

# APARTMENT MARKET ANALYSIS

## FIRST QUARTER 2020 | EAST BAY MULTIFAMILY REPORT



### RENTS



Rents increased an average of 1.54% YoY across all East Bay submarkets, down from 2.17% from the same period last year.

### OCCUPANCY



Occupancy decreased slightly YoY to 94.9% throughout the East Bay in Q1 2020

### PRICE PER UNIT



Increase in YoY price per unit in Q1 2020 from \$315,832 to \$361,760\*

### CAP RATES



Average cap rates decreased YoY from 5.07% to 4.79%\*

### TRANSACTION VOLUME



Completed transactions were up 10% in Q1 2020 compared with Q1 2019

### EMPLOYMENT



A net loss of 30,400 jobs between Q1 2019 and Q2 2020

\* Note: Number inflated slightly by a single sale in Southern Alameda County

### NAVIGATING ROUGH WATERS

The near term fallout from COVID-19 has no doubt had an effect on East Bay apartment fundamentals in Q1 2020. As state and county shelter-in-place orders were implemented late in the quarter, the resulting consequence will most certainly be felt to a greater degree in the second quarter and beyond. As job losses mount, apartment operators are already feeling the pressure on collections, as well as a notable downward shift in leasing activity. Even before the virus started to infiltrate the Bay Area, rent growth had already started to slow in recent quarters, as operators of existing apartments started to brace for the unprecedented volume of new supply on the way. Occupancy has remained fairly solid however, with only a slight drop to 94.9% in Q1 2020, down from 95.3% a year earlier. Undoubtedly, one of the most significant headwinds facing apartment owners during this time of COVID are the multitude of legislative actions adopted at the state, county and city level, including moratoriums on rent increases and late fees. Tenants can now defer rent payments for up to a year in some municipalities for COVID related job losses and hardship, and landlords are prohibited from evicting tenants for non-payment of rent AND for most “no fault” reasons during the state of emergency.



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# RENTAL ACTIVITY

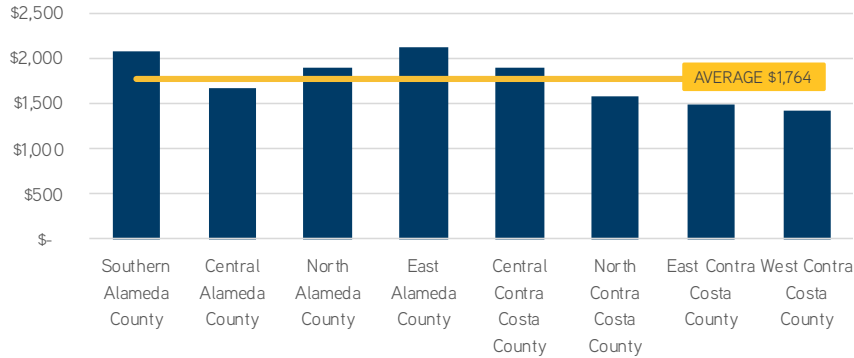
## FIRST QUARTER 2020

YEAR OVER YEAR  
**AVERAGE RENT GROWTH**  
 1.54%

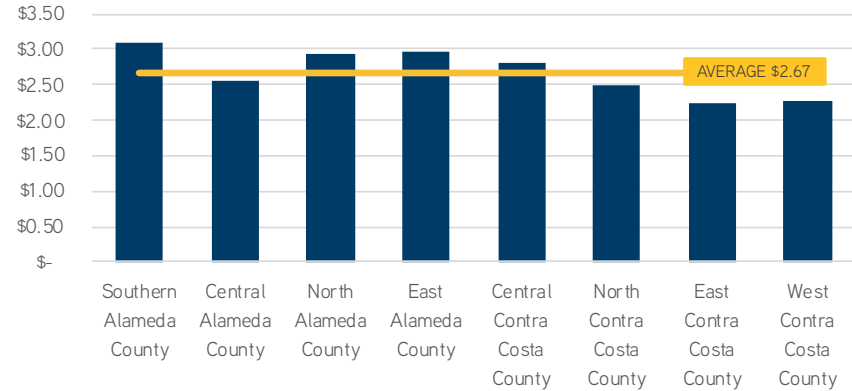
YEAR OVER YEAR // 1&2 BEDROOMS  
**AVERAGE RENT/SF INCREASE**  
 \$2.48 TO \$2.51

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.

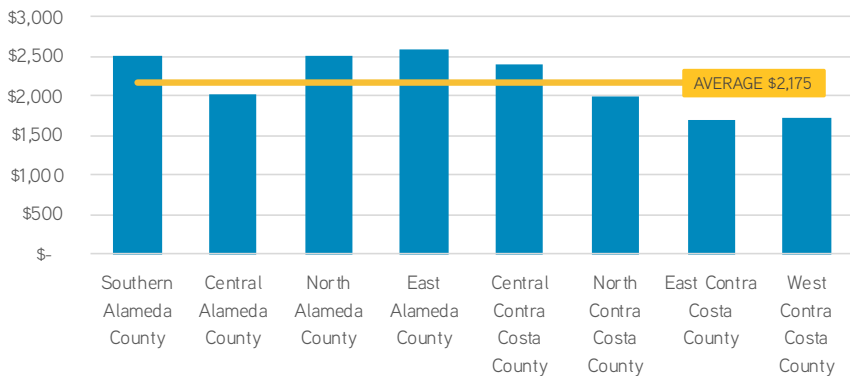
### 1 BEDROOM ASKING RENT PER UNIT



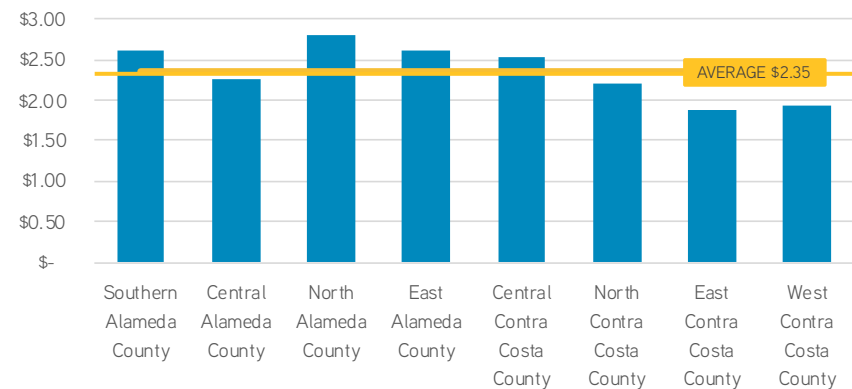
### 1 BEDROOM ASKING RENT PER SQUARE FOOT



### 2 BEDROOM ASKING RENT PER UNIT



### 2 BEDROOM ASKING RENT PER SQUARE FOOT



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# OCCUPANCY TRENDS

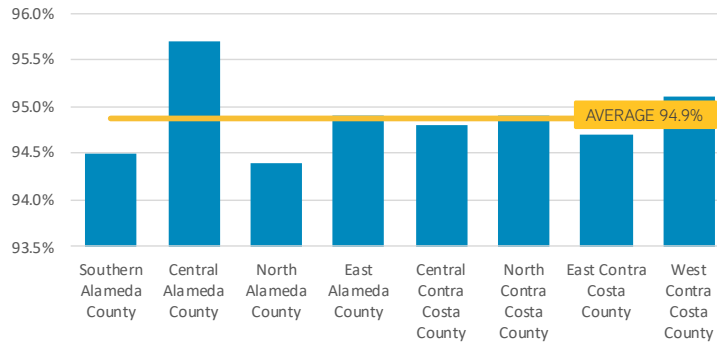
## FIRST QUARTER 2020

EAST BAY | 12 MONTH OUTLOOK  
**SCHEDULED COMPLETION**  
 7,594 Units

EAST BAY | YEAR ENDING // Q1 2020  
**COMPLETED CONSTRUCTION**  
 3,487 Units

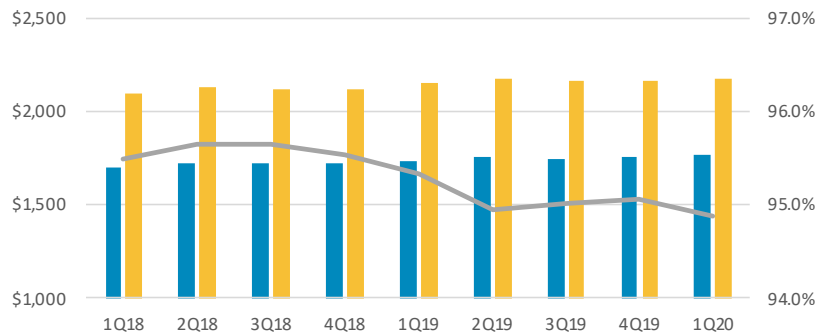
### East Bay Economy

- Unemployment Rate**  
 Year over Year Change: 15.9%  
 Current Rate: 3.9%  
 Statewide: 5.64% (4.4% US)
- Employment**  
 Year over Year Change: (2.28%)  
 Employment: 1,333,500  
 Statewide YoY Change: (2.2)%
- Labor Force**  
 Year over Year Change: (1.56%)  
 Labor Force: 1,387,700  
 Statewide YoY Change: (0.91%)



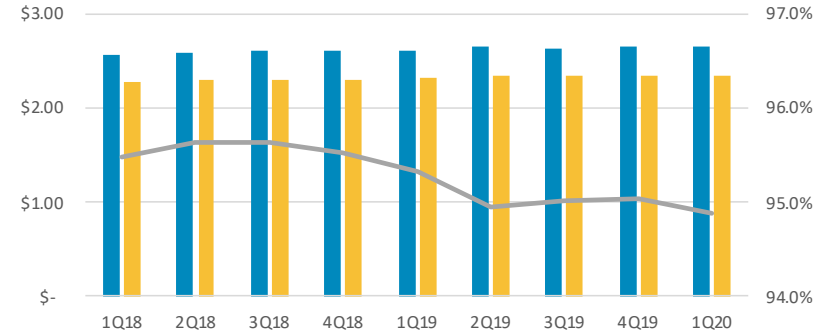
### East Bay Average Historical Occupancy & Rents

- 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>			
1934 1st St, Livermore	2021	221	Legacy Partners
1411 Alice Street, Oakland	2020	79	Bay Development
1380 N California Blvd, Walnut Creek	2020	112	Align Real Estate
375 Diablo Rd, Danville	2020	144	Crow Holdings
29362 Mission Blvd, Hayward	2021	472	William Lyon Homes, Inc.
<b>COMPLETED IN THE LAST FOUR QUARTERS</b>			
1716 N Main St, Walnut Creek	2020	42	DCI Construction
2126 MLK Jr Way, Oakland	2020	62	Community Development
1031 Walnut Ave, Fremont	2020	631	Carmel Partners
2500 Webster St, Oakland	2020	30	Signature Group

## CAPITAL MARKETS

According to a recent announcement from City National Bank, "Q1 GDP contracted sharply by 4.8%, the first decline since 2014, and the steepest drop since 2008.... For the first 2/3 of the quarter the economy was running strong, close to 3% GDP. The majority of the decline happened during the lockdown period, the last two weeks of the quarantine."

### BANKS

Many banks are still actively lending, although most are using much more conservative underwriting requirements. Construction and bridge bank loans are much harder to come by than loans on stabilized properties. This market remains fluid but selective. Many banks are on the sidelines while they focus on PPP loans through SBA and wait another few weeks to determine how best to price and underwrite CRE and multi-family transactions amid the volatility.

### AGENCIES

Freddie Mac and Fannie Mae have come out with new credit criteria to make loans in this environment, particularly if the properties are deemed affordable. The biggest changes involve requiring principal and interest reserves, tax and insurance reserves, and replacement reserves for loans. Interest rates in this sector are very aggressive and typically in the 3.0%-4.0% range.

### INSURANCE COMPANIES

Contrary to what we have read in other sources, many insurance company lenders are still actively originating and closing loans in this market. Most insurance companies are not only looking at historical operating history when assessing new lending opportunities, but they are also taking a hard look at the current rent schedule. They want to make sure all tenants are in occupancy and paying rent. Current pricing on typical 10-year insurance company debt averages between 3.00-4.50%.

Source: Slatt Capital



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# SALES ACTIVITY

## FIRST QUARTER 2020

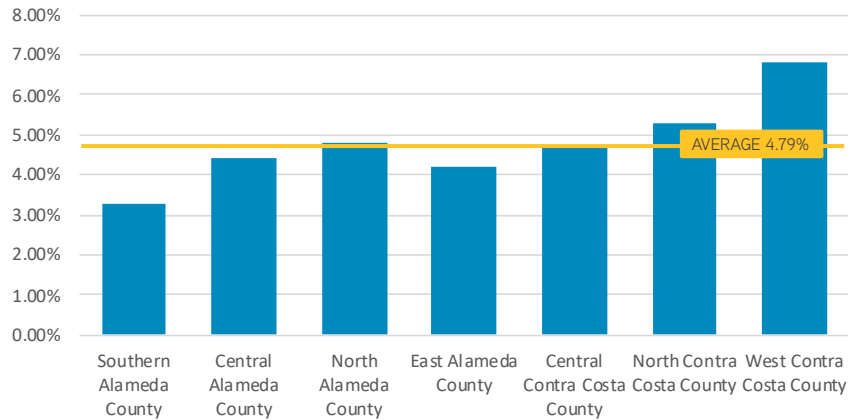


Q1 2020 EAST BAY AREA  
AVERAGE PRICE PER UNIT  
\$361,760

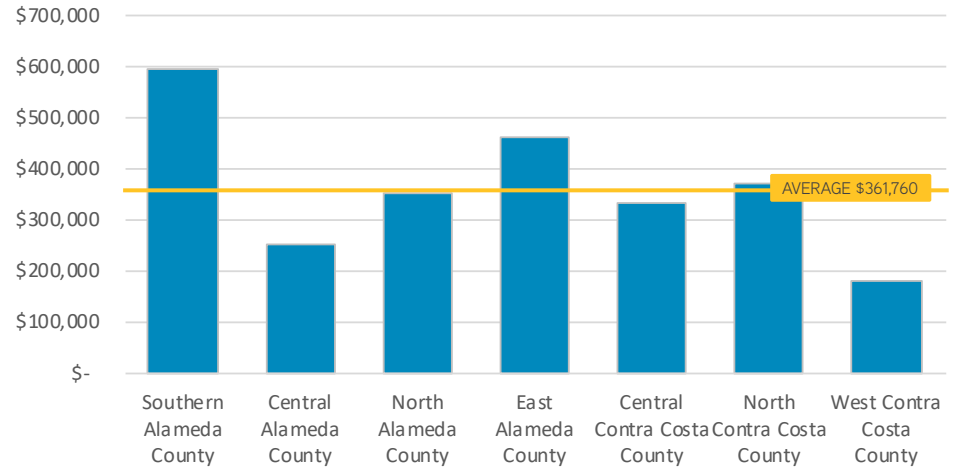


Q1 2020 EAST BAY AREA  
AVERAGE CAP RATE  
4.79%

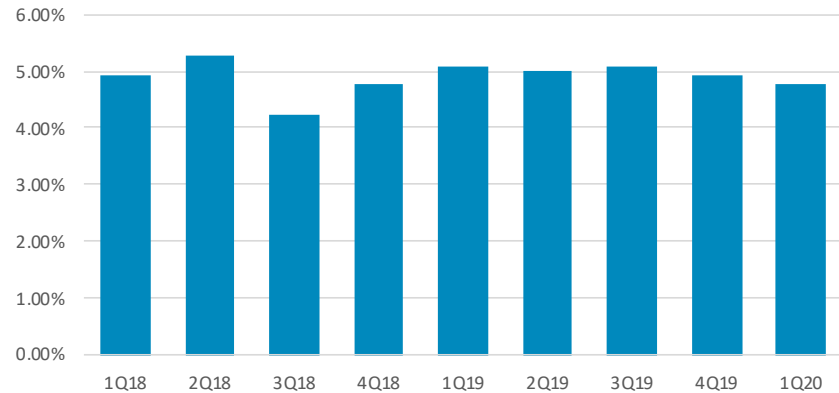
### CAP RATES



### PRICE PER UNIT



### HISTORICAL CAP RATES



### Q1 2020 SIGNIFICANT EAST BAY APARTMENT TRANSACTIONS

ADDRESS	CITY	SALE DATE	SALE PRICE	UNITS	PRICE/UNIT	CAP RATE	PRICE/SF(±)
235 Camelback Rd	Pleasant Hill	3/3/20	\$91,000,000	221	411,764	4.80	\$388
1200 Davis St	San Leandro	1/15/20	\$15,000,000	61	245,901	5.00	\$443
20928 Wilbeam Ave	Castro Valley	3/5/20	\$14,000,000	52	269,230	4.17	\$363
1100 Lincoln Ave	Walnut Creek	2/28/20	\$12,000,000	36	333,333	4.70	\$510
3102-3166 Rodney Cmn	Fremont	2/14/20	\$10,060,000	17	591,764	3.33	\$462
3465 Richmond Blvd	Oakland	1/16/20	\$4,784,500	13	368,038	3.88	\$453
3201 Beaumont Ave	Oakland	1/31/20	\$4,200,000	22	190,909	5.16	\$316
968 Addison St	Berkeley	1/22/20	\$4,040,000	18	224,444	4.00	\$352
430 Vernon St	Oakland	1/16/20	\$3,091,000	12	257,583	4.28	\$378
1417 Walnut St	Alameda	1/6/20	\$2,000,000	9	222,222	5.80	\$394
14863 Bancroft Ave	San Leandro	3/12/20	\$1,820,000	8	227,500	3.01	\$297
772 Haight Ave	Alameda	2/21/20	\$1,470,000	5	294,000	4.69	\$336

Source: CoStar



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# EAST BAY MULTIFAMILY

## COLLIERS INTERNATIONAL



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Senior Vice President

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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  
**\$220,000,000.**

## 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

## RECENTLY CLOSED TRANSACTION

# Lincoln Terrace Apartments

WALNUT CREEK, CALIFORNIA



### CLOSED FEBRUARY 28TH

Rich represented the Seller, while completing a comprehensive marketing campaign that generated multiple offers from a host of well-qualified buyers.

SELLING PRICE

\$12,000,000

PRICE PER UNIT

\$333,333

CAP RATE

4.70%

UNITS

36

UNIT MIX

28-1BD 1BA / 8-2BD 1BA



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