

Housing Market Update

Second Quarter 2020



In May 2020, Virginia Studios, an affordable housing development for seniors, obtained its building permits. This modular housing community will have 301 studios on a 1.7-acre site. The 6-story development will be built using modular construction and features a fitness studio, community rooms on each level, and a private open courtyard. (Image courtesy of aoarchitects.com)

Q2 2020 San José Housing Market

- 🏠 485 residential building permits issued, 298 of which were for affordable apartments
- 🏠 39 secondary unit / ADU (Accessory Dwelling Units) permits issued, 70% below 128 permits issued in Q1 2020
- 🏠 Average effective rent down 3.5% Quarter-over-Quarter (QoQ); overall residential vacancy rate is 7.7%¹
- 🏠 Renters must earn \$52/hour (\$108,440/year) to afford the average effective monthly rent for a 2-bedroom apartment of \$2,711²
- 🏠 Median single family home price is \$1,192,00, down 7% QoQ³
- 🏠 Buyers must earn \$100/hour (\$207,833/year) to afford a median-priced single family home⁴

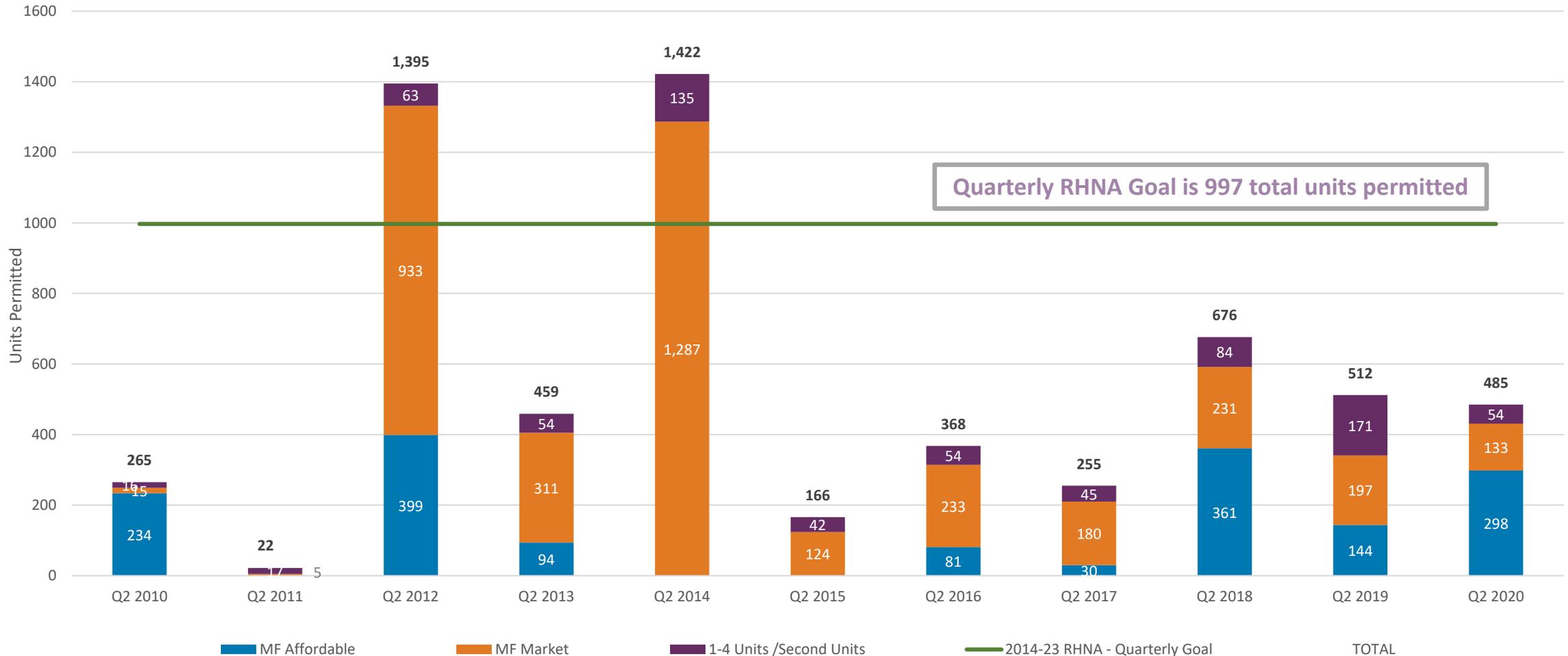
1. Costar July 14, 2020.

2. Based on Q2 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), June 2020.

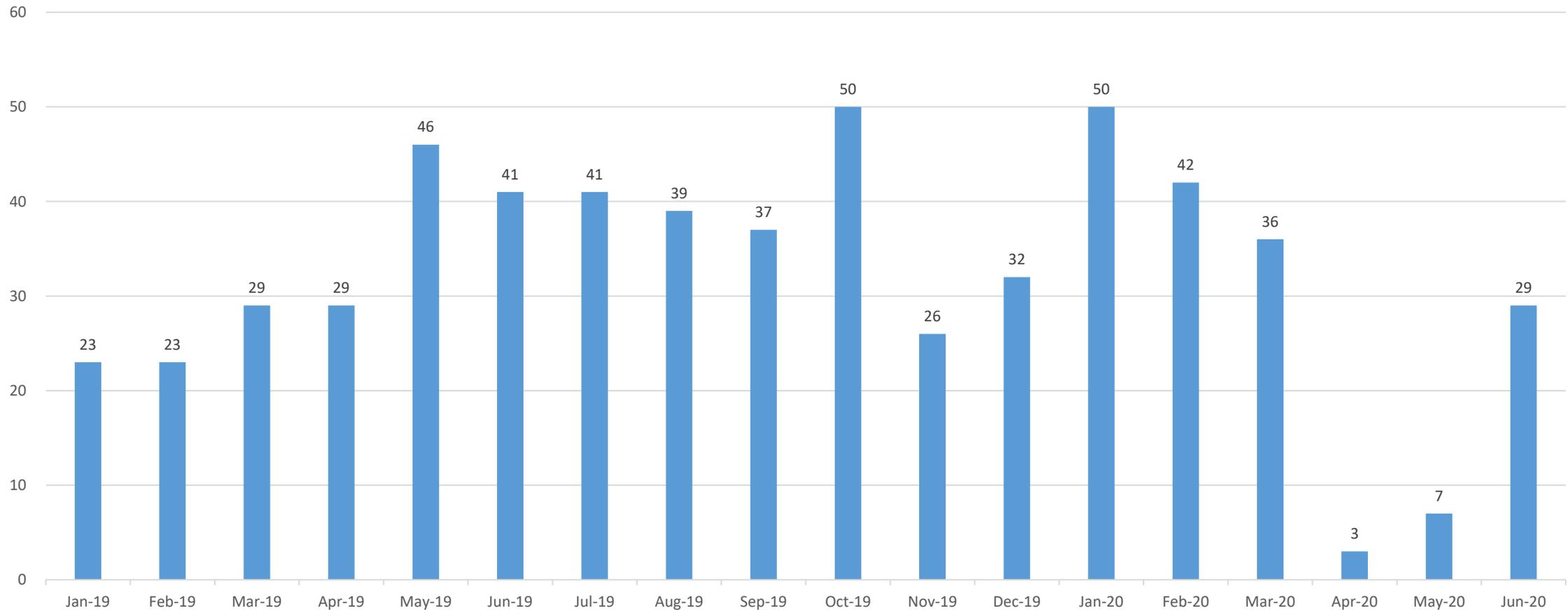
4. Based on SCCAOR March 2020 median prices; income calculation assumes monthly payments are 30% of income, 20% down, 3.16% interest rate, 1.1% property tax, 40-hour work week, and a single-income household.

Affordable Housing Over 60% of Q2 Residential Building Permits



SOURCE: City of San José Housing Department Q2 2020. MF Affordable Includes some market rate units counted as moderate income units, without deed restrictions, per HCD guidelines for RHNA reporting

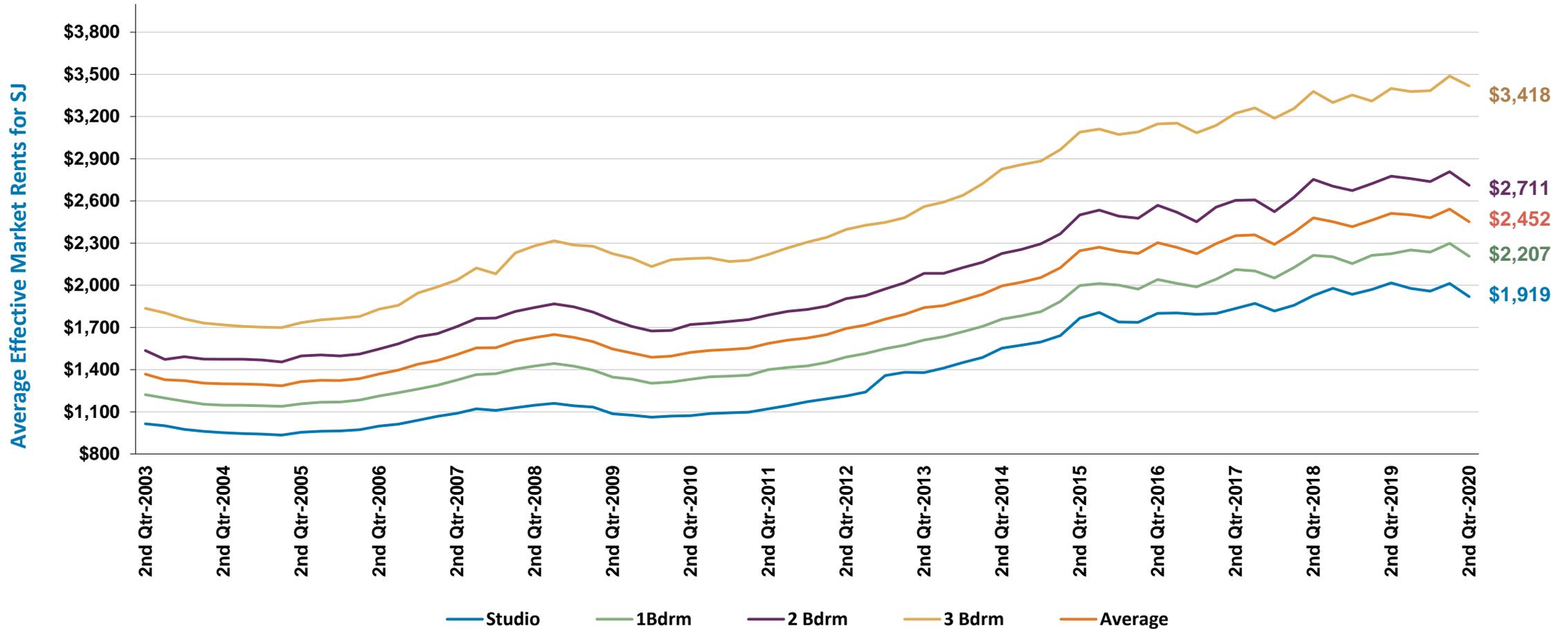
ADU Permits Down 70% QoQ, But Activity Picked Up in June



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 2020.

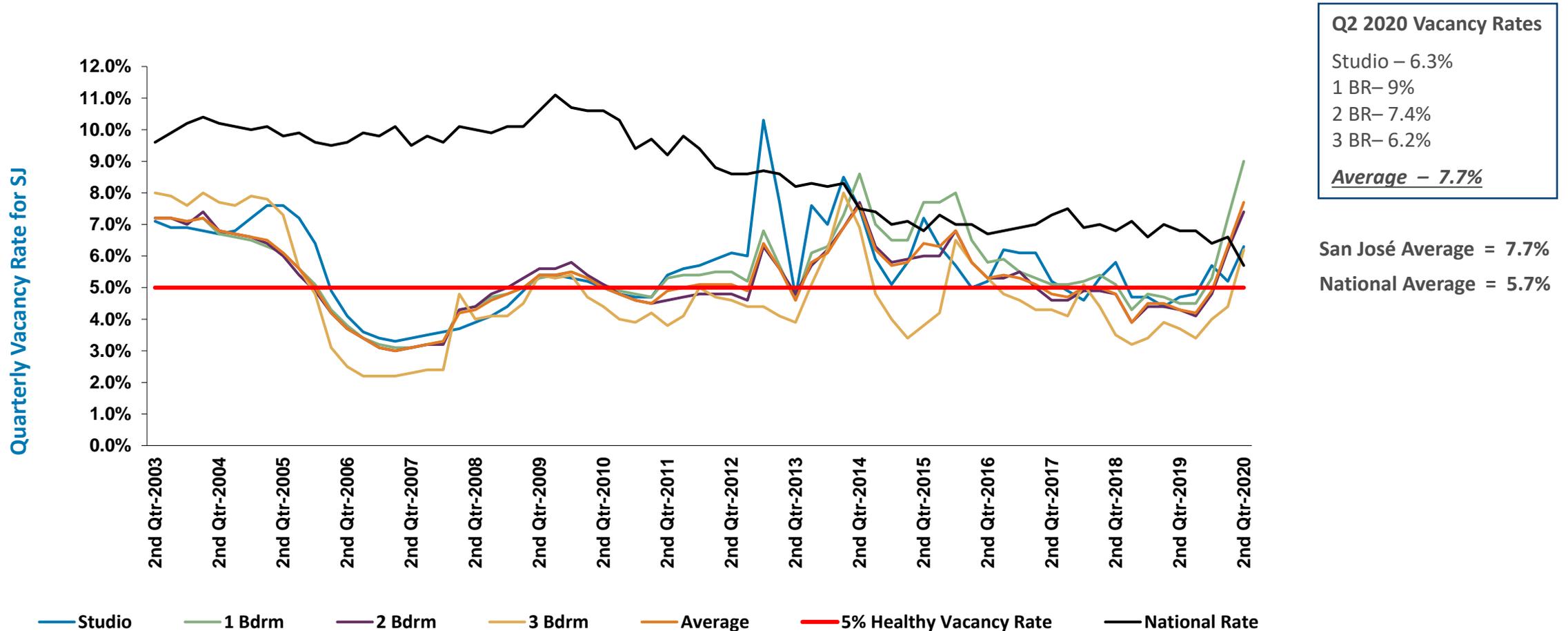
Average Rents Down 3.5% QoQ and 2.3% YoY



SOURCE: Costar July 14, 2020.

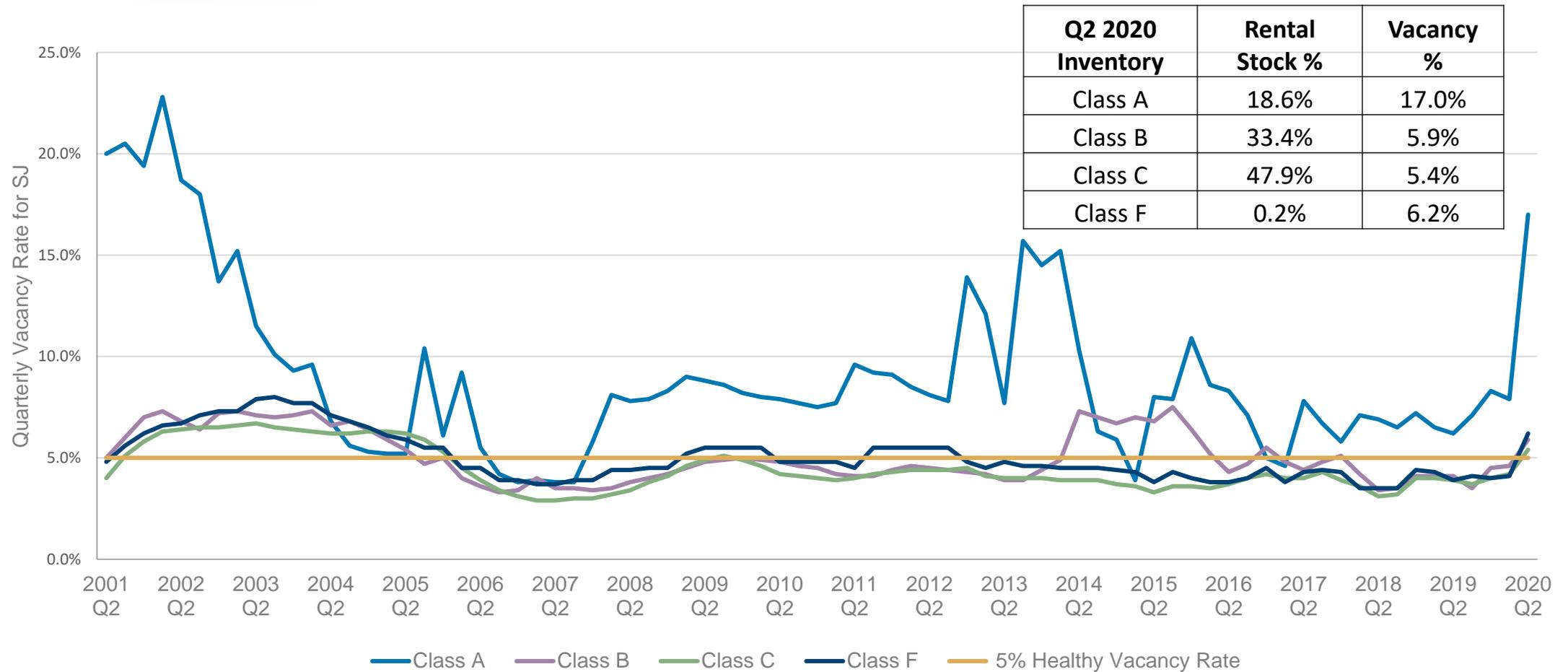
* QoQ = Quarter-over-Quarter; YoY = Year-over-Year.

Average Vacancy Jumps 22% QoQ to 7.7%, Well Above “Healthy” Rate



SOURCE: Costar, July 14 2020; National Rate – US Census Bureau Current Population Survey/ Housing Vacancy Survey July 28, 2020.

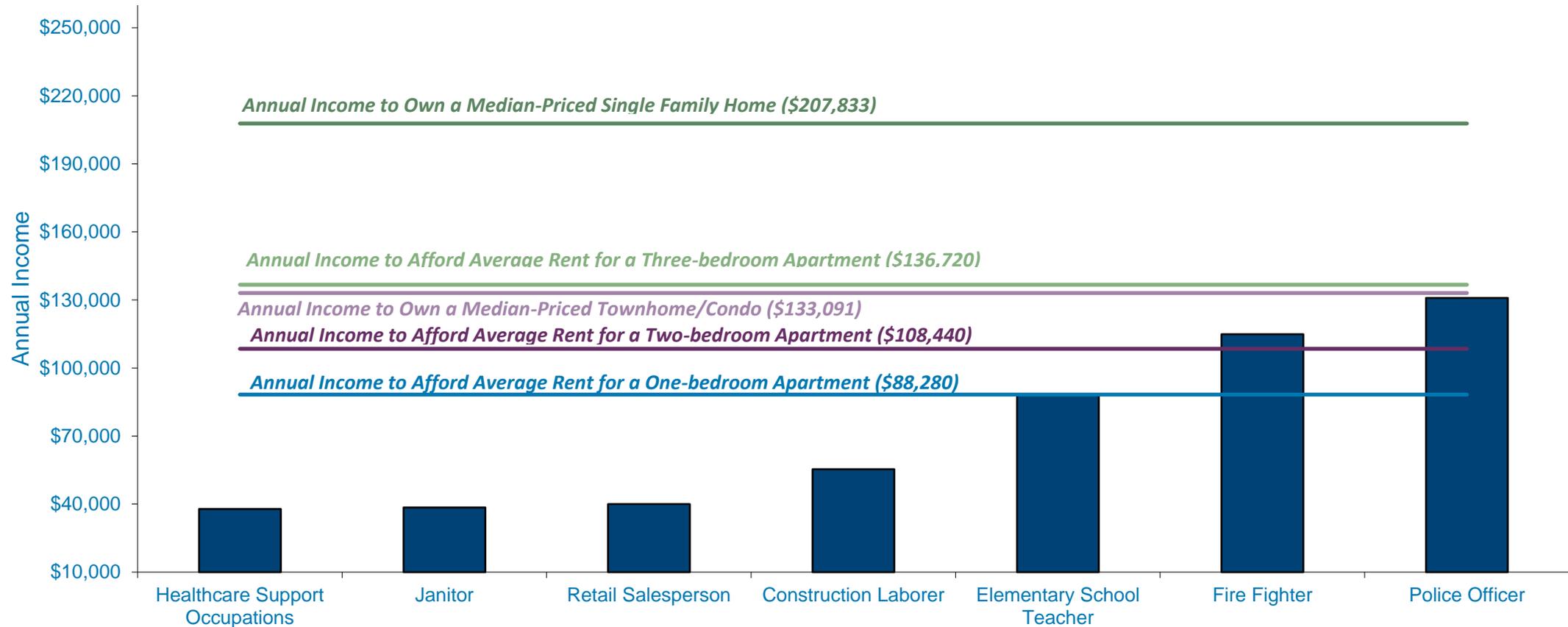
Class A Vacancies Shoot Up 9.1% QoQ



SOURCE: Costar July 14, 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 2020 Wages; Costar Q2 2020 Average Effective Rents; Income to rent calculation assumes rent at 30% of income and a single income household; SCCOAR June 2020 median home sales prices; Income to mortgage calculations assume payments at 30% of income, 20% down, 3.16% interest, 1.1% Property Tax, \$300 HOA dues for condos and a single income household.

San José Single Family Median Home Prices

Down 7% QoQ But Up 4% YoY



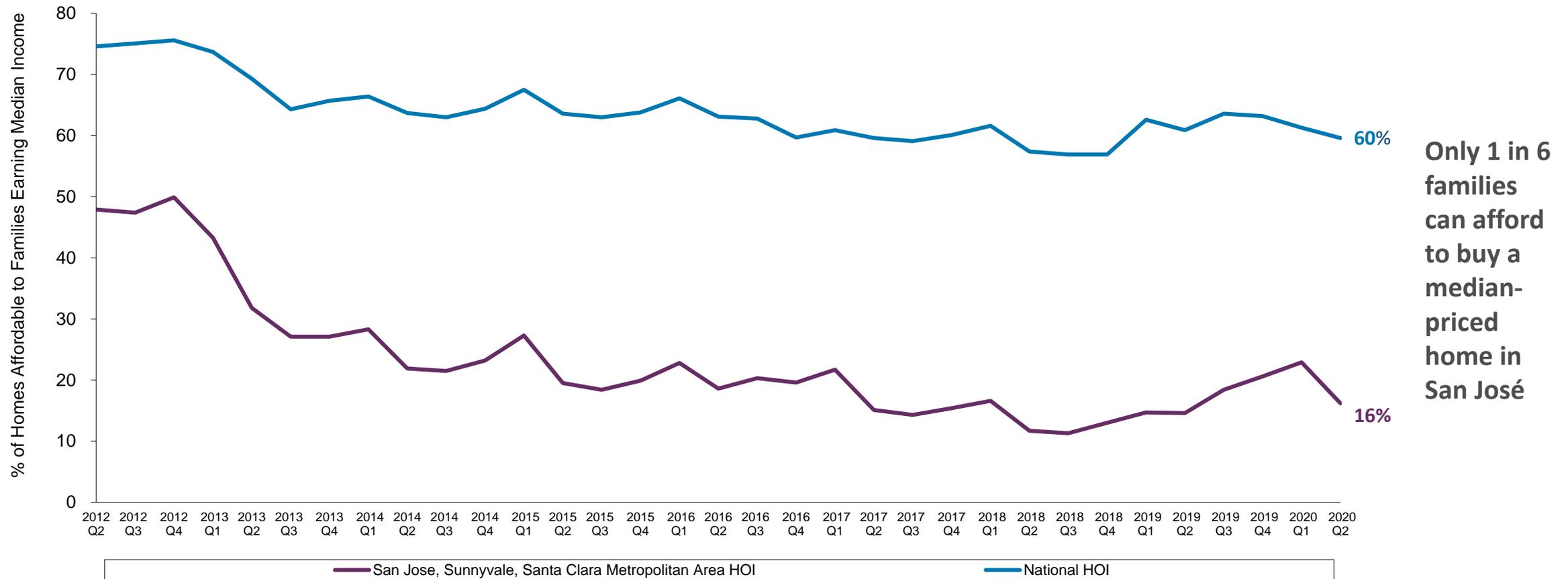
SOURCE: Santa Clara County Association of Realtors June 2020.

San José Condo/Townhome Median Prices Up 5% QoQ But Down 7% YoY



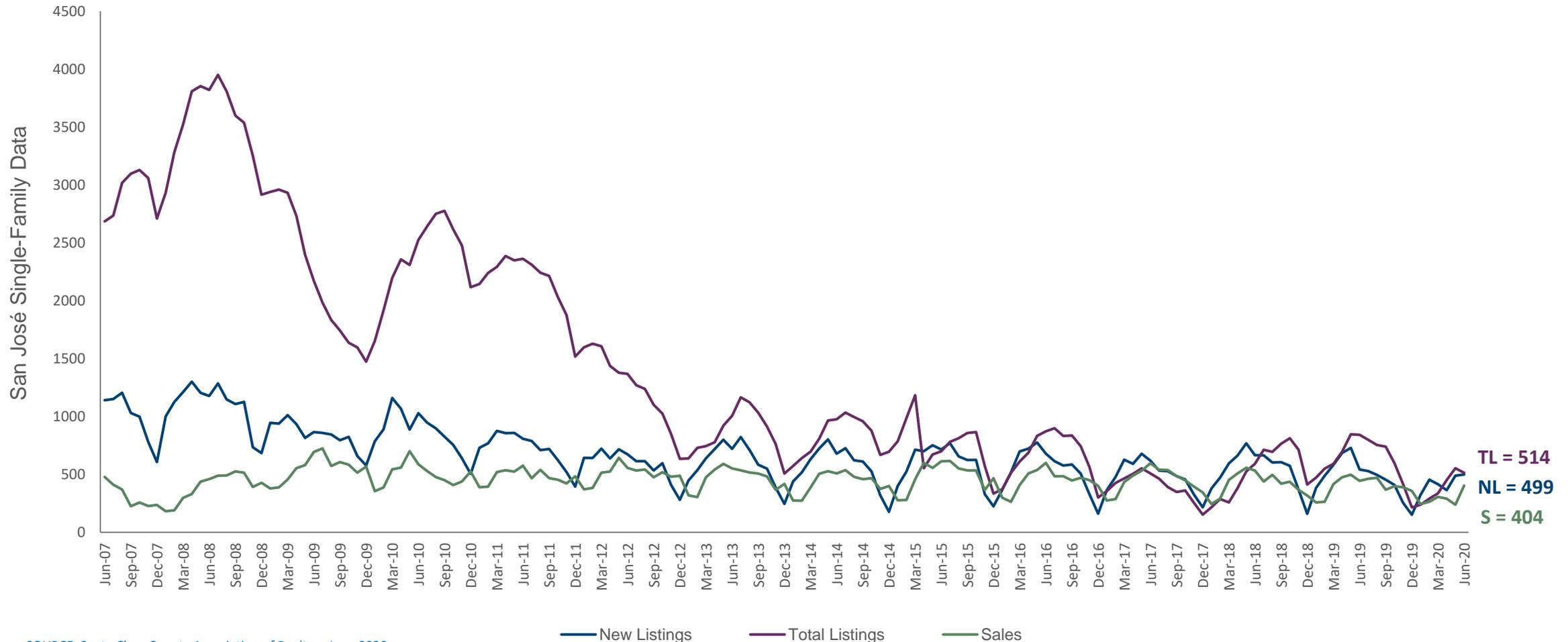
SOURCE: Santa Clara County Association of Realtors June 2020

Only 16% of San José Homes Are Affordable to Median-income Households



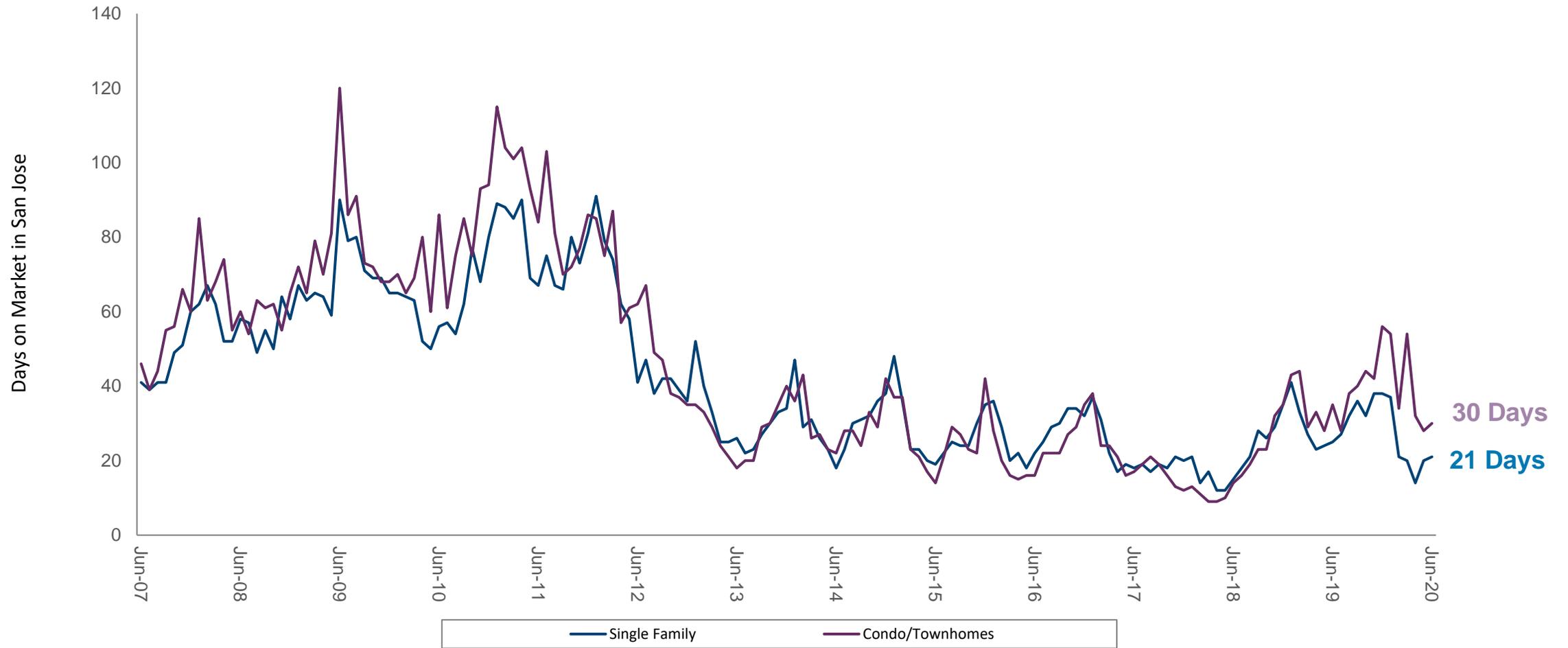
SOURCE: National Association of Home Builders, Housing Opportunity Index (HOI) Q2 2020.

Single Family New Listings Up 20%, Inventory Up 53% & Homes Sold Up 32%, QoQ



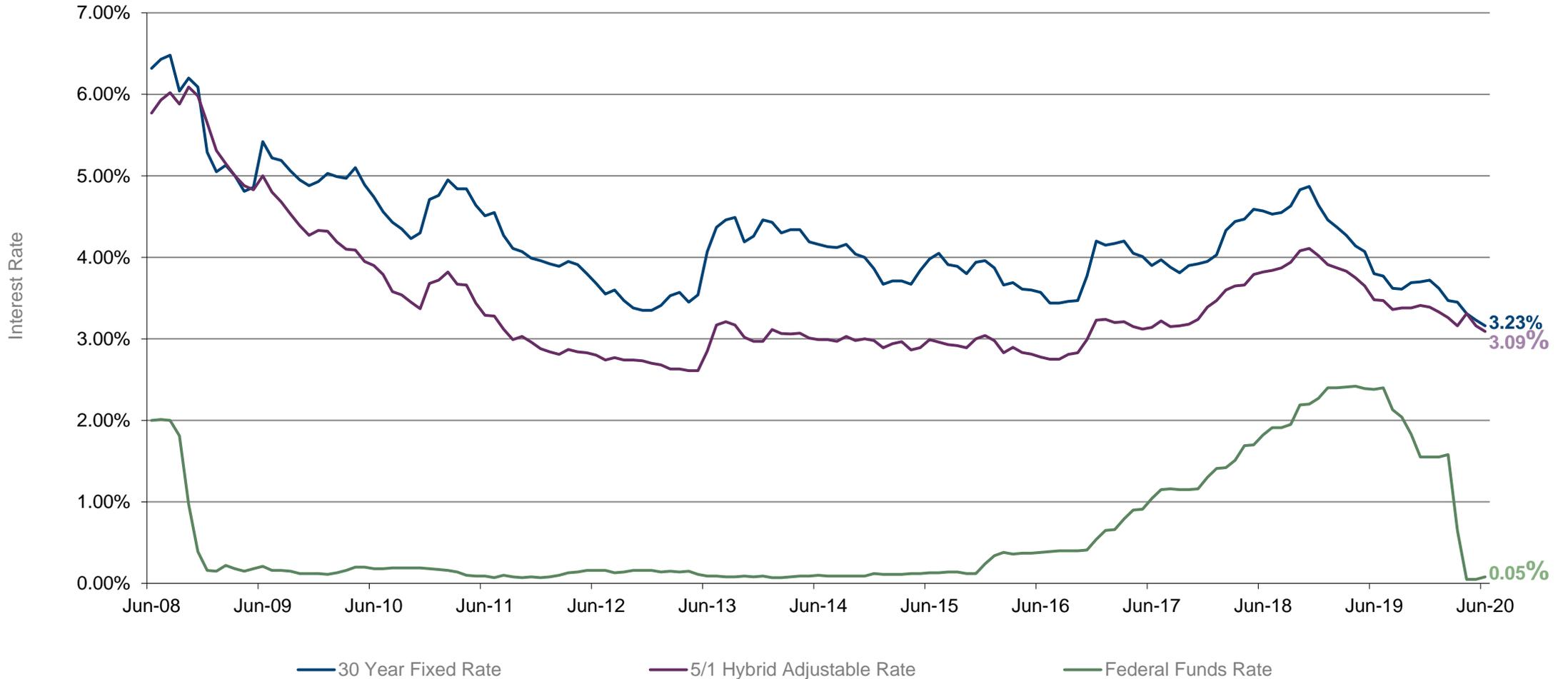
SOURCE: Santa Clara County Association of Realtors June 2020

Condos Selling 44% Faster, Single Family Homes Selling at Same Pace QoQ



SOURCE: Santa Clara County Association of Realtors June 2020.

Interest Rates Falling



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