City of San José

Housing Market Update

Second Quarter 2016

MidPen Housing’s Donner Lofts is a mixed-use affordable housing development that will provide 102 apartments for working individuals (including 20 units for formerly homeless) and 2,500 square feet of retail space. Funded partly with $5.4 million of City funds and a land lease, it opened in August 2016 and is expected to receive a LEED Gold Certification.
Q2 2016 San José Housing Market

- In Q2 2016, 368 residential permits were issued - 81 affordable, 233 multi-family market and 54 single-family/other permits.

- The San José, Sunnyvale, Santa Clara Metro Area is the third most expensive jurisdiction in the nation for fair market rents.

- Donner Lofts received 1,515 applicants for its 81 available affordable apartments in two weeks – 19 applicants per apartment.

- SJ Average Rents up 4% year over year (YoY).

- Average monthly rent for a 2 bedroom apartment is $2,847; Renters must earn $55/hour ($113,880/year) to afford the average rent for a two bedroom, two-bath apartment.

- SJ Median single-family home price is $920,000, up 6% YoY.

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1 Out of Reach 2016, National Low Income Housing Coalition: http://nlihc.org/oor
2 realAnswers, Q2 2016.
3 Based on Q2 2016 realAnswers average rents, income calculation assumes rents are 30% of income, 40 hour work week, and a single income household.
4 Santa Clara County Association of Realtors, June 2016.
Q2 2016 Residential Permits Up 24% from Q1 2016 and Doubles YoY

SOURCE: City of San José Housing Department, Q2 2016
Average Rent Growth Slows, Up 1% from Q1 2016 and 4% YoY

Average Monthly San José Rents

- Studio
- 1bd/1bath
- 2bd/2bath
- 3bd/2bath
- Average

SOURCE: realAnswers – Q2 2016 - Data only includes rental developments with 50 apartments or more
SJ Q2 2016 Vacancy at 5.1%, Close to Natural Rate, Up 11% from Q1 2016 & Up 8.5% YoY

SOURCE: realAnswers Data Q2, 2016 – Note that data only includes rental developments with 50 apartments or more; demand for affordable housing far exceeds the supply and the vacancy rate for affordable housing is nearly 0% as evidenced by long wait lists at most developments.
Rents in Some San José Areas Trend Higher

<table>
<thead>
<tr>
<th>Project</th>
<th>1BR</th>
<th>2BR</th>
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</thead>
<tbody>
<tr>
<td><strong>Avg. Citywide Rents</strong>&lt;br&gt;(Q2 2016 realAnswers)</td>
<td>$2,258</td>
<td>$2,847</td>
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<tr>
<td>Domain (North SJ)</td>
<td>$2,650 - $2,777</td>
<td>$2,938 - $3,094</td>
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<tr>
<td>Crescent Village (North SJ)</td>
<td>$2,540 - $3,350</td>
<td>$3,275 - $4,165</td>
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<td>One South Market (Downtown SJ)</td>
<td>$2,423 - $3,499</td>
<td>$3,728 - $6,168</td>
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<td>Centerra (Downtown SJ)</td>
<td>$2,474 - $5,686</td>
<td>$3,564 - $4,909</td>
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<tr>
<td>Ascent Apartments (Edenvale SJ)</td>
<td>$2,305 - $2,745</td>
<td>$2,895 - $3,940</td>
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</tbody>
</table>
Q2 2016 Market Rents Significantly Out of Reach for Many San José Workers

SOURCE: Employment Development Department (EDD) – First Quarter 2016 Wages; Income to rent calculation assumes rent at 30% of income and a single income household
SJ Renters Spend Greater % of Income on Rent than Renters Nationwide

SOURCE: Zillow Rental Affordability Index Q1 2016
San Jose’s SF Median Home Price Up 1% from Q1 2016 and Up 6%YoY

SOURCE: Santa Clara County Association of Realtors, June 2016
Taken as a multiple of Median Income, SJ Metro Area Median Home Prices are 3 Times the National Average

SOURCE: Zillow Price to Income Index Q1 2016
SJ Housing Affordability Remains Low Relative to the Nation (6th least affordable)

Less than 1 in 5 families in San José can afford a median priced home

SJ Homeowners Pay Almost 3 Times the Mortgage Costs of the Average US Homeowner

SOURCE: Zillow Mortgage Affordability Index Q1 2016

San José Housing Market Update : Q2 2016
SJ Townhome/Condo Median Prices Up 2% from Q1 2016 and Up 10% YoY

SOURCE: Santa Clara County Association of Realtors, June 2016
SF Total Listings & Sales Up 40%, New Listings Down 2% from Q1 2016;

SOURCE: Santa Clara County Association of Realtors, MLS Listings March 2016
SF Days on Market Rises 10% from Prior Quarter and 16% YoY

SOURCE: Santa Clara County Association of Realtors June 2016
Interest Rates Remain Low

**Source:** Federal Reserve, Freddie Mac Primary Mortgage Market Survey, June 2016. Note that going forward the City will use the "5/1 Hybrid Adjustable Rate" instead of the "One-Year Adjustable Rate Mortgage" used in prior reports.