

City of San José

Housing Market Update



Fourth Quarter 2017

Renascent Place, located along Senter Road in San Jose is a Permanent Supportive Housing Development for individuals with disabilities, who have also experienced long or multiple episodes of homelessness. Intensive case management services will be provided to all residents. The project is situated near public transportation, health facilities, retail stores, employment opportunities and the Coyote Creek Trail (recreation). Construction began in Fall 2017.

Q4 2017 San José Housing Market

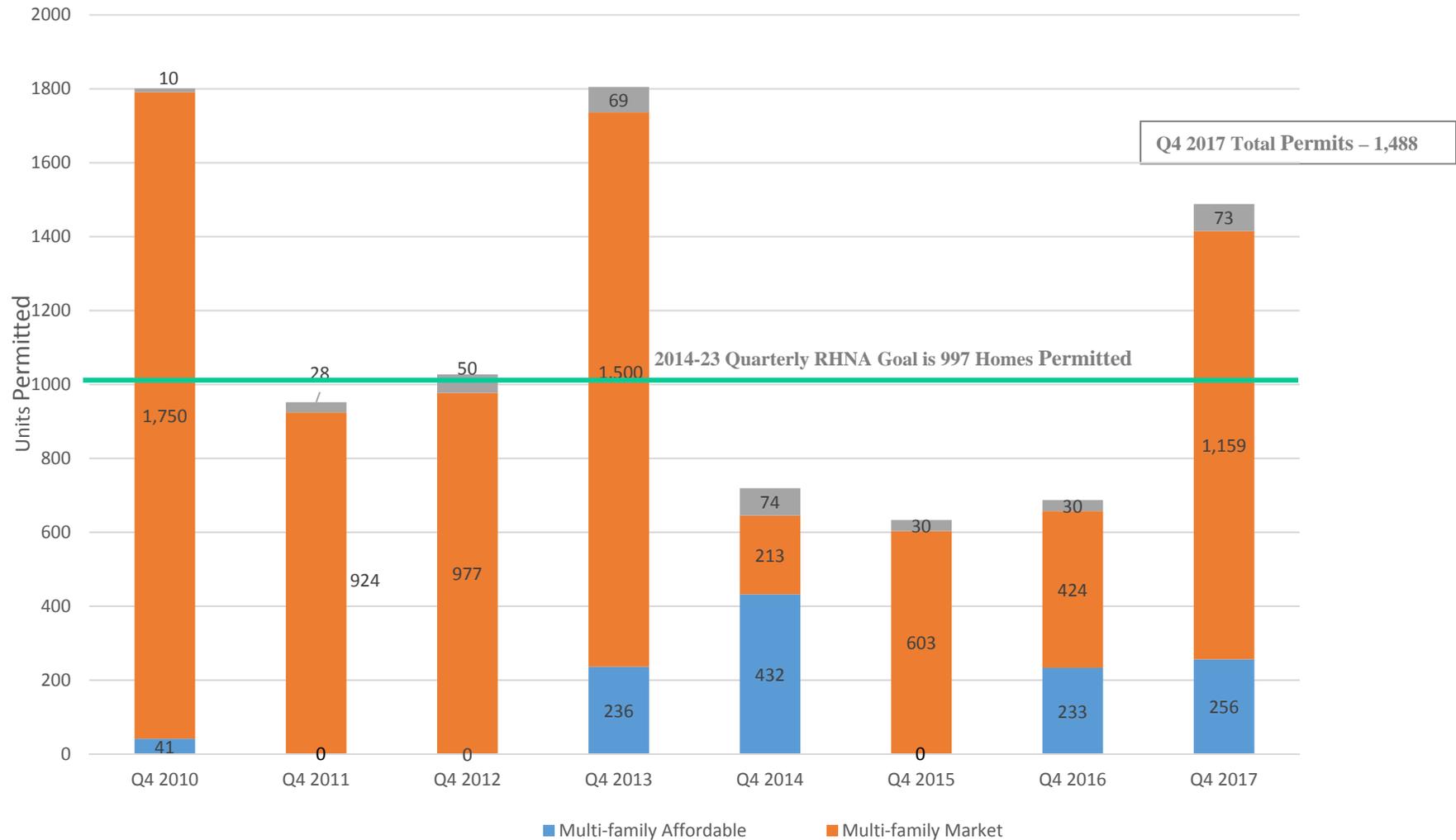
- In Q4 2017, **1,488** residential permits were issued; 256 were for affordable housing.
- SJ average rent growth was **3%** year over year (YoY); vacancy rate was **5%**.¹
- Average effective monthly rent for a 2 bedroom apartment was **\$2,524**; Renters must earn **\$49/hour** (\$100,960/year) to afford the average rent for a two bedroom, apartment.²
- SJ average single-family home price at **\$1,201,225**, breaks the million \$ mark; Residents must earn **\$111/hour** (\$232,460/year) to afford to buy an average priced home.³
- Interest rates edging up.

¹ Costar January 3, 2018 – Refer to end notes for details

² Based on January 3, 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, December 2017 average prices; income calculation assumes monthly payments are 30% of income, 20% down, 3.8% interest rate, 1.25% property tax, 40 hour work week and a single income household.

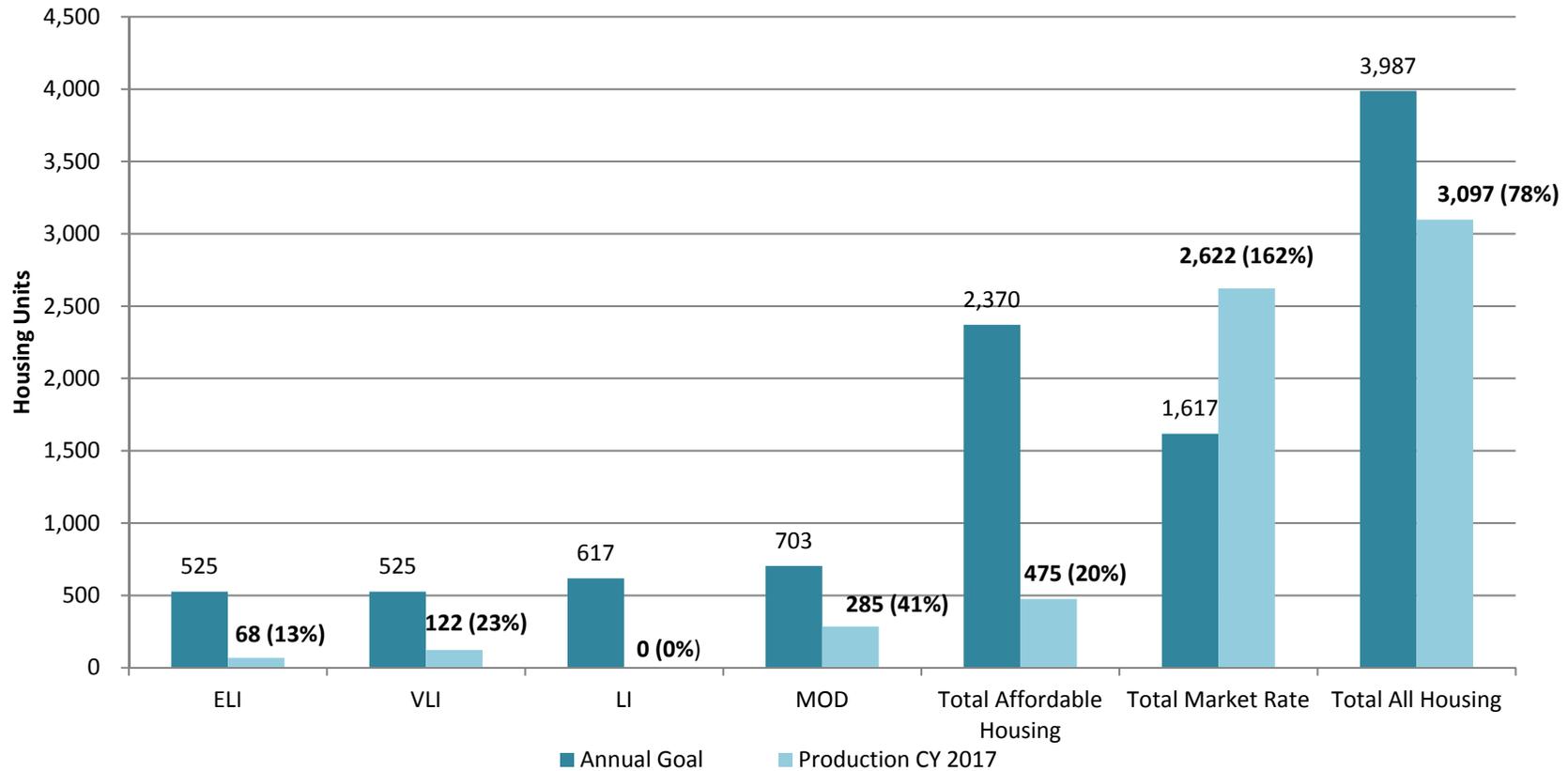
Strong Q4 2017 Residential Permit Activity



SOURCE: City of San José Housing Department, December 2017

San Jose's 2017 RHNA* Housing Production

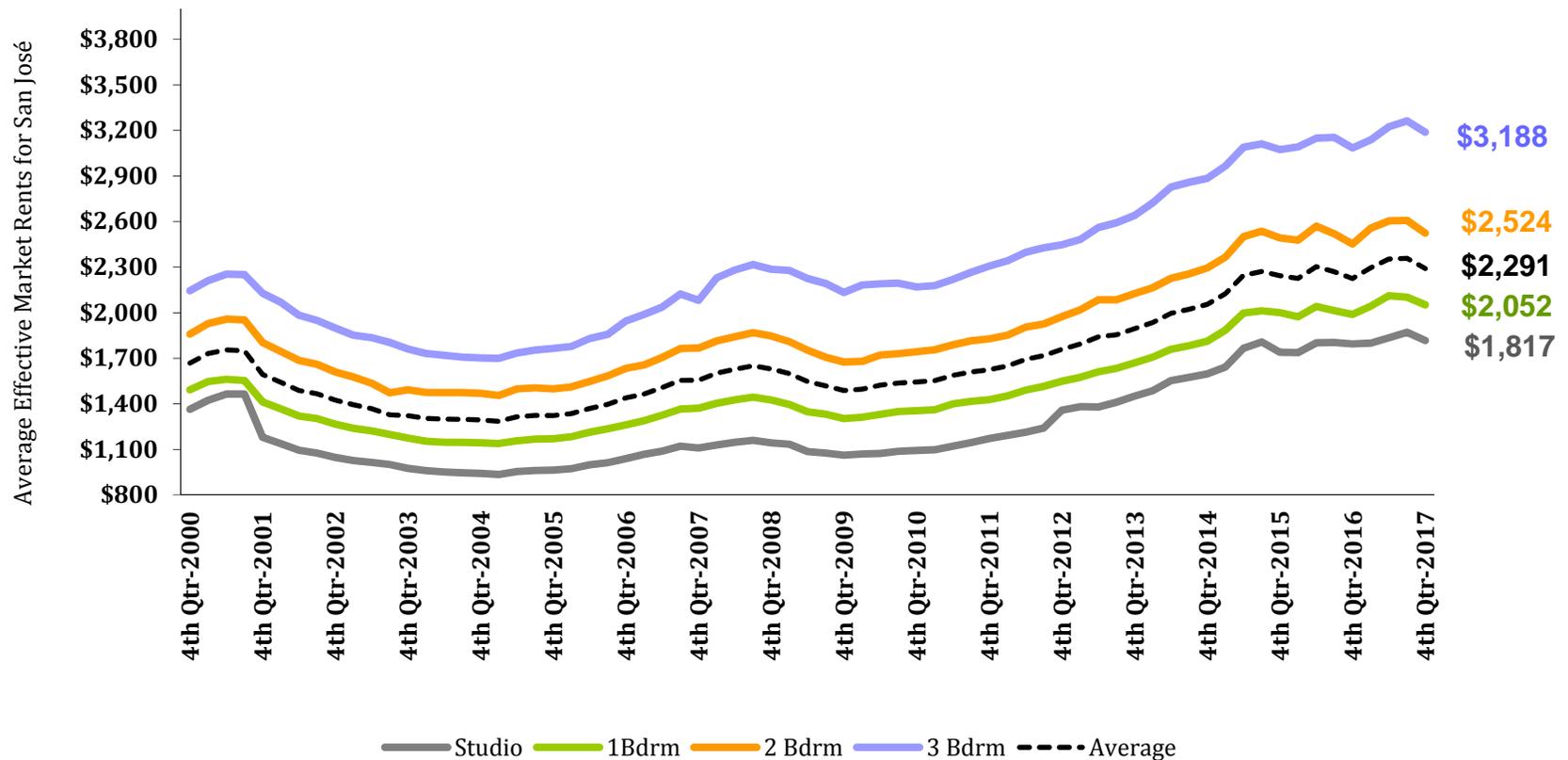
2017 RHNA Performance



SOURCE: City of San José Housing Department, December 2017

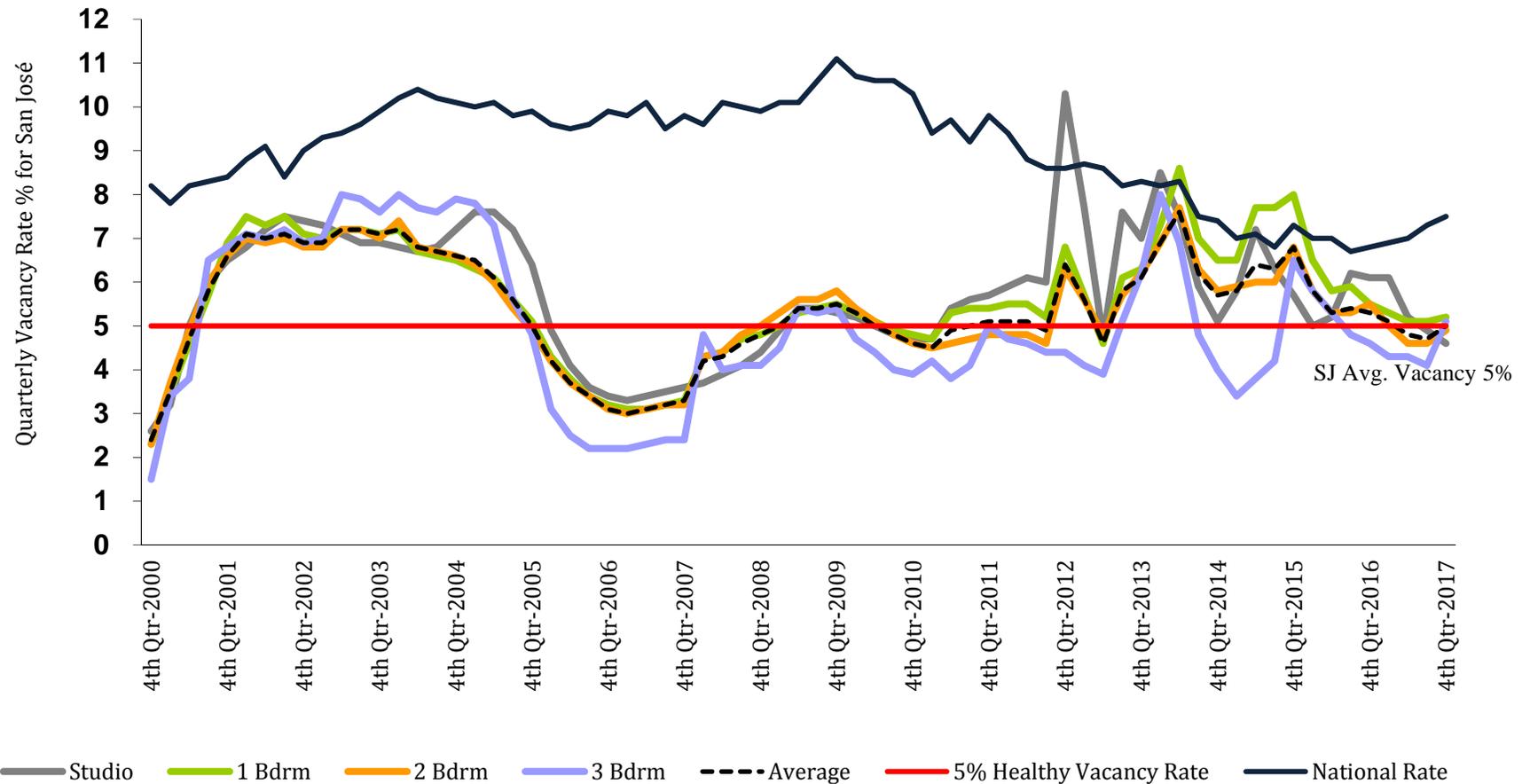
* Regional Housing Needs Assessment (RHNA)

Average Rent Down 2.8% from Q3 2017, Up 3% YoY



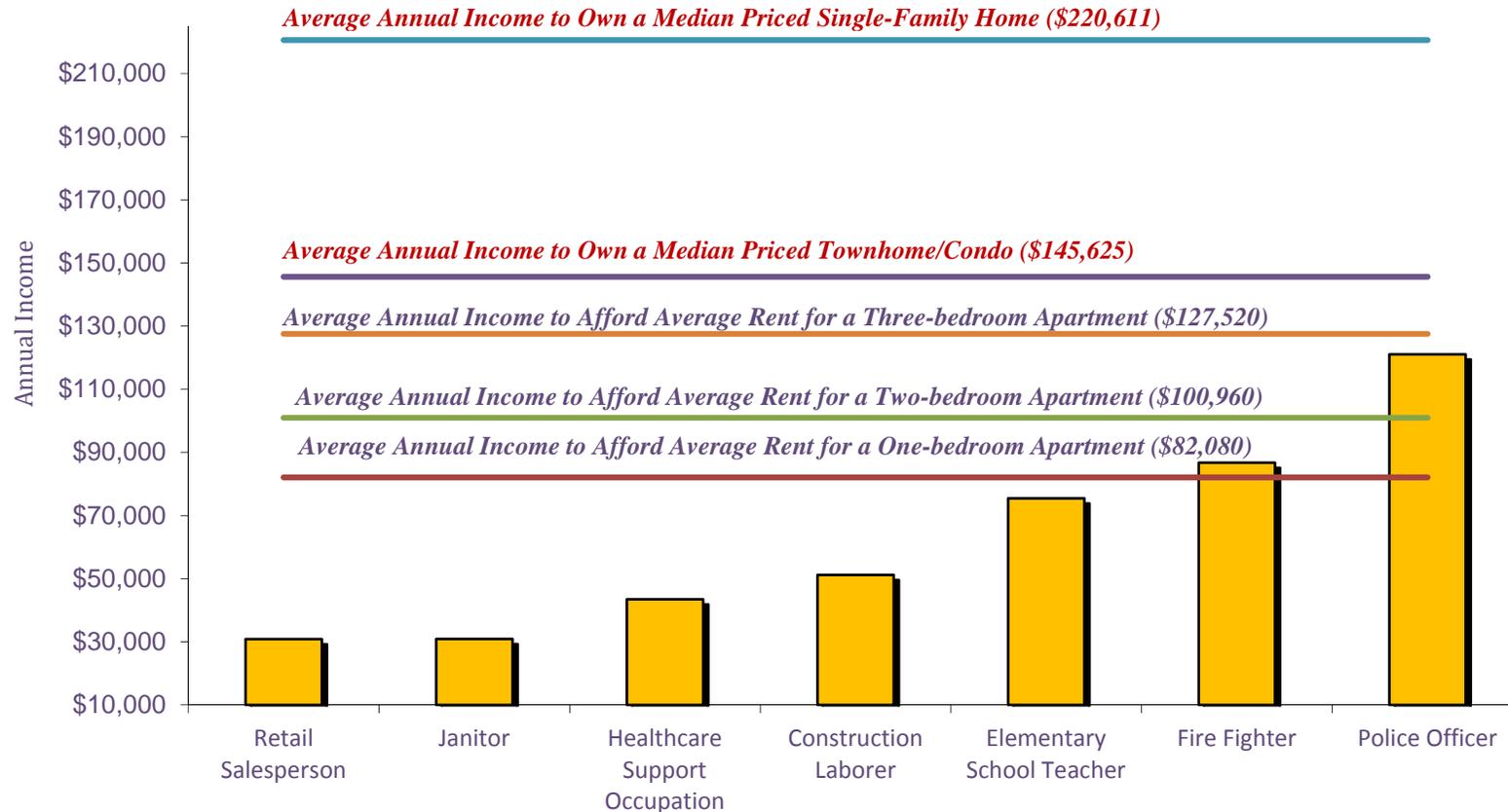
SOURCE: Costar January 3, 2018

Average Vacancy at Healthy Rate of 5%



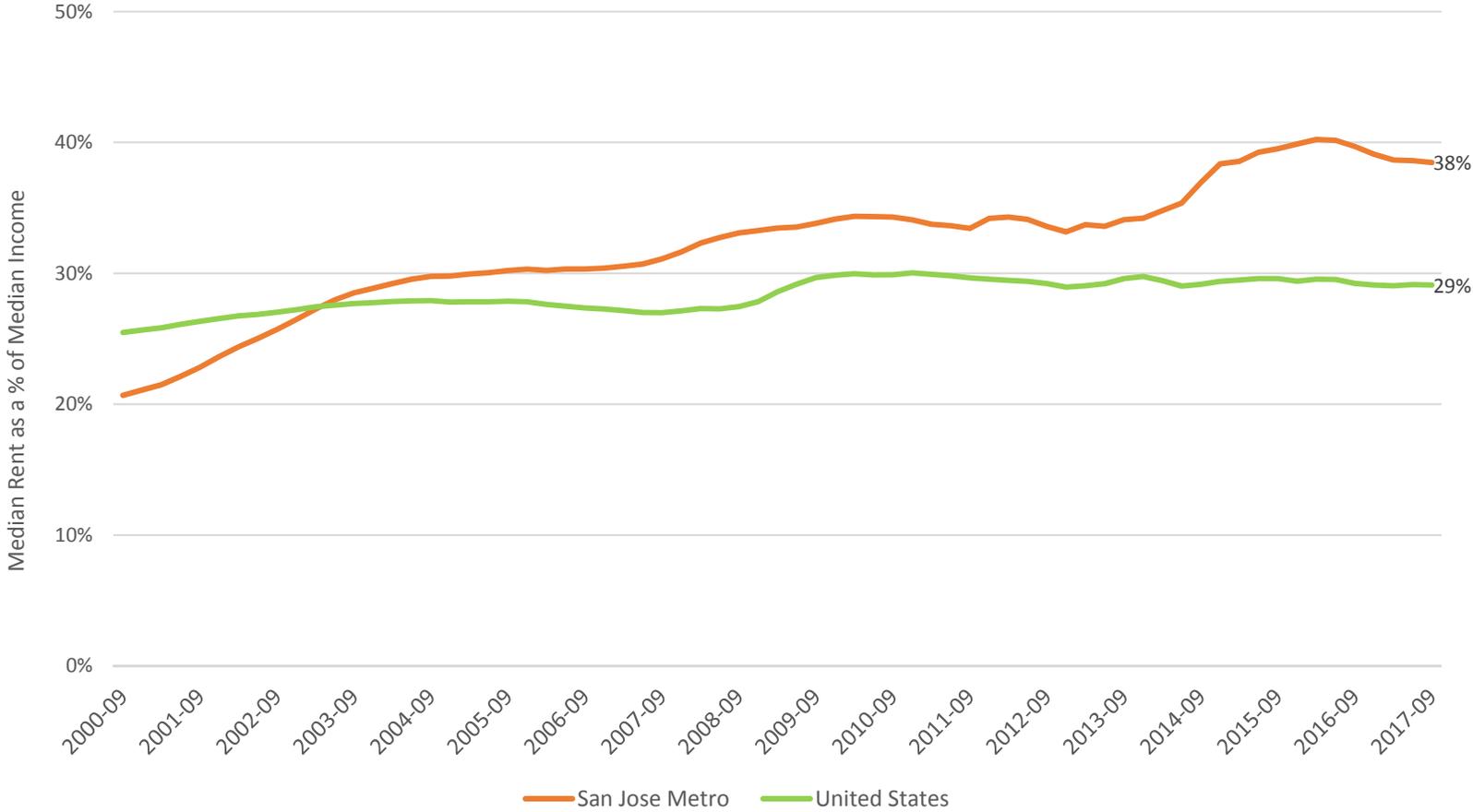
SOURCE: Costar, January 3, 2018, National Rate – US Census Bureau Current Population Survey 7/27/17

Housing Costs Out of Reach for Many San José Workers



SOURCE: Employment Development Department (EDD) – First Quarter 2017 Wages; Costar January 3, 2017. Average Rents; Income to rent calculation assumes rent at 30% of income and a single income household; Santa Clara County Association of Realtors Q4 2017 median prices; Income to mortgage calculations assume payments at 30% of income, 20% down, 3.95% interest, 1.25% Property Tax, \$300 HOA dues for condos and a single-income household

San Jose's Renters Spend Greater % of Income on Rent than Renters Nationwide



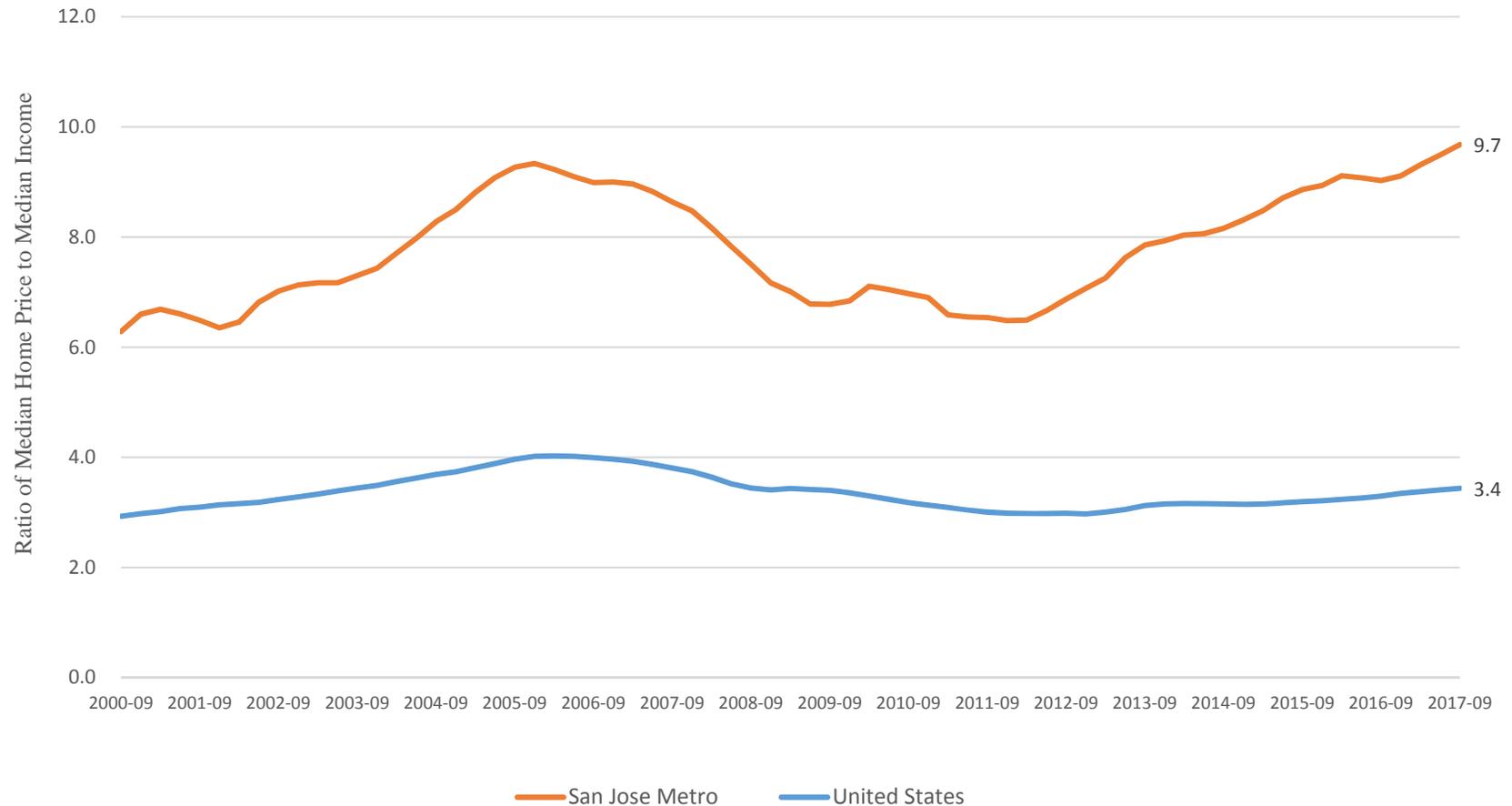
SOURCE: Zillow Rental Affordability Index Q3 2017– One Quarter Lag

San Jose's Single-Family Median Home Price Hits the Million Mark - Up 10% from Q3 and 34%YoY



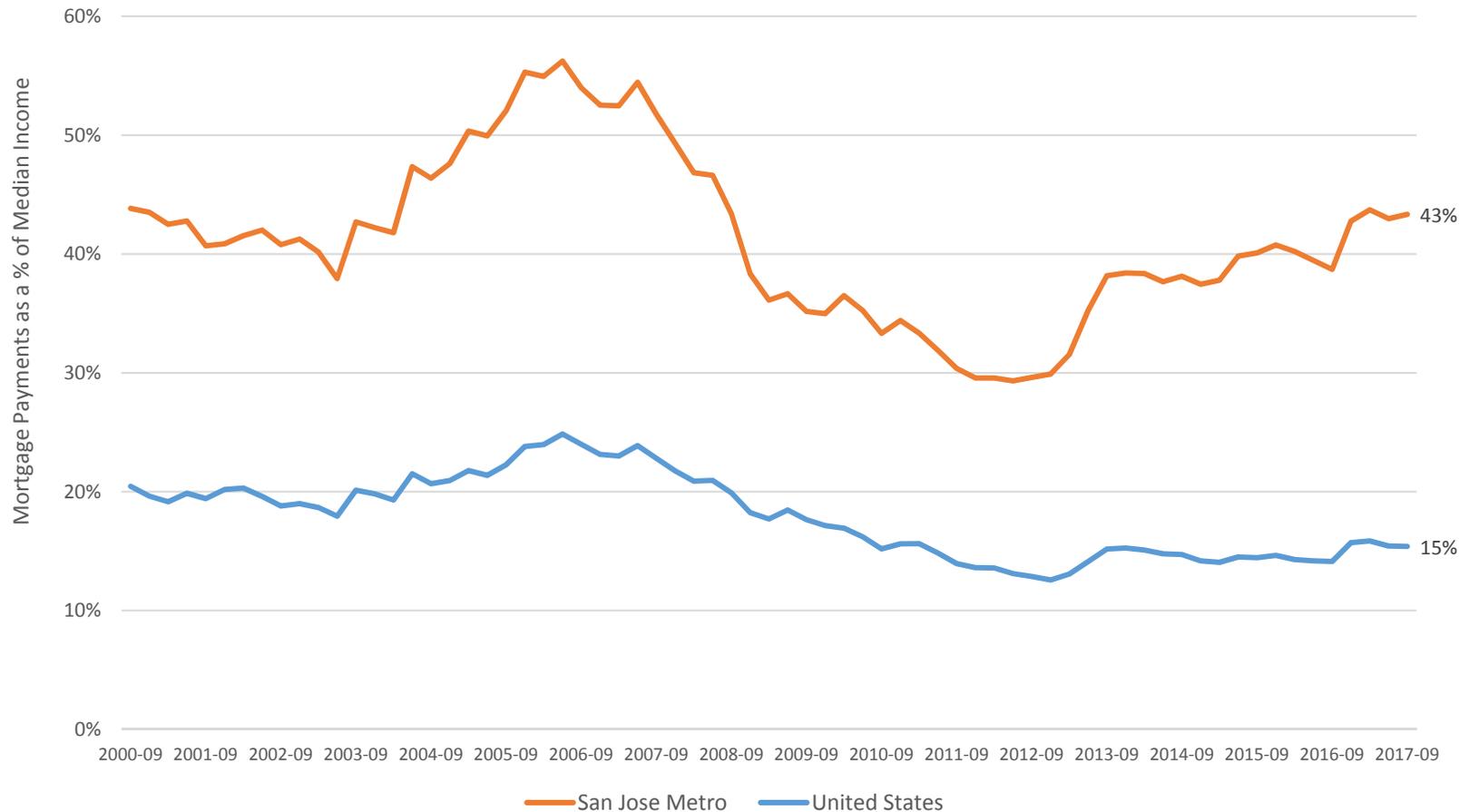
SOURCE: Santa Clara County Association of Realtors, December 2017

San José Metro Area Median Home Prices are 9 times Median Income - Nearly Triple the National Average



SOURCE: Zillow Price to Income Index Q3 2017– One Quarter Lag

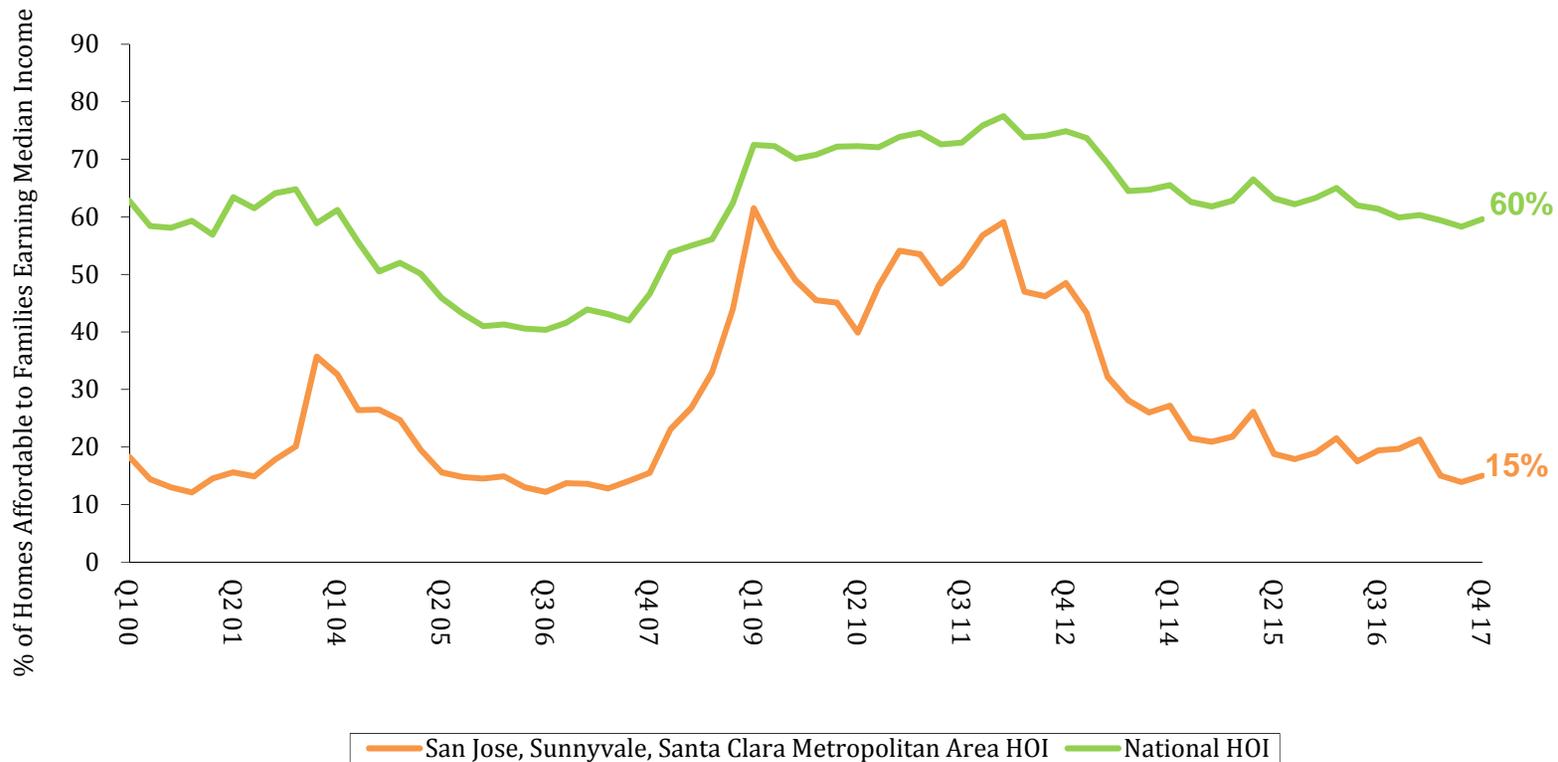
San Jose's Homeowners Mortgage to Income Ratio is 2.8 times that of the Average US Homeowner



SOURCE: Zillow Mortgage Affordability Index Q3 2017– One Quarter Lag

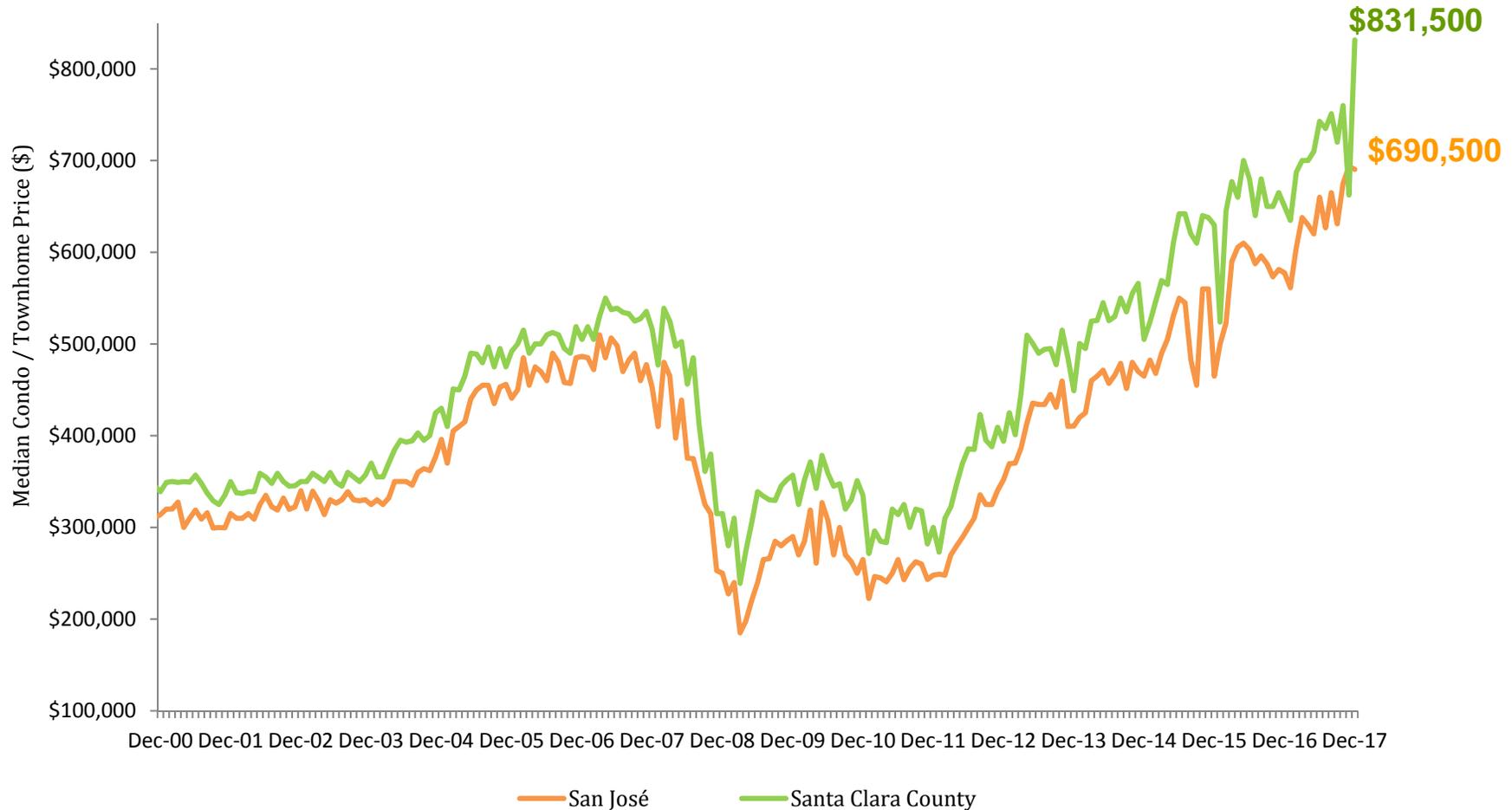
San Jose's Housing Affordability Remains Low Relative to the Nation (6th least affordable)

Less than 1 in 7 families in San José can afford to own a median priced home



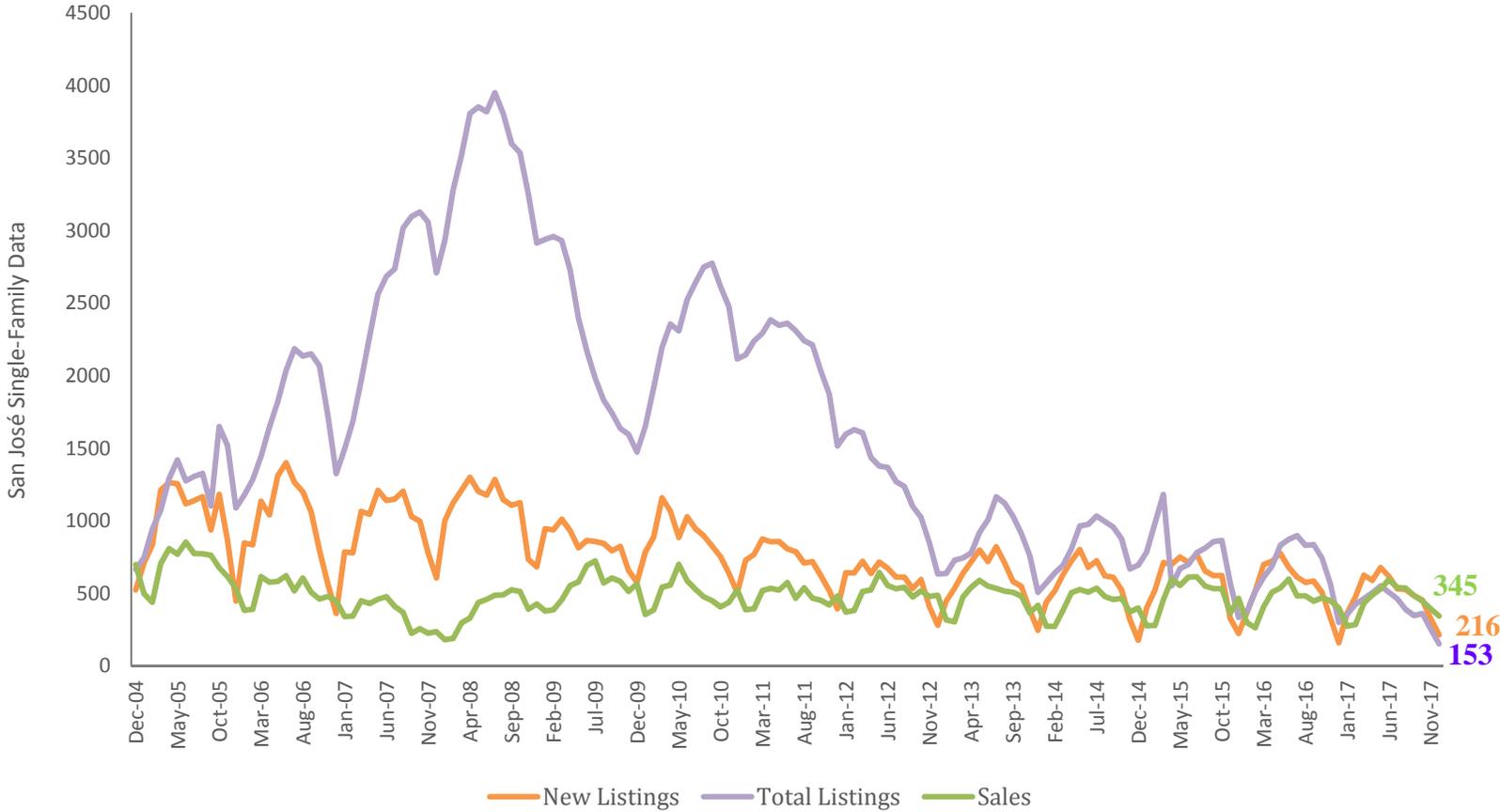
SOURCE: National Association of Home Builders, Housing Opportunity Index Q4 2017

San Jose's Condo/Townhome Median Prices Up 9% from Prior Quarter, and 20% YoY



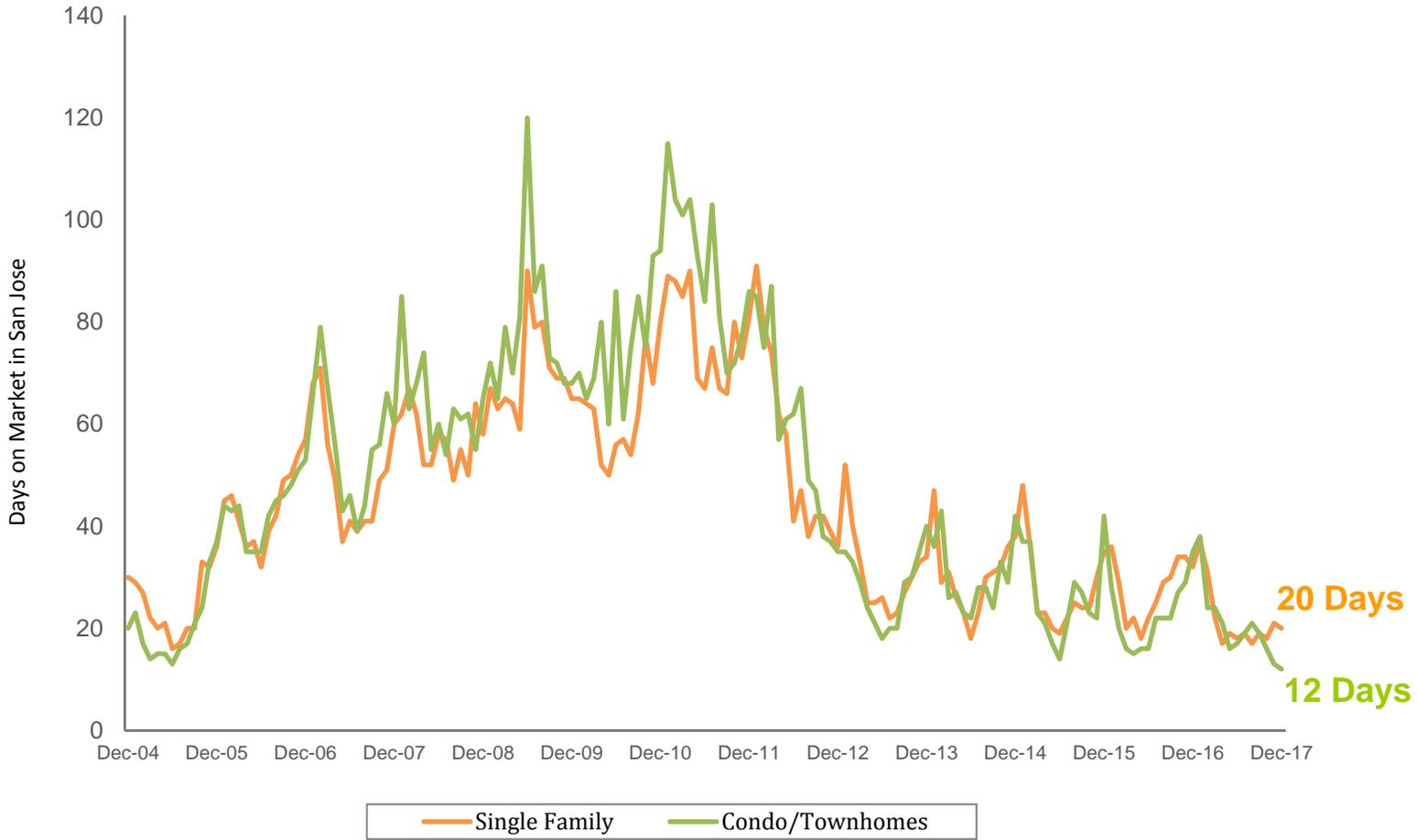
SOURCE: Santa Clara County Association of Realtors December 2017

Single-Family Inventory & Listings Down Over 50% From Prior Quarter; Sales Down 30%



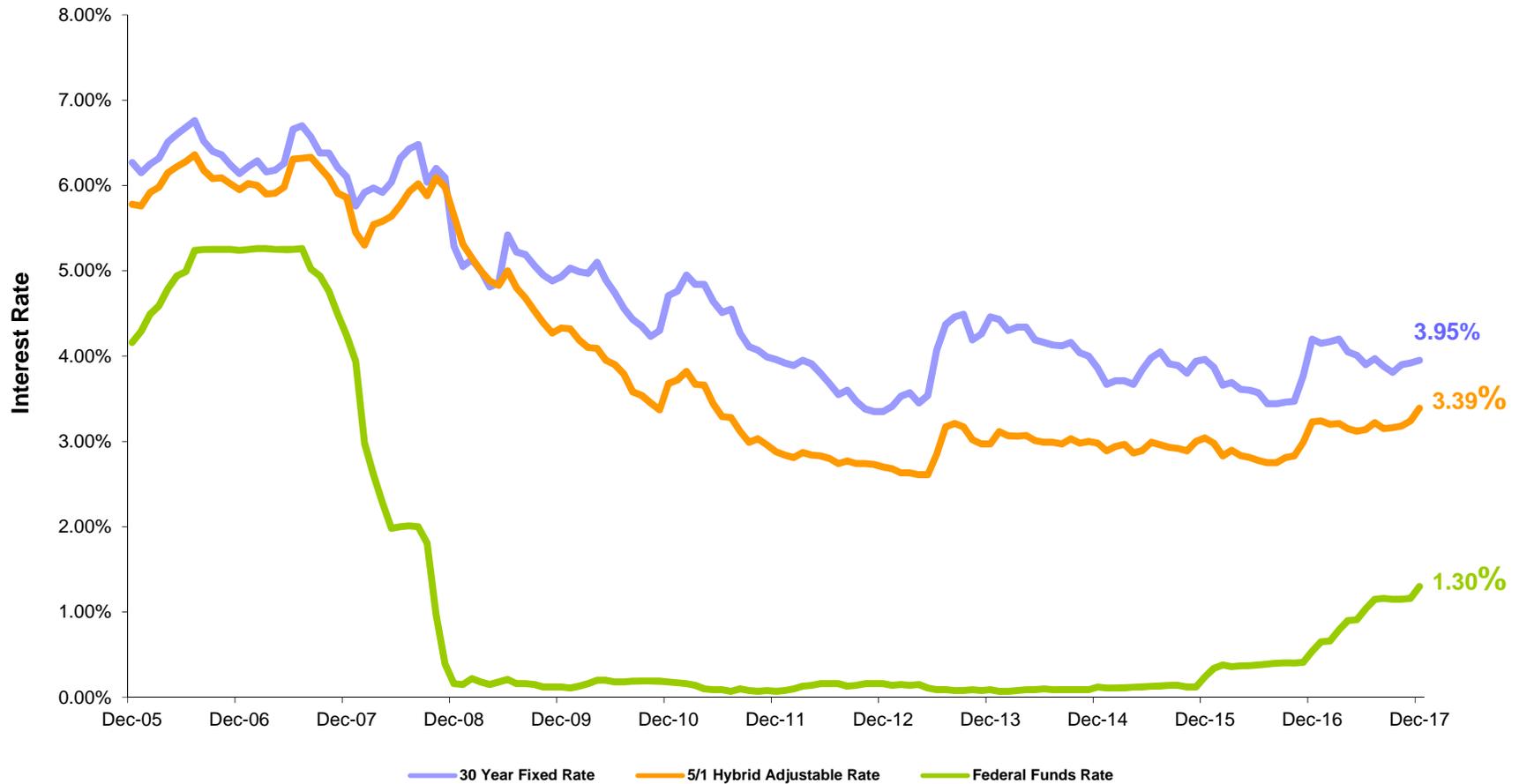
SOURCE: Santa Clara County Association of Realtors, December 2017

Condos/Townhomes Selling Faster than Single-Family homes



SOURCE: Santa Clara County Association of Realtors December 2017

Interest Rates Edging Up



SOURCE: Federal Reserve, Freddie Mac Primary Mortgage Market Survey, Q4 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 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