

Housing Market Update

Third Quarter 2023



Tamien Station, at 1197 Lick Avenue, is a transit-oriented development that will create a community of affordable and market-rate housing right next to the Tamien Caltrain and VTA Light Rail station. The affordable housing is of a family-oriented design that offers 1-, 2-, and 3-bedroom units. The affordable building will also include an onsite grocery program for people in need of food assistance, and a 3,200 square-foot commercial space to be used as a child-care center with subsidized costs. Image Courtesy of The Core Companies.

Q3 2023 San José Housing Market

- 🏠 Renters must earn **\$58/hour** (\$120,360/year) to afford the average *effective* monthly rent for a 2-bedroom apartment¹
- 🏠 Homebuyers must earn **\$197/hour** (\$409,742/year) to afford a median-priced single-family home²
- 🏠 **1,202** residential building permits issued in Q3, **402 (33%)** were for affordable apartments
- 🏠 **126** ADU (Accessory Dwelling Unit) permits issued in Q3
- 🏠 Rents & Vacancy up QoQ: average effective rent is **\$2,694**, down 1.3% QoQ; overall rental vacancy rate is **5.2%**, up 0.1 pp QoQ³
- 🏠 For-sale market – median single family home price is **\$1,598,888**, flat QoQ⁴

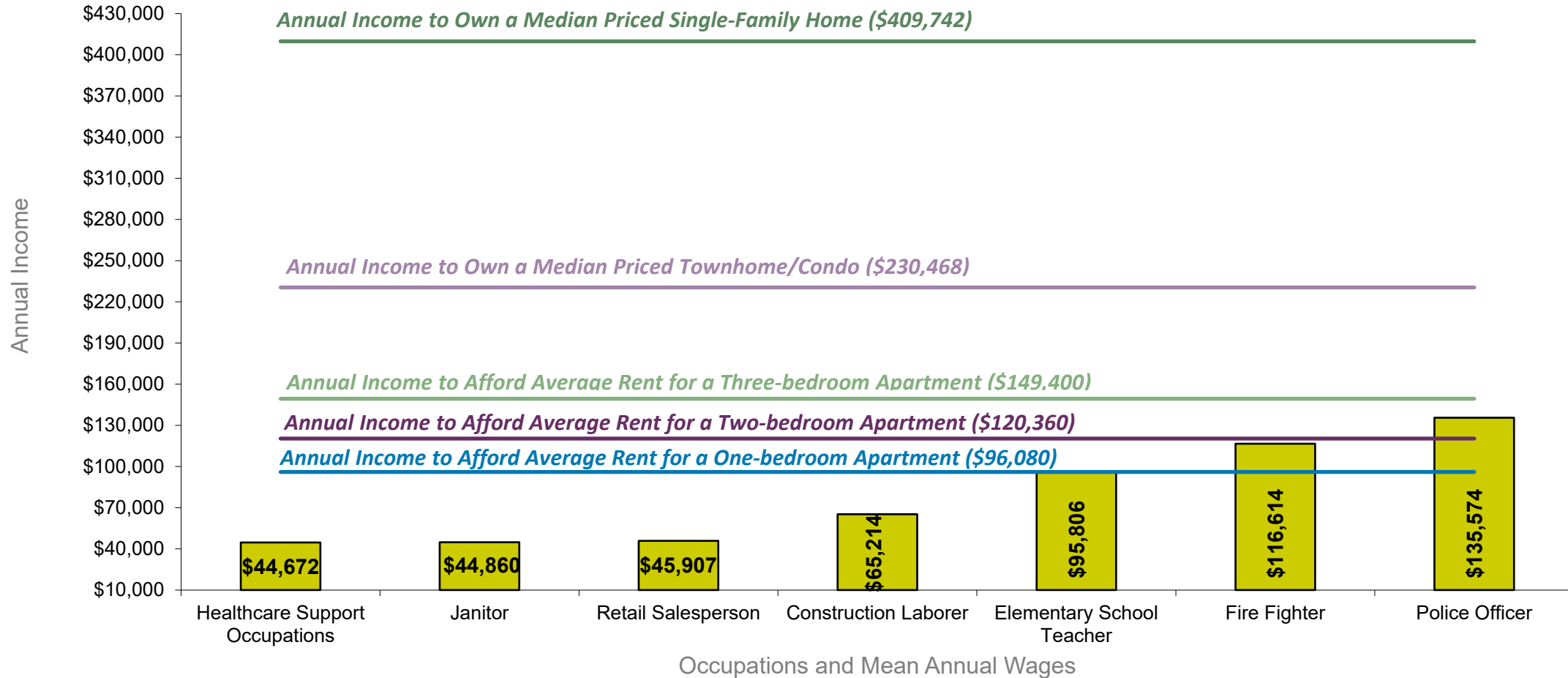
1. Based on Q3 2023 Costar average effective rents; income calculation assumes rents are 30% of income, 40-hour work week and a single-income household; "effective" rents include rent concessions such as free months' rent.

2. Based on SCCAOR Sept 2023 median prices; income calculation assumes monthly payments are 30% of income, 20% down, 7.31% interest rate, 1.1% property tax, 40-hour work week, and a single-income household.

3. Rents & Vacancy based on Costar Data October 3, 2023.; QoQ – Quarter over Quarter; YoY – Year over Year; pp – percentage points

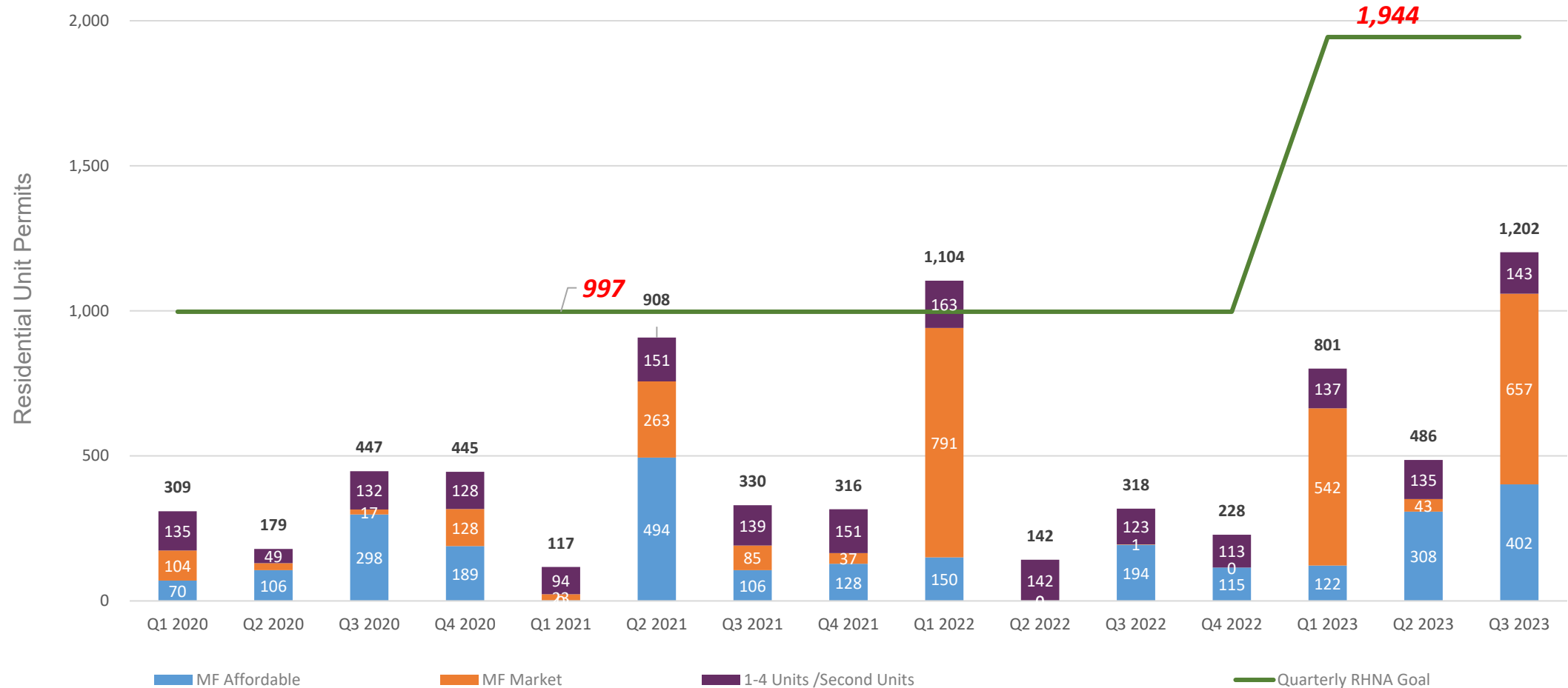
4. Based on Santa Clara County Association of Realtors (SCCAOR), Sept 2023.

Many Essential Workers Cannot Afford San José's Housing Costs



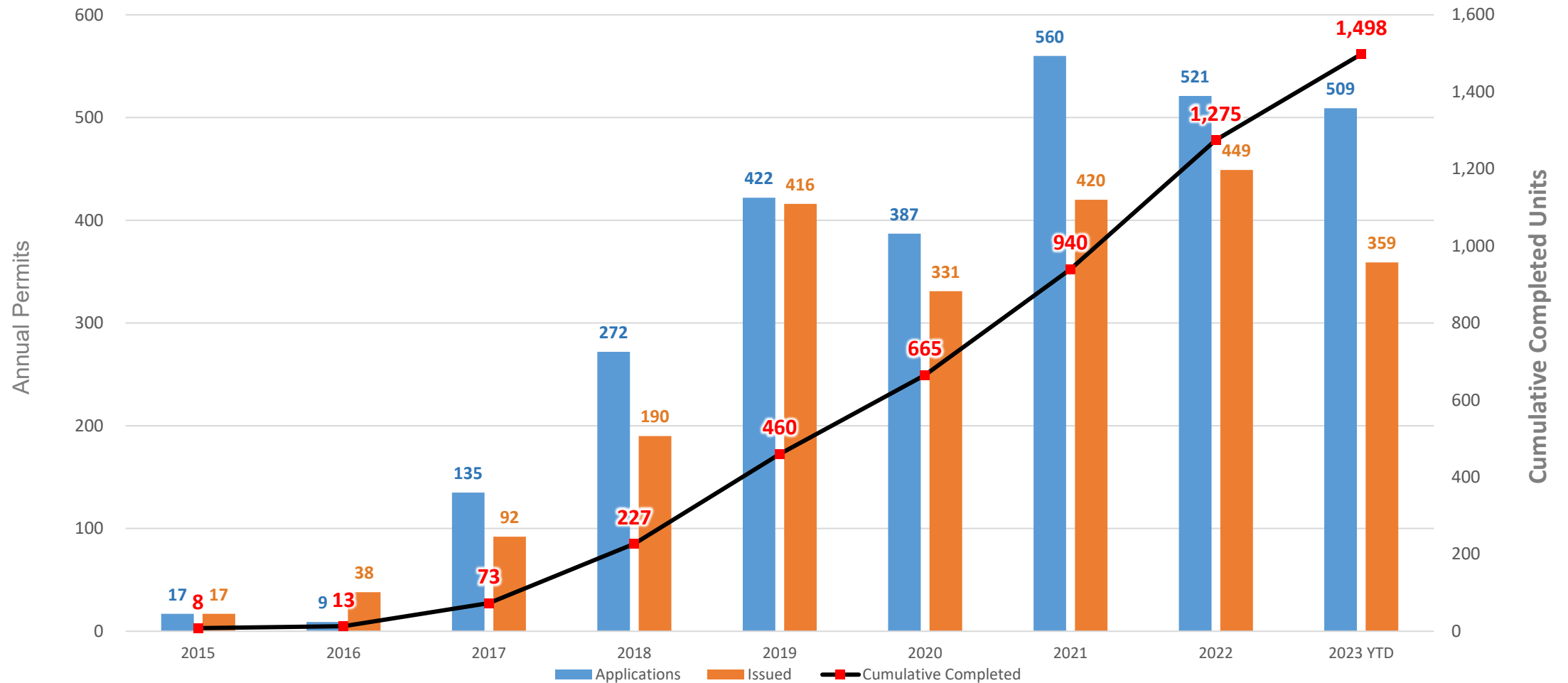
SOURCE: Employment Development Department (EDD) – First Quarter 2023 Wages; Income to afford average rent calculation uses Costar Q3 2023 Average Effective Rents, rent at 30% of income and a single-income household; Income to afford mortgage uses SCCOAR Sept 2023 median home sales prices; payments at 30% of income, 20% down, Sep. 2023 Freddie Mac 30-year fixed interest rate of 7.31%, 1.1% Property Tax, \$300 HOA dues for condos, and a single-income household.

Q3 2023 Residential Permit Activity



SOURCE: CSJ PBCE & Housing. MF Affordable Includes some market-rate units without deed restrictions but counted as moderate-income units, per HCD guidelines for RHNA reporting. New RHNA Goal from 2023-2031

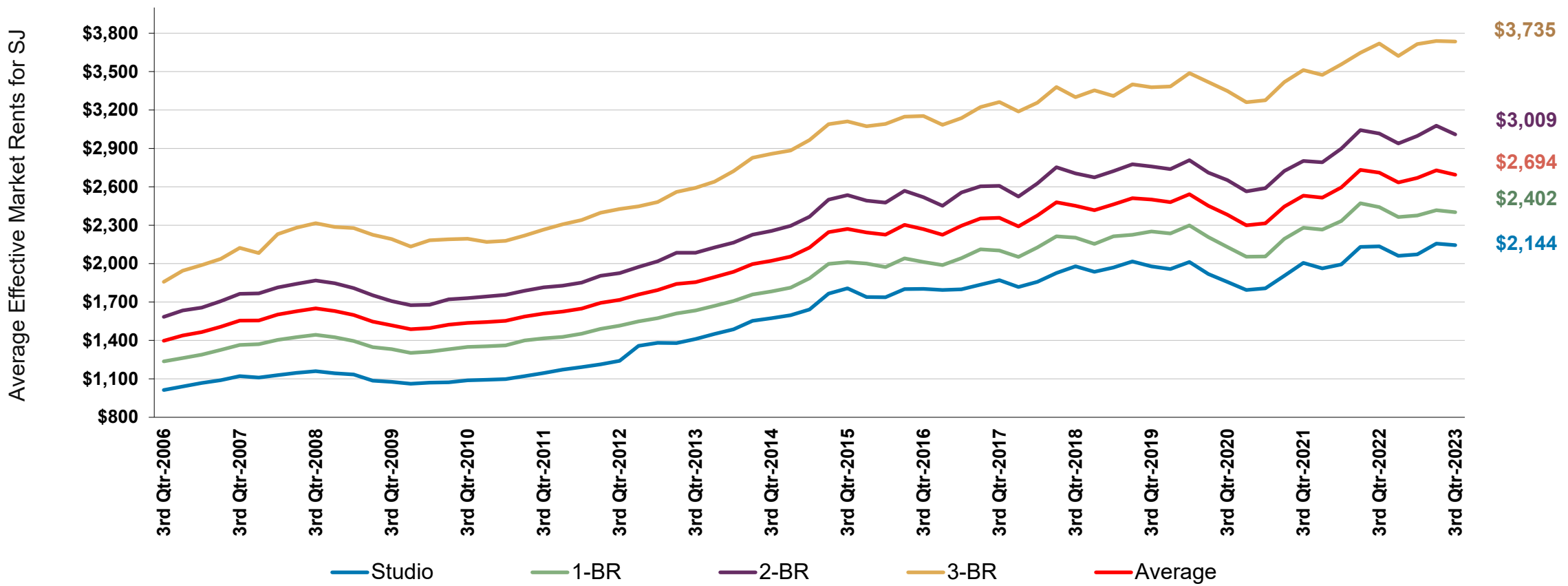
Strong ADU Permit Activity



Zoning code updated in Nov. 2016 and in June 2018 to conform with new State Legislation and to facilitate construction of ADUs

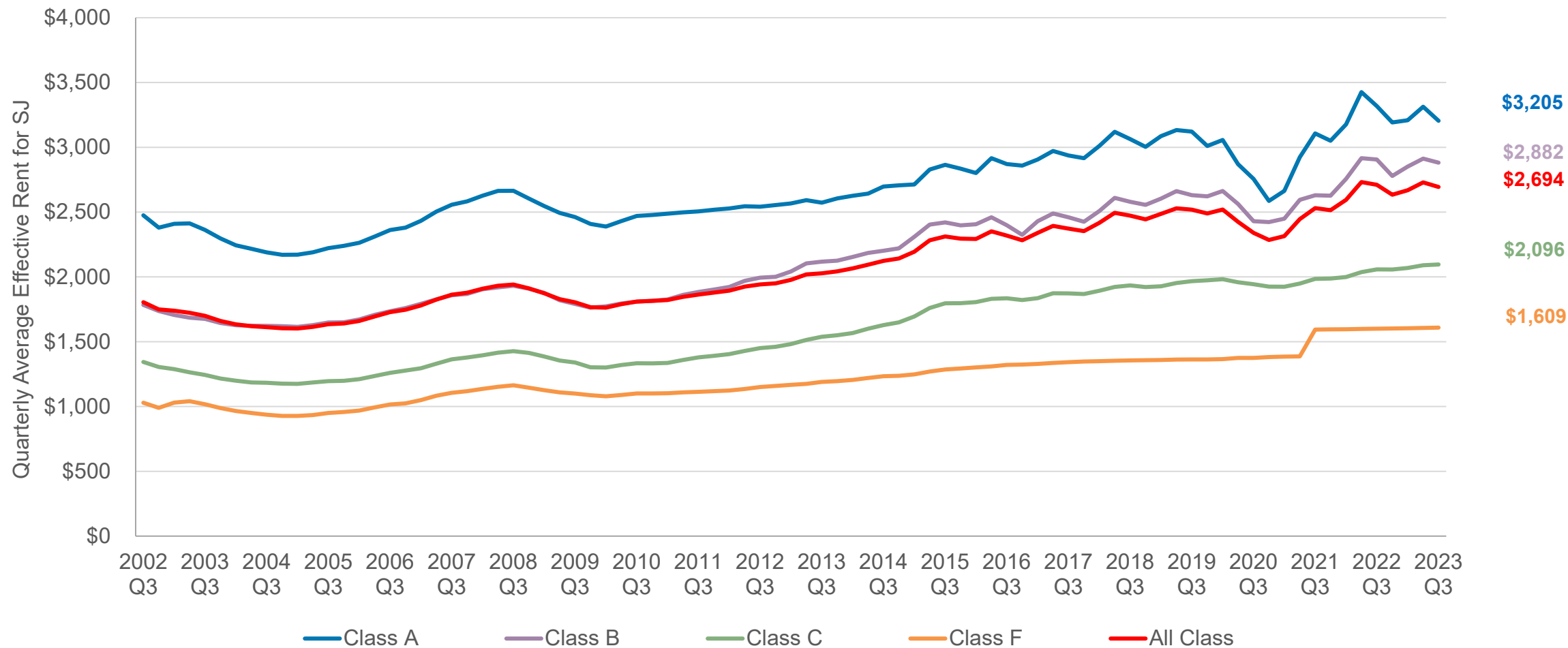
SOURCE: City of San José [ADU Dashboard](#) & PBCE Permit Activity Reports as of Sep. 2023.

Average Rents Decline - 1.3% QoQ & 0.6% YoY



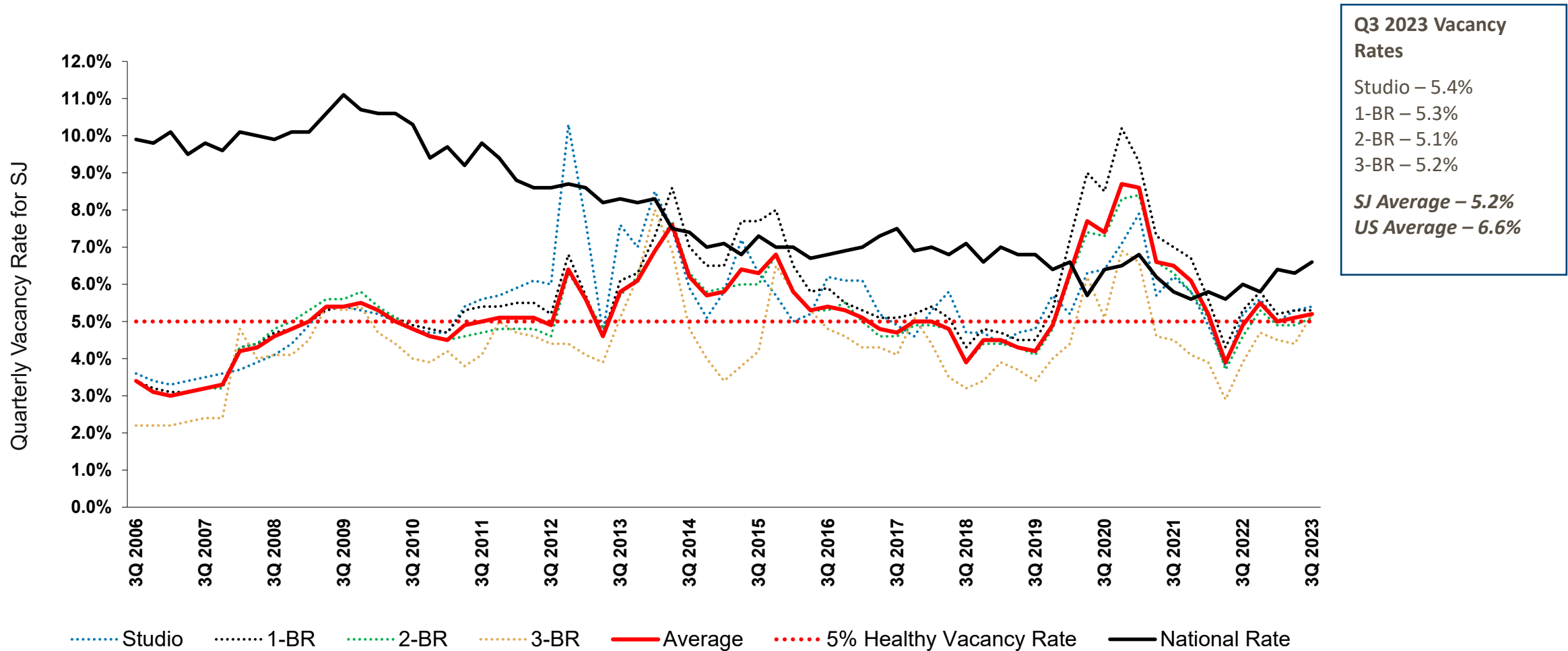
SOURCE: Costar October 3, 2023

Rents by Class – Class A is the Most Volatile



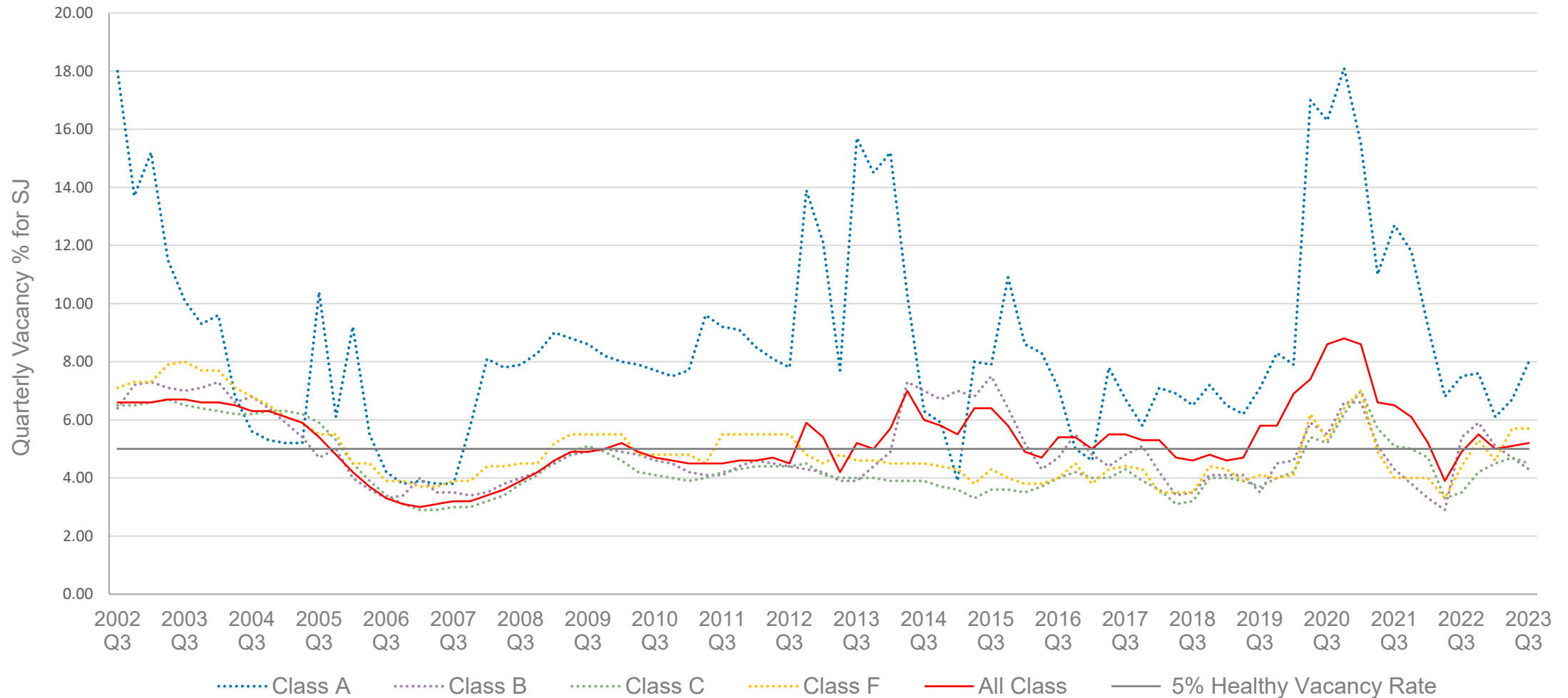
SOURCE: Costar October 3, 2023

Avg Rental Vacancy 5.2%, Up 0.1 pp QoQ & 0.3 pp YoY



SOURCE: Costar Oct 3, 2023; National Rate – US Census Bureau Current Population Survey/ Housing Vacancy Survey Q3 2023.

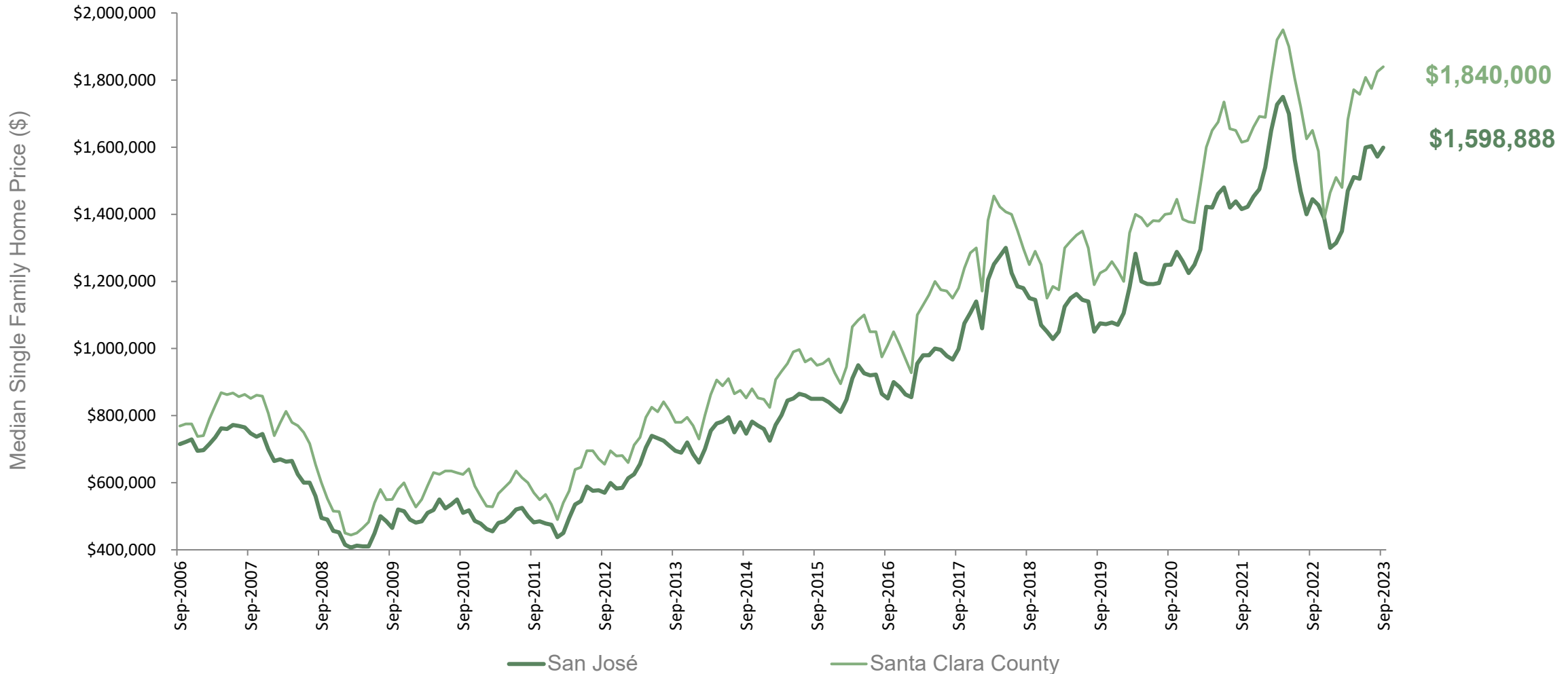
Vacancies by Class – Class A Vacancy is 8%, Up 1.3 pp QoQ



SOURCE: Costar October 3, 2023

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

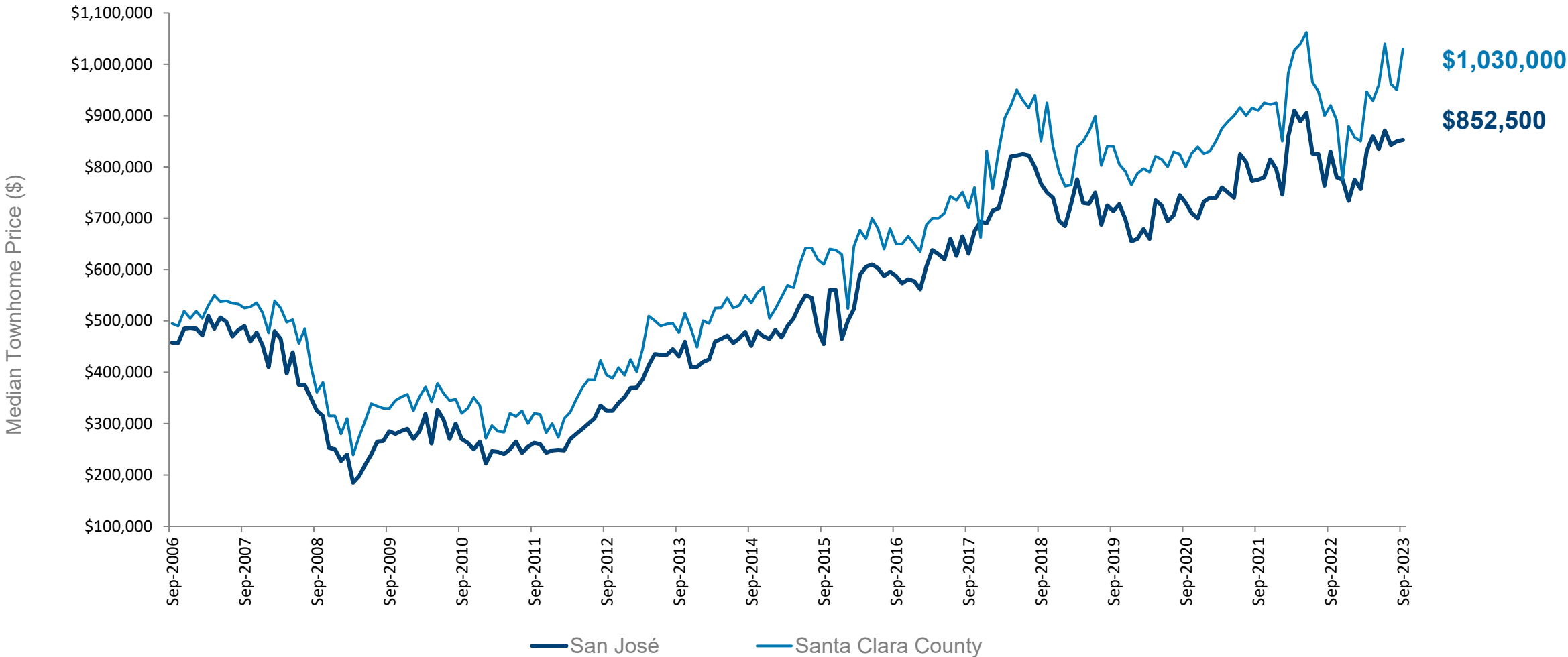
San José Median Single-Family Home Price Flat QoQ, Up 10.6% YoY



SOURCE: Santa Clara County Association of Realtors Sept 2023

San José Median Condo/Townhome Prices

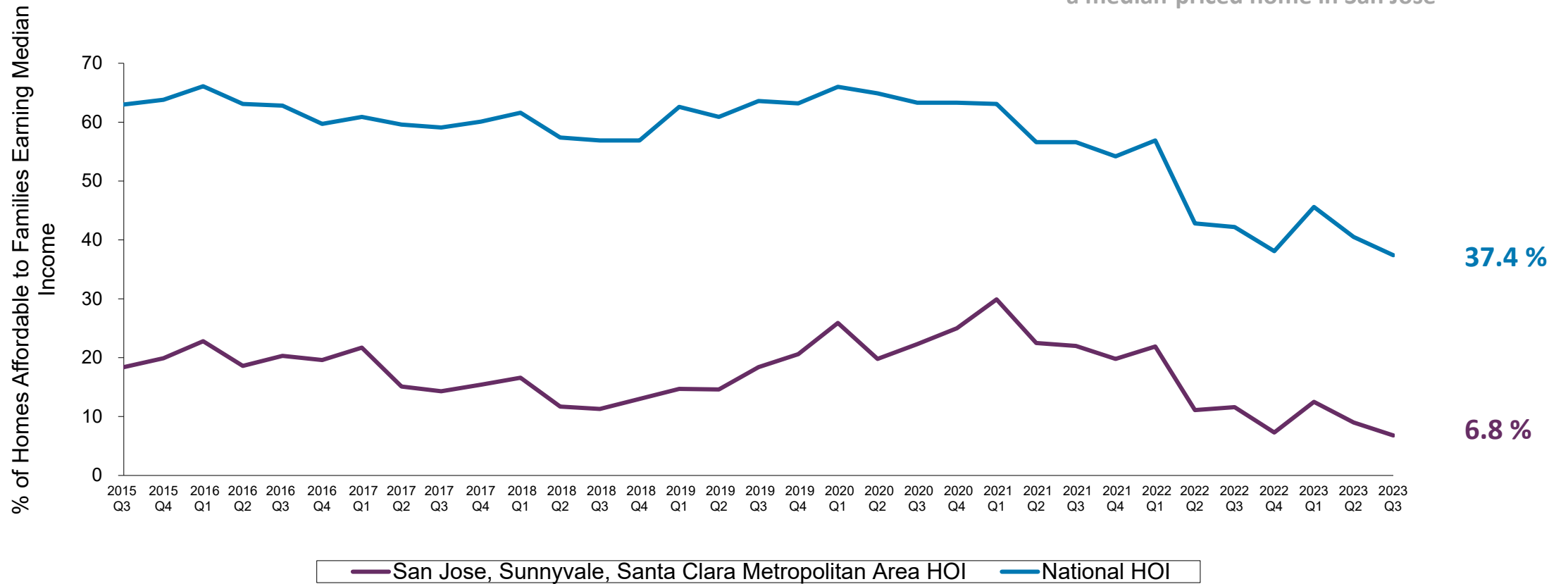
Down 2.1% QoQ, Up 2.7% YoY



SOURCE: Santa Clara County Association of Realtors Sept 2023

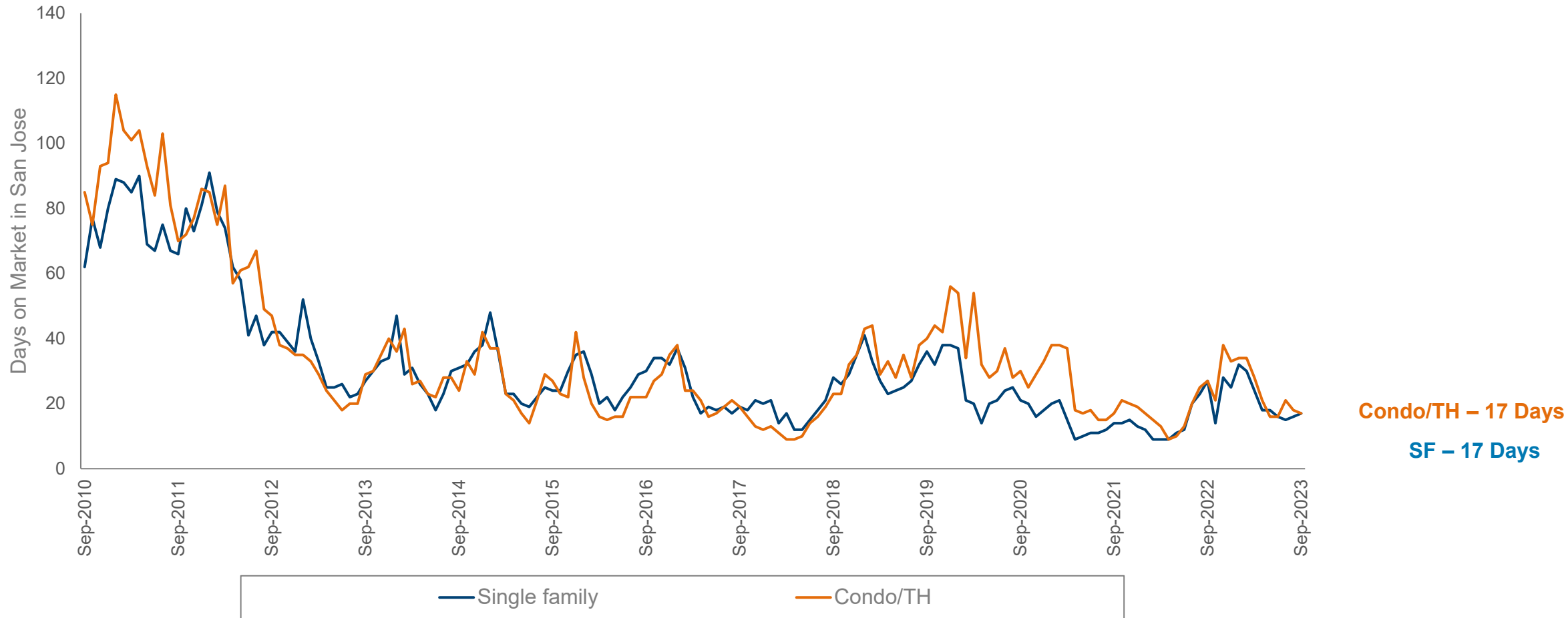
National Affordability More than Five Times San José Metro Area Affordability

Only about 1 in 15 families can afford to buy a median-priced home in San José



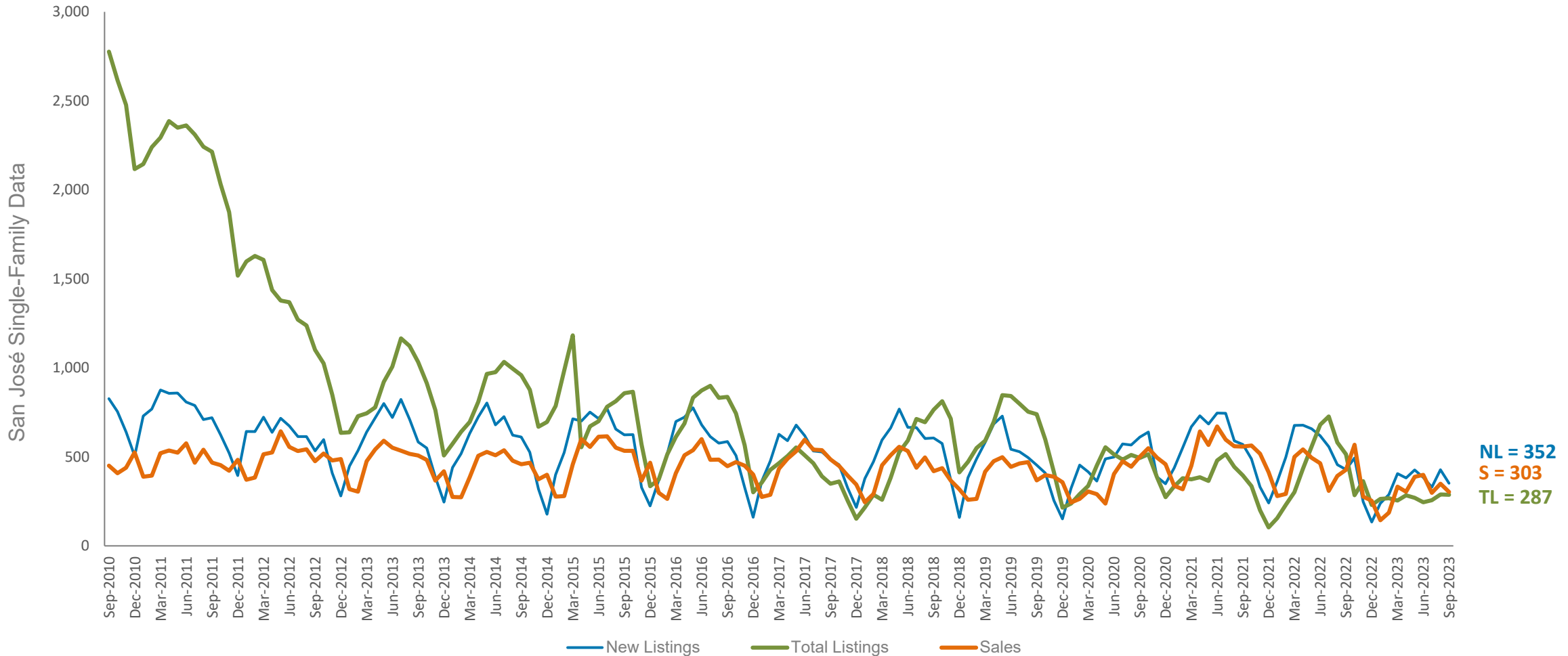
SOURCE: National Association of Home Builders, Housing Opportunity Index (HOI) Q3 2023.

San José Homes' DOM Up 1 Day QoQ



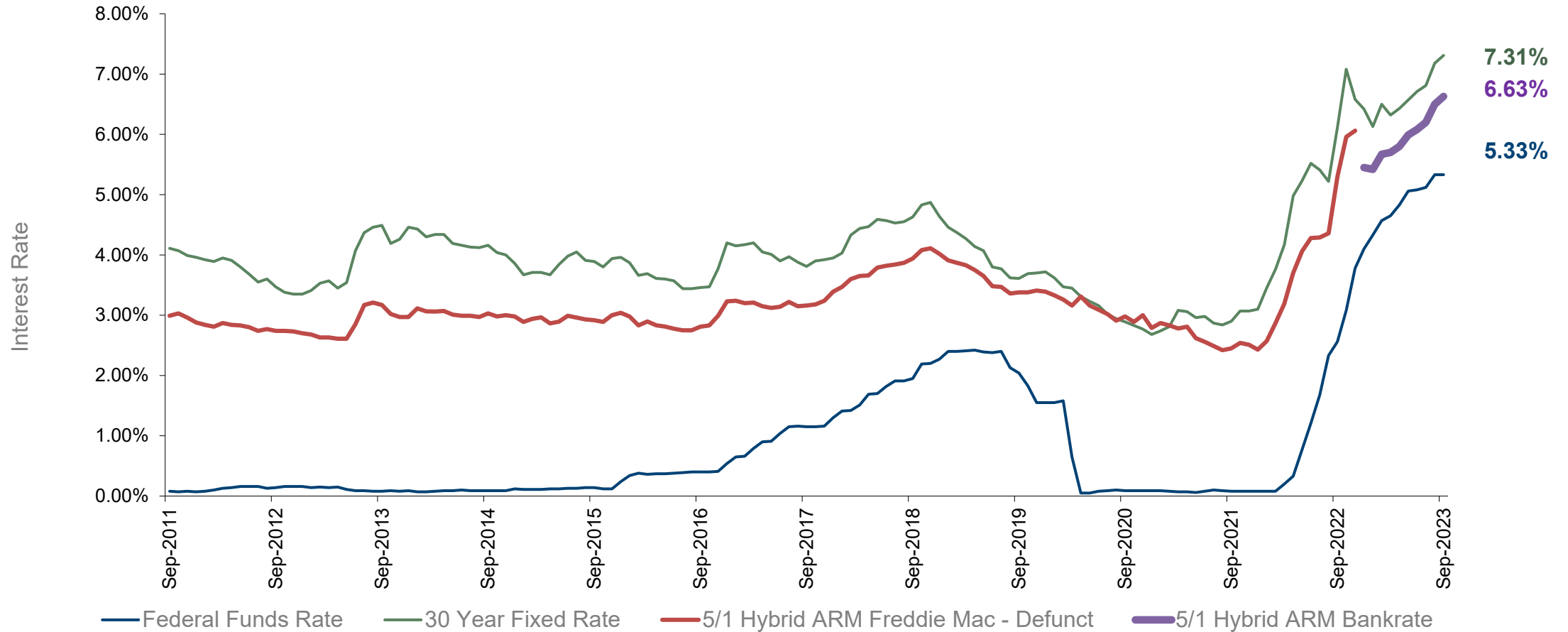
SOURCE: Santa Clara County Association of Realtors Sept 2023

SJ Single-Family Market Sales (-24%), Listings (-8%) Down QoQ, Inventory (+17%) Up QoQ



SOURCE: Santa Clara County Association of Realtors Sep. 2023

Interest Rates Climb



SOURCE: Federal Reserve, Freddie Mac Primary Mortgage Market Survey, Bankrate.com, Sept 2023. Freddie Mac stopped publishing 5/1 Hybrid in Nov 2022; 5/1 Hybrid from Bankrate.com beginning Dec 2022. Annual Percentage rate will be higher based on points and fees paid.

Data Sources and Definitions

- ◆ The Quarterly Market Report is usually published by the 15th of the second month of each quarter.
- ◆ 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
- ◆ Freddie Mac stopped publishing 5/1 ARM as of Nov. 2022. Data is now being obtained from Bankrate.com, an independent, advertising-supported publisher and comparison service. To determine the ARM mortgage rate averages, Bankrate collects APRs and rates from the 10 largest banks and thrifts in 10 large U.S. markets based on no existing relationship or automatic payments. For these averages, the customer profile includes a 700 FICO score.
- ◆ For questions, please call the Housing Department at 408-535-3860