Sparq, is a 105 unit, mixed use, transit-oriented, market-rate project in downtown San Jose. It will be developed by CORE and broke ground in July 2017. Sparq offers residents creative social amenities and the latest in apartment technology, including electronic package lockers and automated car parking systems.
Q2 2018 San José Housing Market

- **622** residential permits issued – none for affordable housing
- Accessory Dwelling Unit permits issued on track to surpass 2017 levels
- Average effective rent grew **4%** Quarter-over-Quarter (QoQ); Overall vacancy is at **4.8%**
- Renters must earn **$53/hour** ($110,120/year) to afford the average effective monthly rent for a 2-bedroom apartment of **$2,753**
- Median single-family home price was **$1,225,000**, down 2% QoQ
- Residents must earn **$121/hour** ($251,300/year) to afford a median priced single-family home

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2. Based July 16, 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, June 2018 median prices; income calculation assumes monthly payments are 30% of income, 20% down, 4.4% interest rate, 1.25% property tax, 40-hour work week and a single income household.
Q2 2018 San José Residential Permit Activity

Quarterly RHNA Goal is 997 total units permitted

Q2 2018 Total Permits – 622

SOURCE: City of San José Housing Department, June 2018.
2018 Second Unit Permits On Track to Surpass 2017 Levels

* Zoning code updated in December 2016 and in 2018 to conform with new State Legislation and to encourage ADU development.

SOURCE: City of San José Monthly Permit Reports as of June 2018.
Average Rent Up 4% Quarter-over-Quarter (QoQ) & 5% YoY

Average Effective Market Rents for SJ


Average

Average Vacancy at 4.8%, lower for larger unit sizes

Average Vacancy lower for older buildings (81% of total rental stock)

<table>
<thead>
<tr>
<th></th>
<th>Q2 2018</th>
<th>Rental Stock %</th>
<th>Vacancy %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A</td>
<td>18.8%</td>
<td>7.1%</td>
<td></td>
</tr>
<tr>
<td>Class B</td>
<td>35.2%</td>
<td>3.4%</td>
<td></td>
</tr>
<tr>
<td>Class C</td>
<td>45.9%</td>
<td>3.2%</td>
<td></td>
</tr>
<tr>
<td>Class F</td>
<td>0.1%</td>
<td>3.5%</td>
<td></td>
</tr>
</tbody>
</table>

SOURCE: Costar, August 21, 2018

Class A refers to highest quality construction, Class B refers to more utilitarian space, Class C refers to a no-frills older building and Class F refers to a functionally or economically obsolete building, per Costar Building Ratings.
Housing is Out of Reach for Many San José Workers

SOURCE: Employment Development Department (EDD) – First Quarter 2018 Wages; Costar July 16, 2018. Average Rents; Income to rent calculation assumes rent at 30% of income and a single income household; Santa Clara County Association of Realtors Q2 2018 median prices; Income to mortgage calculations assume payments at 30% of income, 20% down, 4.57% interest, 1.25% Property Tax, $375 HOA dues for condos and a single-income household.
San José Renters Spend Higher % of Income on Rent

Median Rent as a % of Median Income

SOURCE: Zillow Rental Affordability Index Q1 2018 – One Quarter Lag.
San José Single-Family Median Home Price Down 2% QoQ, but Up 23% YoY

SOURCE: Santa Clara County Association of Realtors, June 2018.
San José Condo/Townhome Median Prices
Up 8% QoQ and 25% YoY

San José

San José Housing Market Update: Q2 2018

SOURCE: Santa Clara County Association of Realtors June 2018.
San José Metro Area Median Home Prices 10x Median Income - Triple the National Average

SOURCE: Zillow Price to Income Index Q1 2018 – One Quarter Lag.
San José Owners Spend More than Half their Income on Mortgages, 3x National Average

SOURCE: Zillow Mortgage Affordability Index Q1 2018 – One Quarter Lag.
San Jose Housing Affordability Remains Low Relative to the Nation (6th least affordable)

Less than 1 in 8 families in San José can afford to own a median priced home.

Single-Family Inventory (Total Listings) Doubles QoQ, Up 16% YoY; Sales Up 18% QoQ & Down 11% YoY
Two Week Turnaround Time for Home Sales in San José

SOURCE: Santa Clara County Association of Realtors June 2018.
Interest Rates Inch Upwards

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.