

# APARTMENT MARKET ANALYSIS

## THIRD QUARTER 2019 | EAST BAY MULTIFAMILY REPORT

New supply is becoming more of a factor in East Bay apartment performance, as building activity, particularly in Oakland and Berkeley has ramped up. In undersupplied markets such as the Bay Area, the availability of new units typically translates into higher absorption figures, and that is the case in 2019's 3rd quarter, especially in Oakland, where demand has surged with completions. Historically speaking, rent growth tends to be quite volatile in periods where deliveries are steepest, even when job growth and overall demand is strong. The fact that East Bay YoY rent growth has fallen slightly confirms this trend. The near term expectation is that rents will soften more substantially in the East Bay cities of Oakland and Berkeley than in San Francisco, as the latter is experiencing a smaller amount of inventory growth. Because of the strong East Bay economy, occupancy levels should remain at a functionally full level. Assembly Bill 1482 takes effect on January 1, 2020 capping annual rent increases statewide at 5%, plus CPI, along with limitations on evicting tenants. How this will influence investor's confidence, or lack thereof with the Bay Area apartment market is anyone's guess, however the uncertainty surrounding how AB1482 may unfold is already causing buyers to look at markets outside of California, including; Arizona, Nevada, Colorado and Texas. Lastly, Proposition 10 2.0 may be headed to the ballot box in 2020, as purportedly the organizers have received enough signatures to qualify the measure for the November 2020 ballot.

### RENTS

↓ Rents grew an average of 2.10% YoY across all East Bay submarkets, down from 2.88% in the same period last year

### OCCUPANCY

↓ Very slight YoY decrease of thirty basis points to 95.3% overall in Q3 2019

### PRICE PER UNIT

↑ Q3 2019 YoY increase in average \$/unit from \$288,857 to \$336,053

### CAP RATES

↑ Average cap rates have increased from 4.24% to 5.07% YoY

### EMPLOYMENT

↑ Alameda & Contra Costa YoY employment growth of 1.34%

## EAST BAY COVERAGE AREA

### A SOUTHERN ALAMEDA COUNTY

- Fremont
- Newark
- Union City

### B CENTRAL ALAMEDA COUNTY

- San Leandro
- Hayward
- San Lorenzo
- Castro Valley

### C NORTH ALAMEDA COUNTY

- Alameda
- Berkeley
- Oakland
- Albany

### D EAST ALAMEDA COUNTY

- Dublin
- Livermore
- Pleasanton

### E CENTRAL CONTRA COSTA COUNTY

- Lafayette
- Danville
- Walnut Creek
- San Ramon

### F WEST CONTRA COSTA COUNTY

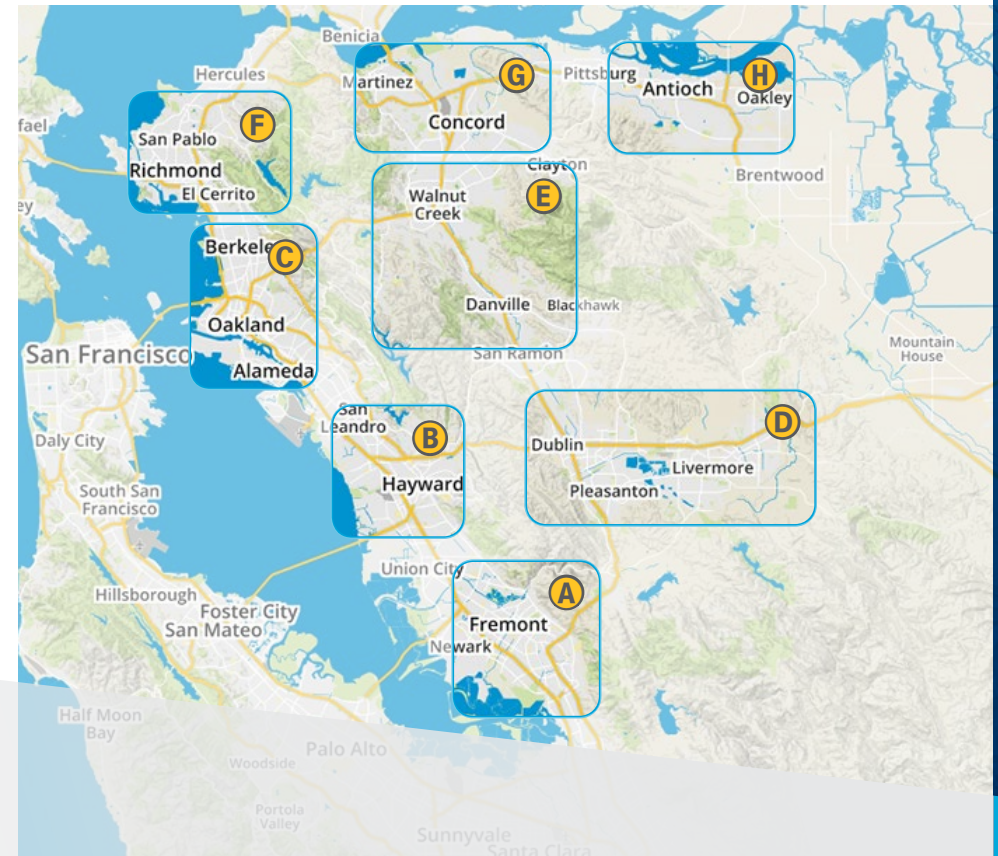
- El Cerrito
- El Sobrante
- Richmond

### G NORTH CONTRA COSTA COUNTY

- Pleasant Hill
- Martinez
- Concord

### H EAST CONTRA COSTA COUNTY

- Pittsburg
- Brentwood
- Antioch



# RENTAL ACTIVITY

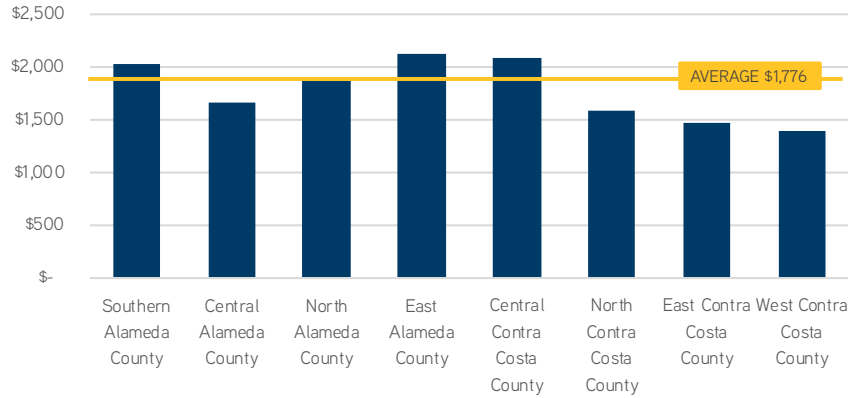
## THIRD QUARTER 2019

YEAR OVER YEAR  
 AVERAGE RENT GROWTH  
 2.10%

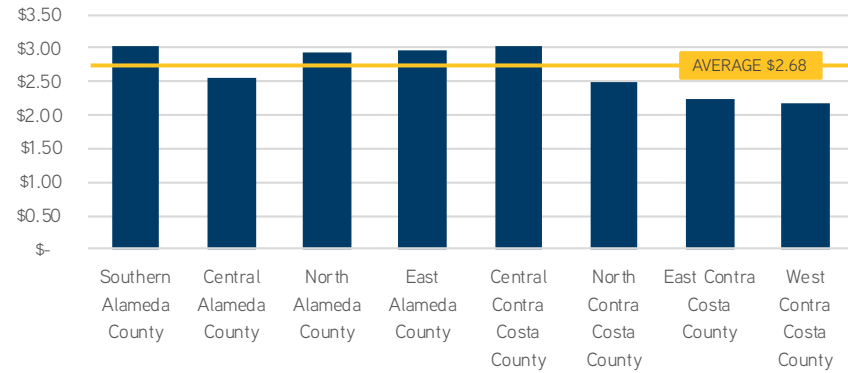
YEAR OVER YEAR  
 AVERAGE RENT/SF INCREASE  
 \$2.47 TO \$2.52

Each quarter we survey apartment rents throughout the East Bay area, as well as monitor data from the research firm Costar. The graphs below show average asking rents for both one and two bedroom apartments across the eight East Bay submarkets, as well as the average asking rent per square foot for both unit types.

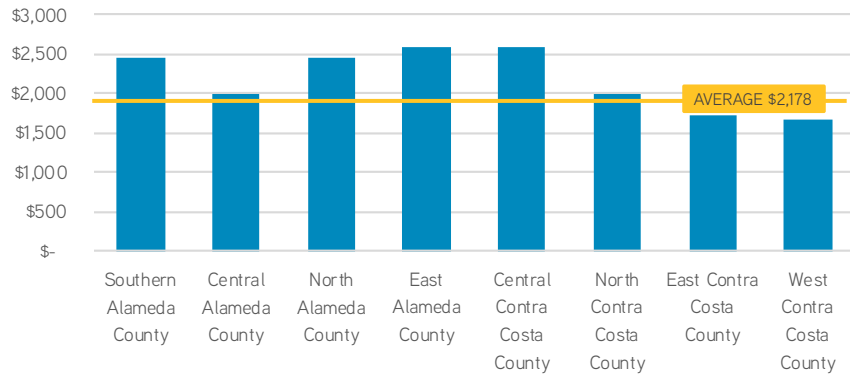
### 1 BEDROOM ASKING RENT PER UNIT



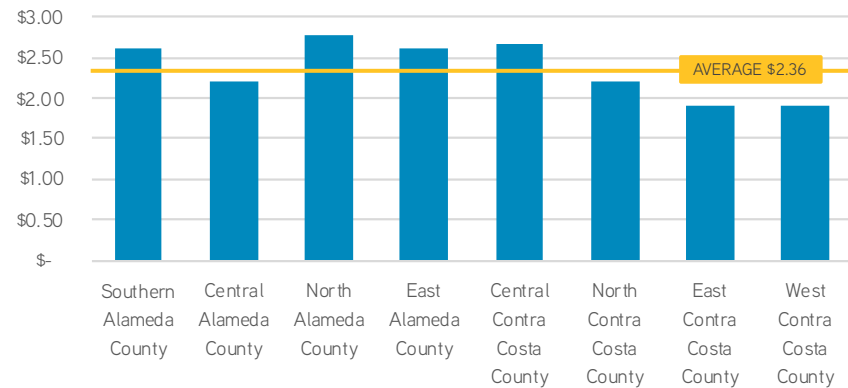
### 1 BEDROOM ASKING RENT PER SQUARE FOOT



### 2 BEDROOM ASKING RENT PER UNIT



### 2 BEDROOM ASKING RENT PER SQUARE FOOT



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# OCCUPANCY TRENDS

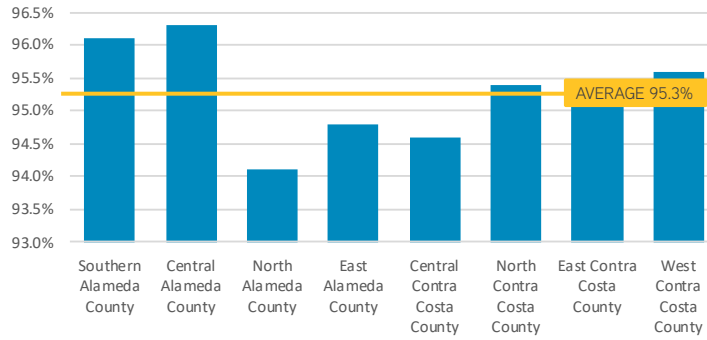
## THIRD QUARTER 2019

EAST BAY | 12 MONTH OUTLOOK  
**SCHEDULED COMPLETION**  
 5,240 Units

EAST BAY | Q3 2019  
**COMPLETED CONSTRUCTION**  
 2,647 Units (+9%)

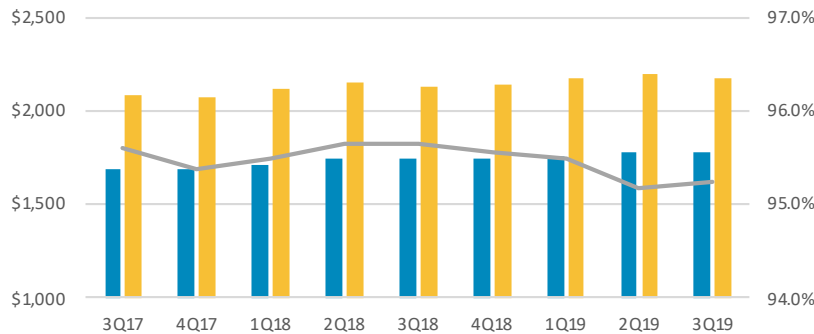
### East Bay Economy

- Unemployment Rate**  
 Year over Year Change: -0.35%  
 Current Rate: 2.51%  
 Statewide: 3.52% (3.5% US)
- Employment**  
 Year over Year Change: (1.34%)  
 Employment: 1,396,100  
 Statewide YoY Change: 0.8%
- Labor Force**  
 Year over Year Change: 0.98%  
 Labor Force: 1,432,000  
 Statewide YoY Change: +0.44%



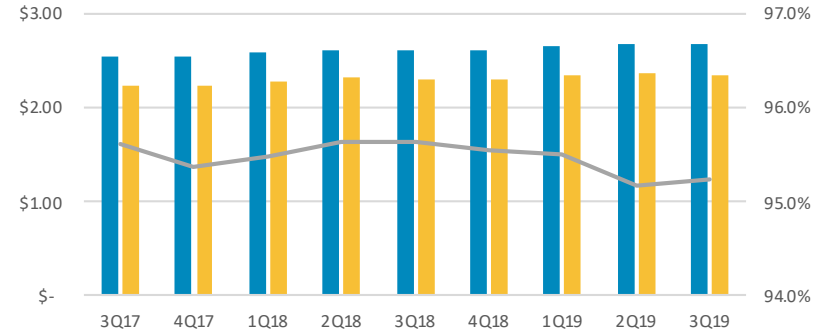
### East Bay Average Historical Occupancy & Rents

- Rent - 1 Bedroom
- Rent - 2 Bedroom
- Occupancy



### East Bay Average Historical Occupancy & Rents Per Square Foot

- Rent - 1 Bed - \$/SF
- Rent - 2 Bed - \$/SF
- Occupancy



Source: CoStar, RealPage, California Employment Development Department

## EAST BAY DEVELOPMENT PIPELINE

ADDRESS	EXPECTED / COMPLETED	UNITS	DEVELOPER
<b>PROJECTS UNDER CONSTRUCTION</b>			
45300 Fremont Blvd, Fremont	2019	290	St Anton Multifamily, Inc.
1530 Martin Luther King Jr., Oakland	2020	140	Wood Residential Services
28168 Mission Blvd, Hayward	2020	97	Legacy Partners
2850 Hannah St, Oakland	2019	90	Riaz Capital
2628 Shattuck Ave, Berkeley	2020	78	Read Investments
<b>COMPLETED IN THE LAST FOUR QUARTERS</b>			
325 27th St, Oakland	2019	225	The Hanover Company
2302 Valdez St, Oakland	2019	196	Wood Residential Services
1001 Westwind St, Livermore	2019	171	JEMCOR Partners
39605 Stevenson Pl, Fremont	2019	80	Devcon Construction, Inc.

## CAPITAL MARKETS

With the U.S. and China nearing a trade deal, the financial markets can swing one way or the other depending on the news of the day. The stock market moves up and Treasury yields also rise with news that a trade deal is imminent. Treasury yields typically react concurrently with the stock market because many investors pull money from conservative bond investments and move their funds into equities when news is positive.

Over the past several weeks, the 10-year has traded in a range between 1.70% - 1.90%. This recent trading range for the 10-year is above rates seen towards the end of Q2 2019, where we saw rates hovering in the 1.50% range. With the more recent positive news regarding at least a first step resolution in the U.S. & China trade war, talk of an imminent recession has subsided and the upward movement in the 10-year treasury rate has begun. A strong job market, robust U.S. economy and increasing stock market now more frequently dominates the headlines. Where rates go from here is anyone's guess, however with so much positive economic news, one can assume that the 10-year Treasury rate will continue to increase into the New Year.

The good news for borrowers is that Commercial Real Estate Lenders are eager to make loans, and have accepted the apparent reality that low interest rates are real and not going away. Where rates go from here is anybody's guess, however at this time we are still in a very low interest rate environment. We are now seeing conventional lenders quote multifamily rates for 5-year, 7-year and 10-year term in a range between 3.25% - 3.95%. It remains a fantastic time to borrow money. Life Insurance companies are offering rates in the low to mid 3.0% range on the very best low leverage multifamily properties.

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# SALES ACTIVITY

## THIRD QUARTER 2019

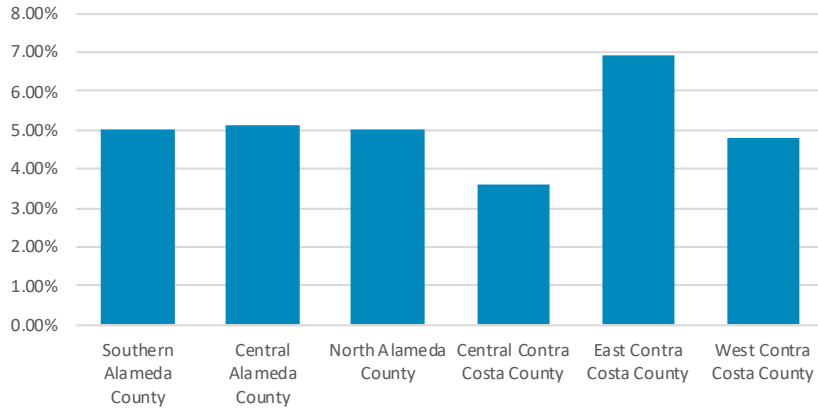


Q3 2019 EAST BAY AREA  
AVERAGE PRICE PER UNIT  
\$336,053

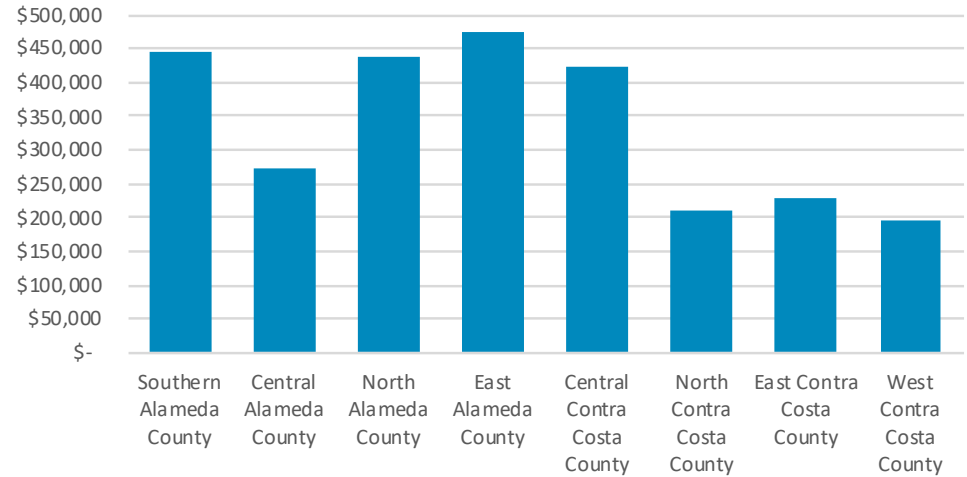


Q3 2019 EAST BAY AREA  
AVERAGE CAP RATE  
5.07%

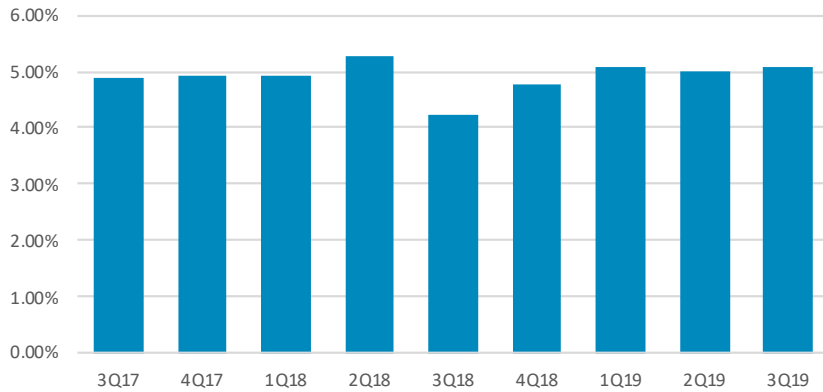
### CAP RATES



### PRICE PER UNIT



### HISTORICAL CAP RATES



### Q3 2019 SIGNIFICANT EAST BAY TRANSACTIONS

ADDRESS	CITY	SALE DATE	SALE PRICE	UNITS	PRICE/UNIT	CAP RATE	PRICE/SF(±)
2275 Grove Way	Castro Valley	8/20/19	\$12,900,000	37	\$348,648	5.32	\$367
3535 Brook St	Lafayette	7/16/19	\$12,000,000	25	\$480,000	2.95	\$564
550 Berry Ave	Hayward	8/1/19	\$11,500,000	44	\$261,363	5.1	\$371
38891 Fremont Blvd	Fremont	7/18/19	\$9,600,000	24	\$400,000	5.6	\$521
301 Jayne Ave	Oakland	8/30/19	\$6,480,000	15	\$432,000	4.00	\$510
973 Elgin St	San Lorenzo	9/17/19	\$5,935,000	20	\$296,750	4.31	\$276
510 Castro St	San Leandro	-	\$4,950,000	14	\$353,571	5.76	\$488
2252 Parker St	Berkeley	7/23/19	\$4,250,000	12	\$354,166	4.19	\$407
1317 Russell Way	Hayward	-	\$3,600,000	10	\$360,000	4.67	\$308
191 Village Ct	Walnut Creek	8/7/19	\$2,525,000	8	\$315,625	4.3	\$481
20026 Wisteria St	Castro Valley	7/5/19	\$2,250,000	7	\$321,428	5.37	\$422
1311 Versailles Ave	Alameda	-	\$2,095,000	8	\$261,875	2.07	\$308

Source: CoStar



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# EAST BAY MULTIFAMILY

## COLLIERS INTERNATIONAL



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### AREA OF EXPERTISE

Rich is a Senior Vice President in Colliers' Multifamily Investment Services Group. He specializes in assisting clients with a wide array of investment requirements specific to apartment properties, as well as multi-residential and subdivision land throughout Alameda and Contra Costa Counties. Rich has extensive experience working with investors to complete successful 1031 exchanges, and has provided multifamily acquisition and disposition services to both private client and private investment groups, as well as apartment developers and residential home builders throughout the East Bay.

RICH MARTINI HAS OVER  
15 YEARS OF EXPERIENCE  
SELLING EAST BAY MULTIFAMILY  
PROPERTIES. HE HAS COMPLETED  
DISPOSITION ASSIGNMENTS FOR  
MORE THAN **1,000 UNITS**, WITH  
A TRANSACTION VALUE OF OVER  
**\$200,000,000.**



## Lincoln Terrace Apartments

WALNUT CREEK, CALIFORNIA

UNITS	SALES PRICE	PRICE PER UNIT
36	\$12,600,000	\$350,000

### TRANSACTION SPOTLIGHT

Lincoln Terrace is a 36-unit apartment community located in Walnut Creek, CA. Built in 1962 and situated on a .85 AC parcel, the property is ideally located in Downtown Walnut Creek, and is less than a mile to the Walnut Creek BART station. The unit mix includes twenty eight, 1 bedroom/1 bath units, including two floor plans, and eight, 2 bedroom / 1 bath units. Lincoln Terrace offers investors the opportunity to add value by continuing the renovation program previously begun by current ownership.



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