

City of San José

Housing Market Update



First Quarter 2018

Accessory Dwelling Unit in Oakland California, New Avenue Homes, <https://www.newavenuehomes.com/>

Q1 2018 San José Housing Market

- **812** residential permits issued - **83** were for affordable housing
- Accessory Dwelling Unit permits climbed significantly since 2016
- Average rent growth was **4%** Year-over-Year (YoY); vacancy rate was **5%** ¹
- Average effective monthly rent for a 2-bedroom apartment was **\$2,626**; Renters must earn **\$51/hour** (\$105,040/year) to afford this rent ²
- Median single-family home price was **\$1,251,000**, up 28% YoY; Residents must earn **\$122/hour** (\$253,500/year) to afford a home ³
- Condos/Townhomes sold twice as fast as single-family homes ⁴

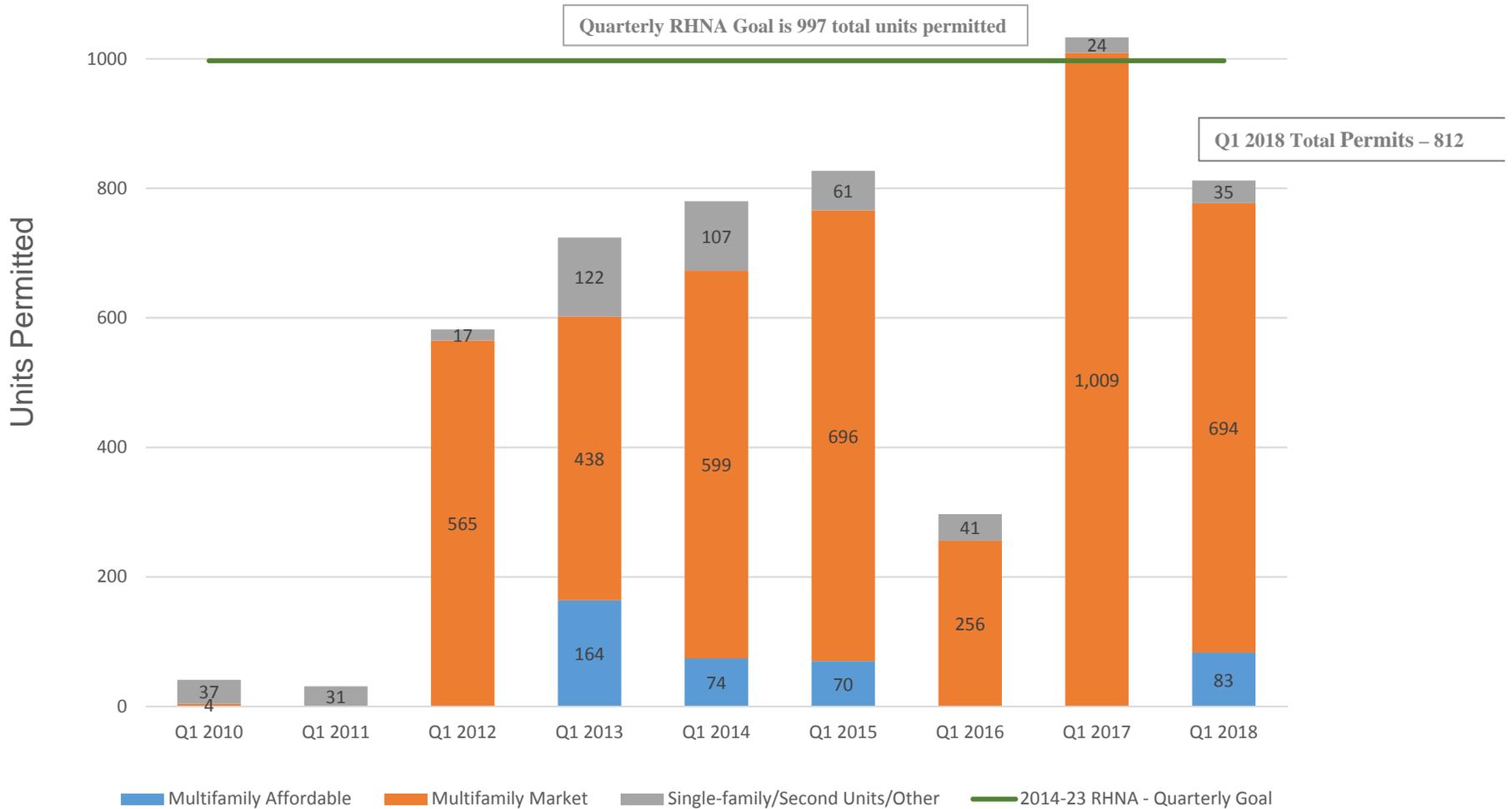
1. Costar April 9, 2018.

2. Based on April 9, 2018 Costar average rents; income calculation assumes rents are 30% of income, 40-hour work week and a single income household.

3. Based on Santa Clara County Association of Realtors, March 2018 median prices; income calculation assumes monthly payments are 30% of income, 20% down, 4.4% interest rate, 1.25% property tax, 40-hour work week and a single income household.

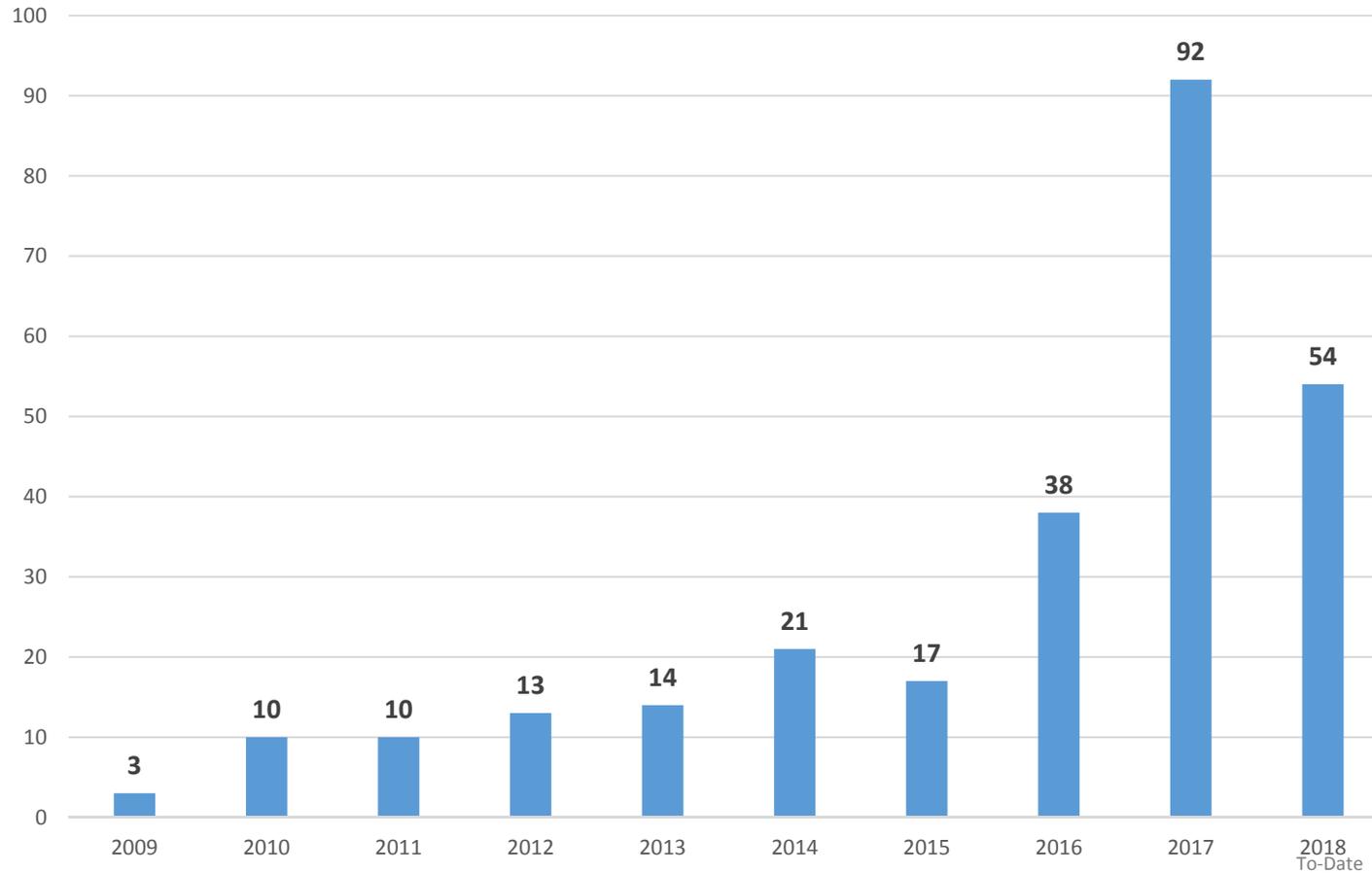
4. Santa Clara County Association of Realtors, March 2018.

Q1 2018 San José Residential Permit Activity



SOURCE: City of San José Housing Department, March 2018

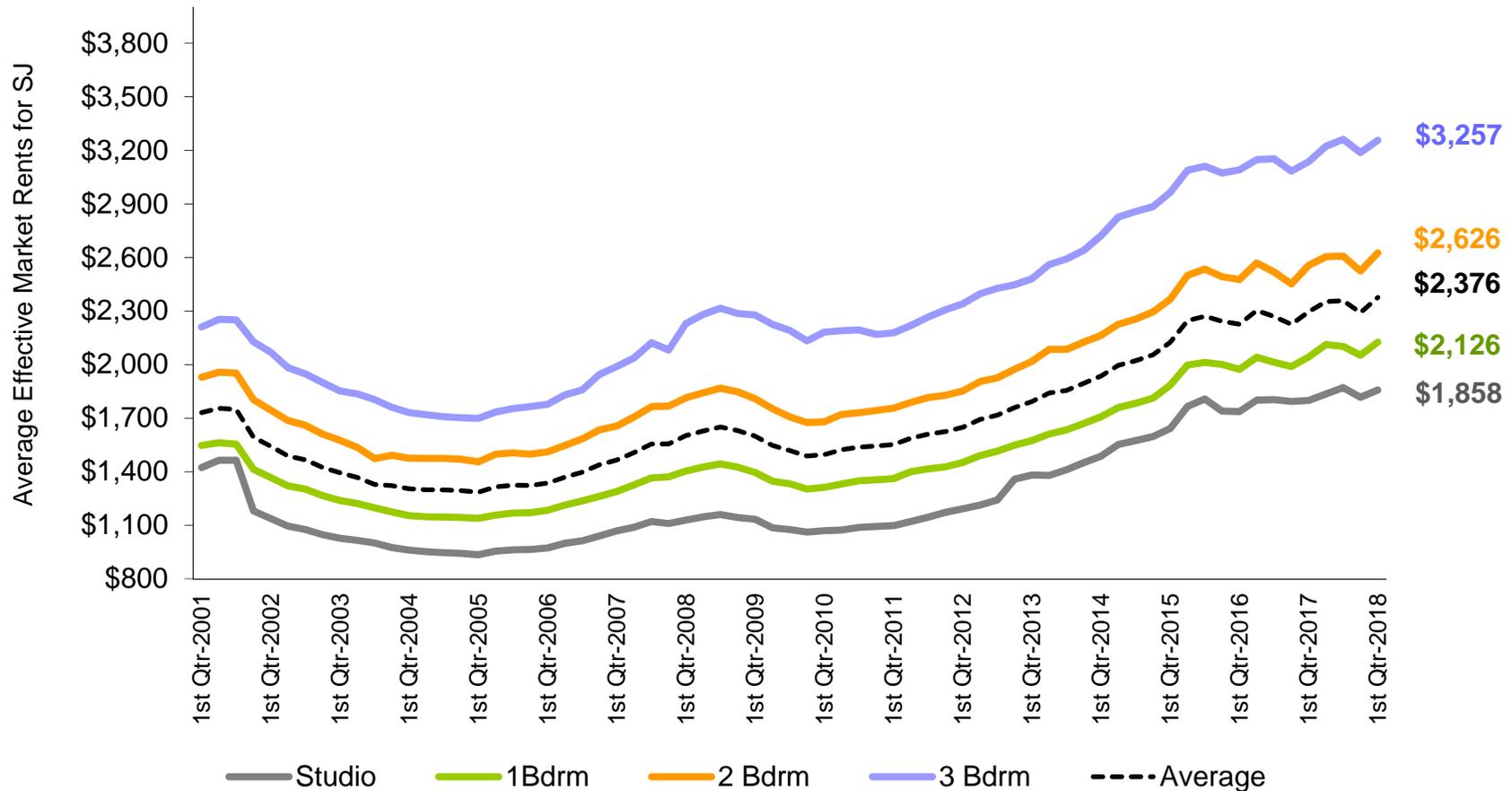
2017 Second Unit Permits Up 140% YoY



Zoning code updated in December 2016 to conform with new State Legislation.

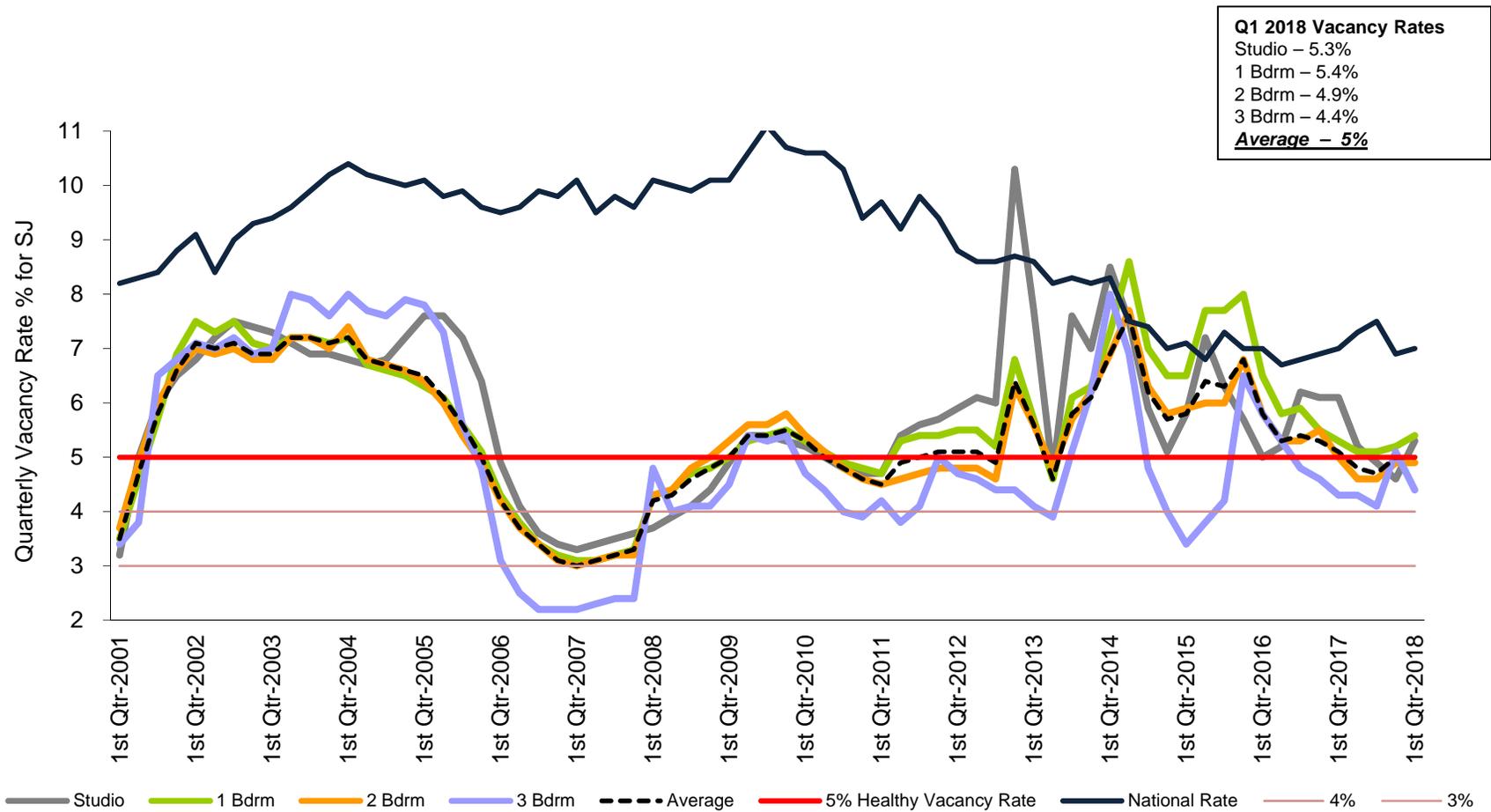
SOURCE: City of San José Monthly Permit Reports as of April 2018.

Average Rent Up 4% Quarter-over-Quarter (QoQ) & YoY



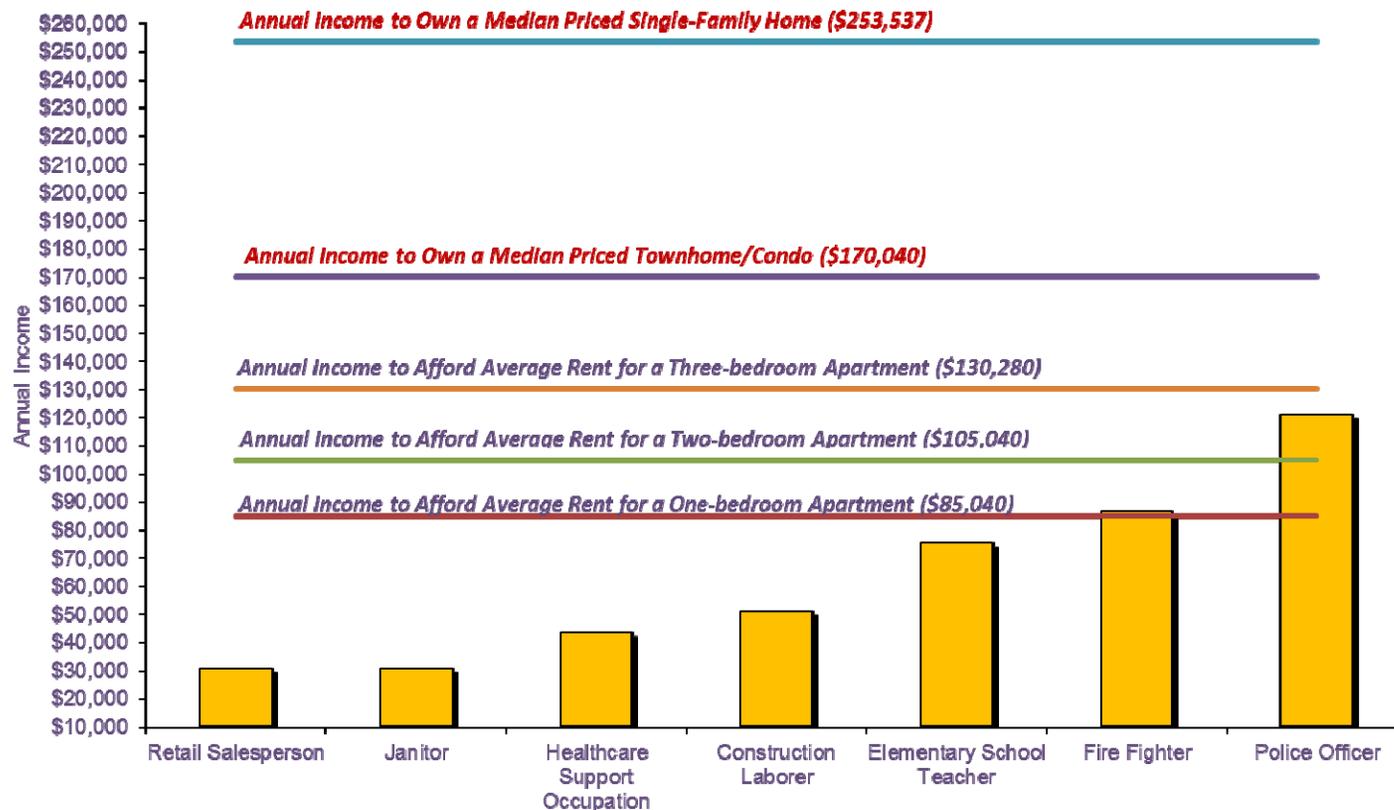
SOURCE: Costar April 9, 2018.

Average Vacancy at 5%



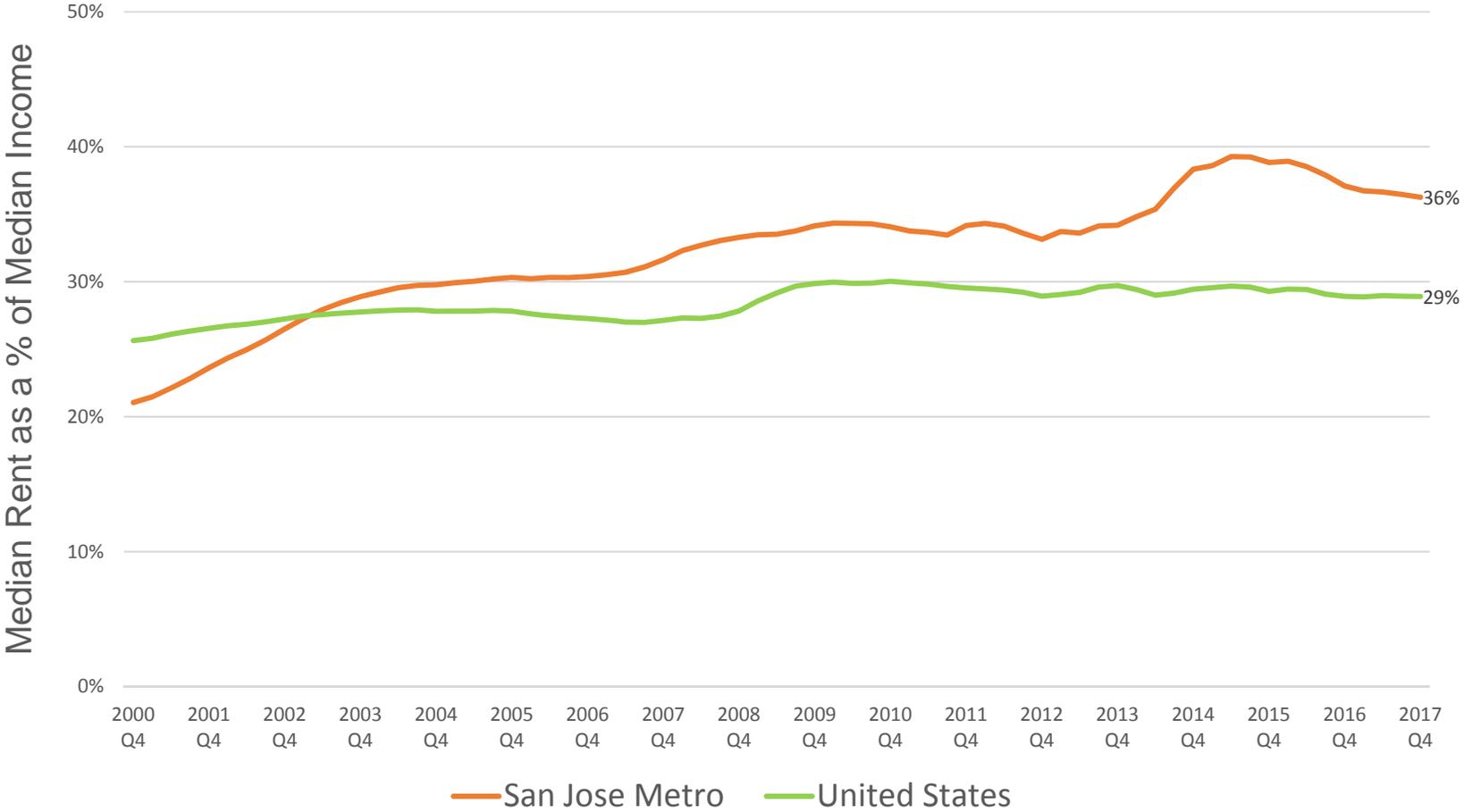
SOURCE: Costar, April 9, 2018, National Rate – US Census Bureau Current Population Survey/ Housing Vacancy Survey 4/26/18

Housing is Out of Reach for Many San José Workers



SOURCE: Employment Development Department (EDD) – First Quarter 2017 Wages; Costar April 9, 2018. Average Rents; Income to rent calculation assumes rent at 30% of income and a single income household; Santa Clara County Association of Realtors Q1 2018 median prices; Income to mortgage calculations assume payments at 30% of income, 20% down, 4.44% interest, 1.25% Property Tax, \$375 HOA dues for condos and a single-income household/

San José's Renters Spend Higher % of Income on Rent



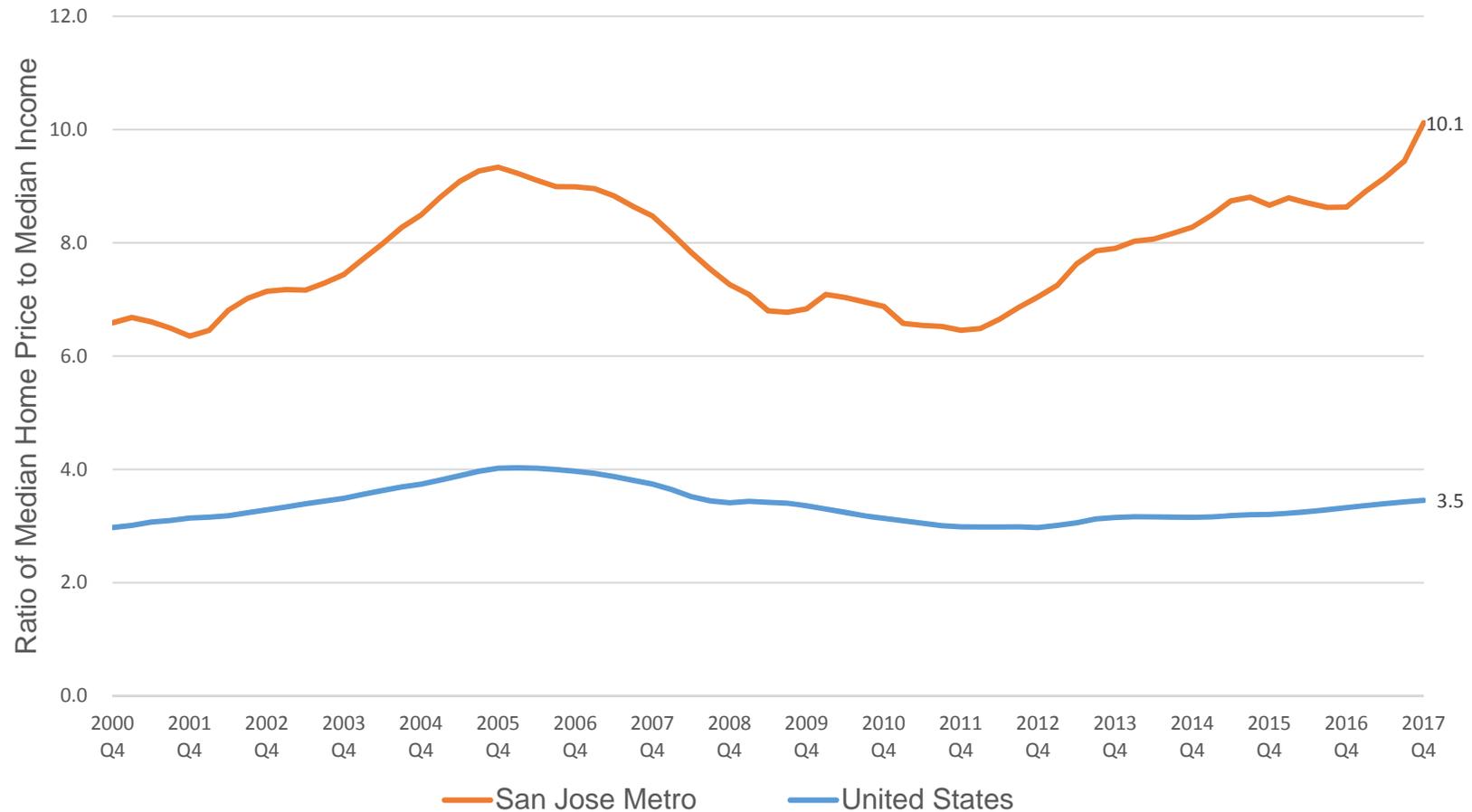
SOURCE: Zillow Rental Affordability Index Q4 2017– One Quarter Lag.

San José's Single-Family Median Home Price Keeps Climbing - Up 10% QoQ and 28% YoY



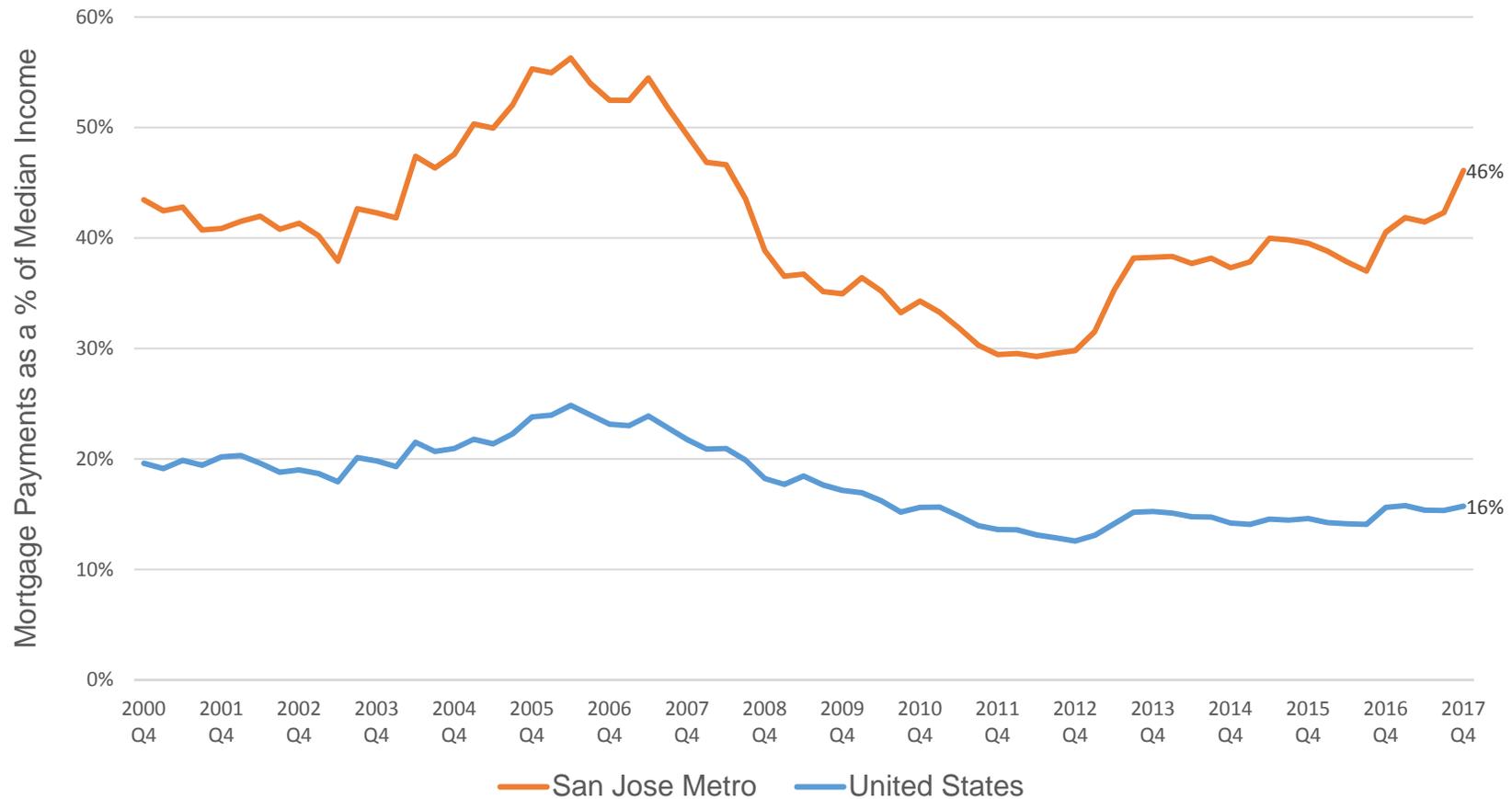
SOURCE: Santa Clara County Association of Realtors, March 2018.

San José Metro Area Median Home Prices 10x Median Income - Nearly Triple the National Average



SOURCE: Zillow Price to Income Index Q4 2017– One Quarter Lag

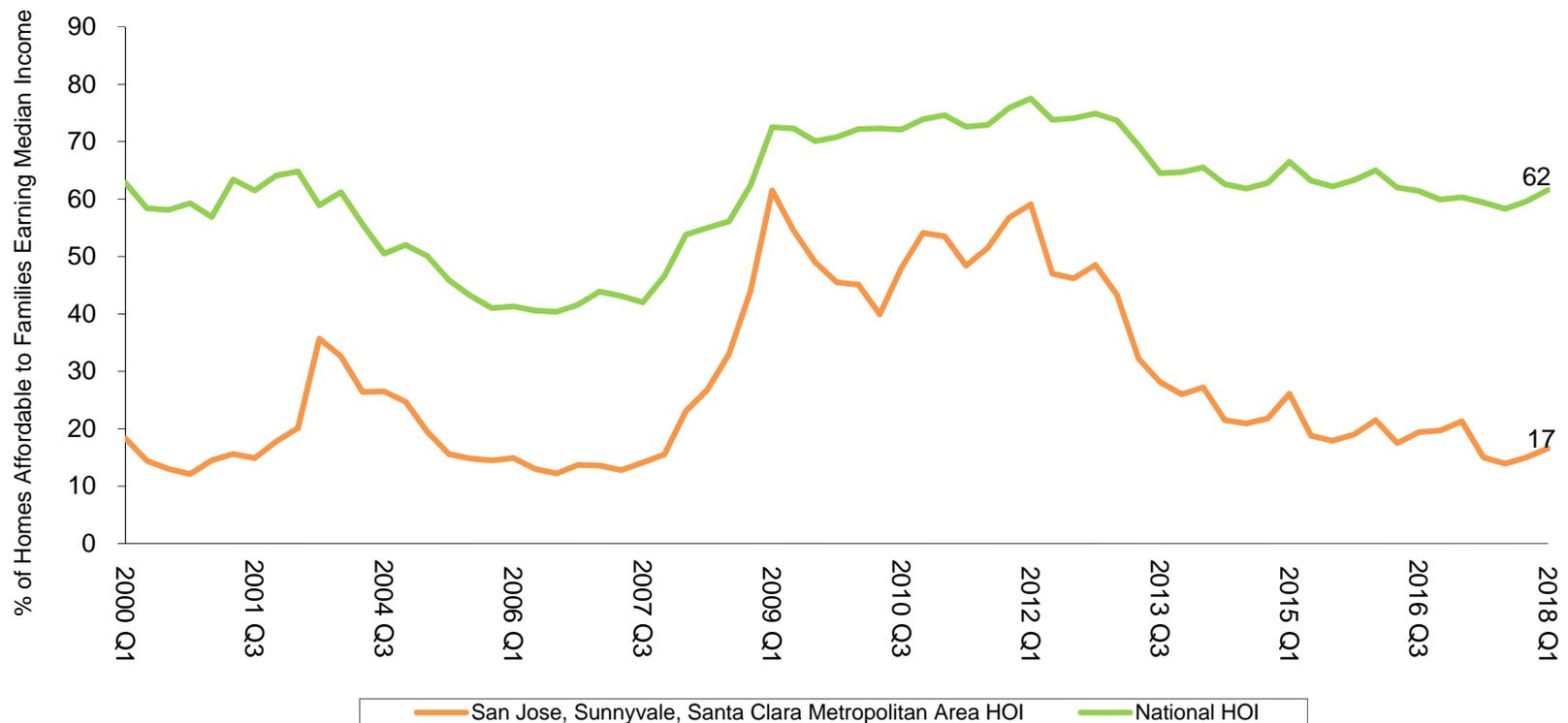
San José's Mortgage to Income Ratio is 2.9x National Average



SOURCE: Zillow Mortgage Affordability Index Q4 2017– One Quarter Lag

San Jose's Housing Affordability Remains Low Relative to the Nation (8th least affordable)

1 in 6 families in San José can afford to own a median priced home



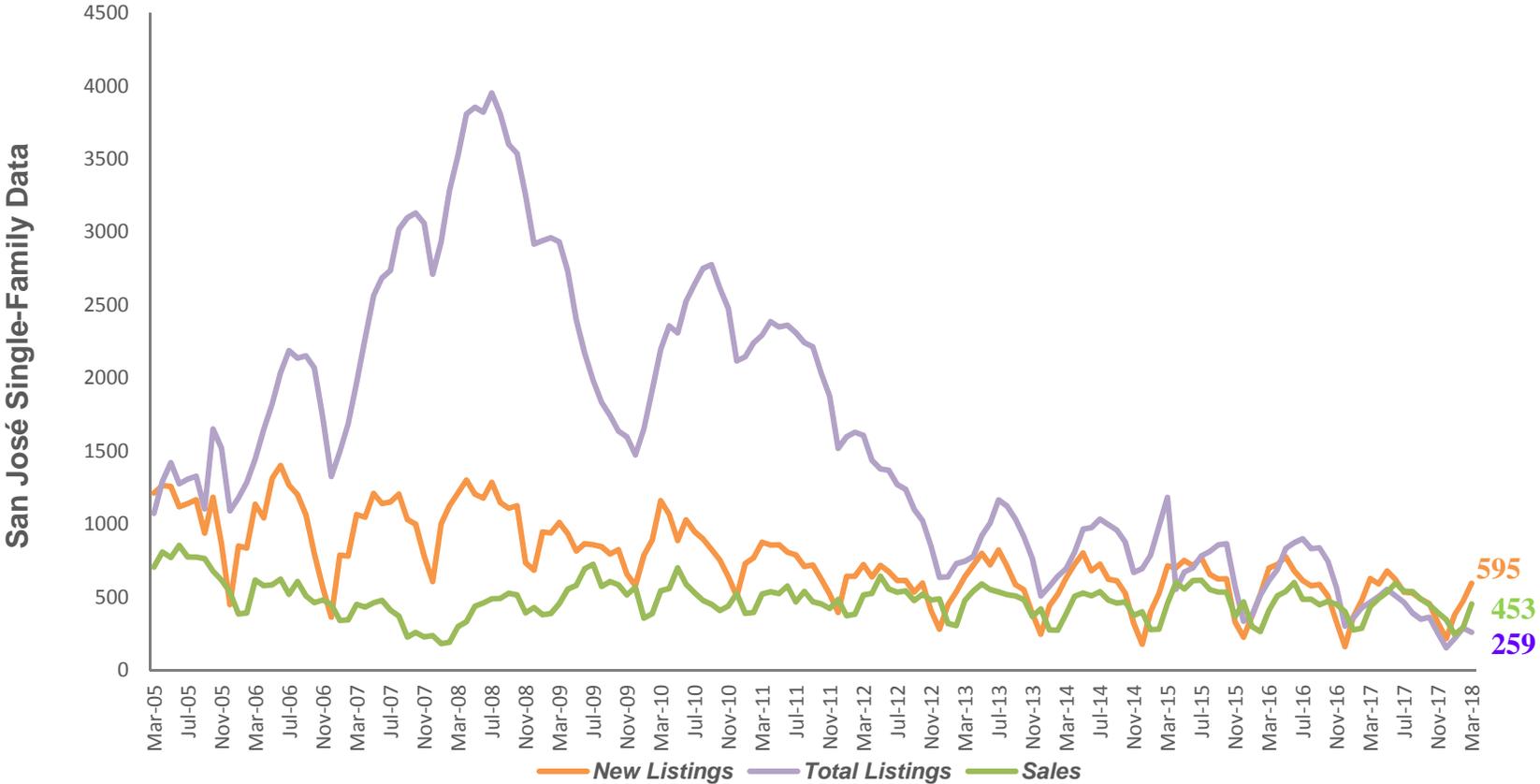
SOURCE: National Association of Home Builders, Housing Opportunity Index Q1 2018

San José's Condo/Townhome Median Prices Up 11% QoQ and 20% YoY



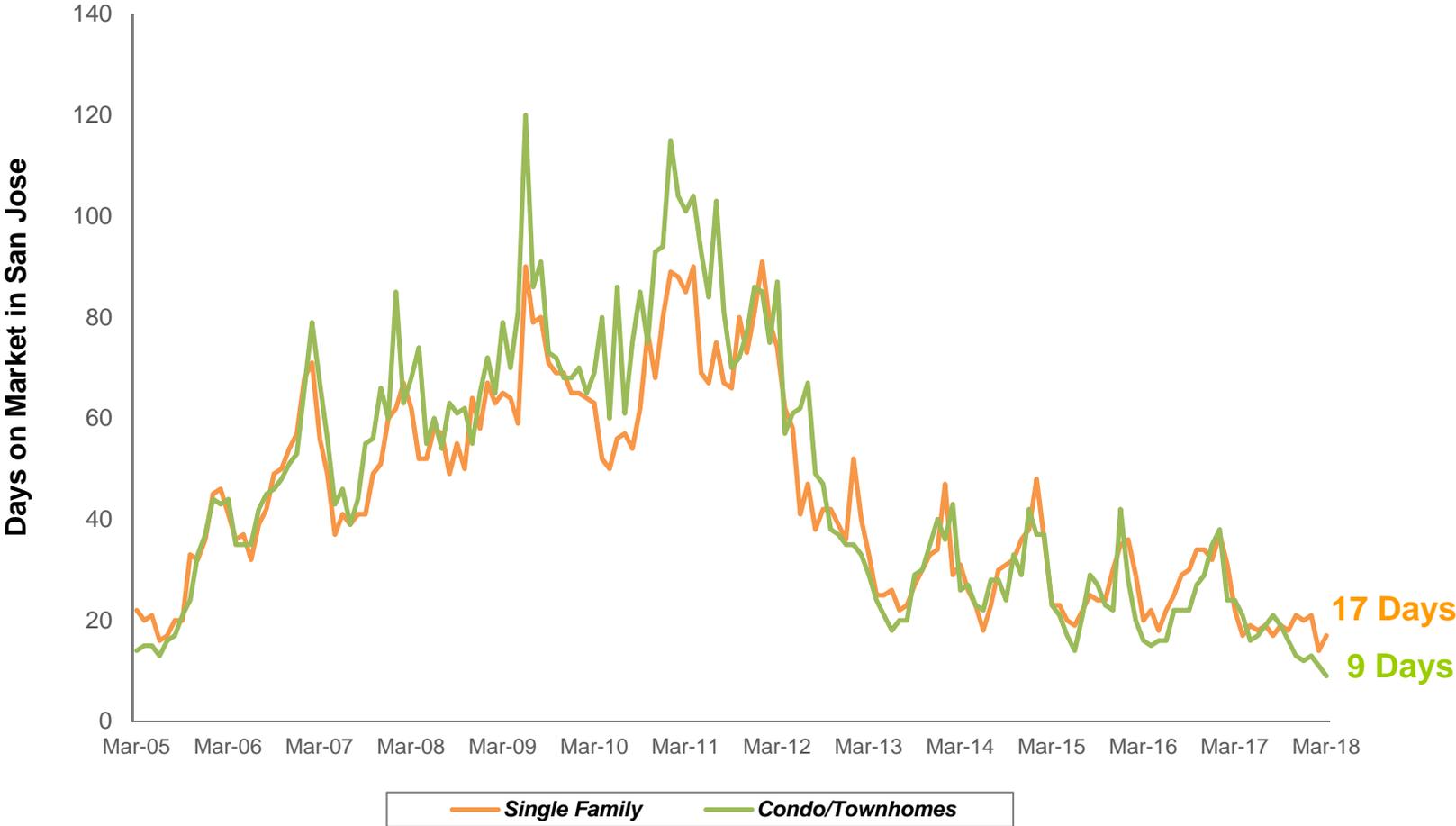
SOURCE: Santa Clara County Association of Realtors March 2018

Single-Family Inventory Up 70% QoQ, Down 45% YoY; Sales Up 30% QoQ & 4% YoY



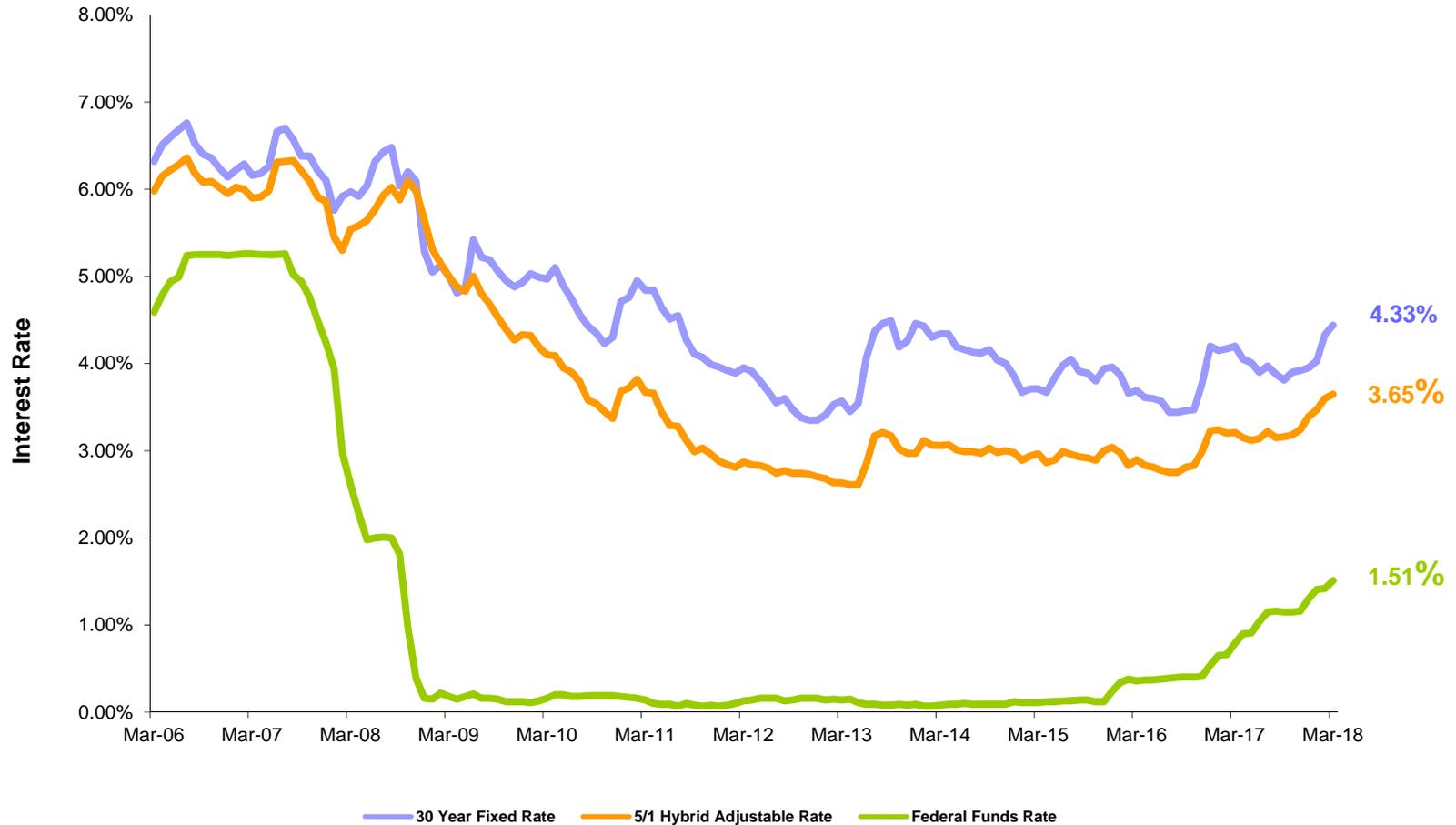
SOURCE: Santa Clara County Association of Realtors, March 2018

Condos/Townhomes Selling Twice as Fast as Single-Family homes



SOURCE: Santa Clara County Association of Realtors March 2018

Interest Rates Continue Upward March



SOURCE: Federal Reserve, Freddie Mac Primary Mortgage Market Survey, Q1 2018

Data Sources and Definitions

- The City of San José selected **Costar** to supply rental housing statistics as of July 1, 2017. The City's previous vendor, RealAnswers, went out of business in Q4 2016
- The City has restated rents and vacancy data beginning **January 2000**, using Costar. The revised data will be posted in the Housing Market Updates beginning in Q2 2017
- The **source** of the quarterly rents and vacancy data will be *average, effective, market-rate* apartment rents for the geography encompassing the *City of San José*, as reported in Costar's proprietary database
- **Effective rent** is the average rent paid over the term by a tenant adjusted downward for concessions paid for by the landlord (such as free rent, moving expenses, or other allowances), and upward for costs that are the responsibility of the tenant (such as operating expense pass throughs)
- The rents reported are average **market rate** rents charged by existing market-rate apartments; Costar updates rents data once a month for apartments with more than 30 units and once a quarter for apartments with less than 30 units
- For questions, please call the Housing Department at 408-535-3860