

APARTMENT MARKET ANALYSIS

SECOND QUARTER 2019 | EAST BAY MULTIFAMILY REPORT

The second quarter brought a number of important legislative issues at both the state and local levels that may ultimately negatively affect apartment owners in the East Bay. In July, AB 1482, known as the “anti-rent gouging bill” cleared the Senate judiciary committee. If passed, the bill would restrict landlords from raising rents by more than 7 percent, plus the Consumer Price Index (CPI - currently at $\pm 2.5\%$). In addition, the bill would require landlords to demonstrate “just cause” before removing tenants. SB 329, also currently working its way through the legislature would prohibit landlords from discriminating against residents who rely on housing assistance (i.e. Section 8 vouchers). SB 329 will force all landlords to take Section 8, and could trigger ADA compliance issues for owners. At the local level, effective September 1, Alameda apartment owners will be subject to a much stricter form of rent control that will limit annual increases at 70% of the percentage increase in the CPI for the 12-month period ending in April of each year. Effective September 1, the maximum increase amount will be 2.8%. In El Cerrito, a successful referendum initiative has forced the city council to abandon a “just cause” eviction ordinance passed earlier in the year.

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

RENTS



Rents grew an average of 2.62% YoY across all East Bay submarkets, up from 2.5% in the same period last year



OCCUPANCY

Very slight YoY decrease of twenty basis points to 95.8% overall in Q2 2019



PRICE PER UNIT

Q2 2019 YoY increase in average \$/unit from \$270,148 to \$279,726



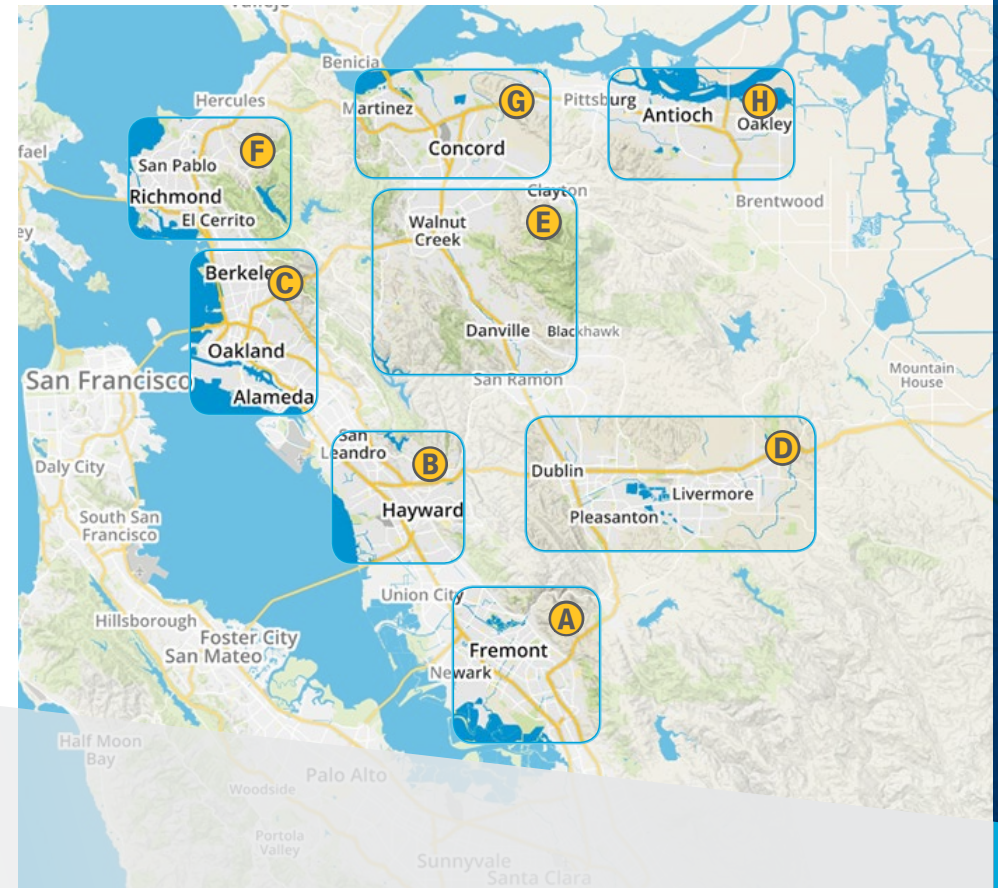
CAP RATES

Average cap rates have decreased slightly from 5.27% to 5.00% YoY



EMPLOYMENT

Alameda & Contra Costa YoY employment growth of (0.17)%



RENTAL ACTIVITY

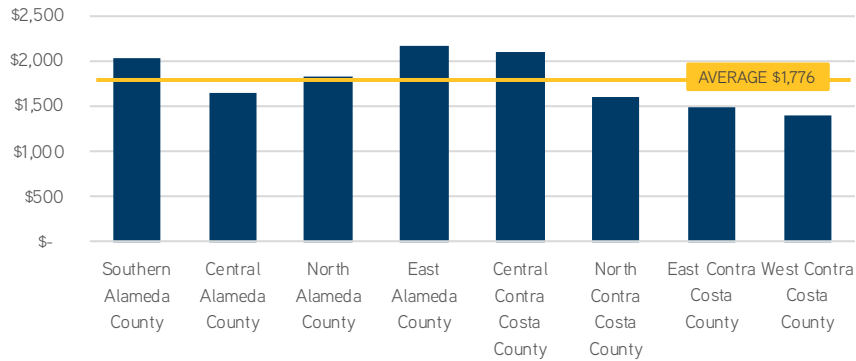
SECOND QUARTER 2019

YEAR OVER YEAR
AVERAGE RENT GROWTH
 2.62%

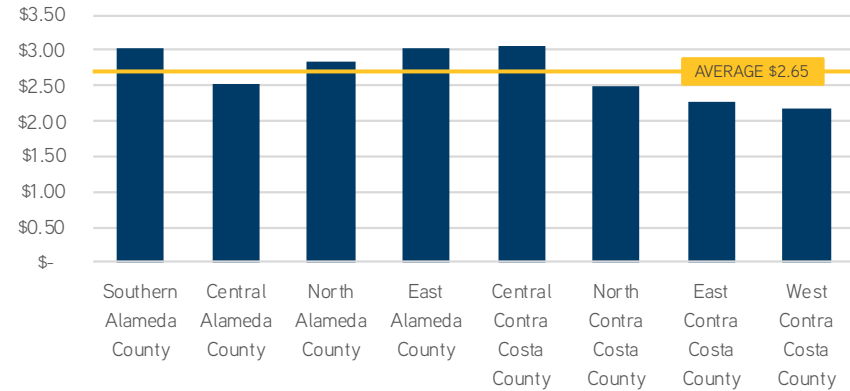
YEAR OVER YEAR
AVERAGE RENT/SF INCREASE
 \$2.49 to \$2.52

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.

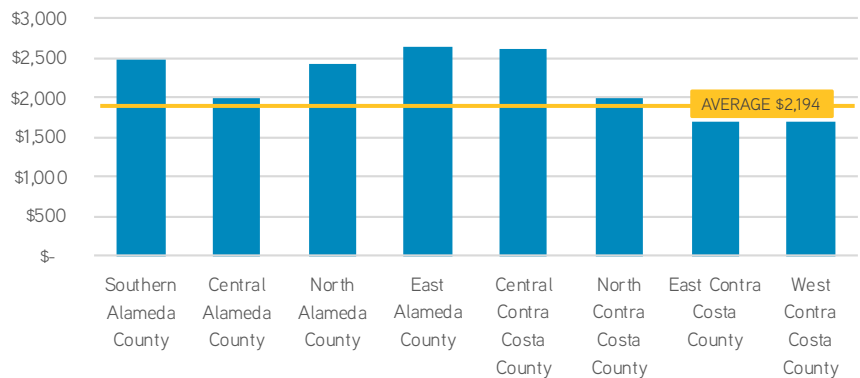
1 BEDROOM ASKING RENT PER UNIT



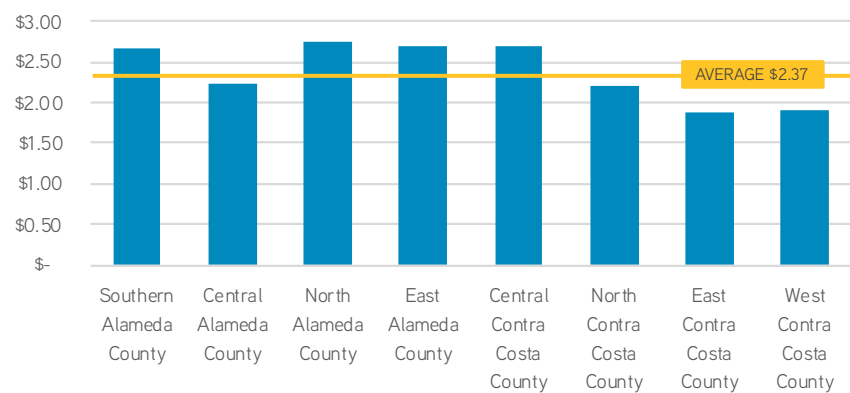
1 BEDROOM ASKING RENT PER SQUARE FOOT



2 BEDROOM ASKING RENT PER UNIT



2 BEDROOM ASKING RENT PER SQUARE FOOT



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OCCUPANCY TRENDS

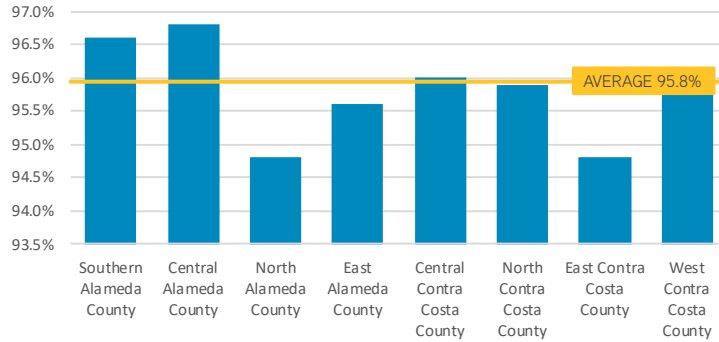
SECOND QUARTER 2019

EAST BAY | 12 MONTH OUTLOOK
 SCHEDULED COMPLETION
 8,210 Units

EAST BAY | Q1 2019
 COMPLETED CONSTRUCTION
 2,409 Units (+1%)

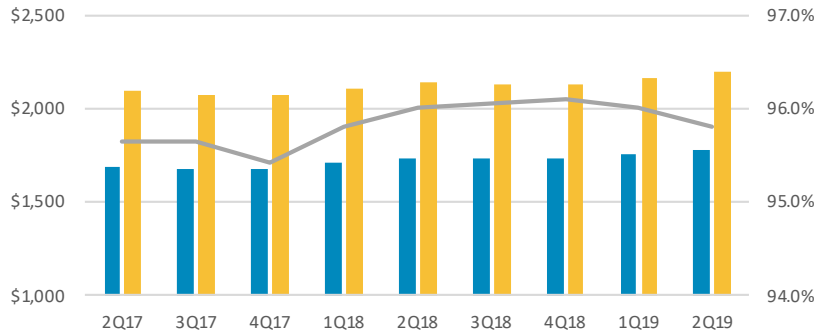
East Bay Economy

- Unemployment Rate**
 Year over Year Change: 0.02%
 Current Rate: 3.12%
 Statewide: 4.19% (3.7% US)
- Employment**
 Year over Year Change: (0.17%)
 Employment: 1,361,800
 Statewide YoY Change: 0.3%
- Labor Force**
 Year over Year Change: -0.36%
 Labor Force: 1,405,700
 Statewide YoY Change: +0.32%



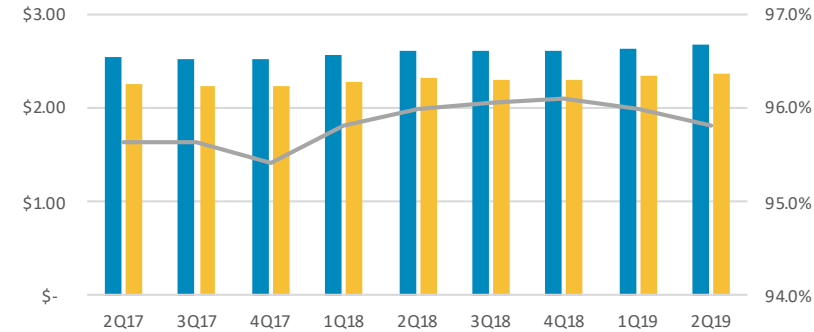
East Bay Average Historical Occupancy & Rents

- 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			
1100 Clay St, Oakland	2020	288	Strada Investment Group
1500 San Pablo Ave, Berkeley	2019	170	Shorenstein Properties LLC
2330 Webster St, Oakland	2019	234	Thompson Dorfman Partners
532 E 39th St, Oakland	2020	402	Boston Properties Ltd Part
1825 Galindo St, Concord	2020	180	SyWest Development
COMPLETED IN THE LAST FOUR QUARTERS			
325 27th St, Oakland	2019	254	The Hanover Company
3093 Broadway, Oakland	2019	423	Lennar Multifamily
459 23rd St, Oakland	2019	65	Signature Development
1800 Lacassie Ave, Walnut Creek	2019	178	BHV Centerstreet Props

CAPITAL MARKETS

The last Quarterly update, which essentially said all is well and stable in the Capital Markets, ended with the phrase, "however, as history has shown us, these things can change on a single world event." Or perhaps a single word, like "Tariffs" or "Recession". Therefore, we go on this wild ride once again.

The 10-Year Treasury Yield recently peaked on October 1st, 2018 at 3.23%. When the last East Bay Quarterly report published, the 10 Year had dropped to 2.45%. Today, the 10 Year Treasury closed at 1.51%!!! In three short months, the Treasury Yield is nearly half of what it was. Tariffs, inverted Yield Curves and Recession are the headlines. The last time the 10-Year Treasury was lower than current levels was when it hit (Yahoo Finance tracks this back to 1962) an all-time low of 1.37% on July 5, 2016.

The good news for borrowers is that Commercial Real Estate Lenders no longer are waiting for rates to increase, as they have accepted the apparent reality that low interest rates are real and not going away, and maybe going down further. Where rates go from here is anybody's guess, but right now is a fantastic time to borrow money, as the likelihood exists that the fed will continue to lower the fed funds rate over the next few months, with mortgage rates continuing to fall. CMBS rates are now in the low to mid 3% range. Life companies are flirting with sub-3% loans on the very best low leverage multifamily projects. Banks and Credit Unions have also lowered rates, although not as much as CMBS and Life Companies.

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SALES ACTIVITY

SECOND QUARTER 2019

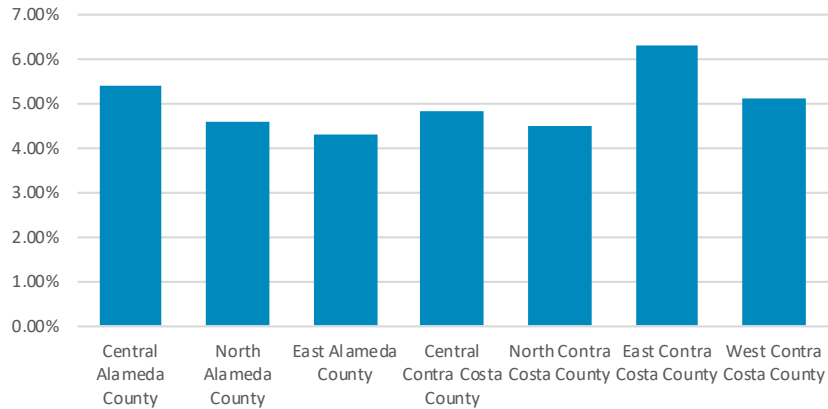


Q2 2019 EAST BAY AREA
AVERAGE PRICE PER UNIT
\$279,726

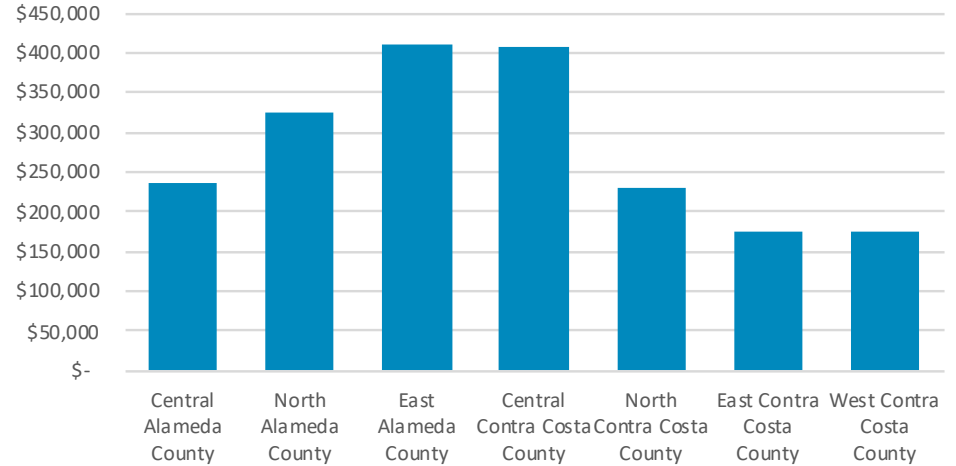


Q2 2019 EAST BAY AREA
AVERAGE CAP RATE
5.00%

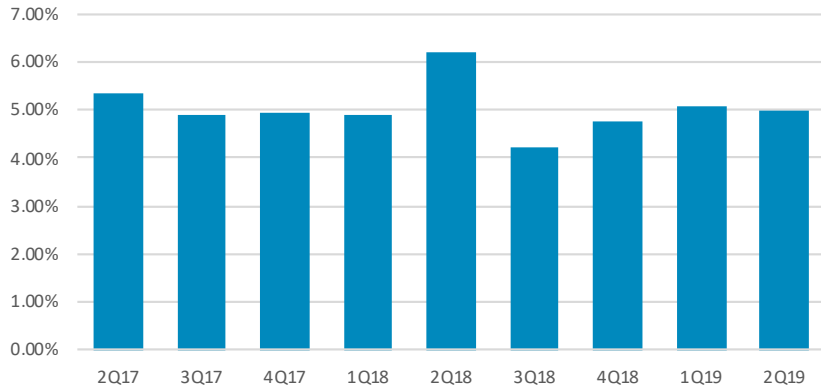
CAP RATES



PRICE PER UNIT



HISTORICAL CAP RATES



Q2 2019 SIGNIFICANT EAST BAY TRANSACTIONS

ADDRESS	CITY	SALE DATE	SALE PRICE	UNITS	PRICE/UNIT	CAP RATE	PRICE/SF
270 Perkins St	Oakland	04/30/2019	\$7,900,000	26	\$303,846	3.59	\$322
2425 Durant Ave	Berkeley	04/30/2019	\$4,770,000	19	\$251,052	4.20	\$488
221 Wilbur Ave	Antioch	06/10/2019	\$3,465,000	28	\$123,750	6.11	\$260
1976 Desert Cir	Walnut Creek	06/21/2019	\$2,040,000	5	\$408,000	4.76	\$504
16000 Mateo St	San Leandro	05/17/2019	\$9,000,000	26	\$346,153	6.00	\$388
180 Montecito Ave	Oakland	04/17/2019	\$6,000,000	21	\$285,714	3.27	\$322
381 Adams Ave	Oakland	04/8/2019	\$4,200,000	12	\$350,000	4.22	\$486
14817 Bancroft Ave	San Leandro	05/22/2019	\$3,300,000	10	\$330,000	4.48	\$487
5304 Van Fleet Ave	Richmond	06/14/2019	\$2,130,000	7	\$304,285	6.03	\$355
23924 2nd St	Hayward	06/14/2019	\$9,690,000	29	\$334,137	5.14	\$408
1671 Haller Ct	Concord	04/12/2019	\$1,380,000	6	\$230,000	4.5	\$330
265 Lenox Ave	Oakland	04/17/2019	\$3,825,000	9	\$425,000	3.2	\$383

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.

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.



AVAILABLE PROPERTY SPOTLIGHT

414 Kearney Street is a 5-unit property located in one of El Cerrito's most desirable locations, only minutes from BART and the plaza shopping center. The property, built in 1959 includes a unit mix of three, 1 bedroom / 1 bath and two, 2 bedroom / 1 bath units. The property has been meticulously maintained over the years, including many recent capital improvements. The units are separately metered for gas and electricity, and each includes a dishwasher and individual water heater.

Two units delivered vacant at close. Significant opportunity to increase cash flow, as current rents, including the owner's unit at market are approximately 43% below market.

OFFERING PRICE

\$1,720,000

\$ PER UNIT

UNITS

\$344,000 5



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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.**