

# Housing Market Update

Third Quarter 2020



Renascent Place, which recently completed construction, will provide 160 homes to homeless and at-risk individuals in one of California's highest cost housing markets. These affordable studios developed by Charities Housing are supported by an array of on-site social services. The design encourages and makes space for gathering and activities among residents fostering a sense of community and mutual mission.

(Courtesy – Studio E Architects)

# Q3 2020 San José Housing Market

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- 🏠 453 residential building permits issued, 298 of which were for affordable apartments
- 🏠 119 secondary unit / ADU (Accessory Dwelling Units) permits issued
- 🏠 Average effective rent down 3% Quarter-over-Quarter (QoQ); overall residential vacancy rate is 7.4%<sup>1</sup>
- 🏠 Renters must earn \$51/hour (\$106,080/year) to afford the average effective monthly rent for a 2-bedroom apartment of \$2,652<sup>2</sup>
- 🏠 Median single family home price is \$1,250,000, up 5% QoQ<sup>3</sup>
- 🏠 Buyers must earn \$102/hour (\$212,111/year) to afford a median-priced single family home<sup>4</sup>

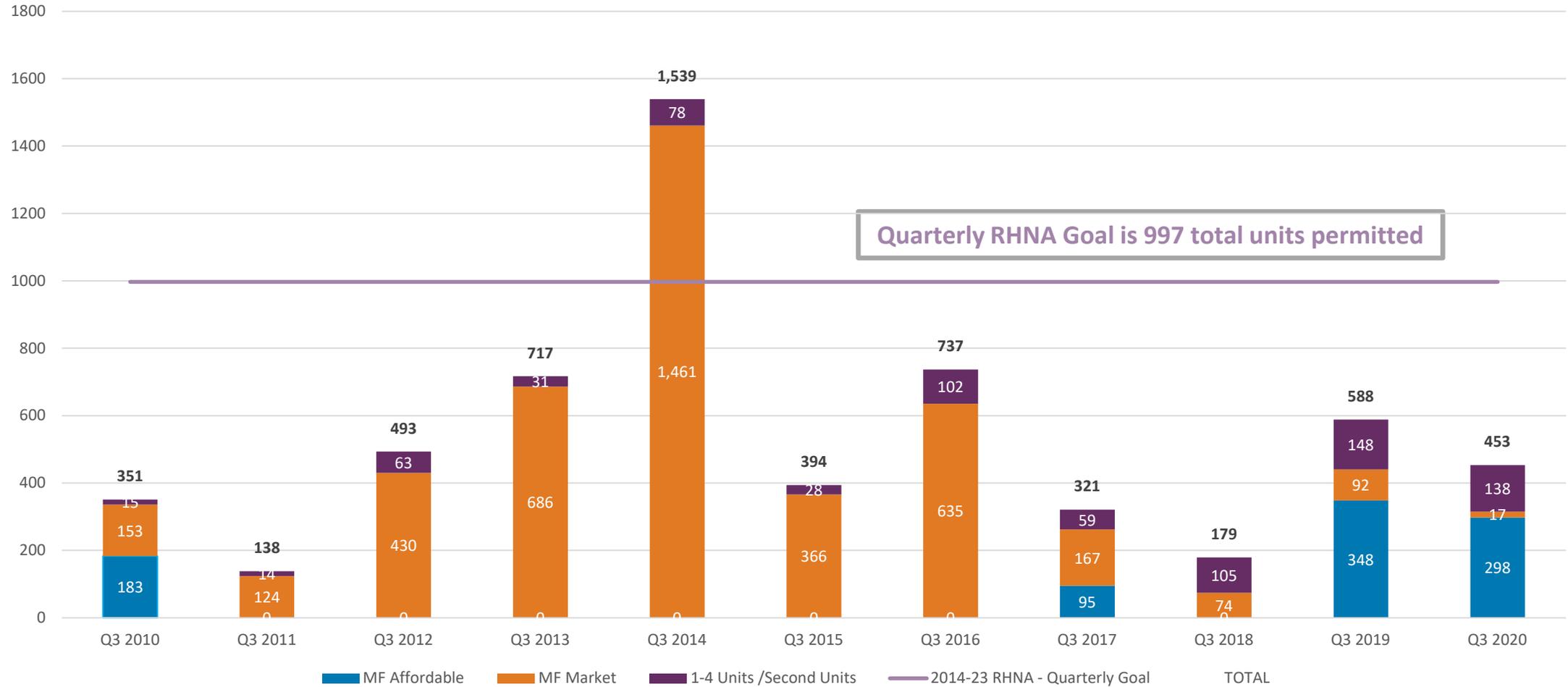
1. Costar October 1, 2020.

2. Based on Q3 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), September 2020.

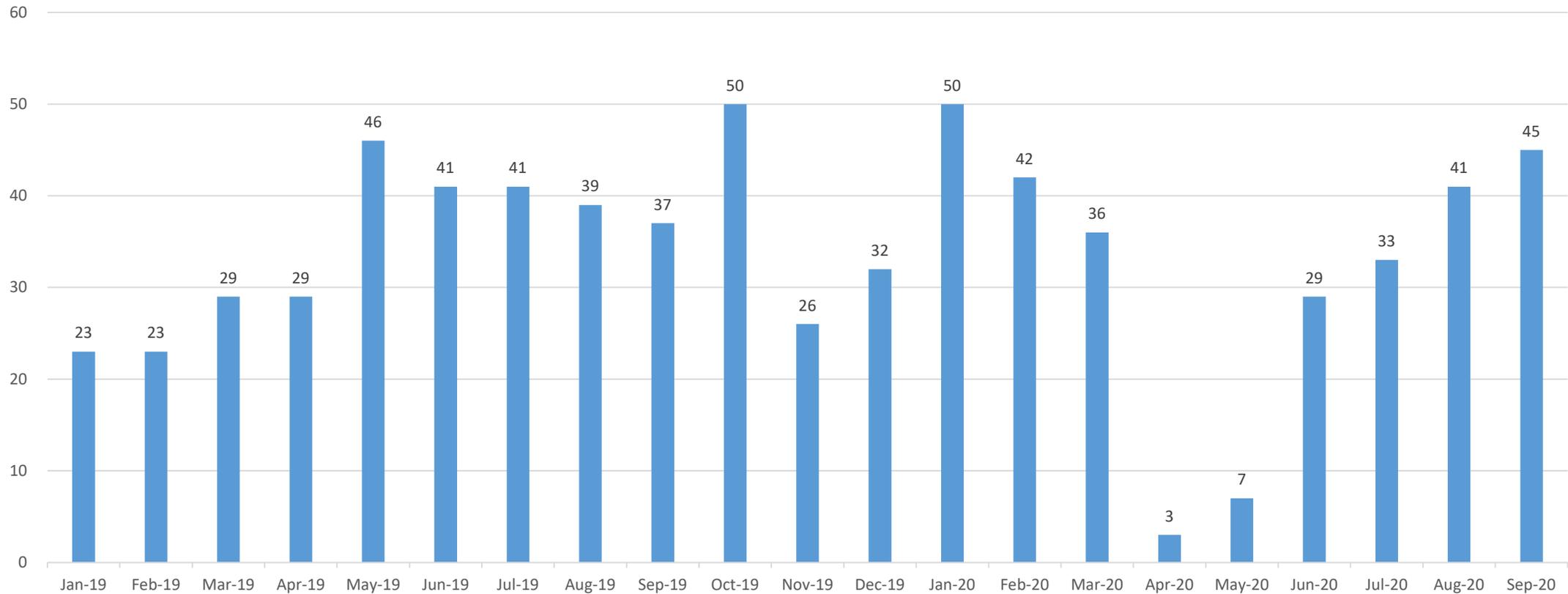
4. Based on SCCAOR September 2020 median prices; income calculation assumes monthly payments are 30% of income, 20% down, 2.89% interest rate, 1.1% property tax, 40-hour work week, and a single-income household.

# Q3 Residential Permit Activity



SOURCE: City of San José Housing Department Q3 2020. MF Affordable Includes some market-rate units counted as moderate-income units, without deed restrictions, per HCD guidelines for RHNA reporting.

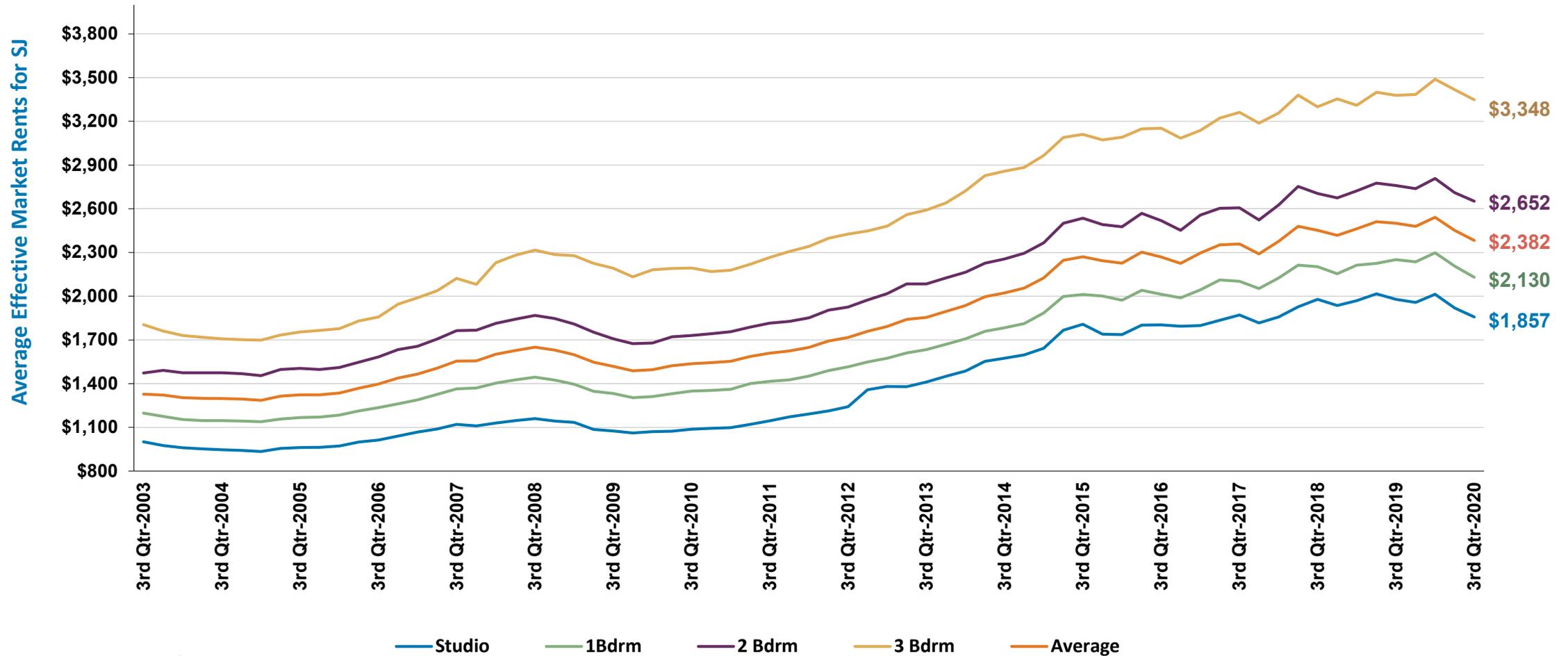
# ADU Permits Pick Up in Q3 2020



*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 September 2020.

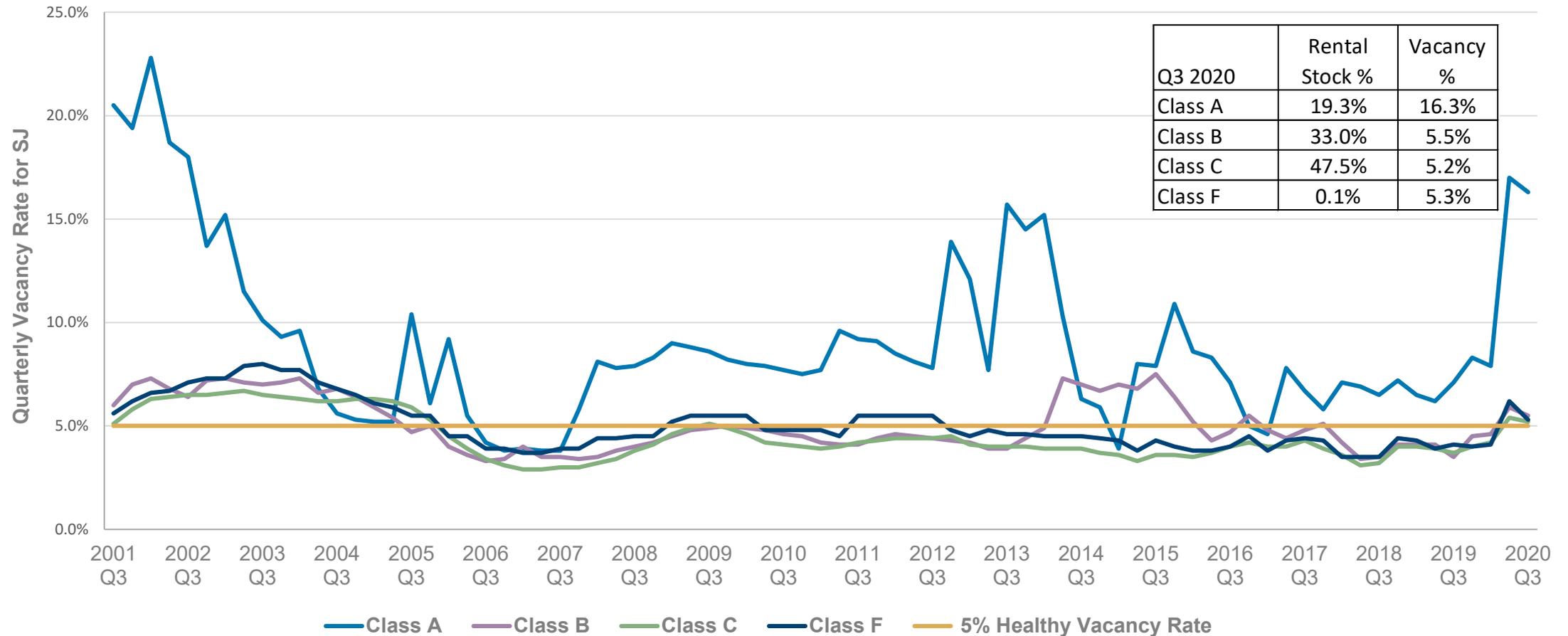
# Average Rents Down 2.9% QoQ and 4.8% YoY



SOURCE: Costar October 1, 2020.

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

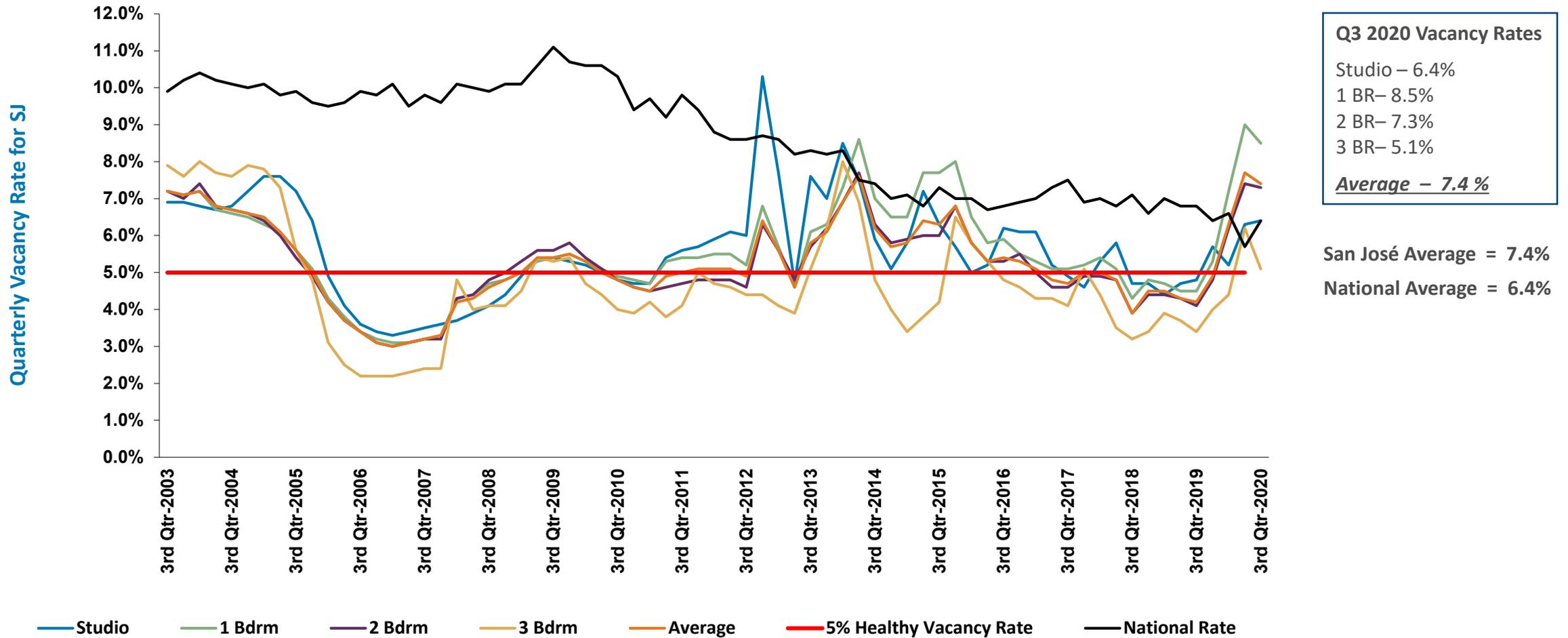
# Class A Vacancies Drop 4.1% QoQ, Still High



SOURCE: Costar October 1, 2020.

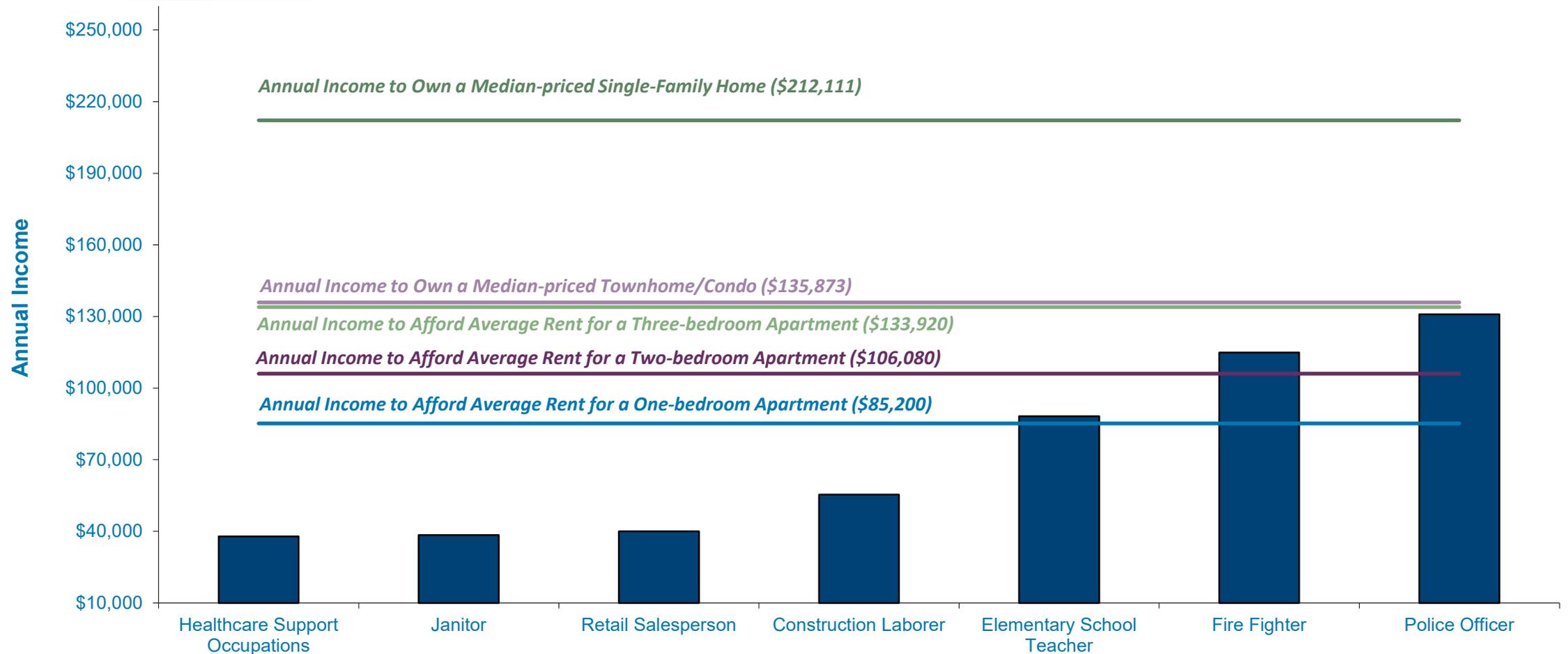
\* Note: Older buildings refer to Class B, C and F properties; Class A buildings are usually newly-constructed properties.

# Average Vacancy Stays High at 7.4% Well Above “Healthy” Rate of 5%



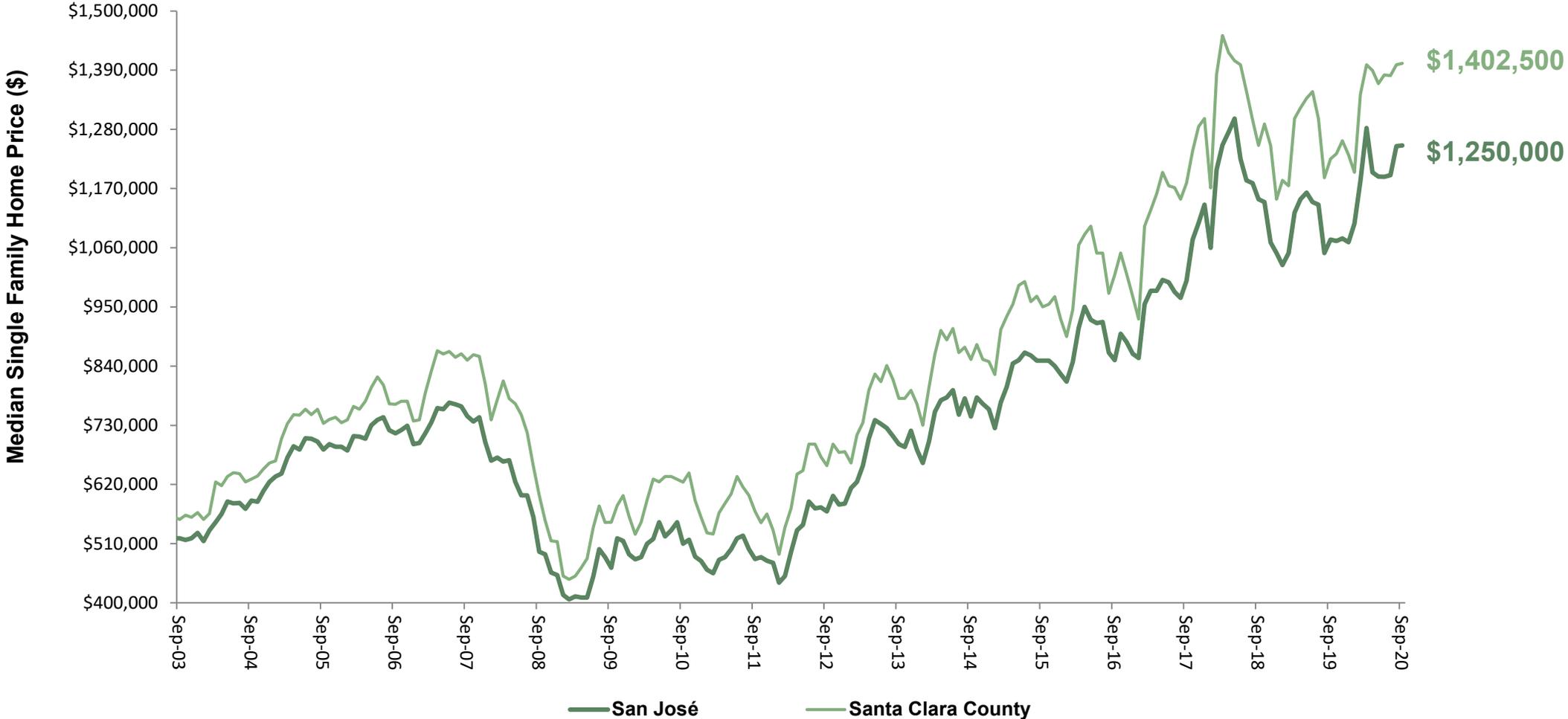
SOURCE: Costar, October 1, 2020; National Rate – US Census Bureau Current Population Survey/ Housing Vacancy Survey Q3, 2020.

# Many Workers Cannot Afford San José Housing Costs



SOURCE: Employment Development Department (EDD) – First Quarter 2020 Wages; Costar Q3 2020 Average Effective Rents; Income to rent calculation assumes rent at 30% of income and a single-income household; SCSOAR September 2020 median home sales prices; Income to mortgage calculations assume payments at 30% of income, 20% down, 2.89% interest, 1.1% Property Tax, \$300 HOA dues for condos and a single-income household.

# San José Single Family Median Home Prices Up 5% QoQ and 16% YoY



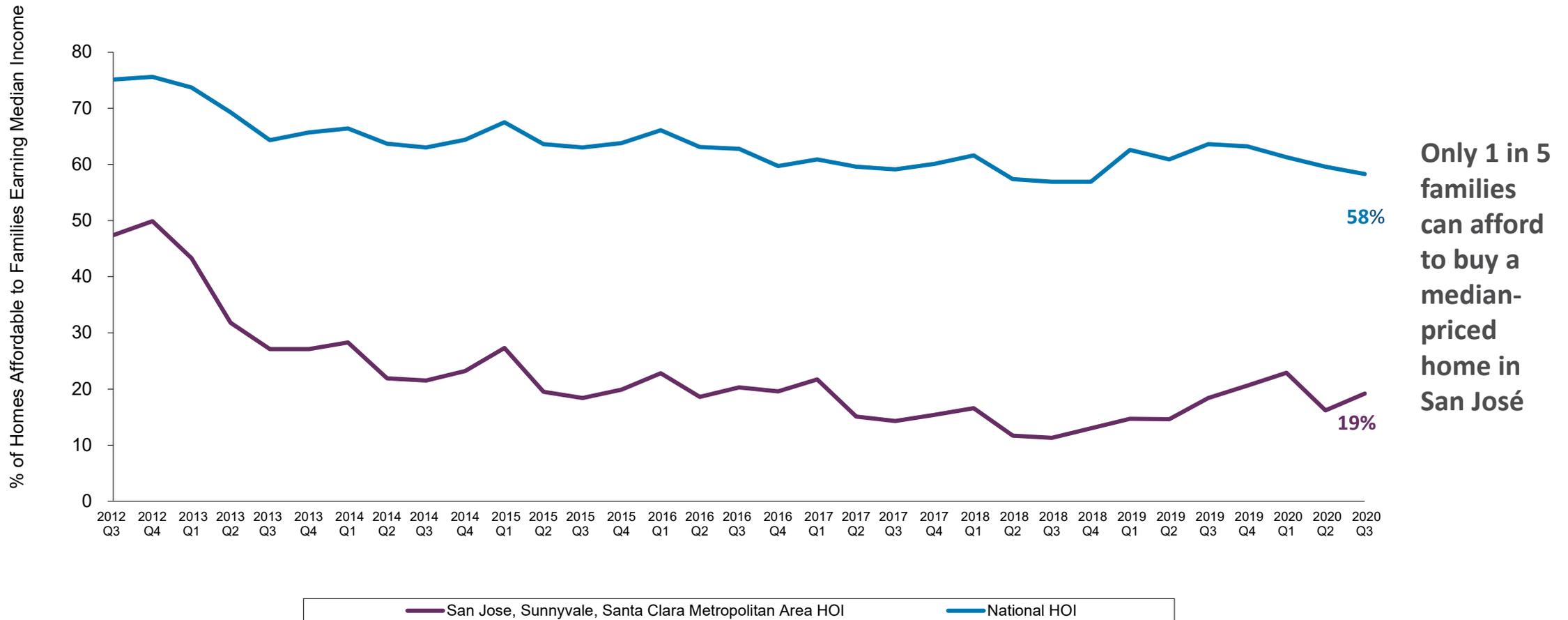
SOURCE: Santa Clara County Association of Realtors October 2020.

# San José Condo/Townhome Median Prices Up 5% QoQ and 2% YoY



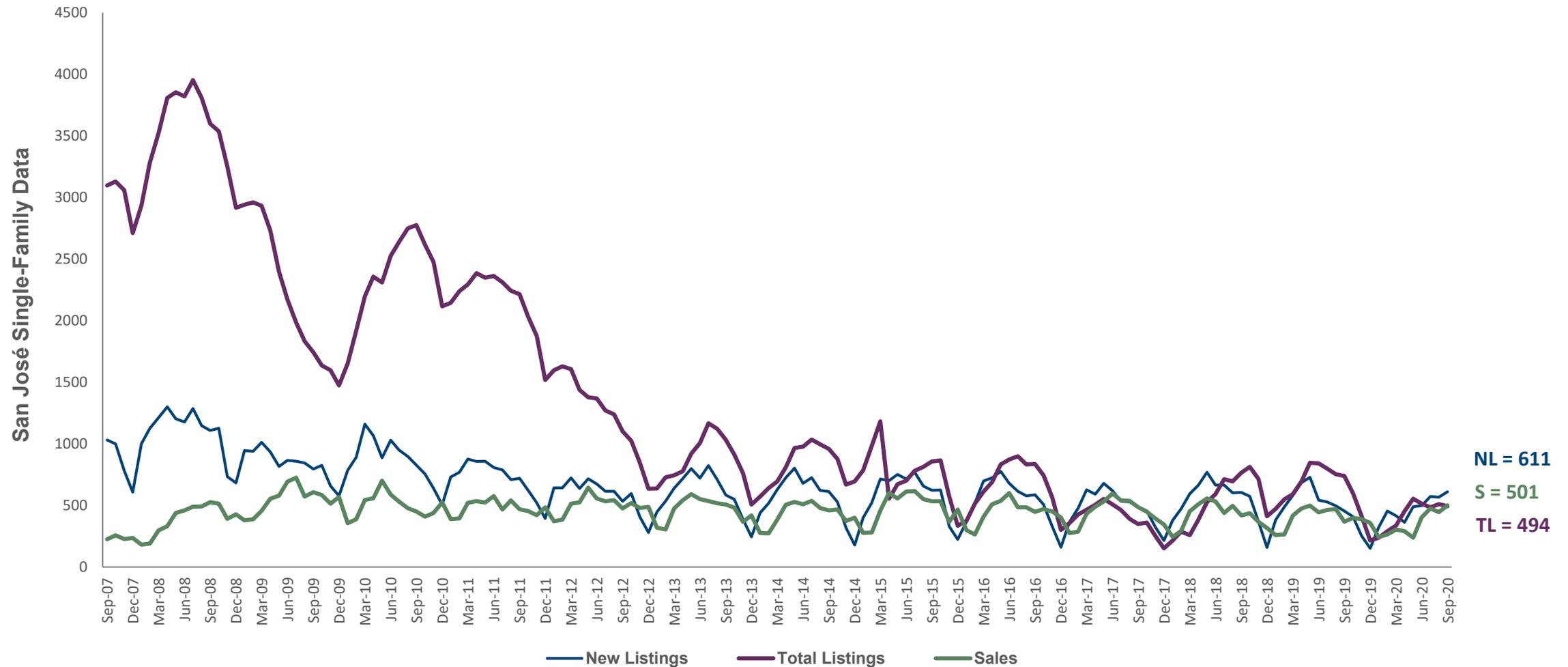
SOURCE: Santa Clara County Association of Realtors October 2020

# Only 19% of San José Homes Are Affordable to Median-income Households



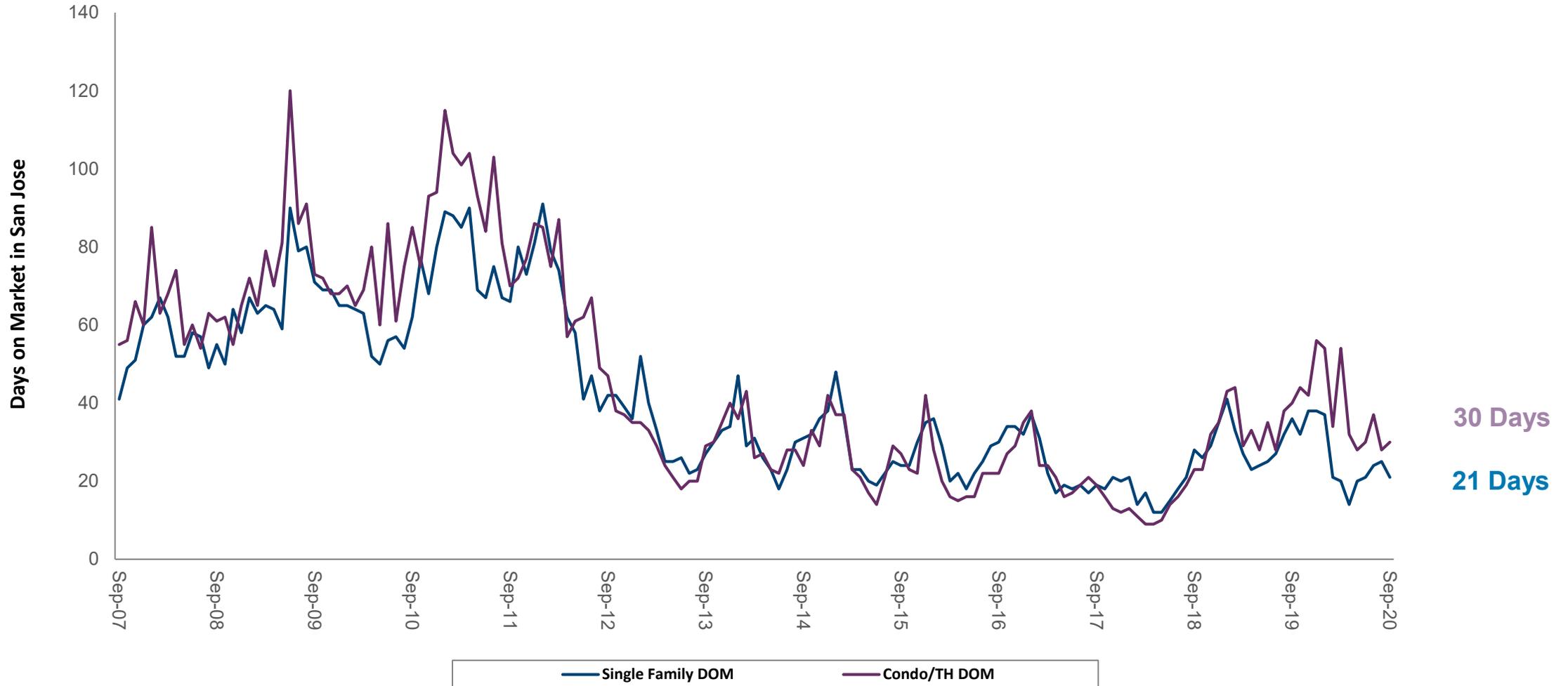
SOURCE: National Association of Home Builders, Housing Opportunity Index (HOI) Q3 2020.

# Single Family New Listings Up 22%, Total Listings Down 4% & Homes Sold Up 24%, QoQ



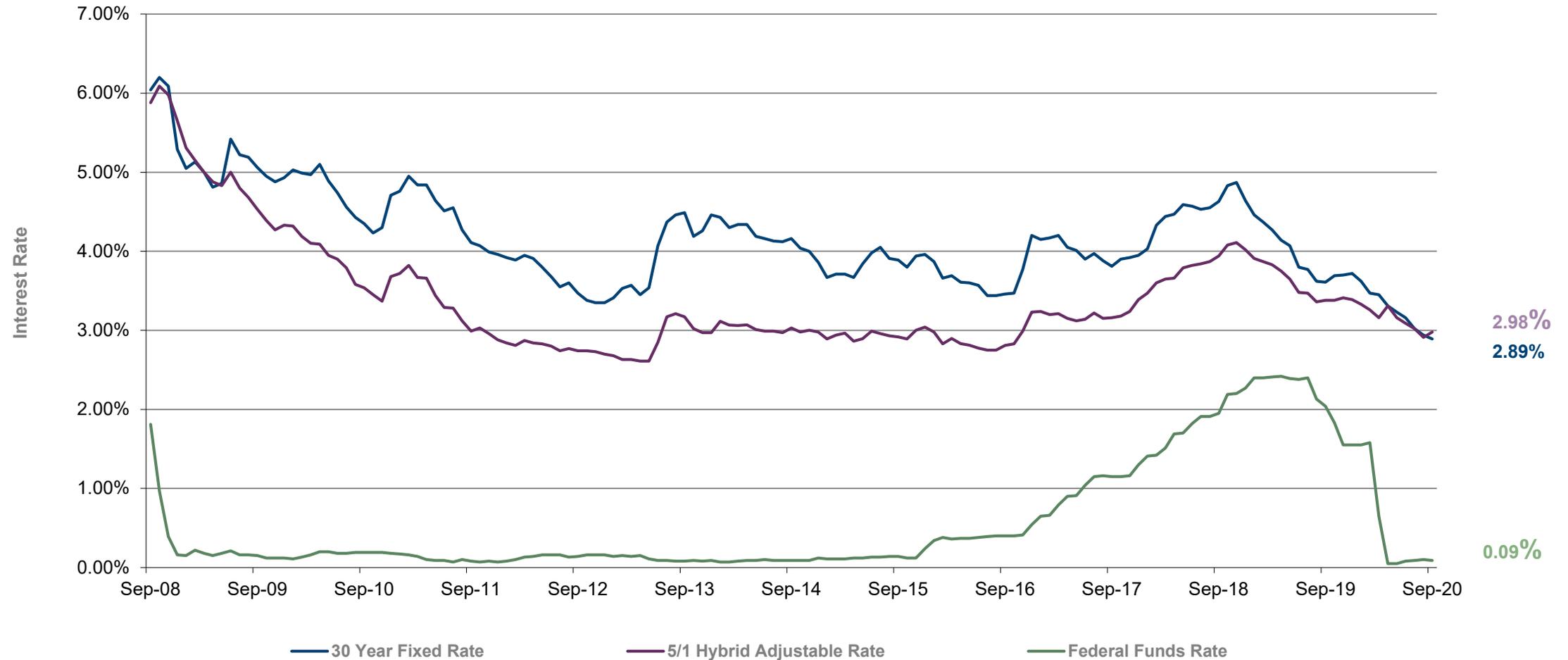
SOURCE: Santa Clara County Association of Realtors October 2020

# Condos, Single Family Homes Selling at Same Pace as Prior Quarter



SOURCE: Santa Clara County Association of Realtors October 2020.

# Interest Rates Remain Low



SOURCE: Federal Reserve, Freddie Mac Primary Mortgage Market Survey, Q3 2020.

# Data Sources and Definitions

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- ◆ 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 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
- ◆ 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 questions, please call the Housing Department at 408-535-3860