

Housing Market Update

Fourth Quarter 2020



Page Street Studios, an 82-unit affordable housing development, will be located in the West San Carlos Urban Village. One-third of the units will be set aside for the chronically homeless. It will have easy access to public transportation, markets, and shops along San Carlos Street. Amenities such as a community room, shared kitchen, roof decks, and a common court or paseo will be available for residents.

(Image courtesy of Charities Housing)

Q4 2020 San José Housing Market

- 440 residential building permits issued in Q4, 189 of which were for affordable apartments; 1,375 residential building permits issued in 2020, 663 of which were for affordable apartments
- 92 secondary unit / ADU (Accessory Dwelling Units) permits issued in Q4; 378 permits issued in 2020, 9% lower than 2019 permits
- Average effective rent down 3.5% Quarter-over-Quarter (QoQ); overall residential vacancy rate is 8.7%¹
- Renters must earn \$49/hour (\$102,560/year) to afford the average effective monthly rent for a 2-bedroom apartment of \$2,564²
- Median single family home price is \$1,225,000, down 2% QoQ but up 14% YoY³
- Buyers must earn \$98/hour (\$203,497/year) to afford a median-priced single family home⁴

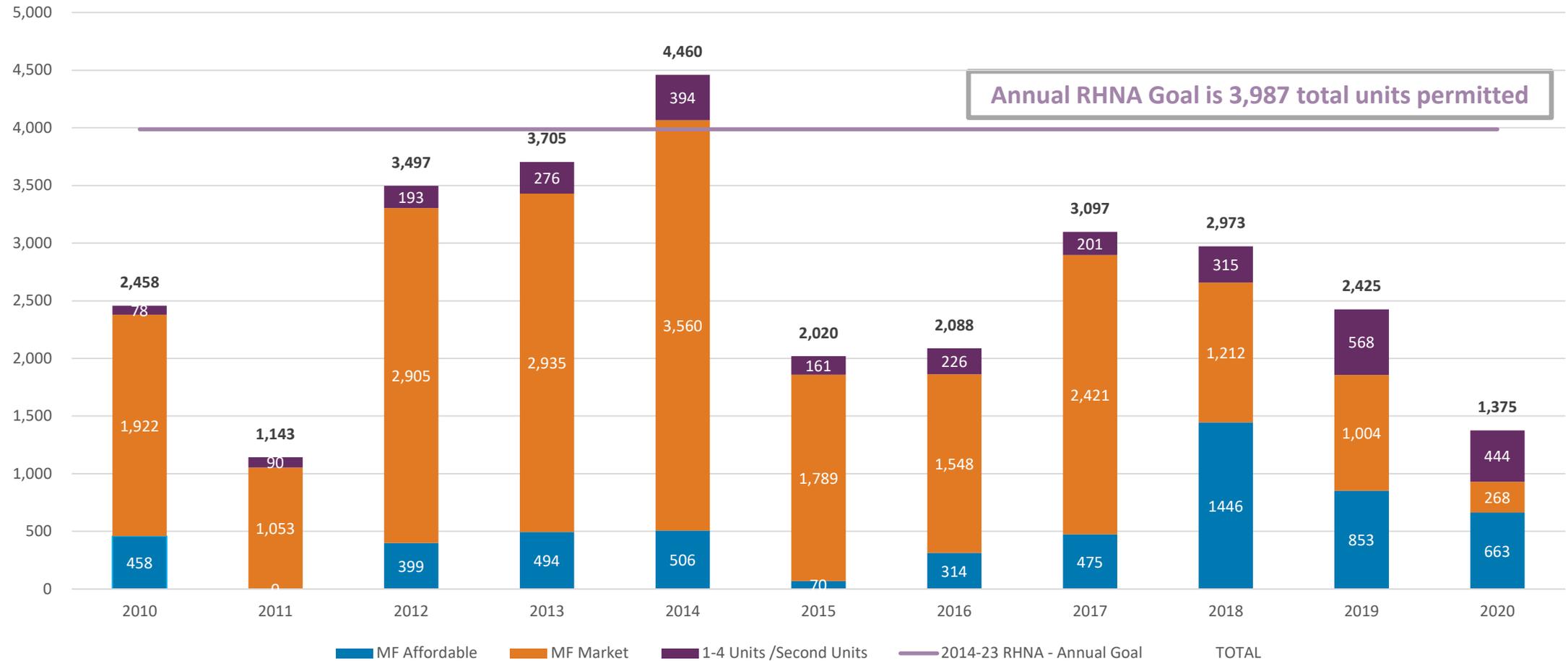
1. Costar January 4, 2021.

2. Based on Q4 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), December 2020.

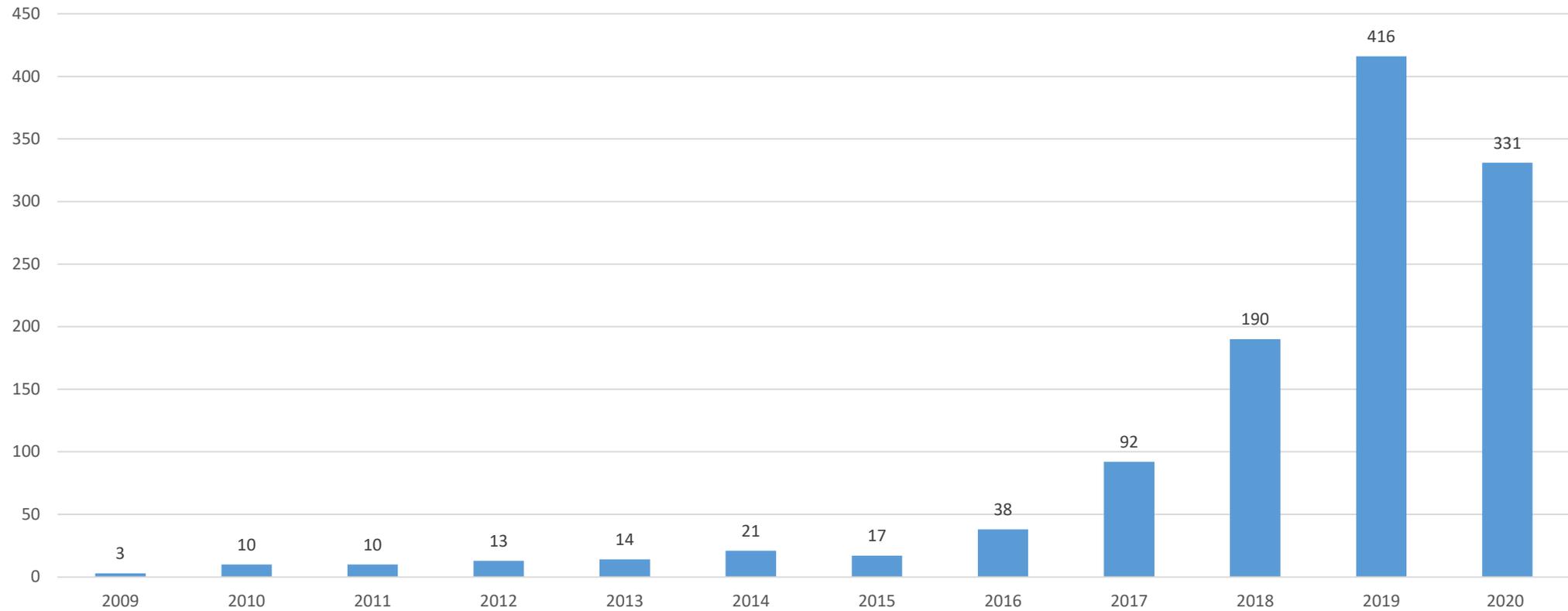
4. Based on SCCAOR December 2020 median prices; income calculation assumes monthly payments are 30% of income, 20% down, 2.68% interest rate, 1.1% property tax, 40-hour work week, and a single-income household.

2020 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.

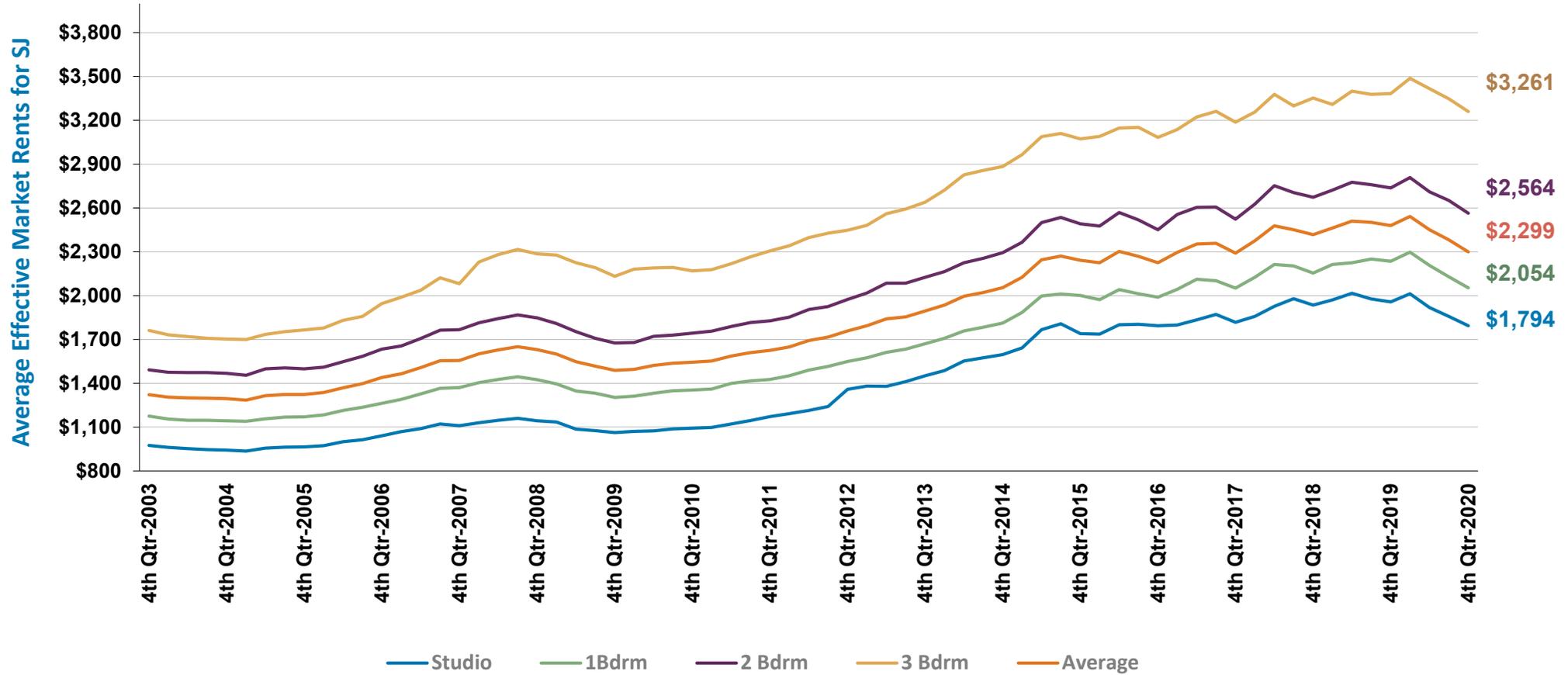
ADU Permit Activity Slows in 2020



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 Permit Reports as of December 2020.

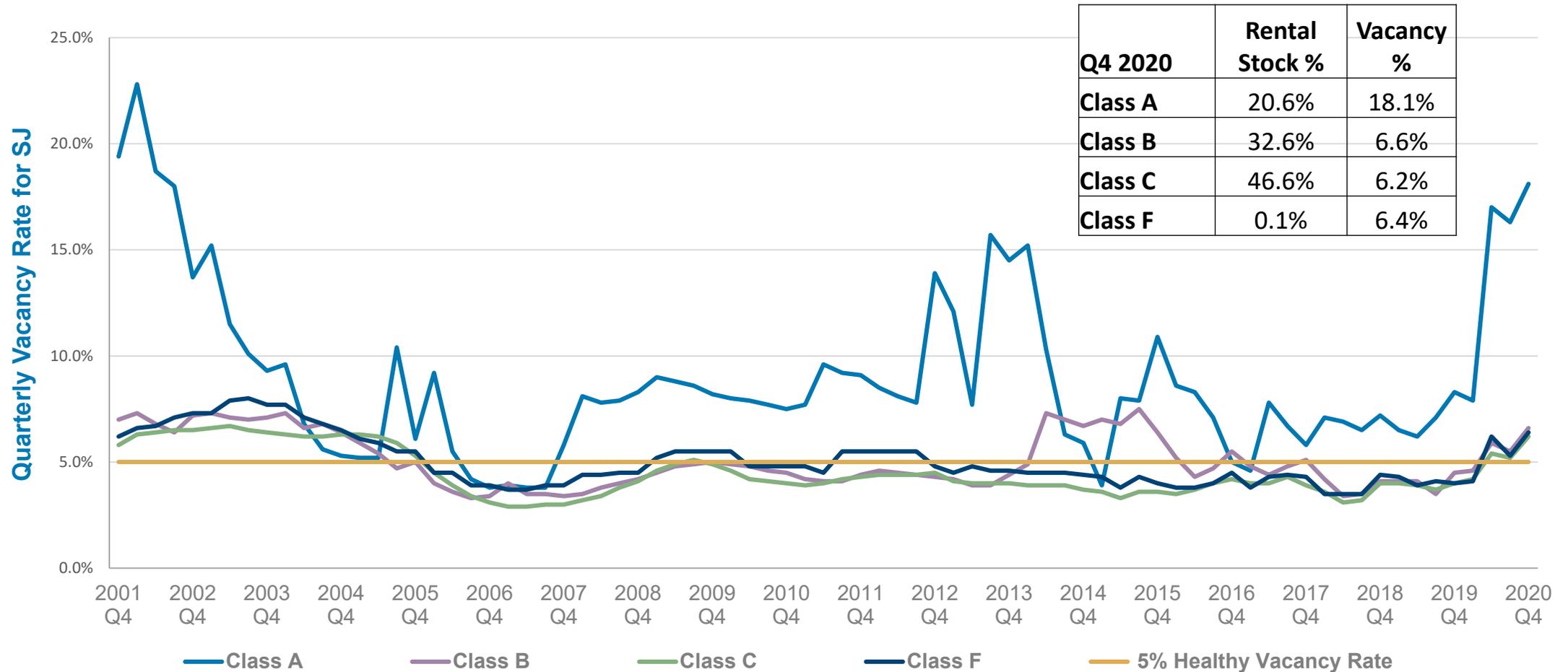
Average Rents Down 3.5% QoQ and 7.3% YoY



SOURCE: Costar Jan 4, 2020.

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

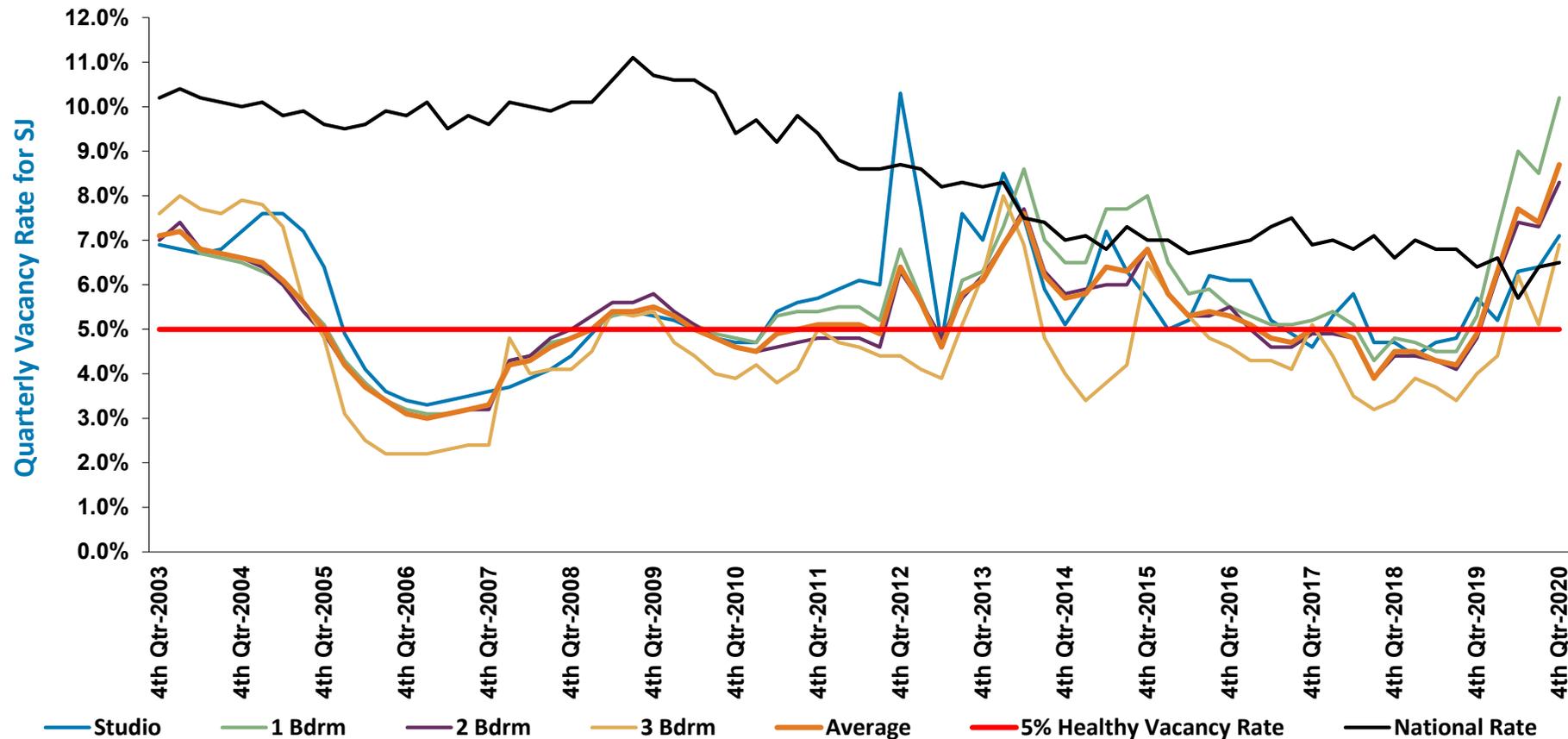
Vacancies Trend Up QoQ



SOURCE: Costar January 4, 2020.

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

Average Vacancy Rises 18% QoQ to 8.7% Well Above “Healthy” Rate of 5%



Q4 2020 Vacancy Rates

Studio – 7.1%
1 BR – 10.2%
2 BR – 8.3%
3 BR – 6.91%

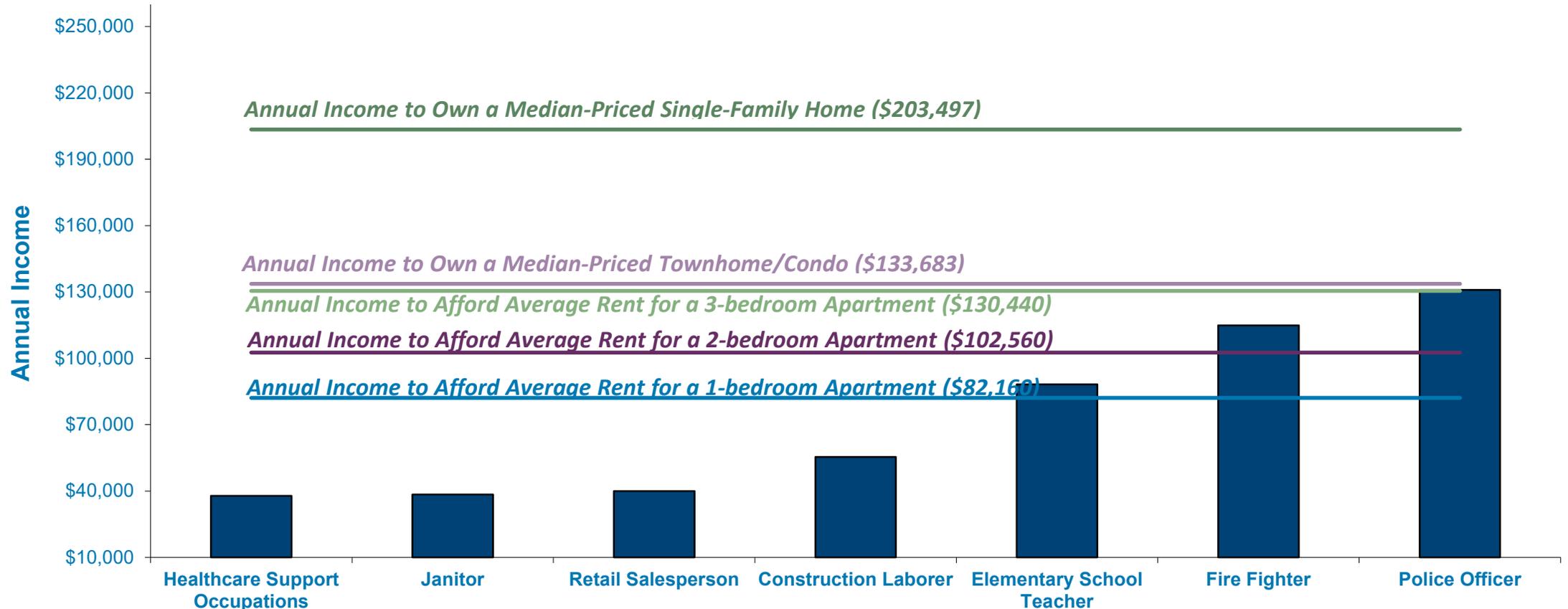
Average – 8.7 %

San José Average = 8.7%

U.S. Average = 6.5%

SOURCE: Costar, January 4, 2020; National Rate – US Census Bureau Current Population Survey/ Housing Vacancy Survey Q4, 2020.

Many Workers Cannot Afford San José Housing Costs



SOURCE: Employment Development Department (EDD) – First Quarter 2020 Wages; Costar Q4 2020 Average Effective Rents; Income to rent calculation assumes rent at 30% of income and a single-income household; SCSOAR December 2020 median home sales prices; Income to mortgage calculations assume payments at 30% of income, 20% down, 2.68% interest, 1.1% Property Tax, \$300 HOA dues for condos and a single-income household.

San José Single Family Median Home Prices

Down 2% QoQ But Up 14% YoY



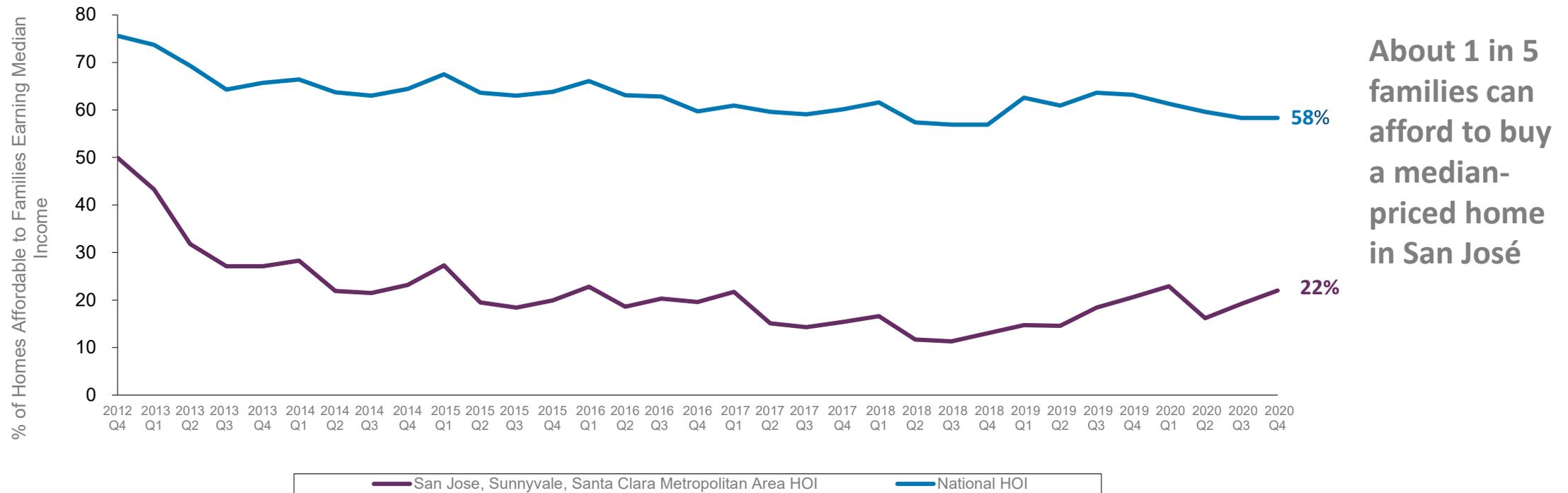
SOURCE: Santa Clara County Association of Realtors December 2020.

San José Condo/Townhome Median Prices Up 0.3% QoQ and 12% YoY



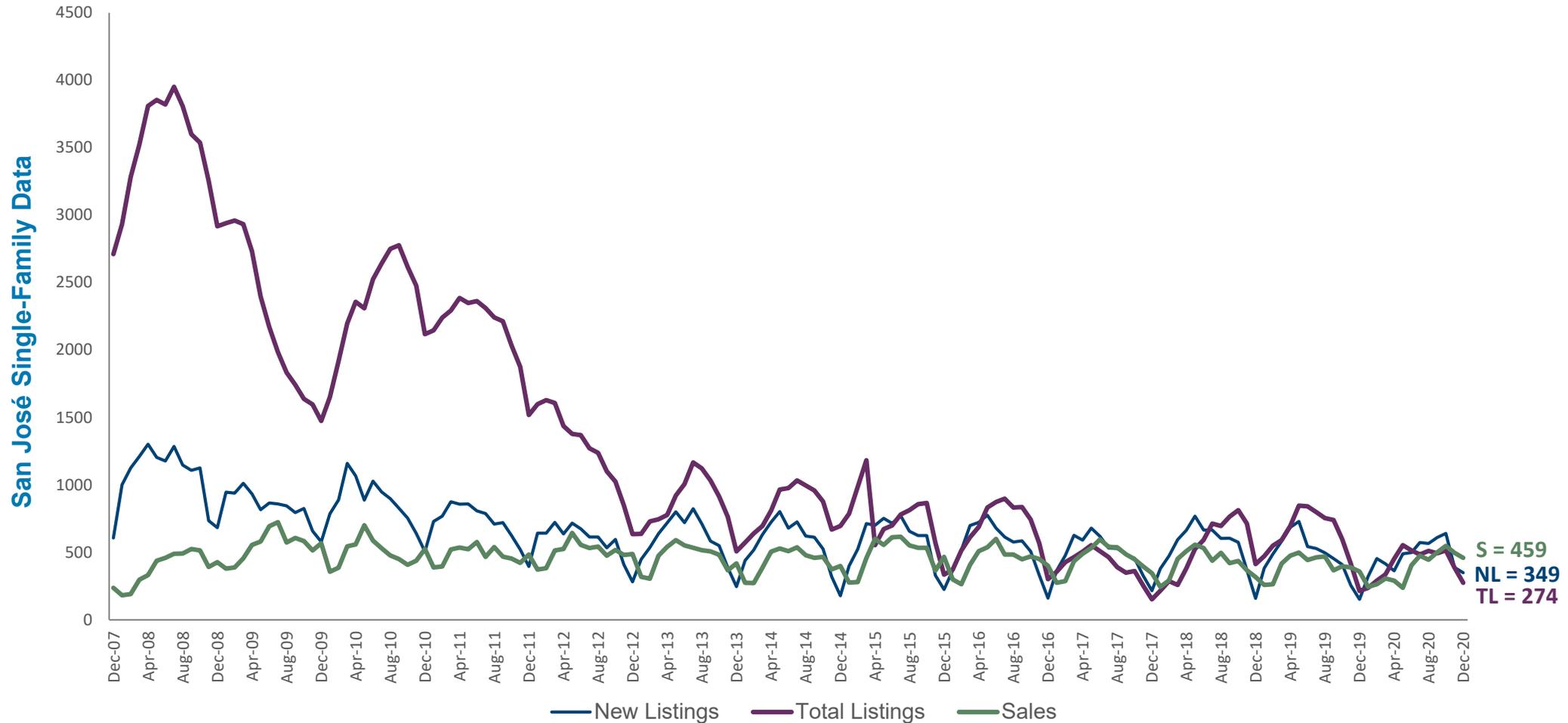
SOURCE: Santa Clara County Association of Realtors December 2020

Only 22% of San José Homes Are Affordable to Median-income Households



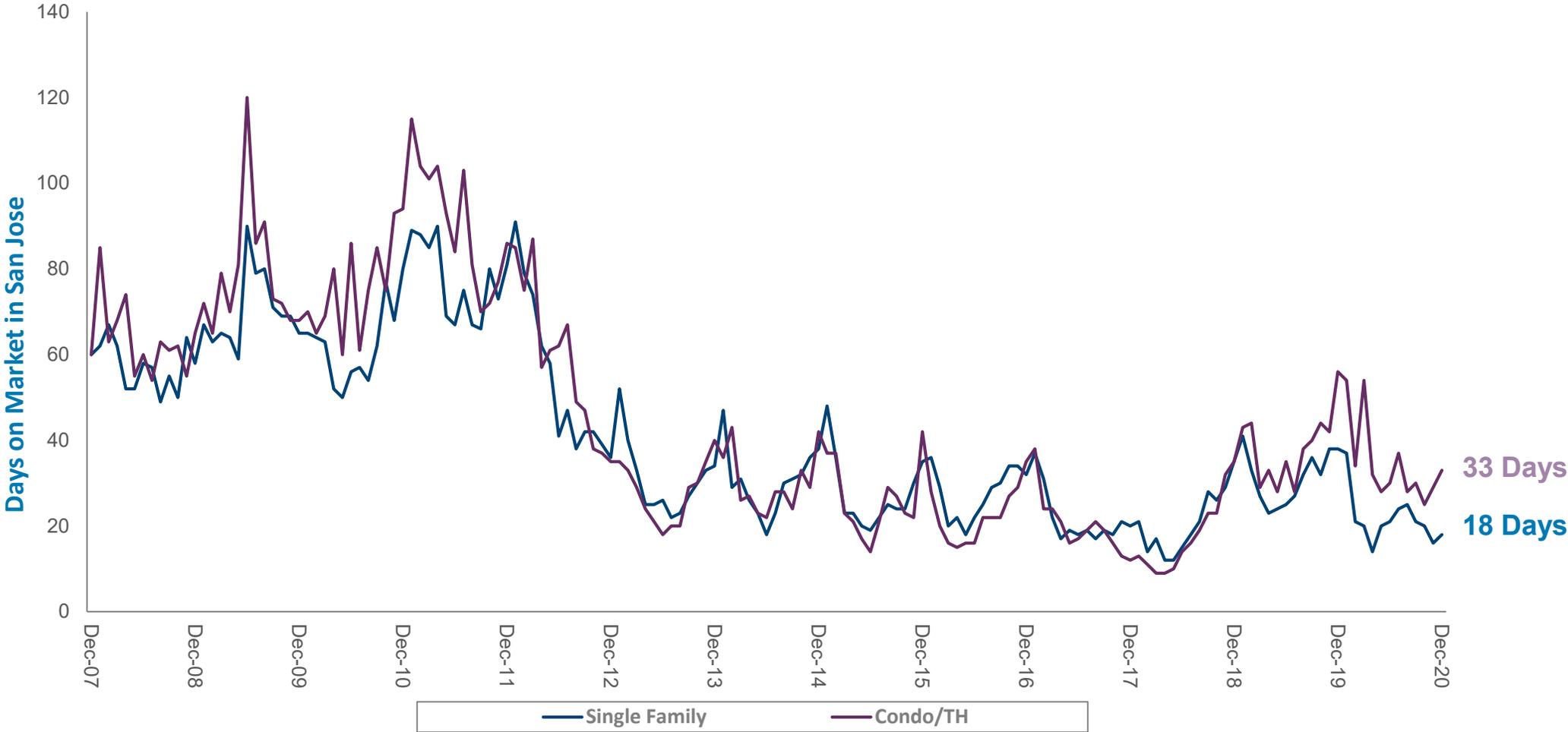
SOURCE: National Association of Home Builders, Housing Opportunity Index (HOI) Q4 2020.

Single Family Inventory Down Over 40% & Homes Sold Down 8% QoQ



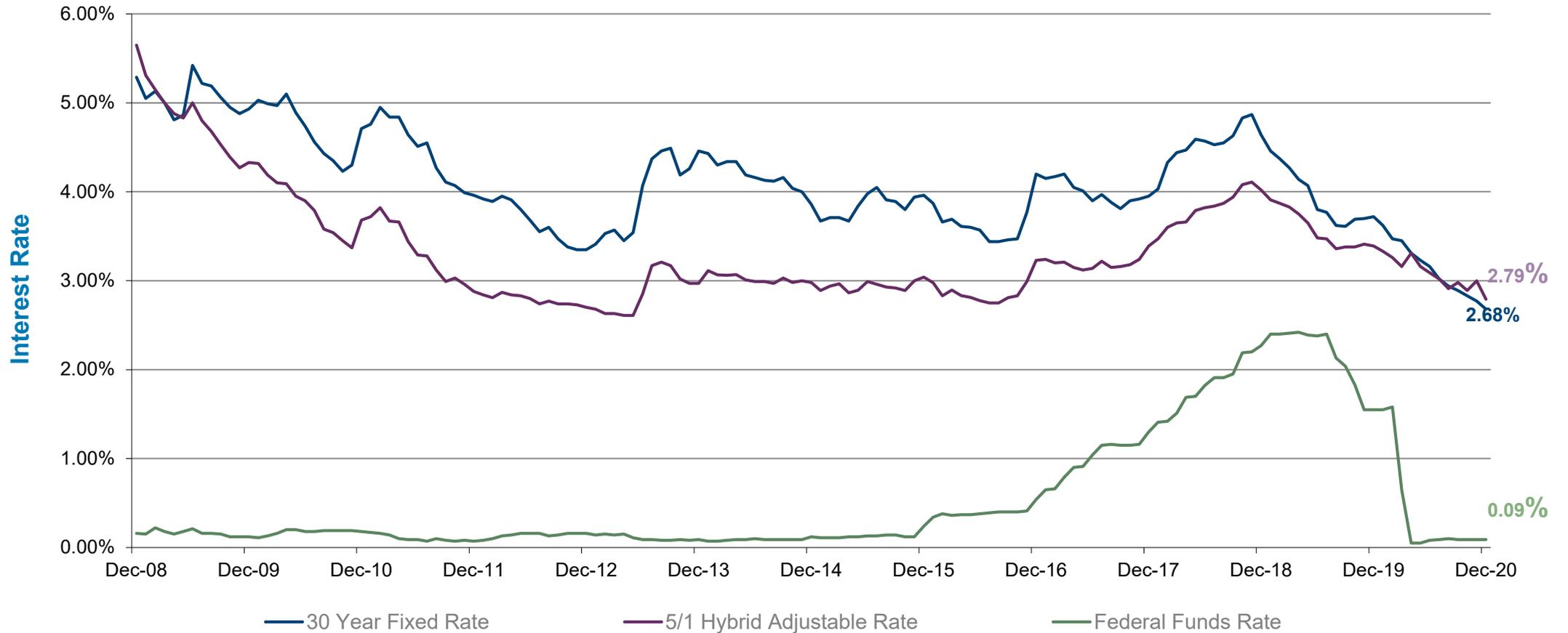
SOURCE: Santa Clara County Association of Realtors December 2020

Single Family Homes and Condos Continue to Sell Fast



SOURCE: Santa Clara County Association of Realtors December 2020.

30-Year Fixed Rate at All-Time Low



SOURCE: Federal Reserve, Freddie Mac Primary Mortgage Market Survey, Q4 2020.

Data Sources and Definitions

- ◆ 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, as the City's previous vendor, RealAnswers, went out of business in Q4 2016
- ◆ For questions, please call the Housing Department at 408-535-3860