

APARTMENT MARKET ANALYSIS

FIRST QUARTER 2019 | EAST BAY MULTIFAMILY REPORT

Fueled primarily by technology and health care, the Bay Area Economy continues to expand, boosting rental demand along the way. Rents across the eight East Bay submarkets increased 2.45% YoY for all unit types in Q1 2019. Central Contra Costa County and North Contra Costa County led the way with 3.52% and 3.78% rent growth respectively. Overall occupancy remained strong, increasing slightly from 95.6% in Q1 2018 to 95.9% in Q1 2019 proving continued demand for apartments in the East Bay. Overall cap rates increased by six basis points YoY from 4.91% in Q1 2018 to 5.07% indicating some softening in apartment values most likely due to rising interest rates and market cycle timing. Central Alameda County had the largest price per unit jump YoY of any East Bay submarket at 30% to an average per unit price of \$330,075, while the overall East Bay average unit price in Q1 2019 was \$315,832.

RENTS



Rents grew an average of 2.45% YoY across all East Bay submarkets, down from 3.1% in the same period last year



OCCUPANCY

Very slight YoY increase of five basis points to 95.9% overall in Q1 2019



PRICE PER UNIT

Q1 2019 YoY increase in average \$/unit from \$242,579 to \$315,832



CAP RATES

Average cap rates have increased slightly from 4.91% to 5.07% YoY



EMPLOYMENT

Alameda & Contra Costa YoY employment growth of 1.8%

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

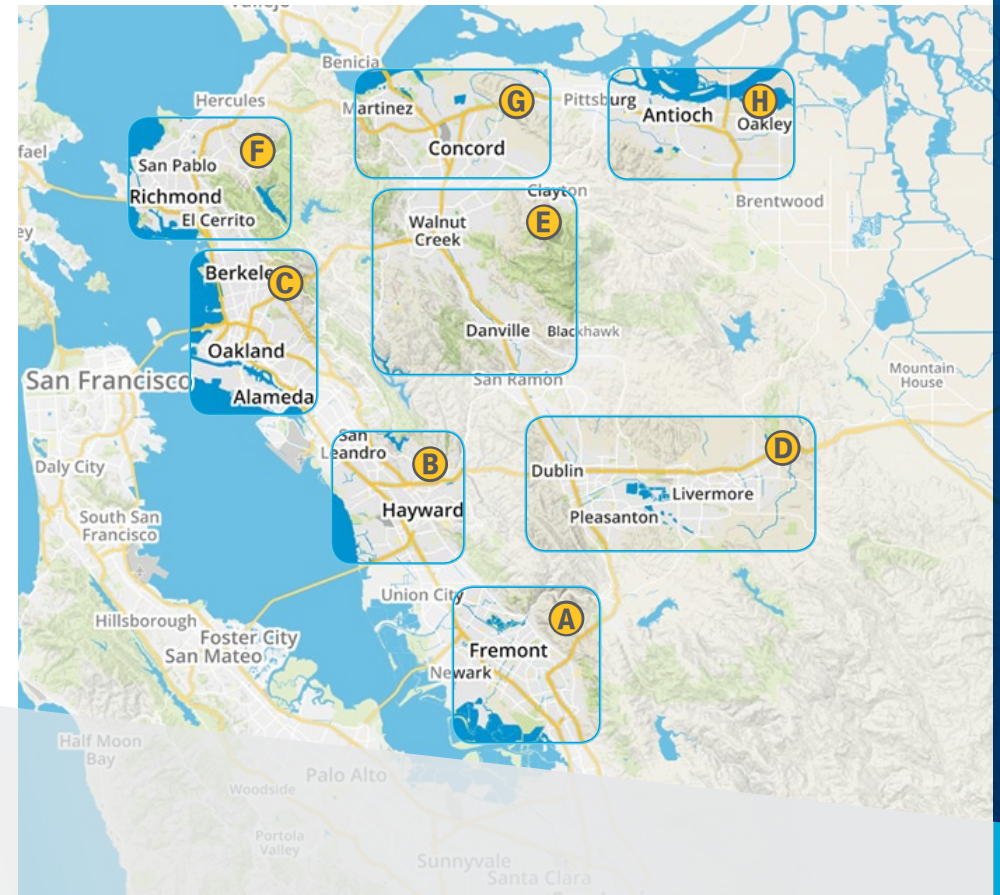
- El Cerrito
- El Sobrante
- Richmond

G NORTH CONTRA COSTA COUNTY

- Pleasant Hill
- Martinez
- Concord

H EAST CONTRA COSTA COUNTY

- Pittsburg
- Brentwood
- Antioch



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RENTAL ACTIVITY

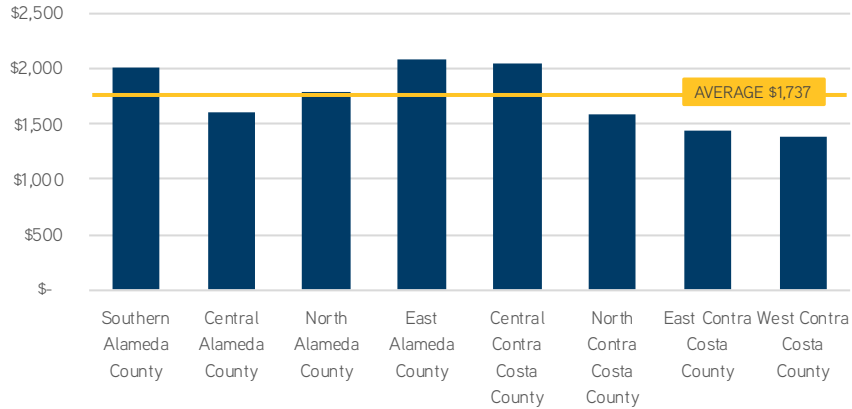
FIRST QUARTER 2019

YEAR OVER YEAR
AVERAGE RENT GROWTH
 2.45%

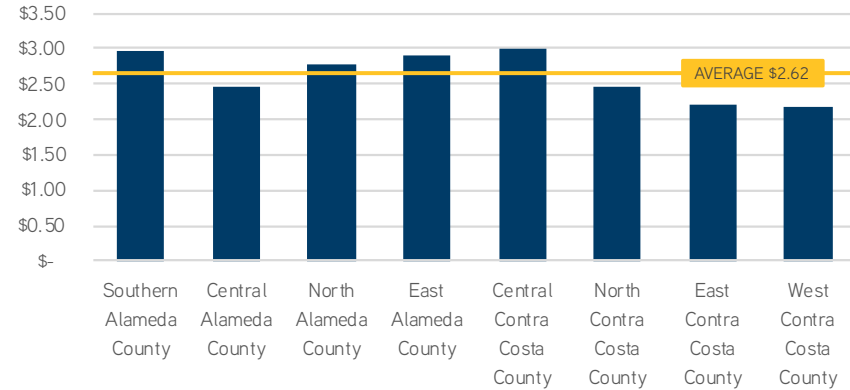
YEAR OVER YEAR
AVERAGE RENT/SF INCREASE
 \$2.43 to \$2.49

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.

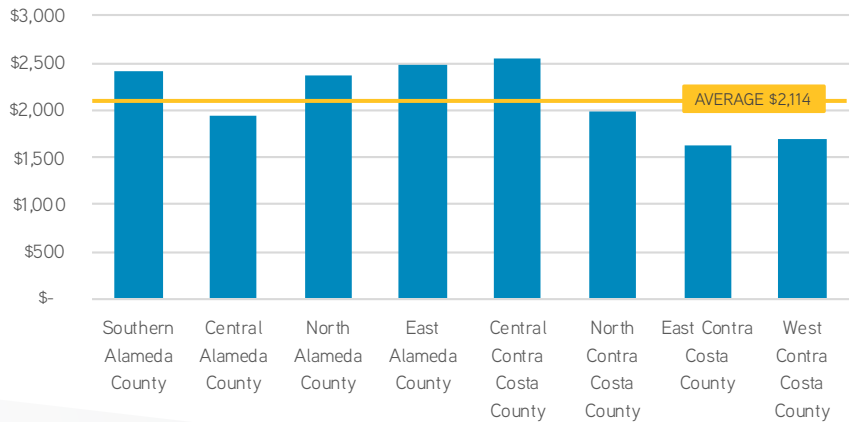
1 BEDROOM ASKING RENT PER UNIT



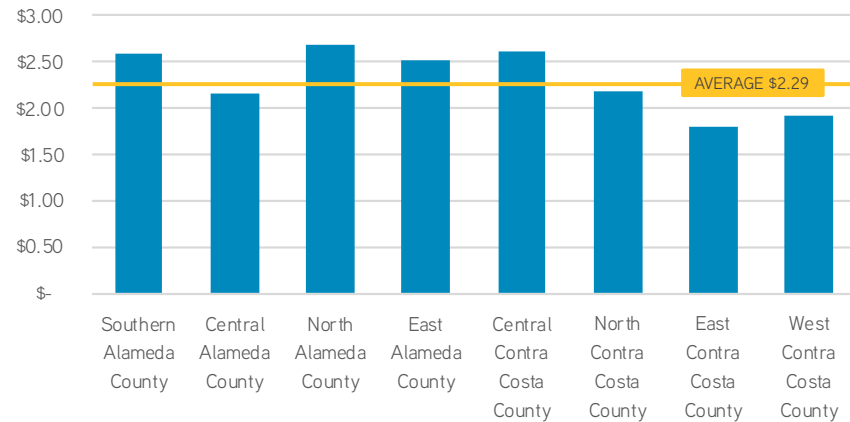
1 BEDROOM ASKING RENT PER SQUARE FOOT



2 BEDROOM ASKING RENT PER UNIT



2 BEDROOM ASKING RENT PER SQUARE FOOT



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OCCUPANCY TRENDS

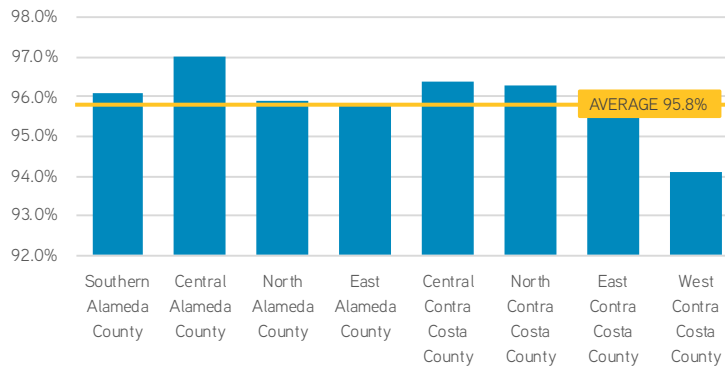
FIRST QUARTER 2019

↑ **GREATER EAST BAY AREA
UNDER CONSTRUCTION**
10,920 Units

↑ **GREATER EAST BAY AREA
COMPLETIONS Q1 2019**
2,316 Units (+1%)

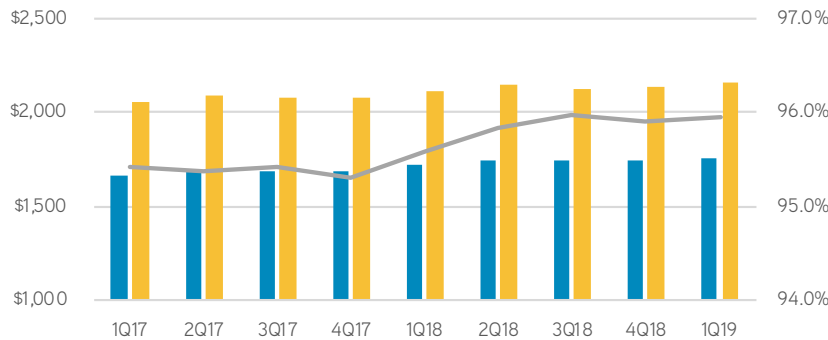
East Bay Economy

- 
Unemployment Rate
 Year over Year Change: (0.05%)
 Current Rate: 3.24%
 Statewide: 4.2% (3.8% US)
- 
Employment Rate
 Year over Year Change: +1.8%
 Employment: 1,384,700.
 Statewide YoY Change: 1.7%
- 
Labor Force
 Year over Year Change: +1.7%
 Labor Force: 1,430,900.
 Statewide YoY Change: +1.27%



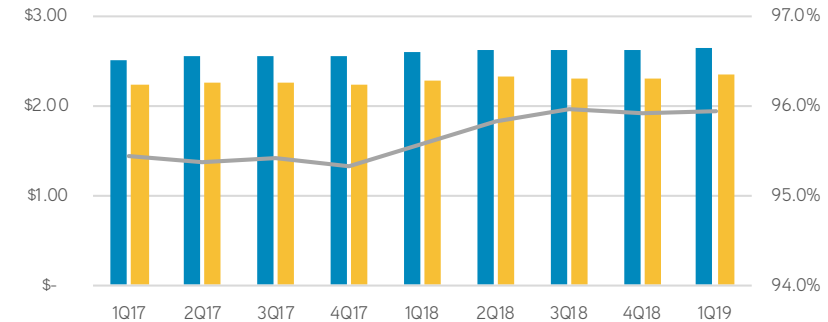
East Bay Average Historical Occupancy & Rents

- 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
PROJECTS UNDER CONSTRUCTION			
45300 Fremont Blvd, Fremont	2019	290	St. Anton Partners
1922 Walnut St, Berkeley	2020	205	Mill Creek Residential Trust
1001-1097 Westwind St, Livermore	2019	171	JEMCOR Dev Partners
3000 Broadway, Oakland	2019	127	Lowe Enterprises RE Group
471 26th St, Oakland	2019	97	Junction Properties
COMPLETED IN THE LAST FOUR QUARTERS			
4901 Broadway, Oakland	2018	130	SRM Development LLC
Metro510, El Cerrito	2018	128	Ravello Housing, Inc.
The Union Flats, Union City	2019	243	Windflower Properties

CAPITAL MARKETS

What a difference a few months can make. The last six months of 2018 saw immense volatility in the capital markets. With the onset of Q1 2019 however, the markets cooled substantially leading to more consistency and stability. The 10-Year Treasury (the benchmark for many long term fixed-rate loans) started the year at 2.56% (after peaking in October 2018 at 3.23%), is currently at 2.40%, and has been trading in a relatively narrow range. Likewise, spreads and the availability of commercial loans have also remained favorable and consistent. The Fed appears to be done raising interest rates in the near term (with some discussion that rates may fall sometime later in the year), and most observers feel that we may be in for a period in 2019 where interest rates will change very little. However, history has shown the capital markets can turn on a dime, and rates can change upon any significant negative geo-political news and/or any major changes in inflation, employment, etc. So enjoy it while it lasts, and take advantage of this relatively low interest rate environment.

Robert Kincheloe | Senior Vice President
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SALES ACTIVITY

FIRST QUARTER 2019

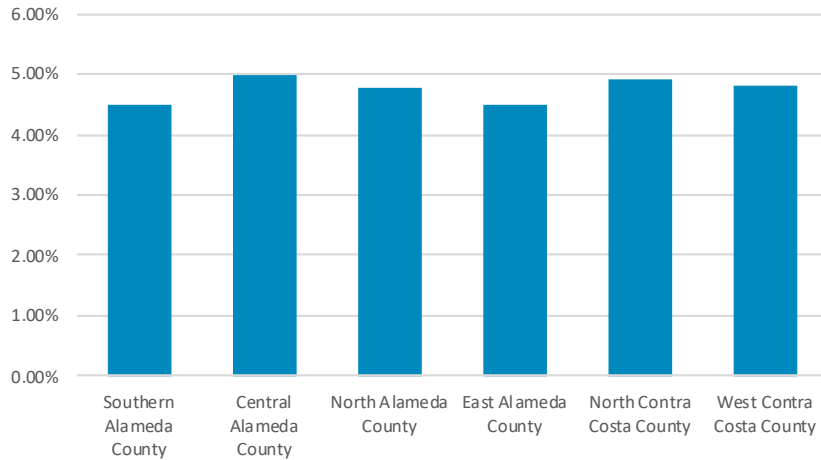


Q1 2019 EAST BAY AREA
AVERAGE PRICE PER UNIT
\$315,832

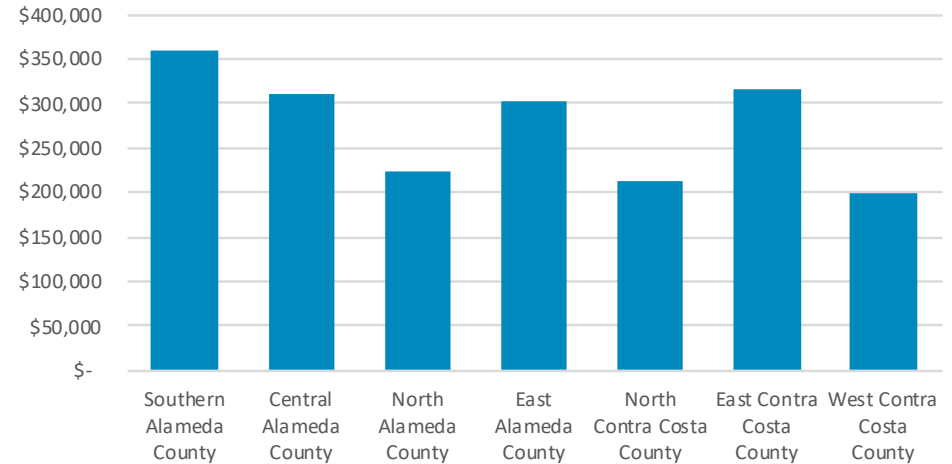


Q1 2019 EAST BAY AREA
AVERAGE CAP RATE
5.07%

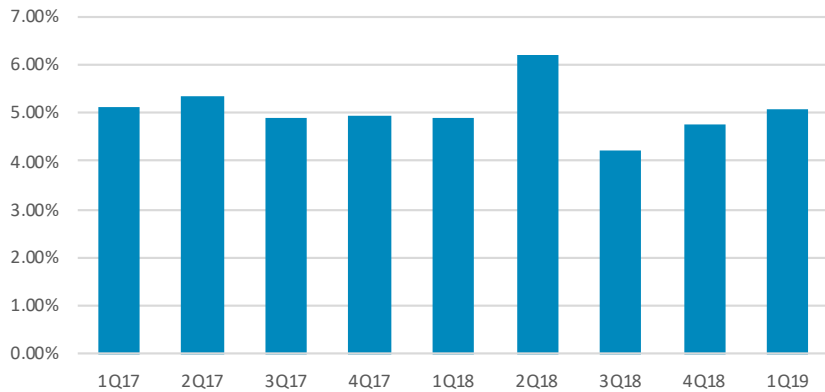
CAP RATES



PRICE PER UNIT



HISTORICAL CAP RATES



SIGNIFICANT EAST BAY TRANSACTIONS

ADDRESS	CITY	SALE DATE	SALE PRICE	UNITS	PRICE/UNIT	CAP RATE	PRICE/SF
655 Tennyson Rd	Hayward	1/10/19	\$70,600,000	183	\$385,792	4.8	\$417.94
142 Fig Tree Ln	Martinez	1/9/19	\$47,500,000	168	\$282,738	4.75	\$356.65
4265 Clayton Rd	Concord	1/9/19	\$19,840,000	73	\$271,781		\$414.28
5248 Claremont Ave	Oakland	3/19/19	\$10,124,470	42	\$241,059	4.05	\$598.02
2618 Janis Cir	Alameda	2/25/19	\$8,300,000	26	\$319,231		\$313.30
2709 Dwight Way	Berkeley	1/28/19	\$7,500,000	34	\$220,588	4.33	\$319.35
401 Vernon St	Oakland	2/5/19	\$6,850,000	21	\$326,190		\$336.73
1835 Robin Ln	Concord	3/28/19	\$2,982,000	11	\$271,091		\$325.97
4328 Howe St	Oakland	2/11/19	\$2,849,000	8	\$356,125	3.9	\$427.26
1972 Desert Cir	Walnut Creek	2/21/19	\$2,435,000	5	\$487,000	3.95	\$601.53
26910 Manon Ave	Hayward	2/1/19	\$2,170,000	7	\$310,000	5.73	\$376.74

Source: CoStar



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EAST BAY MULTIFAMILY TEAM

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 private client and private investment groups, as well as apartment developers and residential landowners and builders throughout the East Bay.



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AREA OF EXPERTISE

William is a Senior Associate with Colliers' East Bay Multifamily Investment Services Group working with Senior Vice President, Rich Martini. He exclusively represents buyers and sellers of apartment properties throughout the East Bay area. William has 2 years of experience in the real estate industry, and also lives in the East Bay, which allows him to stay focused on local matters pertinent to apartment owners. Together, William and Rich provide investors with complete acquisition and disposition services, including; 1031 exchanges, broker's opinion of value and professional advisory services.



TRANSACTION SPOTLIGHT

903 Kains Avenue in Albany was an ideally located mixed-use property on the corner of Solano Avenue and Kains Avenue. The unit mix included six – 1 bedroom / 1 bath units plus one, 2 bedroom / 1 bath unit, as well as three retail spaces. The property drew considerable interest from investors due in large part to it's fantastic location, as well as the significant upside in rental income. Multiple offers were received, with the property selling for more than \$1M above the asking price.

SALES PRICE

\$3,900,000

\$ PER UNIT UNITS

\$390,000 7 +3 Retail



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**THE MARTINI-WATERS
MULTIFAMILY TEAM HAS OVER
15 YEARS OF EXPERIENCE. THEY
HAVE COMPLETED DISPOSITION
ASSIGNMENTS FOR MORE
THAN 1,000 UNITS, WITH A
TRANSACTION VALUE OF OVER
\$200,000,000.**