

City of San José

Housing Market Update



Sparq, is a 105 unit, mixed use, transit-oriented, market-rate project in downtown San Jose. It will be developed by CORE and broke ground in July 2017. Sparq offers residents creative social amenities and the latest in apartment technology, including electronic package lockers and automated car parking systems.

Second Quarter 2018

Q2 2018 San José Housing Market

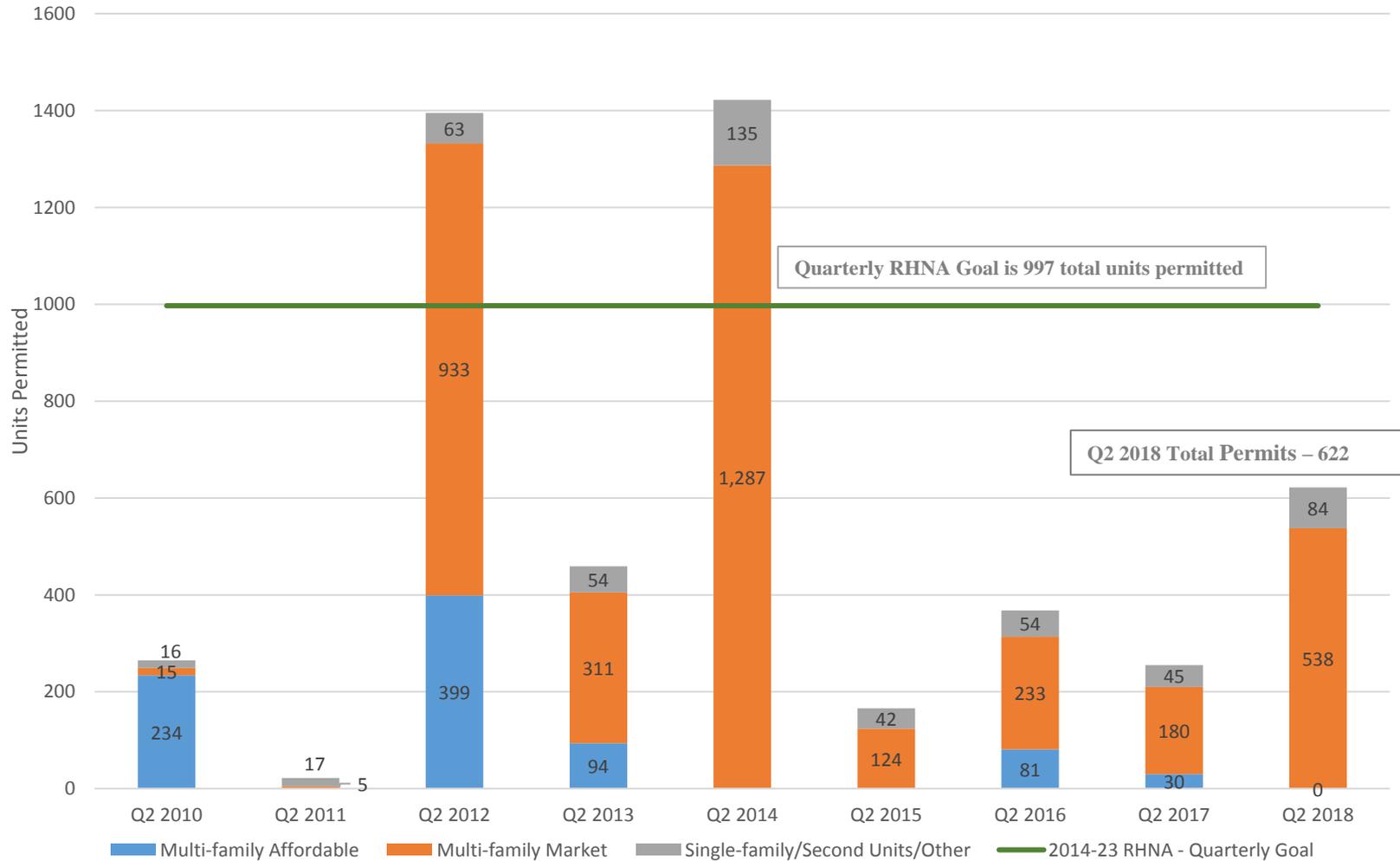
- **622** residential permits issued – none for affordable housing
- Accessory Dwelling Unit permits issued on track to surpass 2017 levels
- Average effective rent grew **4%** Quarter-over-Quarter (QoQ); Overall vacancy is at **4.8%**¹
- Renters must earn **\$53/hour** (\$110,120/year) to afford the average effective monthly rent for a 2-bedroom apartment of **\$2,753**²
- Median single-family home price was **\$1,225,000**, down 2% QoQ
- Residents must earn **\$121/hour** (\$251,300/year) to afford a median priced single-family home³

1. Costar July 16, 2018.

2. Based July 16, 2018 Costar average rents; income calculation assumes rents are 30% of income, 40-hour work week and a single income household.

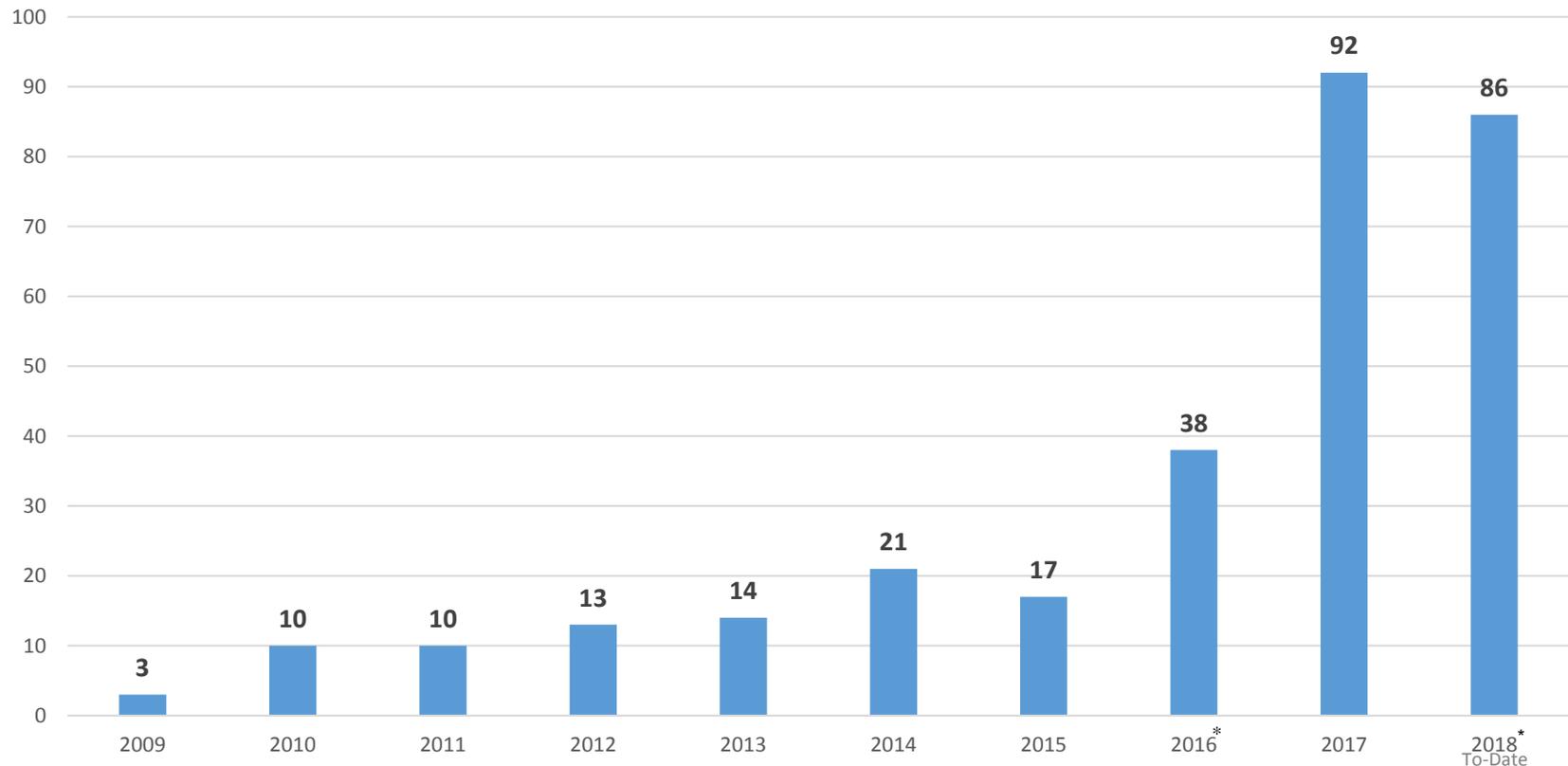
3. Based on Santa Clara County Association of Realtors, June 2018 median prices; income calculation assumes monthly payments are 30% of income, 20% down, 4.4% interest rate, 1.25% property tax, 40-hour work week and a single income household.

Q2 2018 San José Residential Permit Activity



SOURCE: City of San José Housing Department, June 2018.

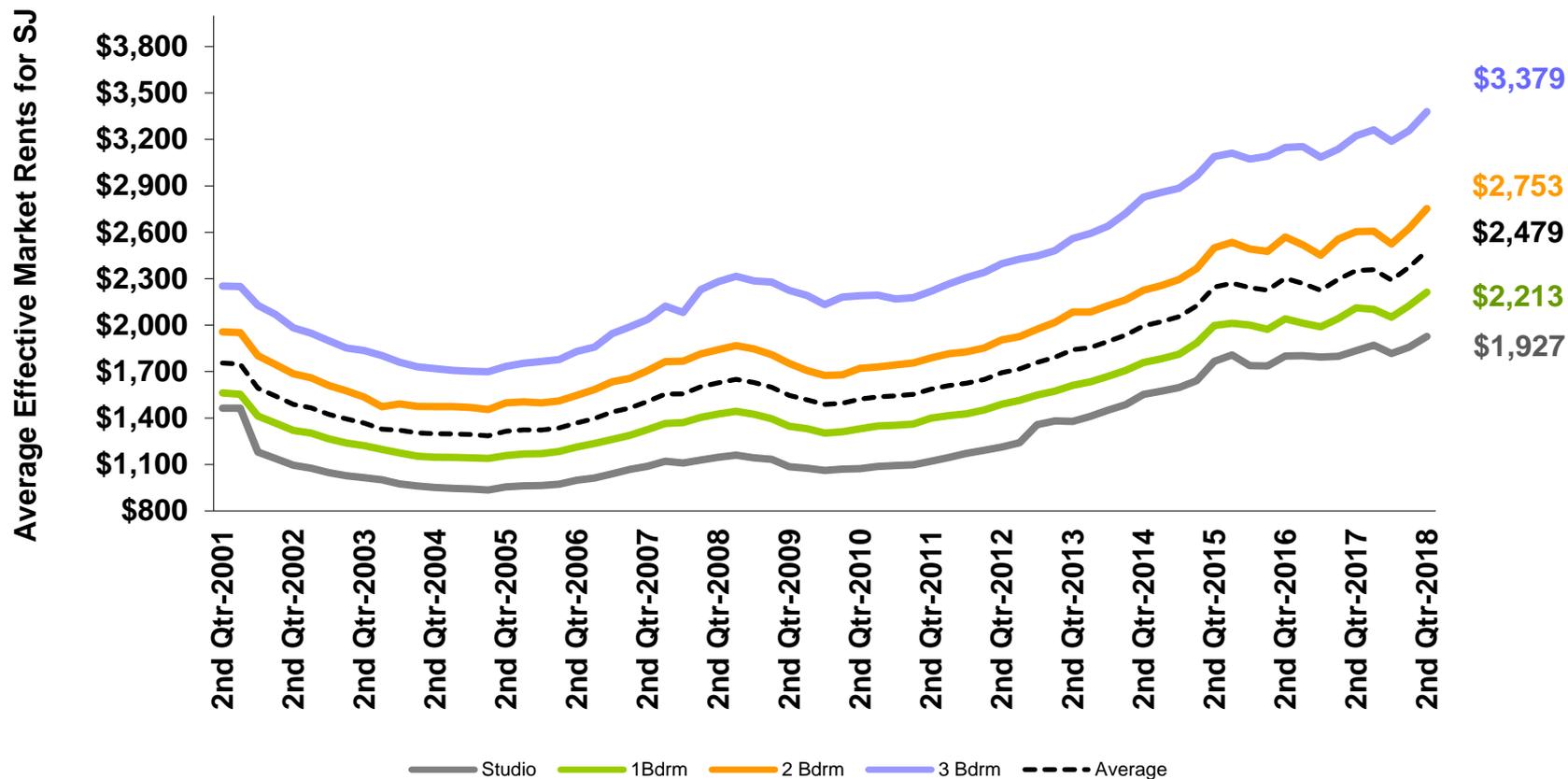
2018 Second Unit Permits On Track to Surpass 2017 Levels



* Zoning code updated in December 2016 and in 2018 to conform with new State Legislation and to encourage ADU development.

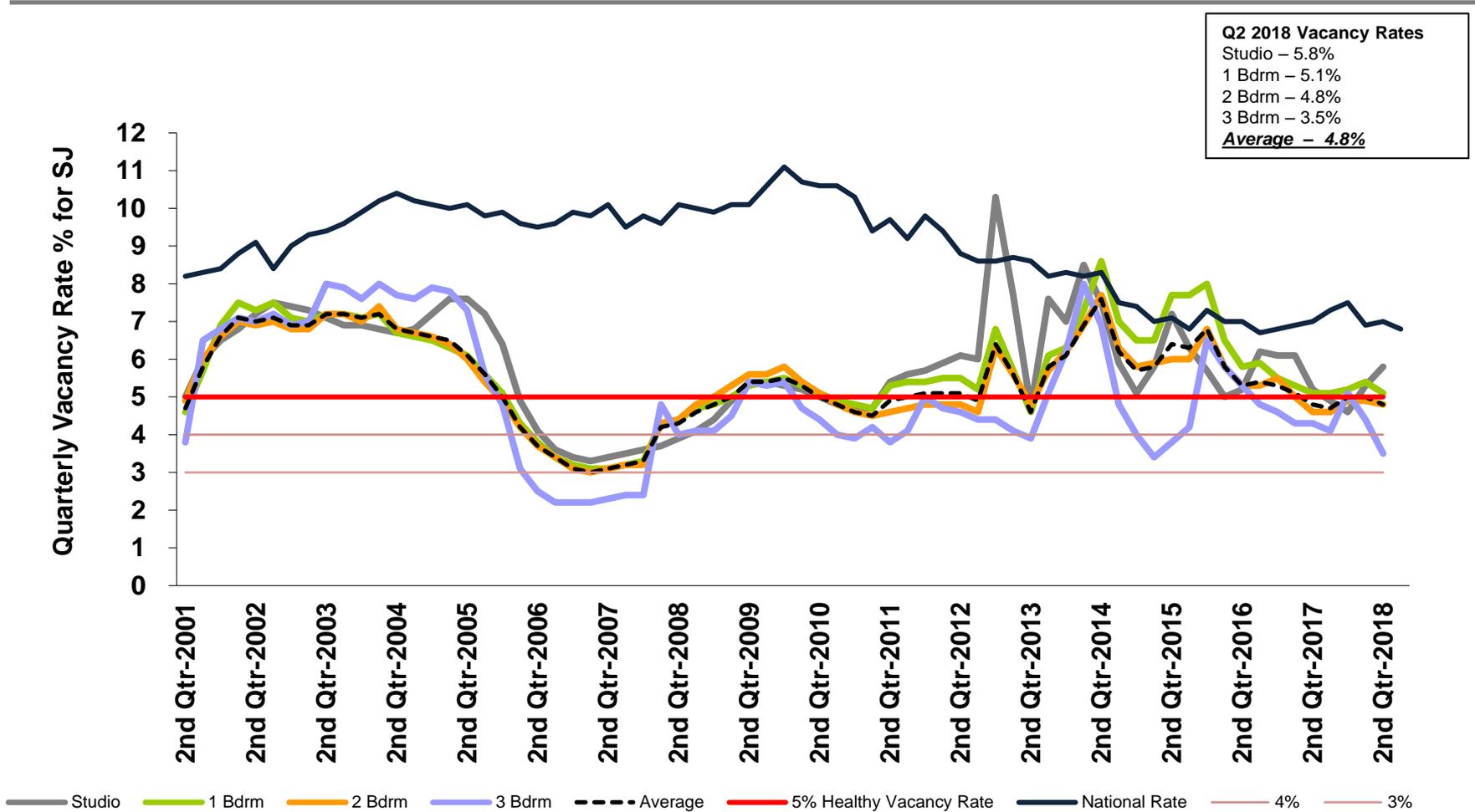
SOURCE: City of San José Monthly Permit Reports as of June 2018.

Average Rent Up 4% Quarter-over-Quarter (QoQ) & 5% YoY



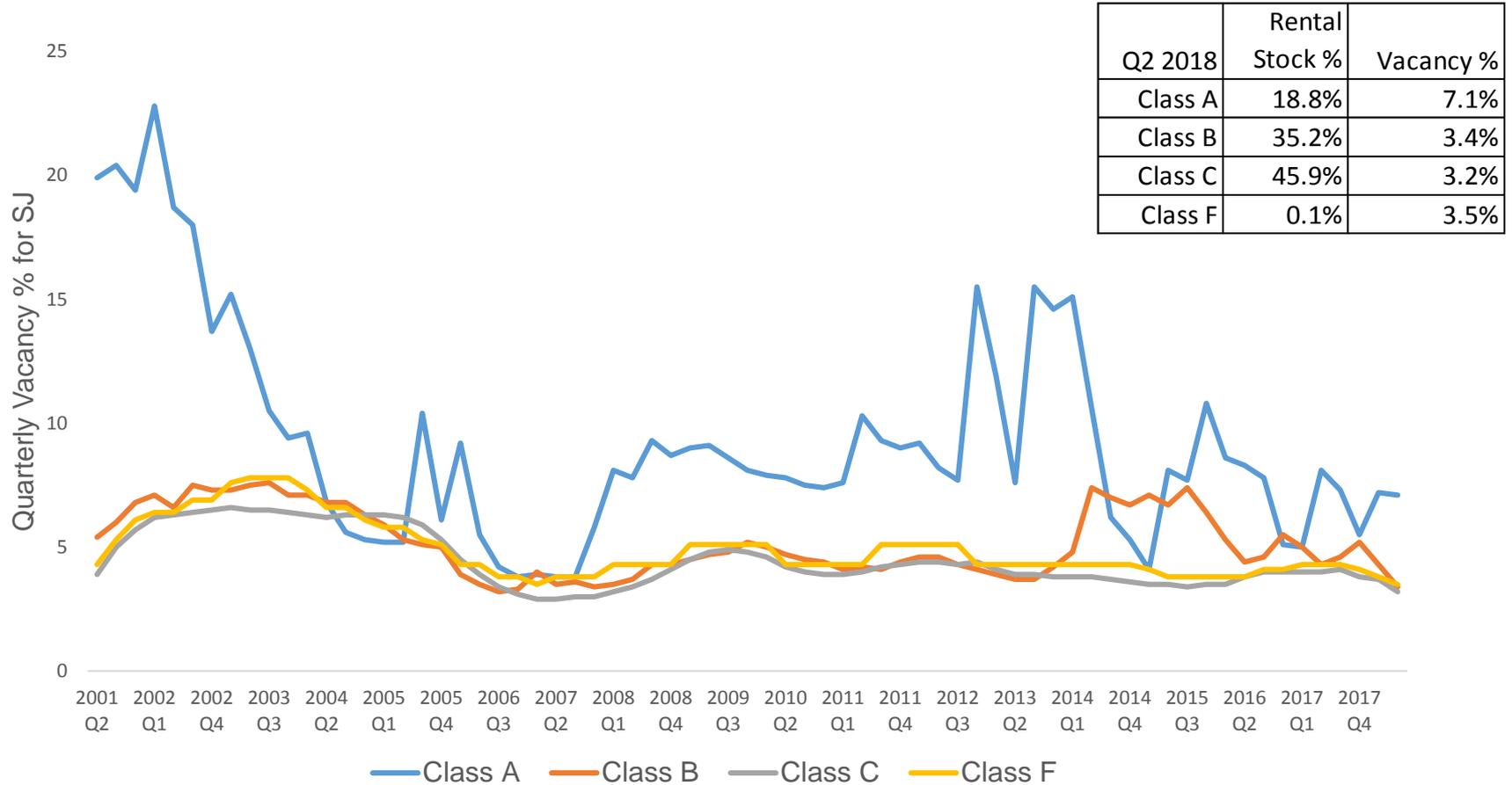
SOURCE: Costar July 16, 2018.

Average Vacancy at 4.8%, lower for larger unit sizes



SOURCE: Costar, July 16, 2018, National Rate – US Census Bureau Current Population Survey/ Housing Vacancy Survey 7/26/18.

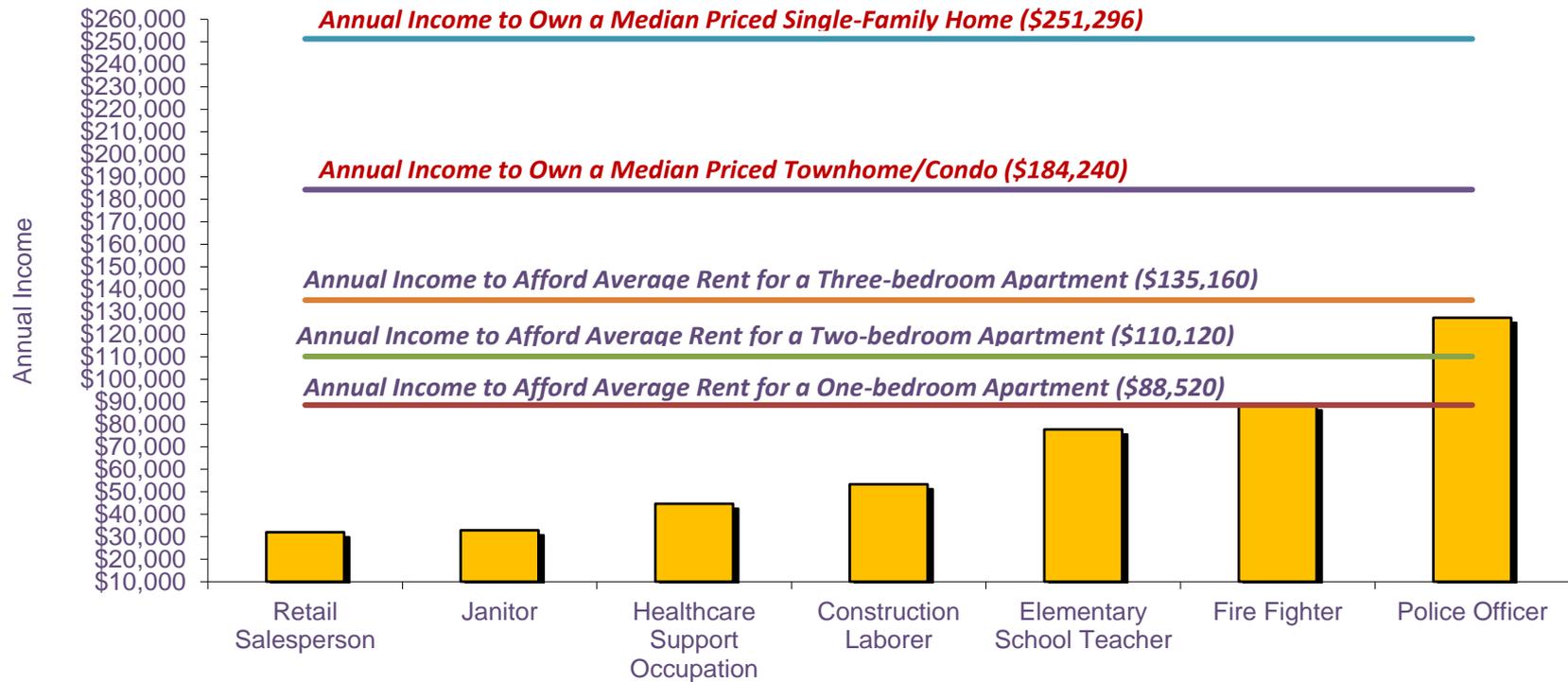
Average Vacancy lower for older buildings (81% of total rental stock)



SOURCE: Costar, August 21, 2018

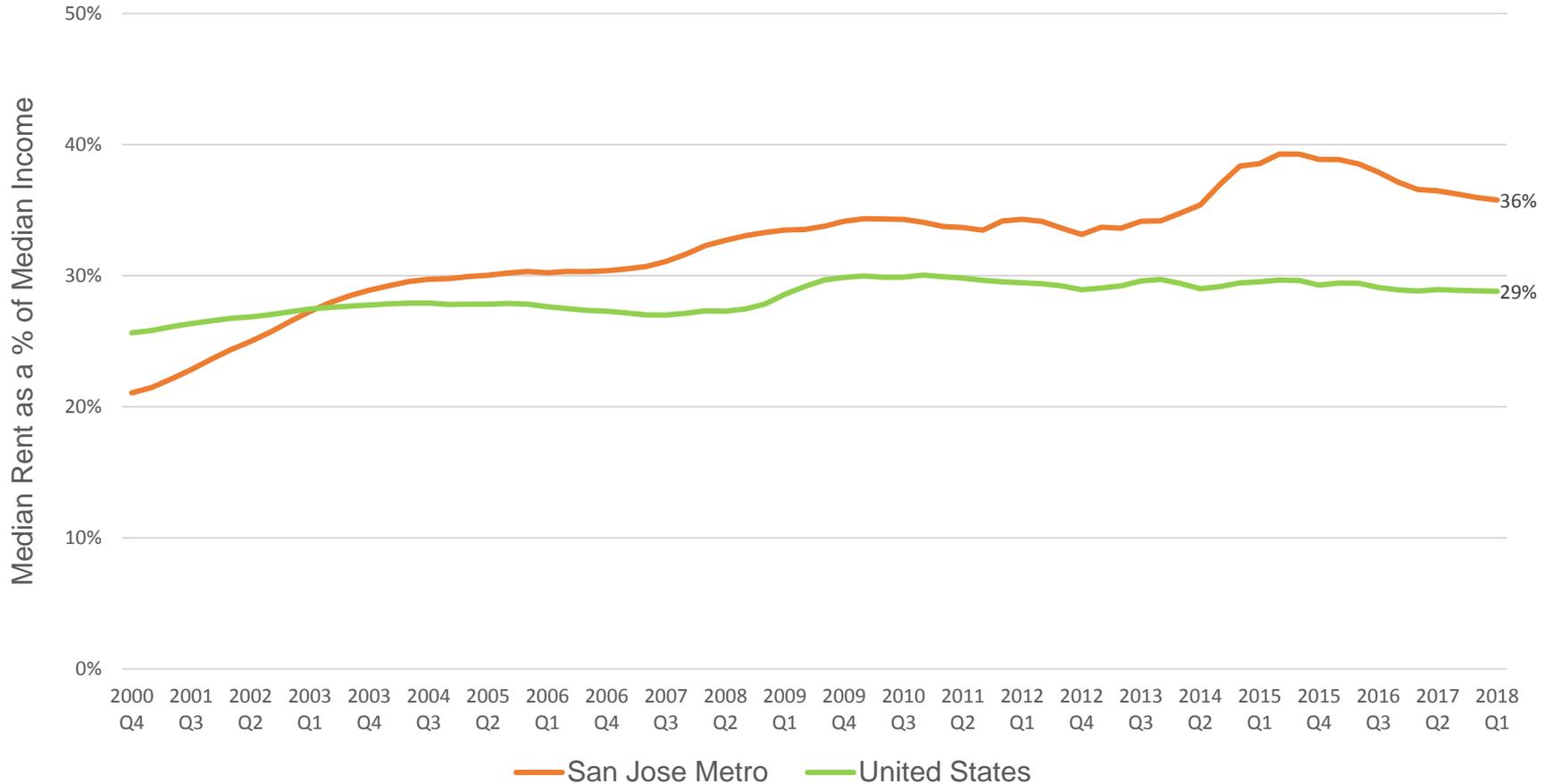
Class A refers to highest quality construction, Class B refers to more utilitarian space, Class C refers to a no-frills older building and Class F refers to a functionally or economically obsolete building, per Costar Building Ratings.

Housing is Out of Reach for Many San José Workers



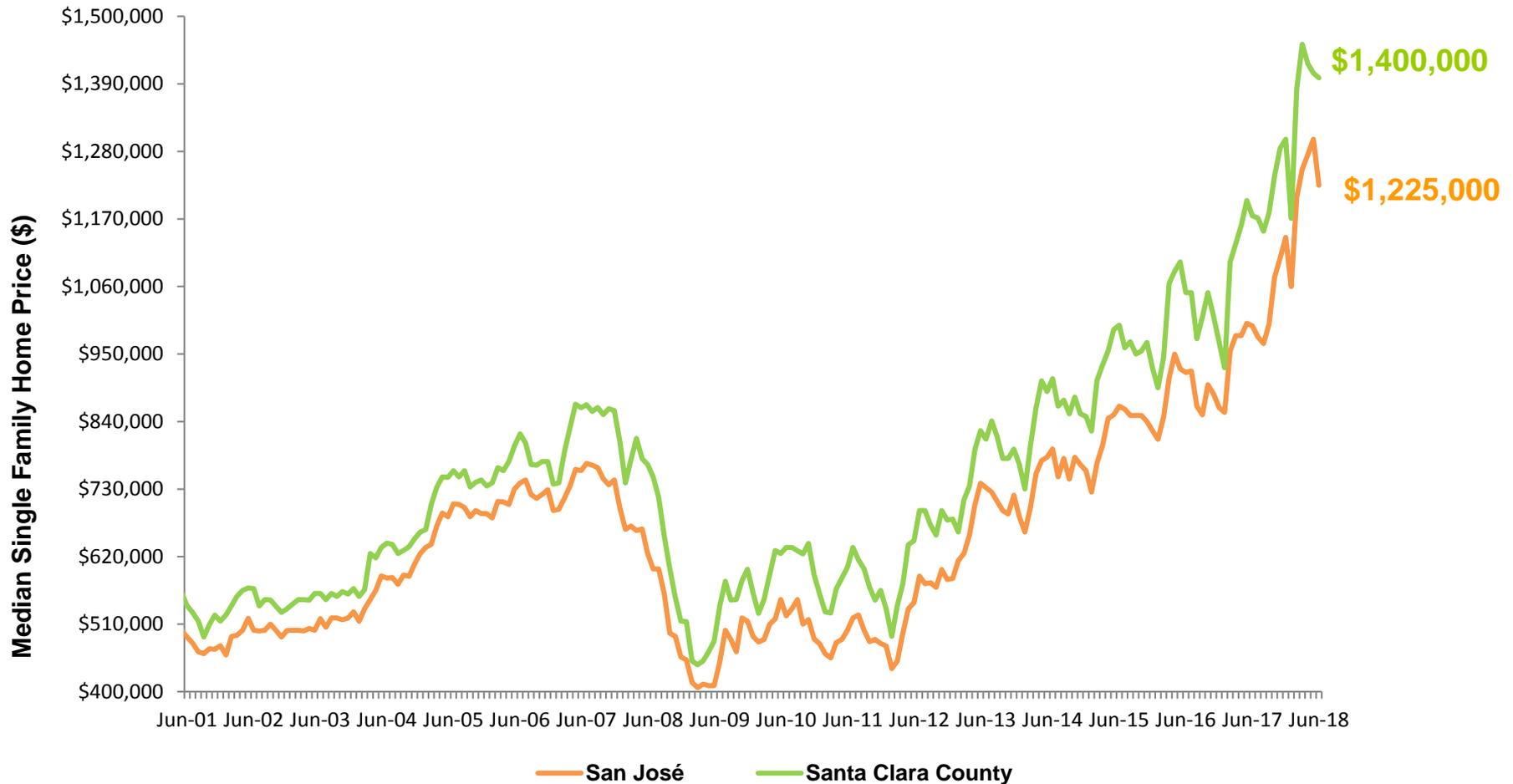
SOURCE: Employment Development Department (EDD) – First Quarter 2018 Wages; Costar July 16, 2018. Average Rents; Income to rent calculation assumes rent at 30% of income and a single income household; Santa Clara County Association of Realtors Q2 2018 median prices; Income to mortgage calculations assume payments at 30% of income, 20% down, 4.57% interest, 1.25% Property Tax, \$375 HOA dues for condos and a single-income household.

San José Renters Spend Higher % of Income on Rent



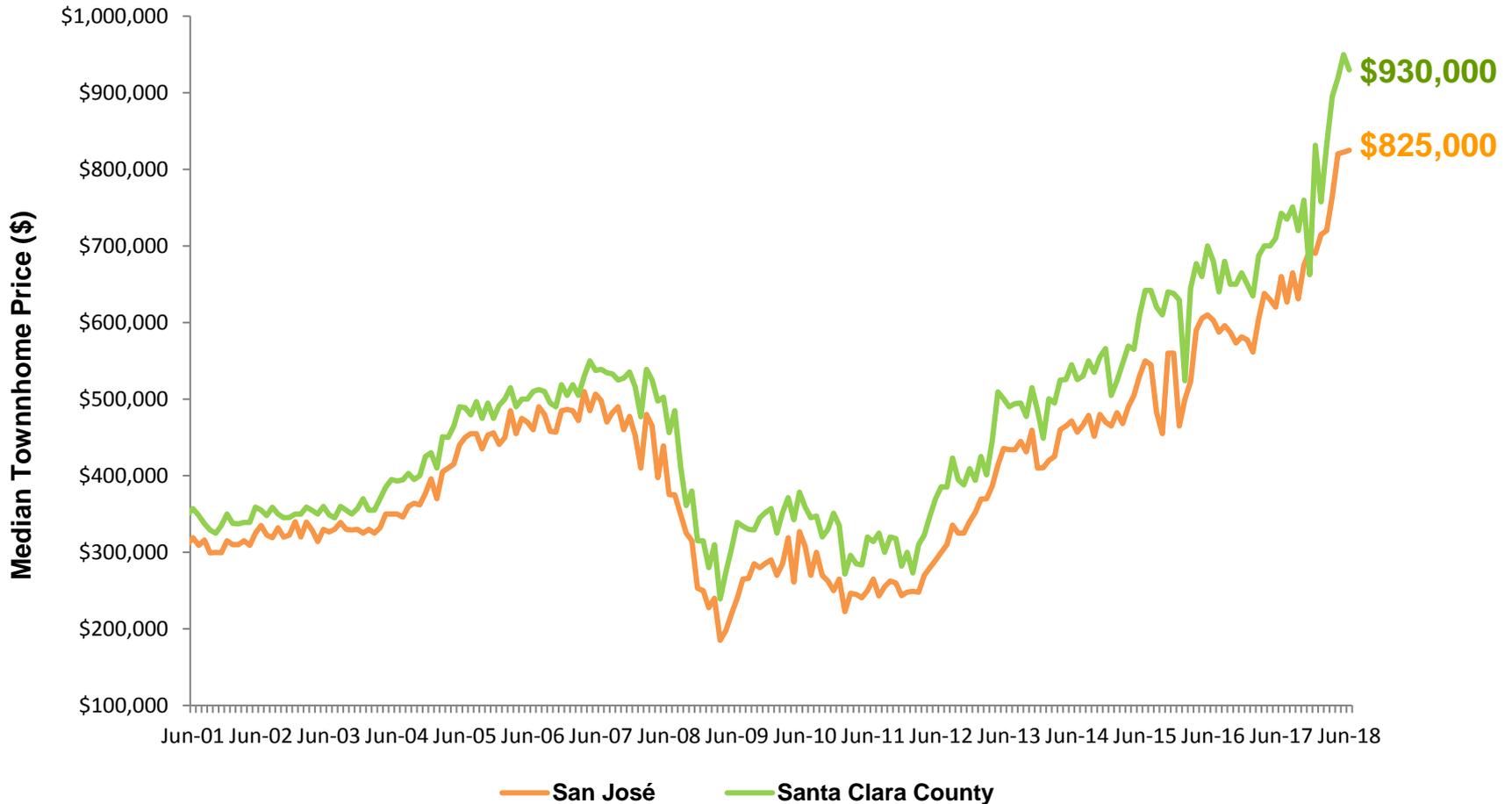
SOURCE: Zillow Rental Affordability Index Q1 2018 – One Quarter Lag.

San José Single-Family Median Home Price Down 2% QoQ, but Up 23%YoY



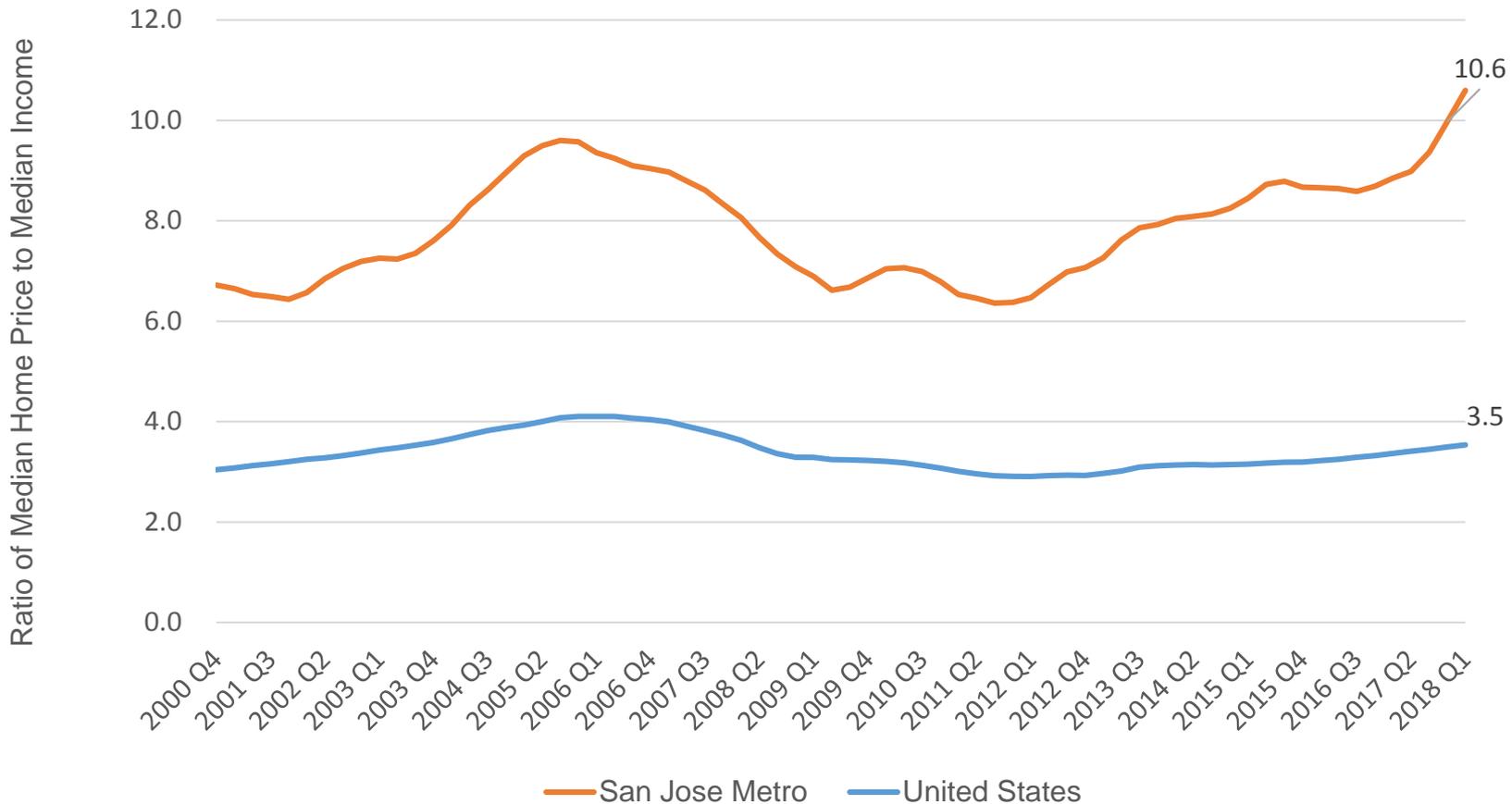
SOURCE: Santa Clara County Association of Realtors, June 2018.

San José Condo/Townhome Median Prices Up 8% QoQ and 25% YoY



SOURCE: Santa Clara County Association of Realtors June 2018.

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



SOURCE: Zillow Price to Income Index Q1 2018 – One Quarter Lag.

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



SOURCE: Zillow Mortgage Affordability Index Q1 2018 – One Quarter Lag.

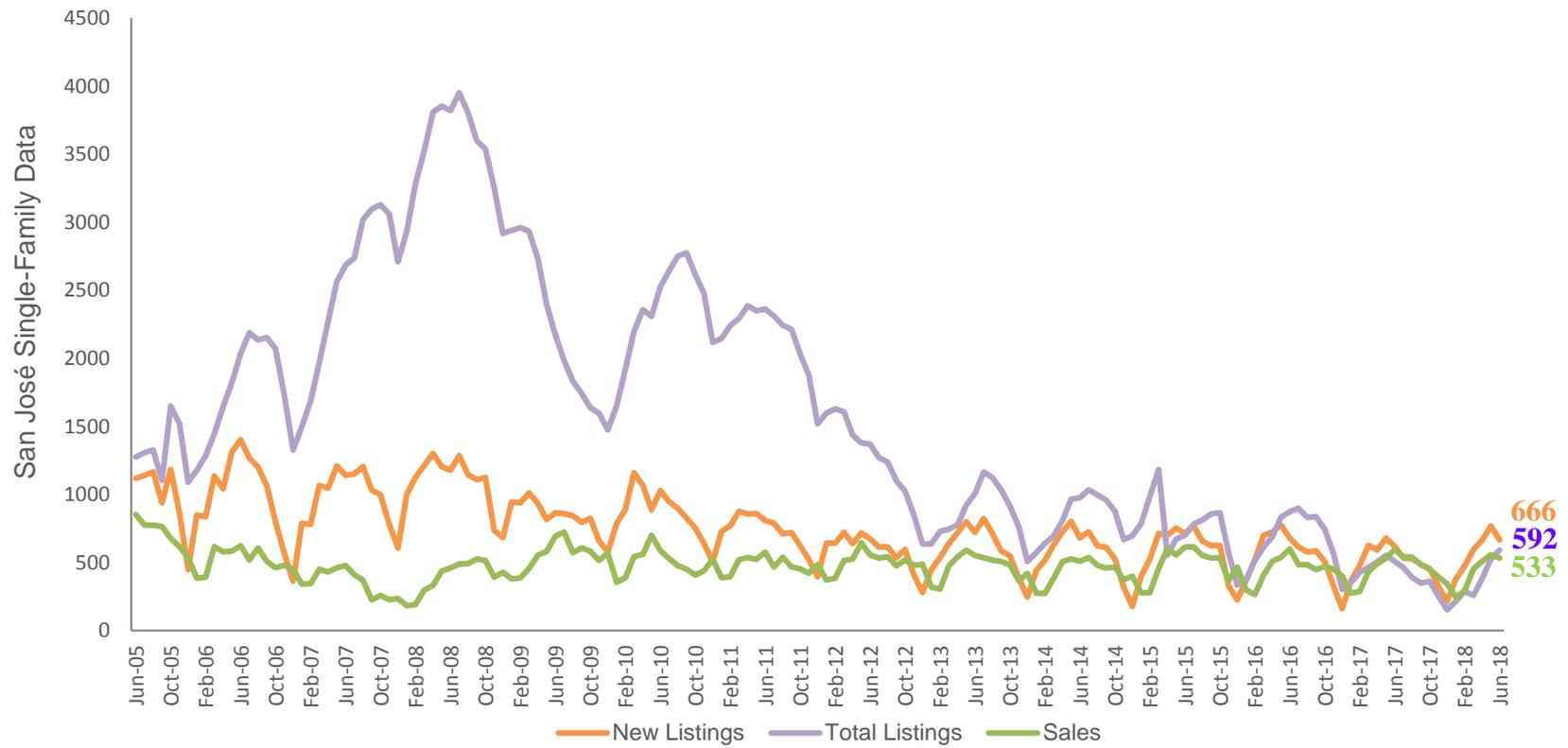
San Jose Housing Affordability Remains Low Relative to the Nation (6th least affordable)

Less than 1 in 8 families in San José can afford to own a median priced home



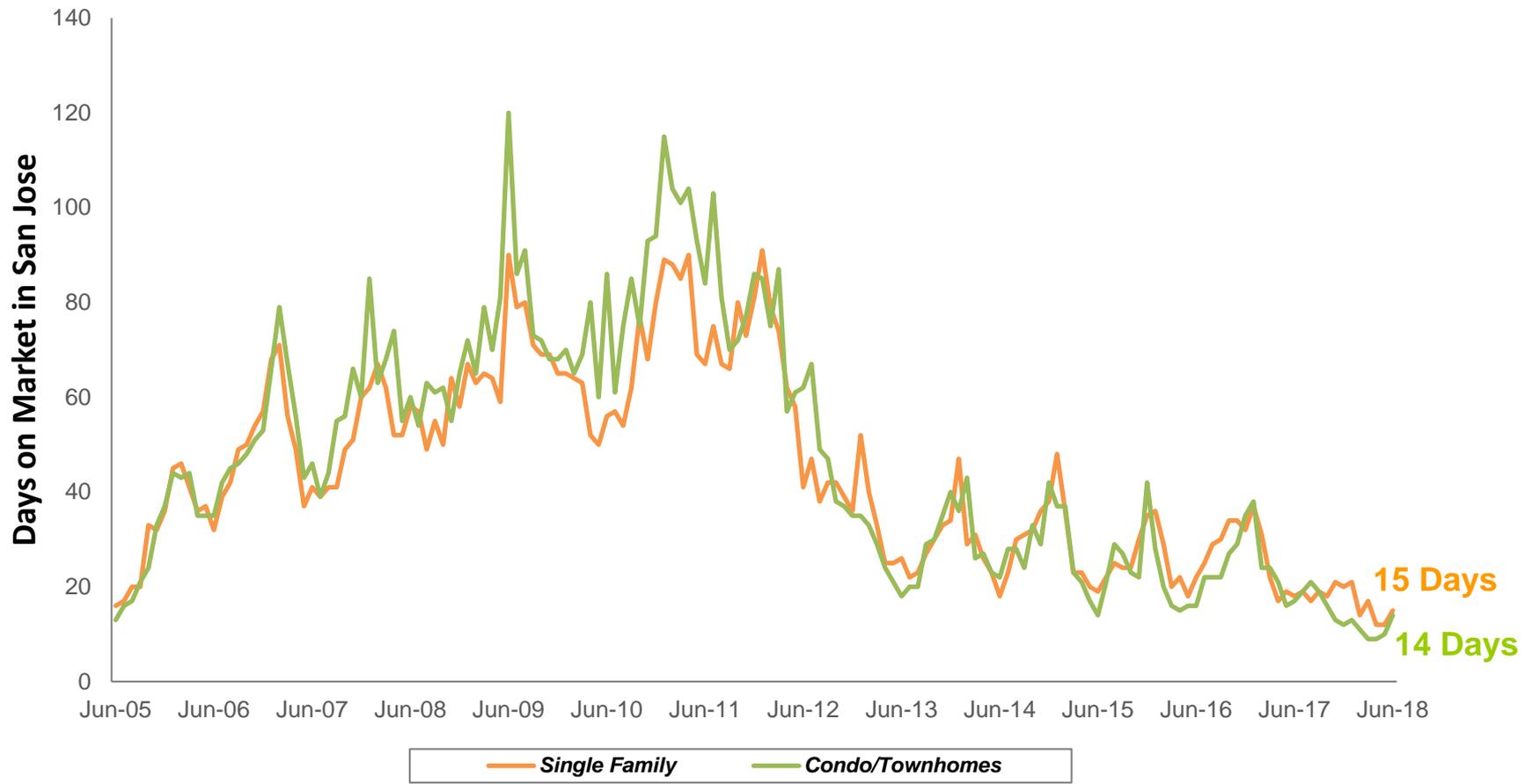
SOURCE: National Association of Home Builders, Housing Opportunity Index Q2 2018.

Single-Family Inventory (Total Listings) Doubles QoQ, Up 16% YoY; Sales Up 18% QoQ & Down 11% YoY



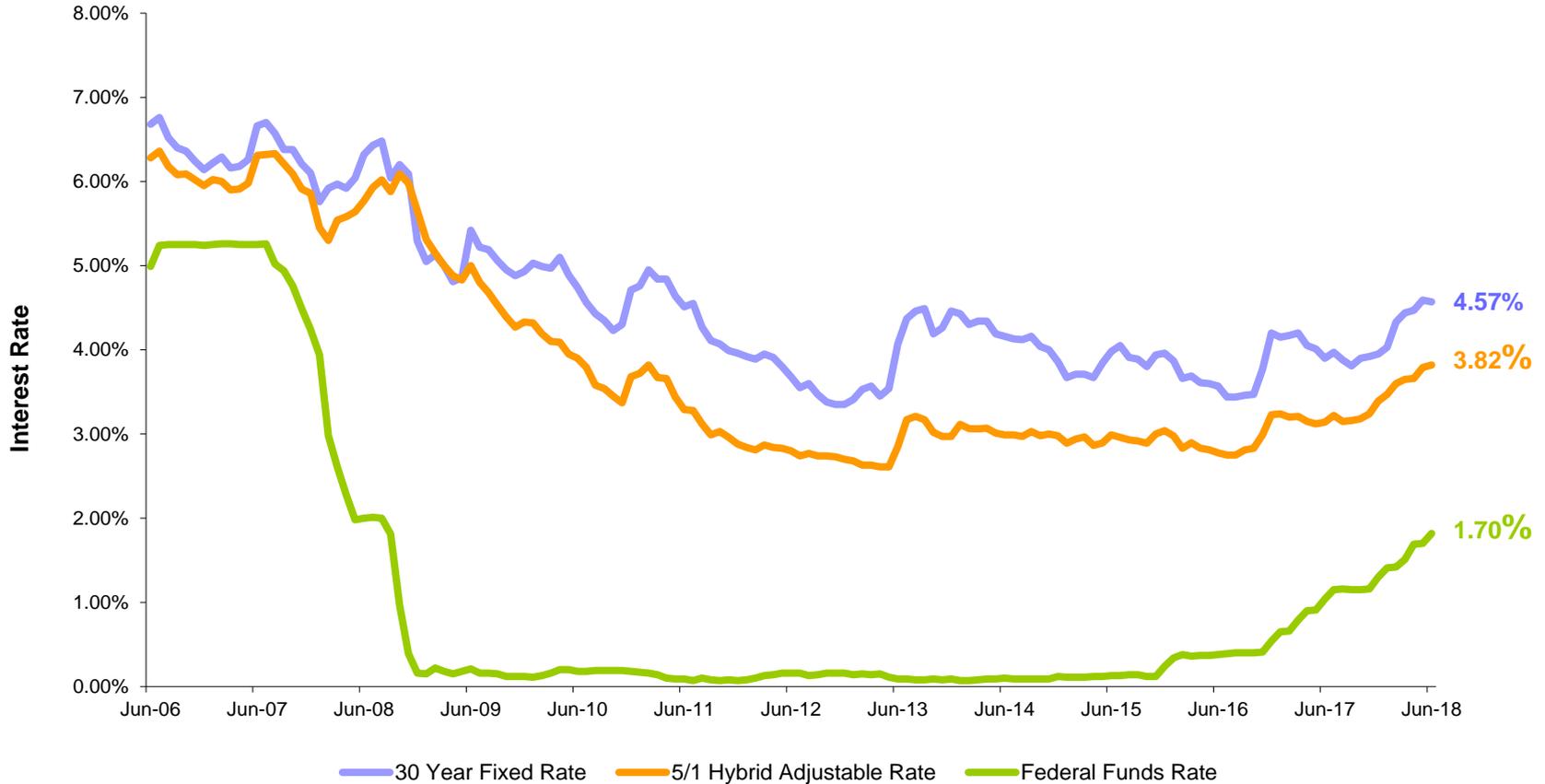
SOURCE: Santa Clara County Association of Realtors, June 2018.

Two Week Turnaround Time for Home Sales in San José



SOURCE: Santa Clara County Association of Realtors June 2018.

Interest Rates Inch Upwards



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