Multifamily Is Most Attractive Asset Class, Survey Finds

Its mid-year report looks at where interest rates were thought to be, and where they are now.

By Richard Berger | September 21, 2023 at 07:40 AM

Apartments are the place to be, according to investors polled in CBRE's Global Investor Intentions Survey.

Its "Midyear Pulse Check: U.S. Multifamily Market" report laid out the most common concerns in commercial real estate overall – interest rates, credit availability, state of the economy – but for the first time, the survey taken in late 2022 said that they would target multifamily properties more than any other property type.

Nearly 70% of those operating in the Americas said they expected to keep their allocation to real estate about the same in 2023. Another 20% said they expected it to increase.

The Sunbelt and several Midwest and Northeast markets, including Indianapolis and Boston, were a focus.

Those markets "provide near-term rent growth potential since they did not have a glut of new construction," according to the report, and "offer significant cost savings relative to other areas of the country."

The four primary concerns they expressed – rising interest rates, credit availability, fear of a recession, and persistent inflation – played out, but mostly not to as dramatic a level as some anticipated.

The Federal Reserve on Sept. 20 indicated that they will likely have one more interest rate hike in 2023. Putting it above the current range of 5.25% to 5.50%, that is slightly higher than initial investor expectations from the survey.

At the Fed meeting this week, Fed Chair Jerome Powell said 12 Fed officials said they would support one more hike this year and seven said they'd support staying flat.

The Fed noted that the economy has been expanding at a "solid" pace — an update from a "moderate" pace.

CBRE last week said it expects the Fed to begin slashing interest rates in the first half of 2024 with the fed funds rate ending the year between 4.50% and 4.75%.

With credit availability, more than 90% of respondents to CBRE's 2023 U.S. Lender Intentions Survey said their underwriting would be more conservative, and 68% expected lower originations in 2023.

"This is consistent with actual market performance so far this year," CBRE said.

"Near-term recession expectations have become much less certain as the year has progressed. While some economists envision a 'soft landing' for the economy, CBRE expects a moderate recession to begin in early 2024 as the lagged impacts of tight monetary policy more fully take hold."

Inflation has seemingly peaked in 2023, as those polled believed. The Consumer Price Index (CPI) has been steadily falling since peaking at 8.9% in June 2022 and currently stands at 3.7%.

CBRE said it expects annual inflation to end the year at 2.9%, compared with more than half of surveyed investors' earlier expectations of more than 4%, according to that late 2022 poll.

"As inflation and interest rates further stabilize, we expect greater investment activity over the next 18 months. As the favored asset type for investors, multifamily will likely be the first to benefit," it said.

Strong Demand for Multifamily to Continue into 2024

Meanwhile deliveries are roaring ahead with the year expected to surge 51.1%.

By **Barbara Ballinger** | September 13, 2023

Demand continues to remain solid for the multifamily asset class as absorption in this year's first half surged to 98,429 units with an increase of 83,449 units in the second quarter of 2023, according to a new report by Newmark. This number almost quadruples absorption from last year's first half, and demand is expected to accelerate in the second half of 2023 and beyond to the first half of 2024.

So far supply – set to reach a 50-year high this year – is keeping pace. Already in this year's first half, 198,806 units were delivered, a record, and total deliveries for the entire year are projected to surge 51.1% year-over-year. Deliveries are also expected to increase in the second half through 2024.

In the four quarters ended in the 2Q of this year, the median market saw inventory growth by 2%. Ten out of 150 markets experienced growth above 5%. But over the next four quarters, change is coming with this measurement set to grow by 3.2%, including in 28 markets with inventory growth of 5% or more. As most markets reflected more new deliveries and with that expected to continue, some markets may be slower to absorb new inventory. But even if that turns out to be true, absorption in 40 of the top 50 markets is still expected to outpace the 2018-2022 annual average.

Meanwhile, for the first time in three quarters, multifamily had positive effective rent growth quarter-over-quarter in the second quarter of this year. Midwestern markets made up six of the top 10 markets for greatest YoY effective rent growth. However, rent growth continued to slow YoY.

Worth noting is that multifamily expenses increased a significant 8.3% Y-o-Y, mostly due to a 28.6% rise in insurance costs, which along with management and other expenses put a strain on landlords. Also, on the to-be-watched list is how price dislocation and the higher interest rate environment hinder the investment sales market, evidenced by the 71.8% YoY decline to $28.2 billion in quarterly sales volume.

Cities With the Most and Least Expensive Apartment Rents

New York City tops the list as the most expensive U.S. city to rent a one-bedroom apartment—$3,260—while Wichita, Kansas ranks as the state with the least expensive on-bedroom rent—$650, according to a report by Zumper, a renters assistance organization.

Cities With Most Expensive Rents

Ranking	City	Monthly Price for One Bedroom
1	New York City	$3,260
2	San Francisco	$2,910
3	Boston	$2,660
4	Miami	$2,500
5	San Jose, California	$2,420
6	Los Angeles	$2,300
7	San Diego	$2,280
8	Washington, D.C.	$2,230
9	Oakland, California	$2,070
10	Santa Ana, California	$1,950

After a year of substantial rent growth, Miami passed San Jose to become the fourth most-expensive rental market, the report says. The shift in the rankings shows how quickly rent has increased in Miami and how slow rent growth in the San Francisco Bay Area continues to be.

Cities With Least Expensive Rents

Ranking	City	Monthly Price for One Bedroom
1	Wichita, Kansas	$650
2	Akron, Ohio	$680
3	Lubbock, Texas	$690
4	Shreveport, Louisiana	$730
5	Lexington, Kentucky	$800
6	El Paso, Texas	$810
7	Laredo, Texas	$810
8	Baton Rouge, Louisiana	$820
9	Oklahoma City, Oklahoma	$830
10	Tucson, Arizona	$840

Rent in 2022 is rising faster than in 2021, according to the report. In March, the average one-bedroom rent nationally rose to an all-time high of $1,400, which represents a growth of 2.5% for the calendar year so far. This is higher than the 1.9% rise experienced over the same period last year.

East Bay Establishes Itself As Regional Housing Leader

Emeryville Mayor Dianne Martinez said during a *Bisnow* East Bay State of the Market digital summit on May 27 that the city has been focusing on the twin efforts of increasing housing at all levels of affordability while making the city a friendlier atmosphere for a diverse range of businesses.

The dual approach has been crucial in driving the city to its position as one of the leading life sciences clusters in the country, she said. Although the sector hinges on proximity to the University of California, Berkeley, a robust supply of affordable housing relative to other parts of the region and a strong public transit system help make companies attractive to employees.

Emeryville's rising status isn't without challenges. The city is only 1.25 square miles, putting constraints on development that are familiar to many municipalities in the Bay Area. But this feature also manifests as a quality-of-life bonus, as the small layout simplifies travel for the city's approximately 12,000 residents, Martinez said.

In 2018, Emeryville voters passed a $50M affordable housing bond, and the city recently completed a $64M expenditure package to increase affordable housing creation, Martinez said.

The East Bay's housing wealth has been at the forefront of change over the past year. Alameda County, which includes Emeryville, was second on the list of top destinations for Bay Area residents who decided to move in 2020, gaining a total of 87,230 residents, according to a report from Cushman & Wakefield. A parallel influx of multifamily housing supply has kept the submarket's rental recovery at bay.

Emerald Fund principal Marc Babsin said that Oakland's rental market has offered an important lesson in economic supply and demand. Between 2015 and 2019, Oakland experienced skyrocketing housing rental rates fueling housing construction, much of which began to deliver in 2018 and 2019, Babsin said.

But when the pandemic hit, the urban cores of places like San Francisco and Oakland's Uptown neighborhood were similarly hit with double-digit rent declines, which coincided with the delivery of 1,300 housing units and another 1,200 so far in 2021, with 1,400 under construction, leading to a significant supply-demand imbalance, Babsin said.

The imbalance coupled with the high costs of construction materials could make future projects harder to pencil if factors don't shift.

"If you're a landlord and you've got a vacant building, every month that the unit isn't occupied, it's gone forever — you've got bills to pay — so you have more and more concessions," he said. "And now you're seeing three months free on a 15-month lease at a number of new buildings in Oakland."

Changes needed to solidify the recovery appear to be underway. According to BayRock Multifamily CEO Stuart Gruendl, UC Berkeley's announcement of in-person classes being held this fall has spurred rent increases in Berkeley. He said this bodes well for his firm's recent housing acquisition in Berkeley and a project under construction in Oakland.

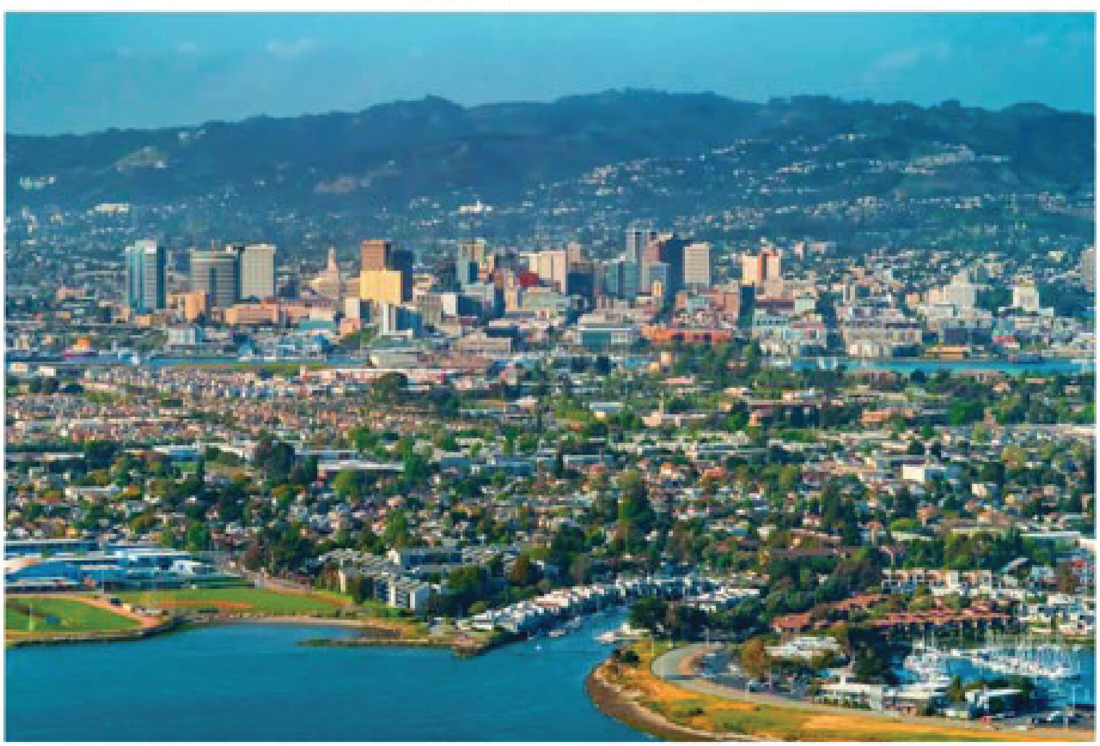
"We're bullish long-term on those markets, and we feel very good about our investments today," he said.

Oakland Real Estate Market Trends & Analysis 2022

The **Oakland real estate market** in California has come a long way in a relatively short period. However, it is worth noting that real estate in Oakland has been the primary beneficiary of significant tailwinds originating from its neighbor across the bay: San Francisco. As one of the hottest markets in the country, its proximity to the Golden Gate City has undoubtedly increased its potential to both residents and local investors. If for nothing else, the activity responsible for making San Francisco the poster child of the latest market recovery has also made it one of the most expensive places to live in the United States and the world. As a result, the Oakland housing market has seen an influx in interest, not the least of which has worked out very well for local investors with the ability to navigate today's new marketplace.

Oakland Real Estate Market 2022 Overview

- **Median Home Value:** $952,381
- **Median List Price:** $858,688 (+6.1% year over year)
- **1-Year Appreciation Rate:** 18.2%
- **Weeks Of Supply:** 5.1 (-0.7 year over year)
- **New Listings:** 695.6 (-11.2% year over year)
- **Active Listings:** 3,359 (-9.9% year over year)
- **Homes Sold:** 688.8 (+5.3% year over year)
- **Median Days On Market:** 12 (+1.5 year over year)
- **Median Rent:** $2,703
- **Price-To-Rent Ratio:** 29.36
- **Unemployment Rate:** 5.4% (latest estimate by the Bureau Of Labor Statistics)
- **Population (Metro):** 433,031 (latest estimate by the U.S. Census Bureau)
- **Median Household Income:** $73,692 (latest estimate by the U.S. Census Bureau)



Oakland Real Estate Trends 2022

Not unlike every other real estate market across the country, Oakland has enjoyed a relatively prosperous decade. Since the Great Recession tanked the U.S. housing market around the first quarter of 2012, real estate in Oakland has appreciated for more than nine consecutive years. Today, local home values continue to test new highs, which begs the question: Is Oakland real estate a good investment?

Real estate investors participating in the market in 2012 will certainly tell you their local market has been particularly lucrative. With prices appreciating in the wake of what was a foreclosure crisis, rehabbers had a field day. It is worth noting, however, that the market is shifting. Not only did prices continue to appreciate throughout the pandemic, but a distinct lack of inventory also continues to drive prices higher.

While rehabbers still have the opportunity to run a lucrative business in the local real estate market, new and emerging indicators are making long-term exit strategies more appealing. In particular, historically high home values have left little room for profit margins on flips. In response, investors have turned to alternative exit strategies: long-term rental properties.

Three Oakland real estate market trends, in particular, look as if they will cater more to rental property owners than rehabbers for the foreseeable future:

- Interest rates on traditional loans are historically low
- Years of cash flow can easily justify today's higher acquisition costs
- Inventory shortages will increase rental demand

As of October, the average rate on a 30-year fixed-rate loan was 3.07%, according to Freddie Mac. While up year to date, today's interest rates are still historically low and incredibly attractive. Lower borrowing costs have brought down acquisition costs for those looking to add to their passive income portfolio. At their current rate, mortgage rates will save today's buyers thousands of dollars, and real estate investors will be able to pad their bottom line with years of rent checks.

Lower borrowing costs will help absorb today's high prices, but it's the cash flow potential of real estate assets that make the prospect of owning a rental property even more attractive. With a median rent price of $2,703, it is possible to simultaneously rent out an investment property while having someone else pay down the mortgage. That way, investors could build equity in a physical asset and collect cash flow each month with the right long-term investment.

Perhaps even more importantly, the city looks to be the beneficiary of an exodus of renters from its neighbors: San Francisco and San Jose. As some of the most expensive cities to live in, San Jose and San Francisco see more people travel to the East Bay in search of slightly lower prices without giving up the Bay Area lifestyle. The exodus has brought about a drop in rental rates for San Jose and San Francisco, making real estate investors the true winners.

Investors are lucky to have several viable exit strategies at their disposal. Still, none appear more attractive than building a proper rental property portfolio in the wake of the pandemic. Too many important market indicators are pointing towards becoming a buy-and-hold investor to ignore.

Oakland Median Home Prices In 2022

Oakland's median home value is $952,381, according to Zillow. At its current price point, the median home value is up approximately 197.6% from the first quarter of 2012 (when the Great Recession was at its worst). Therefore, today's median home value is the result of more than nine consecutive years of appreciation.

However, having increased for the better part of a decade, home prices rose at their fastest rate in the last year. Due to the supply and demand constraints facing the whole country and the departure from San Francisco to Oakland, local home values have increased 18.2% in as little as one year.

One of the largest tailwinds boosting home values is the city's proximity to San Francisco and San Jose. The overpriced valuations of its two neighbors, some of the most expensive cities in the country, have forced many people to consider the East Bay home. As a result, real estate has been desired by homeowners from three cities for quite some time. Demand slowly gave way to fierce competition, and the lack of available housing inevitably granted homeowners all of the power. If, for nothing else, there aren't enough homes to satiate demand in the Bay Area, and Oakland home values came out on top.

Summary

The *Oakland real estate market* has enjoyed a great run since the end of the last recession. On its own merits, the local housing sector not only recovered but also thrived. However, the city's proximity to San Francisco took an already good situation for investors and made it a great one. In a pandemic, prices and activity will pull back slightly, but local fundamentals and demand are too strong to keep the city down for any lengthy period. As a result, the obstacles created by the Coronavirus should be viewed as an opportunity for everyone looking to participate in the market: buyers, sellers, and investors.

TREMENDOUS ACCESS TO MAJOR EMPLOYERS

Google
Amazon
facebook
Kaiser
UBER
JUUL
salesforce
Dropbox
lyft
LinkedIn
UCSF
cloudera

SAN FRANCISCO MARKET OVERVIEW

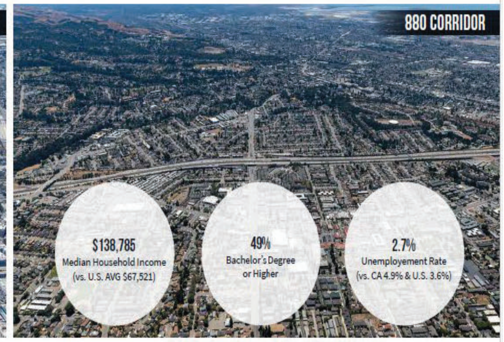
San Francisco and the greater Bay Area is a world leader in the fields of technology, life sciences/biotech, hardware, software, social media and alternative energy, and is also home to the second largest corporate base of Fortune 500 companies in the United States. The region's robust venture capital community, leading research and academic institutions, and entrepreneurial and innovative spirit have spawned global technology and biotechnology giants including Google, Apple, Facebook, Salesforce, Oracle, Cisco Systems, eBay, Genentech and Gilead. In addition, the region continues to foster a host of next wave companies including Uber, Twitter, Dropbox, Airbnb, Square and Okta that draw upon the Bay Area's exceptional talent and creativity.

Caltrans
BART
pandora
BROWN & TOLAND PHYSICIANS
CLOROX
DELTA DENTAL
Square
CALIFORNIA NURSES ASSOCIATION
UNIVERSITY OF CALIFORNIA
Kaiser
PG&E
Credit Karma

OAKLAND MARKET OVERVIEW

Major office occupiers continue to look east to Oakland to be closer to employee bases. JLL reported tenant requirements nearly doubled quarter over quarter in Q4 2021. In 2021, PG&E finalized plans to move operations out of San Francisco to 87,000 SF in Oakland's 300 Lakeside, aiming to fully occupy in 2023, while Twitter finalized its expansion into Oakland's downtown.

Oakland has attracted significant Bay Area office tenant attention and there have been over 2.2 million SF in total office migrations and expansions from San Francisco to Oakland over the last decade.



Apple
SEAGATE
RECARO
Western Digital
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TESLA
ThermoFisher SCIENTIFIC
SYNNEX
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880 CORRIDOR MARKET OVERVIEW

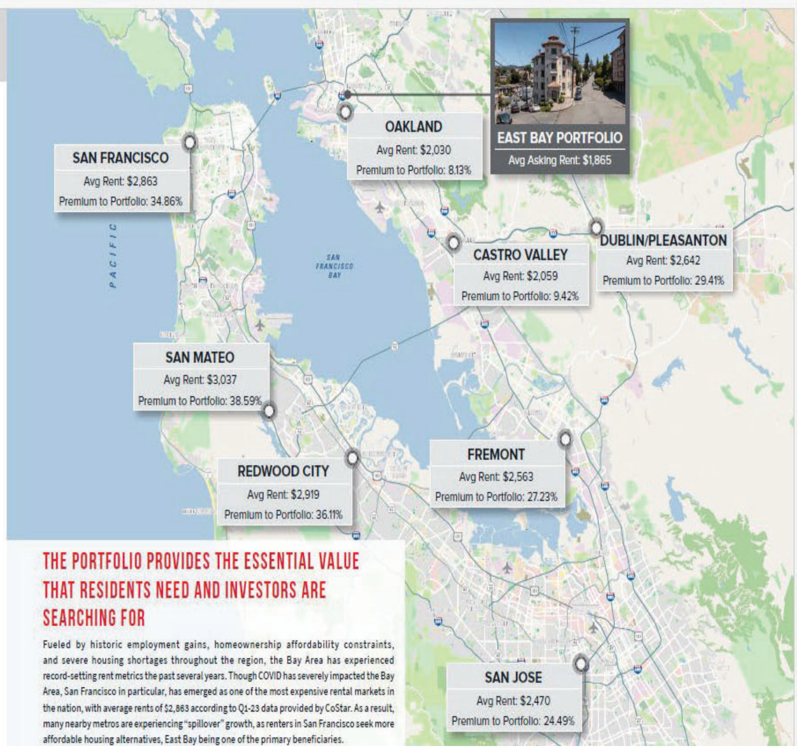
The 880 Corridor is also poised for the most growth in the Inner Bay. From East Oakland to Fremont, this is the last area to "mature," as it has been preceded in development by San Francisco, the Peninsula, and the South Bay/Silicon Valley. The 880 Corridor has formerly been home to workforce housing and industrial land uses, but its cities have been implementing more zoning for housing in recent years. Indeed, one of the characteristics of the most recent cycle has been a new activation of the 880 Corridor. In addition to its relative housing affordability at a discount to the balance of the Inner Bay, employers have been establishing outposts in the Corridor, such as Tesla's Fremont location and Facebook's Ardenwood site in Newark. BART's completed extension into San Jose and its Phase 2 to Santa Clara are further deepening the Corridor's rapid connections to all Bay Area employment hubs.

RELATIVE AFFORDABILITY WITHIN THE BAY AREA

SIGNIFICANT DISCOUNT TO HOME OWNERSHIP

Given the high home values in the area, the ability to put down 20% on a house can be difficult for even high wage earners, which makes renting the more attractive option for people looking to live in the Bay Area. The table to the right displays the difference between renting a unit in the Portfolio and buying a house in Oakland. It is roughly 63% more expensive on a monthly basis to buy versus rent and takes roughly $172,510 (20%) down to purchase a home in Oakland. This analysis makes the Portfolio an attractive alternative to owning a home, especially for young professionals and families looking for a more affordable option with direct access to employment centers.

DISCOUNT TO HOME OWNERSHIP	
Average Oakland Home Price	$862,552
Down Payment (20%)	$172,510
Mortgage Amount	$690,042
Interest Rate	5.93%
Monthly Principal and Interest	$4,106
Monthly Tax Payment ($11,878 /year)	$990
Total Monthly Housing Payment	$5,096
Annual Housing Payment	$61,152
Portfolio Average Projected Asking Rent	$1,865
Portfolio Annual Rental Payment	$22,380
Discount to Home Ownership	63%



THE PORTFOLIO PROVIDES THE ESSENTIAL VALUE THAT RESIDENTS NEED AND INVESTORS ARE SEARCHING FOR

Fueled by historic employment gains, homeownership affordability constraints, and severe housing shortages throughout the region, the Bay Area has experienced record-setting rent metrics the past several years. Though COVID has severely impacted the Bay Area, San Francisco in particular, has emerged as one of the most expensive rental markets in the nation, with average rents of $2,863 according to Q1-23 data provided by CoStar. As a result, many nearby metros are experiencing "spillover" growth, as renters in San Francisco seek more affordable housing alternatives, East Bay being one of the primary beneficiaries.

OAKLAND OVERVIEW

Oakland is the largest city in Alameda County, the third largest city in the San Francisco Bay Area, and the foundation of the East Bay market. The Oakland CBD encompasses over 22 million SF of office space, 3.7 million SF of retail, 68.5K units of multifamily residential, and 1,698 hotel rooms.

Oakland has evolved into one of the most attractive commercial real estate markets in the nation. Over the last 10 years 4.4 million SF of office space, 465,170 SF of retail space, 7.4 thousand multifamily units have been developed in Oakland. Oakland also offers a multitude of transit options including the BART, AC Transit, I-880/980/580, and Oakland International Airport, as well as a vibrant arts and culture scene featuring numerous restaurants, cafes, entertainment options, and other lifestyle amenities.

Oakland has become well known as an alternative Bay Area office hub, due to its central location and easy access to transit within the Bay Area, better value rents, thriving cultural scene, and presence of large tech offices such as Square (356K SF), Callisto Media (78K SF), Fivetran (79K SF), and Pandora Media (124K SF), Blue Shield (277K SF), Credit Karma (170K SF), Exelixis (110K SF), Delta Dental (82KSF) and UCSF/CHO (125K SF). Most recently, Twitter announced that it will be establishing a presence in Oakland and signed a 66K SF lease at 1330 Broadway. Twitter's decision was made despite its announcement to allow employees to permanently work from home and illustrates the desire for high-quality office space, despite hybrid or work from home arrangements. Twitter's choice of Oakland was largely driven by the need to attract and retain talent in the post-COVID world, underscoring the area's strong amenity base and favorable characteristics.

Office and Multifamily developers have responded nimbly to the greater interest in Oakland and have delivered over 1.5 million SF of office space and 3,346 residential units since 2019. Developers rely on their ability to continue attracting young, well-paid workers into Downtown Oakland to fill up new projects. In a city where 60% of households rent, Oakland's population grew by over 10% from 2010 through 2020, one of the fastest rates of any East Bay city.

OAKLAND BY THE NUMBERS

22M SF Of office space	**3.7M SF** Of retail space	**68.5 K** Multifamily units
1,698 Hotel rooms	**60%** Of households rent 60%	**10%** Population growth from 2010 through 2020

ROBUST MARKET GROWTH

Oakland has evolved into one of the most attractive commercial real estate markets in the nation. The area has experienced tremendous growth with over 7.0 million SF of commercial space either approved for development or in planning. Additionally, office rents have risen 16% over the past 36 months, driven largely by growth in the technology sector, with FinTech companies taking nearly 50% of newly leased space in the past 12 months.

OAKLAND MARKET STATISTICS

7.0M SF Approved for future developments or in planning

16% Increase in office rents over the past 36 months

OAKLAND MULTIFAMILY MARKET OVERVIEW

DEMAND STILL OUTWEIGHS SUPPLY

Oakland's office market has produced over 1.5 million SF in new deliveries and redevelopments since 2019. In addition, there are nine projects in the pipeline totaling 7.0 million SF, with seven of the nine projects (6.1 million SF) located in Uptown Oakland.

NEW OFFICE INVENTORY OUTPACES MULTIFAMILY CONSTRUCTION, FURTHER EXACERBATING THE JOB TO HOUSING IMBALANCE

COMMERCIAL PIPELINE	
Total SF Under Construction:	7,000,000
New Employees Generated:[1]	35,000
# NEW EMPLOYEES IN NEED OF HOUSING:[2]	11,667

VS.

RESIDENTIAL PIPELINE	
# of Units Left to Lease-Up:	1,194
# of Units Under Construction:	2,497
TOTAL # OF UNITS LEFT TO BE ABSORBED:	3,691

1. Analysis assumes 200 SF per employee
2. Analysis assumes one out of every three new employees will need housing

OAKLAND-OFFICE DELIVERIES AND PIPELINE

BUILDING NAME	ADDRESS	OWNER/DEVELOPER	BUILDING SIZE	FUTURE AVAILABLE	PRE-LEASED (SF)	PRE-LEASED %	TIMING	STATUS	TYPE
BEACON TOWER	326 21st Street	CIM Group	890,000	890,000	0	0%	2023	Approved	New Development
TELEGRAPH TOWER	2201 Valley Street	TMG Partners	875,000	875,000	0	0%	2023	Approved	New Development
EASTLINE	2100 Telegraph Ave	Lane Partners	1,650,000	1,650,000	0	0%	2024	Approved	New Development
KAISER CENTER 2	344 Thomas Berkeley Way	CIM Group	1,200,000	1,200,000	0	0%	2024	Approved	New Development
LAKE MERRITT BART	101 8th Street	Strada Investment Group	500,000	0	0	0%	2026	Approved	New Development
MANDELA STATION	1451 7th Street	Turner Development	382,460	0	0	0%	2026	Approved	Redevelopment
2424 WEBSTER	2424 Webster Street	Signature Development Group	161,000	0	0	0%	2024	Proposed	New Development
415 20TH STREET	415 20th Street	Hines	900,000	0	0	0%	2026	Proposed	Redevelopment
1919 WEBSTER	1919 Webster Street	Ellis Partners/Intercontinental Real Estate	520,000	0	0	0%	2024	Proposed	Redevelopment

GROWTH IN OAKLAND OFFICE SECTOR

Major office occupiers continue to look east to Oakland to be closer to employee bases. JLL reported tenant requirements nearly doubled quarter over quarter in Q4 2021. In 2021, PG&E finalized plans to move operations out of San Francisco to 87,000 SF in Oakland's 300 Lakeside, aiming to fully occupy in 2023. Data giant, Fivetran, also signed for and occupied 79,377 SF in 2021 while Twitter finalized its expansion into Oakland's downtown, leasing 66,600 SF in Q3 2021 and occupying Q2 2022. Oakland has attracted significant Bay Area office tenant attention and there have been over 2.2 million SF in total office migrations and expansions from San Francisco to Oakland over the last decade. The high-technology sector has generated a substantial proportion of the growth in the Oakland office sector as tenants discover the higher quality of life, discount to San Francisco rents, and the large population base in the East Bay, which represents 40% of the Bay Area workforce overall. Looking forward, there is over 7 million SF in Oakland's office development pipeline (~75% of which is fully entitled), providing further employment and commercial growth nearby.

NOTABLE TENANT MIGRATIONS

	SF	PREVIOUS MARKET
SQUARE	356,000	San Francisco
BLUE SHIELD	277,093	San Francisco
CREDIT KARMA	170,000	San Francisco
UCSF / CHO	125,000	San Francisco
EXELLXLS	110,000	San Francisco
DELTA DENTAL	82,000	San Francisco
WEWORK	82,000	San Francisco
BROWN & TOLAND	59,514	San Francisco
CA STATE DEPARMENT OF INSURANCE	47,000	San Francisco
WCRIB	40,981	San Francisco
SIERRA CLUB	38,776	San Francisco
UNION BANK	37,122	San Francisco
CLOVIS ONCOLOGY	33,000	San Francisco
SUNSET MAGAZINE	32,195	Silicon Valley
TREASURY WINE ESTATES	30,000	Napa
DENTONS LLP	28,396	San Francisco
CHARLES RIVER ASSOCIATES	27,831	San Francisco

OTHER NOTABLE LEASES & EXPANSIONS

	SF	START DATE
TWITTER	66,000	Apr-22
ENGIE	14,060	Jan-22
FIVETRAN	79,377	Dec-21
FABRIC GENOMICS	5,465	Oct-21
DEGENKOLB ENGINEERS	14,060	Sep-21
CALLISTO MEDIA WEST	78,070	Sep-21
CHINOOK THERAPEUTICS	5,281	Jul-21
VERITEXT CORPORATION	9,838	May-21
HARMLESS HARVEST	10,208	Jan-21
DICTIONARY.COM	8,739	Dec-20
ZELLE	6,131	Nov-20
EVERLAW	24,214	Oct-20
ASK MEDIA GROUP	19,801	Sep-20
POLICYLINK	13,350	Sep-20
LAUNCH DARKLY	13,166	Jun-20
COWI, INC	12,944	Jun-20
MARQETA	6,799	Apr-20
RIFFYN	9,131	Apr-20
DEEM	16,545	Apr-20
EKO DEVICES	11,825	Mar-20
PANDORA MEDIA	124,534	Mar-20
ENERPARC, INC	5,857	Feb-20
WEWORK	37,256	Jan-20
GRAVITATIONAL	8,237	Dec-19
CRA INTERNATIONAL	27,831	Oct-19
BIG FISH GAMES	20,755	Oct-19
CODING DOJO	6,997	Aug-19
MYND ANALYTICS	8,240	Jul-19
VSCO	23,158	Jul-19
TEECOM	24,511	Jul-19
TERRAIN	8,057	Apr-19

TWITTER OAKLAND LEASE - THE TIPPING POINT FOR FURTHER OFFICE EXPANSIONS AND GROWTH

Despite switching to a permanent Work from Home model during the Pandemic, Twitter signed a 66,000 SF lease at 1330 Broadway in 2022, located in the heart of Downtown Oakland. The office was designed to be used with a hybrid work model in mind and offers a convenient location for Oakland based commuters. The lease not only demonstrates that there is still a place for a physical office in the post-COVID world, but also underscores Oakland's attractive amenity base, which appeals to younger, high-earning tech employees. The market is poised for tremendous growth as others follow suit.

"The Oakland office market has maintained strong tenant demand from companies both growing their footprint in Oakland and those looking to move to Oakland for its strong workforce, diverse lifestyle, entertainment options, transportation, and ample housing options

- David Cropper, TMG's Director of Development

Twitter's expansion into Oakland demonstrates that major employers are still drawn to our city's unique cultural amenities and creative energy

- Libby Schaaf, Oakland Mayor"

COMPELLING VALUE COMPARED TO SAN FRANCISCO

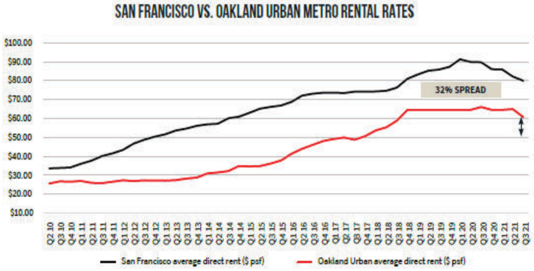
RENTAL SPREAD AND LACK OF AVAILABILITY DRIVING IN-BOUND MIGRATION

With the rental spread between San Francisco and the Oakland CBD currently at 32%, Oakland offers San Francisco users a compelling value proposition to San Francisco's rapidly escalating cost environment. This, in combination with a lack of expansion options, and lack of any significant new San Francisco deliveries is fueling an acceleration of in-bound migration to the Oakland CBD. Since the beginning of 2011, Oakland has seen nearly 2.9 million SF of inbound migration, the vast majority of which has come from San Francisco.

LIMITED LARGE BLOCK AVAILABILITY

The acceleration of this in-migration has only further pressured the supply demand imbalance for office space within the Oakland CBD. The newly proposed office supply in Oakland will be welcomed by prospective tenants.

SAN FRANCISCO VS. OAKLAND URBAN METRO RENTAL RATES



32%
Rental spread to San Francisco

81%
Of in-bound migrations relocated from San Francisco

14
Minutes to Oakland International Airport

12
Minutes to San Francisco on BART

BENEFITS BEYOND THE RENTAL SPREAD

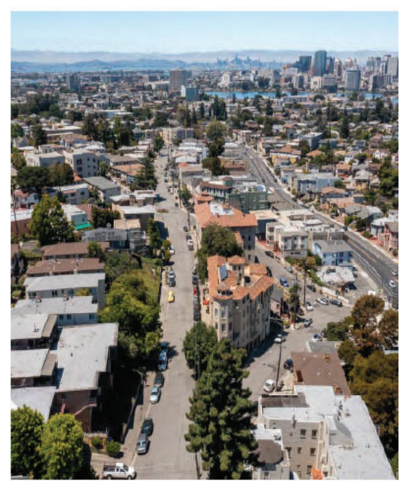
Beyond rental spreads, the Oakland CBD offers users the additional benefit of lower associated operating costs and compelling tax efficiencies. The City of San Francisco has historically charged businesses a payroll tax however, beginning in 2014, the City has begun converting to a gross receipts based tax structure. While the City of Oakland charges a similar gross receipts based tax, the associated rates in Oakland are equivalent to roughly half that of those charged by the city of San Francisco.

RELEVANT BUSINESS TAX CLASSIFICATIONS & RATES

OAKLAND	
CLASSIFICATION	TAX RATE
Commercial / Rental[2]	1.395%
Business / Personal Services	0.18%
Professional / Semi-Professional	0.36%
Administrative Headquarters	0.12%
Media Firms	0.12%
Public Utilities	0.10%
Total	2.28%

SAN FRANCISCO	
CLASSIFICATION	TAX RATE
Total Commercial Gross Receipt Tax[1]	3.80%
Information Services	0.125-0.475%
Civic	0.075-0.160%
Utilities, Arts, & Entertainment	0.300-0.400%
Private Education, Health, Administrative	0.525-0.650%
Finance, Insurance, Prof., Scientific, Technical Serv	0.400-0.560%
Total	5.225%-6.045%

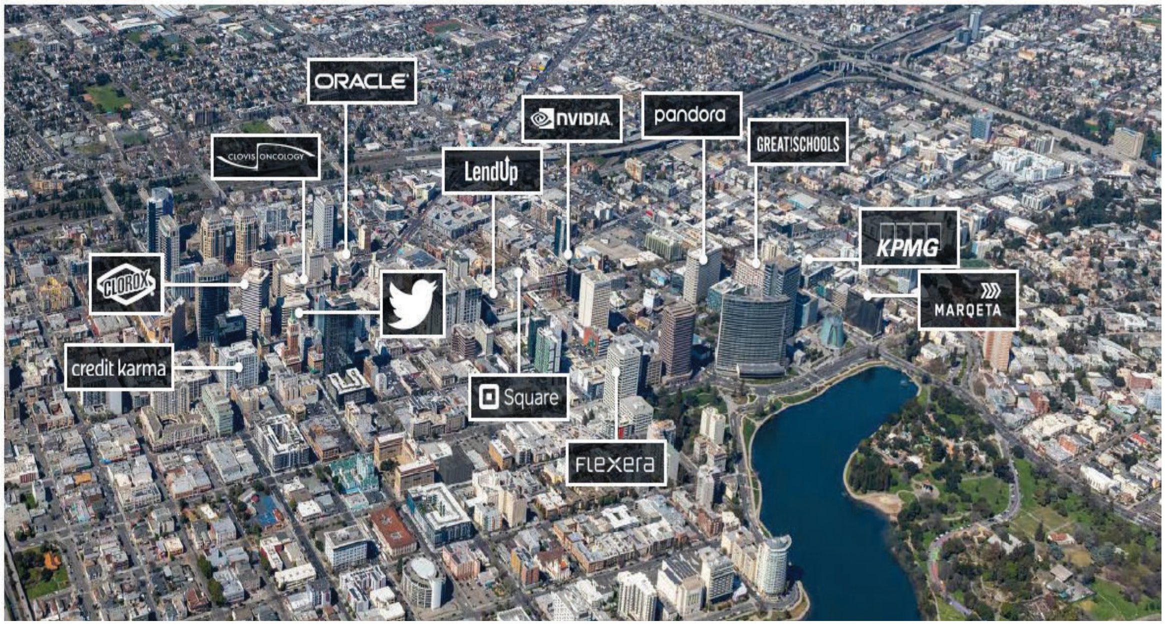
[1] San Francisco Gross Receipt tax reflects incremental tax range based upon gross revenue.
[2] Commercial Gross Receipt taxes are generally 100% passed through from Landlord to Tenants.



TOP BAY AREA TENANTS BRING TOP BAY AREA TECH SALARIES TO OAKLAND

As Oakland's expansion progresses, high-profile and high-paying tenants continue to move to the market. With this, the demand for Class-A luxury apartments has never been higher.

COMPANY	WALK TIME	SCOOTER / BIKE TIME	AVERAGE SALARY
Square	7 Minutes	2 Minutes	$169,867
Nvida	7 Minutes	2 Minutes	$147,640
Twitter	7 Minutes	4 Minutes	$143,800
Pandora	9 Minutes	3 Minutes	$136,874
Even	8 Minutes	3 Minutes	$135,000
Oracle	4 Minutes	1 Minute	$133,824
KPMG	9 Minutes	3 Minutes	$127,971
GreatSchools	4 Minutes	1 Minute	$127,907
Marqeta	12 Minutes	3 Minutes	$125,305
Credit Karma	13 Minutes	4 Minutes	$125,000
Deloitte	12 Minutes	3 Minutes	$123,286
Flexera	3 Minutes	1 Minute	$122,714
Opterra	13 Minutes	4 Minutes	$122,005
Clorox	11 Minutes	3 Minutes	$117,134
Clovis Oncology	10 Minutes	3 Minutes	$114,830
Fluid	6 Minutes	2 Minutes	$112,536
Accenture	9 Minutes	3 Minutes	$107,224
Arup	10 Minutes	3 Minutes	$100,501
Average Tech Salary			**$126,448**
Average Oakland Income			**$85,000**

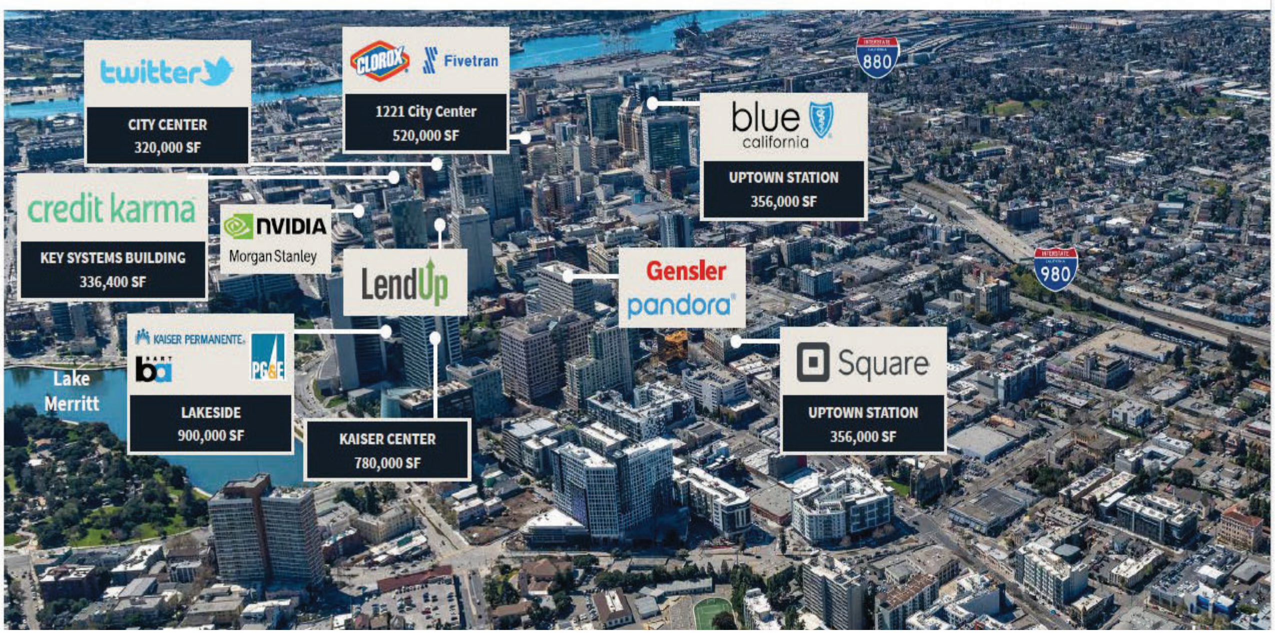


OAKLAND A CENTER OF JOB GROWTH

As Oakland office market continues to expand, it is attracting high profile and high-paying tenants emigrating from San Francisco. As the office, residential and retail infrastructure in Oakland grows, both employers and employees are increasingly selecting Oakland as a strategic alternative to San Francisco. Along with this, companies in San Francisco and the Peninsula are moving across the Bay to accommodate their large base of employees who live in the East Bay.

Recent leases from companies such as Square and Credit Karma are quickly turning Oakland into the Fintech epicenter of the Bay Area, with FinTech companies taking 44% of newly leased space in the past three quarters. Last year, tech unicorn, Fivetran, executed the city's largest lease of the year (80,000 SF) and moved-in late December. More recently, Twitter announced it signed a 66,000 SF lease at 1330 Broadway St., representing not only the ongoing wave of tenant migration from San Francisco, but also that remote work will not stop tech growth & its expansion efforts.

Oakland has over 7M SF of office space in its pipeline, which will begin delivering this year. These newly built and renovated office spaces will continue to drive Oakland's expansion into additional tech and the higher-wage salaries that follow.

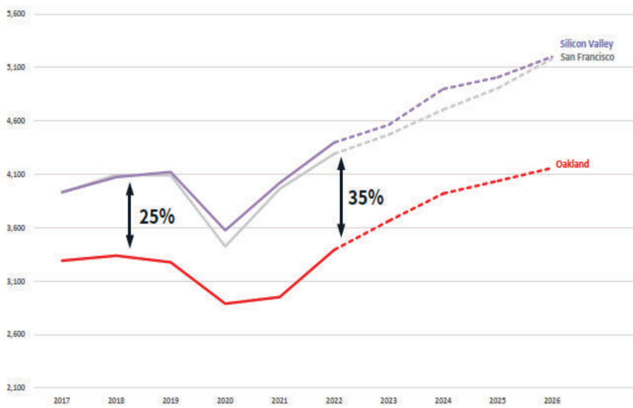


OAKLAND ANTICIPATED TO EXPERIENCE SIGNIFICANT RENT GROWTH AS THE RENTAL GAP NORMALIZES

Oakland is anticipated to experience significant rent growth, bringing the rental gap between Silicon Valley & San Francisco back in-line with its pre-pandemic gap.

The rental gap between Silicon Valley and San Francisco relative to Oakland has grown and been further exacerbated by the pandemic. As the graph below highlights, Oakland rents were on average approximately 25% below Silicon Valley and San Francisco prior to 2020. Today, the rental gap has increased more than 35%, respectively. Moving forward, this suggests a clear "snap-back" of rent growth or tightening of the gap between these respective markets as Oakland continues to experience positive absorption and concession burn-off as the supply demand re-balances.

MARKET ASKING RENT PER UNIT



OAKLAND: A STRAGTEGIC ALTERNATIVE TO SAN FRANCISCO TENANTS & RENTERS

The severe Jobs : Housing imbalance will have meaningful impact on San Francisco and Oakland multifamily market;

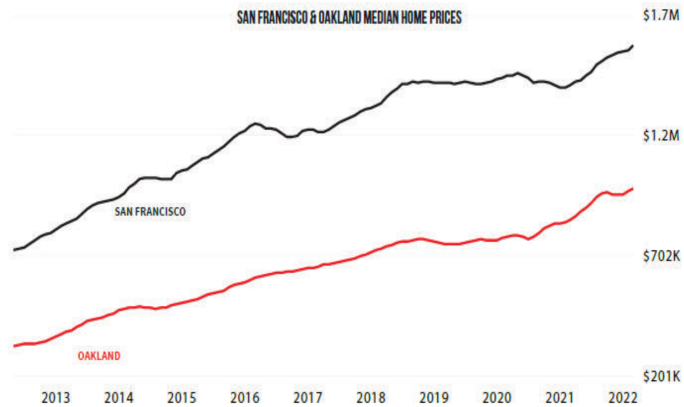
SAN FRANCISCO

- Rents will continue to rise
- Renters will transition to Oakland, seeking rent relief in a metropolitan setting

OAKLAND

- Net absorption will remain high
- Rents will continue to rise
- Concessions will decline

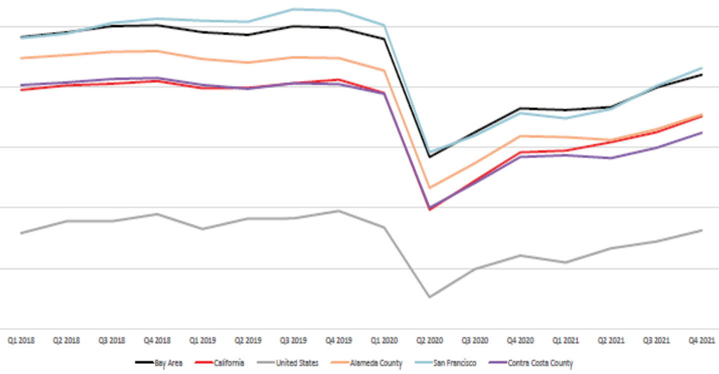
SAN FRANCISCO & OAKLAND MEDIAN HOME PRICES



NOT ENOUGH SAN FRANCISCO BAY AREA HOUSING: THE GREATEST JOBS TO HOUSING IMBALANCE IN THE COUNTRY

Job creation has outpaced the infrastructure available to accommodate the needs of a rapidly growing economy. Housing is the most critical challenge to regional growth. In the past six years, there was one new housing unit built for every 6.9 Bay Area jobs created. This is far behind the national and statewide rates of 2.5 and 5.3 jobs per unit, respectively, and a larger shortfall than that experienced during the late 1990s. Inadequate supply has led to greatly increased prices; a trend that will likely continue.

BAY AREA'S JOBS: HOUSING RATIO CONTINUES TO WEIGH HEAVILY TO EMPLOYMENT, DENOTING THE LACK OF HOUSING UNITS



RISING HOME COSTS OUTPRICE BUYERS

HOUSEHOLD INCOME VS. MEDIAN SALE PRICE QUALIFICATION

Based on the average household income for Oakland and the larger Alameda market, residents require over 600% more income in order to qualify for the purchase of a home at the median sale price.

HOMEOWNERSHIP AFFORDABILITY

BAY AREA RECOVERY - ECONOMIC INDICATORS ARE HERE

Prior to the pandemic, the Bay Area ranked number one among large metropolitan areas in average annual GDP growth over the previous decade. Unemployment stood at historic lows in the Bay Area at 2.7% in February 2020 prior to the pandemic. The region has rebounded quickly with unemployment reaching 2.2% in May 2022, while continuing to achieve more than 30% of U.S. venture capital investment.

According to Oxford Economics, the Bay Area is forecasted to grow the fastest on a GDP per worker basis amongst major U.S. metros. Bay Area's technology, research, and life science concentrations place the region at the center of advanced industries, be it advanced mobility, artificial intelligence, therapeutics, or cloud solutions.

ROBUST ECONOMY

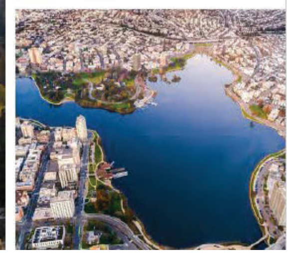
- **#1** Attracting, Growing, and Maintaining Talent (2021 - Bloomberg)
- **#1** Attainment of Bachelor Degrees
- **#3** Largest Metro Area In The U.S. In Terms Of Real Gdp
- **#5** Largest Metro Area In The U.S. With A Population Of Over 8.8 M
- **#19** Largest Economic Market In The World With An Annual Gdp Of Over $880 Billion

A FEW OF THE BAY AREA'S REMARKABLE ATTRIBUTES INCLUDE

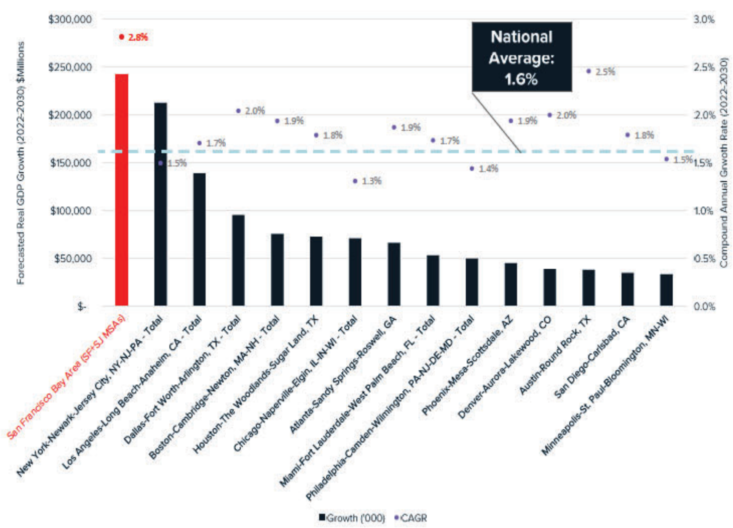
- **44%** Bay Area share of U.S. Venture Capital (Q3 - 2021)
- **286:1,000** Highest Concentration Of High-Tech Workers In The U.S.
- **15.4%** Of All Registered U.S. Patents (2020)
- **8.1%** Highest Concentration Of Millionaires
- **$250K** Highest Average Tech Salaries In The U.S.
- **49%** Of Population Over The Age Of 25 Holds A Bachelor's Degree

LARGEST PUBLICLY TRADED COMPANIES - S&P 500

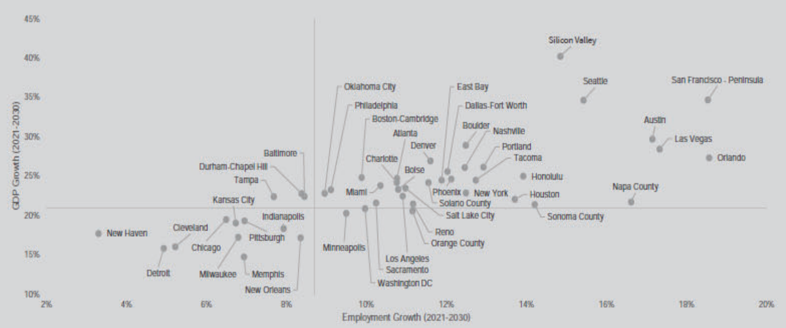
COMPANY	HQ LOCATION	MARKET CAP
Apple	Cupertino, CA	$2.8T
Google	Mountain View, CA	$1.9T
Tesla	Palo Alto, CA	$1.1T
Nvidia	Santa Clara, CA	$702M
Meta Platforms (Facebook)	Menlo Park, CA	$628T



THE BAY AREA REMAINS THE MOST PRODUCTIVE MAJOR METRO REGION IN THE COUNTRY AND CONTINUES TO OUTPACE ALL OTHER MARKETS IN GDP GROWTH



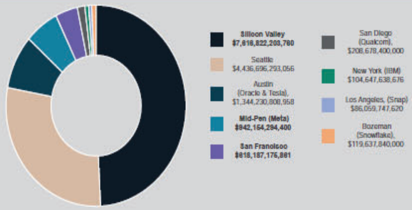
THE BAY AREA IS FORECASTED TO RECOVER FASTER & GROW STRONGER THAN THE NATIONAL ECONOMY OVERALL - OXFORD ECONOMICS



BAY AREA TECH CONTINUES TO GROW

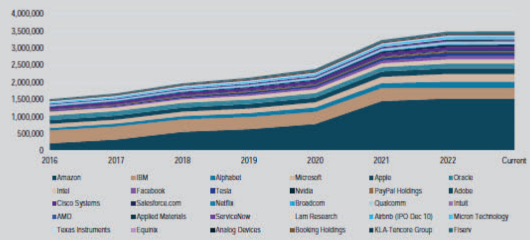
More than 64% of the market cap of the Top 25 technology companies are headquartered in the Bay Area

BIG TECH MARKET CAP BY CORPORATE HEADQUARTERS OFFICE MARKET



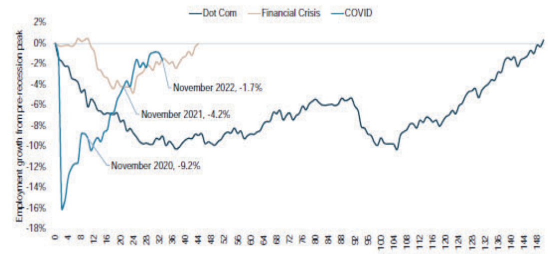
Headcounts have grown incrementally and reflect the revenue gain and importance of technology in the global economy. Total headcount of big tech alone is over 3.5 million workers globally

TOP 30 TECHNOLOGY COMPANY EMPLOYEES BY YEAR

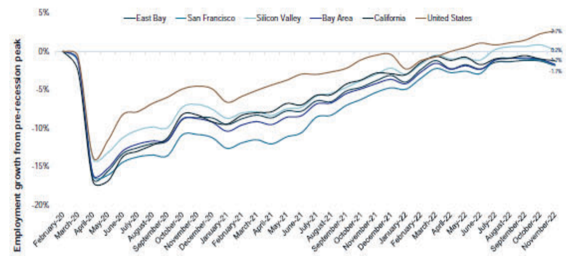


BAY AREA ECONOMIC OUTLOOK

Bay Area employment levels now sit 1.7% below pre-pandemic peak

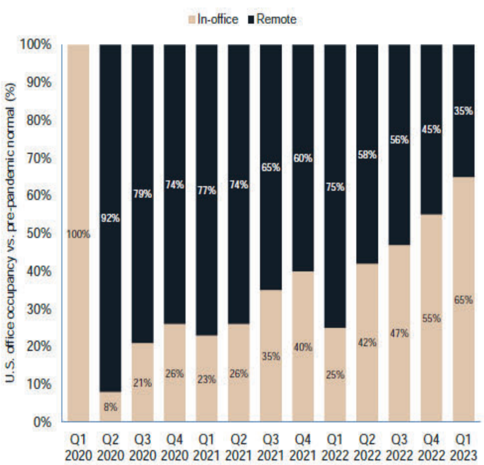


Silicon Valley is still the only Bay Area market to exceed its pre-pandemic employment levels



BAY AREA OFFICE OCCUPANCY

OFFICE RE-ENTRY REACHES POST-PANDEMIC HIGH FOLLOWING LABOR DAY RETURN TO OFFICE MANDATES; FORMER LAGGING GATEWAY MARKETS BENEFIT



Market	Re-entry rate (%)
Austin	60.5%
Houston	57.6%
Dallas	53.8%
Los Angeles	45.0%
Washington, DC	44.4%
Chicago	45.2%
New York	46.6%
Philadelphia	40.8%
San Francisco	39.2%
Silicon Valley	40.4%

Includes non-desk-using employees, such as janitorial and mail room staff, who reported to the office throughout the pandemic. As of 9/26/22.

TELLING THE RETURN-TO-WORK OFFICE RE-ENTRY STORY

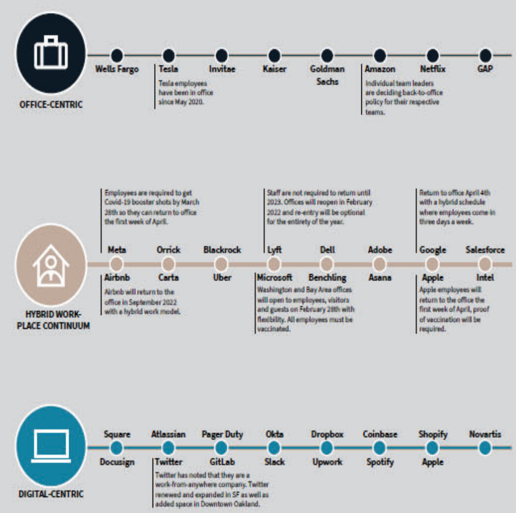
Reductions in COVID cases and relaxation of masking rules has led to a number of recent re-entry announcements. Below is a list of Bay Area companies that have reopened their office. The extent of re-entry remains on a full spectrum with many allowing a flexible in-office work week.

MARCH
- Microsoft
- Uber
- Blackrock
- Wells Fargo
- Lyft
- Asana
- Invitae
- Orrick
- Gap
- Visa
- Twitter

APRIL
- Benchling
- Apple
- Meta
- Google
- Carta

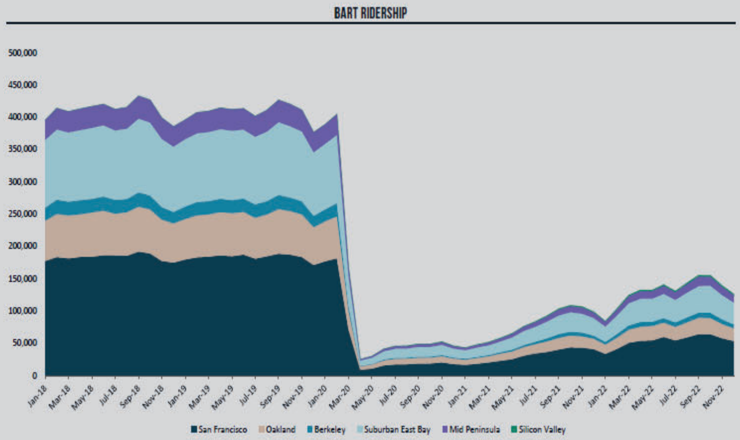
MAY
- Salesforce
- September
- AirBnB

OF THESE BAY AREA TENANTS, OVER 12.5M SF OF LEASED SPACE IN SILICON VALLEY WILL BE RE-ENTERED

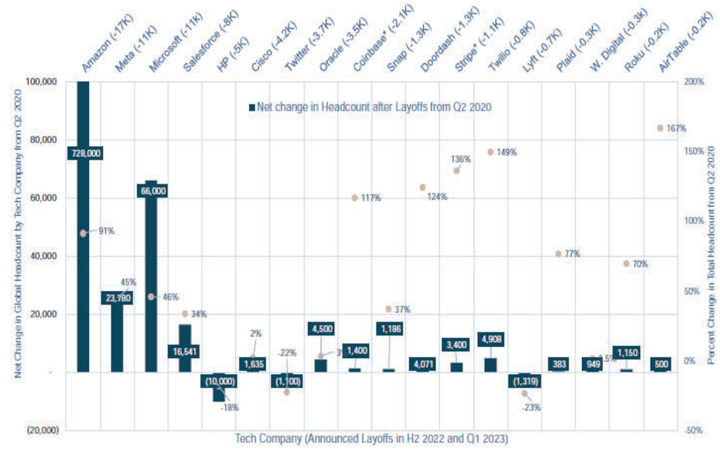


BAY AREA OCCUPANCY RATES & TRANSIT RIDERSHIP

TRANSIT RIDERSHIP IN GATEWAY CITIES HAS RECOVERED TO ~50% IF NORMAL LEVELS ON AVERAGE

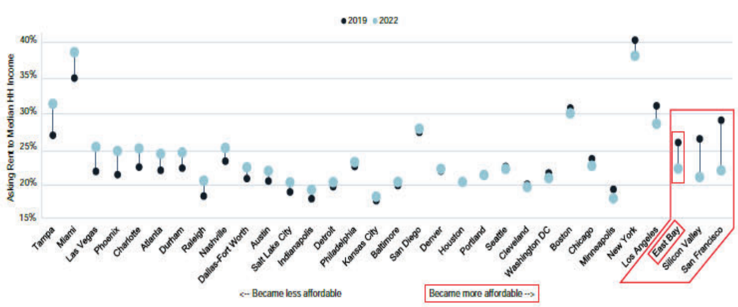


TECH LAYOFFS ARE MAKING HEADLINES - BUT TOTAL HEADCOUNT IS STILL UP 20% SINCE Q2 2020 AMONGST THESE COMPANIES



BAY AREA MARKETS DISPLAYED THE LARGEST SHIFT IN AFFORDABILITY OF ANY MARKET IN THE US THROUGHOUT THE PANDEMIC

INCOMES IN THE EAST BAY HAVE GROWN 12% SINCE ON THE ONSET OF THE PANDEMIC, WHILE EFFECTIVE RENTS HAVE ONLY GROWN 3.6% OVER THE SAME TIME PERIOD: SHIFTING THE PRE-PANDEMIC RENT-TO-INCOME RATIO IN THE EAST BAY FROM 26.4% TO 24.1% TODAY - THIS SUGGESTS THAT BAY AREA MARKETS WILL EXPERIENCE OUT-SIZED RENT GROWTH AS THESE METRICS NORMALIZE



EAST BAY RENTAL RESILIENCE & RECOVERY REINFORCES DEMAND & GROWTH POTENTIAL

EFFECTIVE RENTS IN THE EAST BAY SURPASSED PRE-PANDEMIC LEVELS IN 2021 AND CONTINUE TO TREND IN A POSITIVE DIRECTION IN 2023

IDEAL NEIGHBORHOOD DIVERSIFICATION

OPPORTUNITY TO ACQUIRE SCALE AT THE BASE OF THE EAST BAY'S MOST DESIRABLE NEIGHBORHOODS

GRAND LAKE

Grand Lake offers a Saturday-by-the-lake, relaxed feel in the sunny neighborhood proximate to Lake Merritt. From boutique shopping, restaurants, nightlife and theaters, Grand Lake has it all.

CLEVELAND HEIGHTS

Cleveland Heights attracts residents by offering the numerous conveniences of an urban setting among the comforts of a quieter suburban environment.

ADAMS POINT

Adams Point is best known for being home to Oakland's crown jewel, Lake Merritt, which provides residents and visitors with over three miles of continuous waterfront parks and green spaces.

ROCKRIDGE

At the foot of the Oakland Hills, Rockridge is a suburb-like haven, perfect for those raising families and living the quiet life.

CASTRO VALLEY

Castro Valley is ideally located less than a half hour from some of the finest attractions the Bay Area has to offer. The city offers residents a suburban environment, perfect for families of all sizes.

National Geographics's
28 Best Places
to Visit in the World for 2019

Huffington Post's
Most Exciting City
in America

USA Today's #1
West Coast Food
City of 2015

Forbes Ranked #12
Coolest City
in America of 2014

Strong Demand for Multifamily to Continue into 2024

Meanwhile deliveries are roaring ahead with the year expected to surge 51.1%.

By **Barbara Ballinger** | September 13, 2023

Demand continues to remain solid for the multifamily asset class as absorption in this year's first half surged to 98,429 units with an increase of 83,449 units in the second quarter of 2023, according to a new report by Newmark. This number almost quadruples absorption from last year's first half, and demand is expected to accelerate in the second half of 2023 and beyond to the first half of 2024.

So far supply – set to reach a 50-year high this year – is keeping pace. Already in this year's first half, 198,806 units were delivered, a record, and total deliveries for the entire year are projected to surge 51.1% year-over-year. Deliveries are also expected to increase in the second half through 2024.

In the four quarters ended in the 2Q of this year, the median market saw inventory growth by 2%. Ten out of 150 markets experienced growth above 5%. But over the next four quarters, change is coming with this measurement set to grow by 3.2%, including in 28 markets with inventory growth of 5% or more. As most markets reflected more new deliveries and with that expected to continue, some markets may be slower to absorb new inventory. But even if that turns out to be true, absorption in 40 of the top 50 markets is still expected to outpace the 2018-2022 annual average.

Meanwhile, for the first time in three quarters, multifamily had positive effective rent growth quarter-over-quarter in the second quarter of this year. Midwestern markets made up six of the top 10 markets for greatest YoY effective rent growth. However, rent growth continued to slow YoY.

Worth noting is that multifamily expenses increased a significant 8.3% Y-o-Y, mostly due to a 28.6% rise in insurance costs, which along with management and other expenses put a strain on landlords. Also, on the to-be-watched list is how price dislocation and the higher interest rate environment hinder the investment sales market, evidenced by the 71.8% YoY decline to $28.2 billion in quarterly sales volume.

Cities With the Most and Least Expensive Apartment Rents

New York City tops the list as the most expensive U.S. city to rent a one-bedroom apartment—$3,260—while Wichita, Kansas ranks as the state with the least expensive on-bedroom rent—$650, according to a report by Zumper, a renters assistance organization.

Cities With Most Expensive Rents

Ranking	City	Monthly Price for One Bedroom
1	New York City	$3,260
2	San Francisco	$2,910
3	Boston	$2,660
4	Miami	$2,500
5	San Jose, California	$2,420
6	Los Angeles	$2,300
7	San Diego	$2,280
8	Washington, D.C.	$2,230
9	Oakland, California	$2,070
10	Santa Ana, California	$1,950

After a year of substantial rent growth, Miami passed San Jose to become the fourth most-expensive rental market, the report says. The shift in the rankings shows how quickly rent has increased in Miami and how slow rent growth in the San Francisco Bay Area continues to be.

Cities With Least Expensive Rents

Ranking	City	Monthly Price for One Bedroom
1	Wichita, Kansas	$650
2	Akron, Ohio	$680
3	Lubbock, Texas	$690
4	Shreveport, Louisiana	$730
5	Lexington, Kentucky	$800
6	El Paso, Texas	$810
7	Laredo, Texas	$810
8	Baton Rouge, Louisiana	$820
9	Oklahoma City, Oklahoma	$830
10	Tucson, Arizona	$840

Rent in 2022 is rising faster than in 2021, according to the report. In March, the average one-bedroom rent nationally rose to an all-time high of $1,400, which represents a growth of 2.5% for the calendar year so far. This is higher than the 1.9% rise experienced over the same period last year.

East Bay Establishes Itself As Regional Housing Leader

Emeryville Mayor Dianne Martinez said during a *Bisnow* East Bay State of the Market digital summit on May 27 that the city has been focusing on the twin efforts of increasing housing at all levels of affordability while making the city a friendlier atmosphere for a diverse range of businesses.

The dual approach has been crucial in driving the city to its position as one of the leading life sciences clusters in the country, she said. Although the sector hinges on proximity to the University of California, Berkeley, a robust supply of affordable housing relative to other parts of the region and a strong public transit system help make companies attractive to employees.

Emeryville's rising status isn't without challenges. The city is only 1.25 square miles, putting constraints on development that are familiar to many municipalities in the Bay Area. But this feature also manifests as a quality-of-life bonus, as the small layout simplifies travel for the city's approximately 12,000 residents, Martinez said.

In 2018, Emeryville voters passed a $50M affordable housing bond, and the city recently completed a $64M expenditure package to increase affordable housing creation, Martinez said.

The East Bay's housing wealth has been at the forefront of change over the past year. Alameda County, which includes Emeryville, was second on the list of top destinations for Bay Area residents who decided to move in 2020, gaining a total of 87,230 residents, according to a report from Cushman & Wakefield. A parallel influx of multifamily housing supply has kept the submarket's rental recovery at bay.

Emerald Fund principal Marc Babsin said that Oakland's rental market has offered an important lesson in economic supply and demand. Between 2015 and 2019, Oakland experienced skyrocketing housing rental rates fueling housing construction, much of which began to deliver in 2018 and 2019, Babsin said.

But when the pandemic hit, the urban cores of places like San Francisco and Oakland's Uptown neighborhood were similarly hit with double-digit rent declines, which coincided with the delivery of 1,300 housing units and another 1,200 so far in 2021, with 1,400 under construction, leading to a significant supply-demand imbalance, Babsin said.

The imbalance coupled with the high costs of construction materials could make future projects harder to pencil if factors don't shift.

"If you're a landlord and you've got a vacant building, every month that the unit isn't occupied, it's gone forever — you've got bills to pay — so you have more and more concessions," he said. "And now you're seeing three months free on a 15-month lease at a number of new buildings in Oakland."

Changes needed to solidify the recovery appear to be underway. According to BayRock Multifamily CEO Stuart Gruendl, UC Berkeley's announcement of in-person classes being held this fall has spurred rent increases in Berkeley. He said this bodes well for his firm's recent housing acquisition in Berkeley and a project under construction in Oakland.

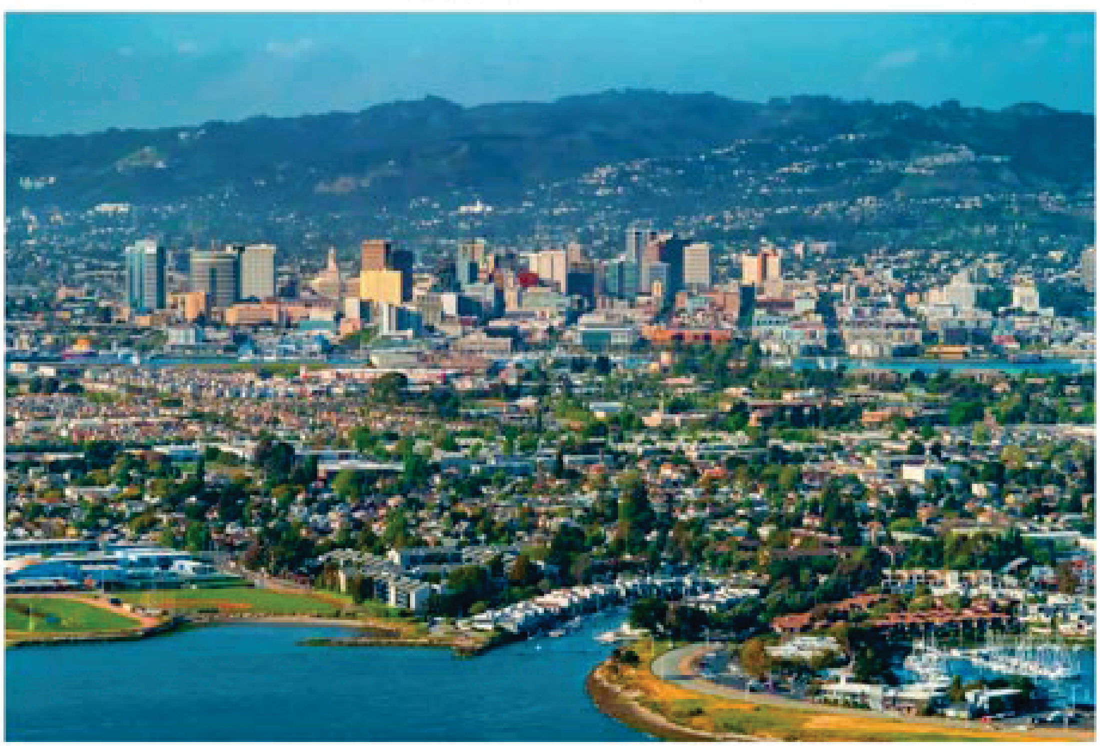
"We're bullish long-term on those markets, and we feel very good about our investments today," he said.

Oakland Real Estate Market Trends & Analysis 2022

The **Oakland real estate market** in California has come a long way in a relatively short period. However, it is worth noting that real estate in Oakland has been the primary beneficiary of significant tailwinds originating from its neighbor across the bay: San Francisco. As one of the hottest markets in the country, its proximity to the Golden Gate City has undoubtedly increased its potential to both residents and local investors. If for nothing else, the activity responsible for making San Francisco the poster child of the latest market recovery has also made it one of the most expensive places to live in the United States and the world. As a result, the Oakland housing market has seen an influx in interest, not the least of which has worked out very well for local investors with the ability to navigate today's new marketplace.

Oakland Real Estate Market 2022 Overview

- **Median Home Value:** $952,381
- **Median List Price:** $858,688 (+6.1% year over year)
- **1-Year Appreciation Rate:** 18.2%
- **Weeks Of Supply:** 5.1 (-0.7 year over year)
- **New Listings:** 695.6 (-11.2% year over year)
- **Active Listings:** 3,359 (-9.9% year over year)
- **Homes Sold:** 688.8 (+5.3% year over year)
- **Median Days On Market:** 12 (+1.5 year over year)
- **Median Rent:** $2,703
- **Price-To-Rent Ratio:** 29.36
- **Unemployment Rate:** 5.4% (latest estimate by the Bureau Of Labor Statistics)
- **Population (Metro):** 433,031 (latest estimate by the U.S. Census Bureau)
- **Median Household Income:** $73,692 (latest estimate by the U.S. Census Bureau)



Oakland Real Estate Trends 2022

Not unlike every other real estate market across the country, Oakland has enjoyed a relatively prosperous decade. Since the Great Recession tanked the U.S. housing market around the first quarter of 2012, real estate in Oakland has appreciated for more than nine consecutive years. Today, local home values continue to test new highs, which begs the question: Is Oakland real estate a good investment?

Real estate investors participating in the market in 2012 will certainly tell you their local market has been particularly lucrative. With prices appreciating in the wake of what was a foreclosure crisis, rehabbers had a field day. It is worth noting, however, that the market is shifting. Not only did prices continue to appreciate throughout the pandemic, but a distinct lack of inventory also continues to drive prices higher.

While rehabbers still have the opportunity to run a lucrative business in the local real estate market, new and emerging indicators are making long-term exit strategies more appealing. In particular, historically high home values have left little room for profit margins on flips. In response, investors have turned to alternative exit strategies: long-term rental properties.

Three Oakland real estate market trends, in particular, look as if they will cater more to rental property owners than rehabbers for the foreseeable future:

- Interest rates on traditional loans are historically low
- Years of cash flow can easily justify today's higher acquisition costs
- Inventory shortages will increase rental demand

As of October, the average rate on a 30-year fixed-rate loan was 3.07%, according to Freddie Mac. While up year to date, today's interest rates are still historically low and incredibly attractive. Lower borrowing costs have brought down acquisition costs for those looking to add to their passive income portfolio. At their current rate, mortgage rates will save today's buyers thousands of dollars, and real estate investors will be able to pad their bottom line with years of rent checks.

Lower borrowing costs will help absorb today's high prices, but it's the cash flow potential of real estate assets that make the prospect of owning a rental property even more attractive. With a median rent price of $2,703, it is possible to simultaneously rent out an investment property while having someone else pay down the mortgage. That way, investors could build equity in a physical asset and collect cash flow each month with the right long-term investment.

Perhaps even more importantly, the city looks to be the beneficiary of an exodus of renters from its neighbors: San Francisco and San Jose. As some of the most expensive cities to live in, San Jose and San Francisco see more people travel to the East Bay in search of slightly lower prices without giving up the Bay Area lifestyle. The exodus has brought about a drop in rental rates for San Jose and San Francisco, making real estate investors the true winners.

Investors are lucky to have several viable exit strategies at their disposal. Still, none appear more attractive than building a proper rental property portfolio in the wake of the pandemic. Too many important market indicators are pointing towards becoming a buy-and-hold investor to ignore.

Oakland Median Home Prices In 2022

Oakland's median home value is $952,381, according to Zillow. At its current price point, the median home value is up approximately 197.6% from the first quarter of 2012 (when the Great Recession was at its worst). Therefore, today's median home value is the result of more than nine consecutive years of appreciation.

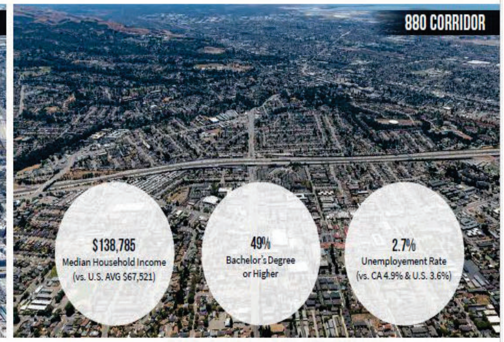
However, having increased for the better part of a decade, home prices rose at their fastest rate in the last year. Due to the supply and demand constraints facing the whole country and the departure from San Francisco to Oakland, local home values have increased 18.2% in as little as one year.

One of the largest tailwinds boosting home values is the city's proximity to San Francisco and San Jose. The overpriced valuations of its two neighbors, some of the most expensive cities in the country, have forced many people to consider the East Bay home. As a result, real estate has been desired by homeowners from three cities for quite some time. Demand slowly gave way to fierce competition, and the lack of available housing inevitably granted homeowners all of the power. If, for nothing else, there aren't enough homes to satiate demand in the Bay Area, and Oakland home values came out on top.

Summary

The *Oakland real estate market* has enjoyed a great run since the end of the last recession. On its own merits, the local housing sector not only recovered but also thrived. However, the city's proximity to San Francisco took an already good situation for investors and made it a great one. In a pandemic, prices and activity will pull back slightly, but local fundamentals and demand are too strong to keep the city down for any lengthy period. As a result, the obstacles created by the Coronavirus should be viewed as an opportunity for everyone looking to participate in the market: buyers, sellers, and investors.

TREMENDOUS ACCESS TO MAJOR EMPLOYERS



Google Amazon facebook Kaiser UBER JUUL salesforce Dropbox lyft LinkedIn UCSF cloudera

SAN FRANCISCO MARKET OVERVIEW

San Francisco and the greater Bay Area is a world leader in the fields of technology, life sciences/biotech, hardware, software, social media and alternative energy, and is also home to the second largest corporate base of Fortune 500 companies in the United States. The region's robust venture capital community, leading research and academic institutions, and entrepreneurial and innovative spirit have spawned global technology and biotechnology giants including Google, Apple, Facebook, Salesforce, Oracle, Cisco Systems, eBay, Genentech and Gilead. In addition, the region continues to foster a host of next wave companies including Uber, Twitter, Dropbox, Airbnb, Square and Okta that draw upon the Bay Area's exceptional talent and creativity.

Caltrans BART pandora BROWN & TOLAND PHYSICIANS CLOROX DELTA DENTAL CALIFORNIA NURSES ASSOCIATION Square UNIVERSITY OF CALIFORNIA Kaiser PG&E Credit Karma

OAKLAND MARKET OVERVIEW

Major office occupiers continue to look east to Oakland to be closer to employee bases. JLL reported tenant requirements nearly doubled quarter over quarter in Q4 2021. In 2021, PG&E finalized plans to move operations out of San Francisco to 87,000 SF in Oakland's 300 Lakeside, aiming to fully occupy in 2023, while Twitter finalized its expansion into Oakland's downtown.

Oakland has attracted significant Bay Area office tenant attention and there have been over 2.2 million SF in total office migrations and expansions from San Francisco to Oakland over the last decade.

Apple SEAGATE RECARO Western Digital atieva ASUS Oorja TESLA ThermoFisher SCIENTIFIC SYNNEX Lam RESEARCH genZe

880 CORRIDOR MARKET OVERVIEW

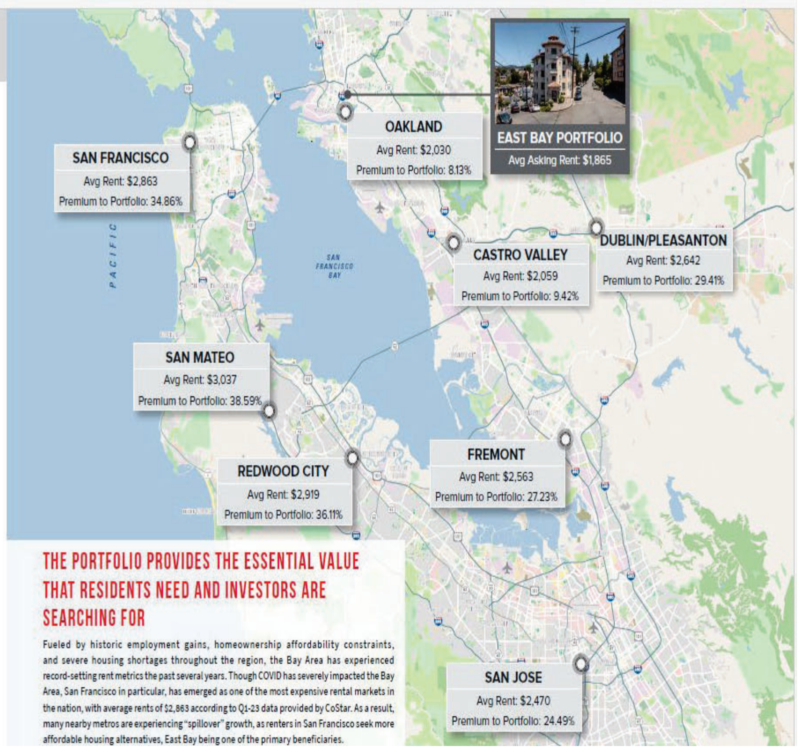
The 880 Corridor is also poised for the most growth in the Inner Bay. From East Oakland to Fremont, this is the last area to "mature," as it has been preceded in development by San Francisco, the Peninsula, and the South Bay/Silicon Valley. The 880 Corridor has formerly been home to workforce housing and industrial land uses, but its cities have been implementing more zoning for housing in recent years. Indeed, one of the characteristics of the most recent cycle has been a new activation of the 880 Corridor. In addition to its relative housing affordability at a discount to the balance of the Inner Bay, employers have been establishing outposts in the Corridor, such as Tesla's Fremont location and Facebook's Ardenwood site in Newark. BART's completed extension into San Jose and its Phase 2 to Santa Clara are further deepening the Corridor's rapid connections to all Bay Area employment hubs.

RELATIVE AFFORDABILITY WITHIN THE BAY AREA

SIGNIFICANT DISCOUNT TO HOME OWNERSHIP

Given the high home values in the area, the ability to put down 20% on a house can be difficult for even high wage earners, which makes renting the more attractive option for people looking to live in the Bay Area. The table to the right displays the difference between renting a unit in the Portfolio and buying a house in Oakland. It is roughly 63% more expensive on a monthly basis to buy versus rent and takes roughly $172,510 (20%) down to purchase a home in Oakland. This analysis makes the Portfolio an attractive alternative to owning a home, especially for young professionals and families looking for a more affordable option with direct access to employment centers.

DISCOUNT TO HOME OWNERSHIP	
Average Oakland Home Price	$862,552
Down Payment (20%)	$172,510
Mortgage Amount	$690,042
Interest Rate	5.93%
Monthly Principal and Interest	$4,106
Monthly Tax Payment ($11,878 /year)	$990
Total Monthly Housing Payment	$5,096
Annual Housing Payment	$61,152
Portfolio Average Projected Asking Rent	$1,865
Portfolio Annual Rental Payment	$22,380
Discount to Home Ownership	**63%**



THE PORTFOLIO PROVIDES THE ESSENTIAL VALUE THAT RESIDENTS NEED AND INVESTORS ARE SEARCHING FOR

Fueled by historic employment gains, homeownership affordability constraints, and severe housing shortages throughout the region, the Bay Area has experienced record-setting rent metrics the past several years. Though COVID has severely impacted the Bay Area, San Francisco in particular, has emerged as one of the most expensive rental markets in the nation, with average rents of $2,863 according to Q1-23 data provided by CoStar. As a result, many nearby metros are experiencing "spillover" growth, as renters in San Francisco seek more affordable housing alternatives, East Bay being one of the primary beneficiaries.

OAKLAND OVERVIEW

Oakland is the largest city in Alameda County, the third largest city in the San Francisco Bay Area, and the foundation of the East Bay market. The Oakland CBD encompasses over 22 million SF of office space, 3.7 million SF of retail, 68.5K units of multifamily residential, and 1,698 hotel rooms.

Oakland has evolved into one of the most attractive commercial real estate markets in the nation. Over the last 10 years 4.4 million SF of office space, 465,170 SF of retail space, 7.4 thousand multifamily units have been developed in Oakland. Oakland also offers a multitude of transit options including the BART, AC Transit, I-880/980/580, and Oakland International Airport, as well as a vibrant arts and culture scene featuring numerous restaurants, cafes, entertainment options, and other lifestyle amenities.

Oakland has become well known as an alternative Bay Area office hub, due to its central location and easy access to transit within the Bay Area, better value rents, thriving cultural scene, and presence of large tech offices such as Square (356K SF), Callisto Media (78K SF), Fivetran (79K SF), and Pandora Media (124K SF), Blue Shield (277K SF), Credit Karma (170K SF), Exelixis (110K SF), Delta Dental (82KSF) and UCSF/CHO (125K SF). Most recently, Twitter announced that it will be establishing a presence in Oakland and signed a 66K SF lease at 1330 Broadway. Twitter's decision was made despite its announcement to allow employees to permanently work from home and illustrates the desire for high-quality office space, despite hybrid or work from home arrangements. Twitter's choice of Oakland was largely driven by the need to attract and retain talent in the post-COVID world, underscoring the area's strong amenity base and favorable characteristics.

Office and Multifamily developers have responded nimbly to the greater interest in Oakland and have delivered over 1.5 million SF of office space and 3,346 residential units since 2019. Developers rely on their ability to continue attracting young, well-paid workers into Downtown Oakland to fill up new projects. In a city where 60% of households rent, Oakland's population grew by over 10% from 2010 through 2020, one of the fastest rates of any East Bay city.

OAKLAND BY THE NUMBERS

22M SF Of office space	**3.7M SF** Of retail space	**68.5 K** Multifamily units
1,698 Hotel rooms	**60%** Of households rent 60%	**10%** Population growth from 2010 through 2020

ROBUST MARKET GROWTH

Oakland has evolved into one of the most attractive commercial real estate markets in the nation. The area has experienced tremendous growth with over 7.0 million SF of commercial space either approved for development or in planning. Additionally, office rents have risen 16% over the past 36 months, driven largely by growth in the technology sector, with FinTech companies taking nearly 50% of newly leased space in the past 12 months.

OAKLAND MARKET STATISTICS

7.0M SF Approved for future developments or in planning

16% Increase in office rents over the past 36 months

OAKLAND MULTIFAMILY MARKET OVERVIEW

DEMAND STILL OUTWEIGHS SUPPLY

Oakland's office market has produced over 1.5 million SF in new deliveries and redevelopments since 2019. In addition, there are nine projects in the pipeline totaling 7.0 million SF, with seven of the nine projects (6.1 million SF) located in Uptown Oakland.

NEW OFFICE INVENTORY OUTPACES MULTIFAMILY CONSTRUCTION, FURTHER EXACERBATING THE JOB TO HOUSING IMBALANCE

COMMERCIAL PIPELINE	
Total SF Under Construction:	7,000,000
New Employees Generated:[1]	35,000
# NEW EMPLOYEES IN NEED OF HOUSING:[2]	11,667

VS.

RESIDENTIAL PIPELINE	
# of Units Left to Lease-Up:	1,194
# of Units Under Construction:	2,497
TOTAL # OF UNITS LEFT TO BE ABSORBED:	3,691

1. Analysis assumes 200 SF per employee
2. Analysis assumes one out of every three new employees will need housing

OAKLAND-OFFICE DELIVERIES AND PIPELINE

BUILDING NAME	ADDRESS	OWNER/DEVELOPER	BUILDING SIZE	FUTURE AVAILABLE	PRE-LEASED (SF)	PRE-LEASED %	TIMING	STATUS	TYPE
BEACON TOWER	326 21st Street	CIM Group	890,000	890,000	0	0%	2023	Approved	New Development
TELEGRAPH TOWER	2201 Valley Street	TMG Partners	875,000	875,000	0	0%	2023	Approved	New Development
EASTLINE	2100 Telegraph Ave	Lane Partners	1,650,000	1,650,000	0	0%	2024	Approved	New Development
KAISER CENTER 2	344 Thomas Berkeley Way	CIM Group	1,200,000	1,200,000	0	0%	2024	Approved	New Development
LAKE MERRITT BART	101 8th Street	Strada Investment Group	500,000	0	0	0%	2026	Approved	New Development
MANDELA STATION	1451 7th Street	Turner Development	382,460	0	0	0%	2026	Approved	Redevelopment
2424 WEBSTER	2424 Webster Street	Signature Development Group	161,000	0	0	0%	2024	Proposed	New Development
415 20TH STREET	415 20th Street	Hines	900,000	0	0	0%	2026	Proposed	Redevelopment
1919 WEBSTER	1919 Webster Street	Ellis Partners/Intercontinental Real Estate	520,000	0	0	0%	2024	Proposed	Redevelopment

GROWTH IN OAKLAND OFFICE SECTOR

Major office occupiers continue to look east to Oakland to be closer to employee bases. JLL reported tenant requirements nearly doubled quarter over quarter in Q4 2021. In 2021, PG&E finalized plans to move operations out of San Francisco to 87,000 SF in Oakland's 300 Lakeside, aiming to fully occupy in 2023. Data giant, Fivetran, also signed for and occupied 79,377 SF in 2021 while Twitter finalized its expansion into Oakland's downtown, leasing 66,600 SF in Q3 2021 and occupying Q2 2022. Oakland has attracted significant Bay Area office tenant attention and there have been over 2.2 million SF in total office migrations and expansions from San Francisco to Oakland over the last decade. The high-technology sector has generated a substantial proportion of the growth in the Oakland office sector as tenants discover the higher quality of life, discount to San Francisco rents, and the large population base in the East Bay, which represents 40% of the Bay Area workforce overall. Looking forward, there is over 7 million SF in Oakland's office development pipeline (~75% of which is fully entitled), providing further employment and commercial growth nearby.

NOTABLE TENANT MIGRATIONS

	SF	PREVIOUS MARKET
SQUARE	356,000	San Francisco
BLUE SHIELD	277,093	San Francisco
CREDIT KARMA	170,000	San Francisco
UCSF / CHO	125,000	San Francisco
EXELLXLS	110,000	San Francisco
DELTA DENTAL	82,000	San Francisco
WEWORK	82,000	San Francisco
BROWN & TOLAND	59,514	San Francisco
CA STATE DEPARMENT OF INSURANCE	47,000	San Francisco
WCRIB	40,981	San Francisco
SIERRA CLUB	38,776	San Francisco
UNION BANK	37,122	San Francisco
CLOVIS ONCOLOGY	33,000	San Francisco
SUNSET MAGAZINE	32,195	Silicon Valley
TREASURY WINE ESTATES	30,000	Napa
DENTONS LLP	28,396	San Francisco
CHARLES RIVER ASSOCIATES	27,831	San Francisco

OTHER NOTABLE LEASES & EXPANSIONS

	SF	START DATE
TWITTER	66,000	Apr-22
ENGIE	14,060	Jan-22
FIVETRAN	79,377	Dec-21
FABRIC GENOMICS	5,465	Oct-21
DEGENKOLB ENGINEERS	14,060	Sep-21
CALLISTO MEDIA WEST	78,070	Sep-21
CHINOOK THERAPEUTICS	5,281	Jul-21
VERITEXT CORPORATION	9,838	May-21
HARMLESS HARVEST	10,208	Jan-21
DICTIONARY.COM	8,739	Dec-20
ZELLE	6,131	Nov-20
EVERLAW	24,214	Oct-20
ASK MEDIA GROUP	19,801	Sep-20
POLICYLINK	13,350	Sep-20
LAUNCH DARKLY	13,166	Jun-20
COWI, INC	12,944	Jun-20
MARQETA	6,799	Apr-20
RIFFYN	9,131	Apr-20
DEEM	16,545	Apr-20
EKO DEVICES	11,825	Mar-20
PANDORA MEDIA	124,534	Mar-20
ENERPARC, INC	5,857	Feb-20
WEWORK	37,256	Jan-20
GRAVITATIONAL	8,237	Dec-19
CRA INTERNATIONAL	27,831	Oct-19
BIG FISH GAMES	20,755	Oct-19
CODING DOJO	6,997	Aug-19
MYND ANALYTICS	8,240	Jul-19
VSCO	23,158	Jul-19
TEECOM	24,511	Jul-19
TERRAIN	8,057	Apr-19

TWITTER OAKLAND LEASE - THE TIPPING POINT FOR FURTHER OFFICE EXPANSIONS AND GROWTH

Despite switching to a permanent Work from Home model during the Pandemic, Twitter signed a 66,000 SF lease at 1330 Broadway in 2022, located in the heart of Downtown Oakland. The office was designed to be used with a hybrid work model in mind and offers a convenient location for Oakland based commuters. The lease not only demonstrates that there is still a place for a physical office in the post-COVID world, but also underscores Oakland's attractive amenity base, which appeals to younger, high-earning tech employees. The market is poised for tremendous growth as others follow suit.

"The Oakland office market has maintained strong tenant demand from companies both growing their footprint in Oakland and those looking to move to Oakland for its strong workforce, diverse lifestyle, entertainment options, transportation, and ample housing options

- David Cropper, TMG's Director of Development

Twitter's expansion into Oakland demonstrates that major employers are still drawn to our city's unique cultural amenities and creative energy

- Libby Schaaf, Oakland Mayor"

COMPELLING VALUE COMPARED TO SAN FRANCISCO

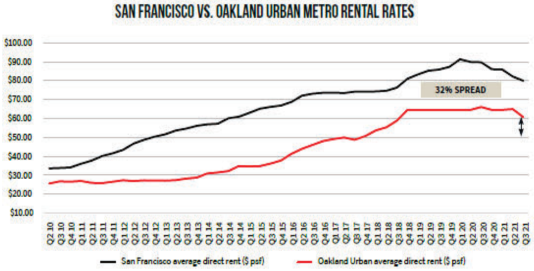
RENTAL SPREAD AND LACK OF AVAILABILITY DRIVING IN-BOUND MIGRATION

With the rental spread between San Francisco and the Oakland CBD currently at 32%, Oakland offers San Francisco users a compelling value proposition to San Francisco's rapidly escalating cost environment. This, in combination with a lack of expansion options, and lack of any significant new San Francisco deliveries is fueling an acceleration of in-bound migration to the Oakland CBD. Since the beginning of 2011, Oakland has seen nearly 2.9 million SF of inbound migration, the vast majority of which has come from San Francisco.

LIMITED LARGE BLOCK AVAILABILITY

The acceleration of this in-migration has only further pressured the supply demand imbalance for office space within the Oakland CBD. The newly proposed office supply in Oakland will be welcomed by prospective tenants.

SAN FRANCISCO VS. OAKLAND URBAN METRO RENTAL RATES



32%
Rental spread to San Francisco

81%
Of in-bound migrations relocated from San Francisco

14
Minutes to Oakland International Airport

12
Minutes to San Francisco on BART

BENEFITS BEYOND THE RENTAL SPREAD

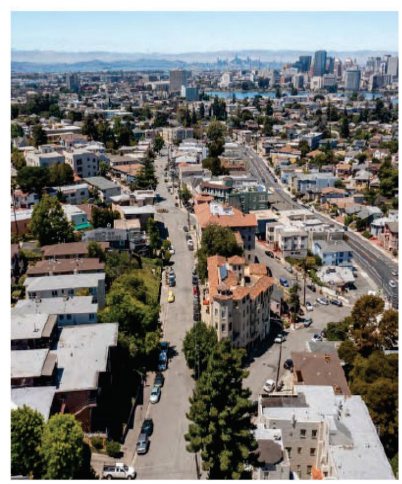
Beyond rental spreads, the Oakland CBD offers users the additional benefit of lower associated operating costs and compelling tax efficiencies. The City of San Francisco has historically charged businesses a payroll tax however, beginning in 2014, the City has begun converting to a gross receipts based tax structure. While the City of Oakland charges a similar gross receipts based tax, the associated rates in Oakland are equivalent to roughly half that of those charged by the city of San Francisco.

RELEVANT BUSINESS TAX CLASSIFICATIONS & RATES

OAKLAND	
CLASSIFICATION	TAX RATE
Commercial / Rental[1]	1.395%
Business / Personal Services	0.18%
Professional / Semi-Professional	0.36%
Administrative Headquarters	0.12%
Media Firms	0.12%
Public Utilities	0.10%
Total	2.28%

SAN FRANCISCO	
CLASSIFICATION	TAX RATE
Total Commercial Gross Receipt Tax[2]	3.80%
Information Services	0.125-0.475%
Civic	0.075-0.160%
Utilities, Arts, & Entertainment	0.300-0.400%
Private Education, Health, Administrative	0.525-0.650%
Finance, Insurance, Prof., Scientific, Technical Serv	0.400-0.560%
Total	5.225%-6.045%

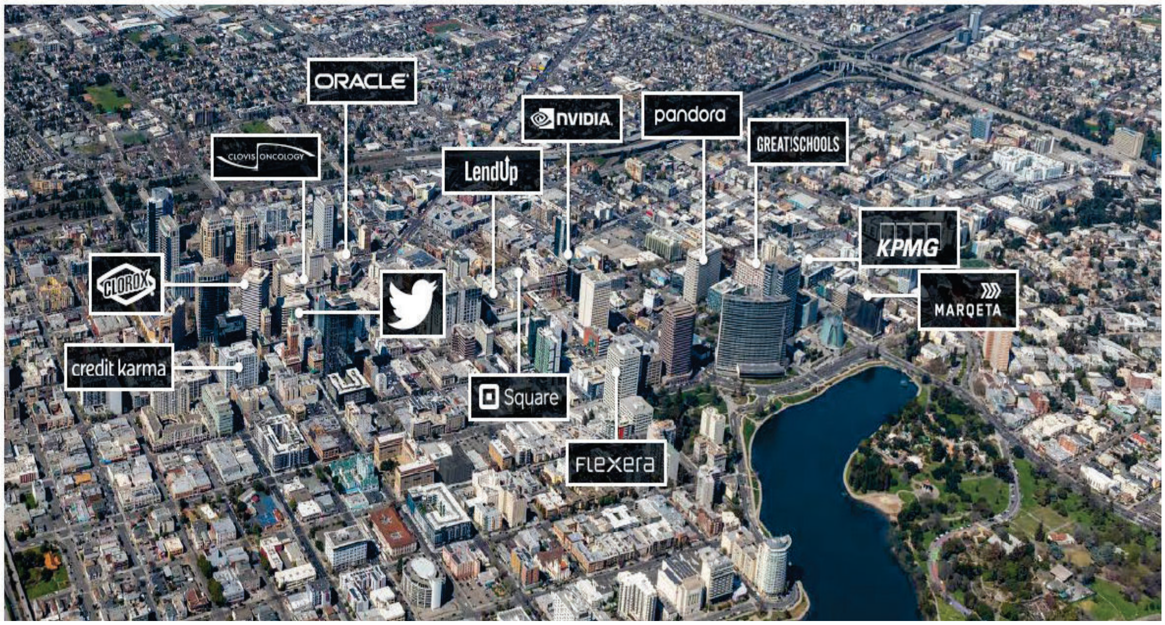
[1] San Francisco Gross Receipt tax reflects incremental tax range based upon gross revenue.
[2] Commercial Gross Receipt taxes are generally 100% passed through from Landlord to Tenants.



TOP BAY AREA TENANTS BRING TOP BAY AREA TECH SALARIES TO OAKLAND

As Oakland's expansion progresses, high-profile and high-paying tenants continue to move to the market. With this, the demand for Class-A luxury apartments has never been higher.

COMPANY	WALK TIME	SCOOTER / BIKE TIME	AVERAGE SALARY
Square	7 Minutes	2 Minutes	$169,867
Nvida	7 Minutes	2 Minutes	$147,640
Twitter	7 Minutes	4 Minutes	$143,800
Pandora	9 Minutes	3 Minutes	$136,874
Even	8 Minutes	3 Minutes	$135,000
Oracle	4 Minutes	1 Minute	$133,824
KPMG	9 Minutes	3 Minutes	$127,971
GreatSchools	4 Minutes	1 Minute	$127,907
Marqeta	12 Minutes	3 Minutes	$125,305
Credit Karma	13 Minutes	4 Minutes	$125,000
Deloitte	12 Minutes	3 Minutes	$123,286
Flexera	3 Minutes	1 Minute	$122,714
Opterra	13 Minutes	4 Minutes	$122,005
Clorox	11 Minutes	3 Minutes	$117,134
Clovis Oncology	10 Minutes	3 Minutes	$114,830
Fluid	6 Minutes	2 Minutes	$112,536
Accenture	9 Minutes	3 Minutes	$107,224
Arup	10 Minutes	3 Minutes	$100,501
Average Tech Salary			**$126,448**
Average Oakland Income			**$85,000**

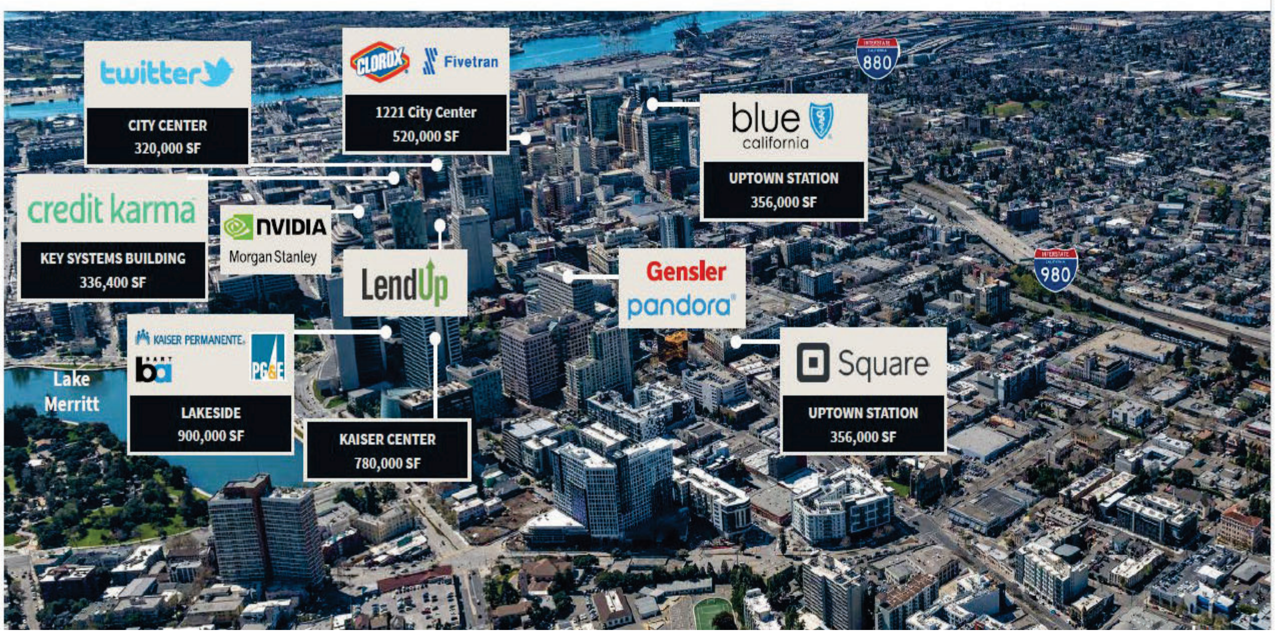


OAKLAND A CENTER OF JOB GROWTH

As Oakland office market continues to expand, it is attracting high profile and high-paying tenants emigrating from San Francisco. As the office, residential and retail infrastructure in Oakland grows, both employers and employees are increasingly selecting Oakland as a strategic alternative to San Francisco. Along with this, companies in San Francisco and the Peninsula are moving across the Bay to accommodate their large base of employees who live in the East Bay.

Recent leases from companies such as Square and Credit Karma are quickly turning Oakland into the Fintech epicenter of the Bay Area, with FinTech companies taking 44% of newly leased space in the past three quarters. Last year, tech unicorn, Fivetran, executed the city's largest lease of the year (80,000 SF) and moved-in late December. More recently, Twitter announced it signed a 66,000 SF lease at 1330 Broadway St., representing not only the ongoing wave of tenant migration from San Francisco, but also that remote work will not stop tech growth & its expansion efforts.

Oakland has over 7M SF of office space in its pipeline, which will begin delivering this year. These newly built and renovated office spaces will continue to drive Oakland's expansion into additional tech and the higher-wage salaries that follow.

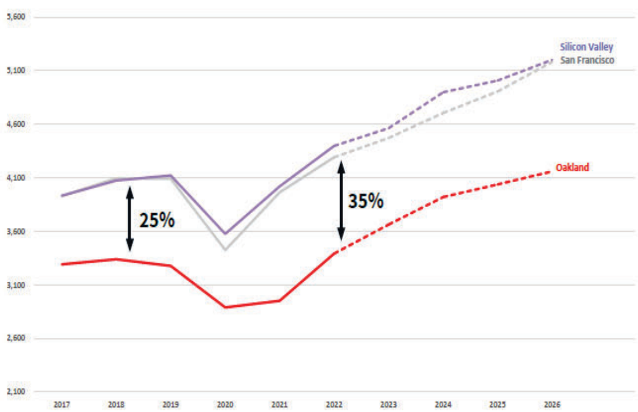


OAKLAND ANTICIPATED TO EXPERIENCE SIGNIFICANT RENT GROWTH AS THE RENTAL GAP NORMALIZES

Oakland is anticipated to experience significant rent growth, bringing the rental gap between Silicon Valley & San Francisco back in-line with its pre-pandemic gap.

The rental gap between Silicon Valley and San Francisco relative to Oakland has grown and been further exacerbated by the pandemic. As the graph below highlights, Oakland rents were on average approximately 25% below Silicon Valley and San Francisco prior to 2020. Today, the rental gap has increased more than 35%, respectively. Moving forward, this suggests a clear "snap-back" of rent growth or tightening of the gap between these respective markets as Oakland continues to experience positive absorption and concession burn-off as the supply demand re-balances.

MARKET ASKING RENT PER UNIT



OAKLAND: A STRAGTEGIC ALTERNATIVE TO SAN FRANCISCO TENANTS & RENTERS

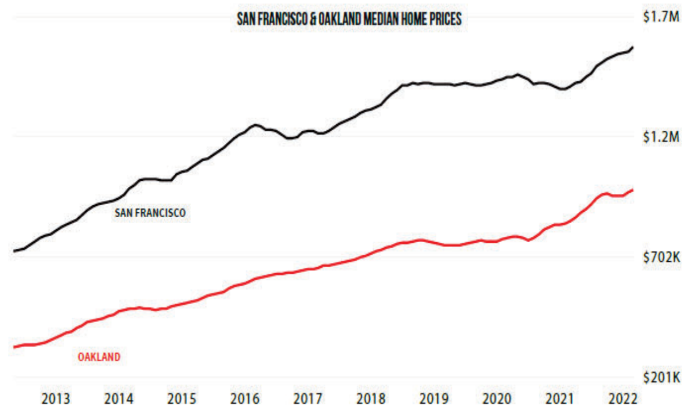
The severe Jobs : Housing imbalance will have meaningful impact on San Francisco and Oakland multifamily market;

SAN FRANCISCO

- Rents will continue to rise
- Renters will transition to Oakland, seeking rent relief in a metropolitan setting

OAKLAND

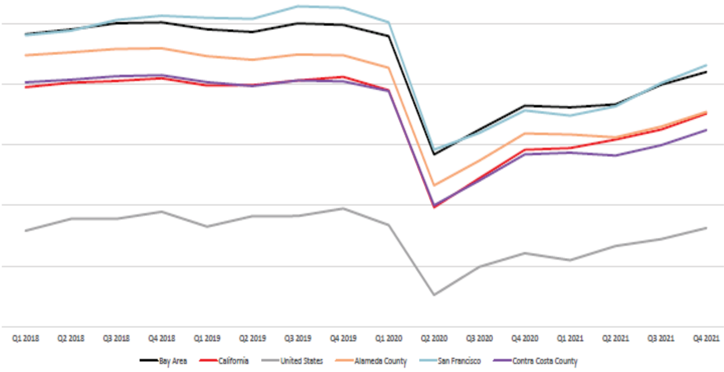
- Net absorption will remain high
- Rents will continue to rise
- Concessions will decline



NOT ENOUGH SAN FRANCISCO BAY AREA HOUSING: THE GREATEST JOBS TO HOUSING IMBALANCE IN THE COUNTRY

Job creation has outpaced the infrastructure available to accommodate the needs of a rapidly growing economy. Housing is the most critical challenge to regional growth. In the past six years, there was one new housing unit built for every 6.9 Bay Area jobs created. This is far behind the national and statewide rates of 2.5 and 5.3 jobs per unit, respectively, and a larger shortfall than that experienced during the late 1990s. Inadequate supply has led to greatly increased prices; a trend that will likely continue.

BAY AREA'S JOBS: HOUSING RATIO CONTINUES TO WEIGH HEAVILY TO EMPLOYMENT, DENOTING THE LACK OF HOUSING UNITS



RISING HOME COSTS OUTPRICE BUYERS

HOUSEHOLD INCOME VS. MEDIAN SALE PRICE QUALIFICATION

Based on the average household income for Oakland and the larger Alameda market, residents require over 600% more income in order to qualify for the purchase of a home at the median sale price.

HOMEOWNERSHIP AFFORDABILITY

BAY AREA RECOVERY - ECONOMIC INDICATORS ARE HERE

Prior to the pandemic, the Bay Area ranked number one among large metropolitan areas in average annual GDP growth over the previous decade. Unemployment stood at historic lows in the Bay Area at 2.7% in February 2020 prior to the pandemic. The region has rebounded quickly with unemployment reaching 2.2% in May 2022, while continuing to achieve more than 30% of U.S. venture capital investment.

According to Oxford Economics, the Bay Area is forecasted to grow the fastest on a GDP per worker basis amongst major U.S. metros. Bay Area's technology, research, and life science concentrations place the region at the center of advanced industries, be it advanced mobility, artificial intelligence, therapeutics, or cloud solutions.

ROBUST ECONOMY

#1 Attracting, Growing, and Maintaining Talent (2021 - Bloomberg)

#3 Largest Metro Area In The U.S. In Terms Of Real Gdp

#19 Largest Economic Market In The World With An Annual Gdp Of Over $880 Billion

#1 Attainment of Bachelor Degrees

#5 Largest Metro Area In The U.S. With A Population Of Over 8.8 M

A FEW OF THE BAY AREA'S REMARKABLE ATTRIBUTES INCLUDE

44% Bay Area share of U.S. Venture Capital (Q3 - 2021)

286:1,000 Highest Concentration Of High-Tech Workers In The U.S.

15.4% Of All Registered U.S. Patents (2020)

8.1% Highest Concentration Of Millionaires

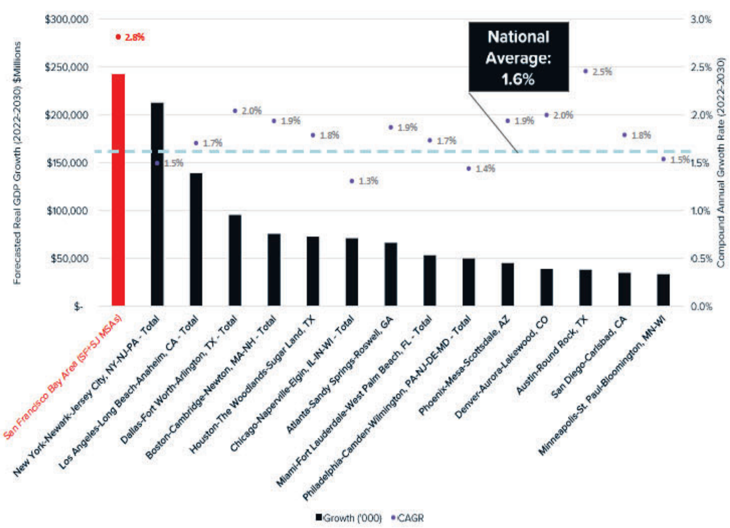
$250K Highest Average Tech Salaries In The U.S.

49% Of Population Over The Age Of 25 Holds A Bachelor's Degree

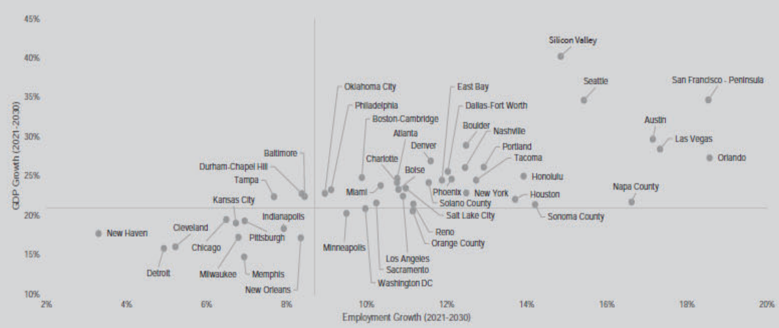
LARGEST PUBLICLY TRADED COMPANIES - S&P 500

COMPANY	HQ LOCATION	MARKET CAP
Apple	Cupertino, CA	$2.8T
Google	Mountain View, CA	$1.9T
Tesla	Palo Alto, CA	$1.1T
Nvidia	Santa Clara, CA	$702M
Meta Platforms (Facebook)	Menlo Park, CA	$628T

THE BAY AREA REMAINS THE MOST PRODUCTIVE MAJOR METRO REGION IN THE COUNTRY AND CONTINUES TO OUTPACE ALL OTHER MARKETS IN GDP GROWTH



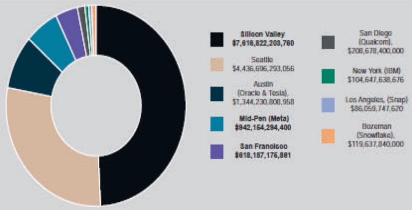
THE BAY AREA IS FORECASTED TO RECOVER FASTER & GROW STRONGER THAN THE NATIONAL ECONOMY OVERALL - OXFORD ECONOMICS



BAY AREA TECH CONTINUES TO GROW

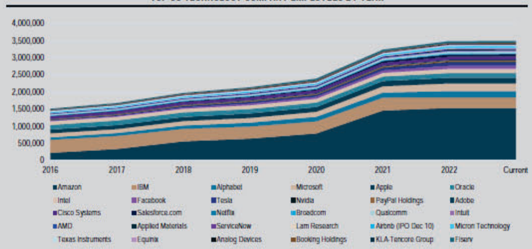
More than 64% of the market cap of the Top 25 technology companies are headquartered in the Bay Area

BIG TECH MARKET CAP BY CORPORATE HEADQUARTERS OFFICE MARKET



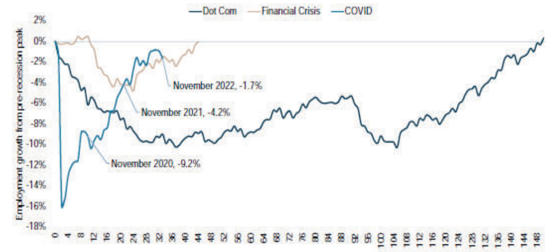
Headcounts have grown incrementally and reflect the revenue gain and importance of technology in the global economy. Total headcount of big tech alone is over 3.5 million workers globally

TOP 30 TECHNOLOGY COMPANY EMPLOYEES BY YEAR

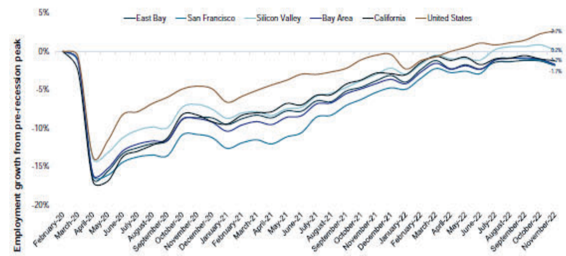


BAY AREA ECONOMIC OUTLOOK

Bay Area employment levels now sit 1.7% below pre-pandemic peak

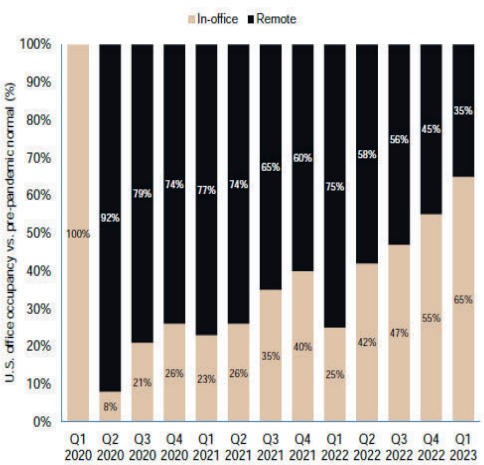


Silicon Valley is still the only Bay Area market to exceed its pre-pandemic employment levels



BAY AREA OFFICE OCCUPANCY

OFFICE RE-ENTRY REACHES POST-PANDEMIC HIGH FOLLOWING LABOR DAY RETURN TO OFFICE MANDATES; FORMER LAGGING GATEWAY MARKETS BENEFIT



Market	Re-entry rate (%)
Austin	60.5%
Houston	57.6%
Dallas	53.8%
Los Angeles	45.0%
Washington, DC	44.4%
Chicago	45.2%
New York	46.6%
Philadelphia	40.8%
San Francisco	39.2%
Silicon Valley	40.4%

Includes non-desk-using employees, such as janitorial and mail room staff, who reported to the office throughout the pandemic. As of 9/26/22.

TELLING THE RETURN-TO-WORK OFFICE RE-ENTRY STORY

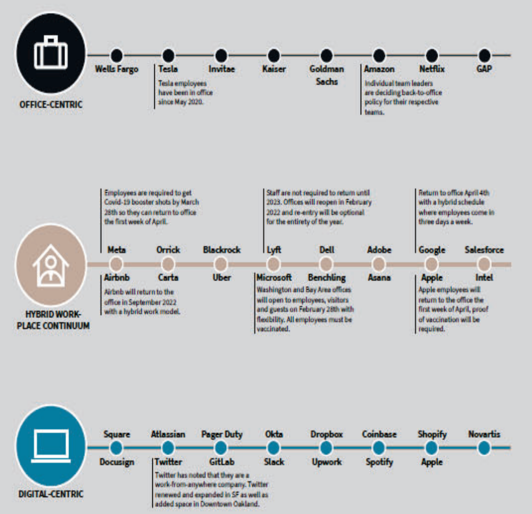
Reductions in COVID cases and relaxation of masking rules has led to a number of recent re-entry announcements. Below is a list of Bay Area companies that have reopened their office. The extent of re-entry remains on a full spectrum with many allowing a flexible in-office work week.

MARCH
- Microsoft
- Uber
- Blackrock
- Wells Fargo
- Lyft
- Asana
- Invitae
- Orrick
- Gap
- Visa
- Twitter

APRIL
- Benchling
- Apple
- Meta
- Google
- Carta

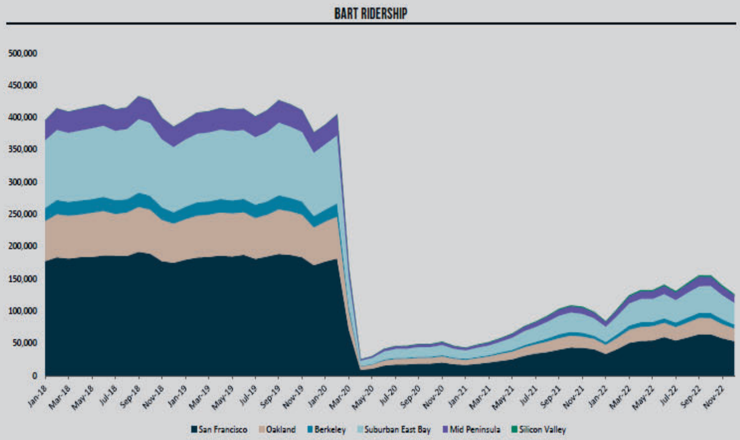
MAY
- Salesforce
- September
- AirBnB

OF THESE BAY AREA TENANTS, OVER 12.5M SF OF LEASED SPACE IN SILICON VALLEY WILL BE RE-ENTERED

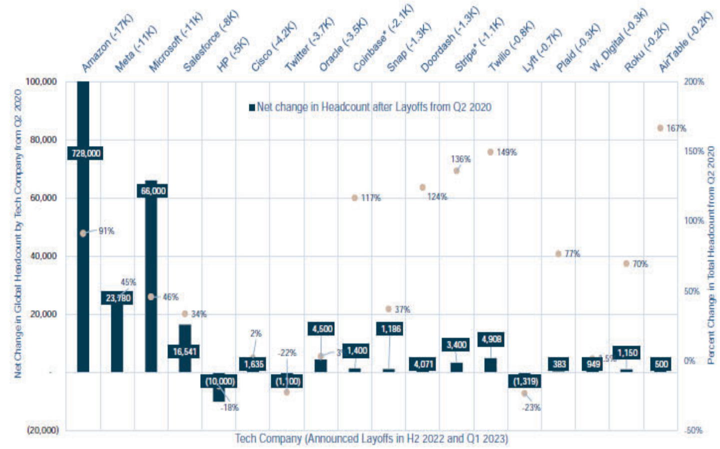


BAY AREA OCCUPANCY RATES & TRANSIT RIDERSHIP

TRANSIT RIDERSHIP IN GATEWAY CITIES HAS RECOVERED TO ~50% IF NORMAL LEVELS ON AVERAGE

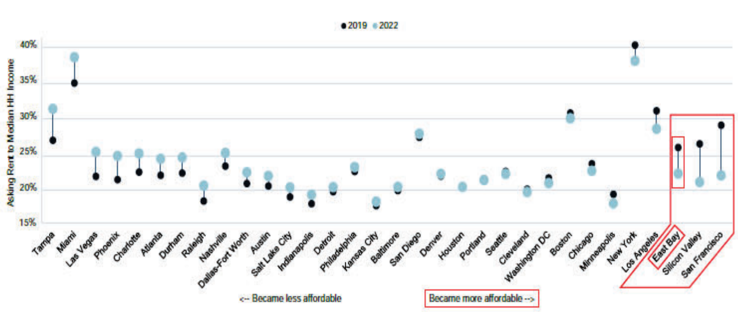


TECH LAYOFFS ARE MAKING HEADLINES - BUT TOTAL HEADCOUNT IS STILL UP 20% SINCE Q2 2020 AMONGST THESE COMPANIES



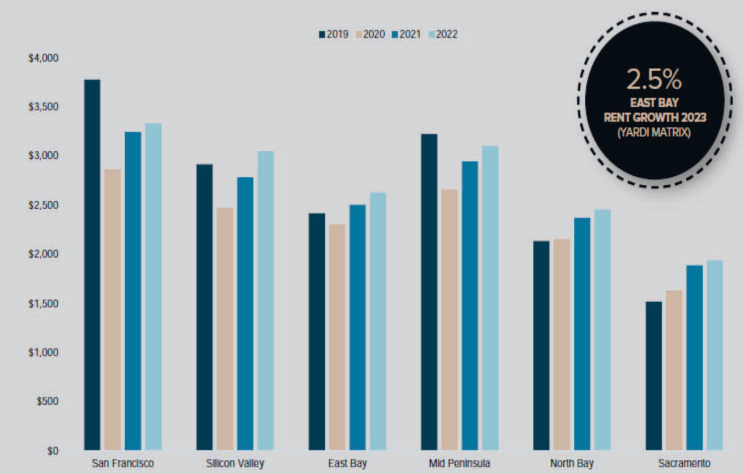
BAY AREA MARKETS DISPLAYED THE LARGEST SHIFT IN AFFORDABILITY OF ANY MARKET IN THE US THROUGHOUT THE PANDEMIC

INCOMES IN THE EAST BAY HAVE GROWN 12% SINCE ON THE ONSET OF THE PANDEMIC, WHILE EFFECTIVE RENTS HAVE ONLY GROWN 3.6% OVER THE SAME TIME PERIOD: SHIFTING THE PRE-PANDEMIC RENT-TO-INCOME RATIO IN THE EAST BAY FROM 26.4% TO 24.1% TODAY - THIS SUGGESTS THAT BAY AREA MARKETS WILL EXPERIENCE OUT-SIZED RENT GROWTH AS THESE METRICS NORMALIZE



EAST BAY RENTAL RESILIENCE & RECOVERY REINFORCES DEMAND & GROWTH POTENTIAL

EFFECTIVE RENTS IN THE EAST BAY SURPASSED PRE-PANDEMIC LEVELS IN 2021 AND CONTINUE TO TREND IN A POSITIVE DIRECTION IN 2023



IDEAL NEIGHBORHOOD DIVERSIFICATION

OPPORTUNITY TO ACQUIRE SCALE AT THE BASE OF THE EAST BAY'S MOST DESIRABLE NEIGHBORHOODS

GRAND LAKE

Grand Lake offers a Saturday-by-the-lake, relaxed feel in the sunny neighborhood proximate to Lake Merritt. From boutique shopping, restaurants, nightlife and theaters, Grand Lake has it all.

CLEVELAND HEIGHTS

Cleveland Heights attracts residents by offering the numerous conveniences of an urban setting among the comforts of a quieter suburban environment.

ADAMS POINT

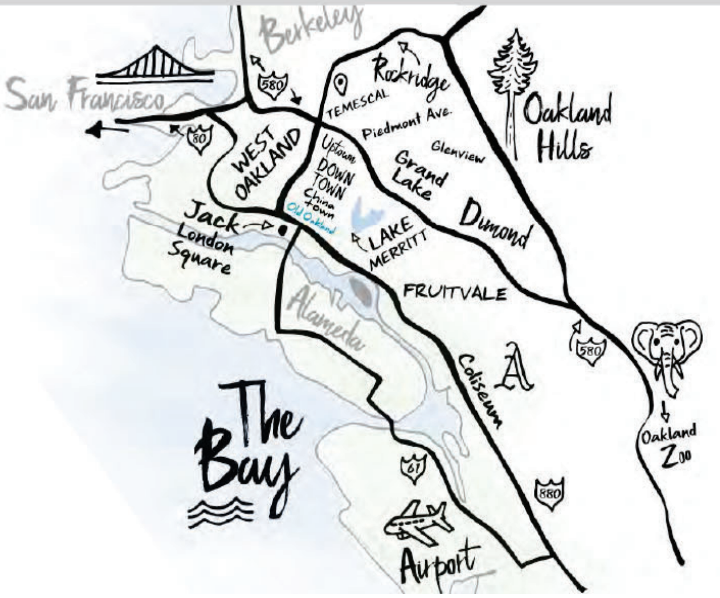
Adams Point is best known for being home to Oakland's crown jewel, Lake Merritt, which provides residents and visitors with over three miles of continuous waterfront parks and green spaces.

ROCKRIDGE

At the foot of the Oakland Hills, Rockridge is a suburb-like haven, perfect for those raising families and living the quiet life.

CASTRO VALLEY

Castro Valley is ideally located less than a half hour from some of the finest attractions the Bay Area has to offer. The city offers residents a suburban environment, perfect for families of all sizes.



National Geographics's
28 Best Places
to Visit in the World for 2019

Huffington Post's
Most Exciting City
in America

USA Today's #1
West Coast Food
City of 2015

Forbes Ranked #12
Coolest City
in America of 2014

TABLE OF EXPERTS

THE ECONOMIC IMPACT OF TRAVEL AND TOURISM ON OAKLAND

GETTY IMAGES

PANEL DISCUSSION:

HOW OAKLAND IS MANAGING TOURISM AND BUSINESS TRAVEL TO BENEFIT THE LOCAL COMMUNITY

At an Apr. 18 virtual forum hosted by the San Francisco Business Times, panelists Peter Gamez, president and chief executive of Visit Oakland, Dhruv Patel, president of Ridgemont Hospitality and Visit Oakland board chair, and John Albrecht, manager of aviation marketing and communications at Oakland Airport, discussed the results of a new report focusing on the economic impact of travel and tourism in Oakland, how the city's hospitality industry is recovering from the COVID-19 pandemic, and why The Town is well-positioned as business and leisure travel destination going forward. The discussion was moderated by Mary Huss, president and publisher of the San Francisco Business Times. The panelists' comments have been lightly edited for length and for clarity.

How do business travel and tourism contribute to Oakland's economy?

GAMEZ: Business travel especially impacts our economy simply by bringing back the vibrancy to our downtown areas, which so many urban centers in California have lacked since COVID. Business travel impacts our economy when travelers come for meetings and conventions. And let's not forget that when they come for meetings and conventions, they also spend money on lodging and food and beverage.

In 2022, we had 3.3 million visitors that spent a combined $590 million across the Oakland economy. That's about 83% of our 2019 levels. Visitor spending increased double digits for the second year in a row in 2022, as the recovery accelerated. And $590 million is just the visitor spend, by the way. The total impact was $784 million in 2022.

PATEL: Business travel is just such a key component of the overall Bay Area economy. From a hotelier lens, business travelers tend to be the highest spenders and the least price sensitive. If you look back at the 2019 numbers, San Francisco actually exceeded New York City in hotel performance, making it the best market in the country. So, we had a lot of momentum going into COVID.

Between how business and other travel patterns have changed, not to mention conferences and conventions, we know we've got a lot to do to get back to where we were. But business travel is so vital to hotels because of the rates that business travelers can bear and pay compared to individuals paying out of pocket. They're also more likely to host large dinners, hold private events, and visit our sporting events in luxury suites, to name a few examples.

Because their spend is much higher, business visitors really benefit a lot of the businesses that they frequent and visit. At Visit Oakland, we try to call on Oakland-based companies to encourage their consultants and other outside vendors to meet here in Oakland and help support the local economy. When Oakland-based companies and the companies they work with have their meetups in Oakland, host events in Oakland, and stay in Oakland, it really helps all of us. That money goes right back into the local economy and helps us grow our city as a destination with all the tax revenue that's generated.

ALBRECHT: Since the pandemic, there's been this emergence of a new category of travel that comes with a new label, called "bleisure." You have business travelers that are incorporating some component of leisure travel, either at the beginning or the end of the trip. That's something new.

Because business travel, according to

the carriers, is coming back. But it's coming back with this component of a leisure traveler. The shuttles that operate on our North-South corridor, from Oakland to L.A.- and San Diego-area airports, as well as Santa Barbara and Palm Springs, are seeing a lot of travel that incorporates both business and leisure components.

How do travel and tourism create jobs in the hospitality and service industries?

GAMEZ: For 2022, the number of jobs created by travel and tourism was roughly 5,400 in total. Visitor activities directly sustained 4,366 jobs in 2022. An additional nearly 1,000 jobs were supported through indirect and induced impact. That's about 3%, or 1 in 31, of jobs in Oakland that are being sustained through tourism. And that's considering that's it's been a really tough job market for this industry over the past few years. Prior to COVID, at our height in 2019, it was 1 in 28. So, we're actually very close to where in the past. Speaking to the folks at Tourism Economics, I can say we're pretty much on par with a lot of the California gateway cities with regard to recovery.

ALBRECHT: At Oakland airport, airlines and other companies doing business at the airport are actually seeing issues with labor force availability and development, more than anything. I think additional labor force development is going to be essential for a full recovery — and, of course, places for these people to live here in our central urban core. Airlines are meeting that challenge now. Everyone at the airport seems to be meeting it. But, from what I hear, it's just barely in some cases.

PATEL: We use this word "vibrancy" when we talk about the ecosystems of travel and tourism. It's something that I always like to talk about and preach because every guest that stays or flies in and then spends money at a restaurant allows that restaurant to employ more people. It allows them to open a second outpost. And then they're able to shop at our local merchants. You just see this snowball effect with tourism.

How much annual revenue is generated by tourism and business travel in Oakland?

GAMEZ: We know the total economic impact from our 3.3 million visitors in 2022 was $784 million. I also can share a couple of trends. Visitor spending increased by 31% in 2022 as spending grew across all sectors, driven both by pent-up demand as well as increases in prices of key commodities, especially in lodging and transportation. Visitor spending topped $590 million. The average room rate at hotels in the city also increased by 17%.

If we look at our dependencies, we're not so tech-dependent in Oakland as you might think. We have industries such as insurance and healthcare, which are as close to "recession-proof" as any industry. That's proven to be helpful, especially in these last couple of months and the months ahead.

Strong growth was also seen in food and beverage, which, as I mentioned, was one of the most resilient categories during the pandemic. Food and beverage spending increased 27% in 2022, reaching 83% of 2019 levels.

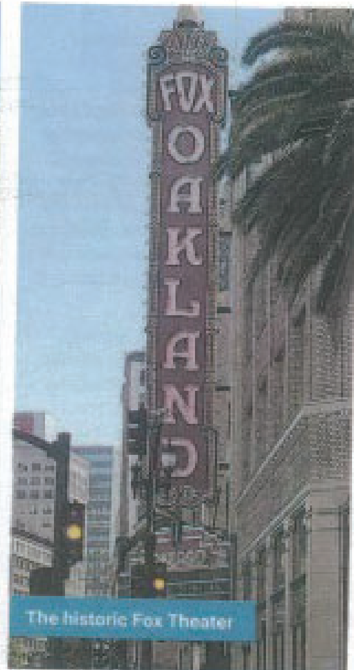
Recreation is another category that's recovering well. Recreation spending, which includes spending on concerts and sports, came to about $50 million in 2022. And it makes sense: If there's this amazing concert going on at the Oakland Arena, our hotels start selling out by the airport. And then there's the Fox and the Paramount and our Grand Lake Theater. We have these amazing art deco palaces where people actually love going to see shows.

CONTINUED ON NEXT PAGE

> **In 2022, we had 3.3 million visitors that spent a combined $590 million across the Oakland economy. That's about 83% of our 2019 levels. Visitor spending increased double digits for the second year in a row in 2022, as the recovery accelerated. And $590 million is just the visitor spend, by the way. The total impact was $784 million in 2022.**
>
> **PETER GAMEZ**
> President & CEO, Visit Oakland

ECONOMIC IMPACTS IN CONTEXT

Oakland Zoo



The historic Fox Theater

WIKIPEDIA COMMONS

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And when they do, they're going out to the restaurants as well, and spending a night on The Town. Arts and entertainment are so important for the vibrancy of a city. And from our website searches, we're seeing that these programs are very attractive to folks. So, this is a category Visit Oakland will be marketing heavily as we see leisure travelers coming back to The Town.

Overall, what these trends show me is that we're well on our way to reach a full recovery by the end of this year, or at least by the first quarter of 2025.

ALBRECHT: All that is reflected in aiport traffic. We're running at about 90% of 2019 levels at OAK. We're also seeing a restoration of some of the flights that we lost because of the pandemic. Spirit is restoring flights to Dallas, Philadelphia, and Newark/New York on May 5. Southwest has restored flights to Atlanta, St. Louis, Nashville, and Cabo San Lucas. Additionally, Southwest will restore the popular nonstop flight to Baltimore in the fall.

PATEL: The airport market and the Downtown Oakland market have responded differently to the recovery. For a while, the airport market was recovering quicker. There was a tremendous amount of leisure travel, and with that, the airport area was able to kind of stay a little bit more stable.

In Downtown, with nobody in the offices, things have been slower to recover. But we're seeing that trend

> **Things will certainly be different in the post-pandemic world, but we are seeing good momentum. We're already having a much better year than we did last year. As long as we keep going this way and we don't pull back, I think all of us should be happy.**
>
> **DHRUV PATEL**
>
> President and Chief Operations Officer, Ridgemont Hospitality

even out. Downtown Oakland has had a very strong start to the year, and I think a lot of that is what's going on at our convention center, as well as the vibrancy slowly returning to Downtown as people return to a hybrid work schedule.

So much economic benefit for the city as a whole isn't counted when just look at the revenue that's generated within hotels. From a tax perspective, you have all these auxiliary channels that generate sales tax, which goes into the city's general fund. There's just great benefits all-around to having people here in town visiting and supporting all of our local businesses.

So, we're cautiously optimistic. Things will certainly be different in the post-pandemic world, but we are seeing good momentum. We're already having a much better year than we did last year. As long as we keep going this way and we don't pull back, I think all of us should be happy.

What impact does travel and tourism have on state and local taxes?

GAMEZ: Visitor spending and travel- and tourism-supported jobs and businesses generated $147 million in government revenues in 2022. State and local taxes alone tallied $86 million in 2022. Each household in Oakland would need to be taxed an additional $516 to replace the visitor-generated taxes received by state and local government in 2022. To look at it another way, that $86 million in state and local taxes generated is equivalent to the combined salaries of approximately 1250 public school teachers in Oakland.

Some of the money the city generates is used to market the City of Oakland as well as our local attractions, hotels, etc. But really, most of that money goes into the general coffers, which the city uses to fund social and community programs.

PATEL: The transient occupancy tax, or TOT, is one of the only taxes that goes directly to the city's general fund. The county doesn't get their hands in it. The state doesn't get a piece of it. It really goes directly to the city's general fund for a lot of broad uses. And what's ideal about this tax is that it's passed onto our visitors, so it doesn't create an additional tax burden on our residents.

When you think of what we could do with this money, you think about community programs that we need. You think about social programs that we need. You think about public safety initiatives. We all complain about potholes — I always think about how many potholes we might be able to fill with more TOT income. You could do a lot with this money, and the city could allocate it in the budget however it wants. That's why it's really important that we continue to grow our tourism base — to keep the city coffers full so it can go back to improving the quality of life of people that live here in Oakland.

How has tourism changed over the past three years? What have been some of the biggest hurdles for Oakland over the past three years? How has the local hospitality industry managed the recovery?

GAMEZ: The biggest hurdle has been just getting people back to start doing business — getting them back to work and giving them reasons to come back in the office and have meetings again.

At Visit Oakland, we meet with the presidents of each of our ethnic chambers of commerce and the leaders of each our business improvement districts once per month to talk about the vibrancy in Oakland and how can we help each other. Visit Oakland is kind of a center ground where people can feed information that we can use to offer reasons for people to come fly into Oakland and experience our town. We then create programming around these reasons and purposes to come into The Town.

For example, one of our biggest successes that we take a lot of pride in is Oakland Restaurant Week. This year, we had more than 130

Real Estate Likely To Outperform 'Safe' Investments In Next Recession, Says New Analysis

May 25, 2023 | Katharine Carlon, Central U.S. Editor

Skittish investors are piling money into risk-free money market funds, high-yield savings accounts and short-term U.S. Treasury notes amid a shaky economy that threatens to turn recessionary. But a Chicago-based investment firm released research indicating real estate offers historically higher and just as stable returns in troubled economic times.

Private real estate isn't traditionally perceived as a safe investment on par with, say, money market funds. But an analysis by Origin Investments found that since 1990 and over three economic crises — the recession of the early 1990s, the dot-com bubble burst after that and the Great Financial Crisis of 2007-2008 — real estate returns held up better than other investments historically seen as low-risk.

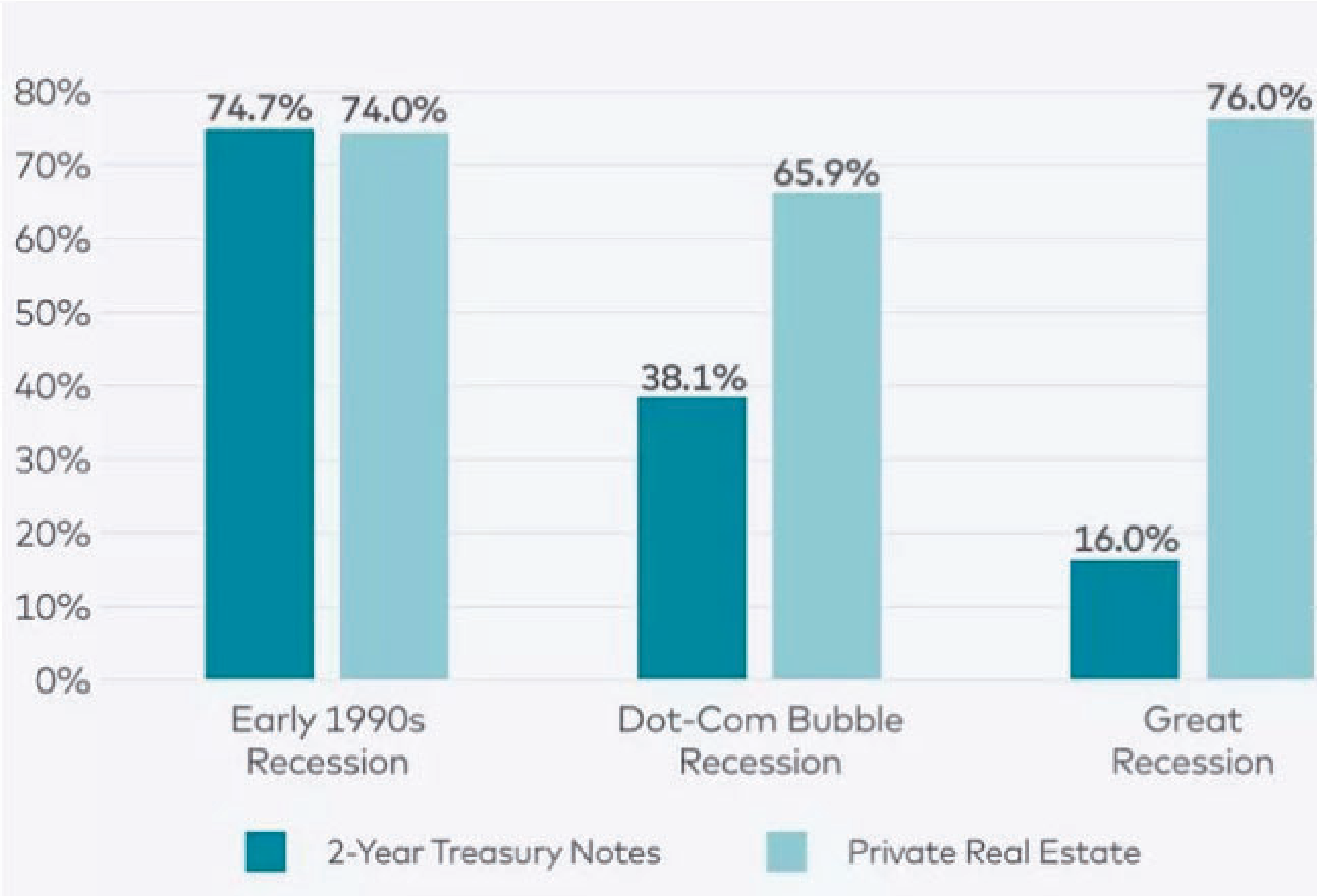
Real estate generated a 5.9% annualized return over seven- to 10-year windows that included recessions versus a 3.8% annualized return for Treasurys over the same time frame, according to Origin Investments Vice President Vince DeCrow, who led the analysis.

“I'm hearing from all of our investors, ‘Hey, I’m sitting on my cash, putting it in Treasury bills, getting 5% risk-free, playing a wait-and-see game, and was like, ‘OK, well, let's see if that actually makes sense,’” De Crow said, adding the results did not surprise him, though some investors need convincing.

“The whole point was to acknowledge, investors are scared. They've taken the risk-off approach. And to speak to that from a thought leadership standpoint … I just wanted to actually visualize it with real data.”

About $196B poured into money market funds in Q1 2023, more than any period since 2007, as risk-averse investors sought safer places than the stock market and real estate to park their cash, The Wall Street Journal reported.

But DeCrow said investors are missing an opportunity to put their money to better use. Traditionally risk-free investments reaped seven- and 10-year returns of 4%, lower than inflation, which was running at 5% as of March.



Courtesy of Origin Investments
The 10-year cumulative return of real estate and Treasury notes over the past three recessions

Origin's analysis was based on historical returns gleaned from data from the National Council of Real Estate Investment Fiduciaries and the Treasury Department. Since January 1990, the annualized return of rolling two-year Treasury notes was 3.24% versus 7.6% for the NCREIF's Open Ended Diversified Core Equity Index Fund, or NCREIF-ODCE, a standard industry benchmark.

Over the three seven-year periods that included recessions, private real estate generated a 5.9% annualized return versus a 3.8% annualized return for Treasurys. Over 10 years, returns were about 5.6% annualized for real estate and 3.5% for Treasurys. Origin is predicting a recession by October 2023.

"There's certainly value in being able to earn 4% or 5% risk-free, right?" DeCrow said. "Don't do it if you're looking to grow your wealth and do more than just protect it from inflation, which is higher than the risk-free rate, and you've got a long-term horizon, call it seven to 10 or more years. My advice would be to think long-term, right, and look at the conviction of history that suggests there will be ups and downs in any market cycle."