



TRANSWESTERN

EAST BAY MULTIFAMILY MARKET

Q4 2024



The East Bay market's slow churn through the post-pandemic market continued into Q4 of 2024, marking another step toward a slow recovery. 2024 brought several quarters of mixed data, with the volatility making it difficult to predict where the market was heading in the near-term future. Yet compared to Q4 of 2023, many metrics across the board have shown improvement, signaling that the market has been making small, but positive, steps despite oscillating quarter-over-quarter data. The East Bay labor market has shown some positive trends, with the unemployment rate decreasing by 170 basis points since August of 2024, accompanied by a roughly 1% increase in total nonfarm jobs. For East Bay multifamily occupancy, quarter-over-quarter metrics show a 50-basis-point decrease in the overall vacancy rate and a 1.7% increase in effective rent per unit. Year-over-year, investment volume has surged by 30%, while annual absorption rose by 45%. These trends across multiple categories indicate a positive prognosis for the East Bay multifamily market, which continues its steady recovery from a previously stagnant state.

The Federal Reserve's rate cuts last year have played a significant role in the Q4 surge of investment volume. The Fed began their easing cycle with a bold 50 bps reduction in September, followed by additional cuts of 25 bps in both November and December. These cumulative reductions, totaling 100 bps, mark the most aggressive monetary easing since 2009. This decisive action underscores the Fed's commitment to bolstering economic activity amid persistent uncertainties, creating a more favorable environment for investors and spurring renewed confidence in the market. It is important to note the lagging nature of economic data, as the 10-year treasury had dipped to around 3.60% in October in anticipation of the Fed's easing cycle before skyrocketing over 100 bp's since then. The transactions that closed in Q4 likely secured their debt during the lower rate window, as the 10-year treasury has since surged to close to 5% and continues to float in the mid to high 4% range.

TRENDLINES

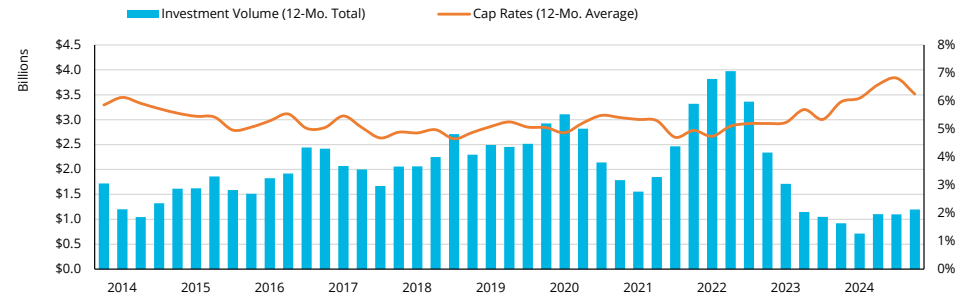
	2024 Q4	2024 Q3	2023 Q4	Q/Q CHANGE	Y/Y CHANGE
Cap Rates	6.2%	6.8%	6.0%	-57	28
Annual Price per Unit	\$259,906	\$210,488	\$247,924	23.5%	4.8%
Effective Rent (\$/Unit)	\$2,291	\$2,252	\$2,229	1.7%	2.8%
Vacancy Rate	5.9%	5.8%	6.4%	10	-50
12-Mo. Investment Volume (\$ Mil.)	\$1,196	\$1,102	\$920	8.6%	30.0%
Annual Absorption (Units)	5,076	4,977	3,497	2.0%	45.2%
Annual Completions (Units)	3,992	3,790	3,131	5.3%	27.5%
Unemployment Rate	3.6%	5.3%	4.5%	-170	-90
Nonfarm Jobs (Mil.)*	1.21	1.20	1.20	1.3%	0.9%



CAPITAL MARKETS

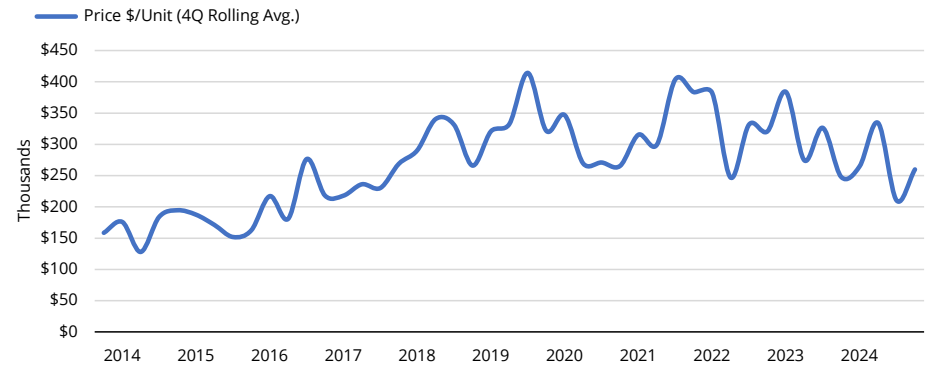
- East Bay apartment sales volume totaled \$264 million in Q4 and \$1.2 billion over the past year. This represents a 30% year-over-year increase, with the 12-month total surpassing the previous year's figure by \$276 million. Investment volume has been steadily declining over the last several years, yet with the recent rate cuts, total volume is expected to increase. Between 2020 and 2021, the average annual investment volume was \$2.4 billion. While the average annual investment volume from 2022-2024 was \$1.9 billion, thus leaving investors an ample amount of transactional upside to take full advantage of.
- At the end of Q4, the average annual price per unit reached \$256,000, representing a \$49,000 quarter-over-quarter increase, or a 24% gain. Although the quarterly rise was significant, the year-over-year gain was more modest at 4.8%. Despite these positive trends, the annual price per unit remains below historical levels, with this quarter's total falling 18.4% short of the five-year average of \$307,000, leaving potential for further growth.
- Quarterly cap rates in Q4 decreased by 50 basis points, settling at 6.3%. This decline follows a significant increase of 30 basis points in the previous quarter, briefly bringing cap rates to a peak of 6.8%, the highest percentage recorded in the past 11 years. Despite the decrease, Q4 still recorded the third-highest cap rate within this period.
- Institutional buyers in search of value-add deals have remained highly active this year, responsible for about 55% of investment volume. Private buyers accounted for roughly 30% and Cross-Border buyers accounted for the remainder with 12%.

INVESTMENT VOLUME AND CAP RATES



Source: Transwestern, MSCI Real Assets, Q4 2024.

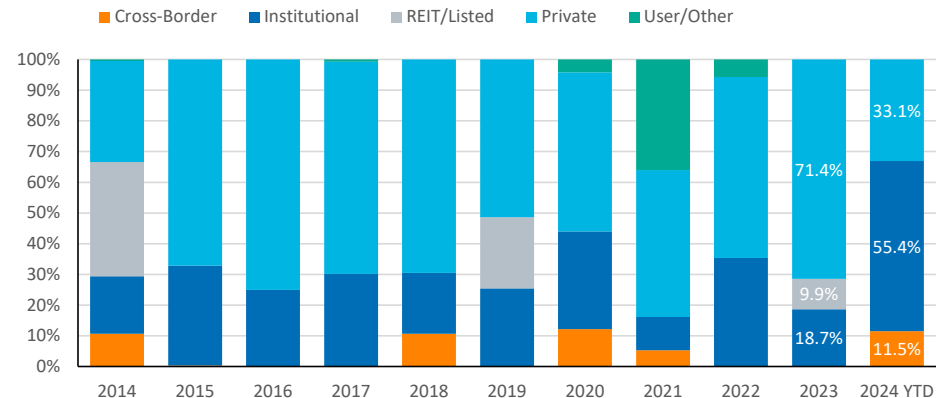
PRICE \$/UNIT



Source: Transwestern, MSCI Real Assets, Q4 2024.

INVESTOR COMPOSITION

San Francisco



Source: Transwestern, MSCI Real Assets, Q4 2024.

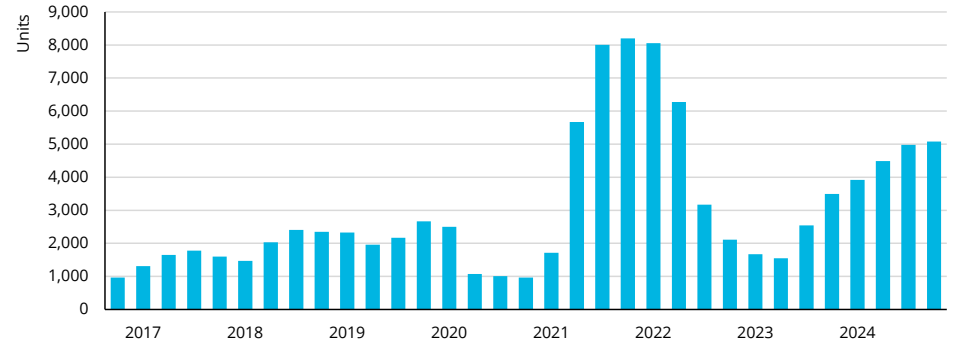


SUPPLY AND DEMAND FUNDAMENTALS

Absorption And Completions

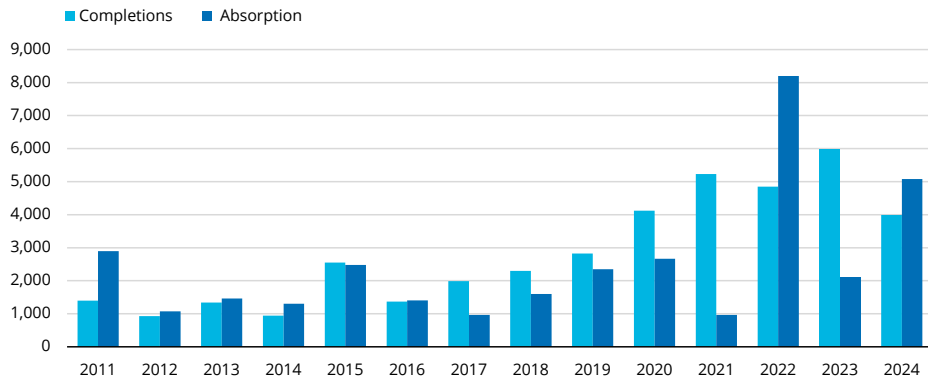
- Q4 concluded with a positive net absorption of 930 units, continuing a two year trend in the East Bay, with eight consecutive quarters of positive absorption. However, with a 5-year average of 993 units being absorbed, Q4 falls just shy of meeting that benchmark, yet it still recorded a 12% increase compared to Q4 of 2023.
- Following Q3's large influx of 1,465 new units coming online, Q4 recorded 40% fewer deliveries, with 879 units delivered. For 2024 as a whole, approximately 4,000 new units were delivered, 25% lower than the 5,500 unit annual average delivered in the three years preceding 2024. With fewer new units coming online, positive net absorption alone is not the best indicator of demand in the market.

12-MONTH NET ABSORPTION



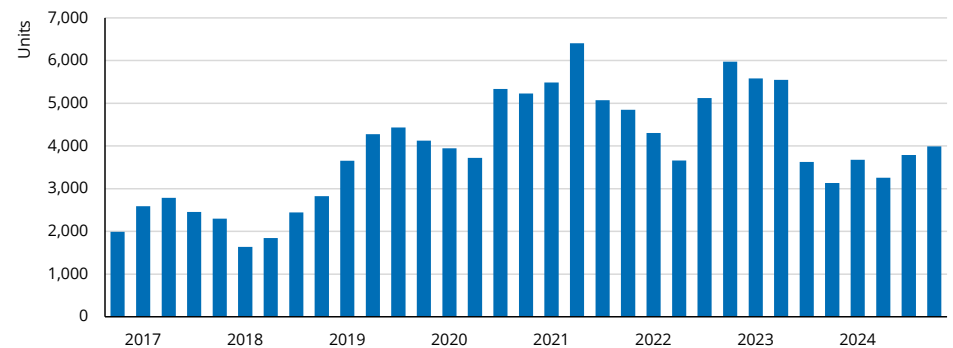
Source: Transwestern, CoStar, Q4 2024.

SUPPLY & DEMAND



Source: Transwestern, CoStar, Q4 2024.

12-MONTH COMPLETIONS



Source: Transwestern, CoStar, Q4 2024.

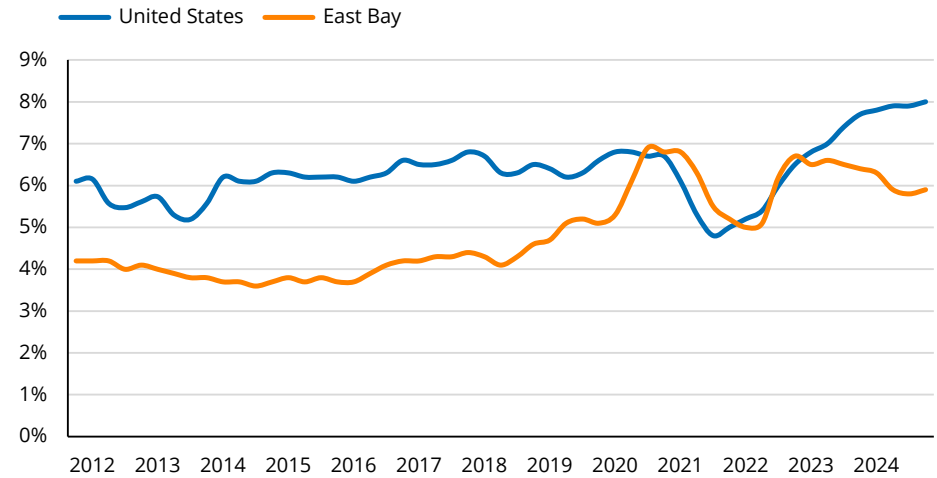


SUPPLY AND DEMAND FUNDAMENTALS

Vacancy Rate

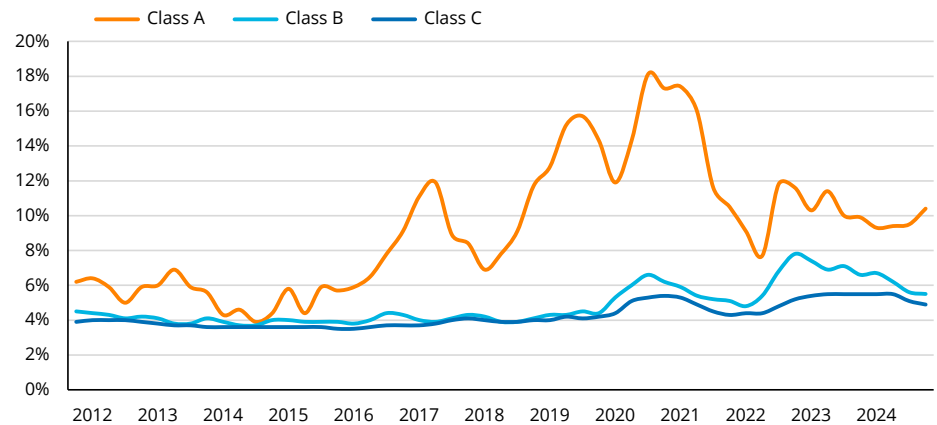
- Class-wide vacancy rates ticked up 10 basis points to 5.9%, matching Q2's rate after a decline in Q3. This 5.9% vacancy rate aligns with post-pandemic historical standards, with the five-year average at 6%.
- Class A properties were the only category to experience an increase in vacancy rates, rising by a full percentage point to 10.5%, the highest level since Q2 of 2023. Over the past four quarters, Class A vacancies have gradually increased by 10 basis points each quarter until this larger quarterly jump. If this trend continues, Class A properties could reach the five-year average of 12% in the upcoming year.
- Class B and C properties both experienced small downticks in vacancy rates, a continuation of the downward movement that's been occurring over the past 3 quarters for both classes. Class B down ticked 10 bps to 5.5%, Class C down ticked 20 bps to 4.9%.

OVERALL VACANCY RATE



Source: Transwestern, CoStar, Q4 2024.

OVERALL VACANCY RATE BY CLASS



Source: CoStar, Transwestern

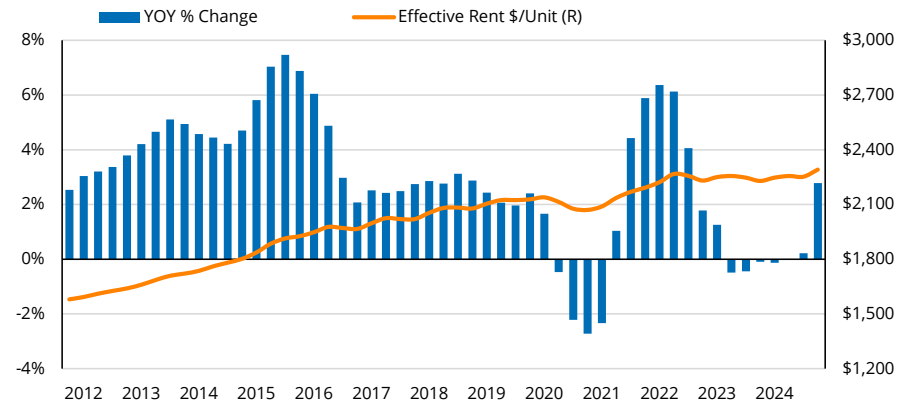


SUPPLY AND DEMAND FUNDAMENTALS

Annual Rents

- The average monthly effective rent in the East Bay multi-family market experienced a slight upward shift of 1.7% from the previous quarter, landing at \$2,291. While there have been minor quarter-over-quarter fluctuations, they have consistently hovered around \$2,250 per unit for the past 12 quarters.
- Mortgage rates reached a historic high of 7.8% in 2023, the highest level since 2000. After this peak, rates declined briefly between January and May, but have been steadily increasing since July. At the end of Q4, the average rate on a 30-year fixed mortgage was 6.9%, 20 basis points lower year over year.

EFFECTIVE RENTS



Source: Transwestern, CoStar, Q4 2024.

MORTGAGE RATES





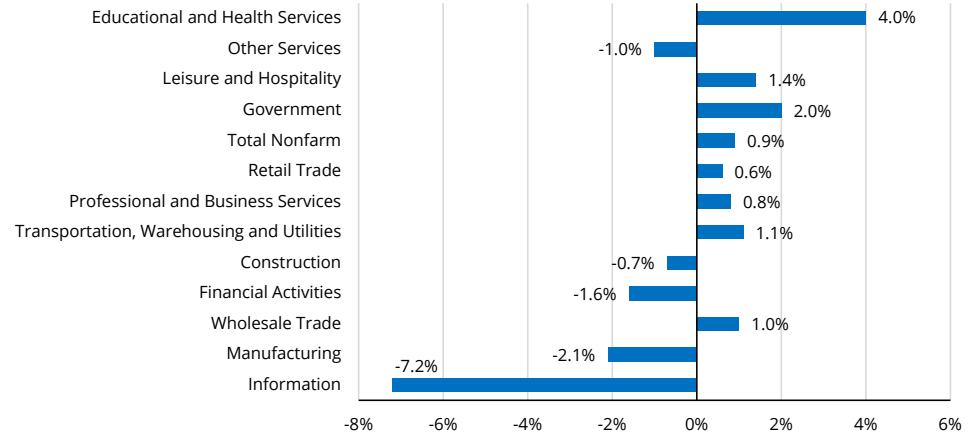
ECONOMY

Slow and steady gains

- The unemployment rate in the East Bay metro saw a substantial decrease this quarter, dropping from 5.3% to 3.6%. The last time the unemployment rate was close to this level was in May 2023, at 3.5%. Beginning in April 2023, unemployment started rising month-over-month until Q4 2024, when it finally declined.
- A big factor in the decrease of the unemployment rate is that job growth has remained stagnant in the East Bay economy. A sub 1% yearly increase over the past year has taken place in the East Bay, with 50% of all industries having produced a negative job growth figure year-over-year.
- Private education and health services was one of the only significant top producing industries, adding 9,000 new jobs to the market since 2023. Government positions followed as the second largest contributor, bringing 3,400 new jobs to the market.

YOY EMPLOYMENT CHANGE BY INDUSTRY

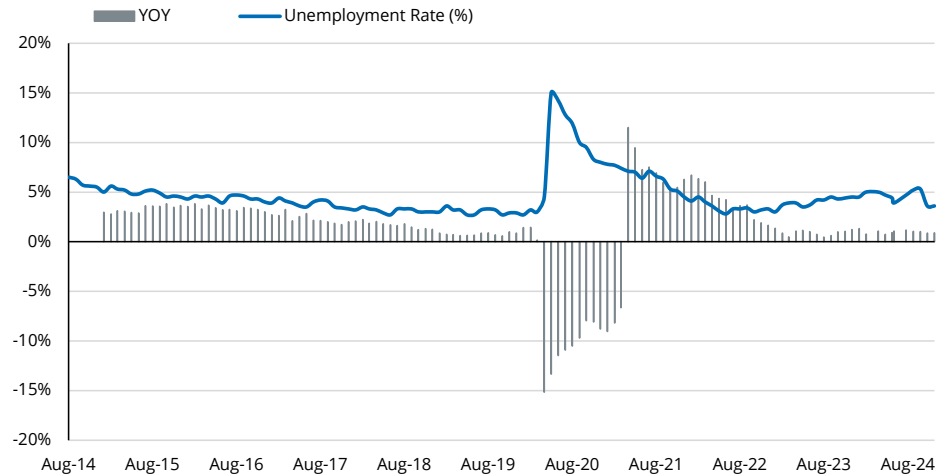
Oakland-Hayward-Berkeley MD



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

UNEMPLOYMENT RATE AND NONFARM JOBS

Oakland-Hayward-Berkeley MD



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



NOTABLE SALES

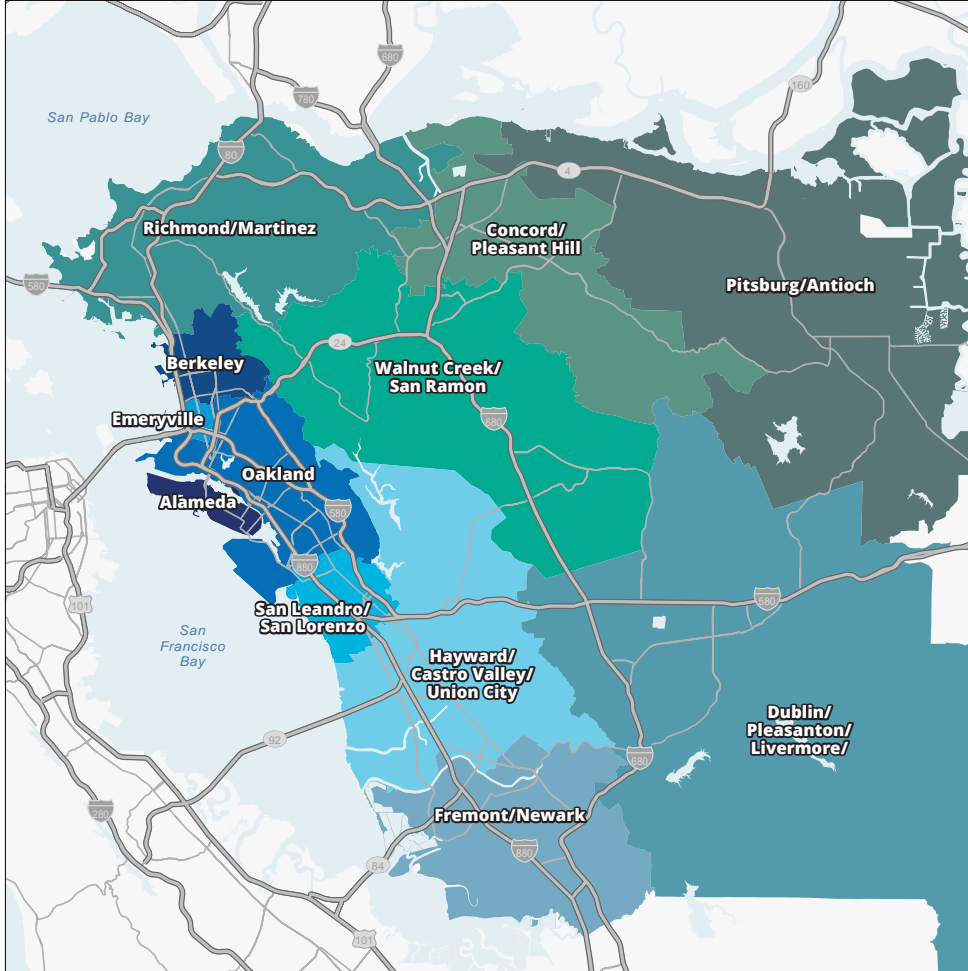
ADDRESS	CITY	PRICE (MIL. \$)	PRICE PER UNIT	BUYER	SELLER
447 17 th St	Oakland	\$99.0	\$389,764	Three Steps Properties LP	Quarterra
3600 Sierra Ridge Rd	Richmond	\$47.3	\$197,140	Step Up	TruAmerica Multifamily
2451-2529 Santa Rita Rd	Pleasanton	\$21.1	\$288,889	Bob Rispoli	Marymount Property Management, Inc
544 Central Ave	Alameda	\$17.5	\$243,056	Riaz Capital	Cambridge Management Compant
1701-1707 Shoreline Dr	Alameda	\$12.9	\$340,132	Jay Huang	Marymount Property Management, Inc

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	16,384	\$2,015	0.9%	5.3%	191	191	6.6%	\$242,551
Berkley	15,318	\$2,684	1.0%	8.2%	256	263	4.8%	\$208,128
Emeryville	4,737	\$2,713	3.4%	6.5%	77	50	7.0%	\$122,222
Oakland	53,430	\$2,089	-0.9%	8.0%	1,840	2,351	7.4%	\$226,181
Alameda	7,923	\$2,642	2.3%	7.6%	300	0	6.0%	\$336,167
San Leandro/San Lorenzo	11,269	\$1,964	1.1%	4.4%	47	0	5.7%	\$230,197
Hayward	16,840	\$2,140	2.0%	3.9%	355	202	5.6%	\$254,047
Concord/Pleasant Hill	14,333	\$2,083	1.2%	4.4%	70	0	5.3%	\$338,968
Walnutcreek/San Ramon	19,279	\$2,643	2.2%	4.5%	296	123	5.2%	\$581,242
Pittsburg/Antioch	15,321	\$1,949	1.3%	5.7%	511	202	7.2%	\$226,636
Dublin/Pleasanton/Livermore	17,607	\$2,585	1.4%	4.8%	535	24	5.2%	\$270,753
Freemont/Newark	25,114	\$2,513	1.5%	4.9%	258	382	6.0%	\$421,837
East Bay Total	221,768	\$2,291	1.1%	5.9%	5,076	3,992	6.2%	\$259,906



FOR MORE INFORMATION

Shivu Srinivasan

Senior Director
shivu.srinivasan@transwestern.com
415 489 1746

Mairaj Din

Associate
mairaj.din@transwestern.com
415 489 1750

Tyler Hill

Researcher
tyler.hill@transwestern.com
415 489 1750

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