

City of San José

Housing Market Update



Park Avenue Seniors (foreground) & Laurel Grove Family – Courtesy Gelfland Partners Architects; This site unites family and senior housing in a transit-oriented district near the planned high speed rail terminal. Laurel Grove Apartments will offer 82 affordable family apartments. Park Avenue Apartments will include 100 affordable senior apartments. Community rooms for both developments face each other across an open space that allows for joint activities. The sustainable design features photovoltaic panels, solar thermal, and enhanced ventilation.

Fourth Quarter 2018

Q4 2018 San José Housing Market

- **1,307** residential permits issued
- 2018 market-rate permits almost **at** RHNA¹ annual goal; affordable permits **40% below** annual goal
- Second Unit permits pulled in 2018 **double** that of 2017
- Average effective rent fell by **1.4%** Quarter-over-Quarter (QoQ); Overall vacancy is at **4.5%**²;
- Renters must earn **\$51/hour** (\$106,960/year) to afford the average effective monthly rent for a 2-bedroom apartment of **\$2,674**³
- Median single-family home price was **\$1,050,000**, down 9% QoQ
- Residents must earn **\$104/hour** (\$216,600/year) to afford a median priced single-family home⁴

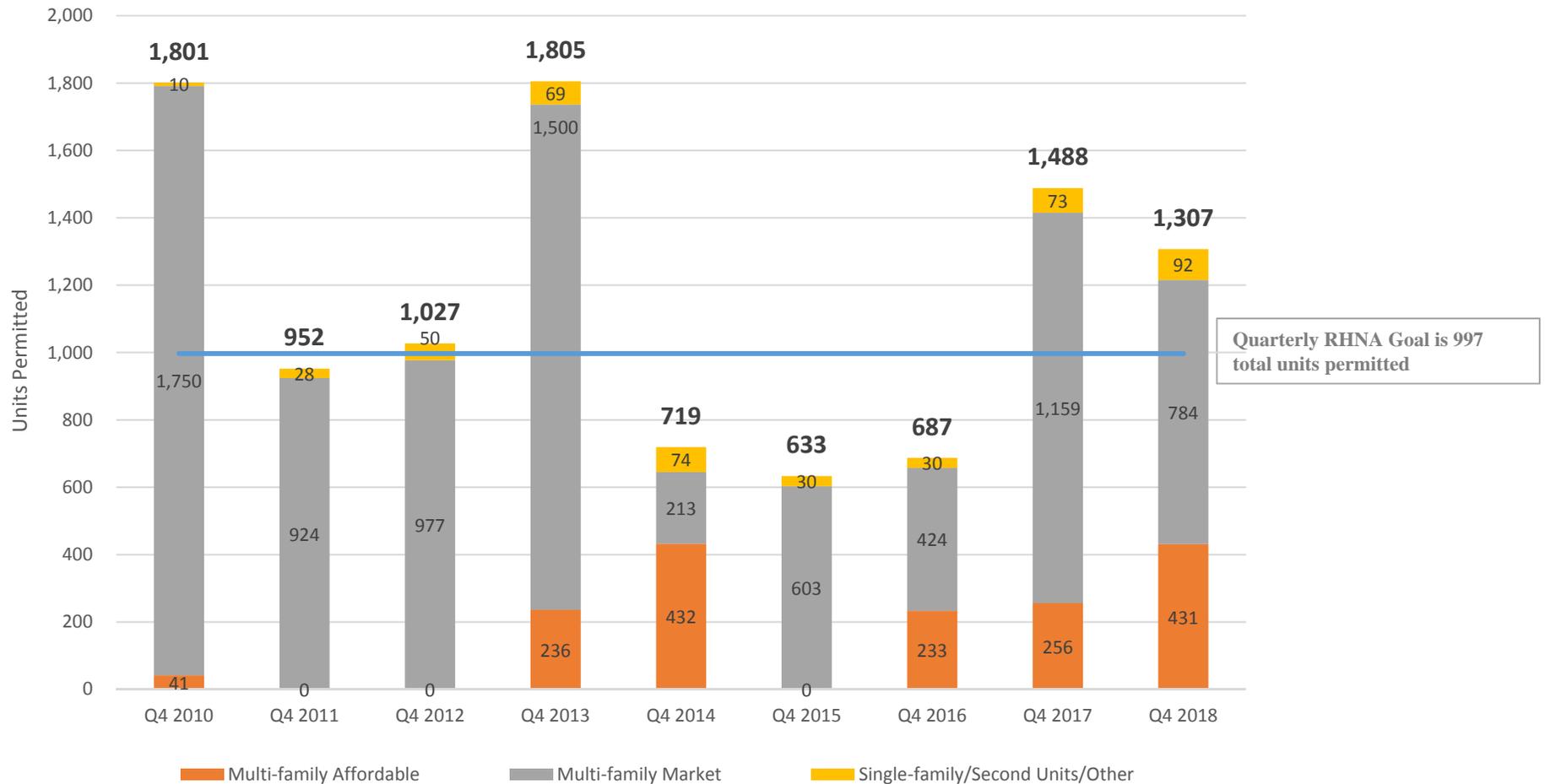
1. RHNA refers to the Regional Housing Needs Assessment

1. Costar February 4, 2019.

2. Based on February 2019 Costar average rents; income calculation assumes rents are 30% of income, 40-hour work week and a single income household.

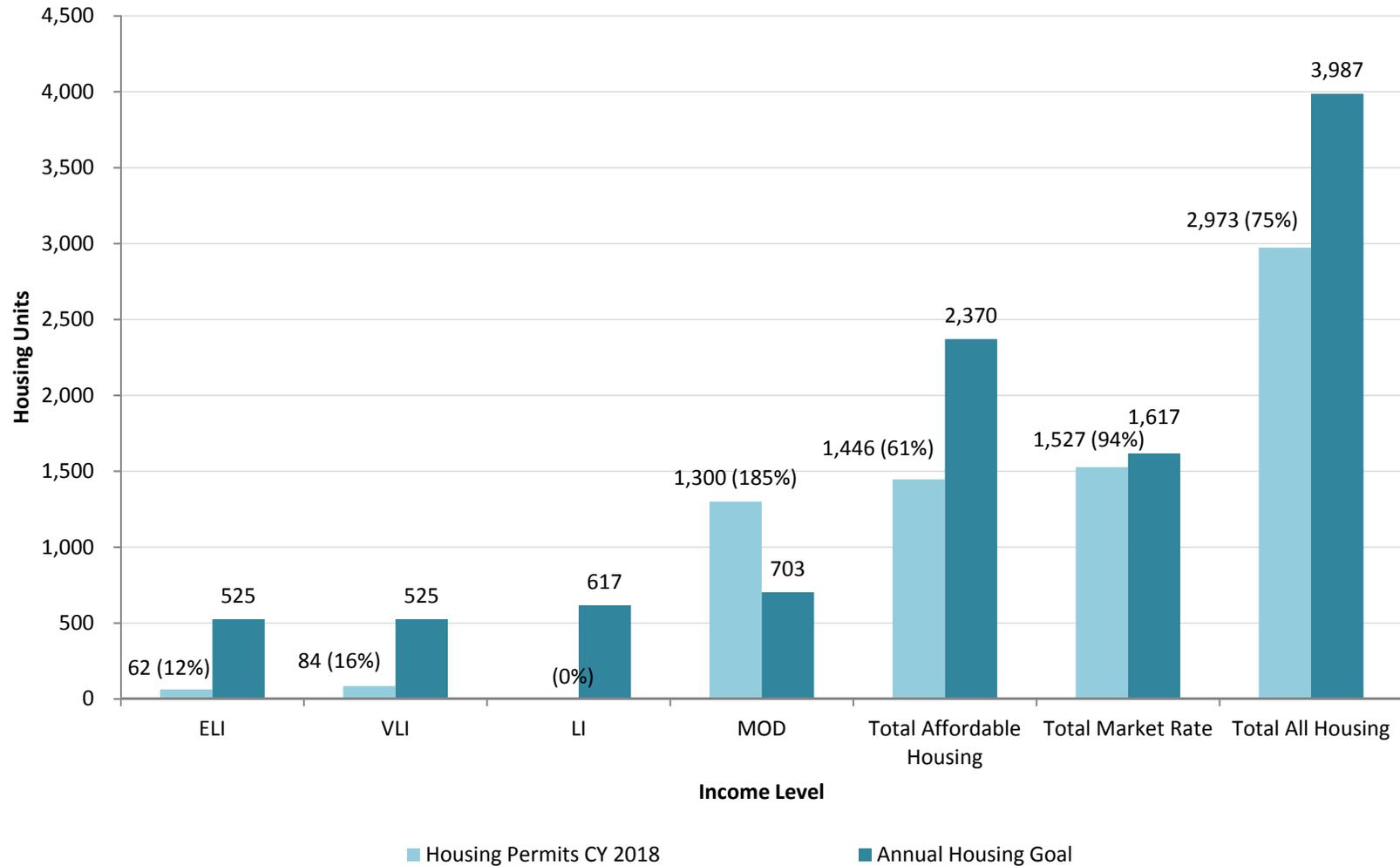
3. Based on Santa Clara County Association of Realtors, December 2018 median prices; income calculation assumes monthly payments are 30% of income, 20% down, 4.63% interest rate, 1.25% property tax, 40-hour work week and a single income household.

Q4 2018 San José Residential Building Permit Activity



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

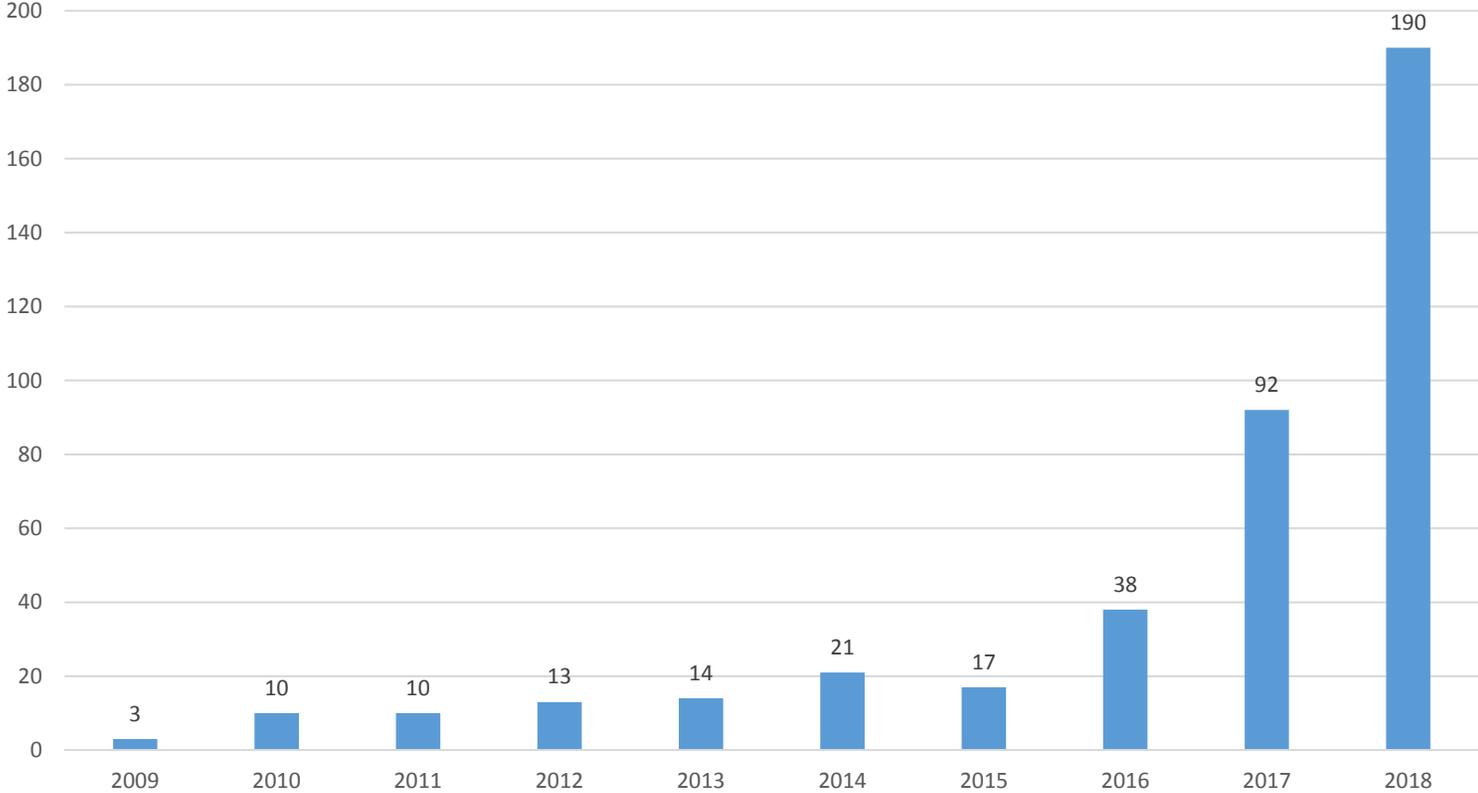
San José's 2018 RHNA* Housing Performance & Goals



SOURCE: City of San José Housing Department, December 2018

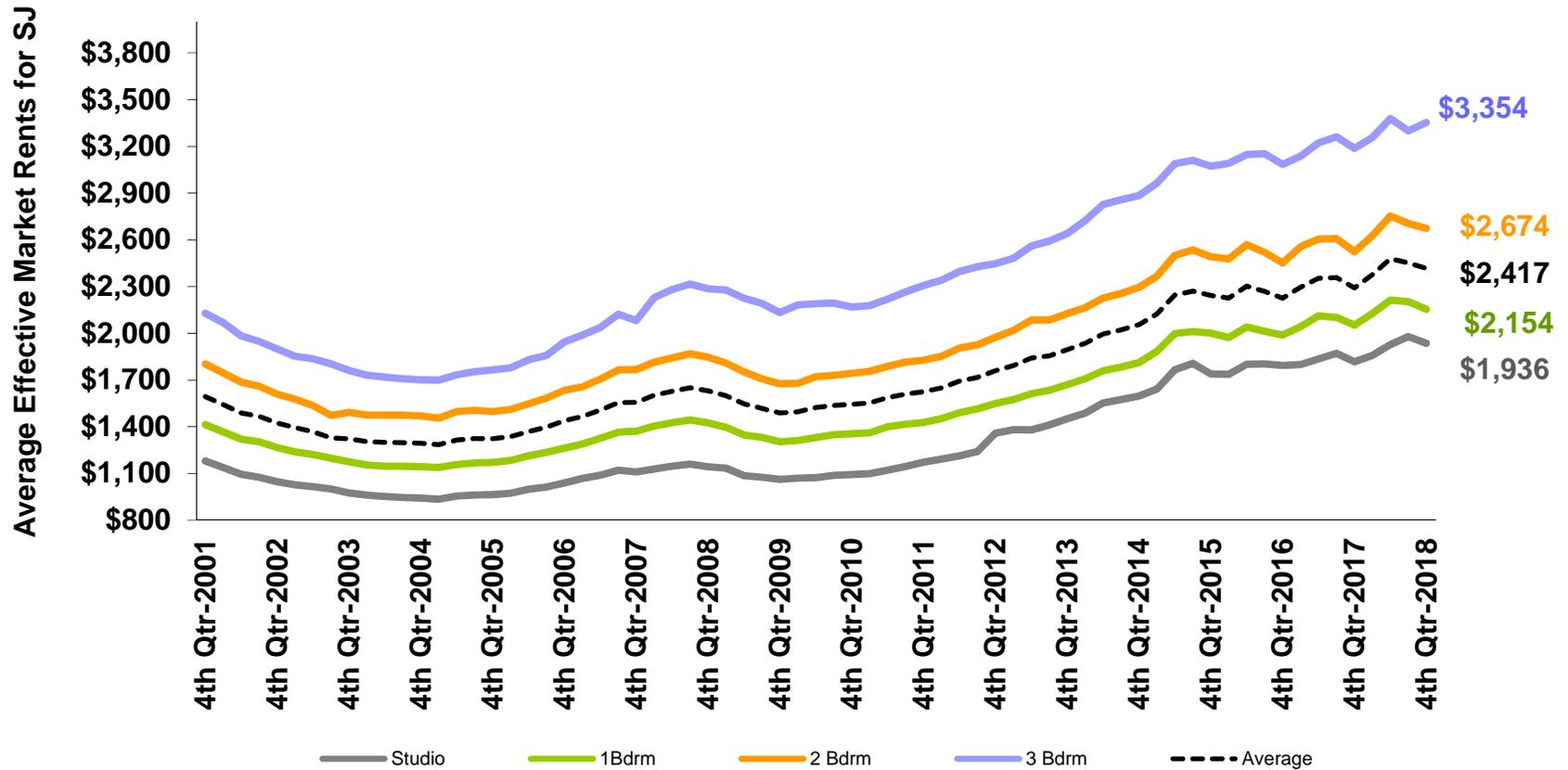
* Regional Housing Needs Assessment (RHNA)

2018 Second Unit Building Permits Surpass 2017 Levels



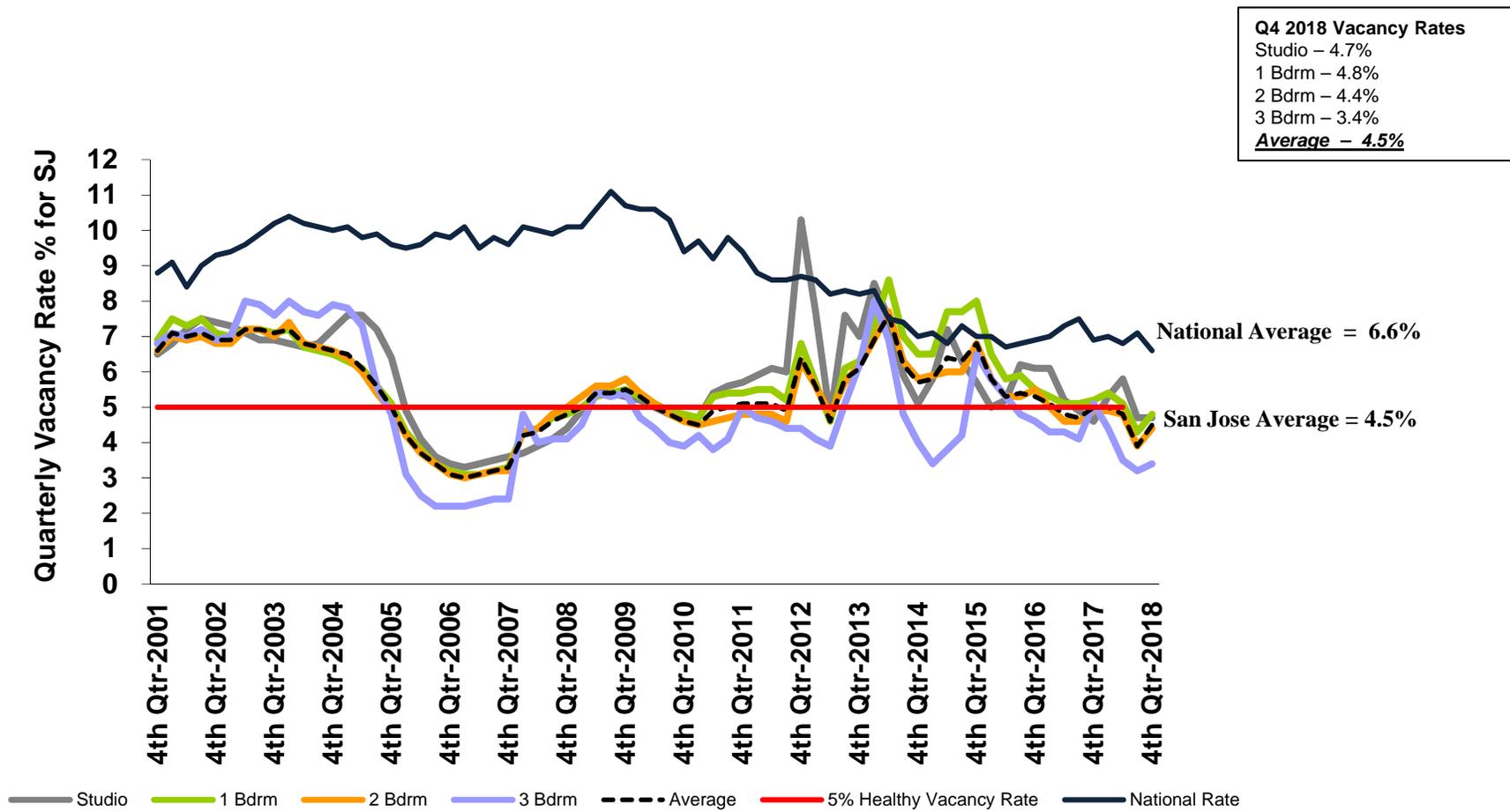
* Zoning code updated in December 2016 and in 2018 to conform with new State Legislation and to encourage ADU development; Not all permits result in units built
SOURCE: City of San José Monthly Permit Reports as of December 2018

Average Rents Down 1.4% QoQ, Up 5.5%YoY



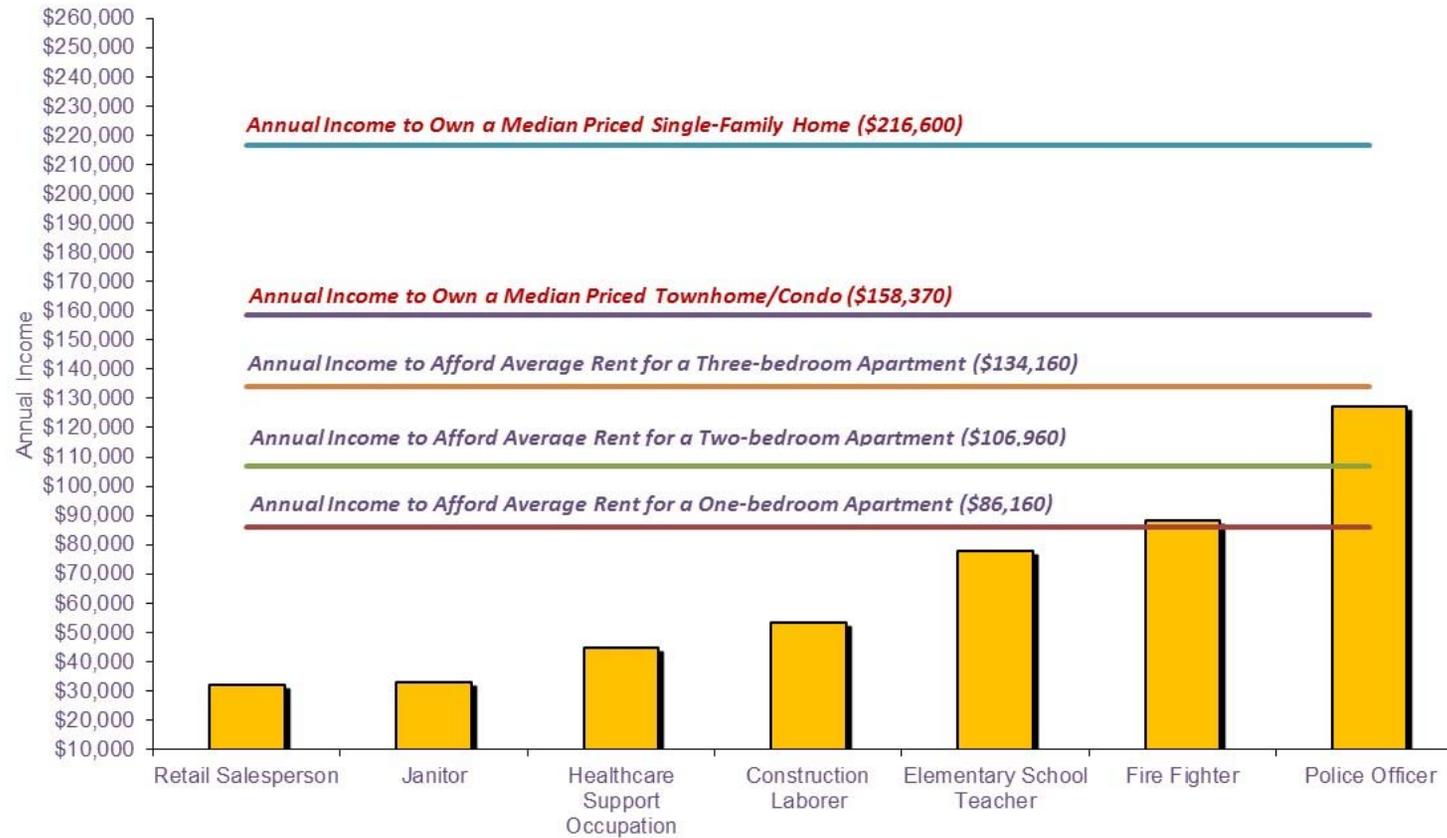
SOURCE: Costar Feb 4, 2019

Average Vacancy at 4.5%, lower for larger units



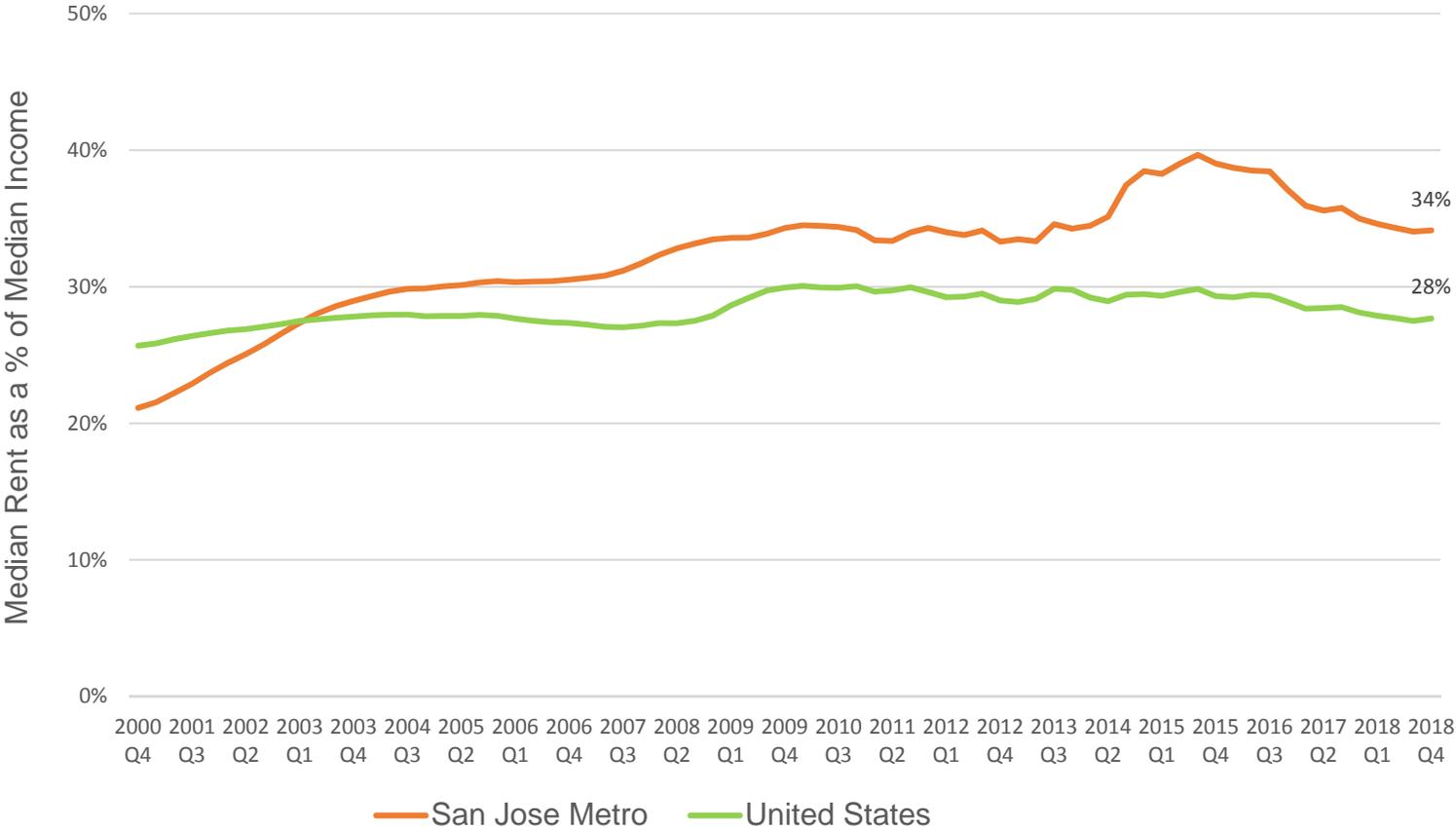
SOURCE: Costar, Feb 4, 2019; National Rate – US Census Bureau Current Population Survey/ Housing Vacancy Survey 2/28/19

Housing is Out of Reach for Many San José Workers



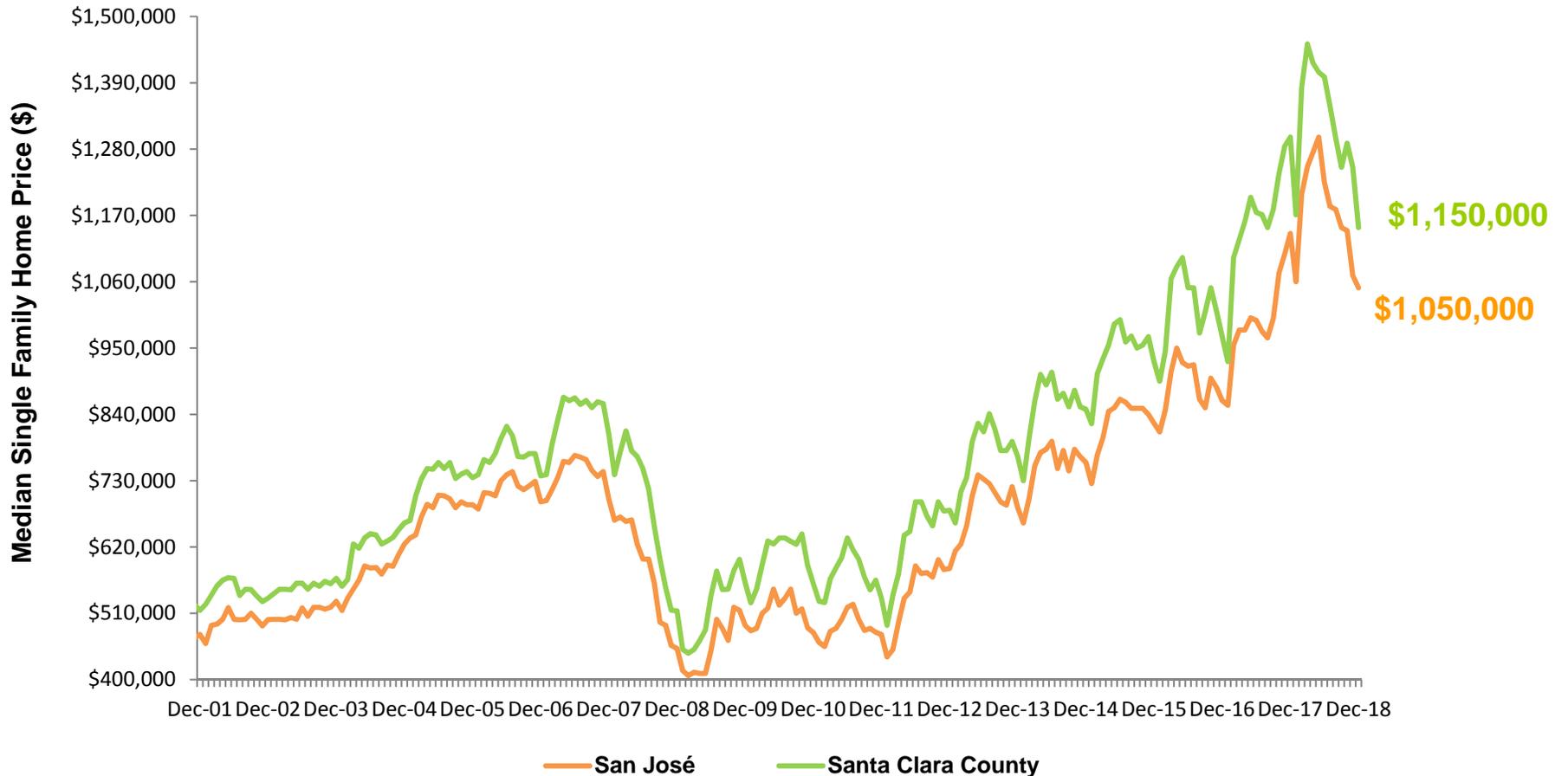
SOURCE: Employment Development Department (EDD) – First Quarter 2018 Wages; Costar Q4 2018 Average Effective Rents; Income to rent calculation assumes rent at 30% of income and a single income household; Santa Clara County Association of Realtors Dec 2018 median prices; Income to mortgage calculations assume payments at 30% of income, 20% down, 4.63% 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 Q4 2018

San José Single-Family Median Home Price Down 9% QoQ & 8%YoY, First YoY Drop Since 2010



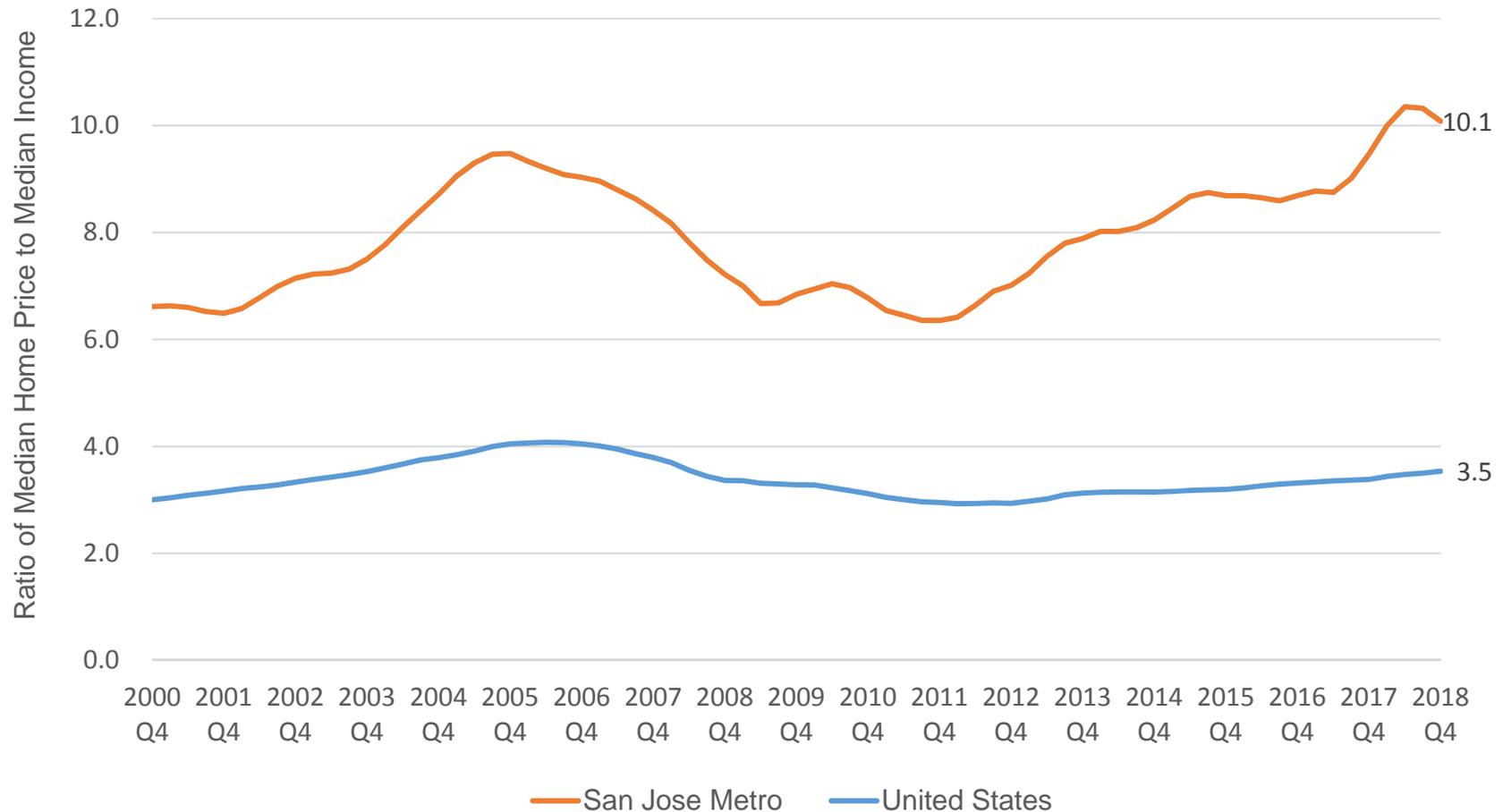
SOURCE: Santa Clara County Association of Realtors, December 2018.

San José Condo/Townhome Median Price Falls 9% QoQ , Up 1% YoY



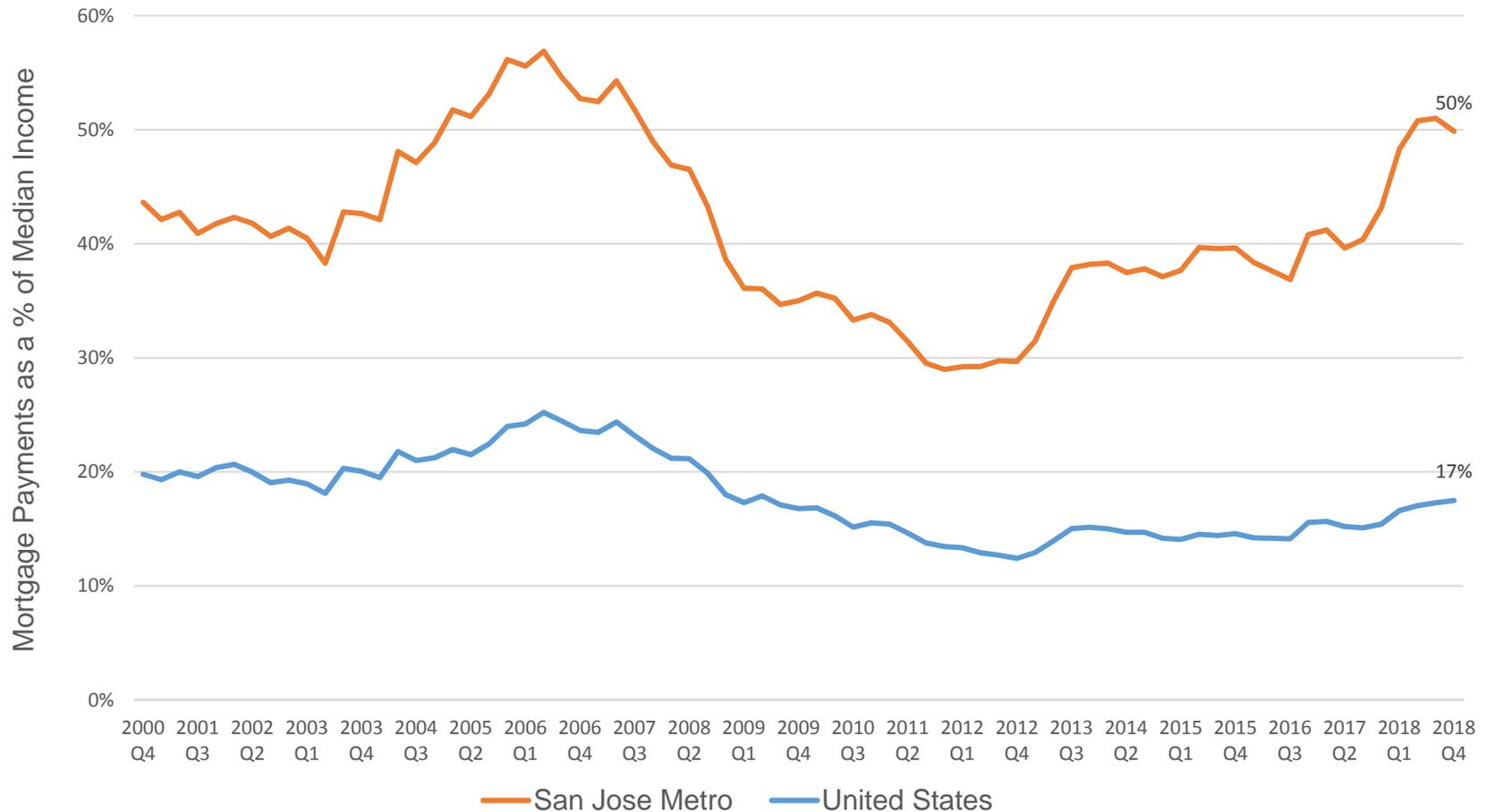
SOURCE: Santa Clara County Association of Realtors December 2018.

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



SOURCE: Zillow Price to Income Index Q4 2018

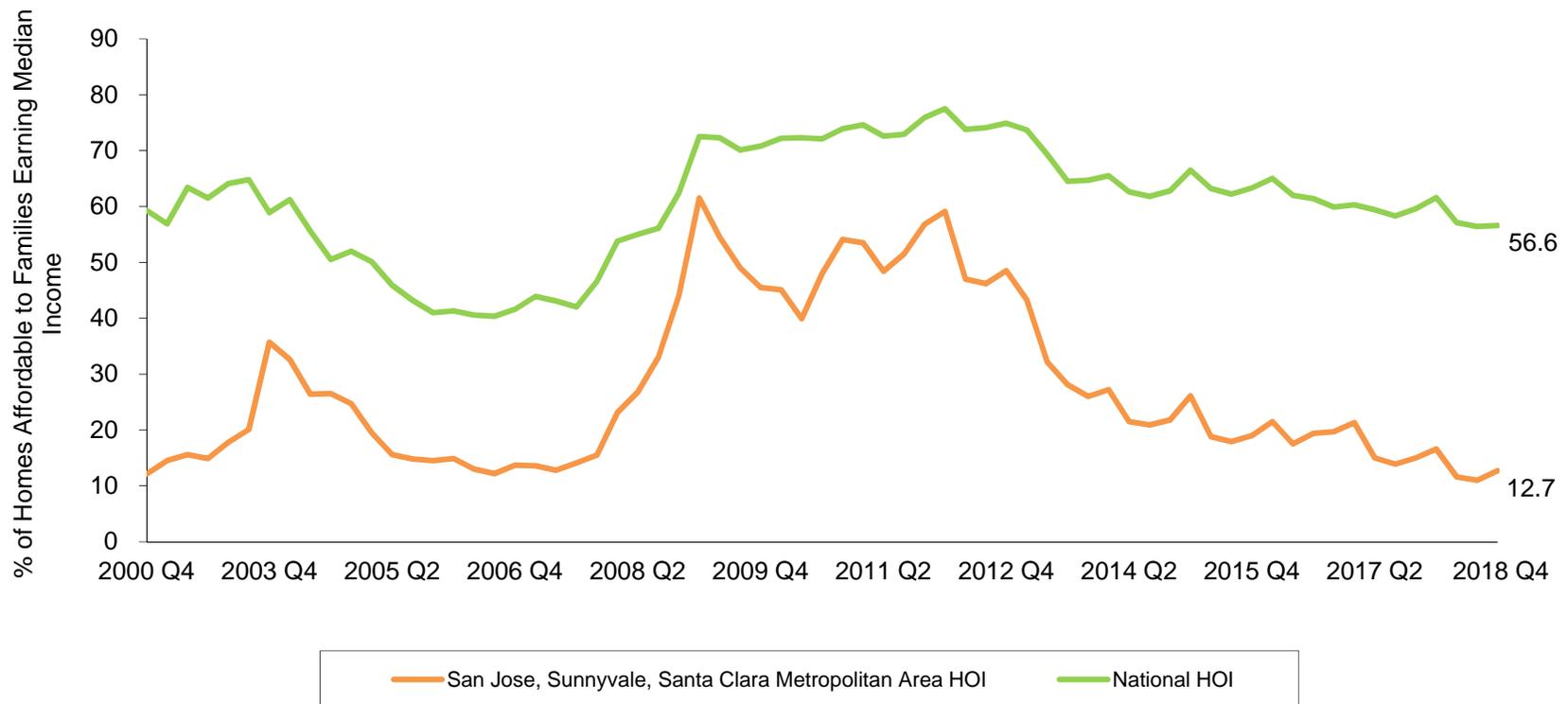
San José Owners Spend Half their Income on Mortgages, Almost 3x National Average



SOURCE: Zillow Mortgage Affordability Index Q4 2018

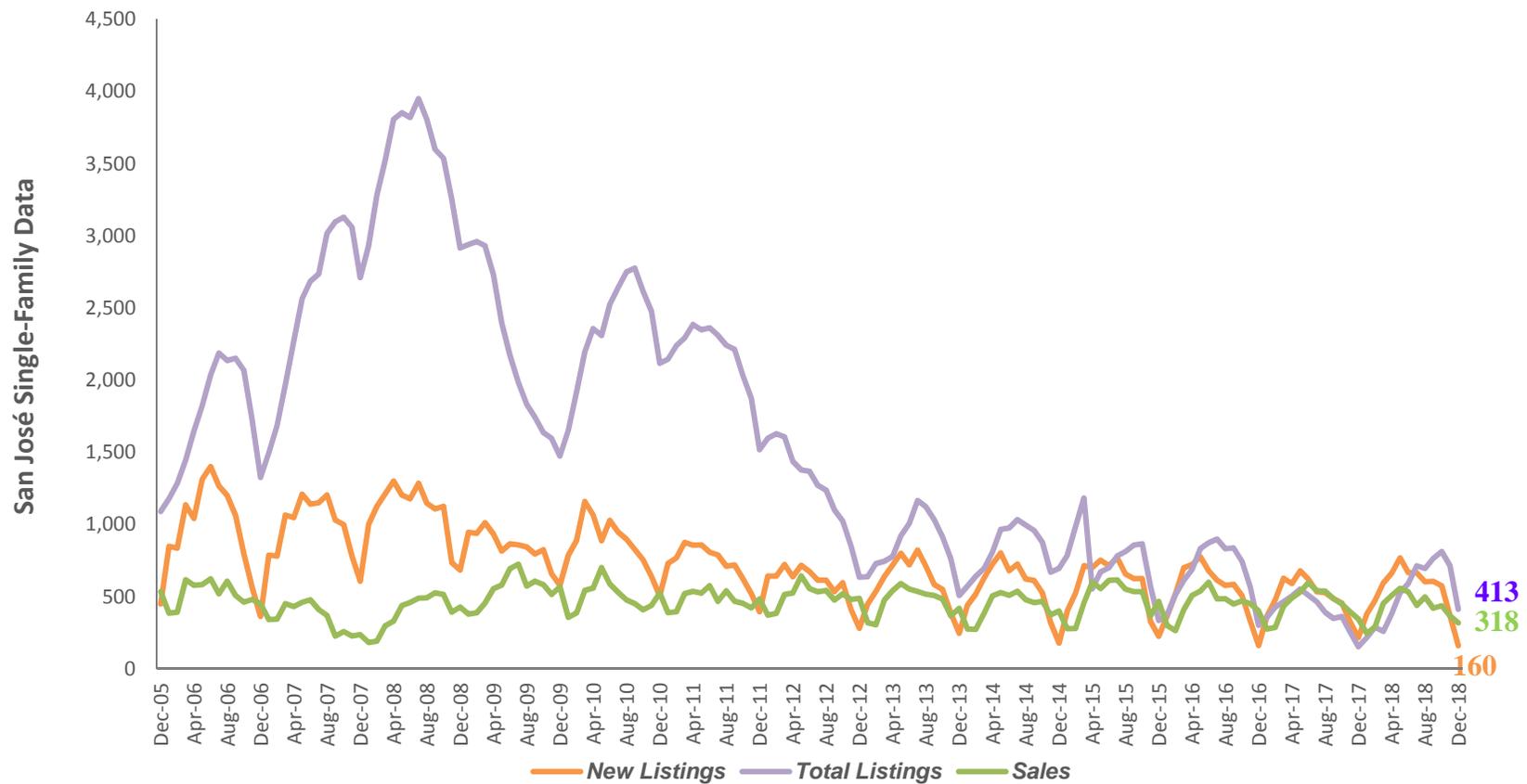
Only 13% of San José Homes Remain Affordable to Median Income Households

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



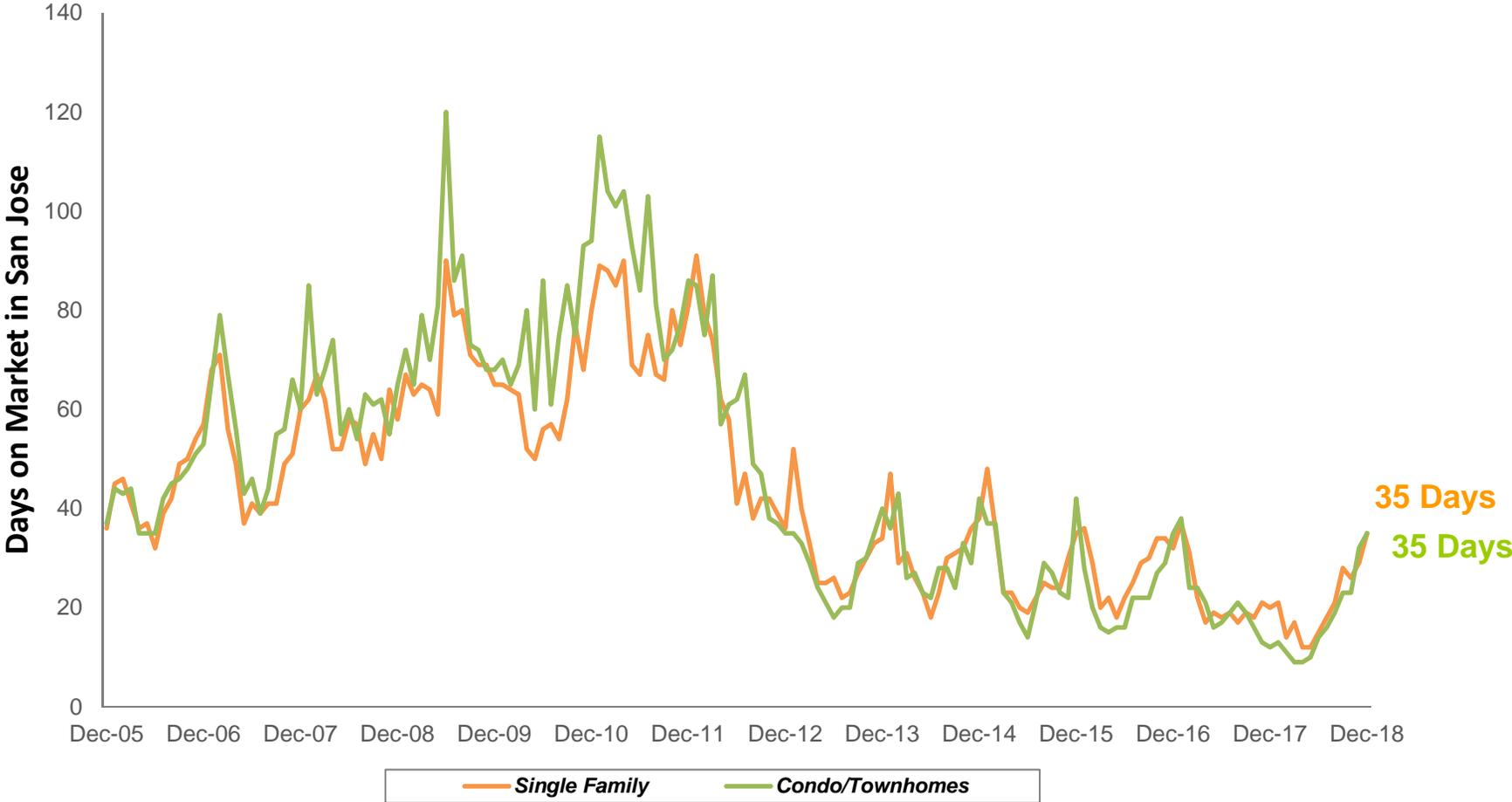
SOURCE: National Association of Home Builders, Housing Opportunity Index (HOI) Q4 2018.

San José Single-Family: Inventory Up 170% YoY; New Listings Down 26% YoY; Sales Down 25% YoY



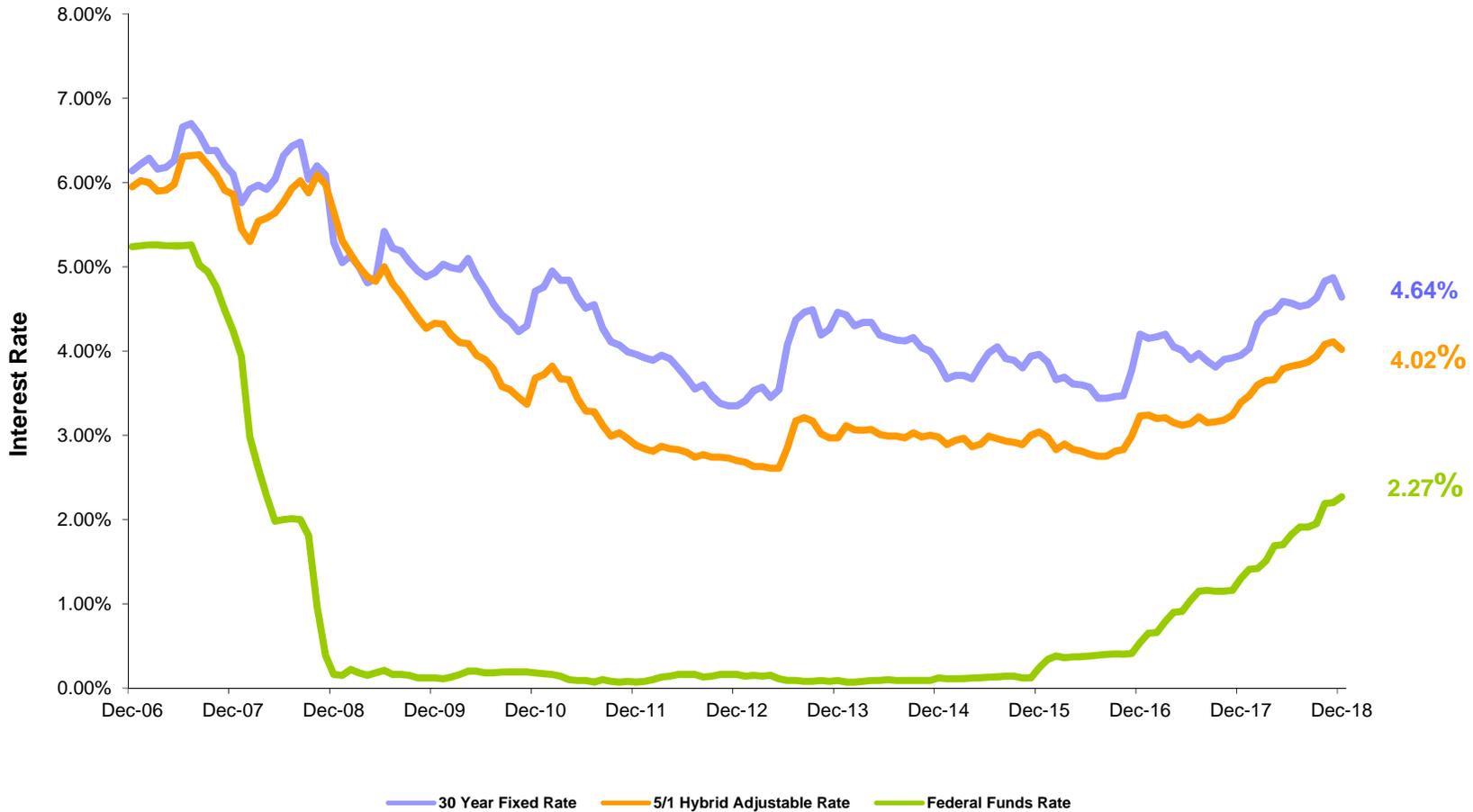
SOURCE: Santa Clara County Association of Realtors, December 2018.

San José Homes are Taking Over a Month to Sell, Up from 28 Days in Prior Quarter & 20 Days in Prior Year



SOURCE: Santa Clara County Association of Realtors December 2018

Interest Rates Up from 2017



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