



Housing

Housing Market Update

Second Quarter 2019



Roosevelt Park Apartments is San Jose's latest recipient of the Affordable Housing Sustainable Communities (AHSC) award. Located towards the western end of the Roosevelt Park Urban Village, it is just steps away from high quality public transportation. This mixed-use apartment community will house 80 families earning up to 50% of the AMI. Twenty (20) of the units will be set aside as permanent supportive housing and 20 units will be designated as rapid rehousing units. The developer, First Community Housing, is a recognized leader in creating green, affordable housing.

Q2 2019 San José Housing Market

- 🏠 512 residential building permits issued - 0 for affordable housing
- 🏠 119 Second Units / ADU (Accessory Dwelling Units) permits issued – year to date permits issued exceed 2018 numbers
- 🏠 Average effective rent up 2% Quarter-over-Quarter (QoQ); Overall Residential Vacancy is 4.5%¹
- 🏠 Renters must earn \$53/hour (\$111,040/year) to afford the average effective monthly rent for a 2-bedroom apartment of \$2,776²
- 🏠 Median single-family home price is \$1,145,000, up 2% QoQ³
- 🏠 Buyers must earn \$102/hour (\$212,710/year) to afford a median priced single-family home⁴

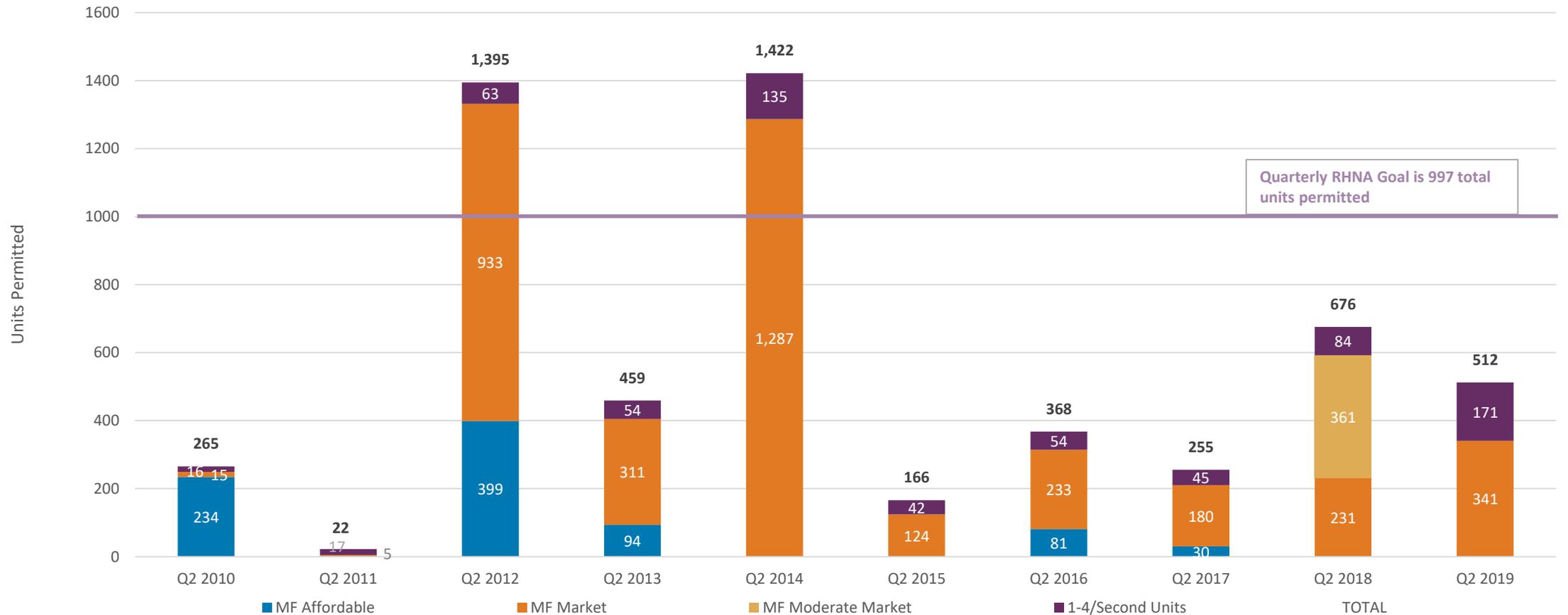
1. Costar July 2, 2019.

2. Based on July 2019 Costar average rents; income calculation assumes rents are 35% of income, 40-hour work week and a single income household.

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

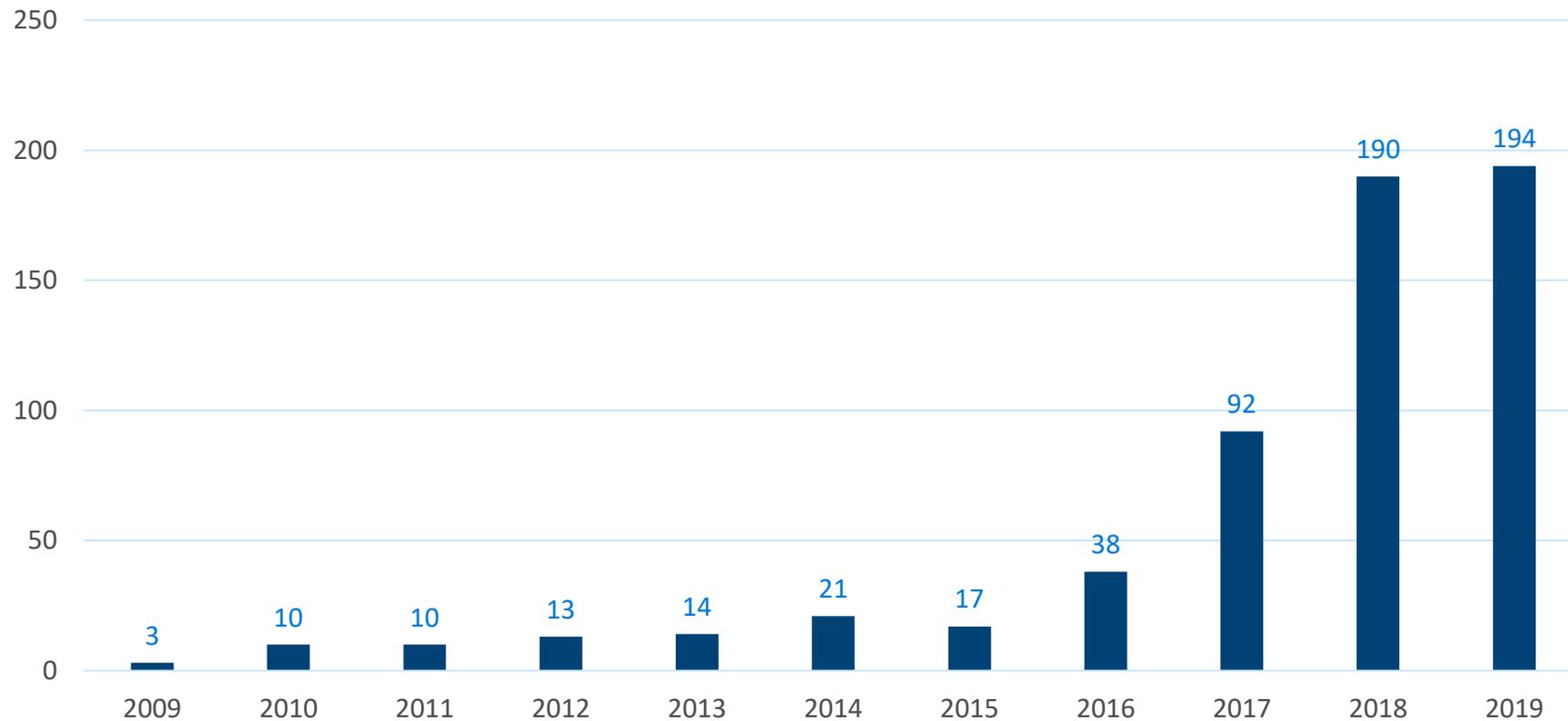
4. Based on SCCAOR, June 2019 median prices; income calculation assumes monthly payments are 30% of income, 20% down, 3.8% interest rate, 1.1% property tax, 40-hour work week and a single income household.

Q2 2019 Residential Building Permit Activity



SOURCE: City of San José Housing Department, Q2 2019.

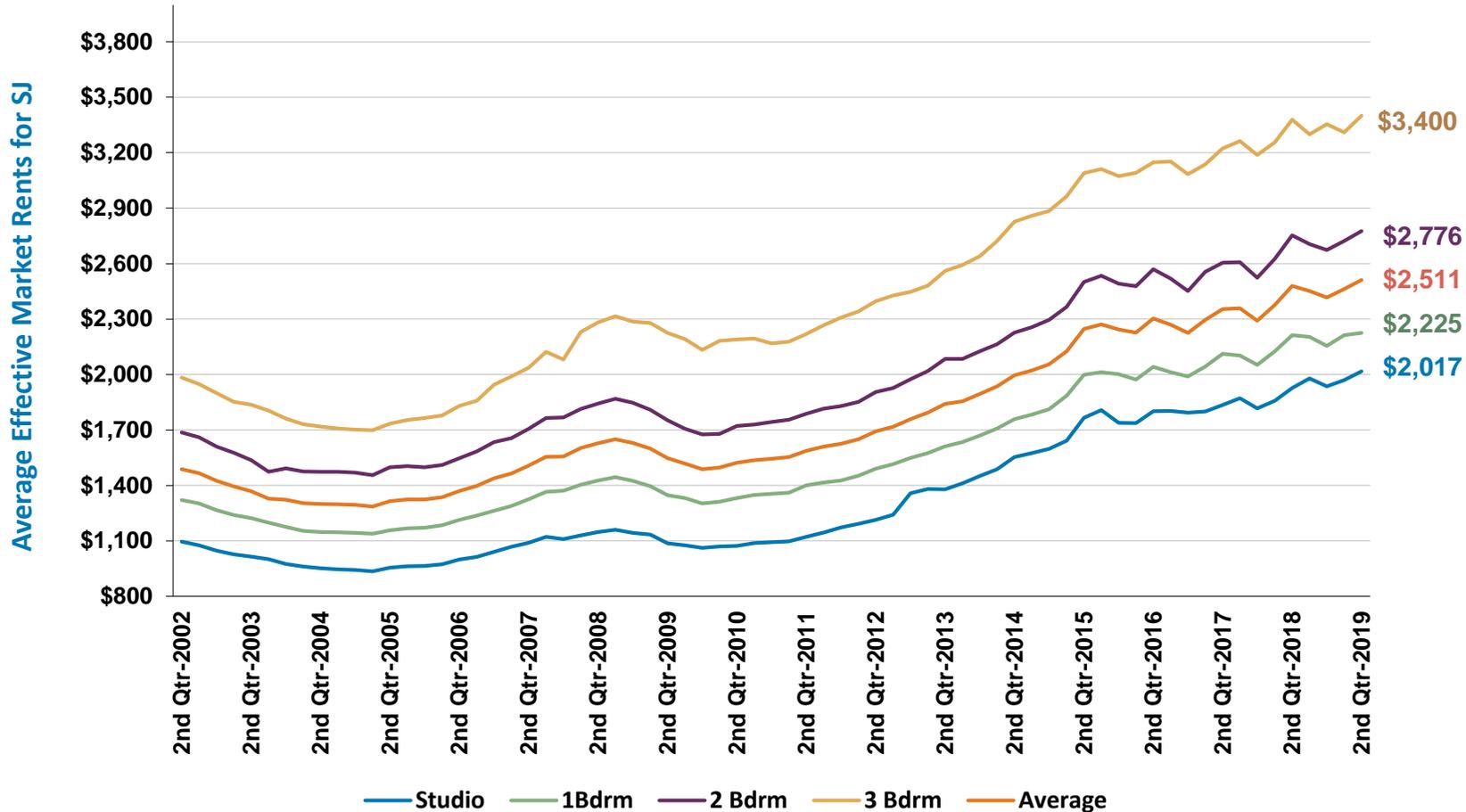
At Mid-Year, Second Unit / ADU Permits Have Exceeded 2018 Numbers



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 June 2019.

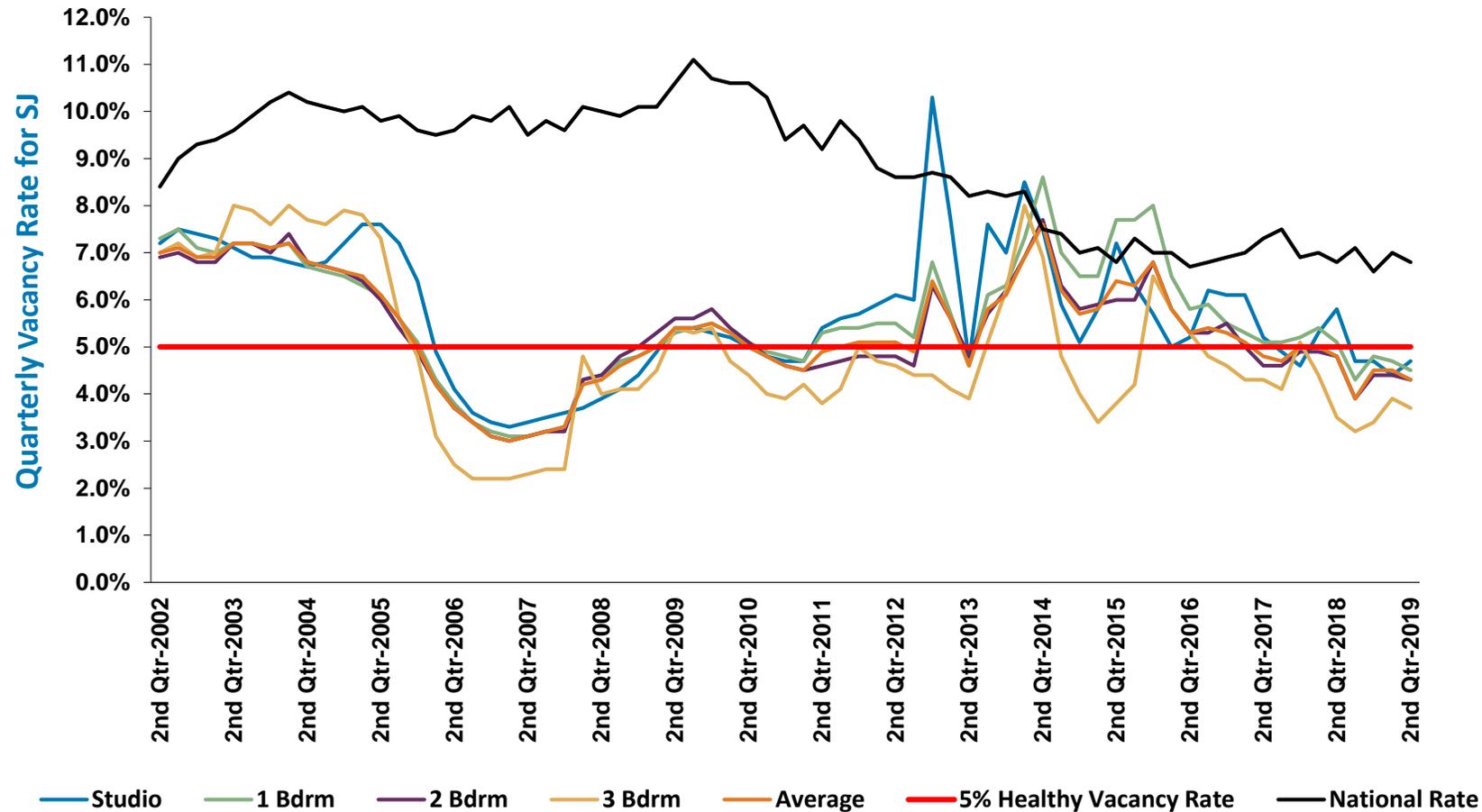
San José Average Rents



SOURCE: Costar July 2, 2019.

- ▶ Average Rents Up 1.9% Quarter-over - Quarter (QoQ) and Up 1% Year-over - Year (YoY)
- ▶ Studio and 3 Bedroom rents rose faster QoQ at 2.4% and 2.7%

Average Vacancy at 4.3%, below the “Healthy” Rate



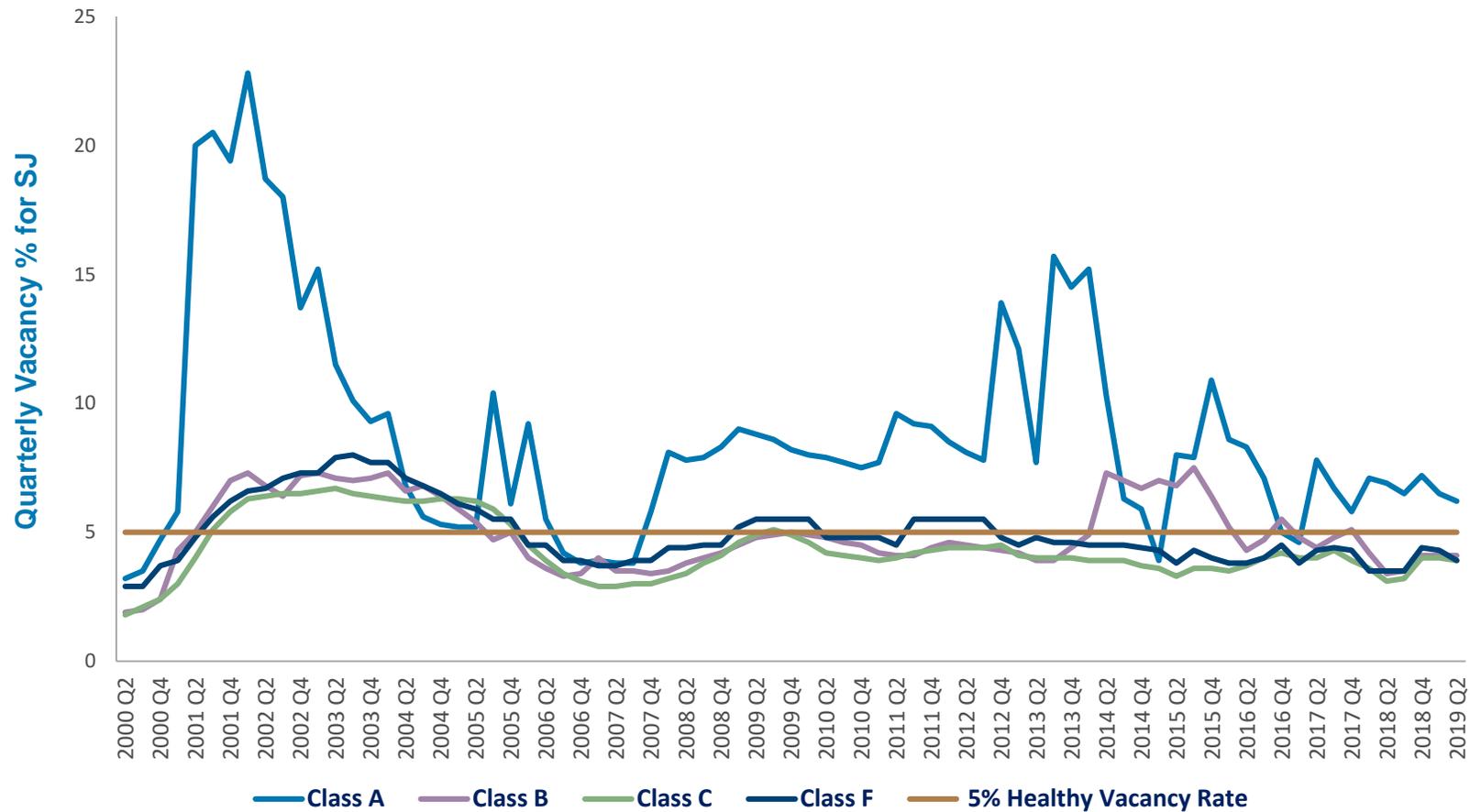
Q2 2019 Vacancy Rates

- Studio – 4.7%
- 1 Bdrm – 4.5%
- 2 Bdrm – 4.3%
- 3 Bdrm – 3.7%
- Average – 4.3%**

National Average = 6.8%
San Jose Average = 4.3%

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

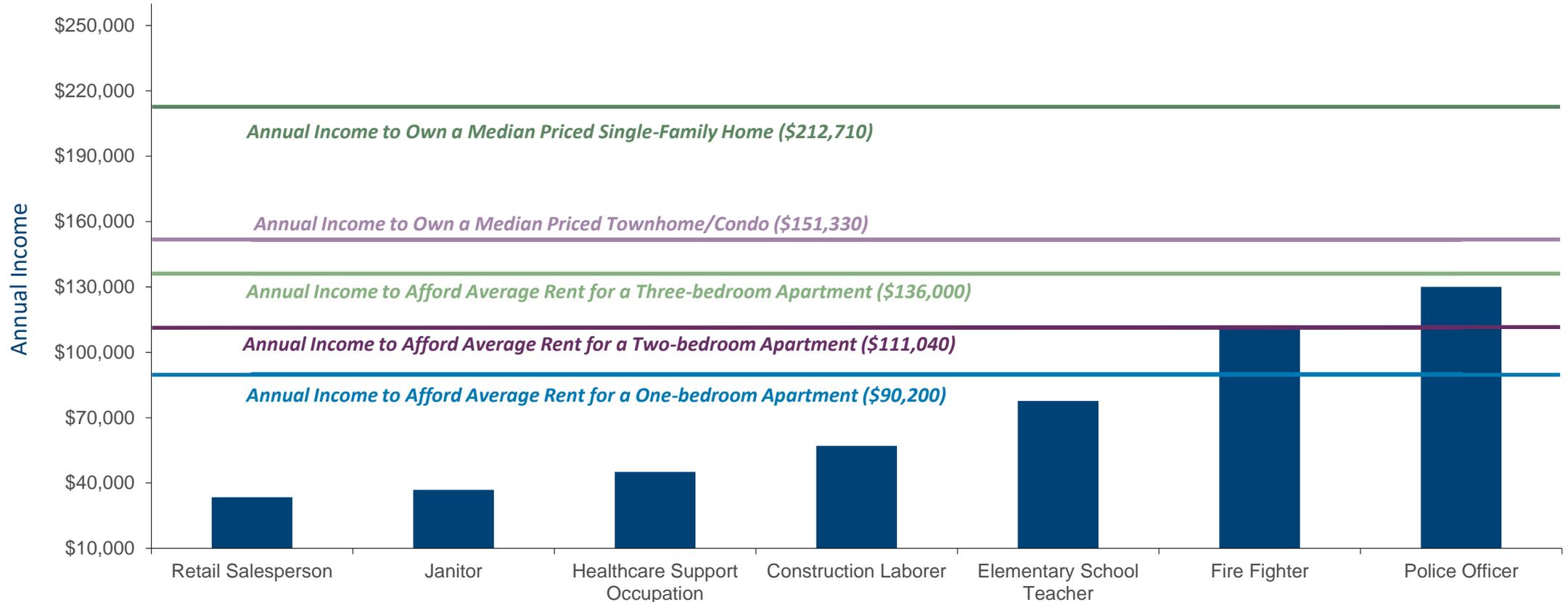
Average Vacancy Lower for Older Buildings (83% of total rental stock)



Q2 2019 Inventory	Rental Stock %	Vacancy %
Class A	17.4%	6.2%
Class B	32.6%	4.1%
Class C	49.9%	3.9%
Class F	0.2%	3.9%

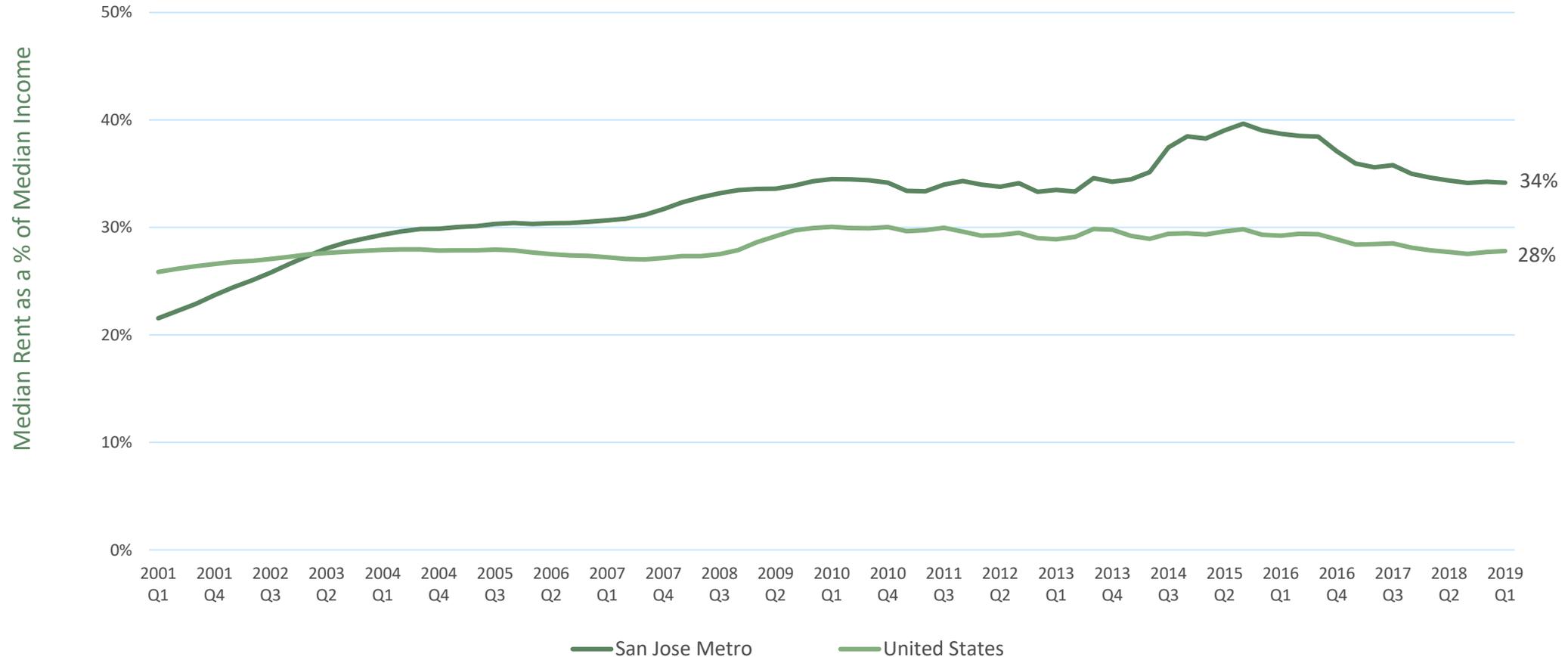
SOURCE: Costar, July 2, 2019.

Housing is Out of Reach for Many San José Workers



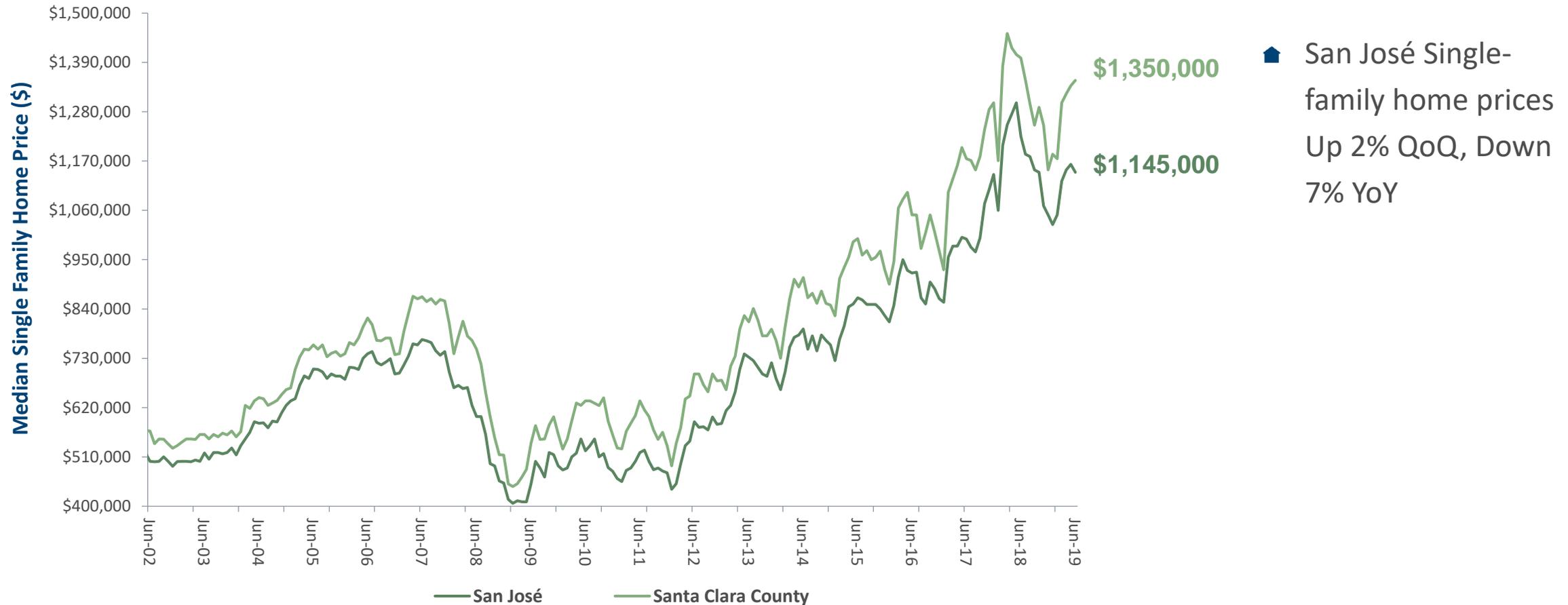
SOURCE: Employment Development Department (EDD) – First Quarter 2019 Wages; Costar Q2 2019 Average Effective Rents; Income to rent calculation assumes rent at 35% of income and a single income household; Santa Clara County Association of Realtors June 2019 median prices; Income to mortgage calculations assume payments at 30% of income, 20% down, 3.8% interest, 1.1% Property Tax, \$300 HOA dues for condos and a single-income household.

San José Renters Spend Higher % of Income on Rent



SOURCE: Zillow Rental Affordability Index Q1 2019 – one quarter time lag.

San José Single-Family Median Home Prices



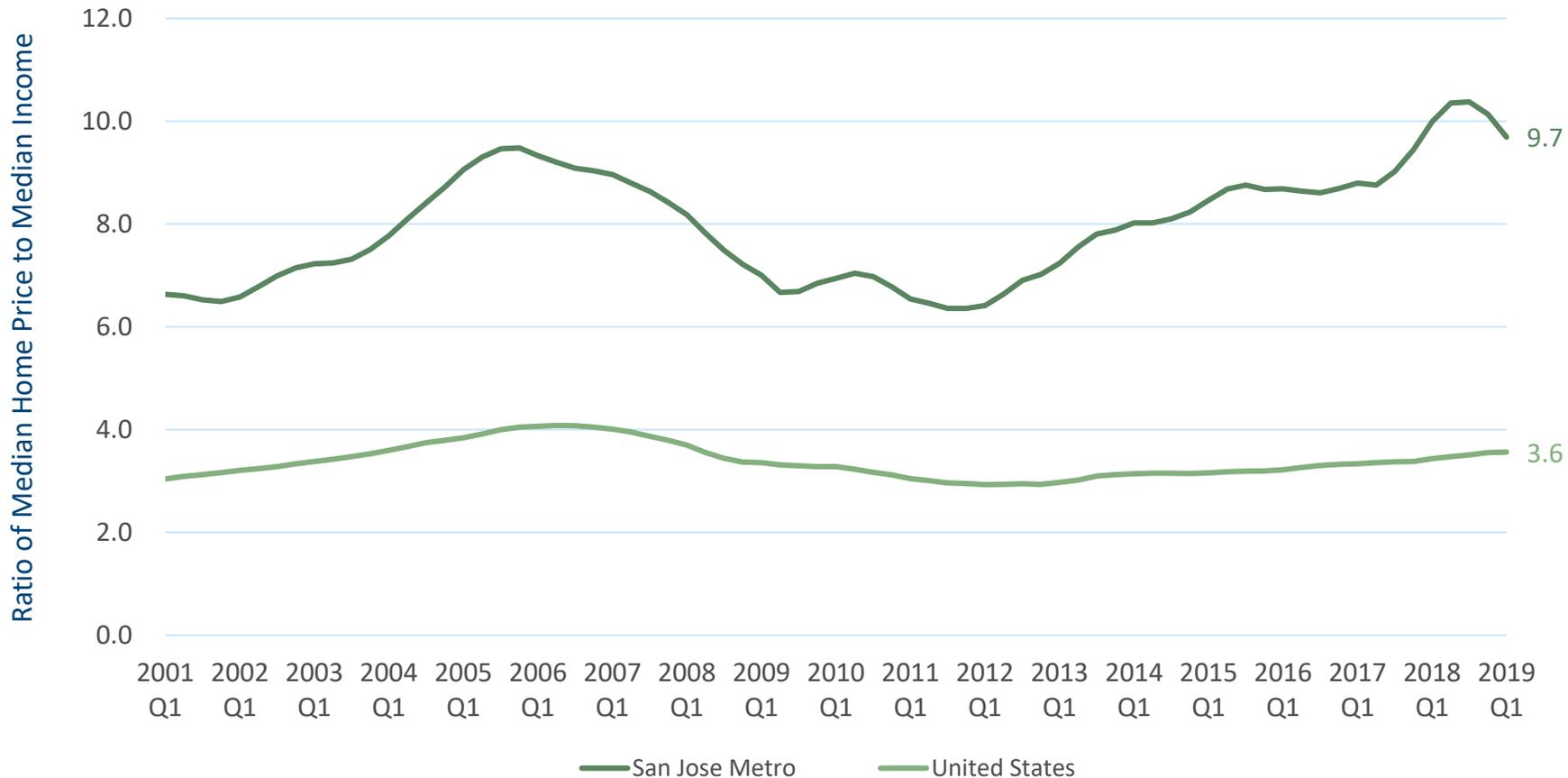
SOURCE: Santa Clara County Association of Realtors, June 2019.

San José Condo/Townhome Median Prices



SOURCE: Santa Clara County Association of Realtors June 2019.

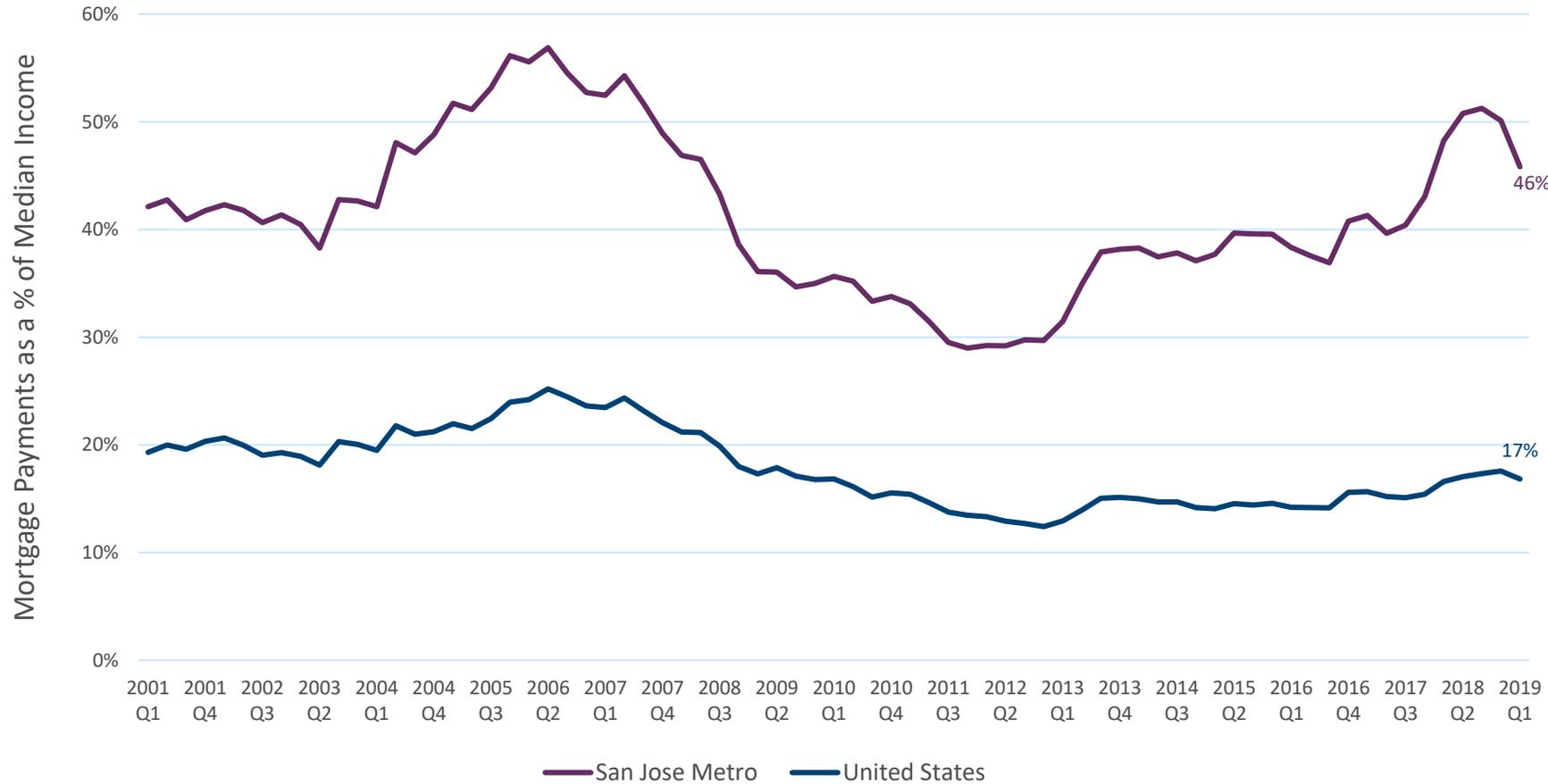
San José Metro Area Home Price to Income Ratio



San José Metro Area Median Home Prices are almost 10x Median Income – **More than Double** the National Average

SOURCE: Zillow Price to Income Index Q1 2019, one quarter lag.

Percent of Income Spent on Mortgages

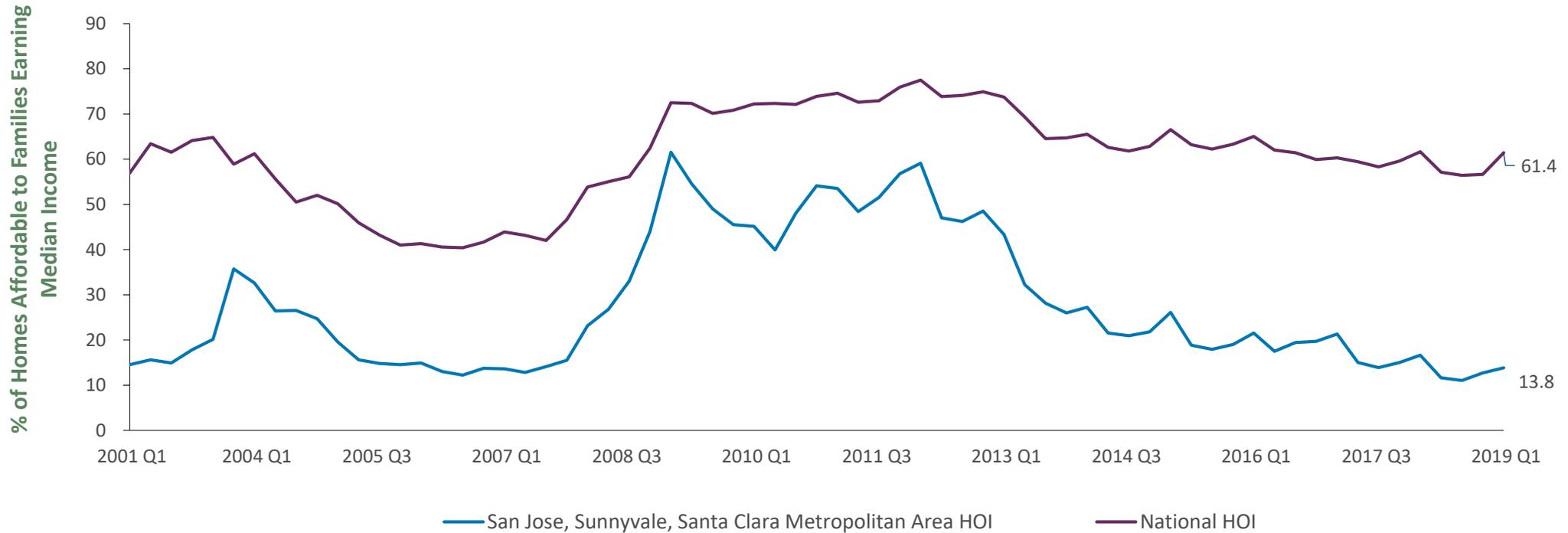


San José Owners Spend Half of their Income on Mortgages, Almost 3x National Average

SOURCE: Zillow Mortgage Affordability Index Q1 2019, one quarter lag.

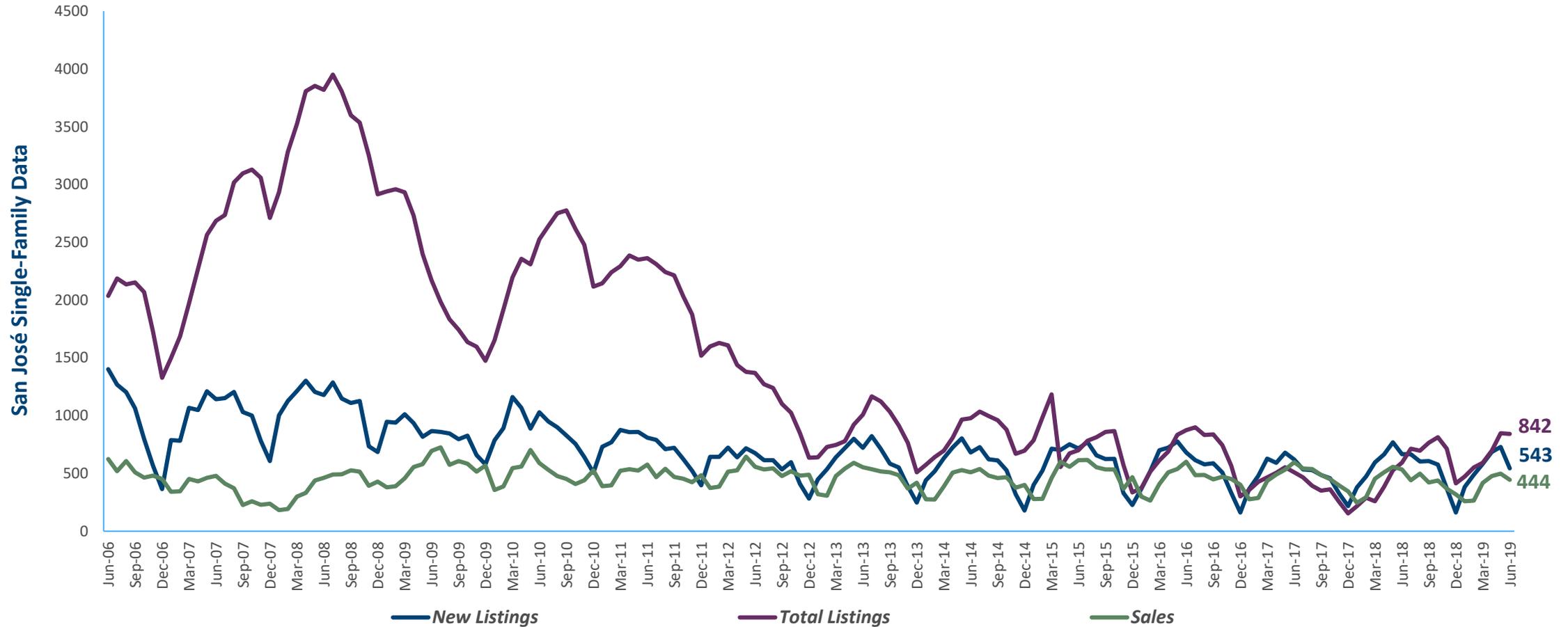
Only 14% of Homes Remain Affordable to Median Income Households

Only 1 in 7 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 – Data not yet published for Q2 2019.

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



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

Homes are Taking About a Month to Sell; Condos Take Longer



SOURCE: Santa Clara County Association of Realtors June 2019.

Interest Rates Fall QoQ



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