

# 2016 Downtown Oakland Report

## Introduction

IN 2016, THE OAKLAND CHAMBER OF COMMERCE CHARGED BEACON ECONOMICS WITH developing a report about economic conditions within Downtown Oakland. For the purposes of this report, Downtown Oakland is composed of three Business Improvement Districts – Downtown, Lake Merritt/Uptown, and Jack London. The analysis of the Downtown Oakland region begins with a focus on broader employment trends, and then examines a handful of business clusters concentrated in the Downtown area.



To facilitate a deeper investigation into the employment trends and demographics of the Downtown region, Beacon Economics constructed a broader geographical boundary, hereafter referred to as Greater Downtown Oakland, comprised of ten census tracts including and surrounding the more refined Downtown area. From here, the analysis delves into recent industry and subsector employment trends,

and provides a snapshot of the region's demographic makeup.

At this stage, it is important to note that some of the figures contained in this report may not line up with figures produced by other private sources for the City of Oakland. These discrepancies, if present, typically reflect any number of differences in how the estimates were derived. The employment figures contained in this report reflect payroll employment for privately-owned establishments located in Downtown and Greater Downtown Oakland. Accordingly, these figures omit the roughly 17,000 public workers employed in various sectors throughout Greater Downtown Oakland. Furthermore, the underlying data from which these figures were derived do not include self-employed workers. This methodology is corroborated by other publically available data sources, whose figures roughly align with those contained in this report. The U.S. Census Bureau's Longitudinal Employer-Household Dynamics data, for instance, reports roughly 50,000 private jobs for Greater Downtown Oakland. While these differences may yield seemingly conflicting levels of employment, they have done little to obfuscate the positive trends taking place in the heart of Oakland.

## Summary

**D**OWNTOWN OAKLAND IS QUICKLY BECOMING A MAJOR HUB OF ECONOMIC ACTIVITY in the East Bay region and especially in the City of Oakland. The Downtown area has set the tone for a broad-based recovery from the Great Recession, and more recently has been a force behind the uptick in economic activity observed throughout the City of Oakland over the last several quarters. This increased activity has helped cultivate a diverse array of rapidly growing industries, providing a plethora of new jobs across a wide spectrum of education and skill levels.

The Downtown region is defined by a strong employment base rooted in several high-wage industries. The Professional, Scientific, Technical, and Management industry tops the list, accounting for more than one-quarter of employment in Greater Downtown Oakland. In fact, this industry is nearly twice as concentrated in the Greater Downtown region relative to the City of Oakland overall. Not only has this industry provided a significant source of new jobs for Oakland residents, the predominately college-educated professionals employed in the industry earn top-tier wages. The growing concentration of these high-wage jobs has set the stage for growth in other sectors of the local economy.

The Health Care and Social Services industry also plays a vital role in the Downtown Oakland economy. Establishments engaged in this industry continue to expand their presence in the Greater Downtown region, sustaining a surge in employment that can be traced back to the early stages of the Affordable Care Act's implementation. The wages paid to workers employed in this industry, while not as eye-popping as the wages paid to workers in the region's office-based industries, hint at the dichotomous nature of the Health Care industry overall. The industry is an important source of jobs in any region, as the types of jobs offered are catered to individuals across a broad range of skill sets and work experience. The Health Care industry includes well paying and higher skilled jobs for those employed in Hospitals and Ambulatory Health Care Services, juxtaposed against low-wage, and often part-time, positions offered by establishments engaged in Social Assistance. Clearly, this industry has contributed greatly to providing a thick supply of jobs across a wide spectrum of skill levels.

The continued growth of consumer spending citywide has also fueled employment and wage gains in Greater Downtown Oakland. The daytime population in the Greater Downtown region – which combines payroll employees, unemployed residents, and self-employed residents – is nearly

double its residential population, while a growing cluster of bars, restaurants, and cultural events has made Downtown Oakland a prime evening hotspot for Bay Area residents. The Downtown area Business Improvement Districts may also be contributing to the strong gains observed over the past year. These organizations have proven essential in creating an inviting environment for residents and workers alike. They have made it their task to revitalize the City's urban core, developing strategies and forging partnerships to continue making Downtown Oakland an attractive destination.

Increased spending in the region, brought on by Downtown's growing popularity, has resulted in rapidly growing wages among workers employed in consumer-spending driven industries such as Leisure and Hospitality and Retail Trade. Moreover, workers employed in these industries in Greater Downtown Oakland earn a tremendous premium relative to their counterparts elsewhere in the City of Oakland. Given that many of these jobs require lower levels of educational attainment, it is clear that the positive economic trends observed in Downtown Oakland in recent years have been spreading throughout the local economy.

Until recently, the sustained economic growth observed over the past few years, has been slow to stimulate increased construction activity in the Greater Downtown region. Then, in 2015, a number of pent up projects finally came to fruition. Over the past year, several new structures have received the go ahead for construction, while renovations of existing non-residential structures have skyrocketed. A huge volume of new residential units has also been permitted for construction in the region, which should make Downtown Oakland an even more enticing residential location. Indeed, these modern infrastructure investments and building improvements will prove to be essential in continuing Downtown Oakland's transformation into a vibrant community for local residents and business owners alike.

## Employment in Downtown Oakland

- The employment environment in Downtown Oakland has rebounded significantly since the depths of the Great Recession. Private employment in the area grew to just over 34,000 during the second quarter of 2015, up 23.0% from the second quarter of 2009, when the U.S. recession officially ended.

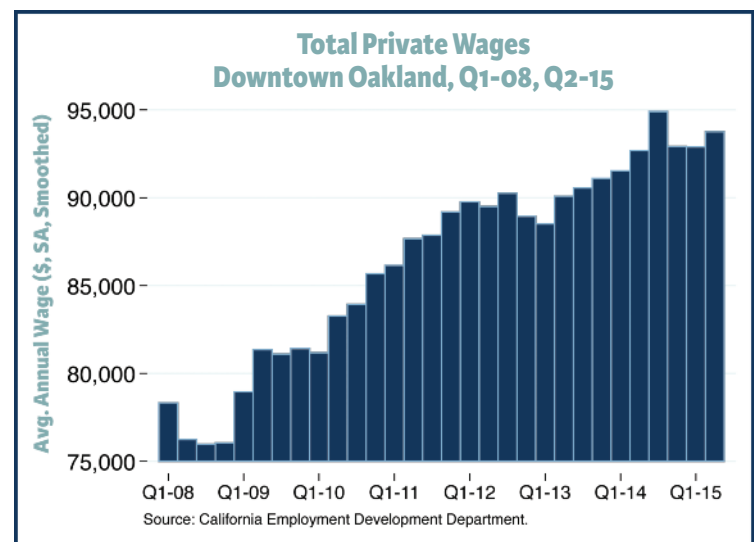
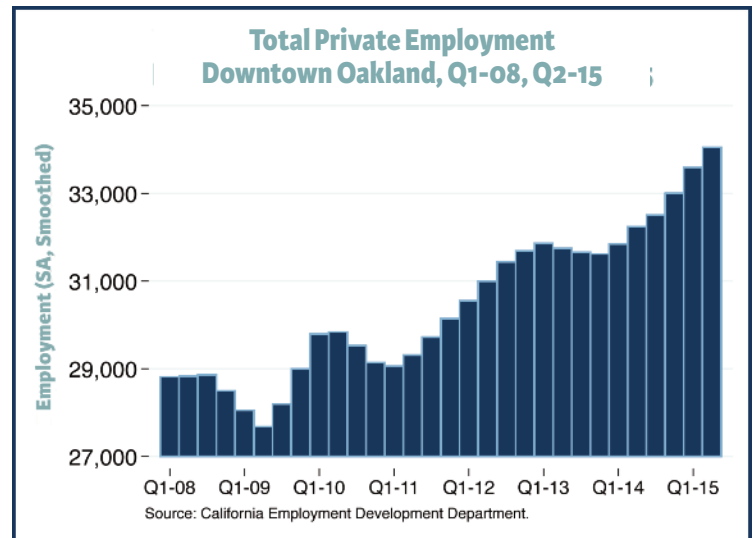
- Private employment growth in Downtown Oakland continues to gain momentum. Growth started to pick significantly up during the latter half of 2014 and that carried over into 2015, as private employment increased 5.6% from the second quarter of 2014 to the second quarter of 2015.

- The wages paid to workers employed in Downtown Oakland have increased almost continuously since the first quarter of 2009. The average wage paid to these workers increased 1.2% to \$93,800 from the second quarter of 2014 to the second quarter of 2015.

- The average worker employed in Downtown Oakland earns a 50.1% premium relative to the average worker in the City overall.

- Underpinning the strong wage gains observed in Downtown Oakland is the rapidly growing Technology sector. Just over 3,000 workers are employed in this sector in Downtown Oakland, with an average annual wage of \$127,000.

- Consumer spending in Downtown Oakland has clearly picked up in recent quarters, as evidenced by the rapidly growing cluster of bars and restaurants located in the area. To this end, employment in the roughly 100 bars and restaurants located in Downtown Oakland has increased nearly 8.0% from the second quarter of 2014 to the second quarter of 2015, dwarfing the rate of payroll expansion observed at bars and restaurants elsewhere in the City (1.0%).



**Business Clusters in Downtown Oakland, Q2-15**

Cluster	Establishment Count	Private Employment	1-Year Growth		Avg. Annual Wage (\$)
			Downtown (%)	City (%)	
Bars and Restaurants	104	2,409	+7.9	+1.0	25,704
Social Assistance Orgs.	36	901	-8.9	+3.4	44,049
Technology	92	3,068	+15.4	+8.6	127,080

Source: California Employment Development Department.

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# A Deep Dive into Greater Downtown Oakland

## Employment Trends

- Employment in the broader Greater Downtown region also gained momentum during the first half of 2015. Employment in Greater Downtown Oakland increased 4.2% to 55,700 jobs from the second quarter of 2014 to the second quarter of 2015.

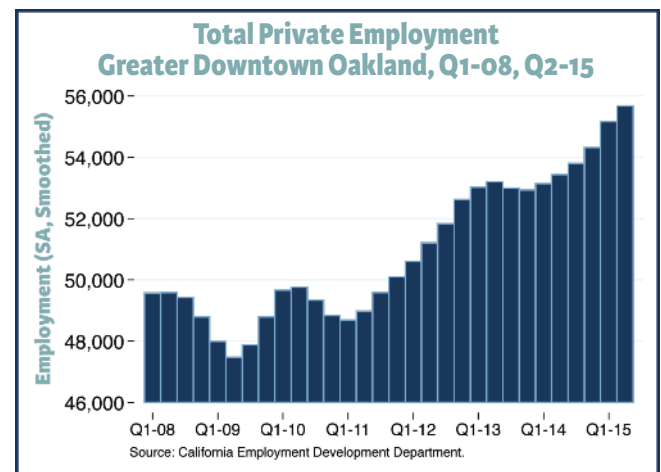
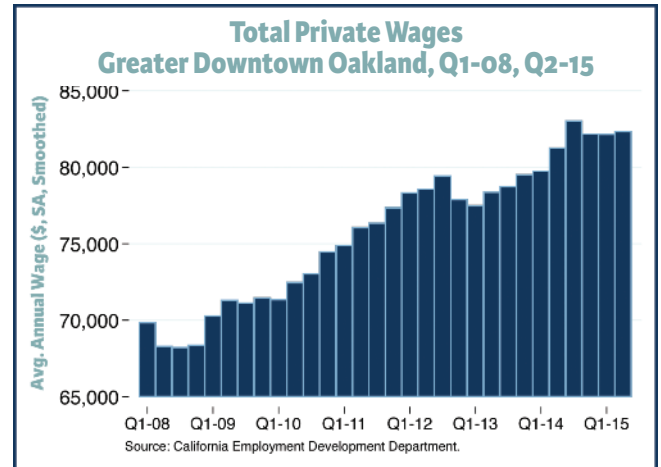
- The wages paid to workers employed in the Greater Downtown region have grown strongly in recent quarters, though gains have not been as robust as in the more refined Downtown area. The average worker employed in Greater Downtown Oakland earned just under \$82,000 in the second quarter of 2015, or roughly 32% more than the average worker citywide.

- The Professional, Scientific, Technical, and Management industry and the Health Care industry form the foundation of employment in Greater Downtown Oakland, combining to account for just over half of all jobs located in the region.

- The Greater Downtown region also has a strong presence in consumer spending-driven industries. There were roughly 5,800 workers employed in the Leisure and Hospitality industry in Greater Downtown Oakland, with another 2,500 workers employed in the region's Retail Trade industry.

- Over the past year, establishments located in the Greater Downtown region that are engaged in Manufacturing have expanded payrolls while Manufacturing establishments elsewhere in the City of Oakland have cut back. Moreover, the average Manufacturing employee in Greater Downtown Oakland earns nearly twice as much as the industry average across the City. This is due to a mix of manufacturing activity in the region. Greater Downtown Oakland hosts manufacturers who are more reliant on domestic products and have expanded payrolls to match growing domestic demand. Elsewhere in the City, manufacturers with more international exposure have seen payrolls fall due to slowing global economic activity.

- Establishments located in Greater Downtown Oakland pay a substantial premium to their workers relative to the City overall across every industry. This premium reflects differing levels of work experience, education, and technical skills, among other things.



<b>Total Private Employment in Greater Downtown Oakland, by Industry, Q2-15</b>				
Industry	Private Employment	1-Year Growth		Location Quotient*
		Greater Downtown (%)	City Total (%)	
Prof, Sci, Tech, and Mgmt	15,999	+5.4	+5.5	2.1
Health Care	11,917	+0.8	+2.0	0.9
Leisure and Hospitality	5,833	+4.9	+5.3	0.9
Admin Support	4,119	+11.0	+7.1	1.0
Other Svcs.	3,458	+15.7	+9.1	1.0
Fin. Svcs. and Real Estate	2,945	-5.1	-0.2	1.4
Retail Trade	2,538	-2.6	+1.8	0.6
Information	2,210	+5.1	+14.1	2.0
Wholesale Trade	1,927	-1.2	+1.7	0.9
Education	1,867	+13.6	-4.7	0.9
NR/Construction	1,607	+11.1	+5.0	0.7
Manufacturing	1,049	+1.0	-4.2	0.4
Transport/Warehouse	260	-13.5	+4.5	0.1
<b>Total Private Employment</b>	<b>55,730</b>	<b>+4.2</b>	<b>+3.4</b>	<b>-</b>

Source: California Employment Development Department.  
\*Measures the concentration of an industry in Greater Downtown Oakland relative to the concentration of the industry in the City of Oakland.



### Total Private Wages in Greater Downtown Oakland, by industry, Q2-15

Industry	Avg. Annual Wage (\$)	1-Year Growth		Relative Wage (%)*
		Greater Downtown (%)	City Total (%)	
Information	131,798	-11.6	-16.7	18.8
Manufacturing	119,524	+5.2	+5.0	96.8
Wholesale Trade	118,663	+1.4	+0.5	50.6
Prof. Sci, Tech, and Mgmt	118,230	+1.0	+1.3	7.2
Transport/Warehouse	105,381	+27.8	+0.1	65.7
Fin. Svcs. and Real Estate	92,108	+9.4	+5.3	26.4
NR/Construction	79,905	-3.6	+2.1	10.4
Health Care	67,056	+3.2	+2.1	11.9
Retail Trade	58,309	+8.5	+4.3	53.1
Other Svcs.	50,250	-2.8	-0.2	22.5
Education	46,235	-1.9	+7.5	3.0
Leisure and Hospitality	43,910	+10.0	+5.5	27.4
Admin Support	38,077	-3.1	+0.9	1.4
<b>Total Private Employment</b>	<b>81,949</b>	<b>+1.1</b>	<b>+1.7</b>	<b>31.8</b>

Source: California Employment Development Department.

\*Measures the wage of an industry in Greater Downtown Oakland relative to the wage of the industry in the City of Oakland.

### Private Employment in Greater Downtown Oakland, for Major Subsectors, Q2-15

Subsector	Private Employment	1-Year Growth		Avg. Annual Wage (\$)
		Greater Downtown (%)	City Total (%)	
Prof. and Tech. Svcs.	9,308	+8.3	+8.4	101,500
Mgmt. of Companies and Enterprises	6,688	+1.4	+0.5	140,013
Ambulatory Health Care Svcs.	4,390	-1.7	+1.2	82,120
Food Svcs. and Drinking Places	4,349	+4.8	+5.1	23,019
Admin and Support Svcs.	4,094	+11.1	+8.8	38,056
Social Assistance	3,297	-0.3	+2.6	26,536
Hospitals	3,134	-7.1	+1.7	97,521
Membership Assocs. and Orgs.	2,634	+10.4	+0.4	54,920

Source: California Employment Development Department.

- The Health Care industry in Greater Downtown Oakland provides a large number of jobs spread across the wage spectrum. The high-wage jobs in this industry are predominately concentrated in Hospitals (\$97,500) and related support services such as Ambulatory Health Care (\$82,100).

- Despite its already large share of employment in Greater Downtown Oakland, the Professional and Technical Services subsector has continued its robust growth. Employment in this subsector increased 8.3% to 9,300 from the second quarter of 2014 to the second quarter of 2015.

- The Management of Companies and Enterprises subsector is the second component of the Professional, Scientific, Technical, and Management industry located in Greater Downtown Oakland. This subsector employs nearly 6,700 workers who earn, on average, \$140,000.

## Demographic Snapshot

### Greater Downtown Oakland Demographics, 2010-14

Metric	Greater Downtown Oakland	City Total
Population	28,471	402,339
Daytime Population	53,956	181,945
Median Household Income (\$)	40,832	52,962
Population (25+) with a High School Diploma (%)	80.8	80.6
Population (25+) with a Bachelor's Degree (%)	44.0	38.6
Housing Vacancy (%)	10.5	8.9
Housing Structure Built Since 2000 (%)	21.2	7.1

Source: U.S. Census Bureau American Community Survey.

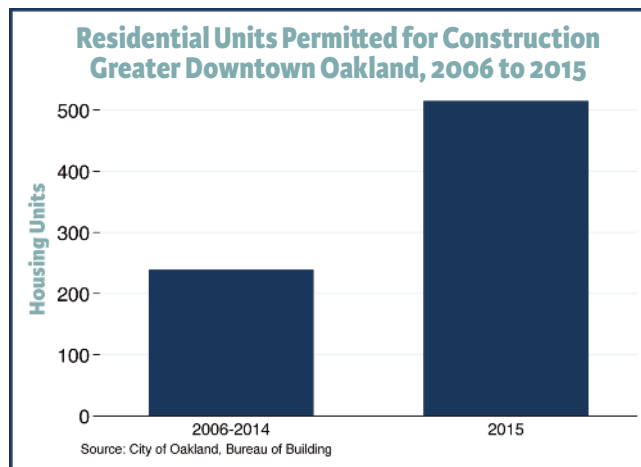
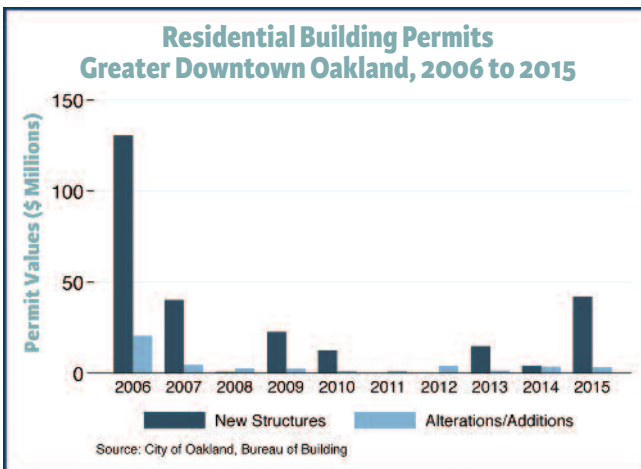
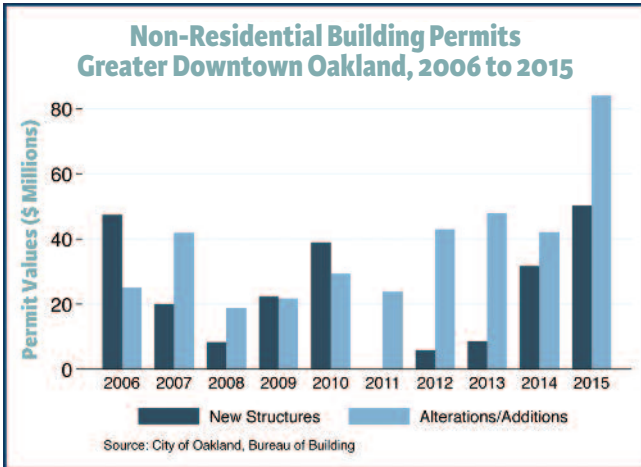
- Although Greater Downtown Oakland is home to 7% of the City's population, it attracts nearly 30% of Oakland's entire daytime population. During the day, the number of people in Greater Downtown Oakland nearly doubles the region's residential population.

- Levels of educational attainment among Greater Downtown Oakland residents are on par with the City of Oakland overall. However, there is a slightly higher concentration of residents with college degrees in Greater Downtown Oakland than in the City.

- Greater Downtown Oakland has experienced substantial residential construction since the turn of the millennium. Approximately 21% of housing structures in the Greater Downtown region have been constructed since 2000, compared to a mere 7.1% in the City overall. Clearly, great strides have been made in turning Downtown Oakland into a desirable place to live and work.

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## Residential Construction



- Total construction activity in Greater Downtown Oakland, as measured by permit values, was resurgent in 2015 after a number of relatively slow years. Major increases in non-residential construction activity account for much of the gain, though residential construction in the region has been brought back to life over the past year.

- Non-residential Alterations/Additions account for a large chunk of the increase in construction activity observed over the past year, primarily due to the major re-development permitted for Uptown Station (1955 Broadway).

- A growing number of mixed-use construction projects are currently underway in the Greater Downtown region, bringing with them a large number of new residential housing units. In fact, more than 2 times as many residential units were permitted for construction in the region in 2015 (515) than were permitted in the 9-year period from 2006 through 2014 (239).

- The surge in residential activity is partially the result of good public policy. Following the City's passage of the 2014 Specific Plan, the Broadway-Valdez district has become a major development hotspot as developers rush to get faster entitlements. The rapid success of this policy in bringing the attention of developers back to the heart of Oakland should be a signal to policy-makers that regulatory hurdles still in place elsewhere in the City are exacerbating an already tight supply of housing.

<sup>1</sup>Roland Li, "Carlyle Group-backed Oakland housing project to break ground," *San Francisco Business Times*, March 22, 2016.

**T**HE OAKLAND CHAMBER OF COMMERCE, IN PARTNERSHIP WITH THE DOWNTOWN OAKLAND ASSOCIATION commissioned Beacon Economics to track the trends and characteristics of Oakland's growing downtown business districts. Understanding Oakland's discreet ecosystems is essential in advocating for policies that create opportunities for our residents, encourage equitable job growth and focus on Oakland's diverse and growing industries. Thank you to the Downtown Oakland Association for its partnership and commitment to foster an environment where businesses thrive and residents and visitors alike can enjoy our great city.

Sincerely,

Barbara Leslie  
President and CEO  
Oakland Chamber of Commerce







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