City of San José

Housing Market Update

Second Quarter 2017

Met South is Phase II of a two Phase development, sponsored by Charities Housing. Met South is currently under construction and consists of 30 affordable apartments. The community is conveniently located near Monterey and Tully bus lines, which will provide ample connections to Light Rail and CalTrain. Work opportunities and amenities such as retail, grocery stores and restaurants are easily accessible from the site.
Q2 2017 San José Housing Market

• In Q2 2017, 255 residential permits were issued of which 30 (12%) were affordable.

• SJ average rent growth is 2.2% year over year (YoY); vacancy remains low at 4.8%. ¹

• Average effective monthly rent for a 2 bedroom apartment is $2,604; Renters must earn $50/hour ($104,160/year) to afford the average rent for a two bedroom, two-bath apartment. ²

• SJ median single-family home price is $996,000; Residents must earn $92/hour ($191,830/year) to afford to buy a median priced home. ³

¹ Costar Q2 2017 – Refer to end notes for details
² Based on Q2 2017 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, June 2017 median prices; income calculation assumes monthly payments are 30% of income, 20% down, 3.9% interest rate, 1.25% property tax, 40 hour work week and a single income household.
Residential Permit Activity Slows in Q2 2017

SOURCE: City of San José Housing Department, June 2017
SJ Average Rent Keeps Climbing - Up 2.5% from Q1 2017 and Up 2.2% YoY
SJ Average Vacancy Remains Low, Drops 6% from Q1 2017 and 9% YoY

Average Vacancy Rate for SJ

- Studio
- 1bd/1bath
- 2bd/2bath
- 3bd/2bath
- Average
- 5% Healthy Vacancy Rate
- National Rate
- 4%
- 3%

Housing Costs Significantly Out of Reach for Many SJ Workers

![Bar Chart]

- **Annual Income to Rent One-bedroom Apartment ($84,480)**
- **Annual Income to Rent Two-bedroom Apartment ($104,160)**
- **Annual Income to Rent Three-bedroom Apartment ($128,920)**
- **Annual Income to Own a Townhome/Condo ($139,116)**
- **Annual Income to Own a Single-Family Home ($191,830)**

SOURCE: Employment Development Department (EDD) – First Quarter 2017 Wages; Costar Q2 2017 Average Rents; Income to rent calculation assumes rent at 30% of income and a single income household; Santa Clara County Association of Realtors Q2 2017 median prices; Income to mortgage calculations assume payments at 30% of income, 20% down, 3.9% interest, 1.25% Property Tax, $300 HOA dues for condos and a single-income household
SJ Renters Spend Greater % of Income on Rent than Renters Nationwide

![Median Rent as a % of Median Income](source)

- **San Jose Metro**: 39%
- **United States**: 29%

SOURCE: Zillow Rental Affordability Index Q1 2017– One Quarter Lag
SJ Single-Family Median Home Price Marches Up; Rises 2% from Prior Quarter and 8% YoY

SOURCE: Santa Clara County Association of Realtors, June 2017
Taken as a multiple of Median Income, SJ Metro Area Median Home Prices Nearly 3 Times the National Average

SOURCE: Zillow Price to Income Index Q1 2017– One Quarter Lag
SJ Housing Affordability Remains Low Relative to the Nation (6th least affordable)

Less than 1 in 6 families in San José can afford a median priced home

SOURCE: National Association of Home Builders, Housing Opportunity Index Q2 2017
SJ Homeowners Pay 2.5 Times the Mortgage Costs of the Average US Homeowner

![Graph showing mortgage payments as a % of median income for San Jose Metro and United States over time. The graph indicates that mortgage payments for San Jose Metro are significantly higher than those for the United States, peaking at 43% in 2007 and 16% for the United States in 2012.]
SJ Townhome/Condo Median Prices at Record Level, Up 3.4% from Prior Quarter, Up 9.5% YoY

SOURCE: Santa Clara County Association of Realtors June 2017
SJ Single-Family Sales Up 38% from Prior Quarter, but Flat YoY; New Listings Down 1% from Prior Quarter and 9% YoY

SOURCE: Santa Clara County Association of Realtors, June 2017
Homes Are Selling Faster – Single-Family DOM Down 4 Days Quarterly and YoY

SOURCE: Santa Clara County Association of Realtors June 2017
Interest Rates Remain Low

SOURCE: Federal Reserve, Freddie Mac Primary Mortgage Market Survey, Q2 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 apartments and excludes affordable rents