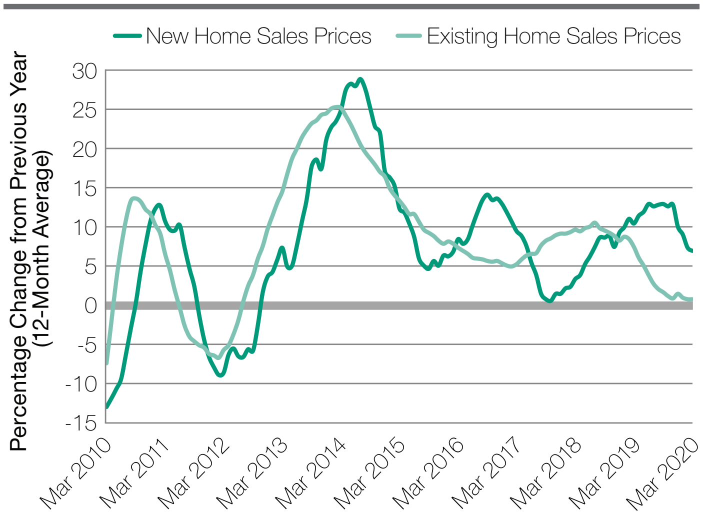
- During the 12 months ending March 2020, approximately 3,425 single-family homes were permitted—down 1 percent from the 3,475 homes permitted during the 12 months ending March 2019 (preliminary data).
- Single-family construction activity increased by an average of 19 percent a year—from about 1,550 homes permitted in 2011 to a recent high of 4,300 homes a year in 2016 and 2017. Single-family permitting activity has declined since then.
- The SoHay mixed-used project is one of the largest developments currently underway in the metropolitan division, with 400 townhomes, 72 apartment units, and 20,000 square feet of ground-floor retail space in the city of Hayward. Approximately 10 percent of the units will be set aside for renters and homebuyers with low to moderate incomes, and completion is expected by early 2021.
- Large-scale single-family housing development tends to be concentrated in the outlying cities of the metropolitan division. In the city of Antioch, about 37 miles northeast of Oakland, the first phase of the Promenade/Vineyards at Sand Creek development is currently underway and will include 96 single-family homes. The second phase of the construction will include 121 single-family homes, and the third and final phase will result in 120 single-family homes designated as active adult residences for seniors.
- In the city of San Ramon, almost 30 miles southeast of Oakland, The Preserve—a 121-lot single-family home development—is currently underway. The homes will range in size from 2,000 to 3,650 square feet, and home prices will start in the low $1 million range.

Both new and existing sales have declined since 2018 in the Oakland metropolitan division as a result of the lack of affordable for-sale housing.



Note: Data are for single-family homes, condominiums, and townhomes.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

New home sales prices have risen faster than existing home sales prices in the Oakland metropolitan division during the 12 months ending March 2020.



Note: Data are for single-family homes, condominiums, and townhomes.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

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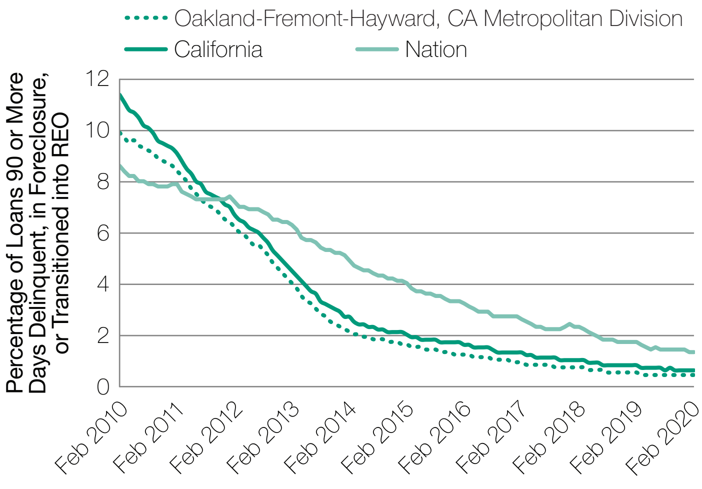
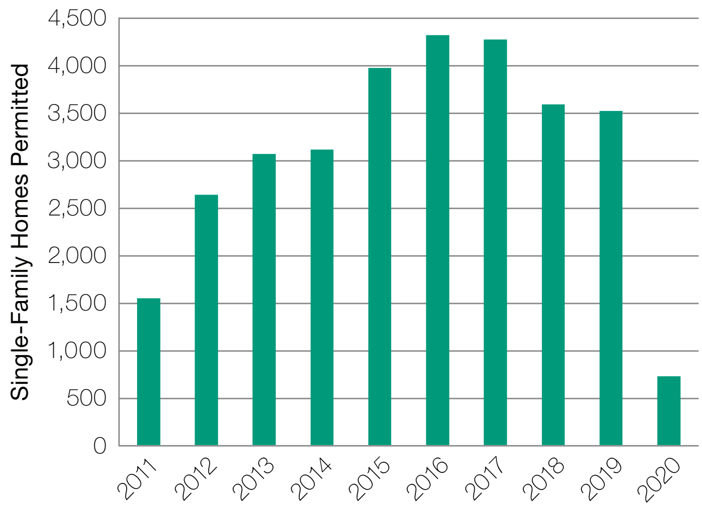
The rate of seriously delinquent mortgages and REO properties has declined significantly in the Oakland metropolitan division since the early 2010s and is below the rate for California and the nation.



REO = real estate owned.
Source: CoreLogic, Inc.

Single-family home permitting in the Oakland metropolitan division has declined since the mid-2010s.



Note: Includes preliminary data from January 2020 through March 2020.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Apartment Market Conditions

Apartment market conditions in the Oakland metropolitan division are currently tight but improving. Conditions were very tight earlier in the decade, with vacancies averaging about 2.7 percent from 2014 to mid-2016 because of strong economic growth and significant net in-migration. Increased apartment construction activity since 2011 has contributed to an easing of market conditions, but apartment vacancy rates have increased only slightly, to an average of about 4 percent, since early 2019. As economic growth moderated and population growth slowed, the growth in apartment rents has also slowed. From 2014 to mid-2016, apartment rent growth averaged 11 percent a year, but annual rent growth has slowed to an average of less than 4 percent since the end of 2016.

During the first quarter of 2020—

- The apartment vacancy rate in the metropolitan division averaged 3.8 percent, up from the 3.5 percent rate a year earlier (Reis, Inc.). Apartment absorption has been strong, as high home sales prices have prevented many renter households from pursuing homeownership and have led to only a slight increase in apartment vacancy rates despite increasing levels of apartment construction activity.
- Apartment rents in the metropolitan division averaged $2,300—a 5-percent increase from a year earlier. Despite the recent increase, apartment rents in the Oakland metropolitan division were 24 percent lower than the average apartment rent of $3,000 in neighboring San Francisco.
- Of the eight Reis, Inc.-defined market areas (hereafter, market areas) that make up the Oakland metropolitan division, the apartment vacancy rates were generally lower in the more affordable market areas. The apartment vacancy rate was lowest in the San Leandro/Hayward and Concord/Martinez market areas, at 1.8 and 1.9 percent, where apartment rents were among the lowest, at $2,152 and $1,905, respectively.
- Apartment rents increased in all eight of the market areas, with the largest increase in rent of almost 11 percent in the North Alameda market area, to $2,939. The apartment vacancy rate for the North Alameda market area was 7.4 percent—the highest of all market areas in the metropolitan division. Rents increased by less than one-half a percentage point in the Fremont/Newark/Union City market area, to $2,300, which was the slowest rent growth in the metropolitan division.

Multifamily construction activity in the metropolitan division, as measured by the number of units permitted, slowed significantly during the most recent 12 months.

- During the 12 months ending March 2020, about 4,950 multifamily units were permitted—down 26 percent from the 6,700 units permitted during the previous 12-month period (preliminary data). Approximately 20 percent of the multifamily units permitted during the past 12 months were in the city of Oakland, where asking rents are among the highest in the metropolitan division due to the proximity to the job centers of the Oakland central business district and San Francisco.

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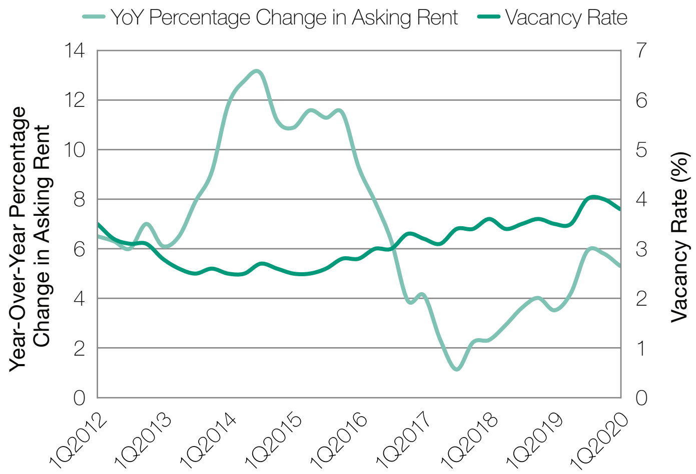
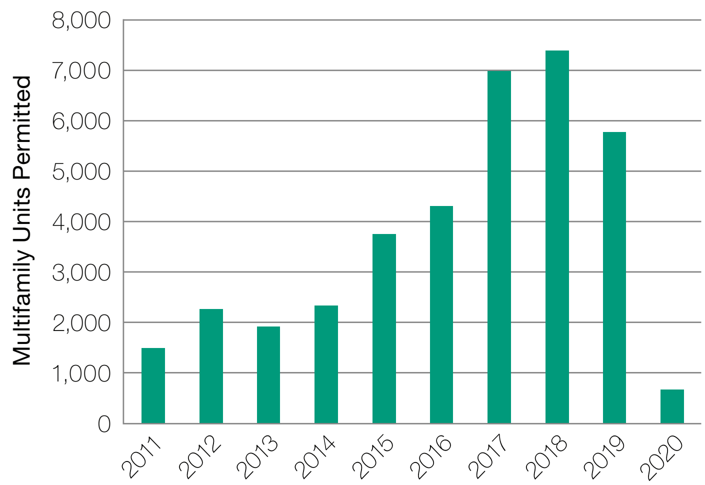
- After reaching a low from 2009 through 2011, when an average of 1,275 multifamily units were permitted annually, multifamily permitting activity averaged 6,625 units annually from 2017 through 2019.
- One of the largest recently completed developments is The Asher, a 632-unit apartment complex in the city of Fremont, located less than a mile from the Bay Area Rapid Transit (BART) station that connects commuters to other parts of the Bay Area. Rents range from $2,865 to $4,350 for the one-, two-, and three-bedroom units.
- In the city of Oakland, the eight-story, 333-unit apartment development at 40 Harrison Street in Jack London Square—a 12-acre entertainment and business destination on the city waterfront—is currently underway. The development will include studio and one-, two-, and three-bedroom units when it is complete in the winter of 2020.
- The 62-unit Parrott Street Apartments is also underway, in close proximity to the San Leandro BART station. The development will consist of 22 studio units, 22 one-bedrooms, and 18 two-bedroom units, and it will be reserved for residents earning from 30 to 60 percent of the area median income, or from $39,150 to $78,300 for a four-person household. The apartments are expected to open in the spring of 2021.

Since 2017, rent growth in the Oakland metropolitan division has been slower than the double-digit growth from 2014 to 2016, and vacancy rates have hovered around 3 to 4 percent since 2017.



1Q = first quarter. YoY = year-over-year.
Source: Reis, Inc., with adjustments by the analyst

Multifamily home permitting in the Oakland metropolitan division reached a high from 2017 through 2019.



Note: Includes preliminary data from January 2020 through March 2020.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst