

Housing Market Profile

Pacific • HUD Region IX



Oakland-Fremont-Hayward, California

The Oakland-Fremont-Hayward Metropolitan Division (hereafter referred to as the Oakland metropolitan area) encompasses Alameda and Contra Costa Counties, which are located across the San Francisco Bay, east of the city of San Francisco. As of January 1, 2010, the population was estimated to be 2.6 million people, reflecting a 1-percent annual change since January 1, 2009. The rate of annual growth has decreased since 2008, when it was nearly 2 percent. Net in-migration has accounted for 40 percent of the population change since 2009, up from 30 percent earlier in the decade, due primarily to high levels of immigration from Asia and Latin America.

After 3 years of employment growth, the economy in the Oakland metropolitan area began to contract in the second quarter of 2008. Increased foreclosure activity and slow new home sales in eastern Contra Costa County have contributed to the economic decline. In 2009, nonfarm employment decreased by 41,200 to 988,700 jobs, a 4-percent loss compared with employment in 2008. Every major employment sector lost jobs; however, 56 percent of total job losses occurred in the construction, trade, and professional and business services sectors, with respective losses of 8,400, 7,875, and 6,725, or 13, 5, and 4.2 percent. In the financial activities sector, JP Morgan Chase Bank had the greatest number of job losses during 2009, laying off 1,225 employees after acquiring Washington Mutual. The average unemployment rate for 2009 was 10.8 percent, compared with a 6.2-percent rate during 2008.

The Oakland metropolitan area has a service-based economy. The leading employment sectors are government, professional and business services, and trade with 18-, 16-, and 15-percent shares, respectively, of total nonfarm employment. The metropolitan area's top employer—the University of California, Berkeley (UCB)—had 22,600 faculty and staff and 35,400 students during the 2007-to-2008 academic year. According to UCB, the university generates an annual economic impact of \$1.3 billion in the metropolitan area and has \$420 million in capital projects currently under construction. The two largest projects under way are the new \$137 million Student Athlete High Performance Center and the \$77 million infrastructure renovation at the Clark Kerr Campus. Additional leading employers include the health services provider

Kaiser Permanente® and the food retailer Safeway, Inc., with 19,900 and 10,800 employees, respectively.

The sales housing market in the Oakland metropolitan area is currently soft due in part to the increased foreclosure activity that began in 2007. According to DataQuick Information Systems, from 2000 through 2006, the average number of notices of default (a document that initiates a foreclosure proceeding) filed was 5,475 a year. In 2009, 33,750 default notices were filed, a 12-percent increase from the number recorded in 2008. The foreclosure activity has increased the inventory of homes for sale. Sales volume, however, began to rise in late 2008 due to declining home prices, low mortgage rates, and the introduction of the federal tax incentive for first-time homebuyers. During 2009, DataQuick recorded a new and existing home sales volume of 36,650, a 17-percent increase compared with the sales volume in 2008. According to DataQuick, the median sales price of new and existing homes was \$289,900 in 2009, a 24-percent decrease compared with the median price in 2008. The median sales price of new and existing homes peaked at \$580,900 in 2007.

New home sales activity has been less robust than existing home sales. According to Hanley Wood, LLC, 2,375 new homes were sold in the 12 months ending September 2009, a 38-percent decrease compared with the number sold in the previous 12-month period. The median sales price of a new single-family home declined 23 percent to \$529,000. Condominiums and townhomes constituted 35 percent of all new home sales. According to Hanley Wood, during the 12 months ending September 2009, the median sales price of a condominium was \$421,700, 14 percent less than the price during the previous 12-month period. Of the attached home sales, 70 percent were in Alameda County, primarily in the city of Oakland. In 1999, the city of Oakland launched the 10K plan to revitalize the downtown and Jack London Square areas by encouraging new home construction for 10,000 future residents. The 134-unit, 15-story Ellington condominium project in Jack London Square was completed in the summer of 2009. Prices start in the low \$300,000s for a one-bedroom unit.

In response to the steady increase in the inventory of homes for sale since 2008, home builders reduced new home construction activity, as measured by the number of single-family building permits issued. From 2000 through 2007, an average of 6,325 single-family home permits were issued annually. During 2009, building permits were issued for 1,875 single-family homes, representing a 6-percent increase from the number of permits issued during 2008, based on preliminary data.



Multifamily construction, as measured by the number of units permitted, has declined since 2006. During 2009, permits for 690 multifamily units were issued, representing a 65-percent decrease compared with the number issued in 2008, based on preliminary data. The current level of activity remains well below the annual average of 4,450 multifamily units that were permitted during the peak years from 2003 through 2006. Home builders reduced new multifamily construction activity mostly because of slower condominium sales. According to the McGraw-Hill Construction pipeline database, of all the multifamily units completed during the 2000s, slightly more than one-half were designated as condominiums and townhomes. Most of the apartment units were completed in the first half of the decade. Builders increased the proportion of condominium units starting in 2005. In 2009, nearly 70 percent of the completed multifamily units were originally designed for homeownership.

The rental market in the Oakland metropolitan area is slightly soft. Reis, Inc., reports that from the end of the fourth quarter of 2008 to the end of the fourth quarter of 2009, the apartment rental vacancy rate increased from 4.7 to 5.8 percent in the Oakland metropolitan area. The average rent in the Oakland metropolitan area declined nearly 4 percent to average \$1,331 in the fourth quarter of 2009. Within the Oakland metropolitan area, the city of Oakland submarket is soft, with an estimated vacancy rate of 8 percent as a result of excess rental supply. In this submarket, nearly 1,250 apartment units were completed in the past 12 months. Because several new condominium projects in the city of Oakland were unable to sell the completed units, approximately 500 of the units were made available for rent during the past 2 years.