

City of San José

Housing Market Update



Second Quarter 2016

MidPen Housing's Donner Lofts is a mixed-use affordable housing development that will provide 102 apartments for working individuals (including 20 units for formerly homeless) and 2,500 square feet of retail space. Funded partly with \$5.4 million of City funds and a land lease, it opened in August 2016 and is expected to receive a LEED Gold Certification.

Q2 2016 San José Housing Market

- In Q2 2016, **368** residential permits were issued - **81** affordable, **233** multi-family market and **54** single-family/other permits
- The San José, Sunnyvale, Santa Clara Metro Area is the **third** most expensive jurisdiction in the nation for fair market rents¹
- Donner Lofts received 1,515 applicants for its 81 available affordable apartments in two weeks – **19** applicants per apartment
- SJ Average Rents up **4%** year over year (YoY)²
- Average monthly rent for a 2 bedroom apartment is **\$2,847**; Renters must earn **\$55/hour** (\$113,880/year) to afford the average rent for a two bedroom, two-bath apartment³
- SJ Median single-family home price is **\$920,000**, up 6% YoY⁴

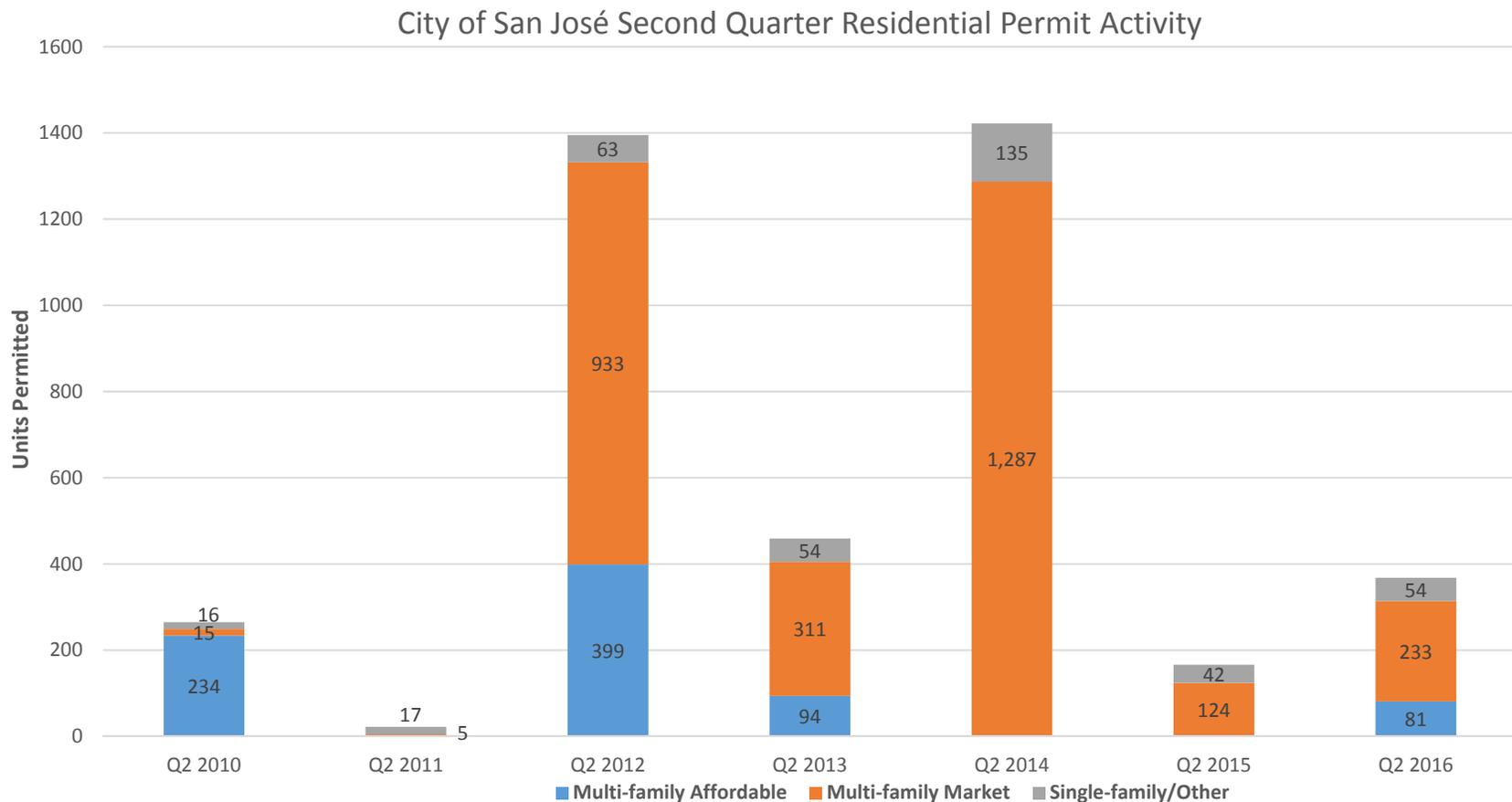
¹ Out of Reach 2016, National Low Income Housing Coalition: <http://nlihc.org/oor>

² realAnswers, Q2 2016.

³ Based on Q2 2016 realAnswers average rents, income calculation assumes rents are 30% of income, 40 hour work week, and a single income household.

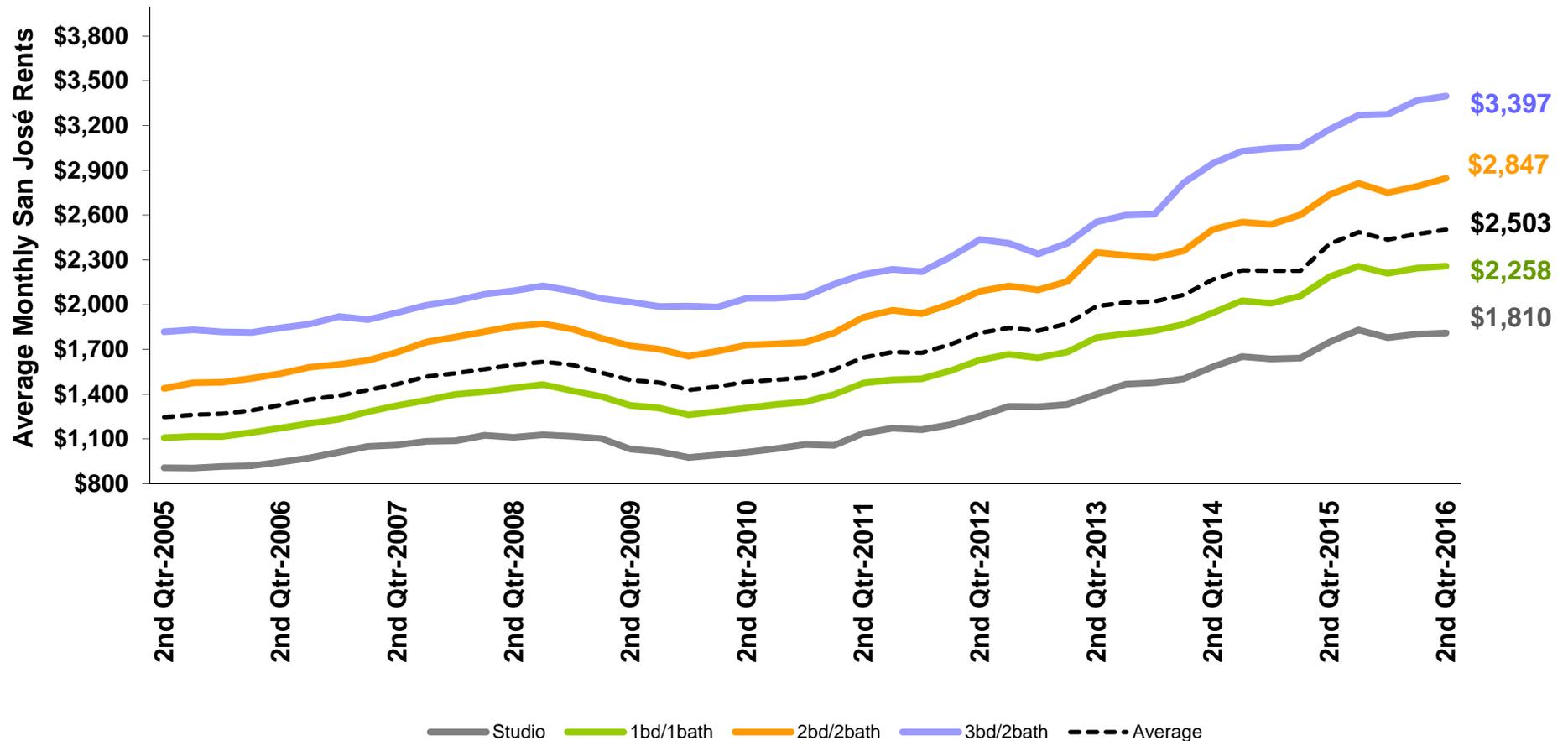
⁴ Santa Clara County Association of Realtors, June 2016.

Q2 2016 Residential Permits Up 24% from Q1 2016 and Doubles YoY



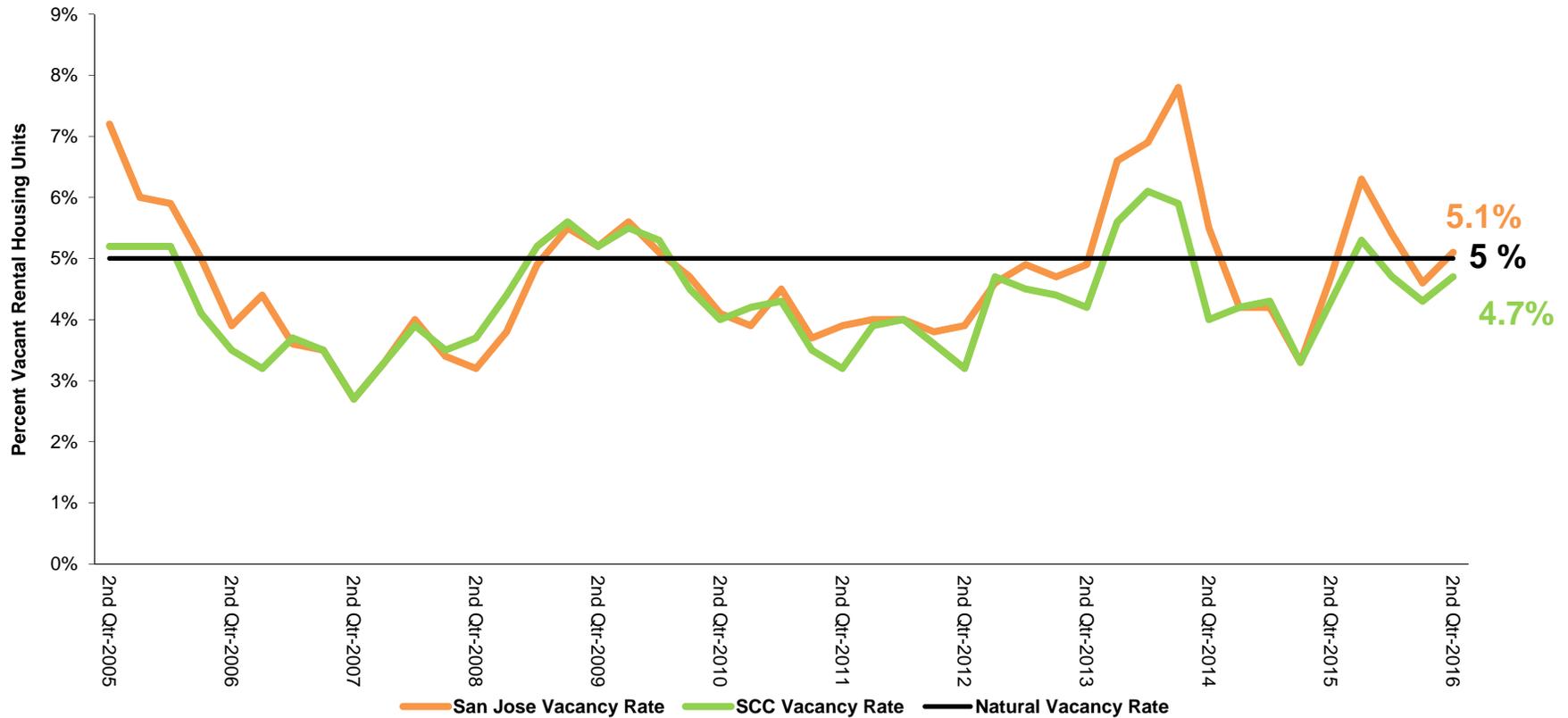
SOURCE: City of San José Housing Department, Q2 2016

Average Rent Growth Slows, Up 1% from Q1 2016 and 4% YoY



SOURCE: realAnswers – Q2 2016 - Data only includes rental developments with 50 apartments or more

SJ Q2 2016 Vacancy at 5.1%, Close to Natural Rate, Up 11% from Q1 2016 & Up 8.5% YoY



SOURCE: realAnswers Data Q2, 2016 – Note that data only includes rental developments with 50 apartments or more; demand for affordable housing far exceeds the supply and the vacancy rate for affordable housing is nearly 0% as evidenced by long wait lists at most developments.

Rents in Some San José Areas Trend Higher

Project	1BR	2BR
Avg. Citywide Rents (Q2 2016 realAnswers)	\$2,258	\$2,847
Domain (North SJ)	\$2,650 - \$2,777	\$2,938 - \$3,094
Crescent Village (North SJ)	\$2,540 - \$3,350	\$3,275 - \$4,165
One South Market (Downtown SJ)	\$2,423 - \$3,499	\$3,728 - \$6,168
Centerra (Downtown SJ)	\$2,474 - \$5,686	\$3,564 - \$4,909
Ascent Apartments (Edenvale SJ)	\$2,305 - \$2,745	\$2,895 - \$3,940



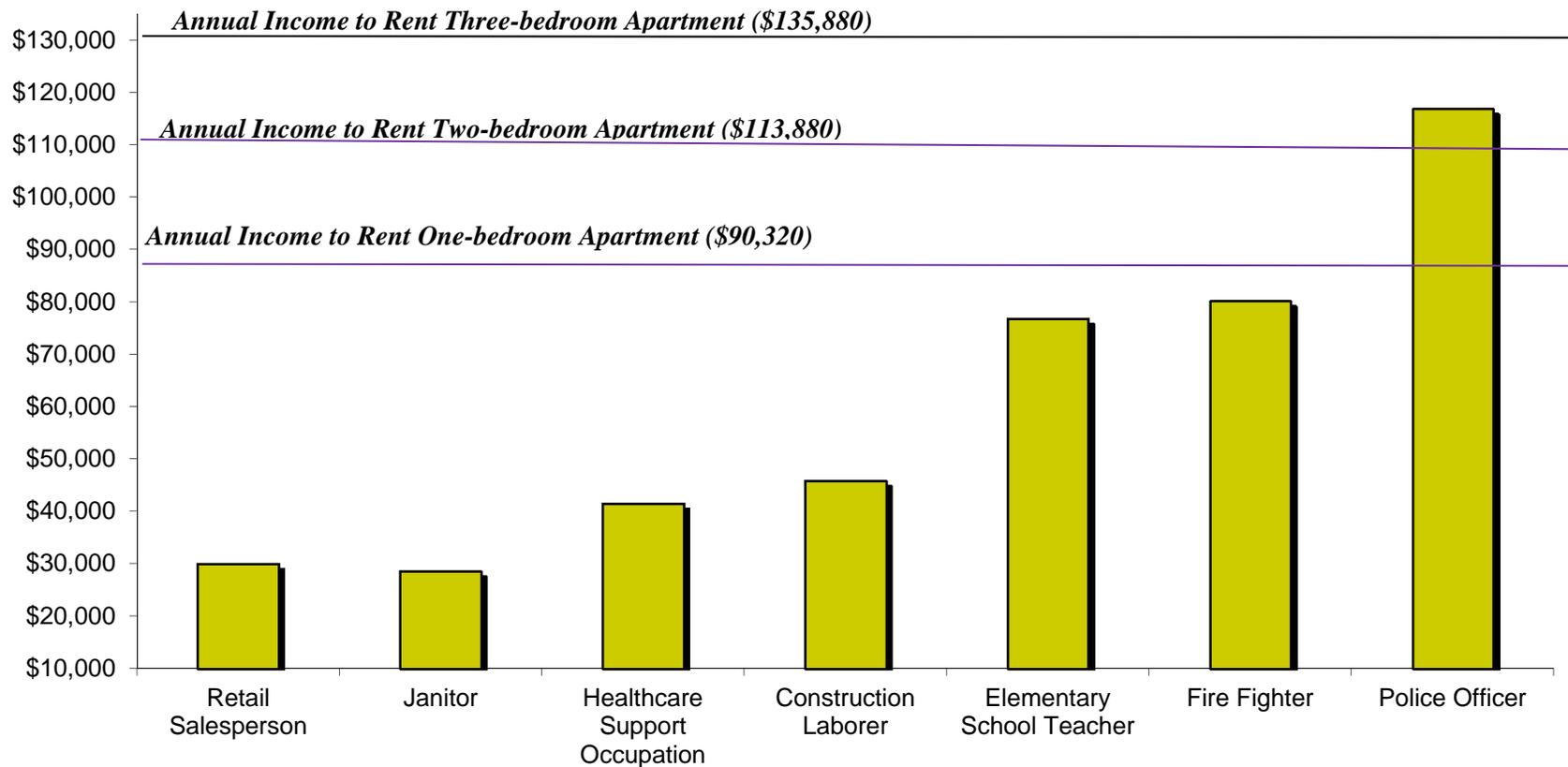
One South Market



Domain

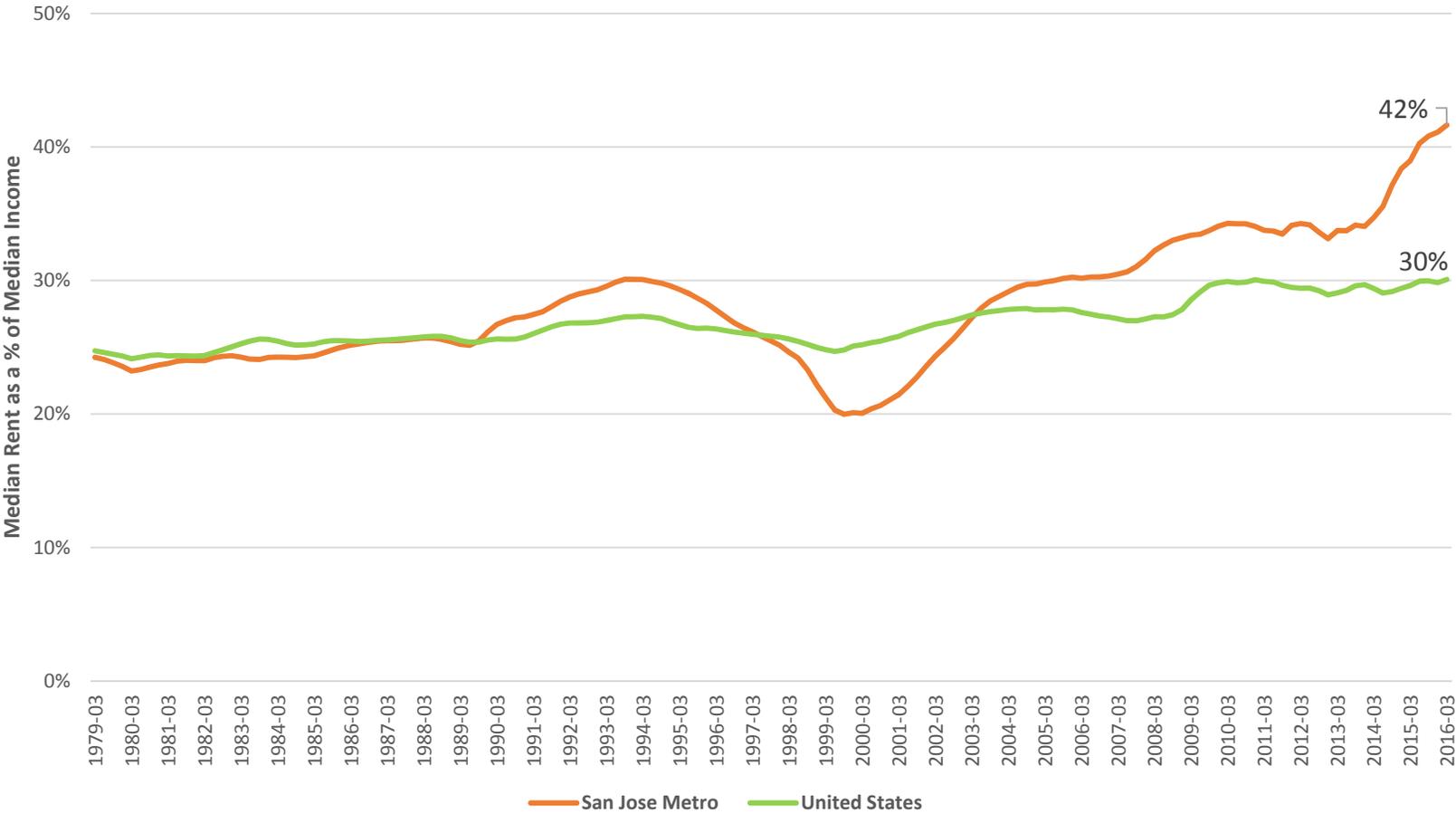
SOURCE: Zillow.com, July 20, 2016

Q2 2016 Market Rents Significantly Out of Reach for Many San José Workers



SOURCE: Employment Development Department (EDD) – First Quarter 2016 Wages; Income to rent calculation assumes rent at 30% of income and a single income household

SJ Renters Spend Greater % of Income on Rent than Renters Nationwide



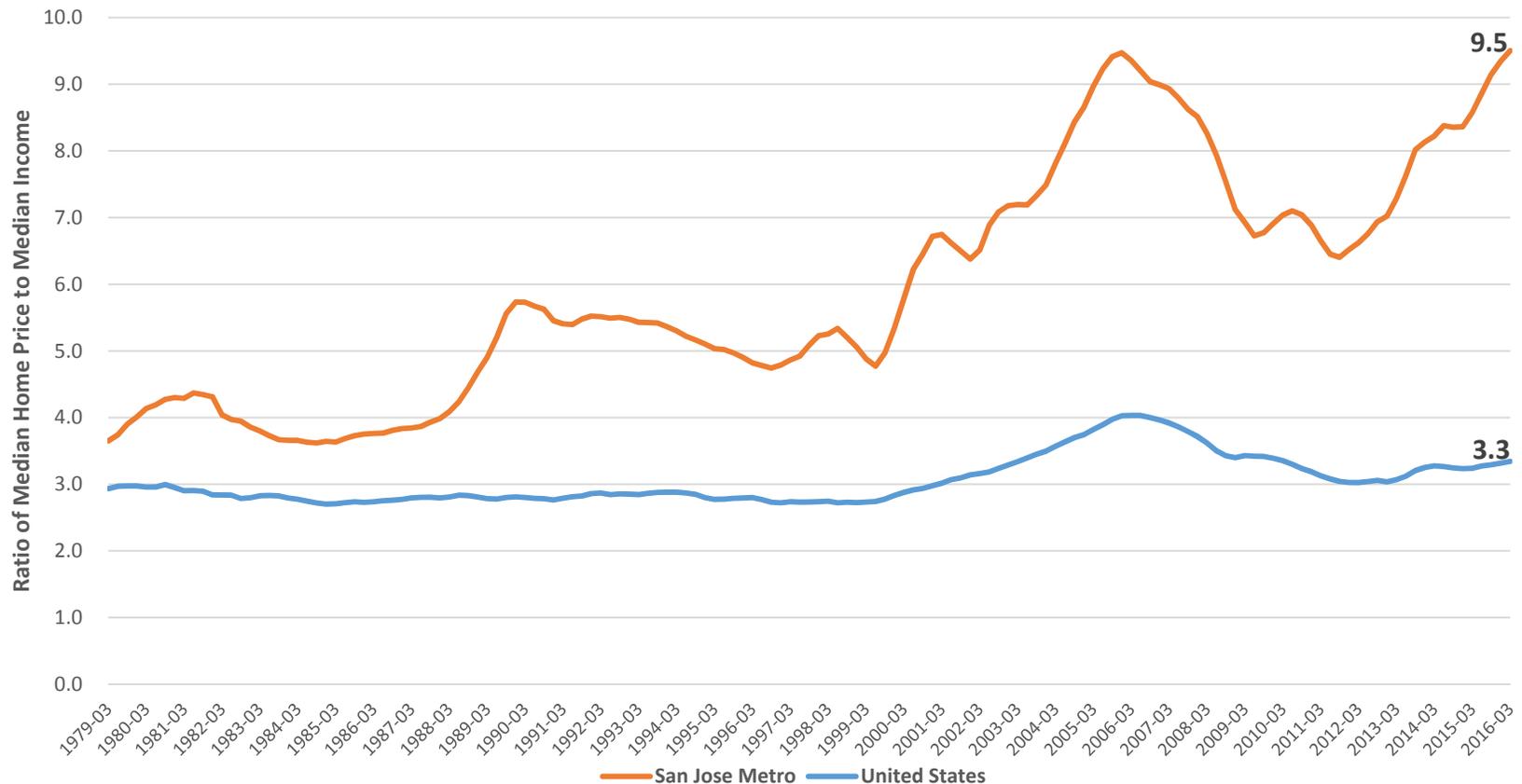
SOURCE: Zillow Rental Affordability Index Q1 2016

San Jose's SF Median Home Price Up 1% from Q1 2016 and Up 6%YoY



SOURCE: Santa Clara County Association of Realtors, June 2016

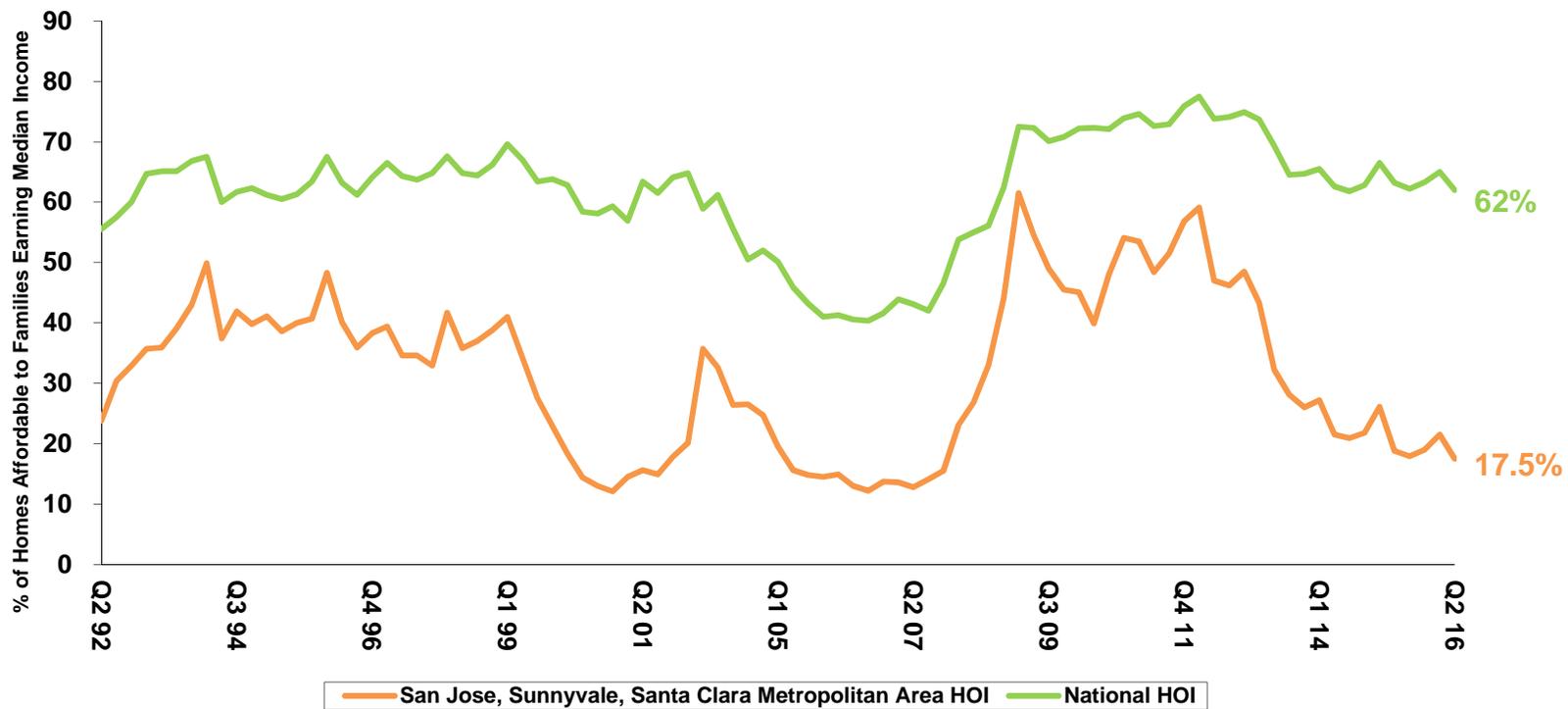
Taken as a multiple of Median Income, SJ Metro Area Median Home Prices are 3 Times the National Average



SOURCE: Zillow Price to Income Index Q1 2016

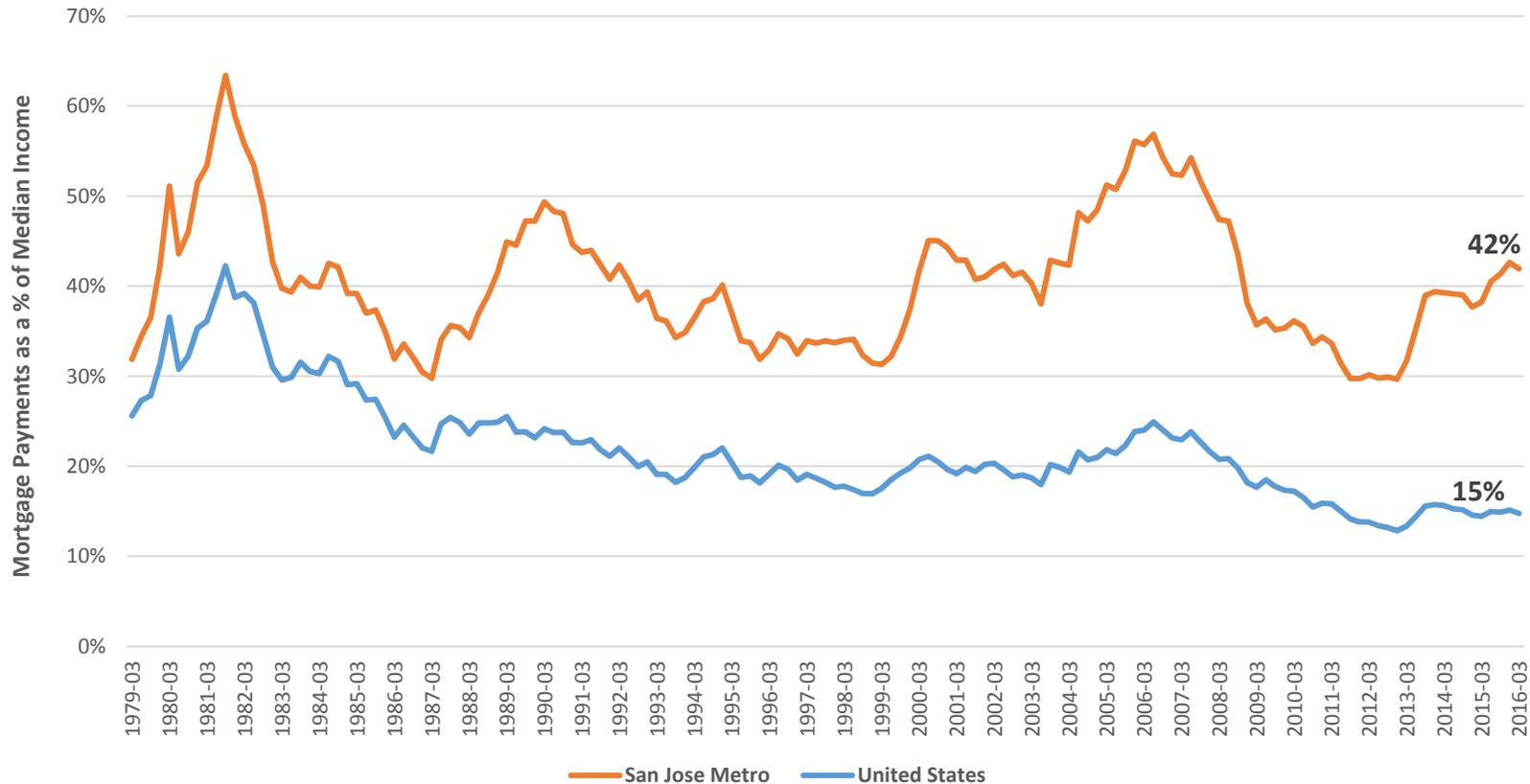
SJ Housing Affordability Remains Low Relative to the Nation (6th least affordable)

Less than 1 in 5 families in San José can afford a median priced home



SOURCE: National Association of Home Builders, Housing Opportunity Index Q2 2016

SJ Homeowners Pay Almost 3 Times the Mortgage Costs of the Average US Homeowner



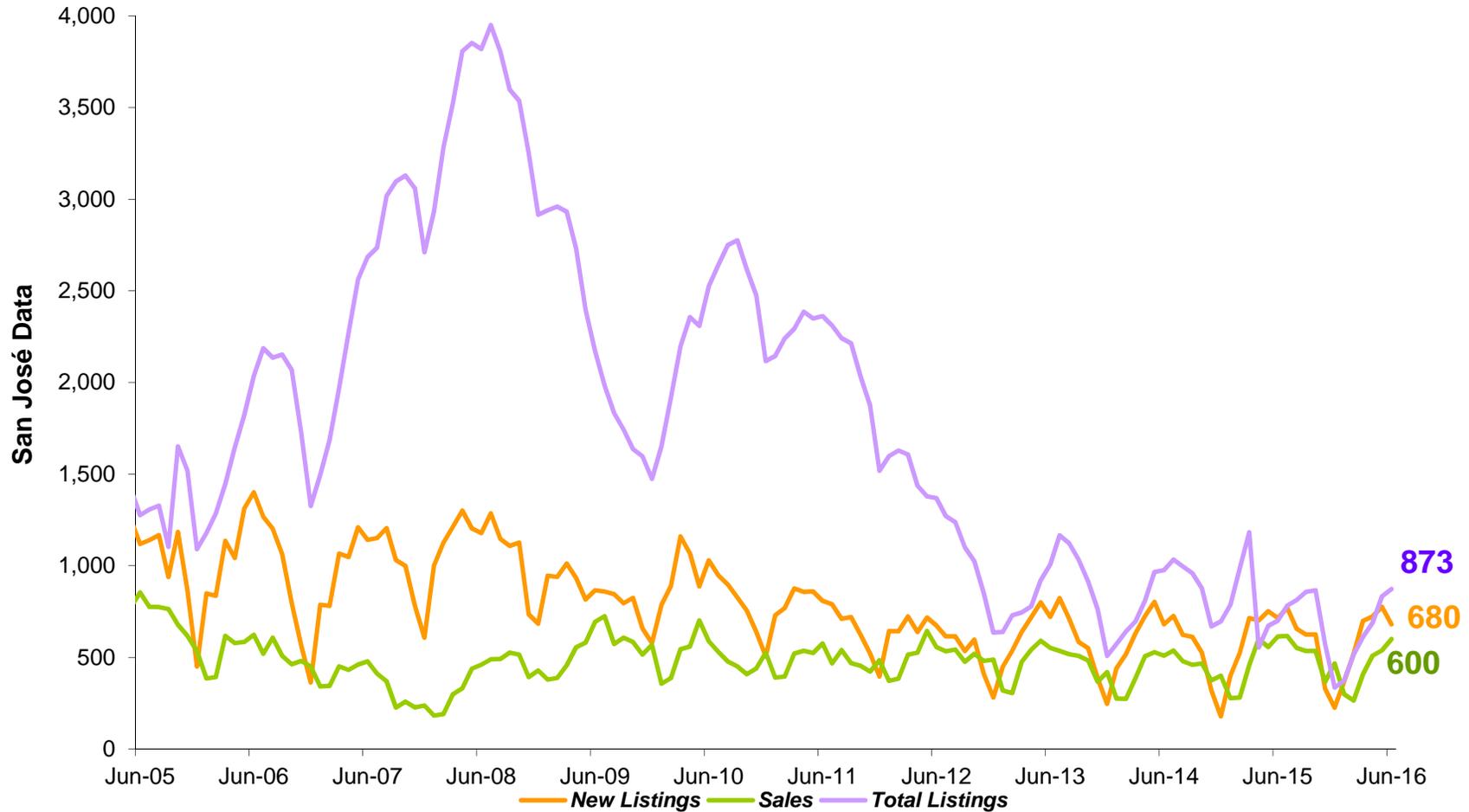
SOURCE: Zillow Mortgage Affordability Index Q1 2016

SJ Townhome/Condo Median Prices Up 2% from Q1 2016 and Up 10% YoY



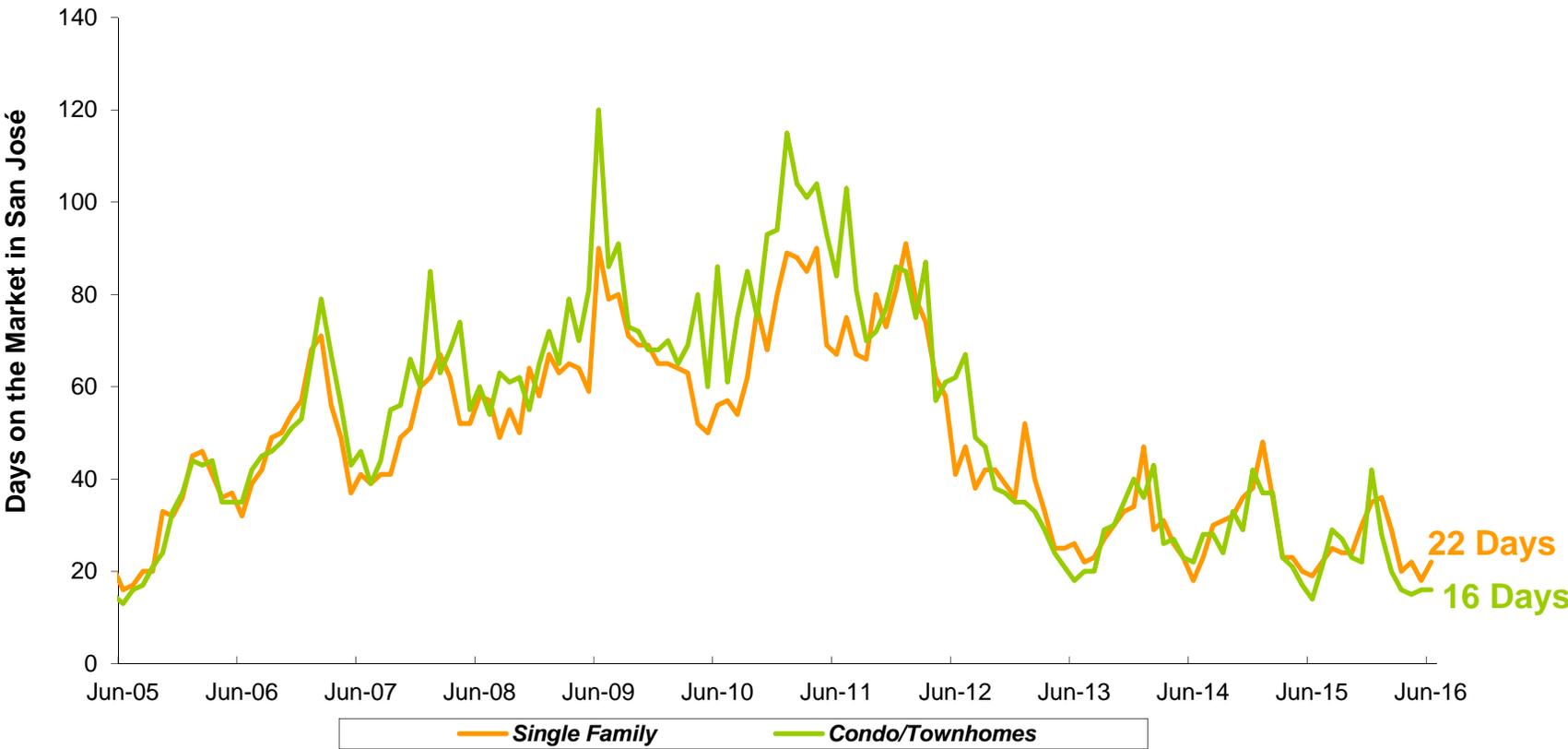
SOURCE: Santa Clara County Association of Realtors , June 2016

SF Total Listings & Sales Up 40%, New Listings Down 2% from Q1 2016;



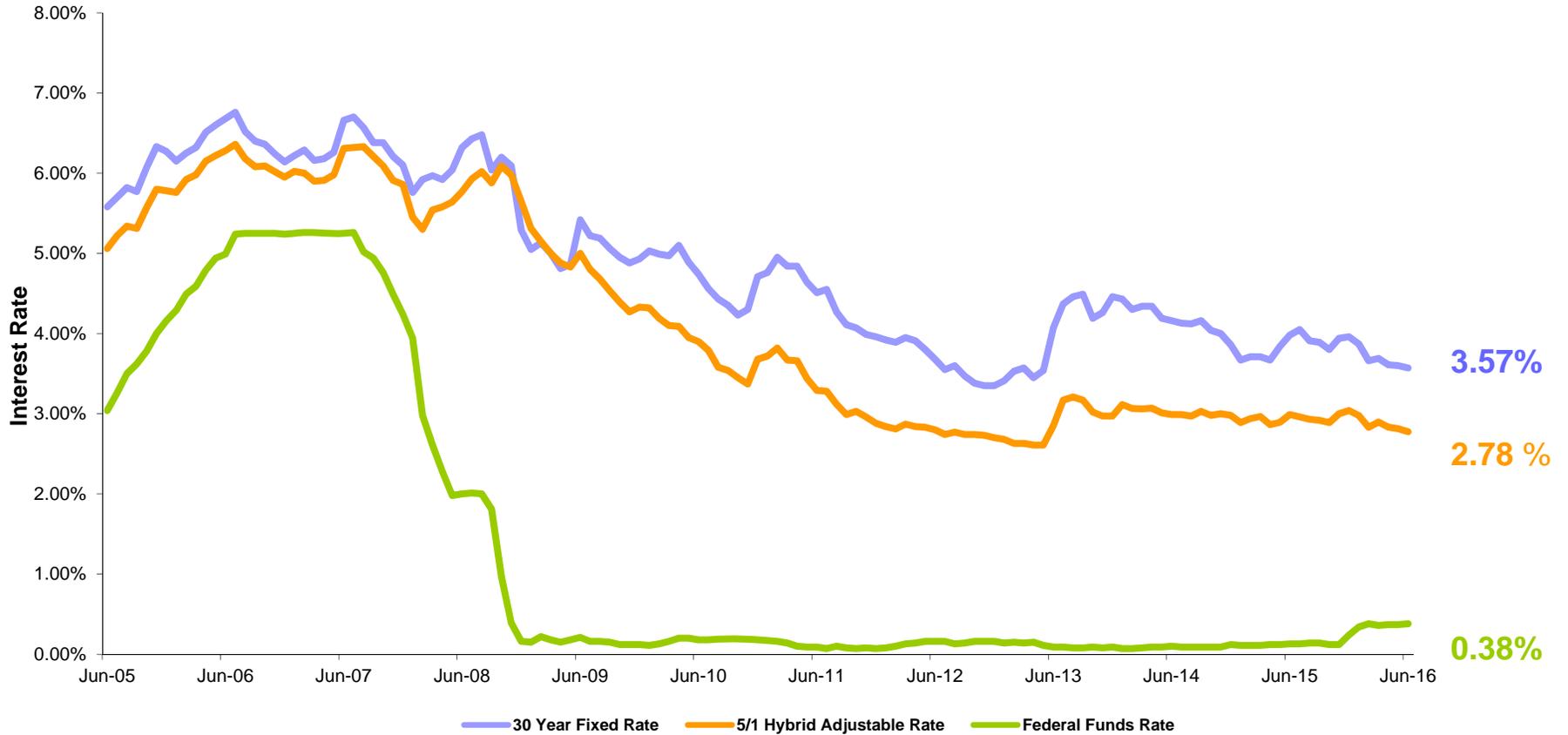
SOURCE: Santa Clara County Association of Realtors, MLS Listings March 2016

SF Days on Market Rises 10% from Prior Quarter and 16% YoY



SOURCE: Santa Clara County Association of Realtors June 2016

Interest Rates Remain Low



SOURCE: Federal Reserve, Freddie Mac Primary Mortgage Market Survey, June 2016. Note that going forward the City will use the “5/1 Hybrid Adjustable Rate” instead of the “One-Year Adjustable Rate Mortgage” used in prior reports.