TRANSWESTERN

EAST BAY MULTIFAMILY MARKET

Q3 2024

The East Bay market is slowly moving along the post-pandemic road to recovery, with several quarters of mixed data making it difficult to predict which direction the market will take moving forward. Effective Rents, 12 Month Investment Volume, and unemployment figures have all shown negative movement in Q3 compared to Q2 yet the trends are still positive in comparison to the years directly following the pandemic. The East Bay multifamily market appears to be moving in the right direction, however slowly. Q3 total sales volume was the second highest recorded volume in the past year at $228 million, after Q2-2024. Most sales were below $10 million, illustrating the smaller, lower quality nature of transactions compared to Q2 of 2023.

Class A vacancies have seen a rise to 9.5%, while Class B and C have seen a decrease in vacancy, with Class B falling 60bps to 5.6% and Class C falling 40bps to 5.1%. The trends are likely due to the large amount of Class A product being delivered, combined with a flight to affordability amongst the Class B and C product. Overall, asking rates fell to $2,252 from $2,256 quarter-over-quarter, yet increased from $2,247 year-over-year. Additionally, East Bay asking rents have increased 8.4% from 2020 to 2024, showing overall progress from pandemic era lows.

Consumer confidence in the economy began to crack in Q3, as the late summer data showed an economy that appeared to be cooling faster than expected. The Fed finally began its long-awaited easing cycle with a .50% rate cut in September. Some economists are speculating of another cut in November, including JP Morgan's initial forecast after the September Fed Meeting of another .50% cut this year. However, October brought more mixed signals with a stronger than expected jobs report and inflation running hotter than expected in September. As such, the size and nature of further rate cuts in 2024 has been thrown into question.

TRENDLINES

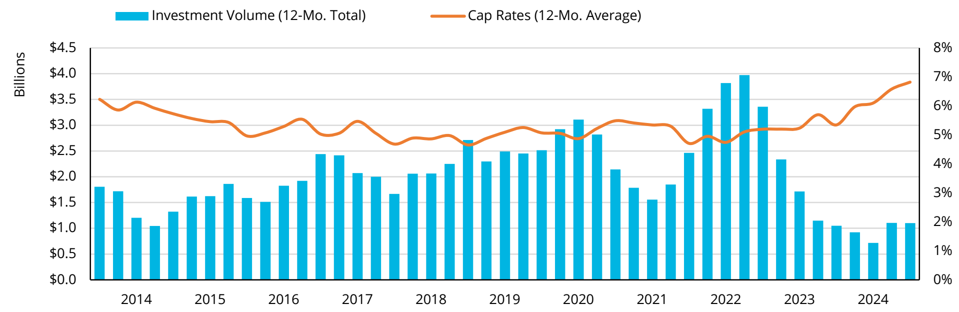
	2024 Q3	2024 Q2	2023 Q3	Q/Q CHANGE	Y/Y CHANGE
Cap Rates	6.8%	6.6%	5.3%	24	148
Annual Price per Unit	$286,240	$334,275	$326,380	-14.4%	-12.3%
Effective Rent ($/Unit)	$2,252	$2,256	$2,247	-0.2%	0.2%
Vacancy Rate	5.8%	5.9%	6.5%	-10	-70
12-Mo. Investment Volume ($ Mil.)	$1,102	$1,103	$1,048	-0.1%	5.1%
Annual Absorption (Units)	4,977	4,489	2,542	10.9%	95.8%
Annual Completions (Units)	3,790	3,256	3,628	16.4%	4.5%
Unemployment Rate	5.3%	3.9%	4.5%	140	80
Nonfarm Jobs (Mil.)*	1.20	1.20	1.19	-0.3%	1.0%

CAPITAL MARKETS

Yearly increase quarterly decline

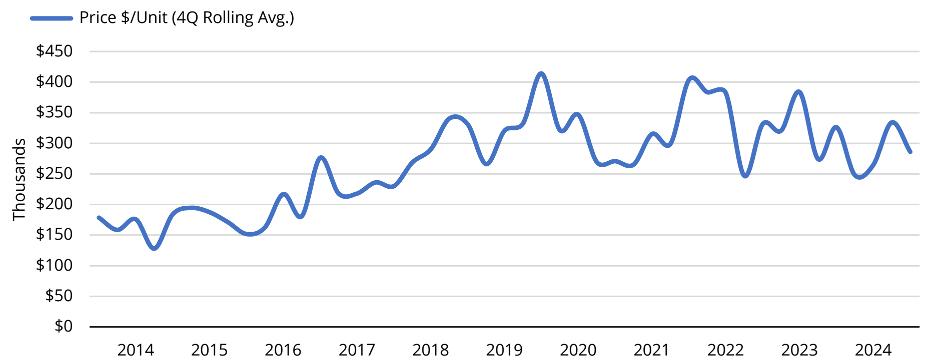
- East Bay apartment sales volume totaled $228 million, reflecting a 59.4% decline from the previous quarter. While this was a large drop quarter-over-quarter, it represents only a 0.4% decrease year-over-year. Over the past seven quarters, dating back to Q1 2023, the average sales volume has been $215 million. The significant decrease from Q2 to Q3 can be attributed to the unusually high sales volume of $561 million in Q2. Meanwhile this quarters total sales volume is 6% higher than the post pandemic average.
- The average annual price per unit at the end of the quarter was $286,240, representing a 14.4% decrease from the previous quarter, or a drop of $40,000. Comparing Q3 to the five-year average of $318,600, price per unit in Q3 is down 10%, or $32,370. However, it remains as the second highest price per unit year-to-date, 8% higher than Q1 2024.
- Quarterly cap rates in Q3 bumped up 30 bps to 6.8%. This comes after a large increase of 48 bps from Q1 to Q2. Q3 cap rates are the highest in 11 years.
- Institutional buyers in search of value-add deals have remained highly active this year, being responsible for about 70% of investment volume. Private buyers accounted for the remainder of the activity at roughly 30%.

INVESTMENT VOLUME AND CAP RATES



Source: Transwestern, MSCI Real Assets, Q3 2024.

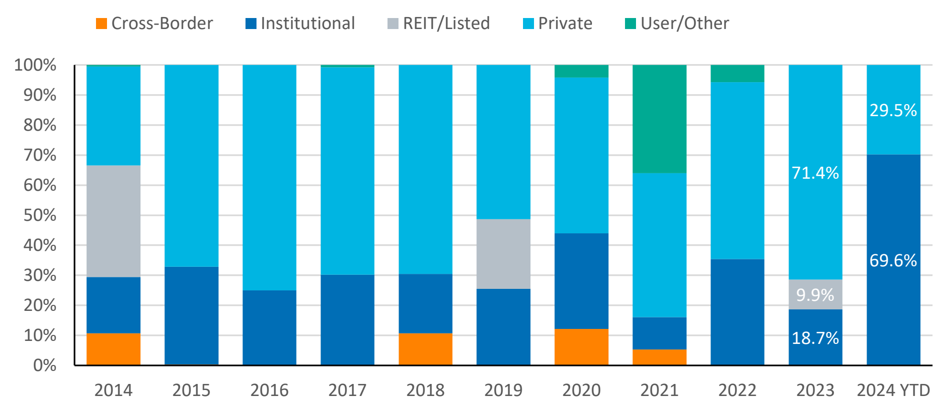
PRICE $/UNIT



Source: Transwestern, MSCI Real Assets, Q3 2024.

INVESTOR COMPOSITION

San Francisco



Source: Transwestern, MSCI Real Assets, Q3 2024.

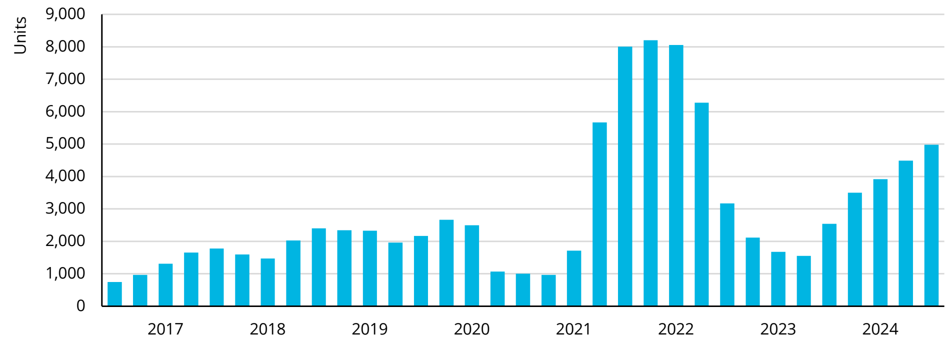
SUPPLY AND DEMAND FUNDAMENTALS

Absorption And Completions

- Q3 marks another consecutive positive quarter for rental demand recording an absorption of 1,492 units. However, demand has experienced a decline on a quarter-over-quarter basis dropping by 12%. Additionally, absorption on a yearly basis is down 50% when compared to 2021. This has been a trend over the past two years with all yearly totals showing a positive absorption yet a drastically low amount of demand.

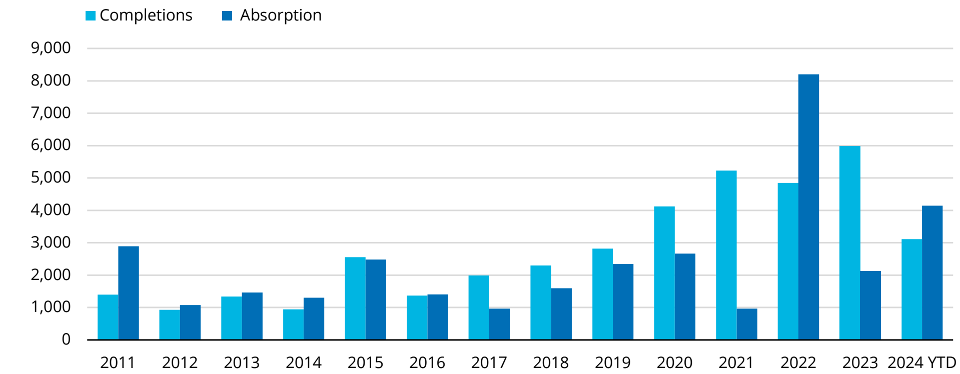
- This quarter saw a significant influx of new completions, adding 1,465 units to the East Bay market - the highest number of quarterly completions since Q3 2022. With 2024 three-quarters of the way through, this year's completions have already matched 2023's total. Additionally, with 4,400 units in the pipeline, Q4 is expected to propel 2024 well beyond 2023's figures.

12-MONTH NET ABSORPTION



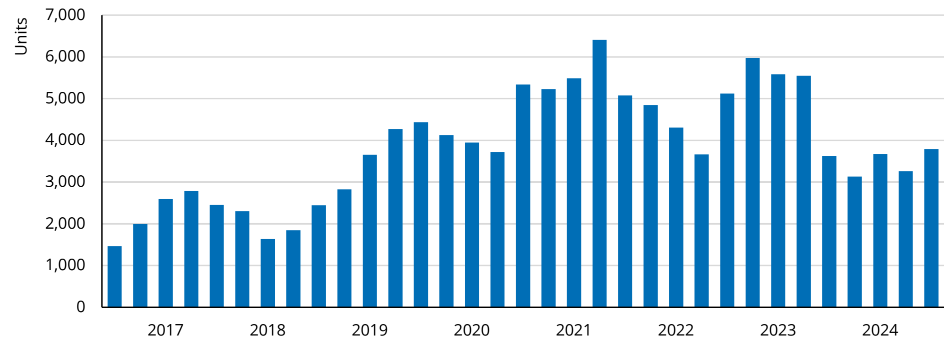
Source: Transwestern, CoStar, Q3 2024.

SUPPLY & DEMAND



Source: Transwestern, CoStar, Q3 2024.

12-MONTH COMPLETION



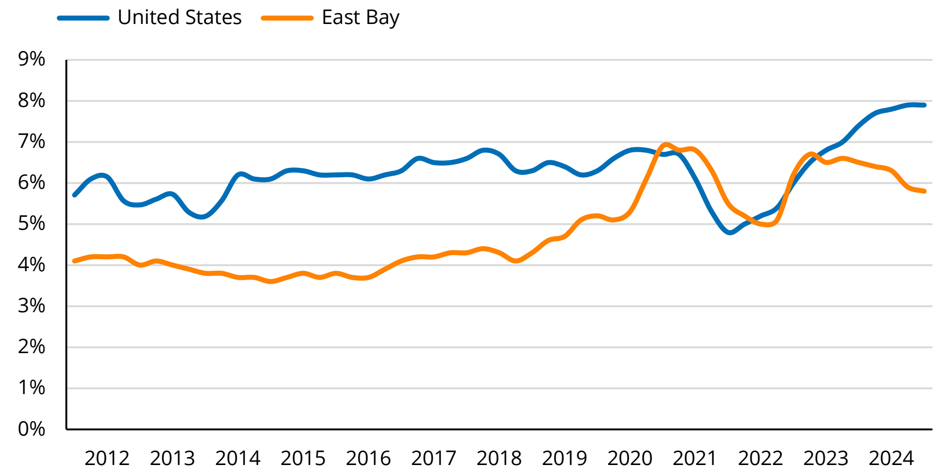
Source: Transwestern, CoStar, Q3 2024.

SUPPLY AND DEMAND FUNDAMENTALS

Vacancy Rate

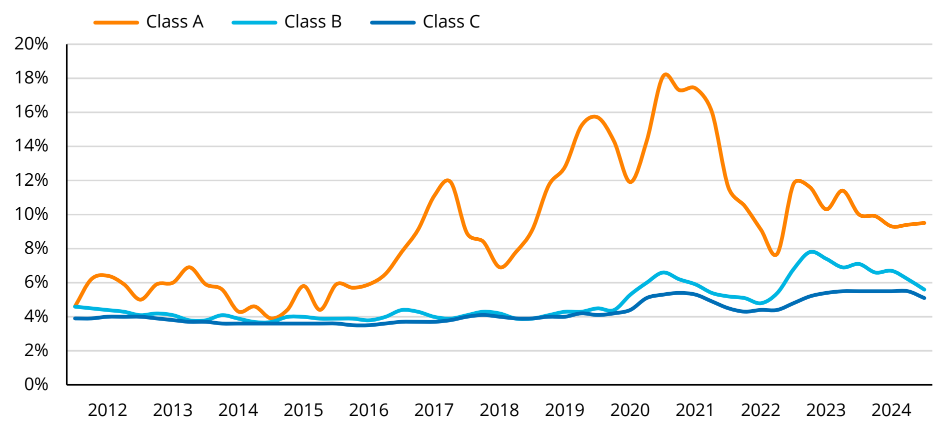
- Despite the significant increase in new unit availability, there was a slight downtick in vacancy rates of 0.1%, bringing the market total to 5.8%. Class B properties led this charge, showing the largest decrease among all classes at a 0.6% decrease in Vacancy.
- The East Bay vacancy rate is far below the national quarterly average of 7.8%, which is above the five-year average of 6.5%. The East Bay Market has been below the national average for the past 5 quarters, with its own five-year average of 6.0%.

OVERALL VACANCY RATE



Source: Transwestern, CoStar, Q2 2024.

OVERALL VACANCY RATE BY CLASS



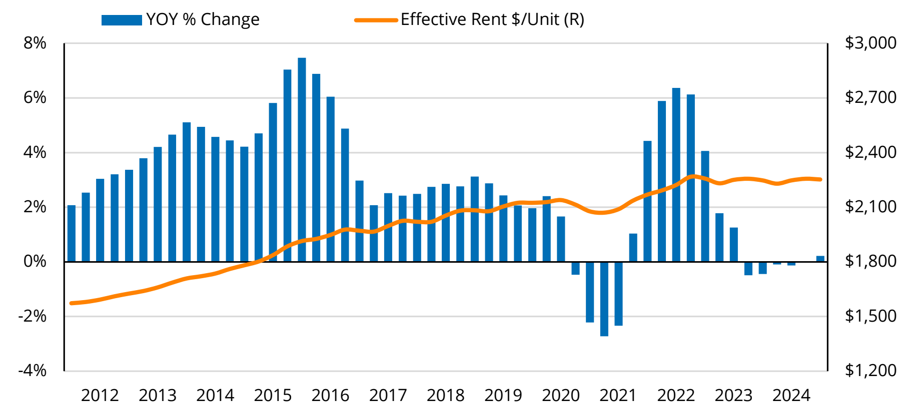
Source: CoStar, Transwestern

SUPPLY AND DEMAND FUNDAMENTALS

Annual Rent

- The average monthly effective rent dropped slightly by 0.2% quarter-over-quarter, falling to $2,252. This decrease appears to be a small reversal of overall growth, as the average annual rents have steadily increased over the past year and have risen $182 since 2020.
- Class A asking rents also experienced a slight decrease, dropping by $2 to $2,866. In 2024, these rents continue to struggle, remaining $30 lower than the average asking rents of 2023, which hovered around $2,900.
- The average rate on a 30-year fixed rate mortgage was 6.1% at the end of the quarter, down from 7.8% in October the year prior, the highest level since 2000. High mortgage rates are reducing the affordability of single-family homes and discouraging first time home buyers, thereby locking renters into place.

EFFECTIVE RENTS



Source: Transwestern, CoStar, Q2 2024.

30 YEAR RENTS

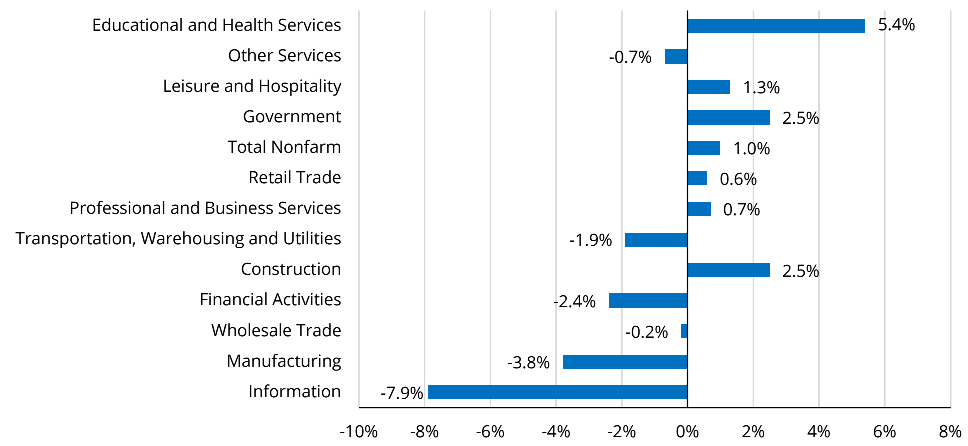
ECONOMY

Slow and steady gains

- The unemployment rate in the East Bay metro experienced a substantial increase this quarter, rising to 5.3% from the previous 4.3%. However, these levels are still significantly lower than those seen during the post-pandemic years, when the rate hovered between 7% and 12%.
- Despite rising interest rates cutting into profits, hiring has modestly increased over the past year. Year-over-year Q3 numbers showed employers added 12,300 jobs, a 1.0% gain
- Job gains were driven by a year-over-year increase of 5.4% in Private Education and Health Services employment, for a total of 11,700 jobs. Governmental jobs also increased 2.4%, or 3,900 jobs. Professional and Business Services gained 1,400 jobs, an increase of 0.7% year over year. Finally, Construction had an increase of 2.5% or 1,900 jobs added.

YOY EMPLOYMENT CHANGE BY INDUSTRY

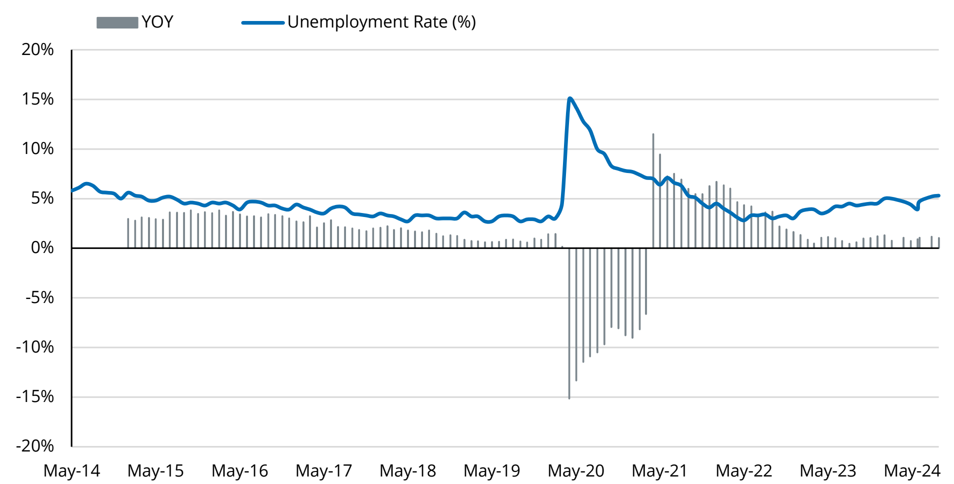
Oakland-Hayward-Berkeley MD



Source: Transwestern, CA EDD, Aug 2024.
Note: Data not seasonally adjusted.

UNEMPLOYMENT RATE AND NONFARM JOBS

Oakland-Hayward-Berkeley MD



Source: Transwestern, CA EDD, Aug 2024.
Note: Data not seasonally adjusted.

NOTABLE SALES

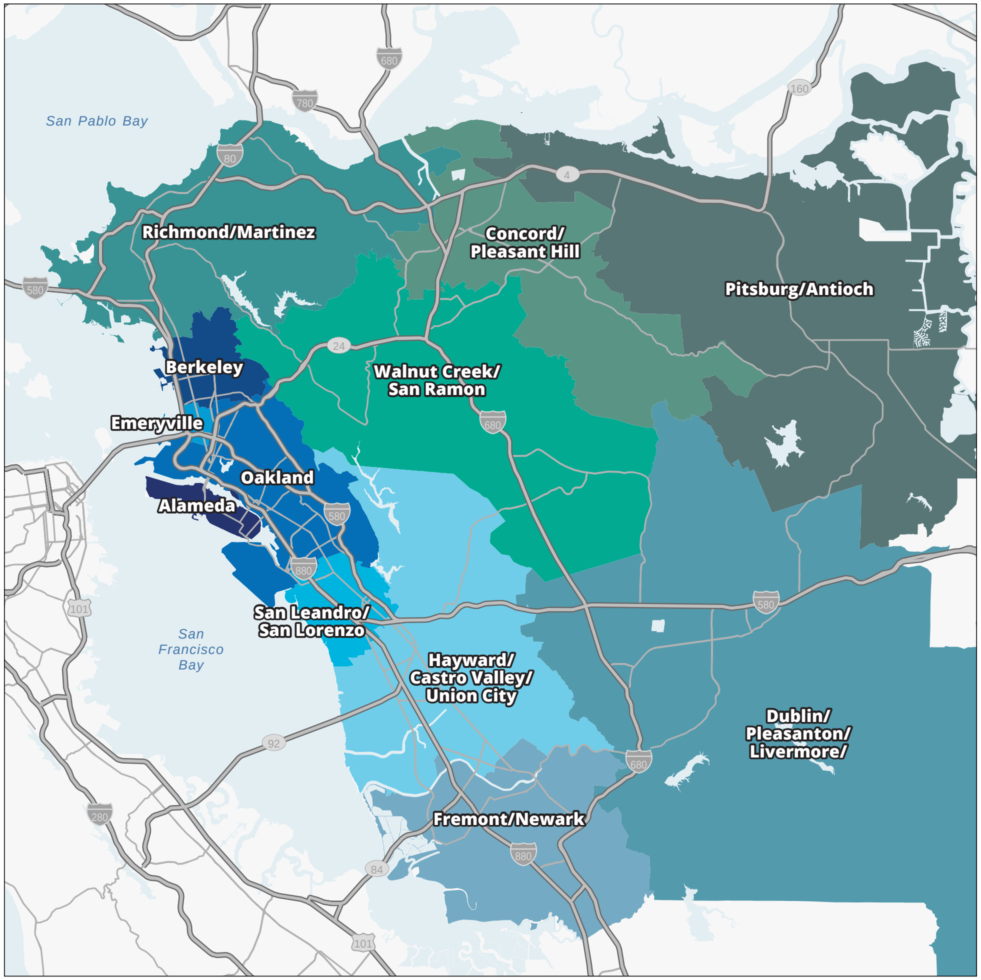
ADDRESS	CITY	PRICE (MIL. $)	PRICE PER UNIT	BUYER	SELLER	SELLER
1389 Jefferson St	Oakland	$74.3	$281,364	Magnolia Capital	The Goldman Sachs Group, Inc	Newport Office Center V Associates, LLC
203 Coggins Dr	Pleasant Hill	$58.5	$397,959	Acacia Capital Corporation	GID Investment Advisors LLC	Nationwide Mutual
2715 Dwight Way	Berkeley	$9.2	$328,571	Valiance Capital	Jonathan Hao	MXB Properties, LP
1001 Brown Ave	Lafayette	$4.6	$455,000	ARS International Consulting	Peter & Evelyn Lund Family 1988 Trust	DoMyLLC
2006 23rd St	San Pablo	$3.2	$286,364	Ori Skloot	Lyon Re Auburn	

Source: Transwestern, MSCI Real Assets, Q3 2024

= Transwestern deal

Q2 SUBMARKET FUNDAMENTALS

SUBMARKET	INVENTORY (UNITS)	EFFECTIVE RENT $/UNIT	YOY RENT GROWTH	VACANCY RATE	ABSORPTION (4-QUARTER)	COMPLETIONS (4-QUARTER)	ANNUAL CAP RATE	ANNUAL $/UNIT
Richmond/Martinez	18,687	$1,928	1.9%	4.8%	312	191	7.1%	$282,035
Berkley	20,031	$2,512	-3.1%	7.6%	479	295	5.1%	$311,469
Emeryville	5,381	$2,685	-0.5%	7.0%	183	50	8.2%	$215,217
Oakland	63,195	$2,035	-1.9%	8.0%	1354	1,974	7.6%	$217,757
Alameda	9,785	$2,565	2.1%	7.0%	481	--	4.7%	$387,713
San Leandro/San Lorenzo	12,495	$1,905	1.0%	5.0%	22	--	5.8%	$230,273
Hayward	19,103	$2,112	0.5%	4.1%	369	254	5.6%	$246,058
Concord/Pleasant Hill	15,014	$2,059	2.5%	4.3%	119	--	5.7%	$349,808
Walnutcreek/San Ramon	20,031	$2,565	1.9%	4.6%	420	123	4.4%	$668,470
Pitsburg/Antioch	15,994	$1,941	0.9%	5.8%	689	202	7.4%	$203,667
Dublin/Pleasanton/ Livermore	18,066	$2,583	-0.6%	5.7%	569	523	--	$270,553
Freemont/Newark	25,163	$2,515	1.4%	3.7%	142	--	6.0%	$431,219
East Bay Total	247,741	$2,243	0.2%	5.8%	5,185	3,790	6.4%	319,798



FOR MORE INFORMATION

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RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on office properties located in San Francisco. This report includes single tenant, multi-tenant and owner-user properties 10,000 SF and larger, excluding condo and medical office facilities and those properties owned and occupied by a government agency.

ABOUT TRANSWESTERN

The privately held Transwestern companies have been delivering a higher level of personalized service and innovative real estate solutions since 1978. An integrated approach formed from