

City of San José

Housing Market Update



Second Quarter 2017

Met South is Phase II of a two Phase development, sponsored by Charities Housing. Met South is currently under construction and consists of 30 affordable apartments. The community is conveniently located near Monterey and Tully bus lines, which will provide ample connections to Light Rail and CalTrain. Work opportunities and amenities such as retail, grocery stores and restaurants are easily accessible from the site.

Q2 2017 San José Housing Market

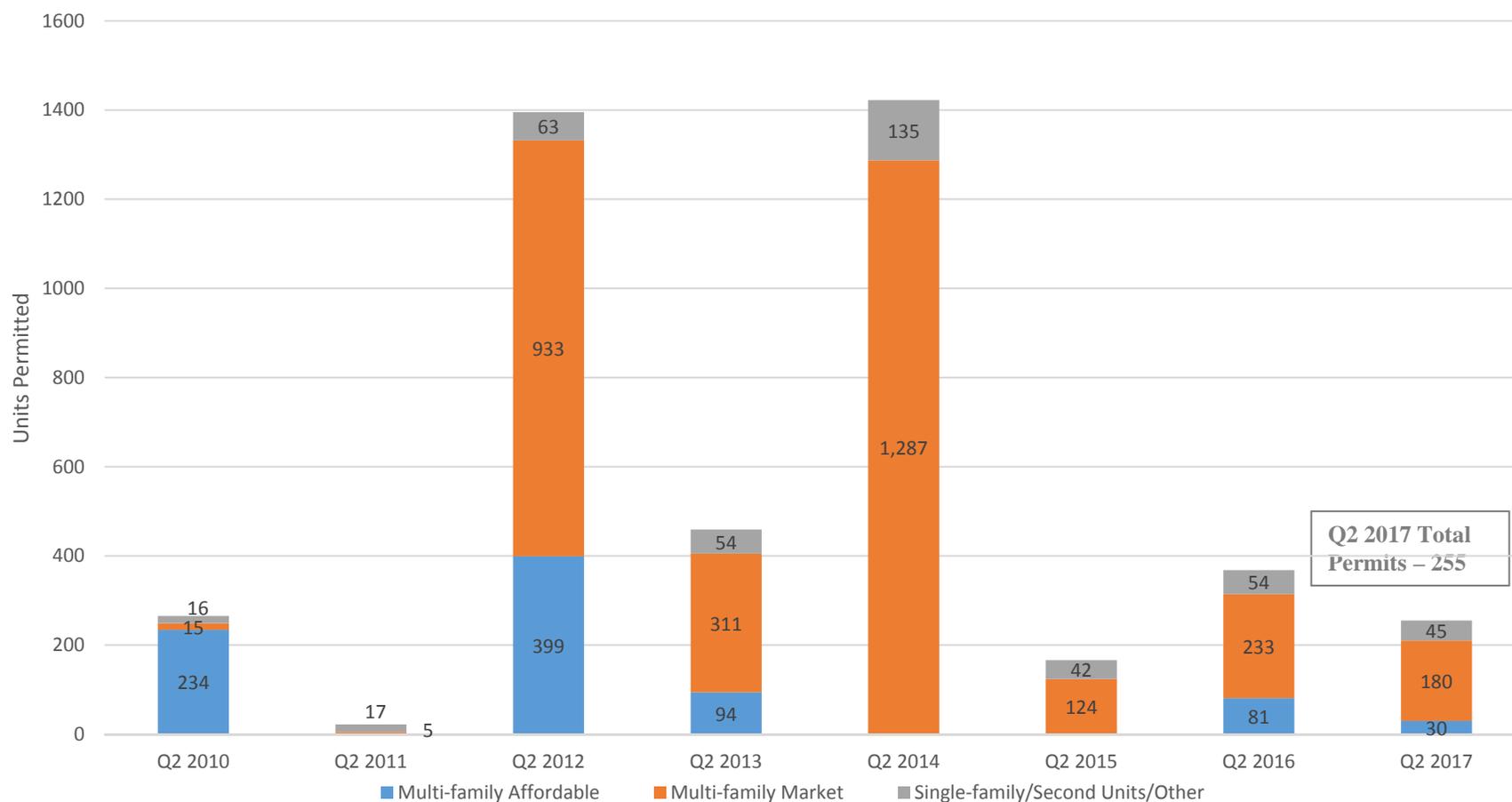
- In Q2 2017, **255** residential permits were issued of which **30** (12%) were affordable.
- SJ average rent growth is **2.2%** year over year (YoY); vacancy remains low at **4.8%**.¹
- Average effective monthly rent for a 2 bedroom apartment is **\$2,604**; Renters must earn **\$50/hour** (\$104,160/year) to afford the average rent for a two bedroom, two-bath apartment.²
- SJ median single-family home price is **\$996,000**; Residents must earn **\$92/hour** (\$191,830/year) to afford to buy a median priced home.³

¹ Costar Q2 2017 – Refer to end notes for details

² Based on Q2 2017 Costar average rents; income calculation assumes rents are 30% of income, 40 hour work week and a single income household.

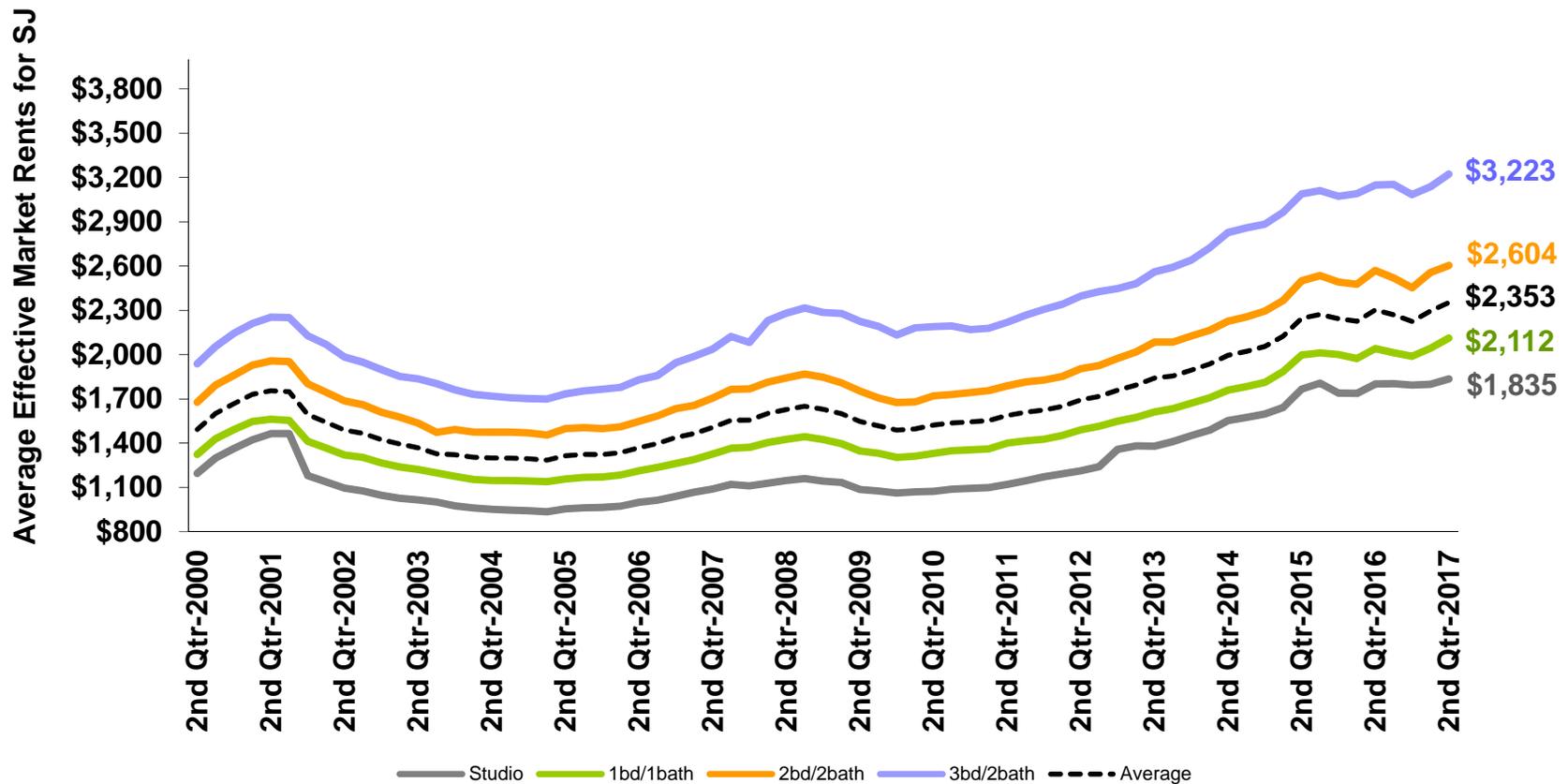
³ Based on Santa Clara County Association of Realtors, June 2017 median prices; income calculation assumes monthly payments are 30% of income, 20% down, 3.9% interest rate, 1.25% property tax, 40 hour work week and a single income household.

Residential Permit Activity Slows in Q2 2017



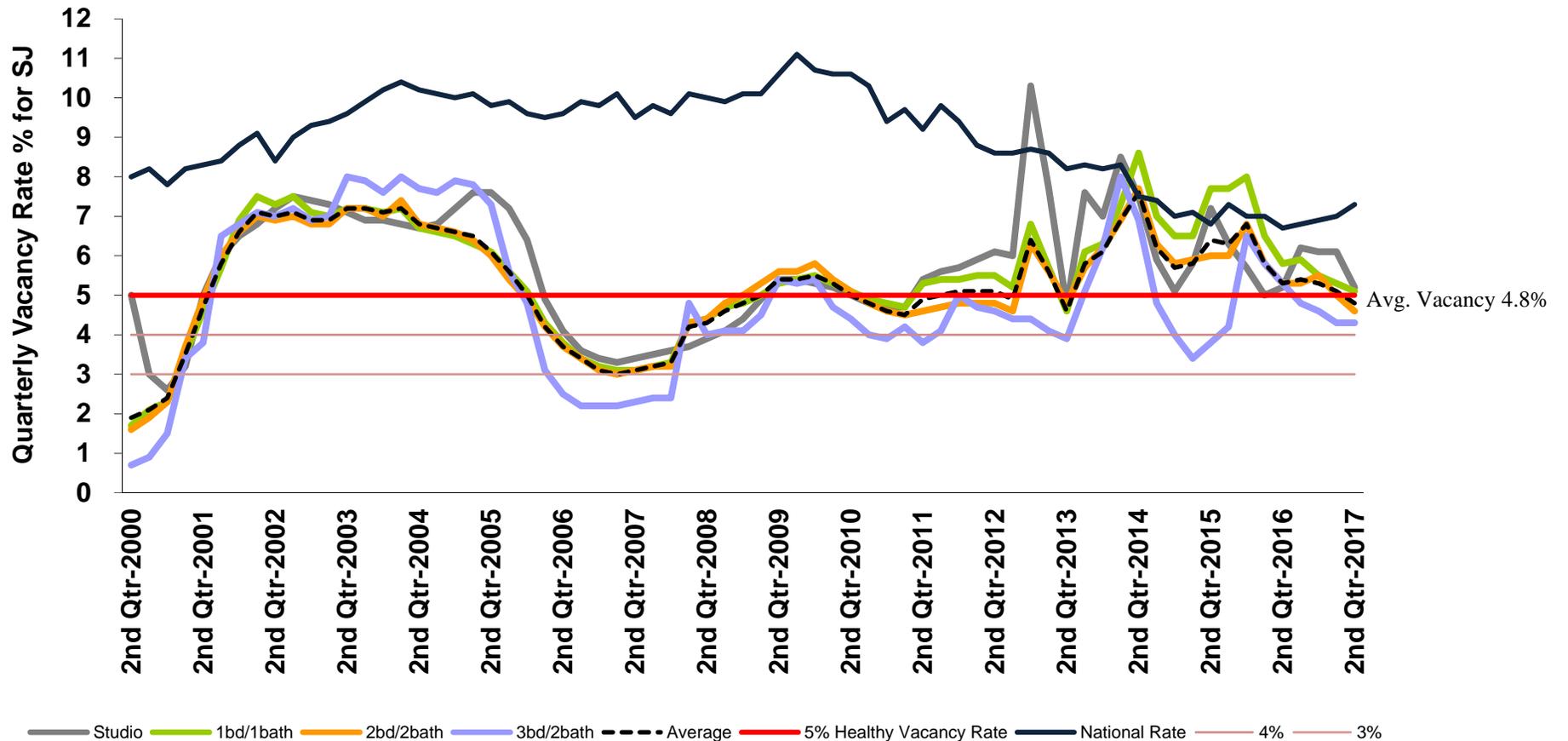
SOURCE: City of San José Housing Department, June 2017

SJ Average Rent Keeps Climbing - Up 2.5% from Q1 2017 and Up 2.2% YoY



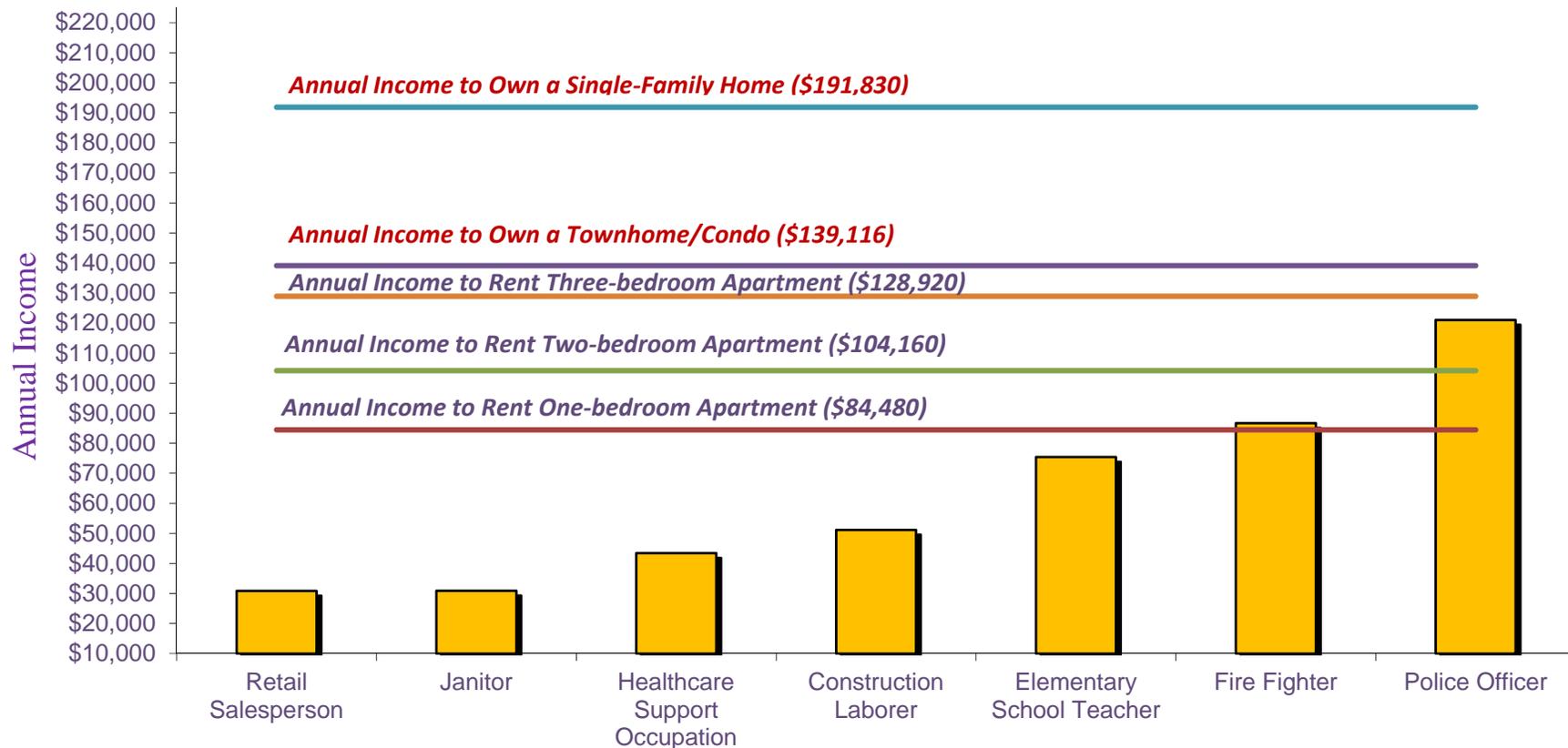
SOURCE: Costar Q2 2017

SJ Average Vacancy Remains Low, Drops 6% from Q1 2017 and 9% YoY



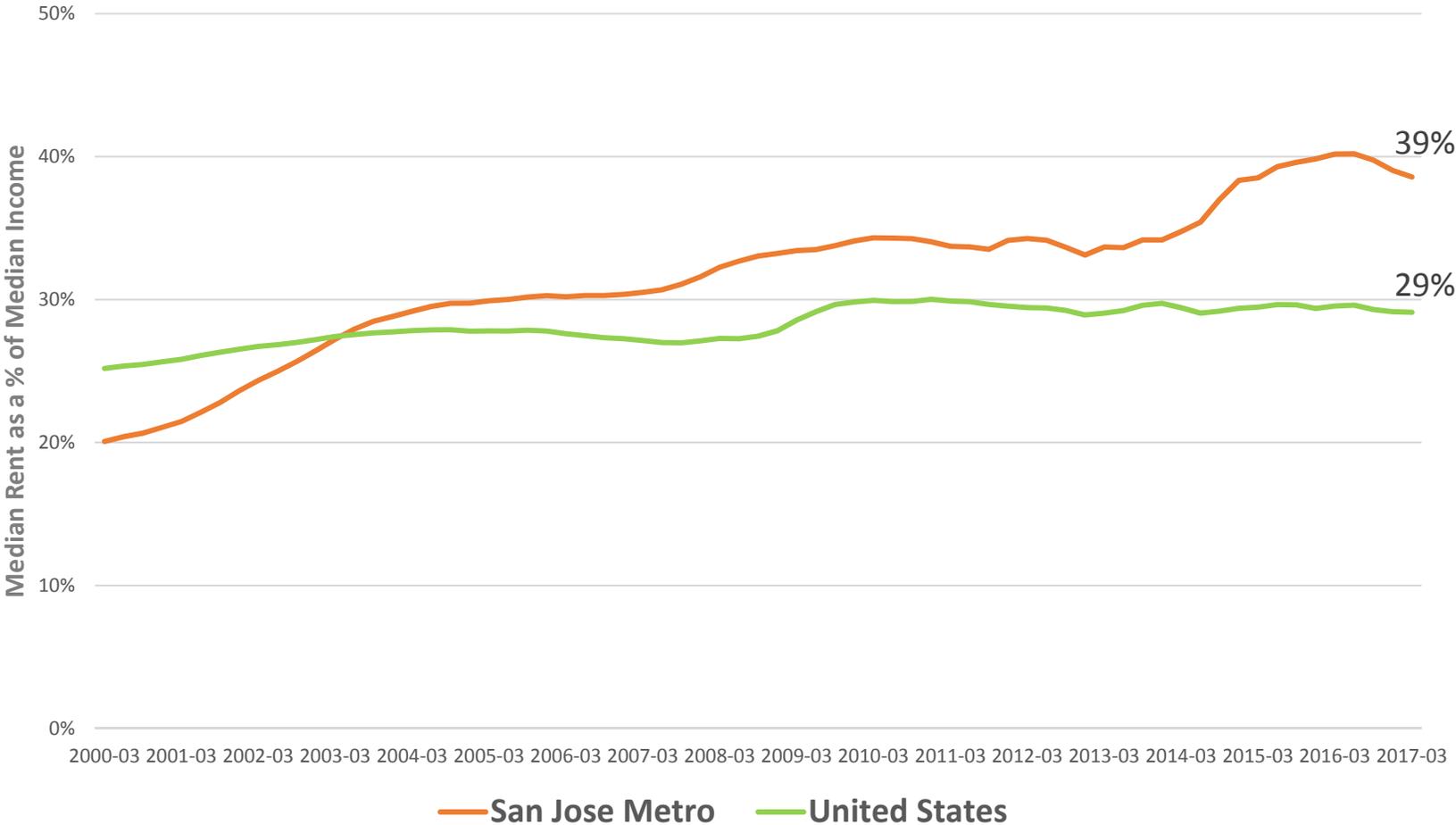
SOURCE: Costar, Q2 2017, National Rate – US Census Bureau Current Population Survey 7/27/17

Housing Costs Significantly Out of Reach for Many SJ Workers



SOURCE: Employment Development Department (EDD) – First Quarter 2017 Wages; Costar Q2 2017 Average Rents; Income to rent calculation assumes rent at 30% of income and a single income household; Santa Clara County Association of Realtors Q2 2017 median prices; Income to mortgage calculations assume payments at 30% of income, 20% down, 3.9% interest, 1.25% Property Tax, \$300 HOA dues for condos and a single-income household

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



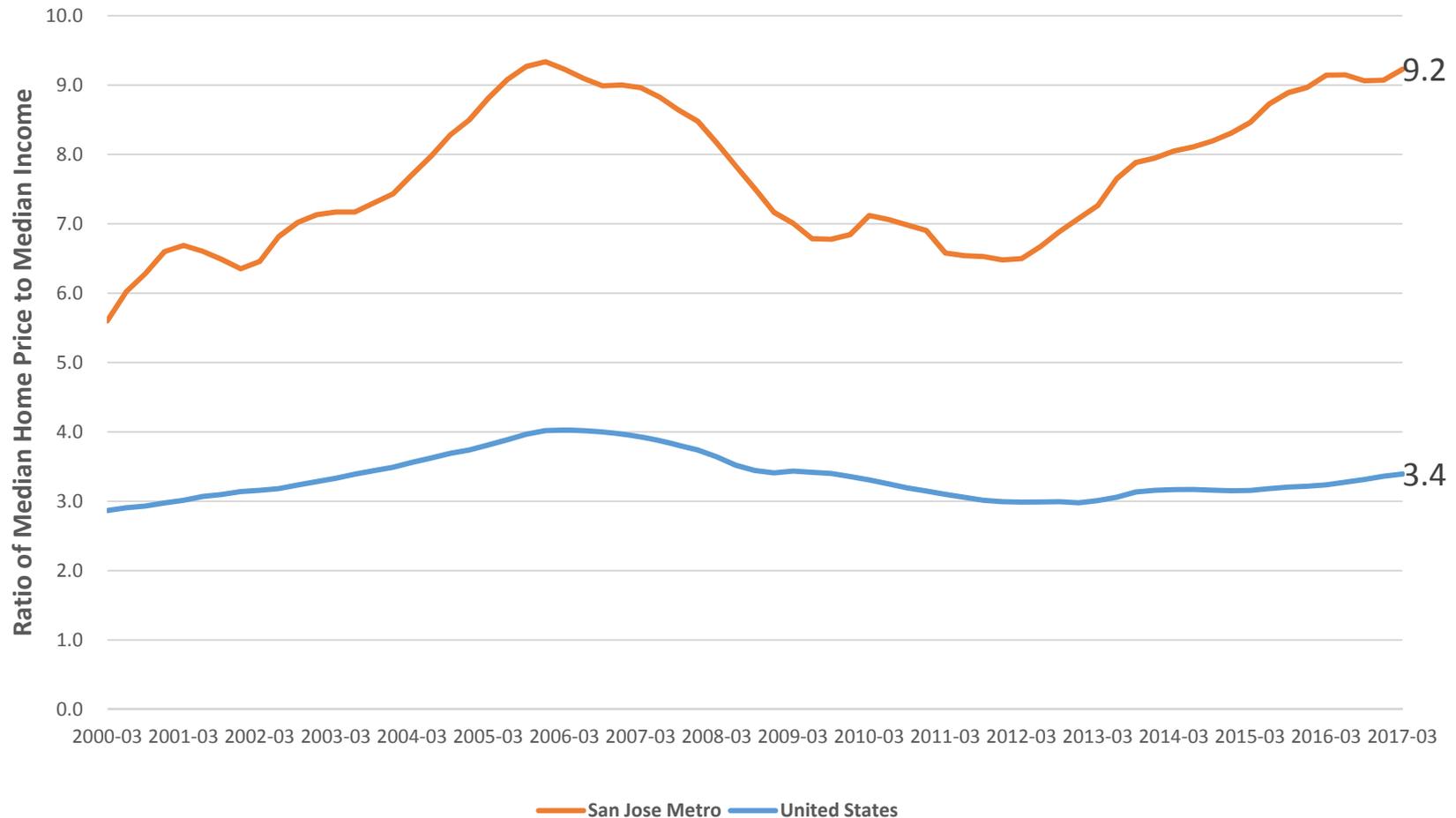
SOURCE: Zillow Rental Affordability Index Q1 2017– One Quarter Lag

SJ Single-Family Median Home Price Marches Up; Rises 2% from Prior Quarter and 8%YoY



SOURCE: Santa Clara County Association of Realtors, June 2017

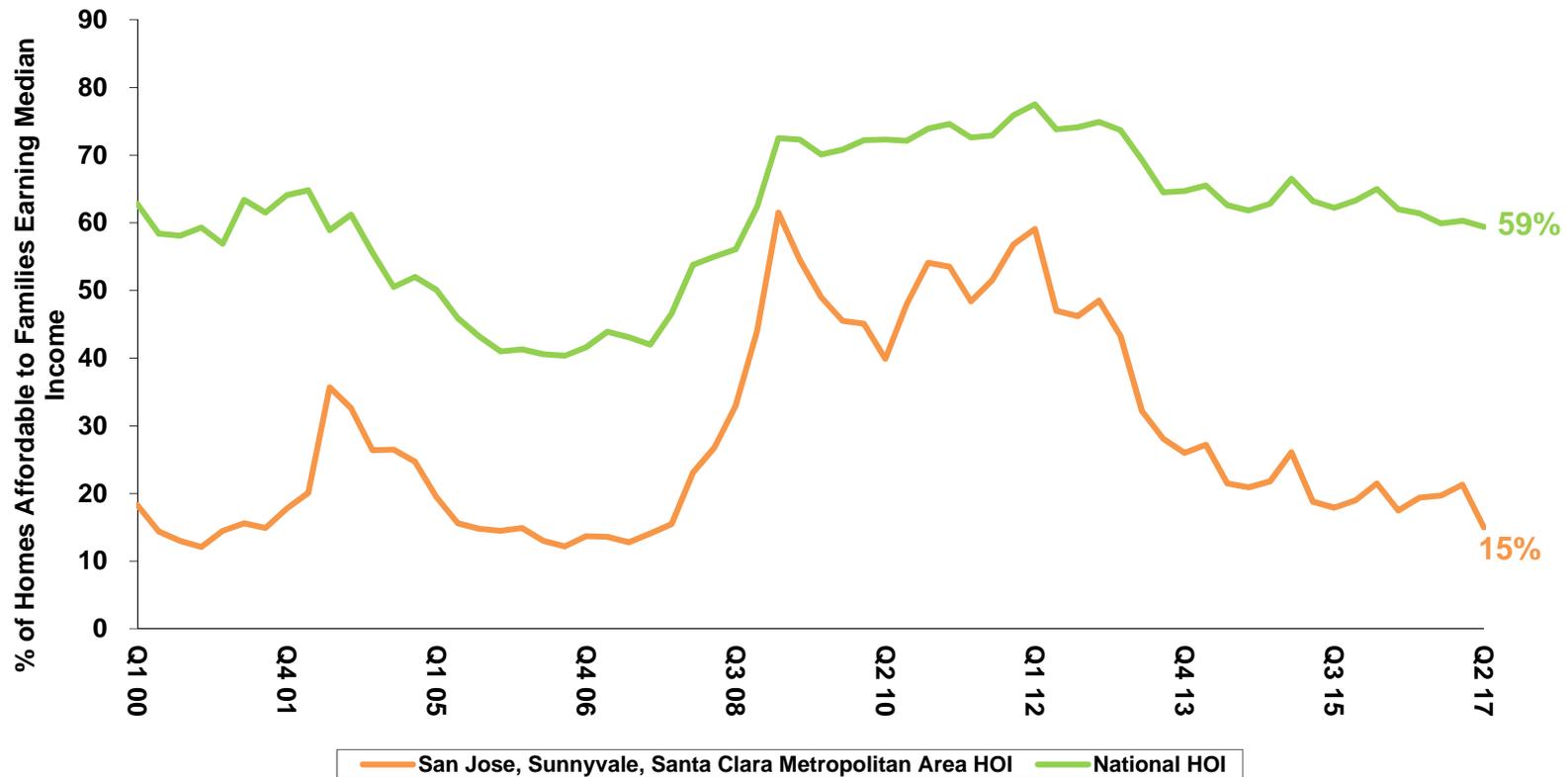
Taken as a multiple of Median Income, SJ Metro Area Median Home Prices Nearly 3 Times the National Average



SOURCE: Zillow Price to Income Index Q1 2017– One Quarter Lag

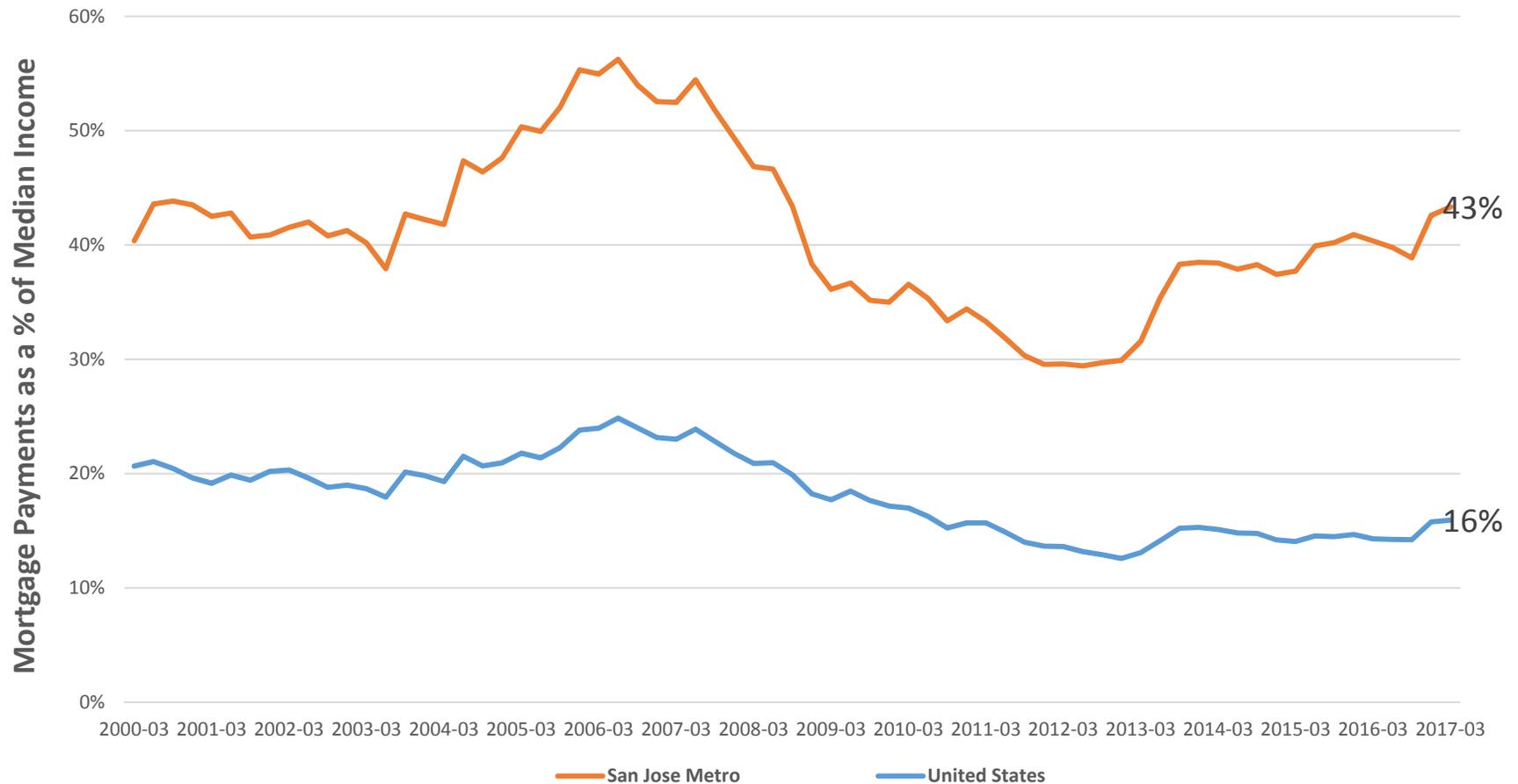
SJ Housing Affordability Remains Low Relative to the Nation (6th least affordable)

Less than 1 in 6 families in San José can afford a median priced home



SOURCE: National Association of Home Builders, Housing Opportunity Index Q2 2017

SJ Homeowners Pay 2.5 Times the Mortgage Costs of the Average US Homeowner



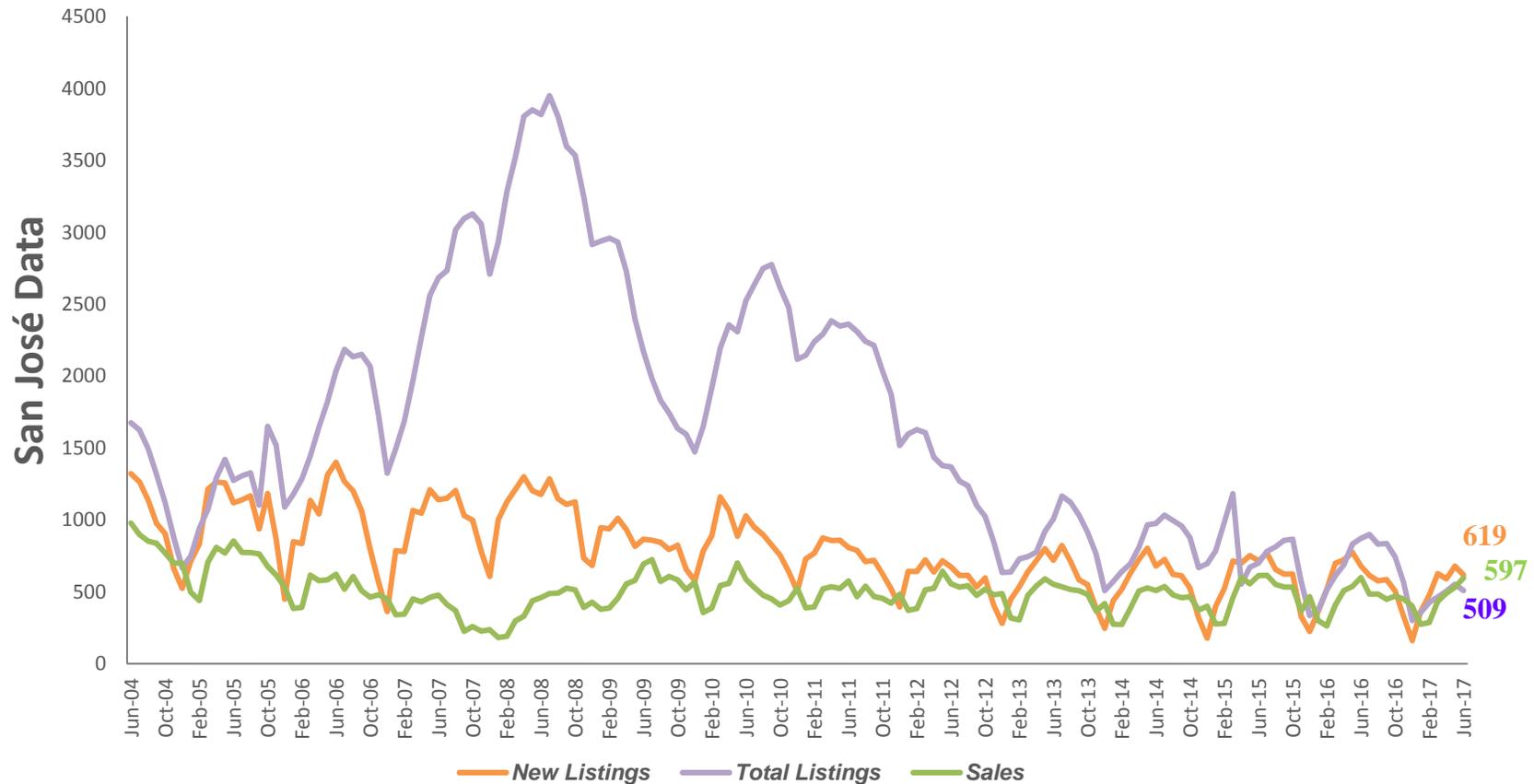
SOURCE: Zillow Mortgage Affordability Index Q1 2017– One Quarter Lag

SJ Townhome/Condo Median Prices at Record Level, Up 3.4% from Prior Quarter, Up 9.5% YoY



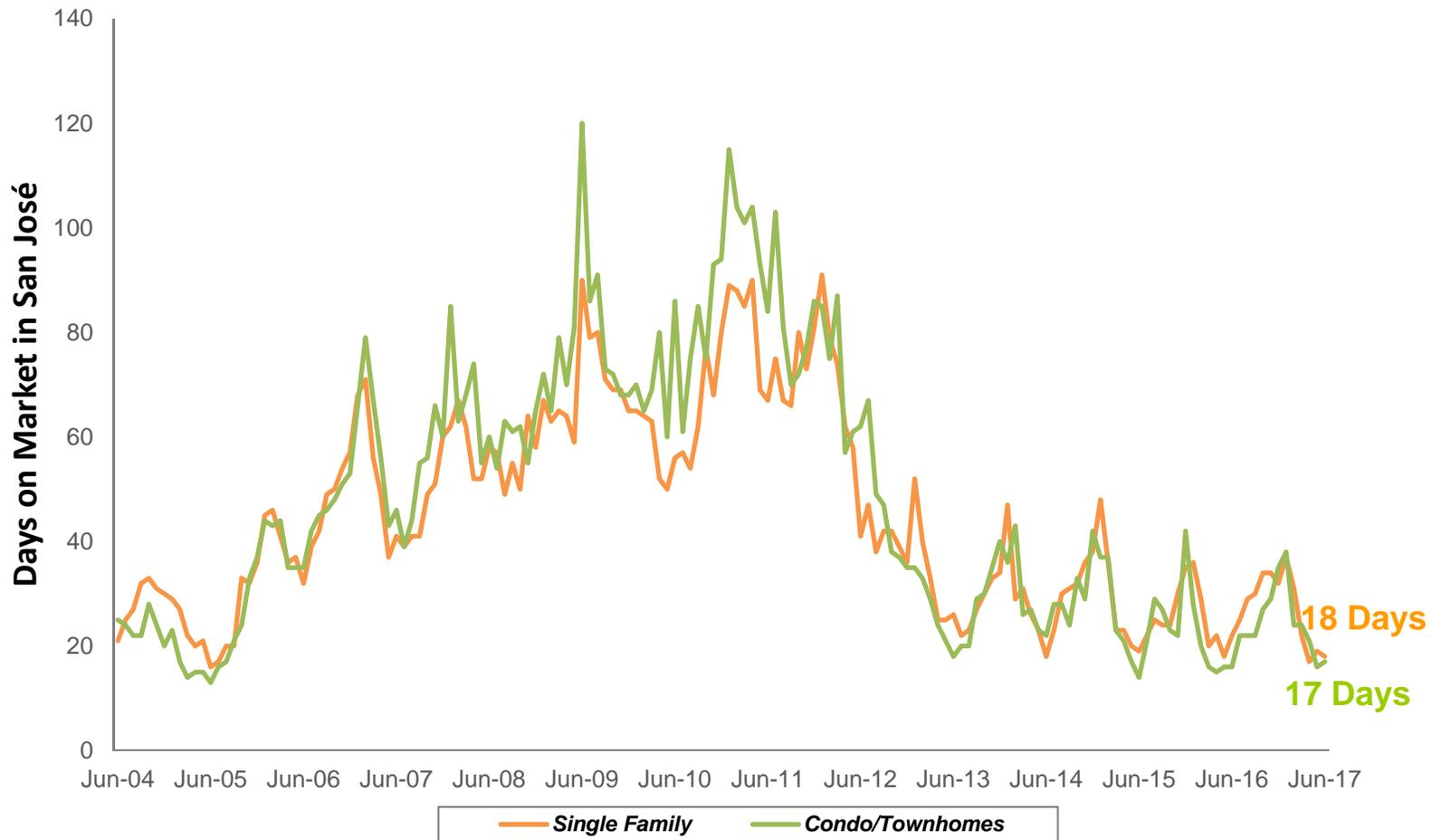
SOURCE: Santa Clara County Association of Realtors June 2017

SJ Single-Family Sales Up 38% from Prior Quarter, but Flat YoY; New Listings Down 1% from Prior Quarter and 9% YoY



SOURCE: Santa Clara County Association of Realtors, June 2017

Homes Are Selling Faster – Single-Family DOM Down 4 Days Quarterly and YoY



SOURCE: Santa Clara County Association of Realtors June 2017

Interest Rates Remain Low



SOURCE: Federal Reserve, Freddie Mac Primary Mortgage Market Survey, Q2 2017

Endnotes

- 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 apartments and excludes affordable rents