

City of San José

Housing Market Update



Miro, San José's tallest development, is scheduled for completion in 2020. This 28 story luxury residential development will offer 630 units in two towers in addition to retail space and upscale amenities. Photo courtesy of Multi Housing News & Bayview Development Group.

First Quarter 2019

Q1 2019 San José Housing Market

- **789** residential building permits issued - **134** for affordable housing
- **75** Second Units / ADU (Accessory Dwelling Units) permits issued - 40% of 2017 permits in one quarter
- Average effective rent up **2%** Quarter-over-Quarter (QoQ); Overall vacancy is at **4.5%** ¹
- Renters must earn **\$52/hour** (\$108,920/year) to afford the average effective monthly rent for a 2-bedroom apartment of **\$2,723** ²
- Median single-family home price is **\$1,125,000**³, up 7% QoQ
- Buyers must earn **\$108/hour** (\$224,395/year) to afford a median priced single-family home ⁴

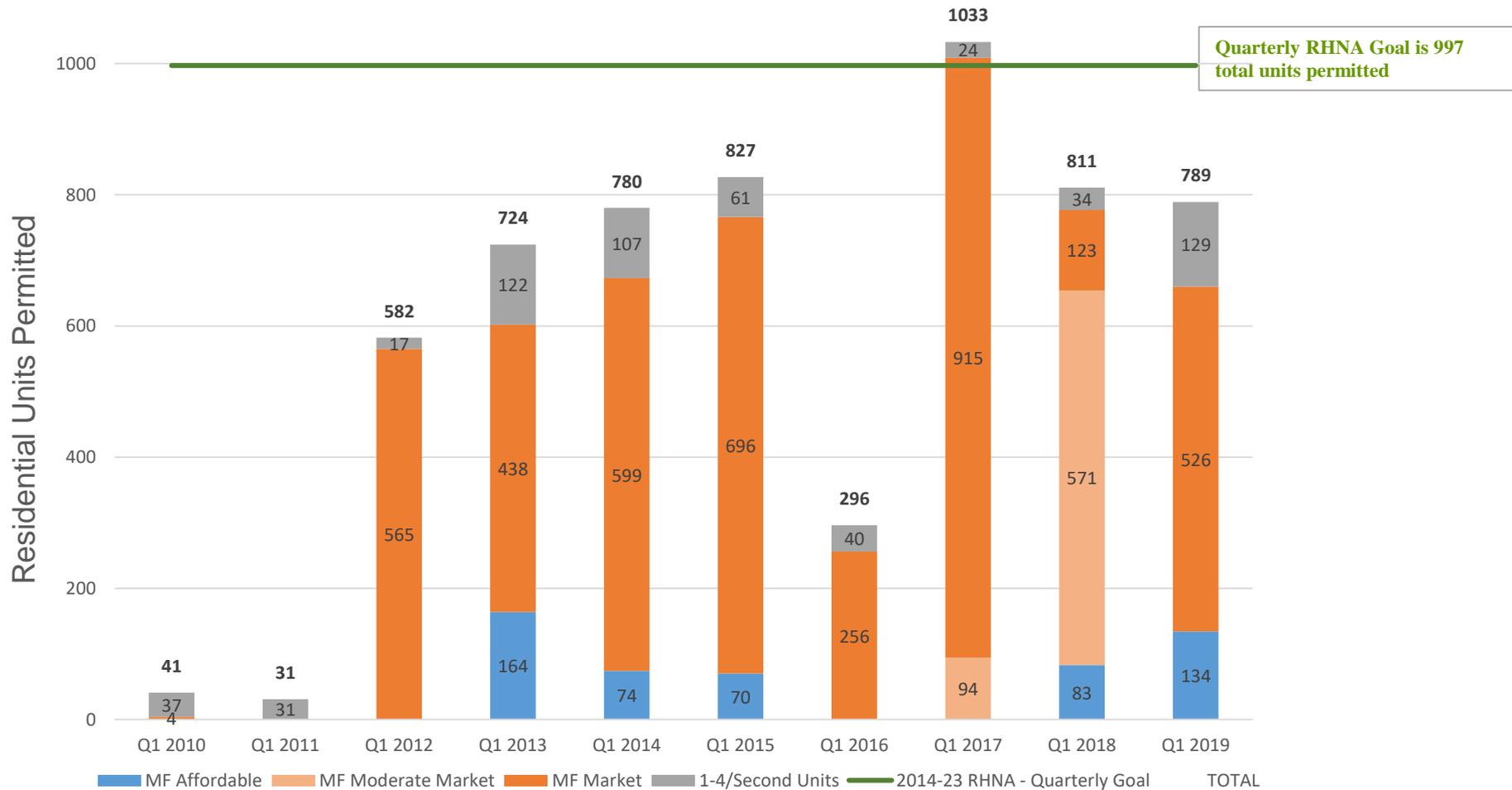
1. Costar April 29, 2019.

2. Based on April 2019 Costar average rents; income calculation assumes rents are 30% of income, 40-hour work week and a single income household.

3. Santa Clara County Association of Realtors (SCCAOR) March 2019.

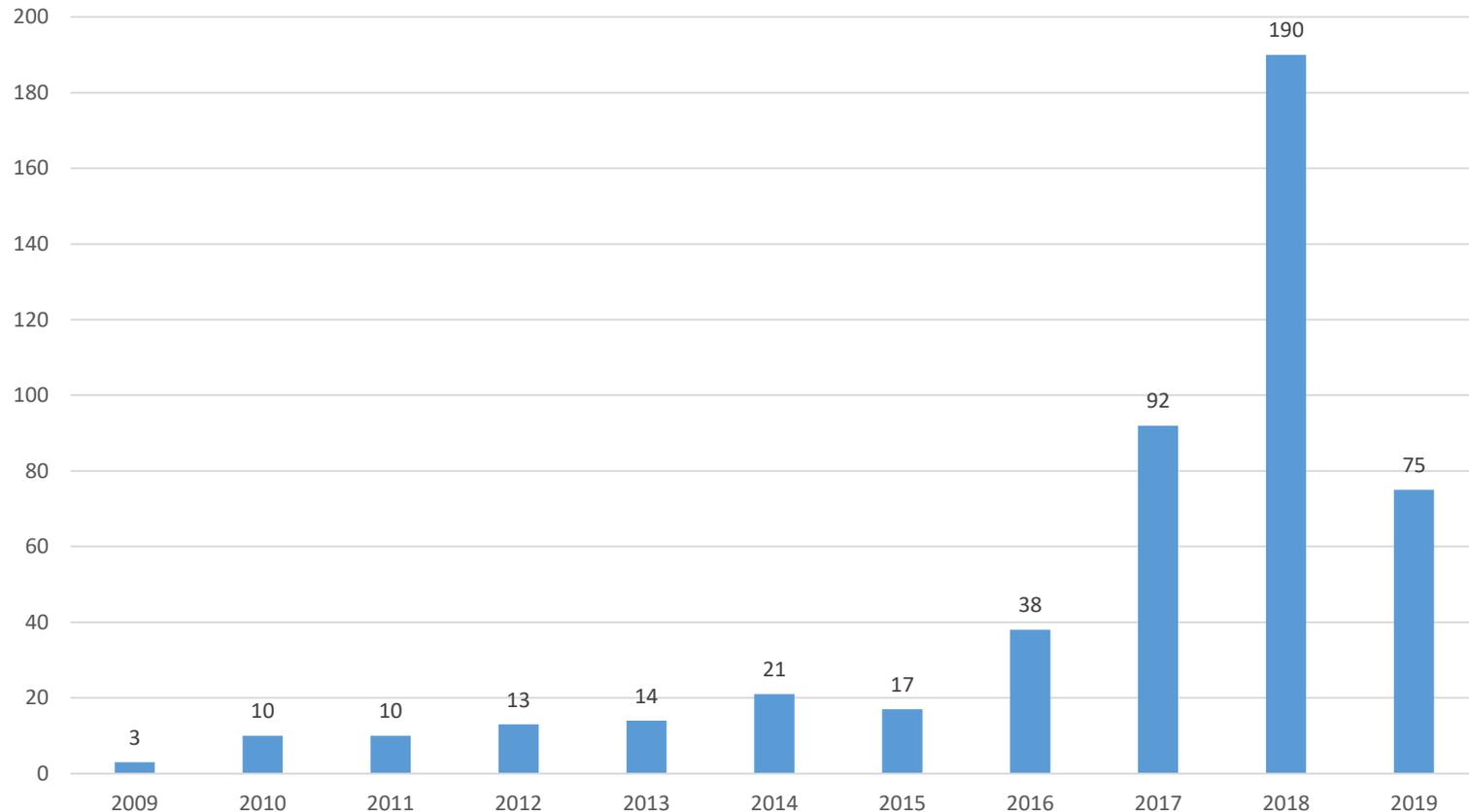
4. Based on SCCAOR, March 2019 median prices; income calculation assumes monthly payments are 30% of income, 20% down, 4.27% interest rate, 1.25% property tax, 40-hour work week and a single income household.

Q1 2019 Residential Building Permit Activity



SOURCE: City of San José Housing Department, Q1 2019.

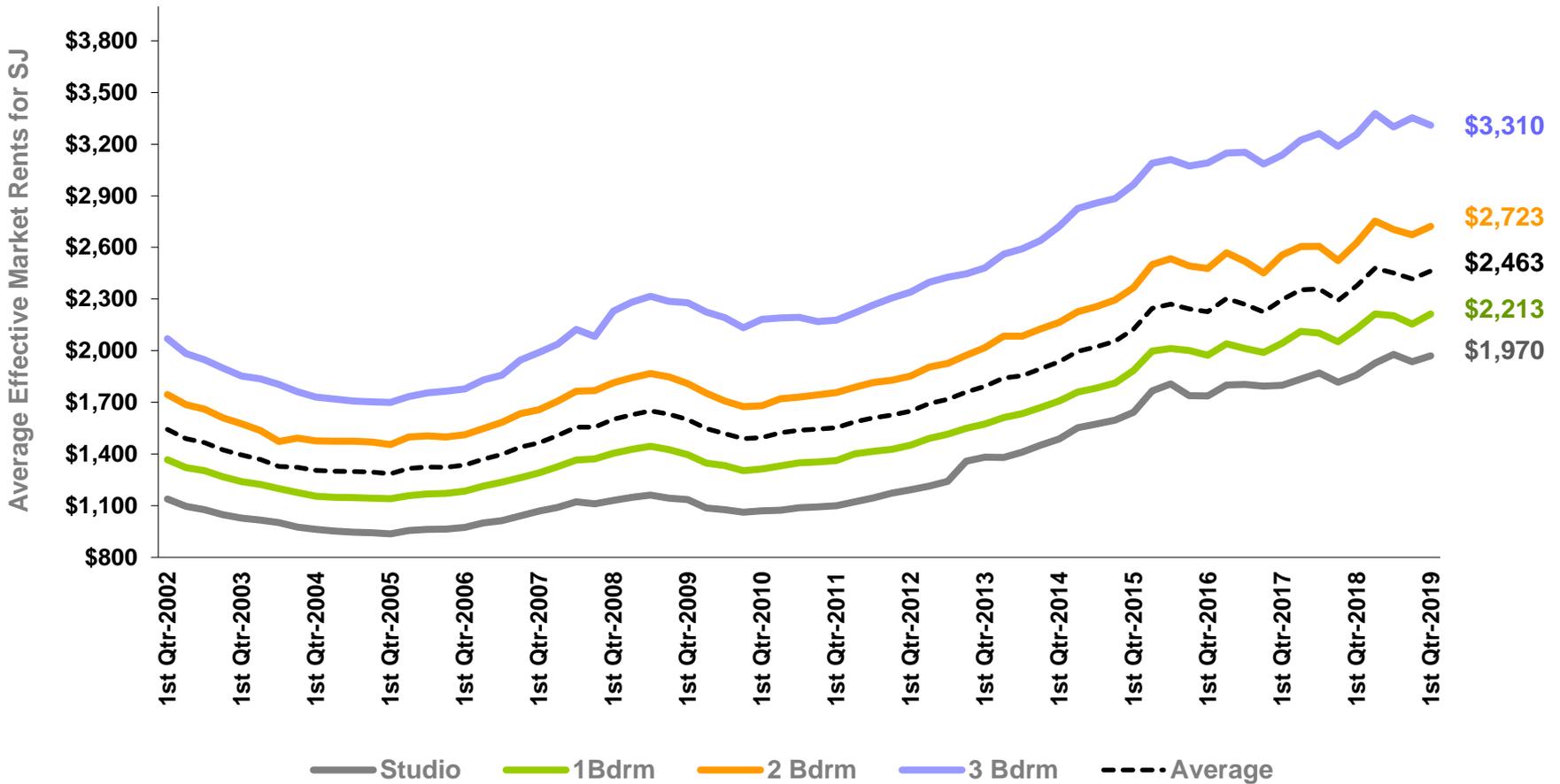
Strong First Quarter for Second Unit / ADU Permits



Zoning code updated in Nov 2016 and in June 2018 to conform with new State Legislation and to facilitate construction of ADUs; Not all permits result in units built.

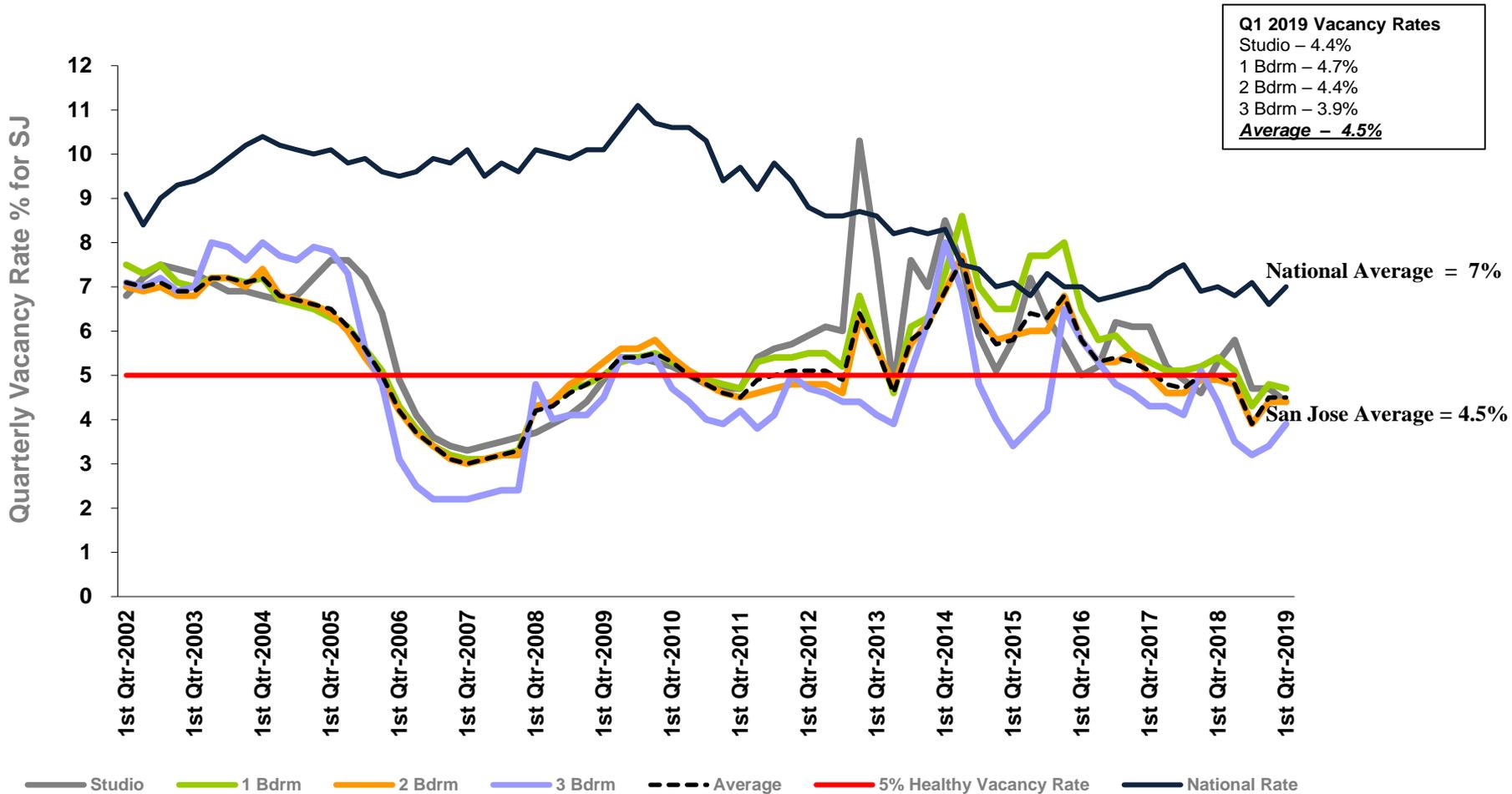
SOURCE: City of San José Monthly Permit Reports as of March 2019.

Average Rents Up 2% QoQ and 4%YoY



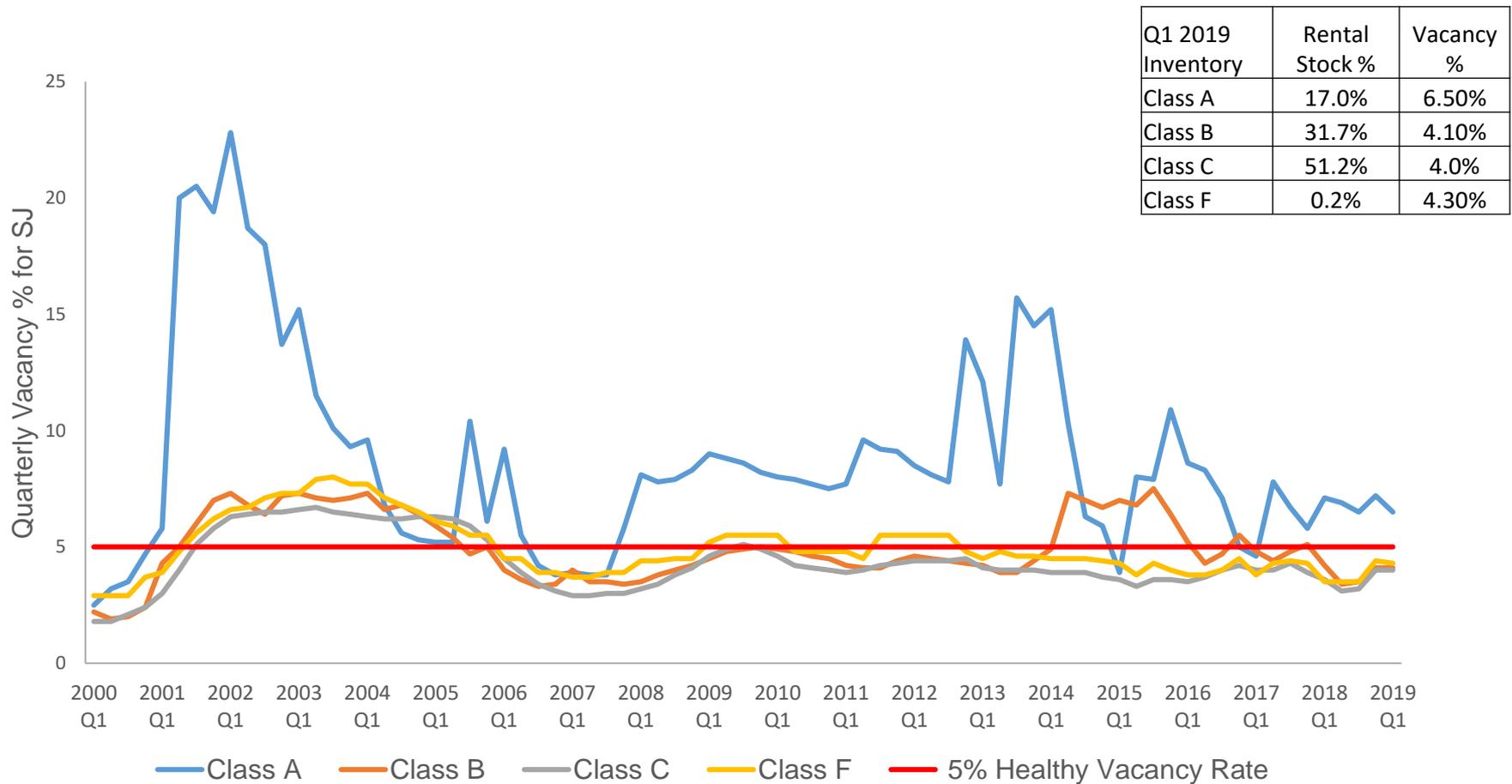
SOURCE: Costar April 29, 2019.

Average Vacancy at 4.5%, below the “Healthy” Rate



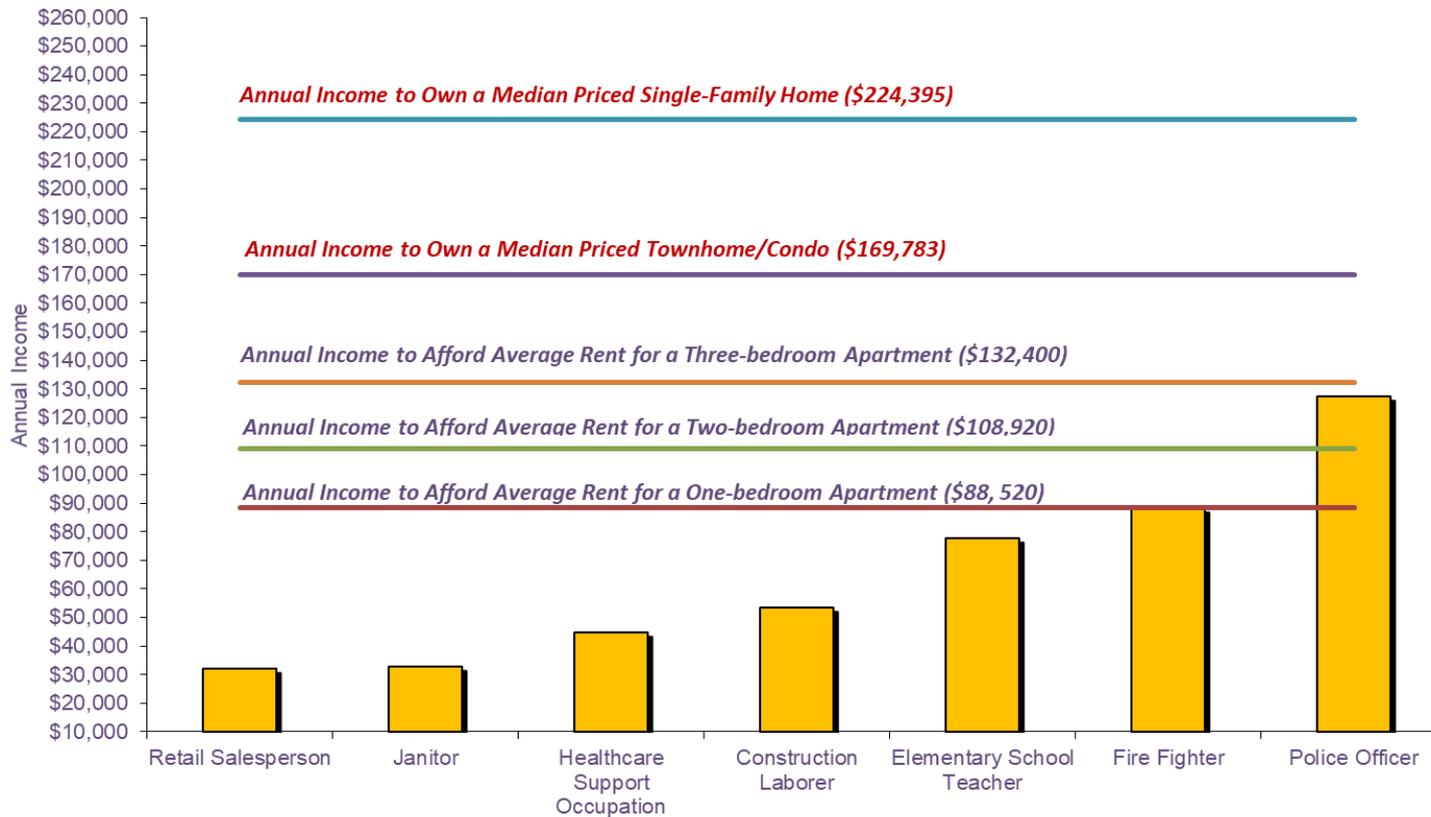
SOURCE: Costar, April 29, 2019; National Rate – US Census Bureau Current Population Survey/ Housing Vacancy Survey April 25, 2019.

Average Vacancy Lower for Older Buildings (83% of total rental stock)



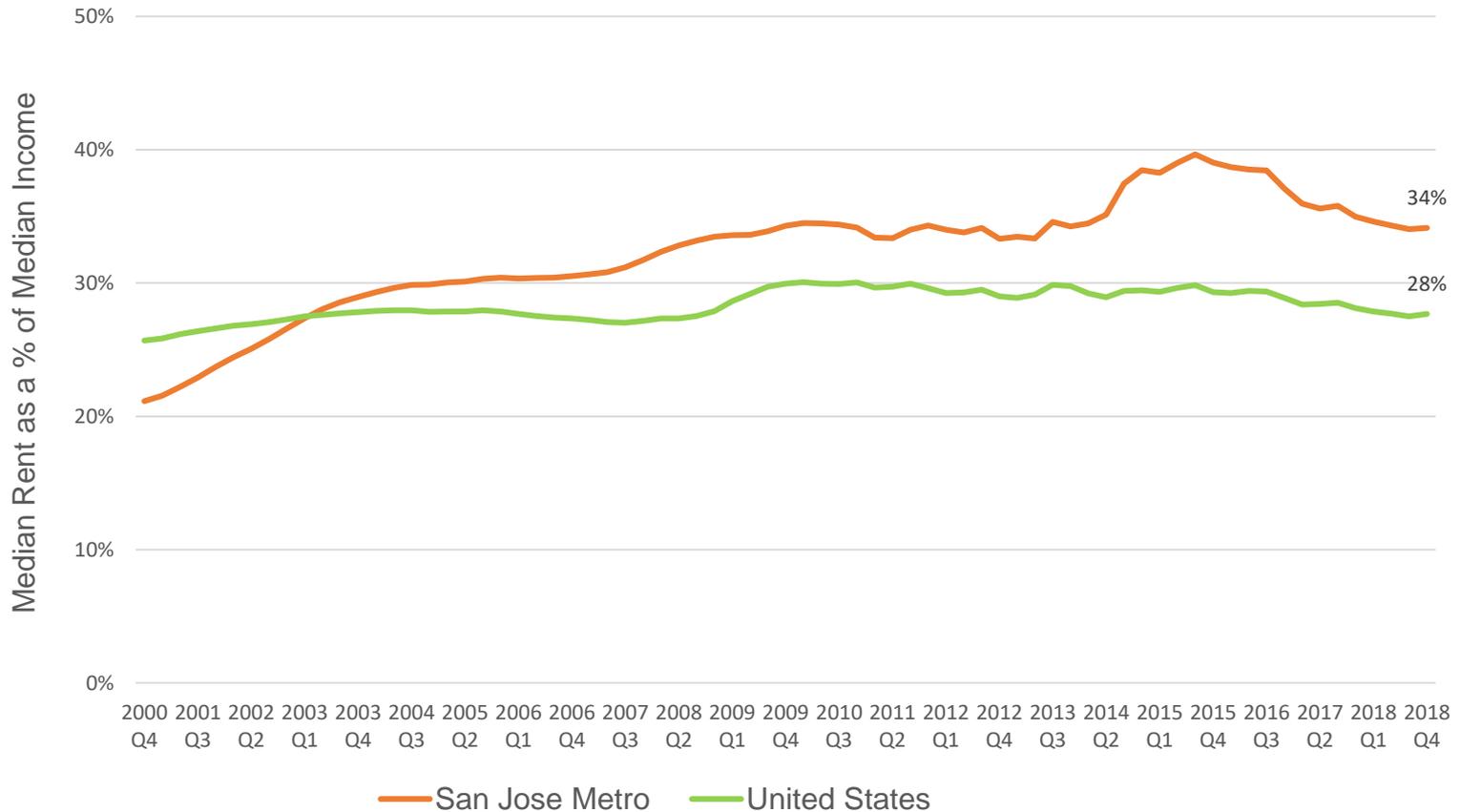
SOURCE: Costar, April 29, 2019.

Housing is Out of Reach for Many San José Workers



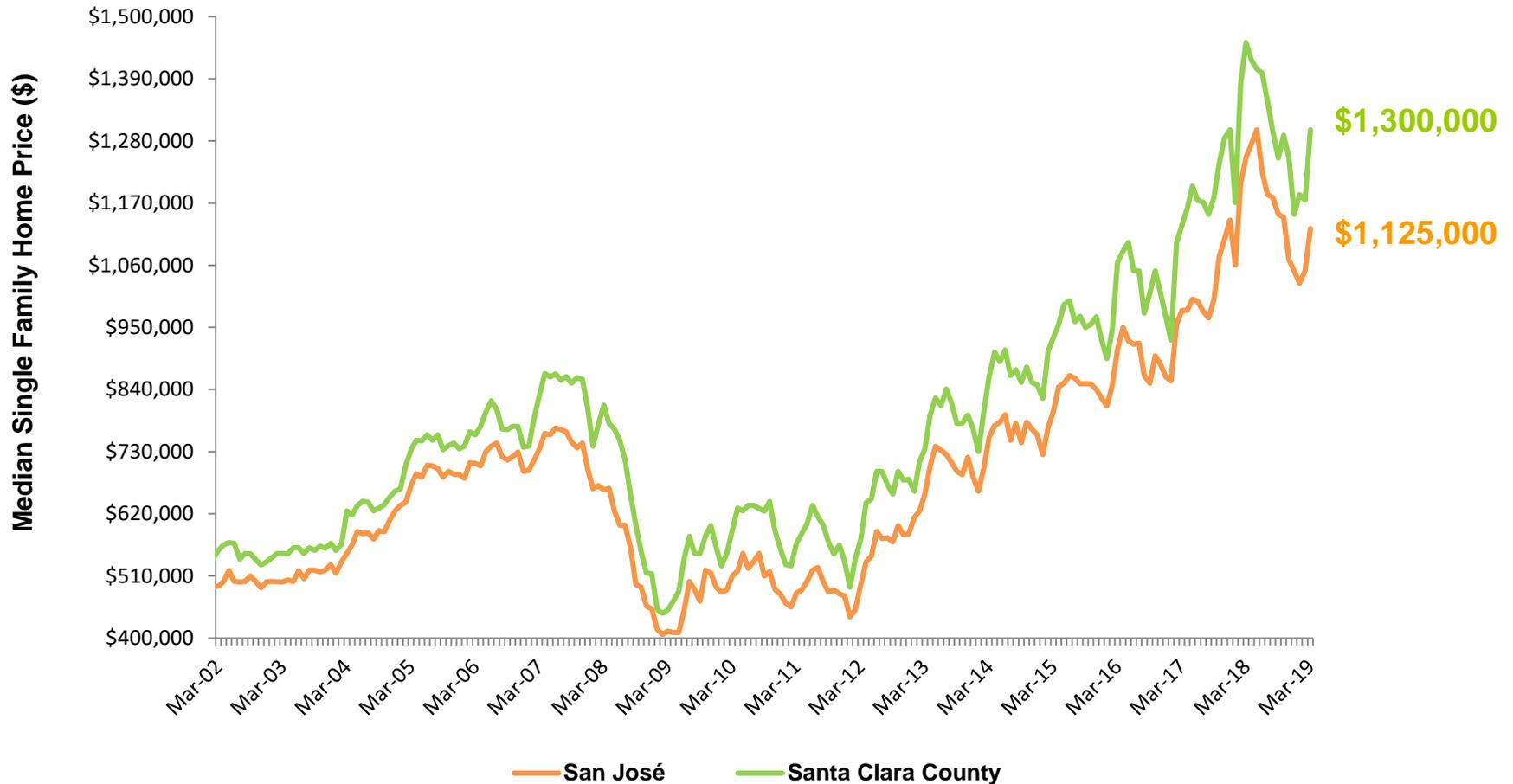
SOURCE: Employment Development Department (EDD) – First Quarter 2018 Wages; Costar Q1 2019 Average Effective Rents; Income to rent calculation assumes rent at 30% of income and a single income household; Santa Clara County Association of Realtors March 2019 median prices; Income to mortgage calculations assume payments at 30% of income, 20% down, 4.27% interest, 1.25% Property Tax, \$375 HOA dues for condos and a single-income household.

San José Renters Spend Higher % of Income on Rent



SOURCE: Zillow Rental Affordability Index Q4 2018 – one quarter time lag.

San José Single-Family Median Home Price Up 7% QoQ but Down 10% YoY



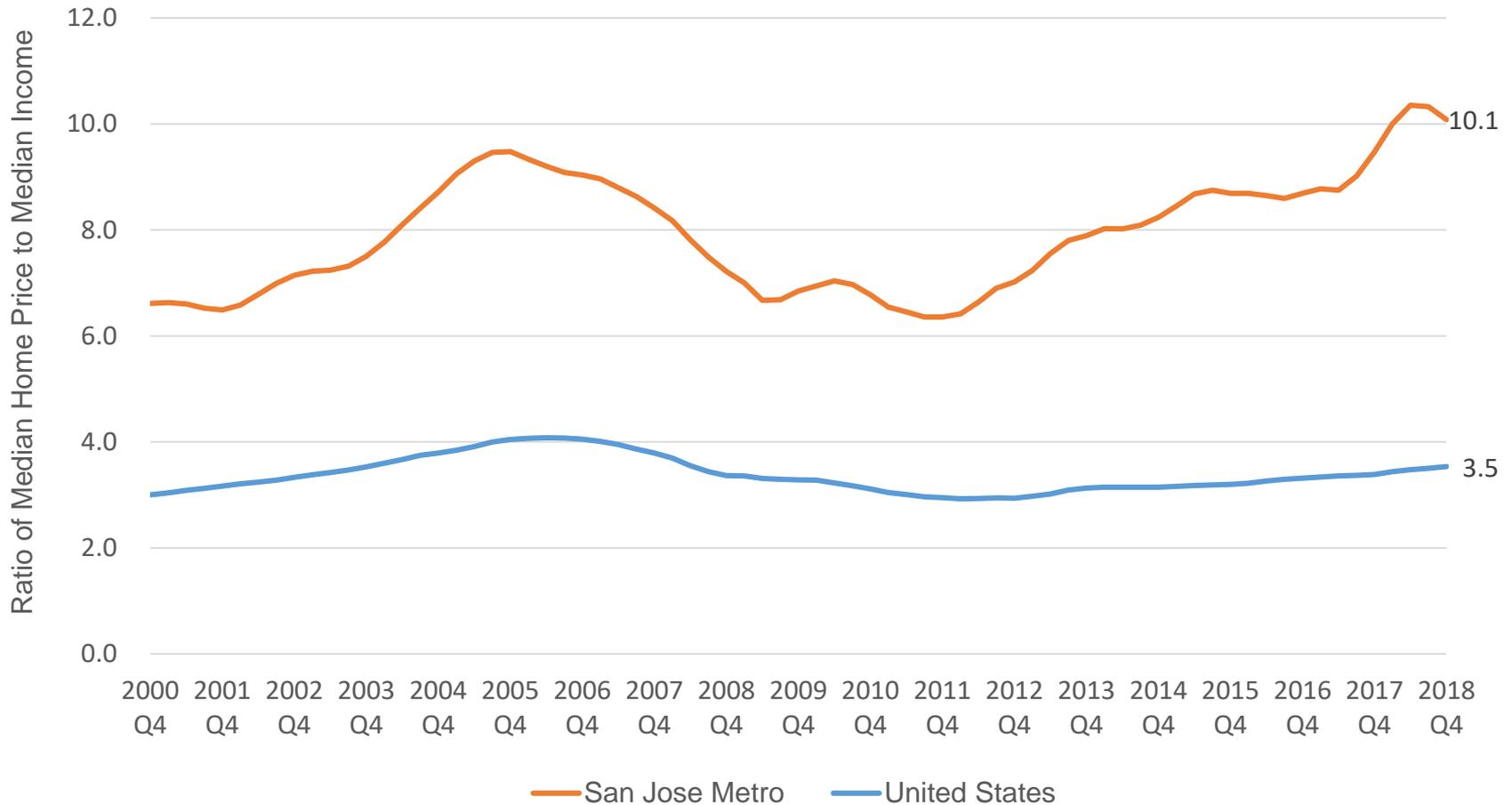
SOURCE: Santa Clara County Association of Realtors, March 2019.

San José Condo/Townhome Median Price Up 12% QoQ & 1% YoY



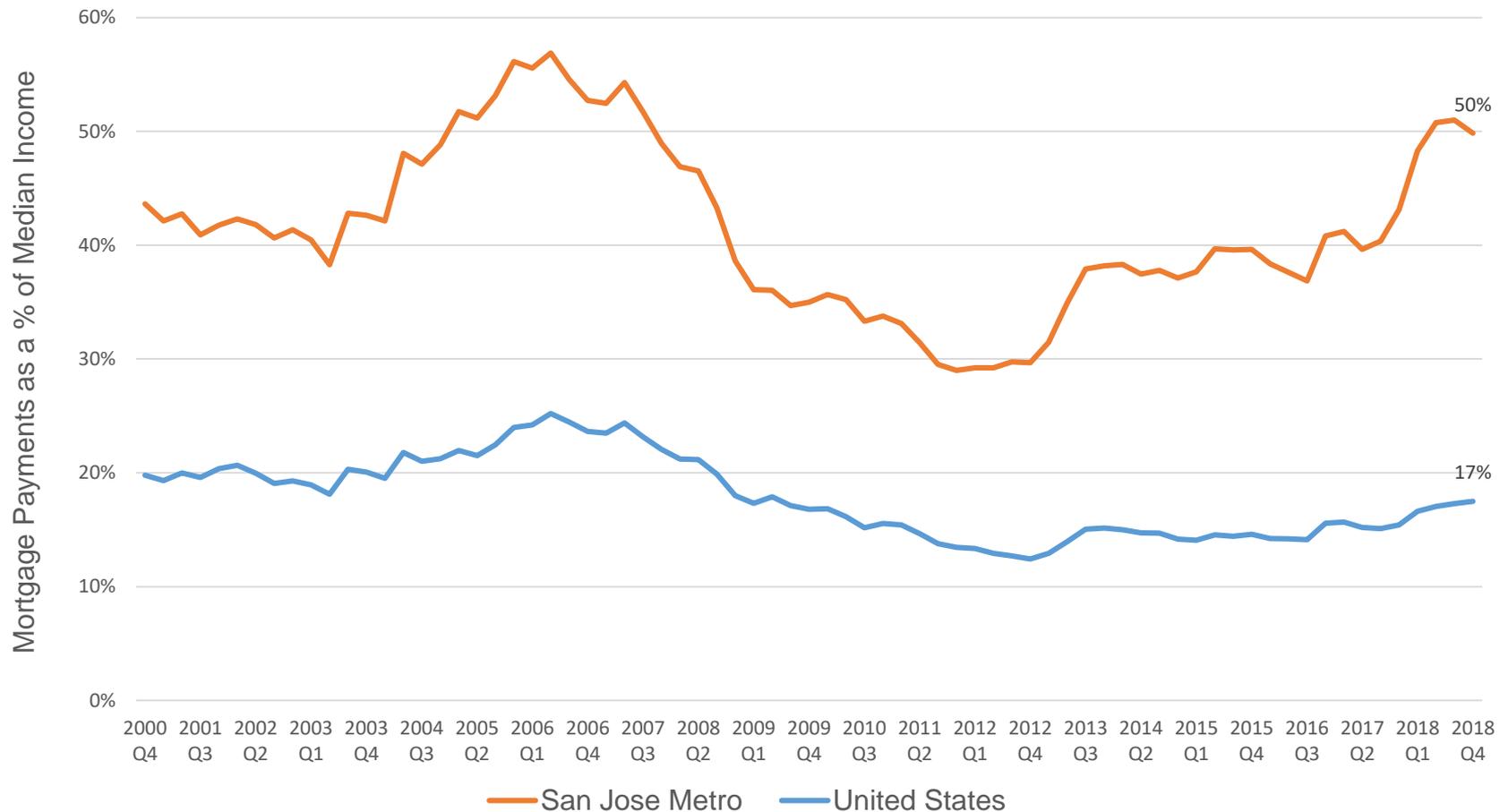
SOURCE: Santa Clara County Association of Realtors March 2019.

San José Metro Area Median Home Prices 10x Median Income – Almost Triple the National Average



SOURCE: Zillow Price to Income Index Q4 2018, one quarter lag.

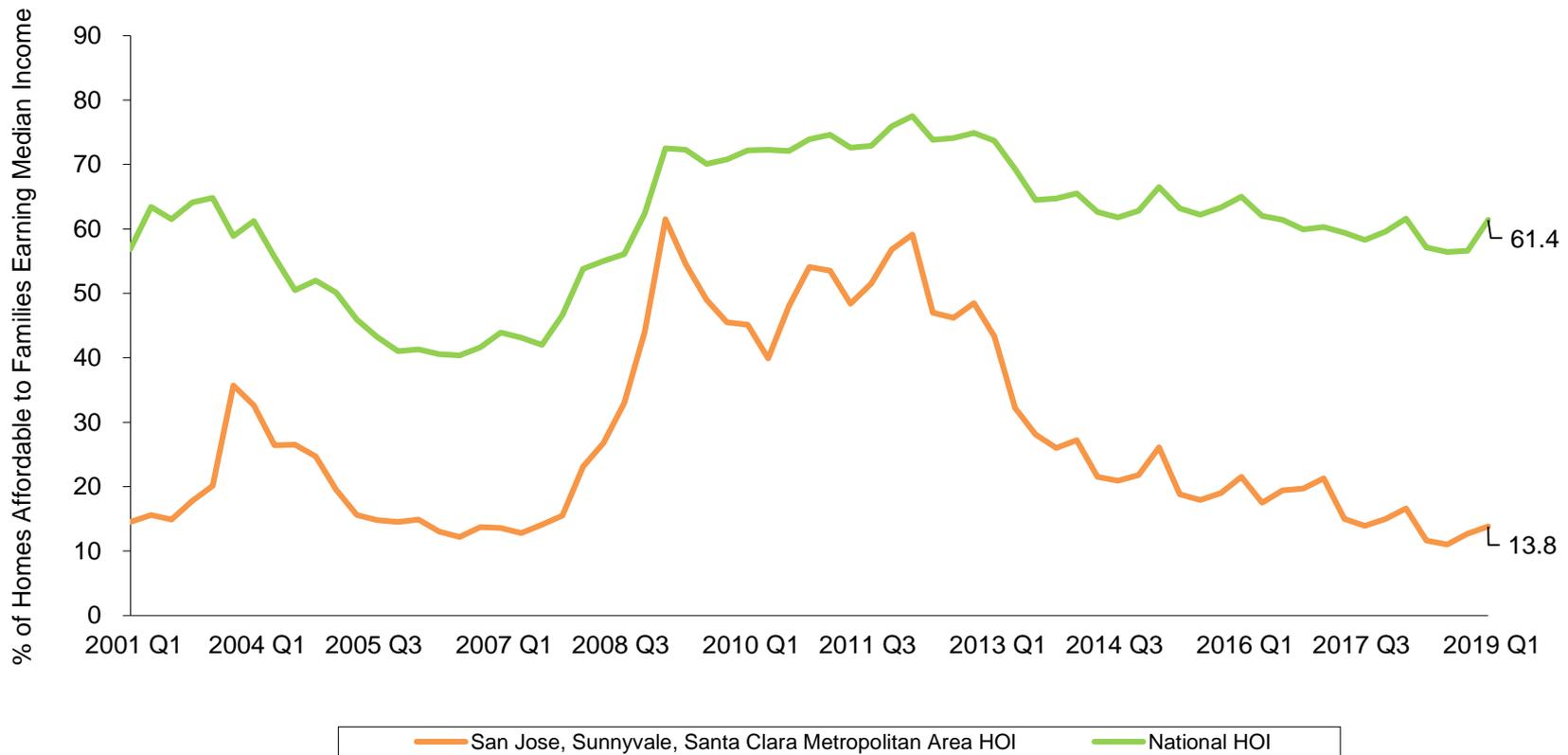
San José Owners Spend Half their Income on Mortgages, Almost 3x National Average



SOURCE: Zillow Mortgage Affordability Index Q4 2018, one quarter lag.

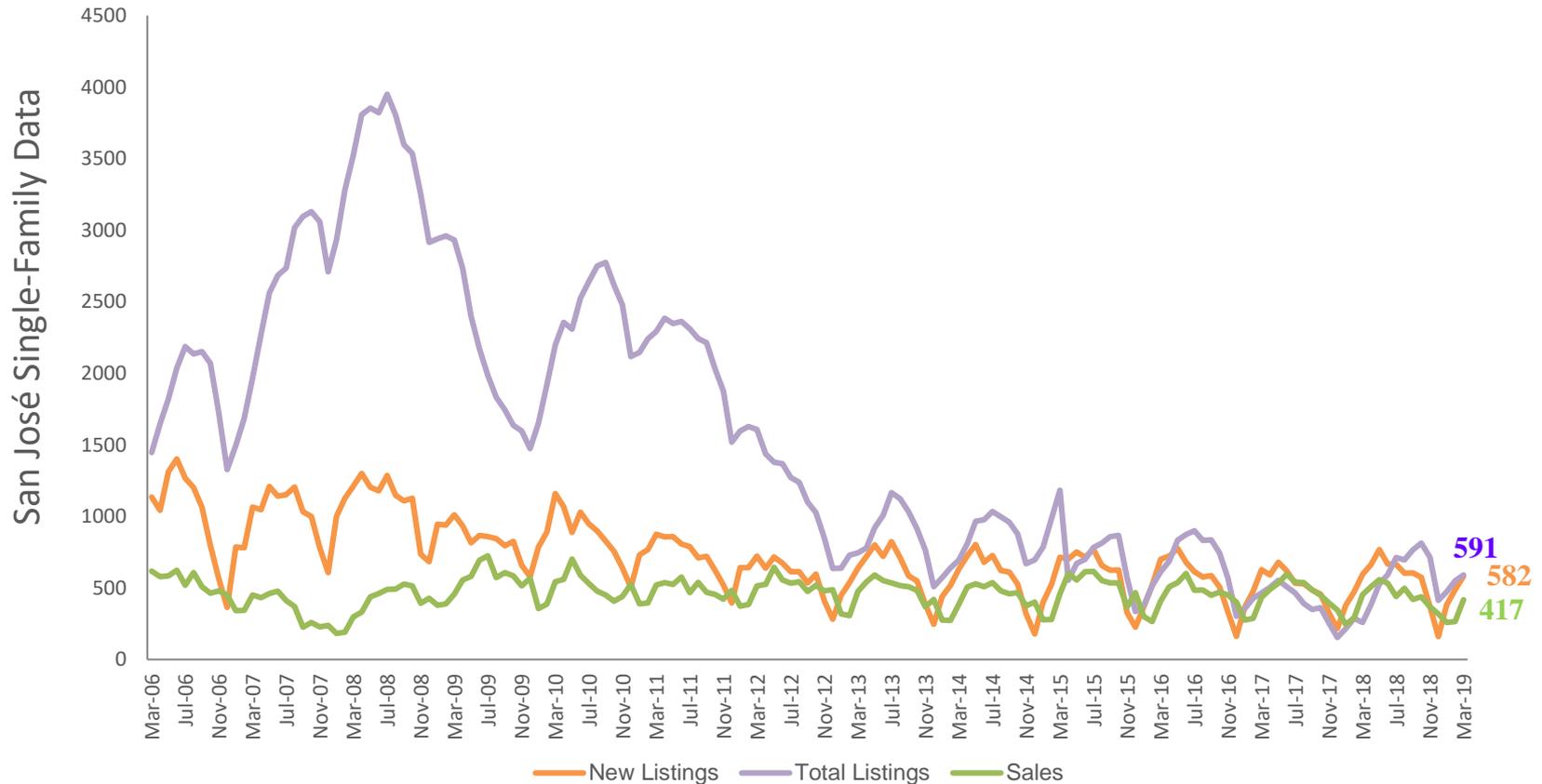
Only 14% of Homes Remain Affordable to Median Income Households

Only 1 in 8 families in San José Metropolitan Area can afford to own a median priced single-family home



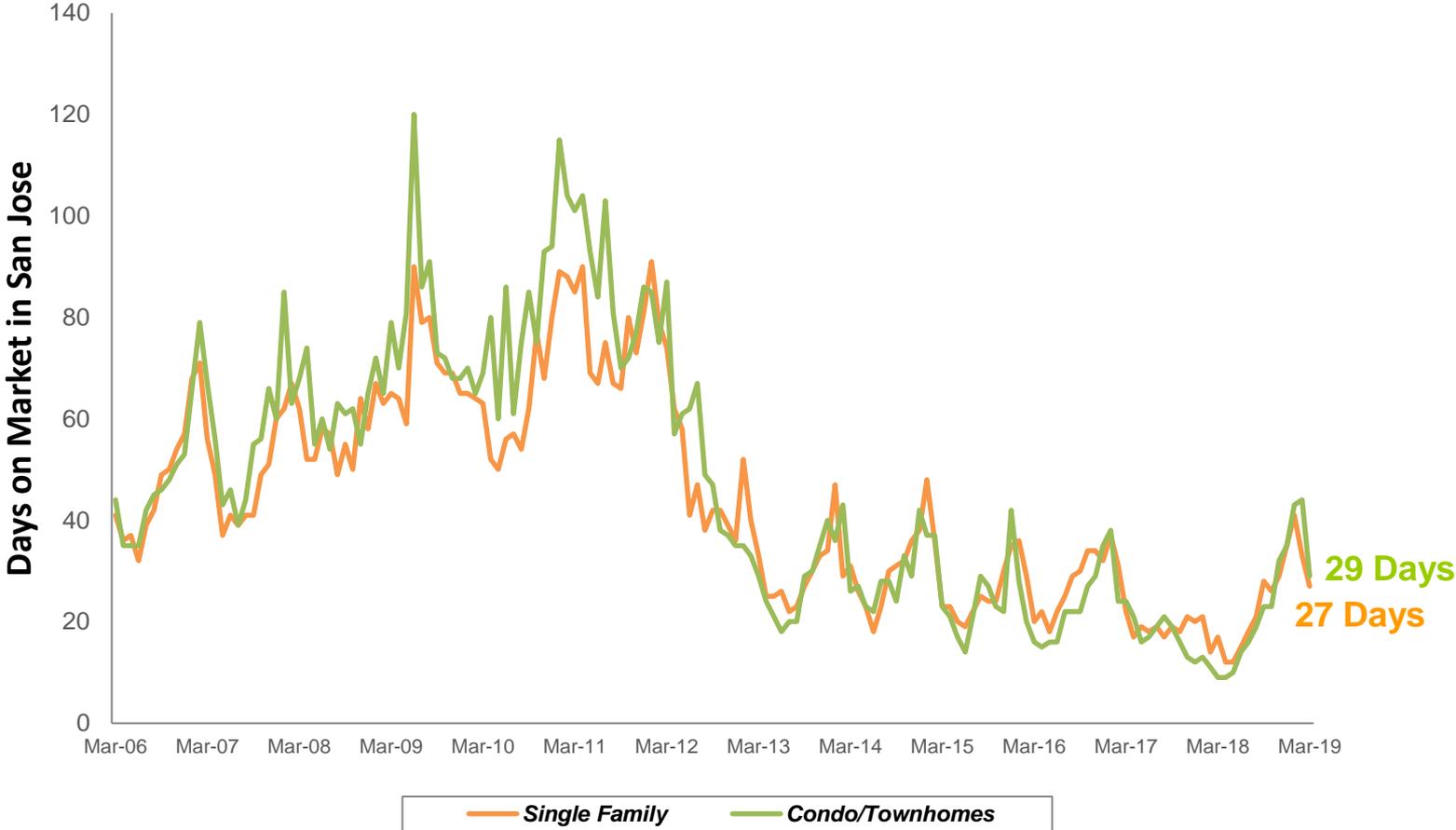
SOURCE: National Association of Home Builders, Housing Opportunity Index (HOI) Q1 2019.

Single-Family New Listings, Sales & Inventory Reflect Normal Cyclical Trends



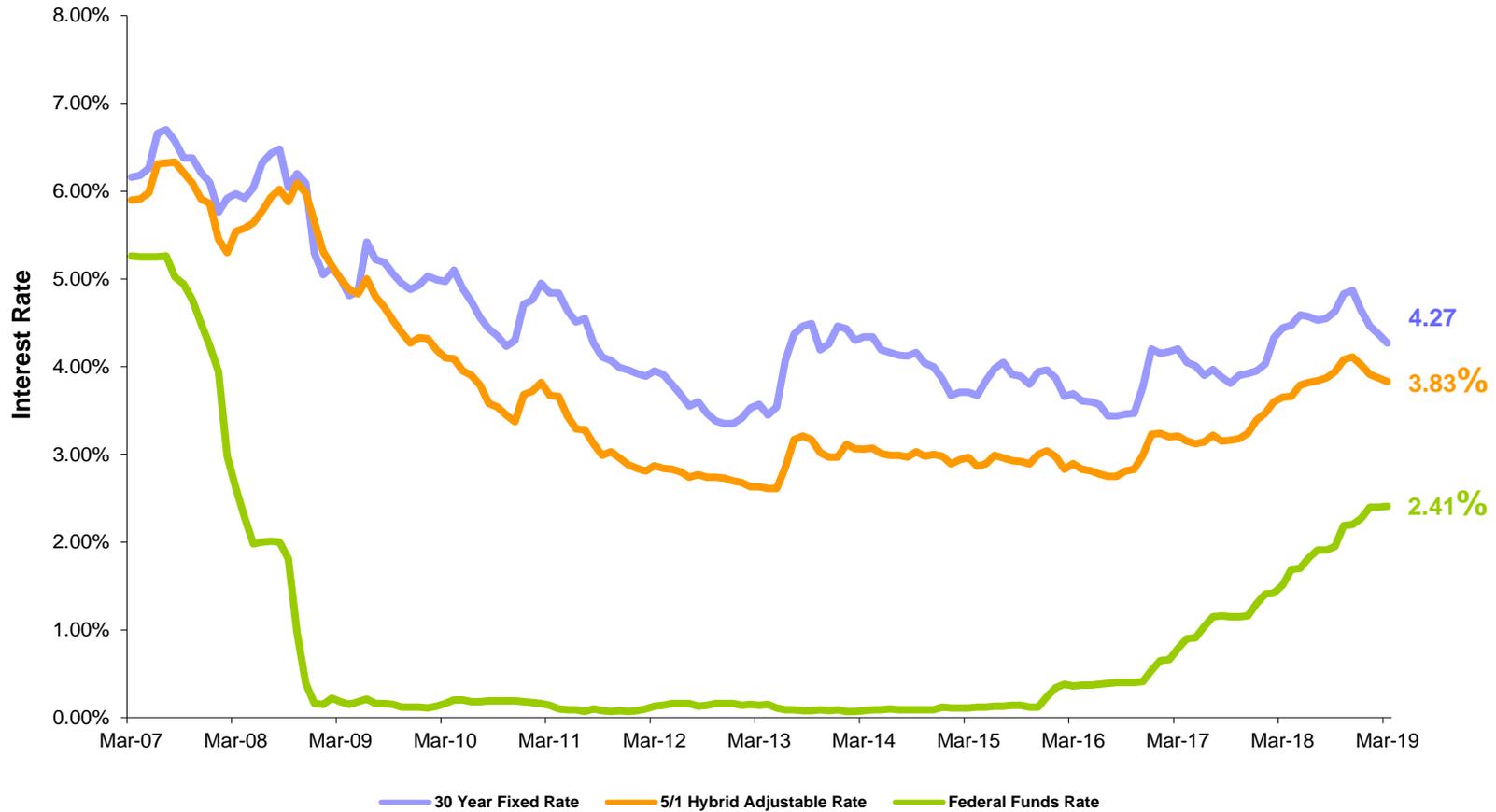
SOURCE: Santa Clara County Association of Realtors, March 2019.

Homes are Taking About a Month to Sell



SOURCE: Santa Clara County Association of Realtors March 2019.

Marginal Interest Rate Changes YoY



SOURCE: Federal Reserve, Freddie Mac Primary Mortgage Market Survey, Q1 2019.

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
- Moderate Market rate units in the Residential Building Permits data refers to market-rate units identified as affordable to moderate income households based on the expected rents data provided by the developer, during the building permit application process
- For questions, please call the Housing Department at 408-535-3860