

Housing Market Update

First Quarter 2020



In February 2020, San José opened its first community of tiny homes on a Valley Transportation Authority site leased by the City on Mabury Road near Coyote Creek. The Mabury Bridge Housing Community offers an interim housing program that provides tiny homes for homeless individuals as they seek permanent housing.

Q1 2020 San José Housing Market

- 🏠 358 residential building permits issued out of which 70 were for affordable housing
- 🏠 128 secondary unit / ADU (Accessory Dwelling Units) permits issued – surpassing prior quarter’s ADU permits of 108 units
- 🏠 Average effective rent up 2.5% Quarter-over-Quarter (QoQ); overall residential vacancy rate is 6.3%¹
- 🏠 Renters must earn \$54/hour (\$112,320/year) to afford the average effective monthly rent for a 2-bedroom apartment of \$2,808²
- 🏠 Median single family home price is \$1,282,500, up 20% QoQ³
- 🏠 Buyers must earn \$110/hour (\$230,169/year) to afford a median priced single family home⁴

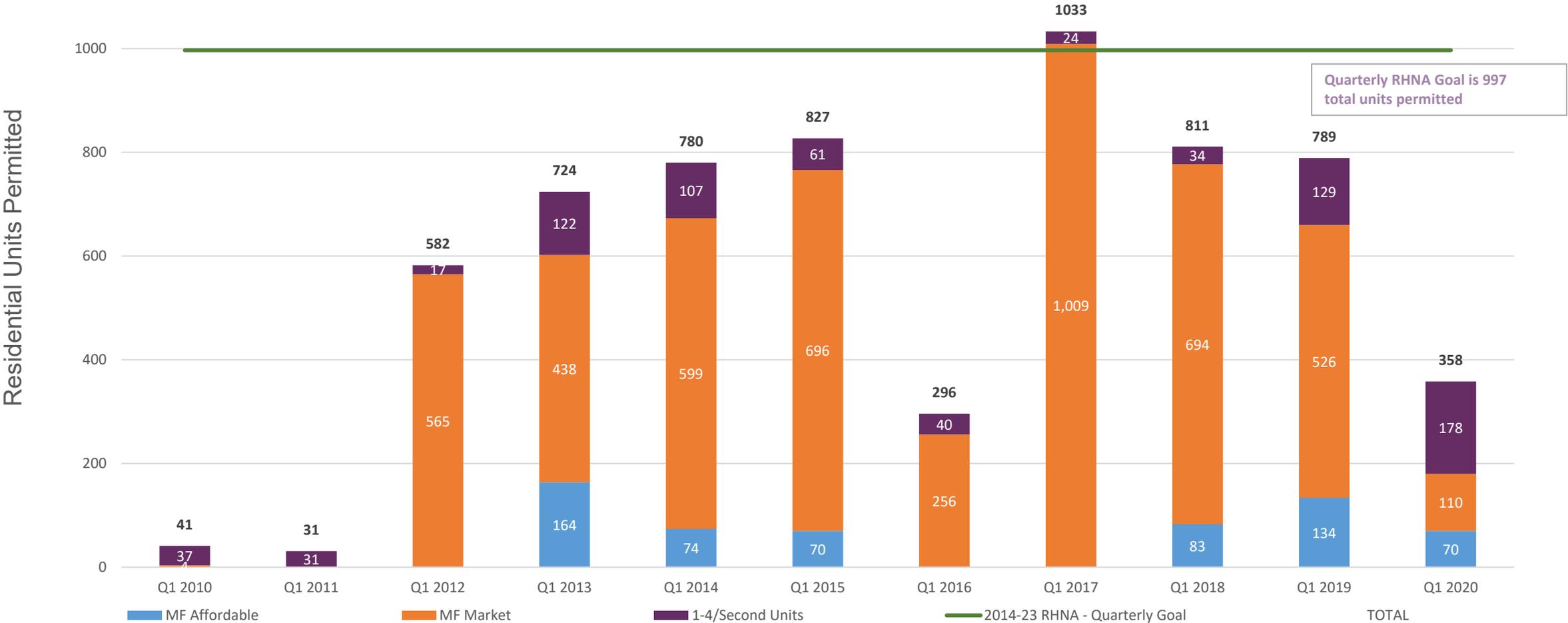
1. Costar April 6, 2020.

2. Based on Q1 2020 Costar average rents; income calculation assumes rents are 30% of income, 40-hour work week and a single income household; "effective" rents include rent concessions such as free months' rent.

3. Santa Clara County Association of Realtors (SCCAOR), March 2020.

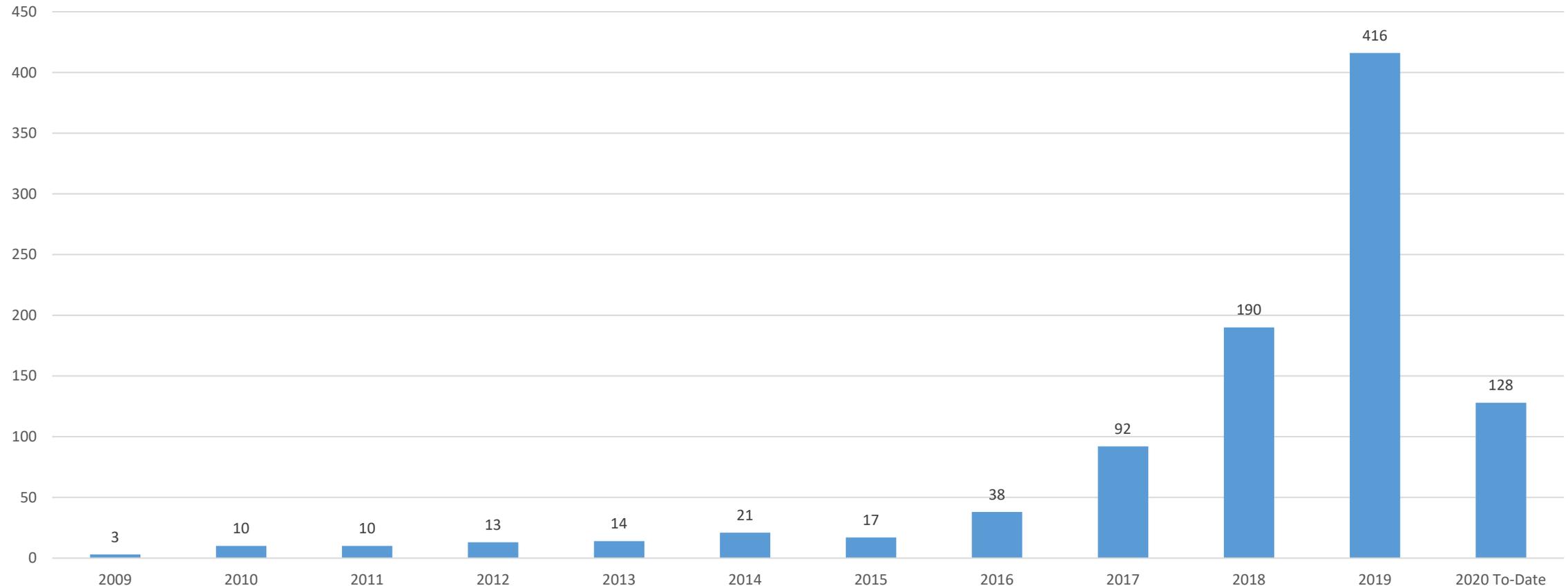
4. Based on SCCAOR March 2020 median prices; income calculation assumes monthly payments are 30% of income, 20% down, 3.45% interest rate, 1.1% property tax, 40-hour work week, and a single income household.

Q1 Residential Building Permit Activity Down Sharply QoQ



SOURCE: City of San José Housing Department Q1 2020. MF Affordable Includes some market rate units counted as moderate income units, without deed restrictions, per HCD guidelines for RHNA reporting

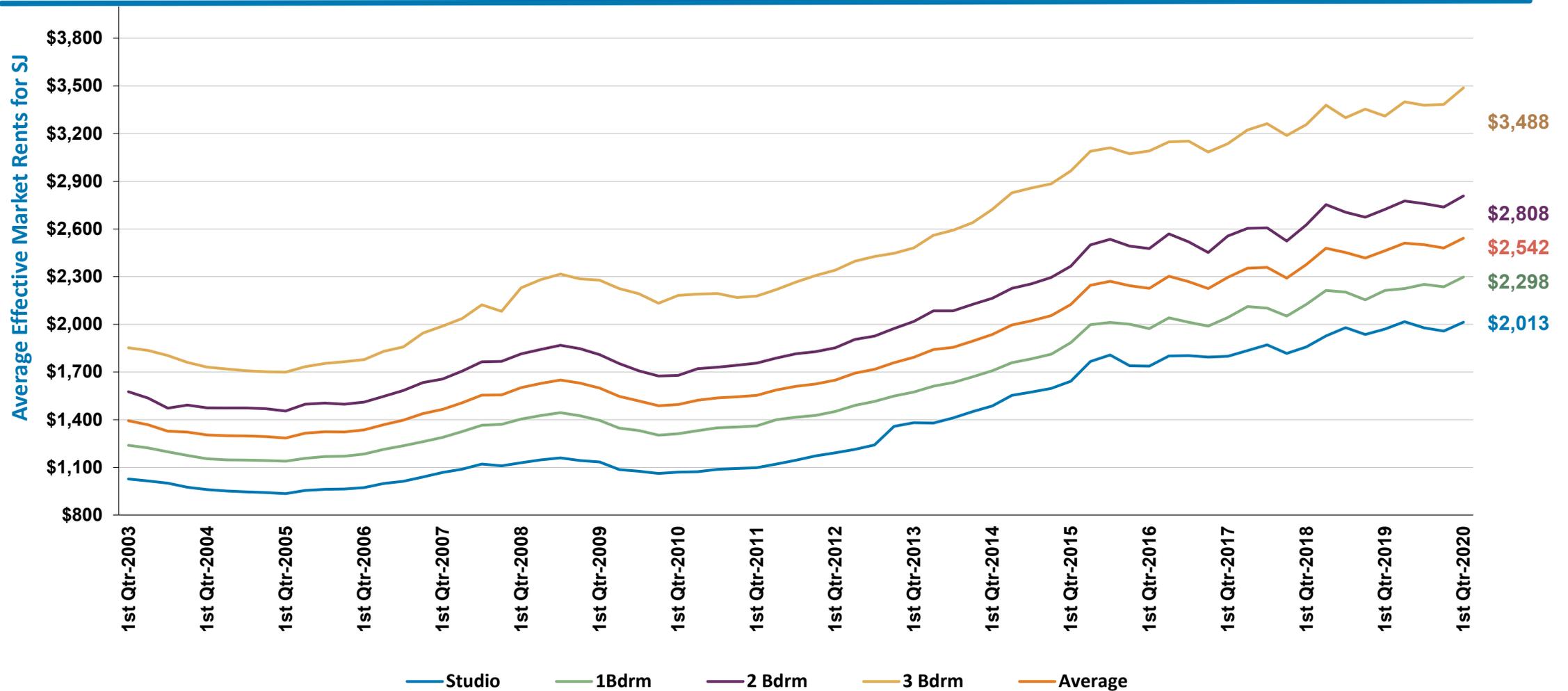
Q1 ADU Permits Continue Strong Growth



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.

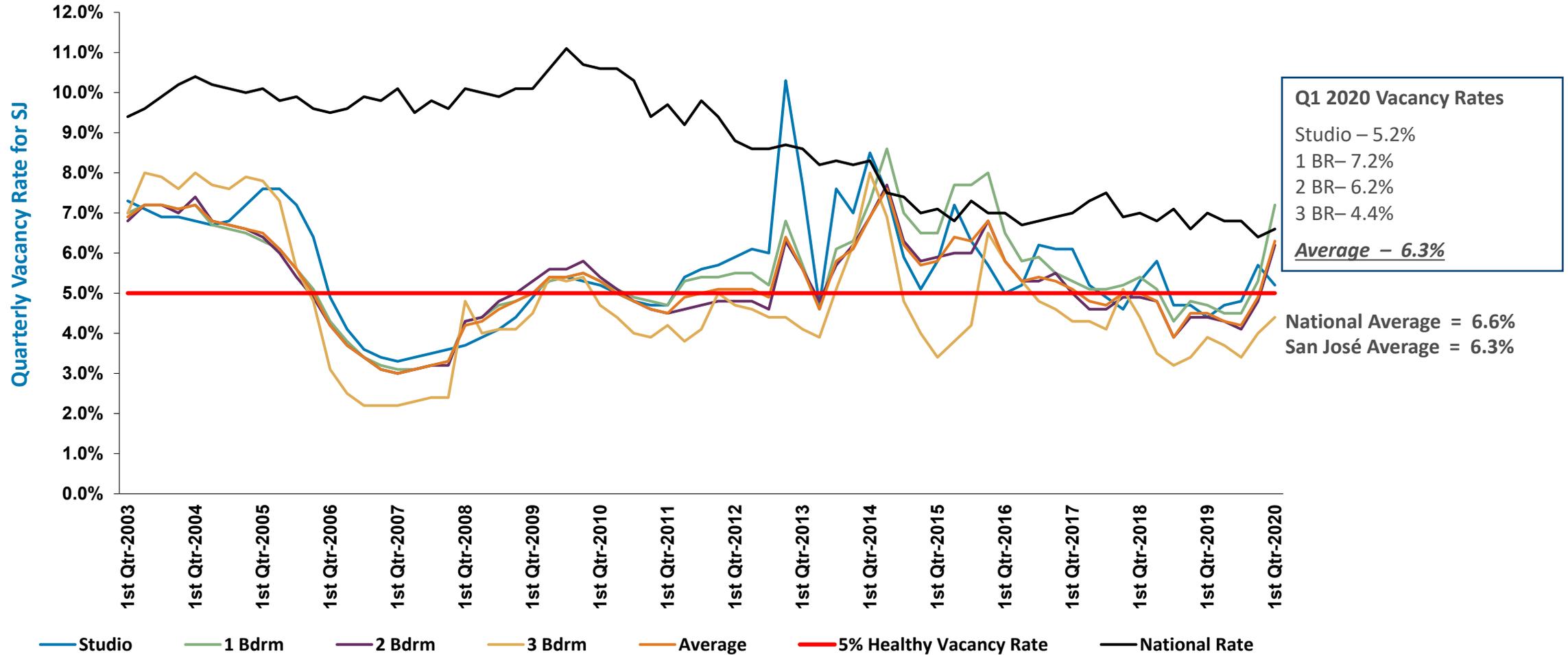
Average Rents Up 2.5% QoQ, Up 3.2% YoY



SOURCE: Costar April 6, 2020.

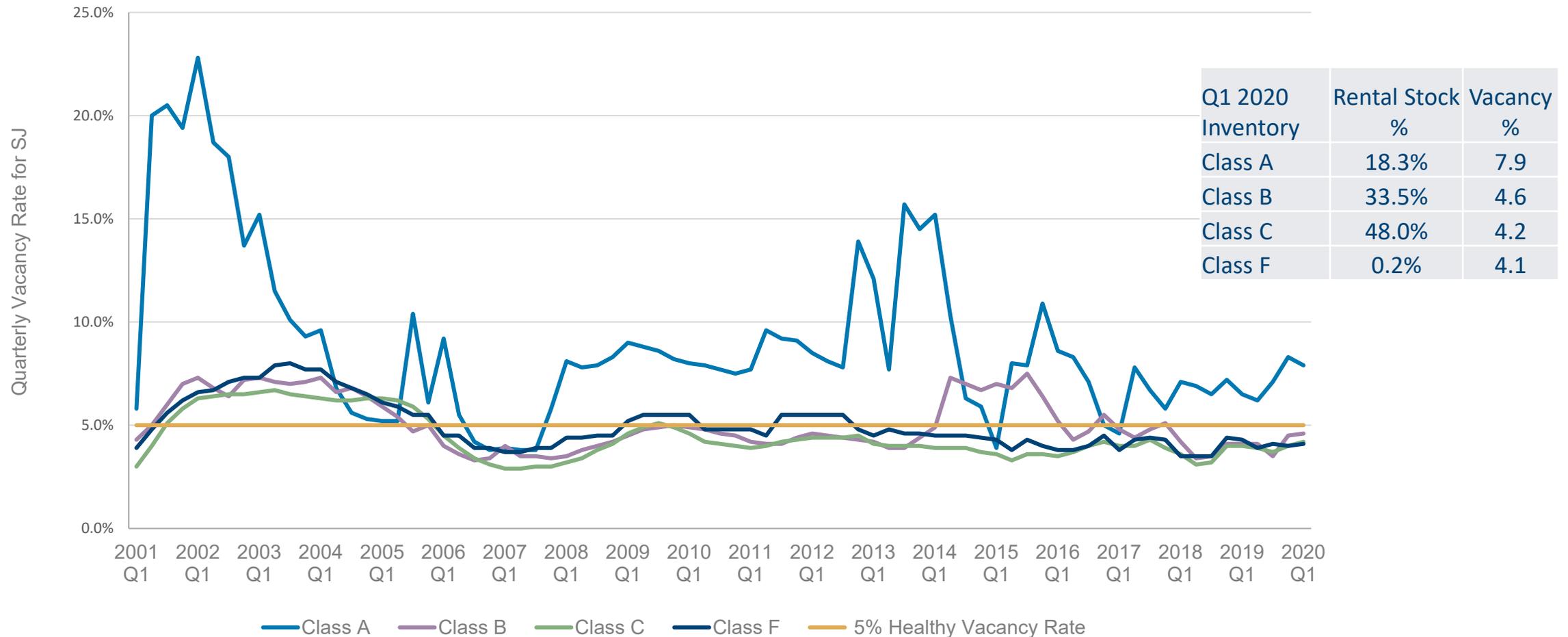
* QoQ = Quarter-over-Quarter; YoY = Year-over-Year.

Average Vacancy Jumps 29% QoQ to 6.3%, Well Above “Healthy” Rate



SOURCE: Costar, April 6, 2020; National Rate – US Census Bureau Current Population Survey/ Housing Vacancy Survey April 28, 2020.

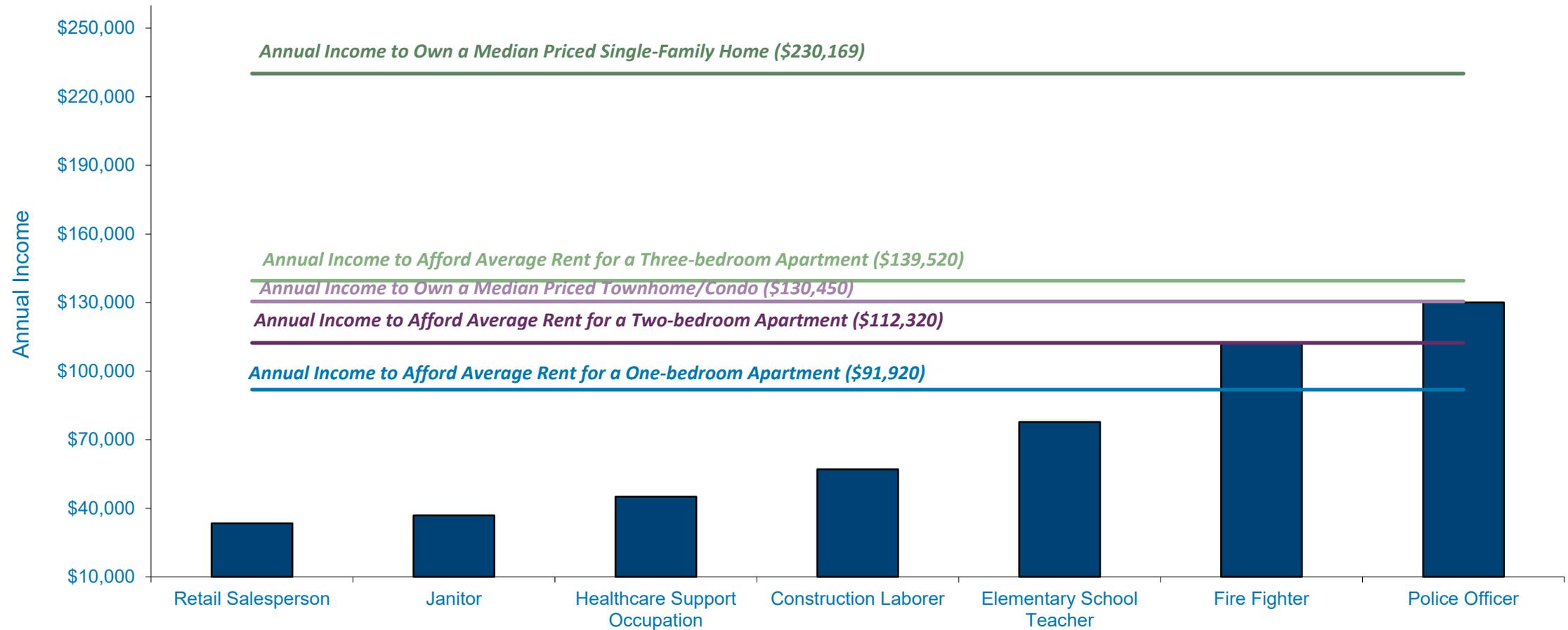
Average Vacancy Lower for Older Buildings* (82% of total rental stock)



SOURCE: Costar April 6,, 2020.

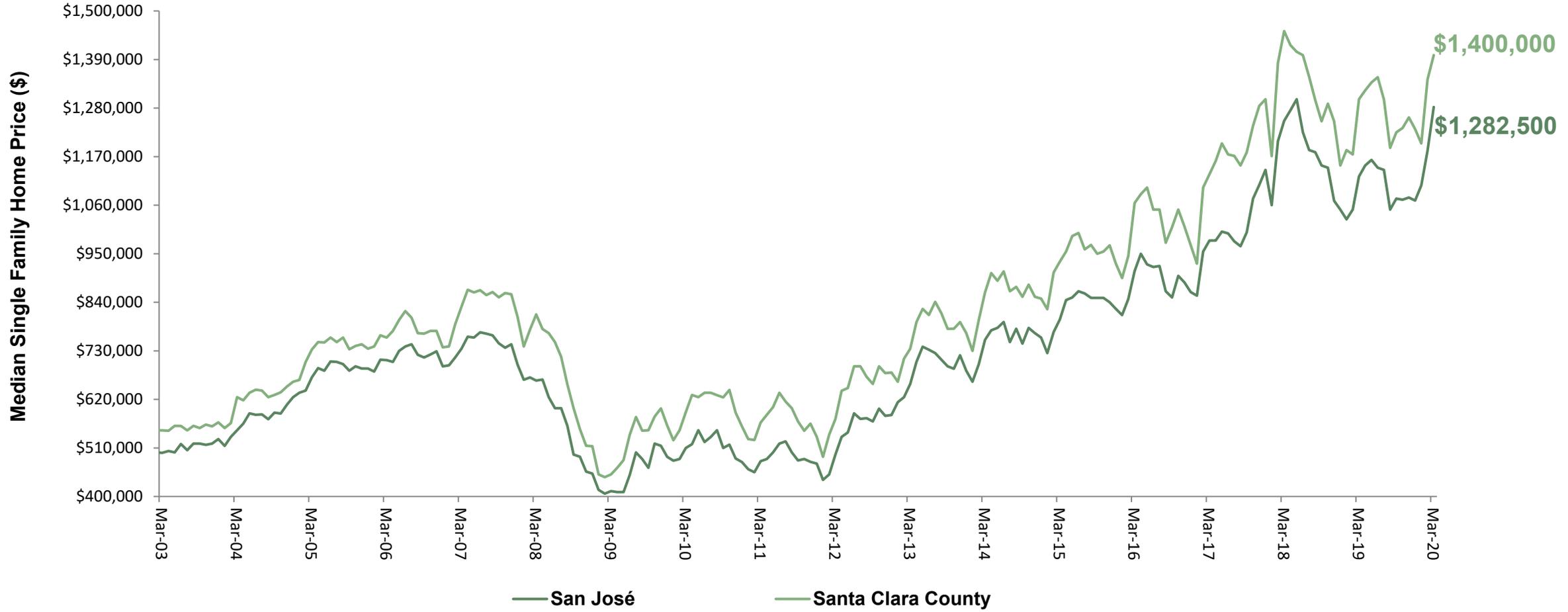
* Note: Older buildings refer to Class B, C and F properties; Class A buildings are usually newly-constructed properties.

Housing Unaffordable for Many San José Workers



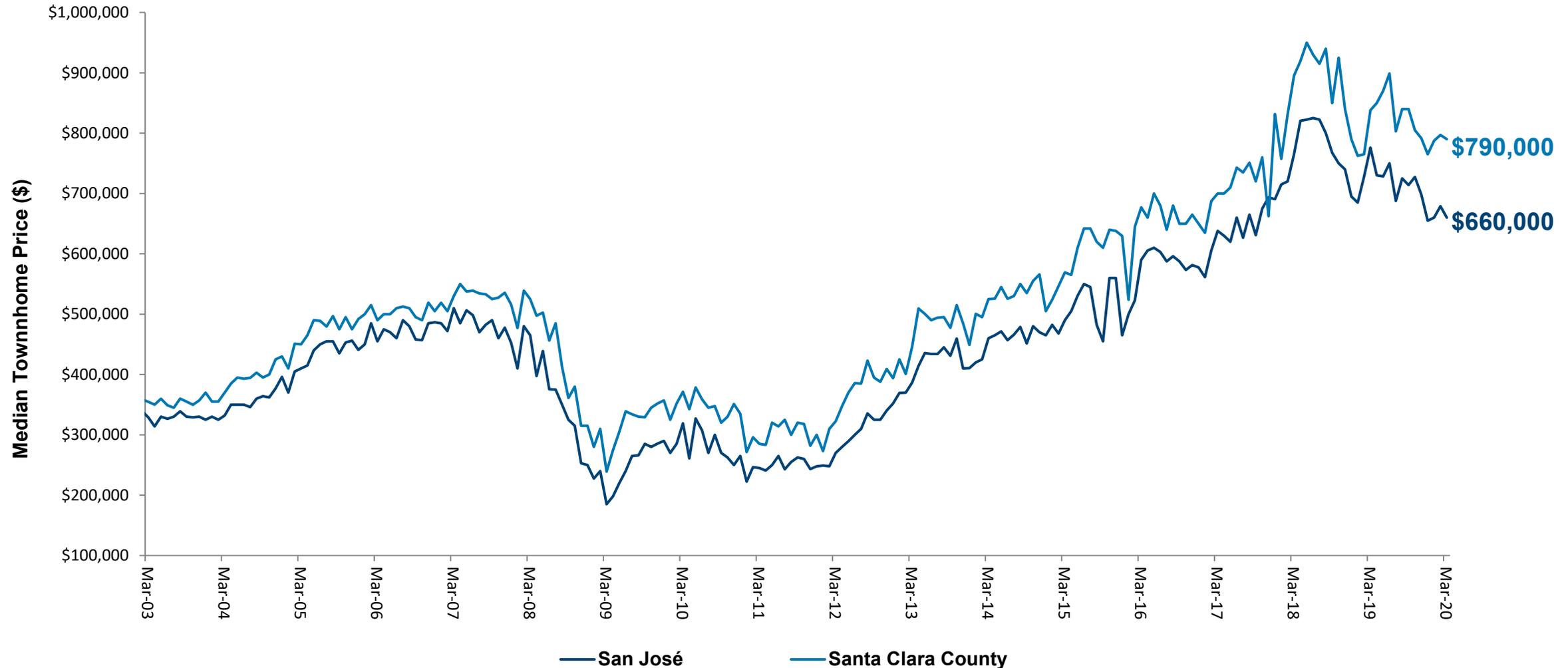
SOURCE: Employment Development Department (EDD) – First Quarter 2019 Wages; Costar Q1 2020 Average Effective Rents; Income to rent calculation assumes rent at 30% of income and a single income household; SCCOAR March 2020 median home sales prices; Income to mortgage calculations assume payments at 30% of income, 20% down, 3.45% interest, 1.1% Property Tax, \$300 HOA dues for condos and a single income household.

Single Family Median Home Prices Up 20% QoQ & Up 14% YoY



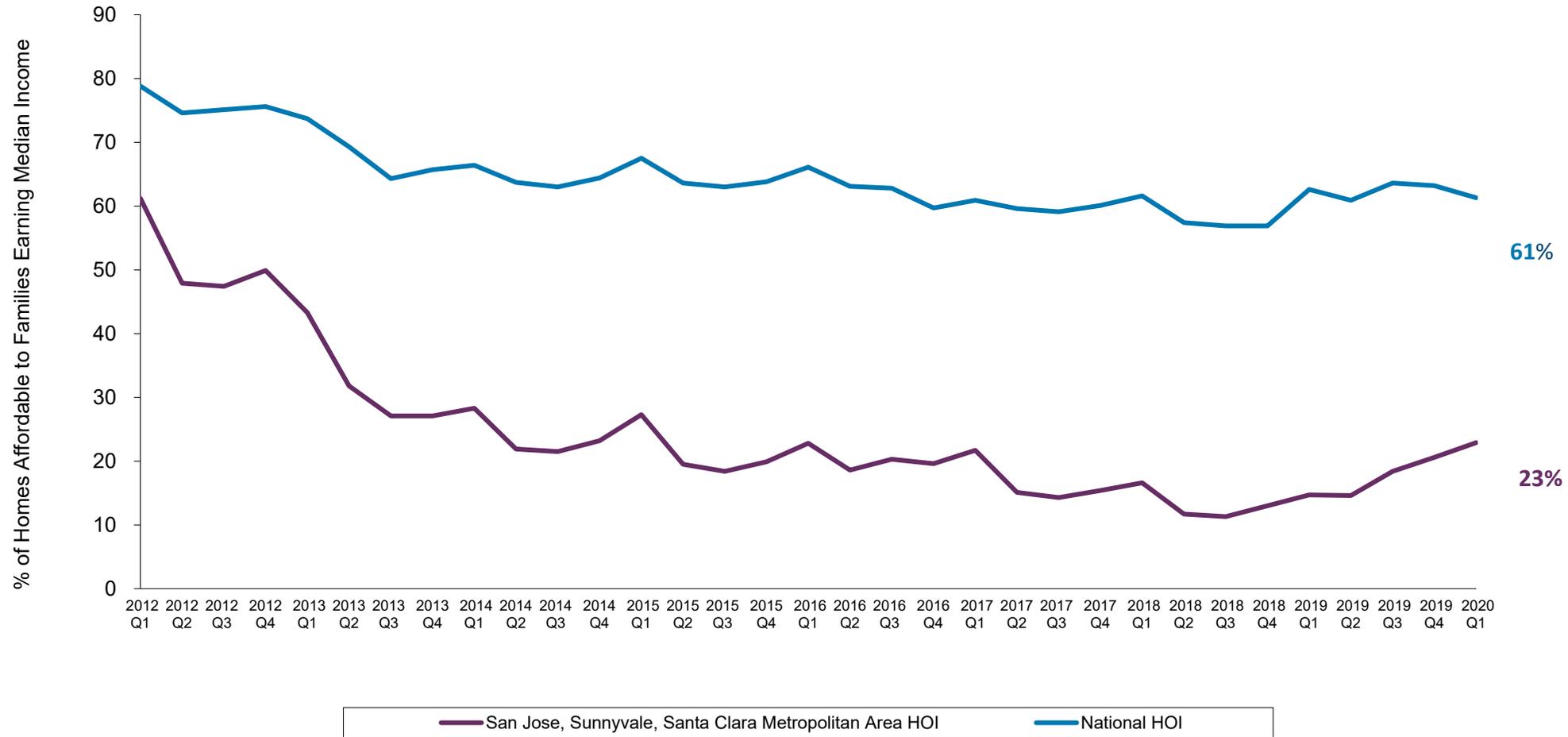
SOURCE: Santa Clara County Association of Realtors March 2020.

Condo/Townhome Median Prices Up 0.8% QoQ & Down 15% YoY



SOURCE: Santa Clara County Association of Realtors March 2020

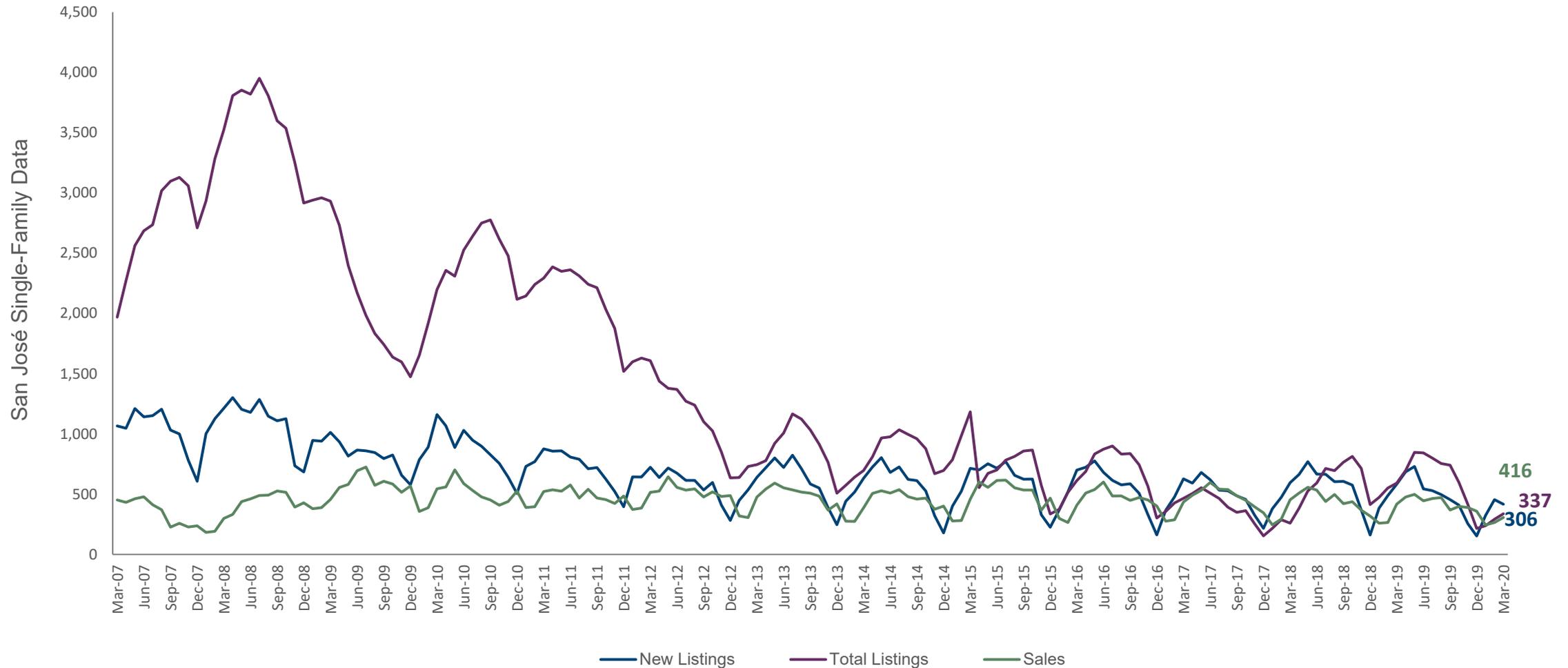
Only 23% of SJ Homes Are Affordable to Median-income Households



Fewer than
1 in 4
families can
afford to
buy a
median-
priced
home in
San José

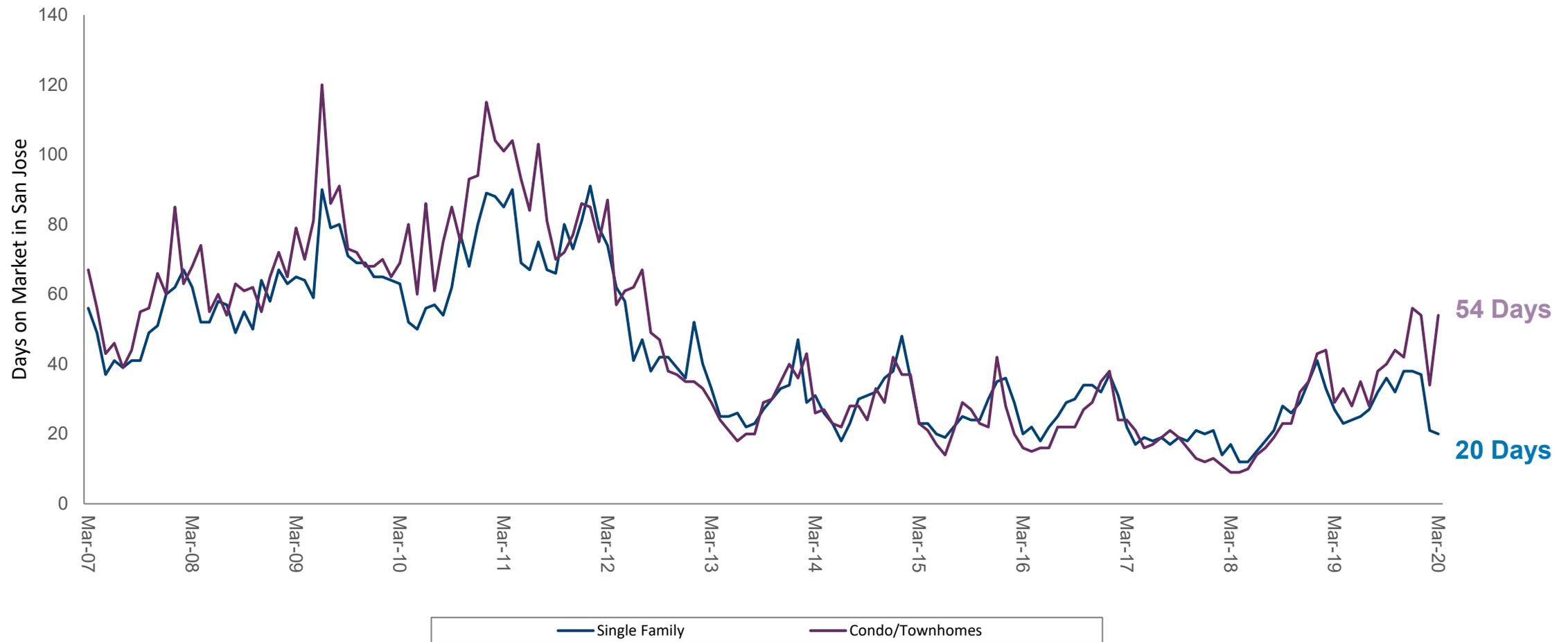
SOURCE: National Association of Home Builders, Housing Opportunity Index (HOI) Q1 2020.

Single Family New Listings & Inventory Up, Sales Down QoQ (+174%, +57%, -15%)



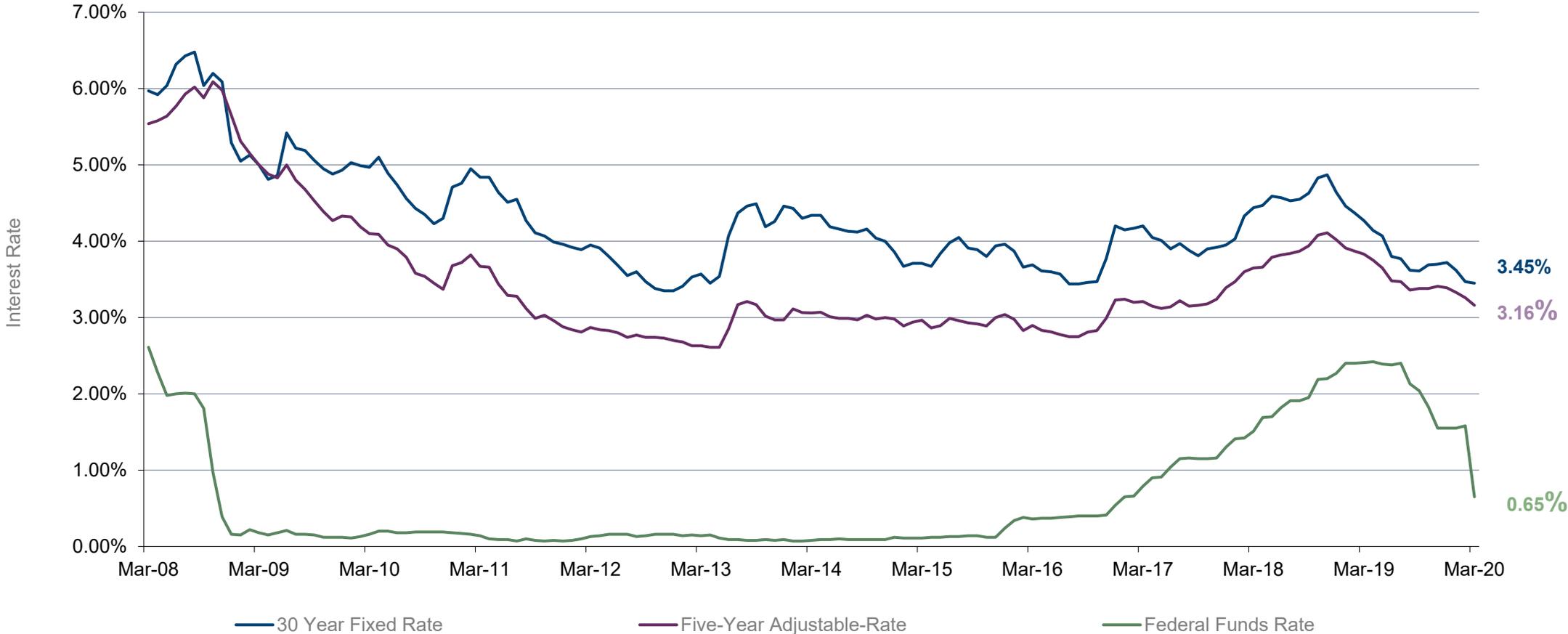
SOURCE: Santa Clara County Association of Realtors March 2020

Condos Taking Almost Two Months to Sell, Single Family Homes Selling Faster



SOURCE: Santa Clara County Association of Realtors March 2020.

Interest Rates Remain Low



SOURCE: Federal Reserve, Freddie Mac Primary Mortgage Market Survey, Q1 2020.

Data Sources and Definitions

- Analysis based on Zillow Indices has been removed from the report, as Zillow ceased publication of the following Indices as of Q1 2020 – Rent Affordability Index, Mortgage Affordability Index, Price to Income Index
- 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
- For historical consistency, the City restated its rents and vacancy data back to **January 2000** using Costar. The revised data has been posted in Housing Market Update reports since Q2 2017
- Quarterly rents and vacancy data reflect *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)
- Costar updates rents data once a month for apartments with more than 30 units and once a quarter for apartments with fewer than 30 units
- **QoQ** refers to Quarter-over-Quarter; **YoY** refers to Year-over-Year
- For questions, please call the Housing Department at 408-535-3860