

SAN FRANCISCO-OAKLAND, CALIFORNIA

APARTMENT CONSTRUCTION TO HIT HISTORIC HIGH AS ECONOMY REBOUNDS

The apartment construction wave across the San Francisco-Oakland metropolitan area is forecast to crest this year with more than 12,400 new market-rate units. Annual deliveries over the next four quarters are projected to be up nearly 57% from 2020. Part of these additions were scheduled to come in 2020, but construction timelines were delayed following shutdowns or restrictions established in response to the pandemic. While deliveries will be spread throughout the Bay Area, more than half of the new inventory will be in the Oakland/Berkeley and the SoMa submarkets. Apartment construction in these areas have ramped up in recent years as developers targeted incoming residents who sought housing near employment hubs and Bay Area Rapid Transit stations. With the increased competition amid a slowdown in rental demand because of the pandemic, apartment operators have elevated concessions in the submarkets. Operators are expected to continue this trend in these submarkets as well as metrowide over the next four quarters, even as leasing activity picks up. Metro monthly effective rent is forecast to decrease 1.9% to an average of \$2,589 by year-end 2021. The move will contribute to a flip from negative absorption in 2020 to positive leasing activity this year. Another factor boosting apartment fundamentals is that every employment sector is projected to grow over the next 12 months. Even so, the surge in apartment leasing will fall short of the historic high inventory growth to shift down average apartment occupancy 10 basis points annually to 93.8% by year-end.



2021 MARKET AT A GLANCE



OCCUPANCY RATE

93.8%
Down 10 bps YOY



EFFECTIVE RENT

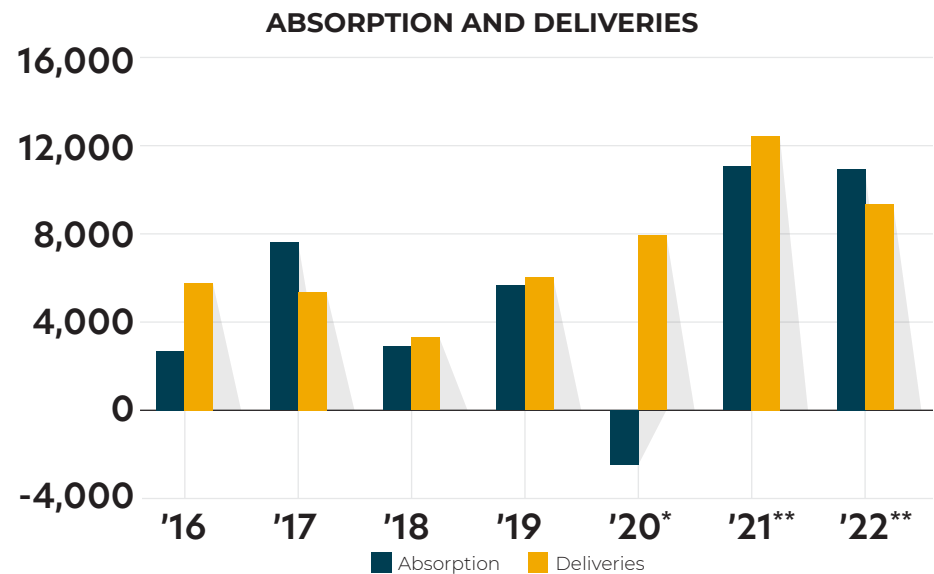
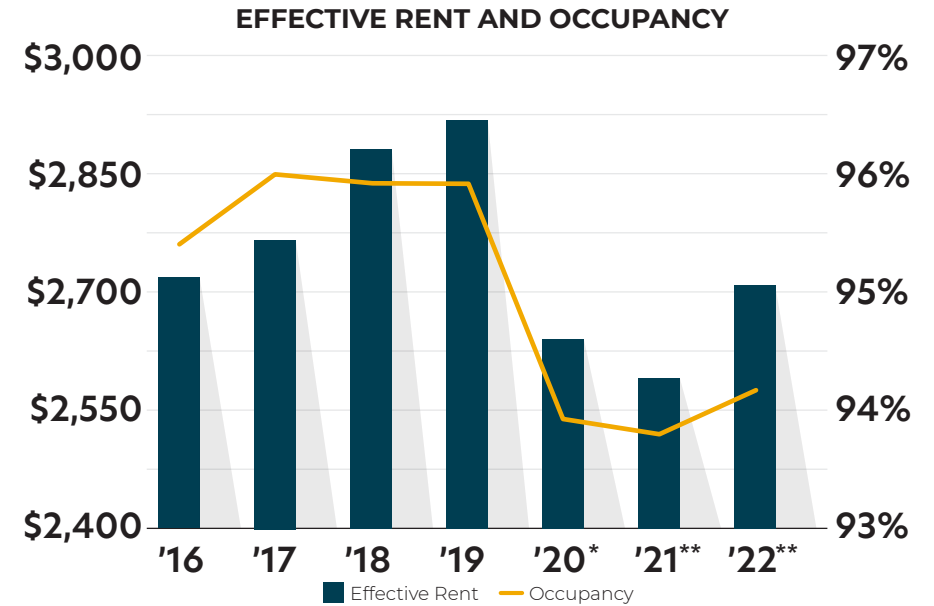
\$2,589
Down 1.9% YOY



RENT SHARE OF WALLET

26.5%
Down 110 bps YOY

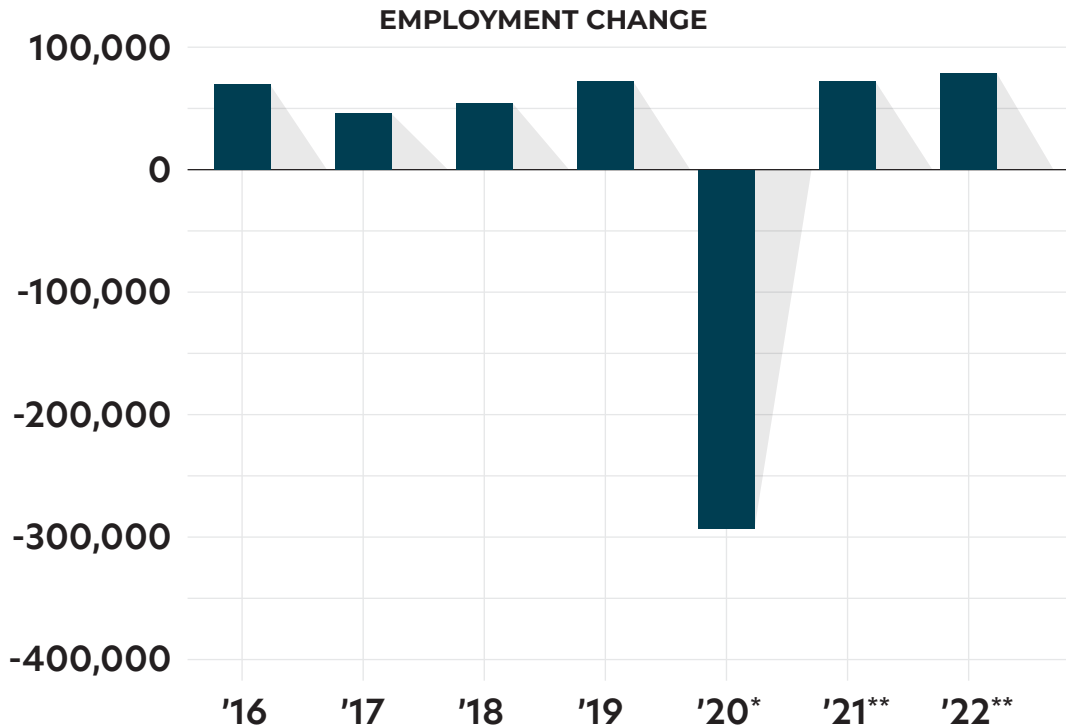
MARKET TRENDS



Data and images pertaining to employment, income, permits, population, rents, single-family housing, and occupancy are year-end figures. Absorption, construction, and apartment sales figures are full-year totals. *Numbers for 2020 are projected values; **2021/2022 figures are forecast projections. Apartment market data criteria and methodologies vary by market.

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EMPLOYMENT TRENDS



2019	YOY CHANGE	2020*	YOY CHANGE	2021**
2,527,100	-11.7%	2,232,400	3.2%	2,303,100

2019	YOY CHANGE	2020	YOY CHANGE	2021
1.5%	810 BPS	9.6%	-230 BPS	7.3%

2019	YOY CHANGE	2020	YOY CHANGE	2021
4,741,800	0.7%	4,773,300	0.6%	4,804,200

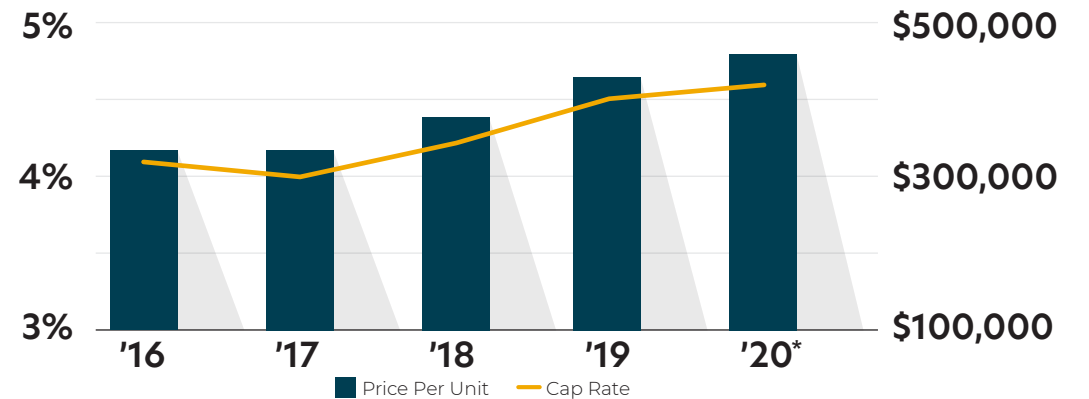
2019	YOY CHANGE	2020	YOY CHANGE	2021
1,765,300	0.9%	1,781,100	0.9%	1,796,700

2019	YOY CHANGE	2020	YOY CHANGE	2021
\$115,384	-0.7%	\$114,576	2.5%	\$117,411

SALES TRENDS

2019	YOY CHANGE	2020*
\$428,495	6.6%	\$456,543

2019	YOY CHANGE	2020
4.5%	10 BPS	4.6%



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