

# APARTMENT MARKET ANALYSIS

SECOND QUARTER 2020 | EAST BAY MULTIFAMILY REPORT



## RENTS



Rents decreased an average of 0.21% YoY across all East Bay submarkets, down from an increase of 3.18% from the same period last year.

## OCCUPANCY



East Bay Occupancy decreased YoY to 94.1% compared to 94.9% in the same period last year, while decreasing 50 basis points from 94.6% in Q1 2020.

## PRICE PER UNIT



Decrease in YoY price per unit from \$279,726 to \$267,062.

## CAP RATES



Average East Bay cap rates increased YoY from 5.0% to 5.16%, while increasing 37 basis points between Q1 2020 and Q2 2020.

## TRANSACTION VOLUME



Completed transactions were down 33% in Q2 2020 compared with Q2 2019. Transaction volumes slid from \$744,523,354 to \$292,497,545 between Q1 and Q2.

## EMPLOYMENT



A net loss of 178,200 jobs between Q2 2019 and Q2 2020 resulting in a 15.03% YoY decline in employment in both Alameda and Contra Costa counties.

## SECOND QUARTER EAST BAY APARTMENT PERFORMANCE SUFFERS DUE TO COVID-19

Heading into 2020, a key theme for the East Bay apartment market was undoubtedly the construction pipeline, as more units were scheduled to deliver in the region than in any other year in recorded tracked history. But in a matter of days, the storyline shifted, and local owners and operators have dealt with the economic impacts of COVID-19, and the subsequent shifts in apartment demand and falling rents. As shelter-in-place orders proliferated throughout the Bay Area, apartment operators have seen a notable shift in leasing activity, particularly in newer Class A properties. New communities in Oakland are now offering two months of free rent in order to help drive demand. Overall, East Bay occupancy dropped to 94.1% in the second quarter, down from 94.6% in the first quarter of the year. Class C units have thus far had slightly better metrics than other property types, given that unemployment subsidies have buoyed renters' losses. That may change however going forward as the recent expiration of the \$600 per week federal unemployment payment concluded at the end of July. Vacancies in Class C could increase over the next couple of quarters if Congress fails to act to extend some portion of the subsidies. Adding additional uncertainty to market performance is massive legislation and political pressure on apartment owners to curtail affordability issues in the form of rent control and eviction moratoriums. Due to current COVID-19 constraints, as well as the significant amount of new supply delivering through 2020 and beyond, the East Bay could be in for a bumpy ride in the near term.



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# RENTAL ACTIVITY

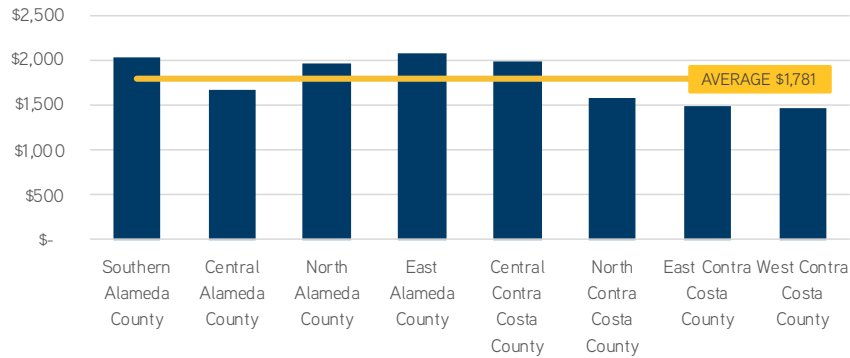
## SECOND QUARTER 2020

YEAR OVER YEAR  
**AVERAGE RENT GROWTH**  
 -0.21%

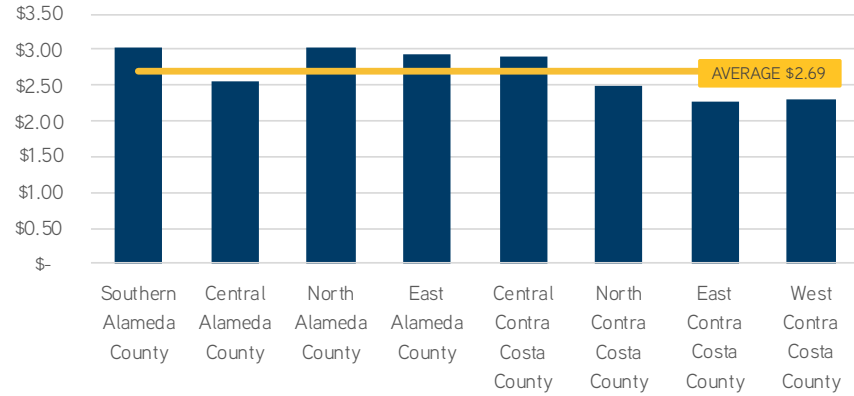
YEAR OVER YEAR // 1&2 BEDROOMS  
**AVERAGE RENT/SF INCREASE**  
 \$2.54 TO \$2.53

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.

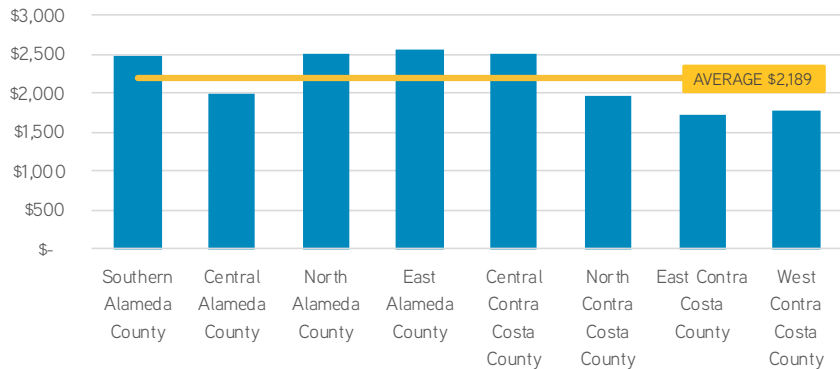
### 1 BEDROOM ASKING RENT PER UNIT



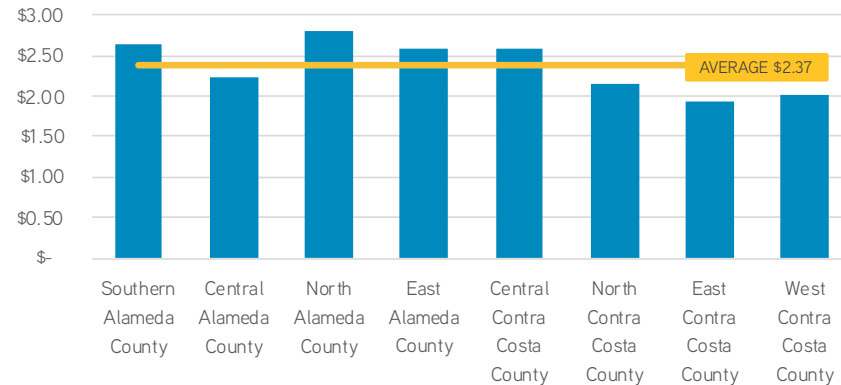
### 1 BEDROOM ASKING RENT PER SQUARE FOOT



### 2 BEDROOM ASKING RENT PER UNIT



### 2 BEDROOM ASKING RENT PER SQUARE FOOT



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# OCCUPANCY TRENDS

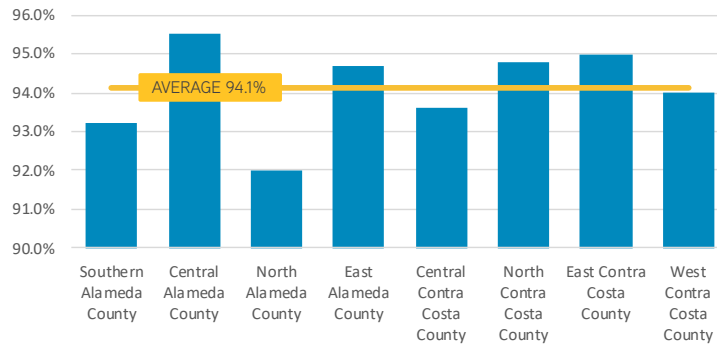
## SECOND QUARTER 2020

EAST BAY | 12 MONTH OUTLOOK  
**SCHEDULED COMPLETIONS**  
 7,368 Units

EAST BAY | YEAR ENDING // Q2 2020  
**COMPLETED CONSTRUCTION**  
 4,360 Units

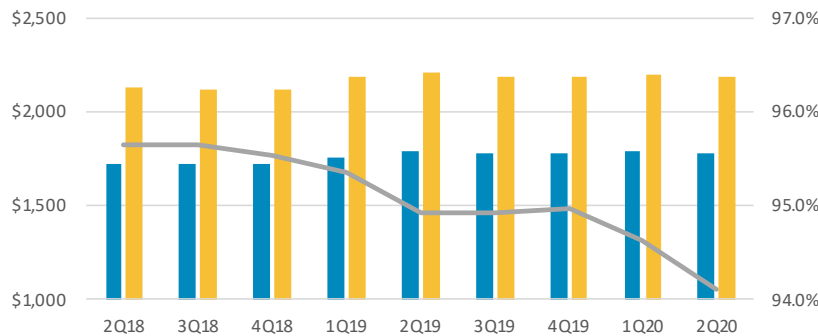
### East Bay Economy

- Unemployment Rate**  
 Year over Year Change: 77.17%  
 Current Rate: 13.4%  
 Statewide: 15.1% (11.1% US)
- Employment**  
 Year over Year Change: (15.03%)  
 Employment: 1,186,000  
 Statewide YoY Change: (15.1%)
- Labor Force**  
 Year over Year Change: (2.64%)  
 Labor Force: 1,370,000  
 Statewide YoY Change: (2.04%)



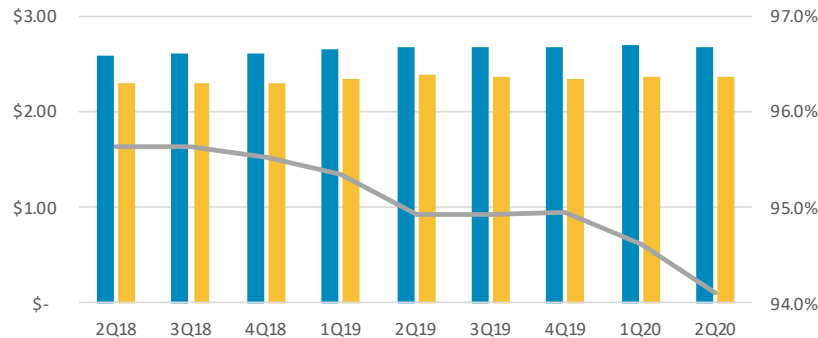
### East Bay Average Historical Occupancy & Rents

- 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>			
45147 Lopes Rd, Fremont	2020	328	Lennar Corporation
1738 Grant St, Concord	2022	228	Hines
5200 DeMarcus Blvd, Dublin	2022	220	UDR, Inc.
2145 University Ave, Berkeley	2020	204	Mill Creek Residential Trust LLC
3000 Broadway, Oakland	2020	127	Lowe Enterprises Inc
<b>COMPLETED IN THE LAST FOUR QUARTERS</b>			
1031 Walnut Ave, Fremont	2020	631	Carmel Partners
1950 Addison St, Berkeley	2020	107	Bay Rock Multifamily
3706 San Pablo Ave, Emeryville	2020	86	EAH Housing
411 29th St, Oakland	2020	83	Branagh Development

## CAPITAL MARKETS

While the capital markets have been somewhat disjointed since the outbreak and lockdowns caused by COVID-19 in March, the Federal Reserve has done an excellent job of stabilizing markets, and while continuing to keep the market liquid throughout this very difficult period.

### BANKS

Most banks are actively lending on multifamily, although they are using much more conservative underwriting requirements. Lenders are looking for lower leverage, high-quality assets in infill locations. Construction and bridge loans are much harder to come by than loans for stabilized properties. Due to the continued uncertainty surrounding collections, the majority of bank lenders are requiring up to 12 months of reserves for principal and interest, and withholding loan proceeds to account for reserve requirements.

### AGENCIES

Freddie Mac and Fannie Mae have been actively lending during the COVID-19 pandemic, and are amongst the most aggressive multifamily lenders for higher leverage and lower interest rate loans. The agencies are continuing to require 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 2.5%-3.5% range.

### INSURANCE COMPANIES

Throughout the unpredictability of the COVID-19 environment, insurance companies have continued to be a low-price leader while providing certainty of execution for borrowers. A couple of advantages of an insurance company are; fixed interest rates on up to 30 years, and the ability to lock rate at application. Current pricing on typical 10-year insurance company debt averages between 2.40% - 3.50% depending on term and loan to value.

Source: Slatt Capital



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# SALES ACTIVITY

## SECOND QUARTER 2020

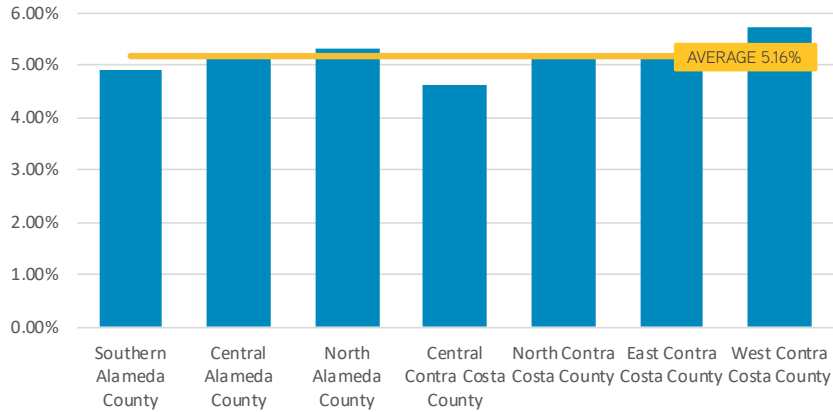


Q2 2020 EAST BAY AREA  
AVERAGE PRICE PER UNIT  
\$267,062

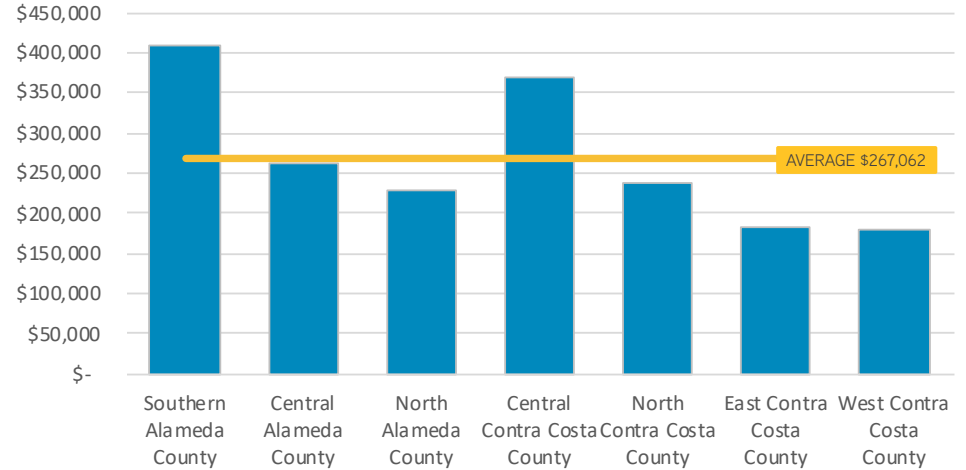


Q2 2020 EAST BAY AREA  
AVERAGE CAP RATE  
5.16%

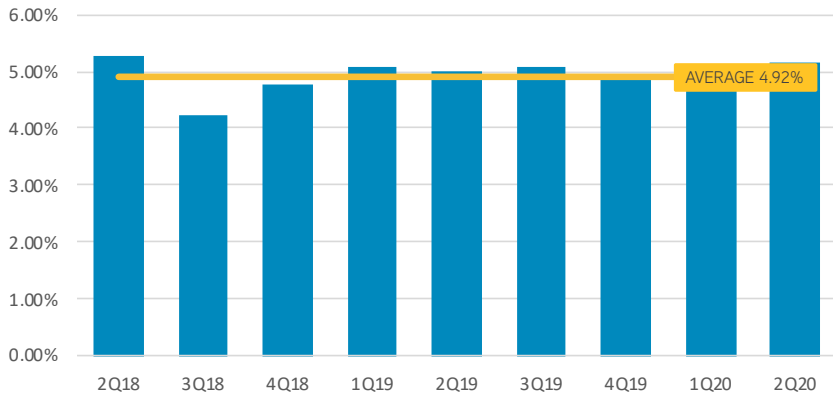
### CAP RATES



### PRICE PER UNIT



### HISTORICAL CAP RATES



### Q2 2020 SIGNIFICANT EAST BAY APARTMENT TRANSACTIONS

ADDRESS	CITY	SALE DATE	SALE PRICE	UNITS	PRICE/UNIT	CAP RATE	PRICE/SF(±)
Baxter on Broadway	Oakland	6/2/20	\$77,900,000	140	556,428	-	\$599
1818-1850 Laguna St	Concord	4/22/20	\$26,800,000	102	262,745	5.21	\$331
4001 Nicolet Ave	Fremont	4/8/20	\$12,235,000	30	407,833	4.88	\$424
1307 Mt Pisgah Rd	Walnut Creek	4/24/20	\$8,206,227	20	410,311	-	\$442
335-337 Schafer Rd	Hayward	5/15/20	\$4,365,000	18	242,500	5.35	\$391
1465 Mt Pisgah Rd	Walnut Creek	5/6/20	\$4,285,000	10	428,500	4.50	\$494
2817 High St	Oakland	5/5/20	\$3,675,000	21	175,000	4.94	\$243
393 Berry Ave	Hayward	4/16/20	\$3,100,000	12	258,333	4.58	\$369
420 Merritt Ave	Oakland	4/30/20	\$2,750,000	10	275,000	4.60	\$482
2119 Central Ave	Alameda	4/28/20	\$2,750,000	10	275,000	5.48	\$462
2030-2032 Bancroft Way	Berkeley	4/20/20	\$2,480,000	8	310,000	3.40	\$459
177 El Dorado Dr	Pittsburg	4/24/20	\$2,330,000	13	179,230	5.60	\$311

Source: CoStar



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# EAST BAY MULTIFAMILY

## COLLIERS INTERNATIONAL



### Rich Martini

Senior Vice President

+ 1 925 279 4614

[rich.martini@colliers.com](mailto:rich.martini@colliers.com)

[colliers.com/rich.martini](http://colliers.com/rich.martini)

Lic: 01505297

### 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

## FEATURED LISTING

# 1620 Lexington Avenue

## EL CERRITO, CALIFORNIA



Six unit apartment property walkable (0.3 miles) to the del Norte BART station. Long-term ownership affords significant opportunity to add-value. Two units delivered vacant at close.

### OFFERING PRICE

\$1,980,000

### PROFORMA CAP RATE

5.22%

### UNITS

6

### UNIT MIX

2-1BD 1BA / 4-2BD 1BA



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