

City of San José

Housing Market Update



Third Quarter 2017

Western National Group plans to develop up to 560 multifamily units and approximately 37,000 sq. ft. of ground-floor retail space in the fifth phase at Market Park San Jose, a 120-acre, mixed-use, transit-oriented community adjacent to the Berryessa BART station, scheduled to open by June 2018. Modern one-, two- and three-bedroom apartments will be offered within a multi-building, mid-rise complex — with retail stores and restaurants occupying street-level spaces.

Q3 2017 San José Housing Market

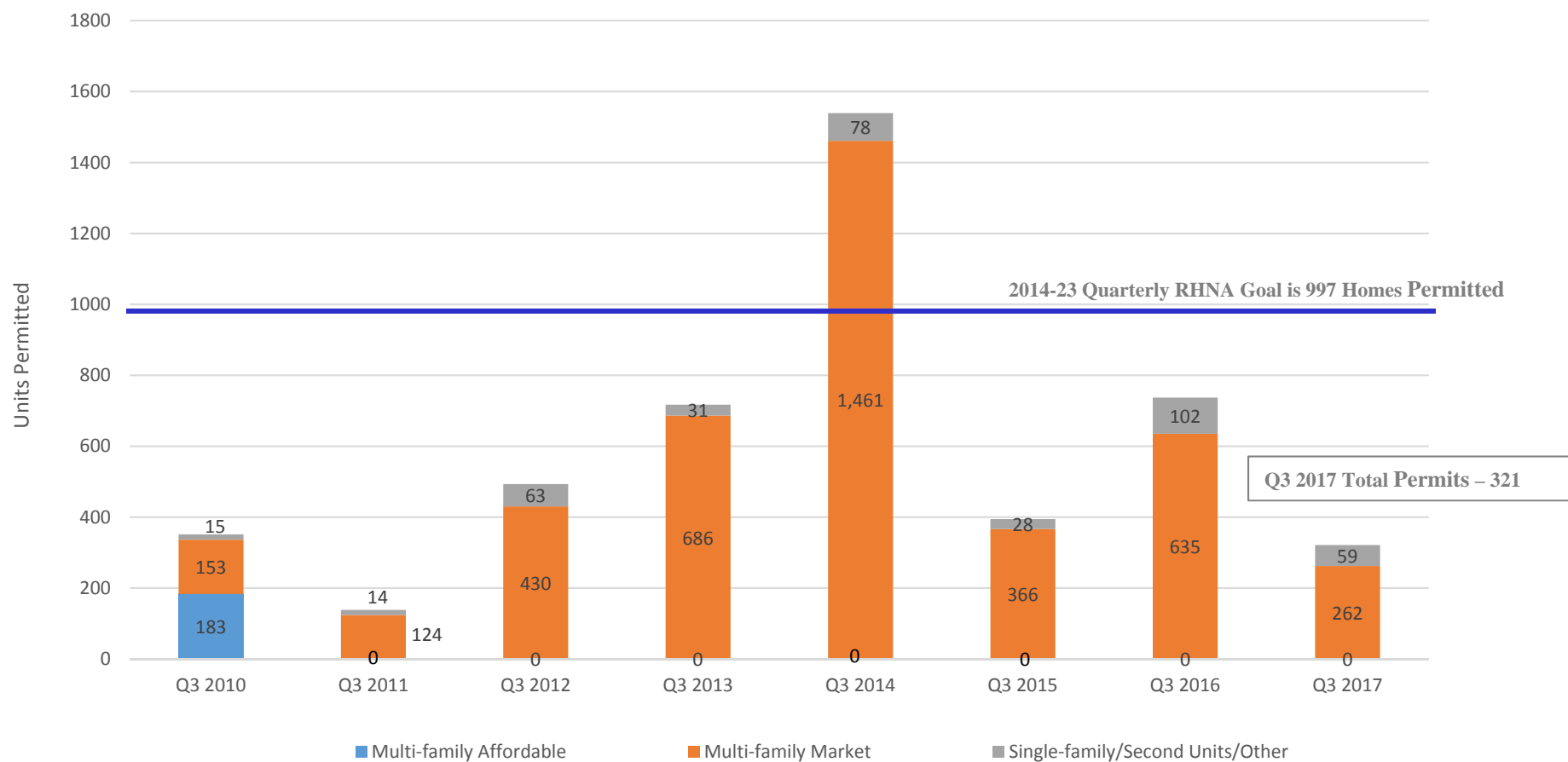
- In Q3 2017, **321** residential permits were issued; none of them were affordable.
- SJ average rent growth is **4%** year over year (YoY); vacancy remains low at **4.7%**.¹
- Average effective monthly rent for a 2 bedroom apartment is **\$2,607**; Renters must earn **\$50/hour** (\$104,280/year) to afford the average rent for a two bedroom, apartment.²
- SJ average single-family home price is **\$1,104,440**; Residents must earn **\$101/hour** (\$211,000/year) to afford to buy an average priced home.³

¹ Costar October 23, 2017– Refer to end notes for details

² Based on October 23 2017 Costar average rents; income calculation assumes rents are 30% of income, 40 hour work week and a single income household.

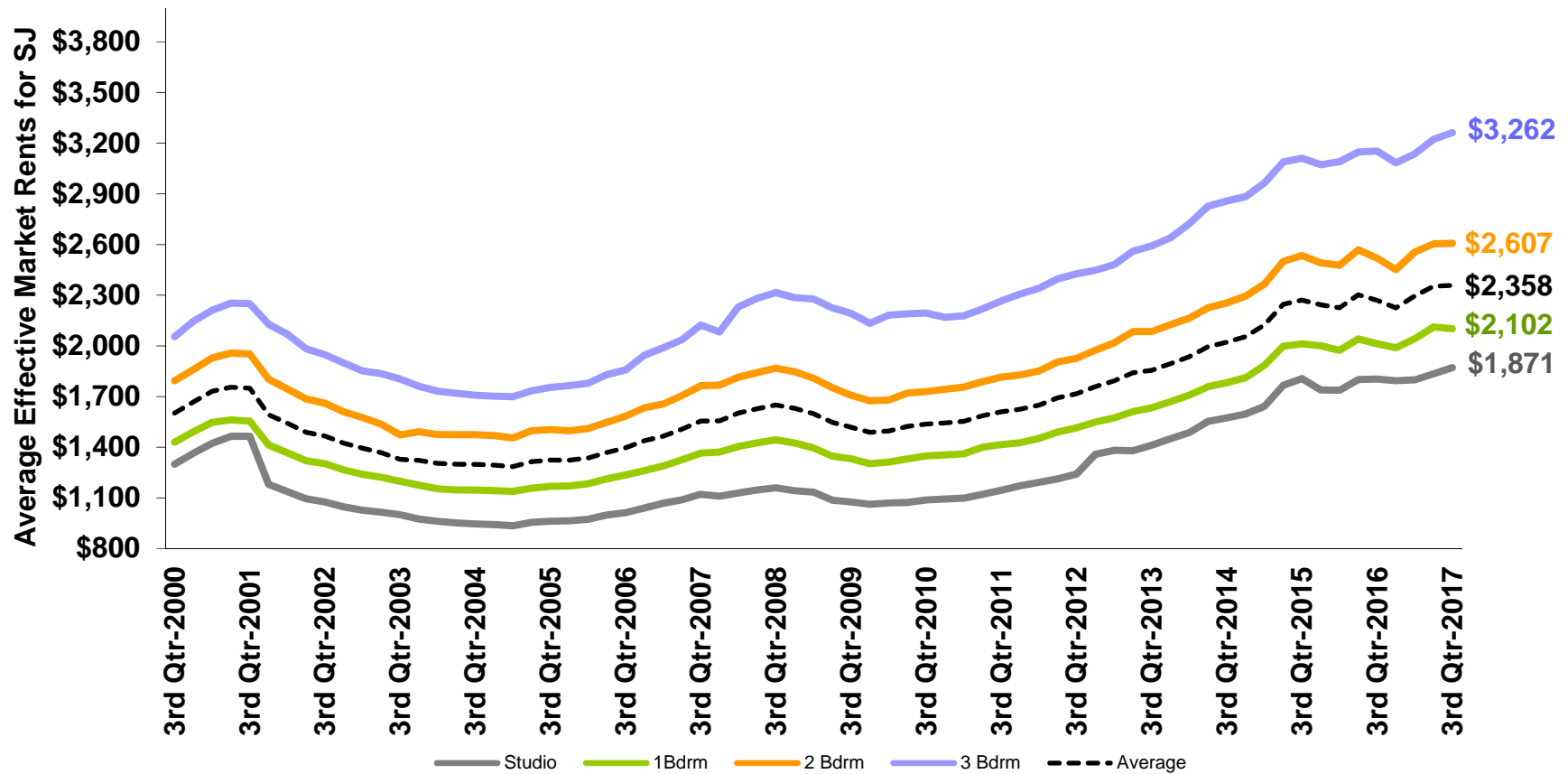
³ Based on Santa Clara County Association of Realtors, September 2017 average prices; income calculation assumes monthly payments are 30% of income, 20% down, 3.8% interest rate, 1.25% property tax, 40 hour work week and a single income household.

SJ Residential Permit Activity Slow in Q3 2017



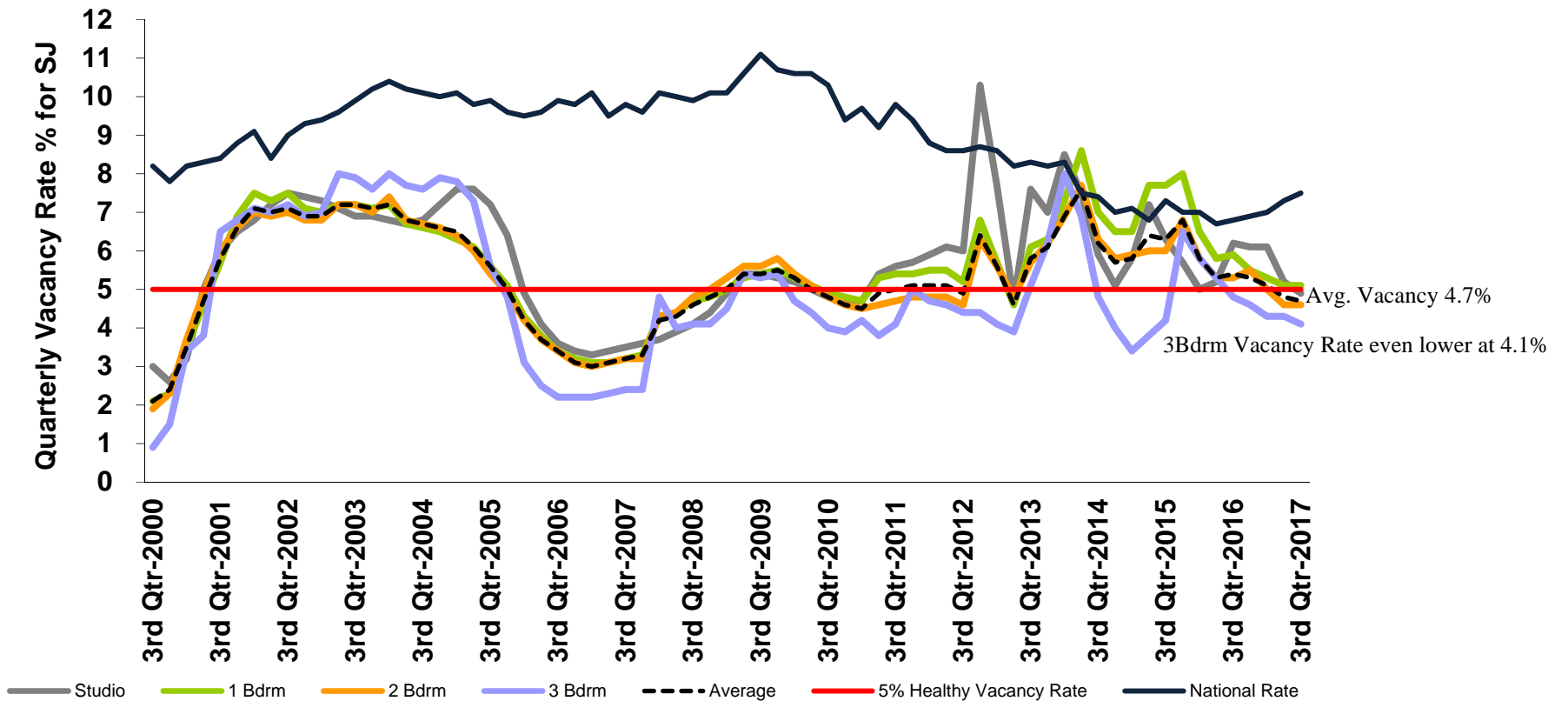
SOURCE: City of San José Housing Department, September 2017

SJ Average Rent Up 0.2% from Q2 2017 and Up 4% YoY



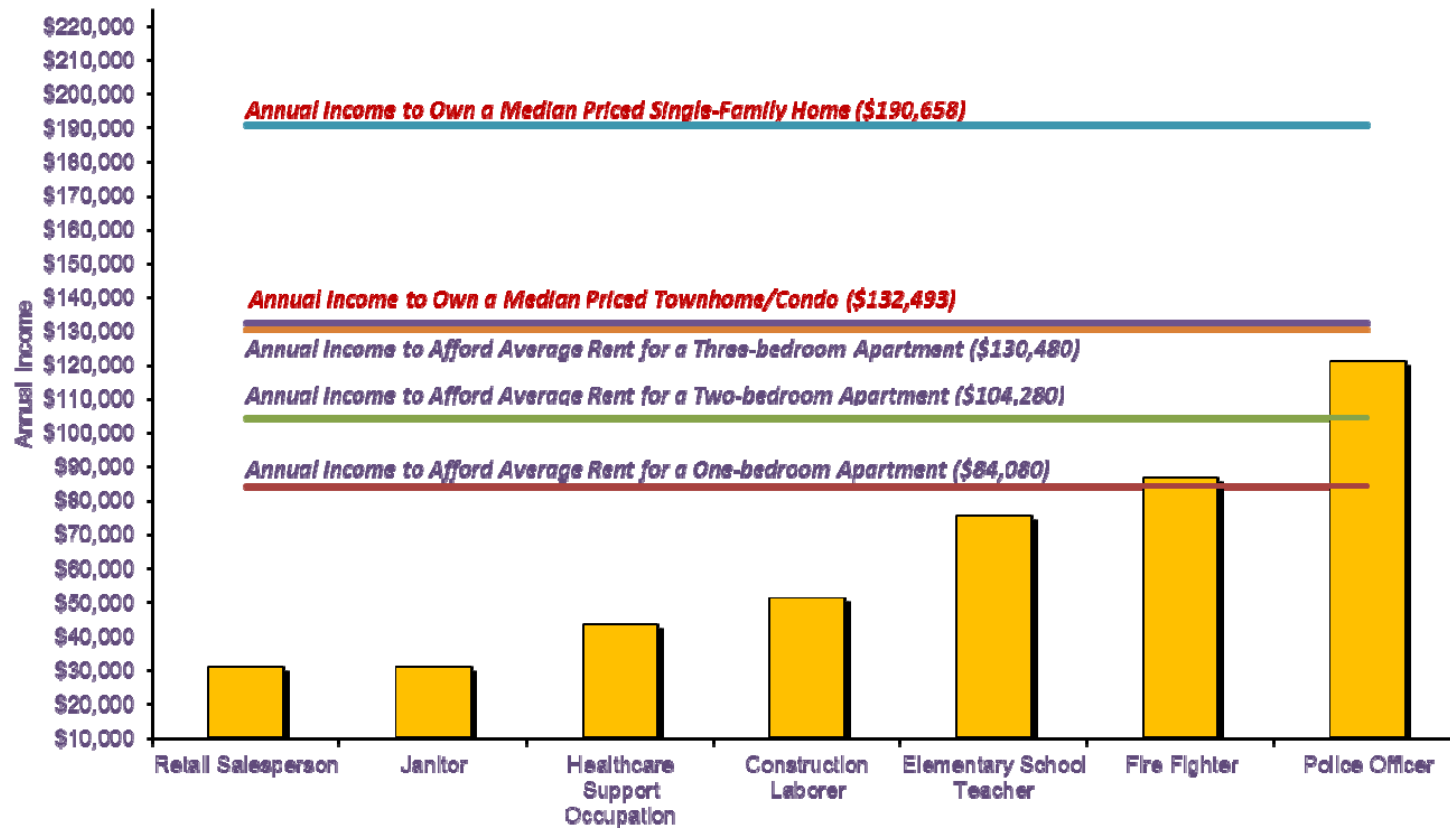
SOURCE: Costar October 23, 2017

SJ Average Vacancy Remains Low, Drops 2% from Q2 2017 & Drops 13% YoY



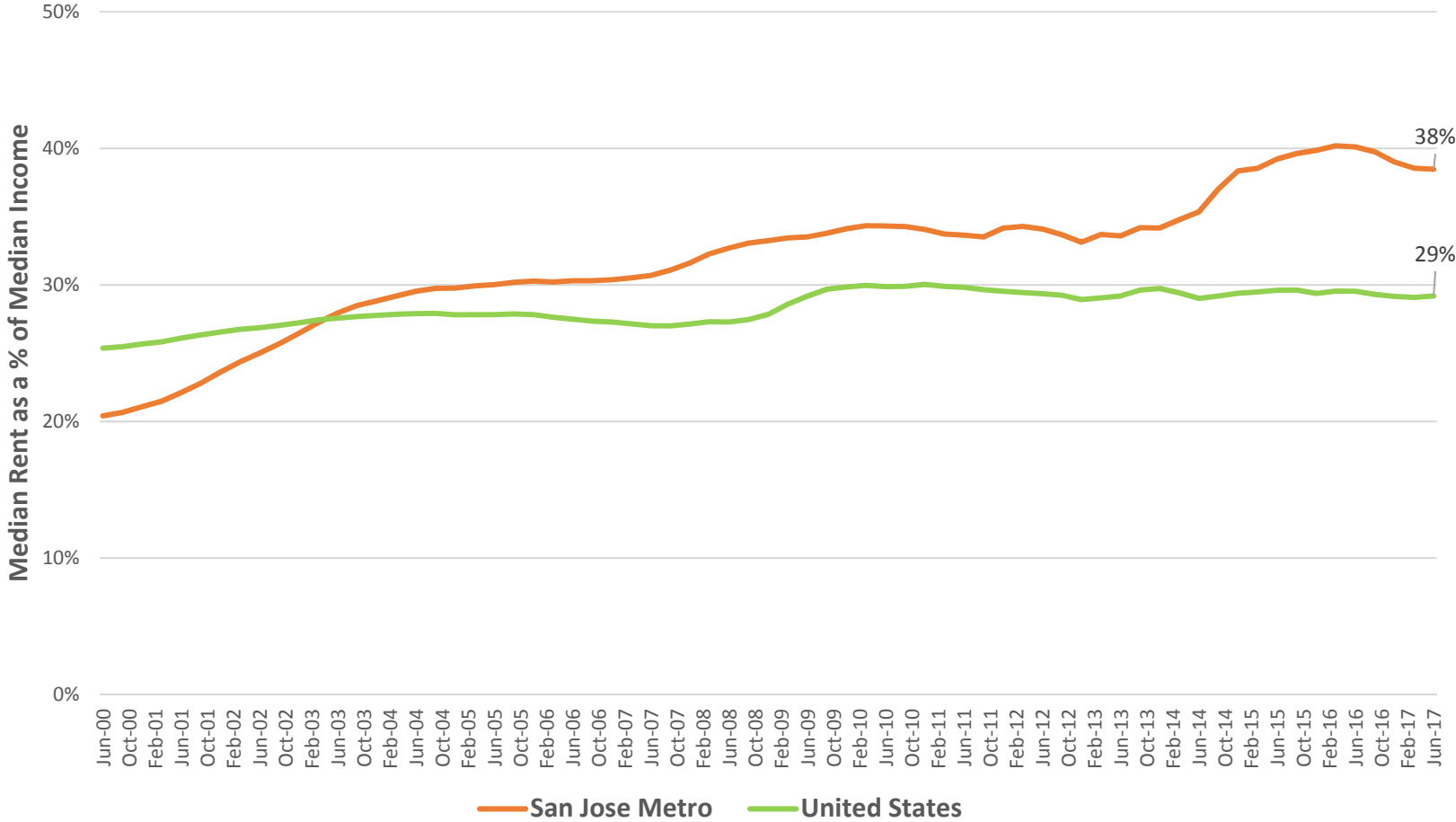
SOURCE: Costar, October 23 2017, National Rate – US Census Bureau Current Population Survey 7/27/17

Housing Costs Significantly Out of Reach for Many SJ Workers



SOURCE: Employment Development Department (EDD) – First Quarter 2017 Wages; Costar October 23, 2017 Average Rents; Income to rent calculation assumes rent at 30% of income and a single income household; Santa Clara County Association of Realtors Q3 2017 median prices; Income to mortgage calculations assume payments at 30% of income, 20% down, 3.8% 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



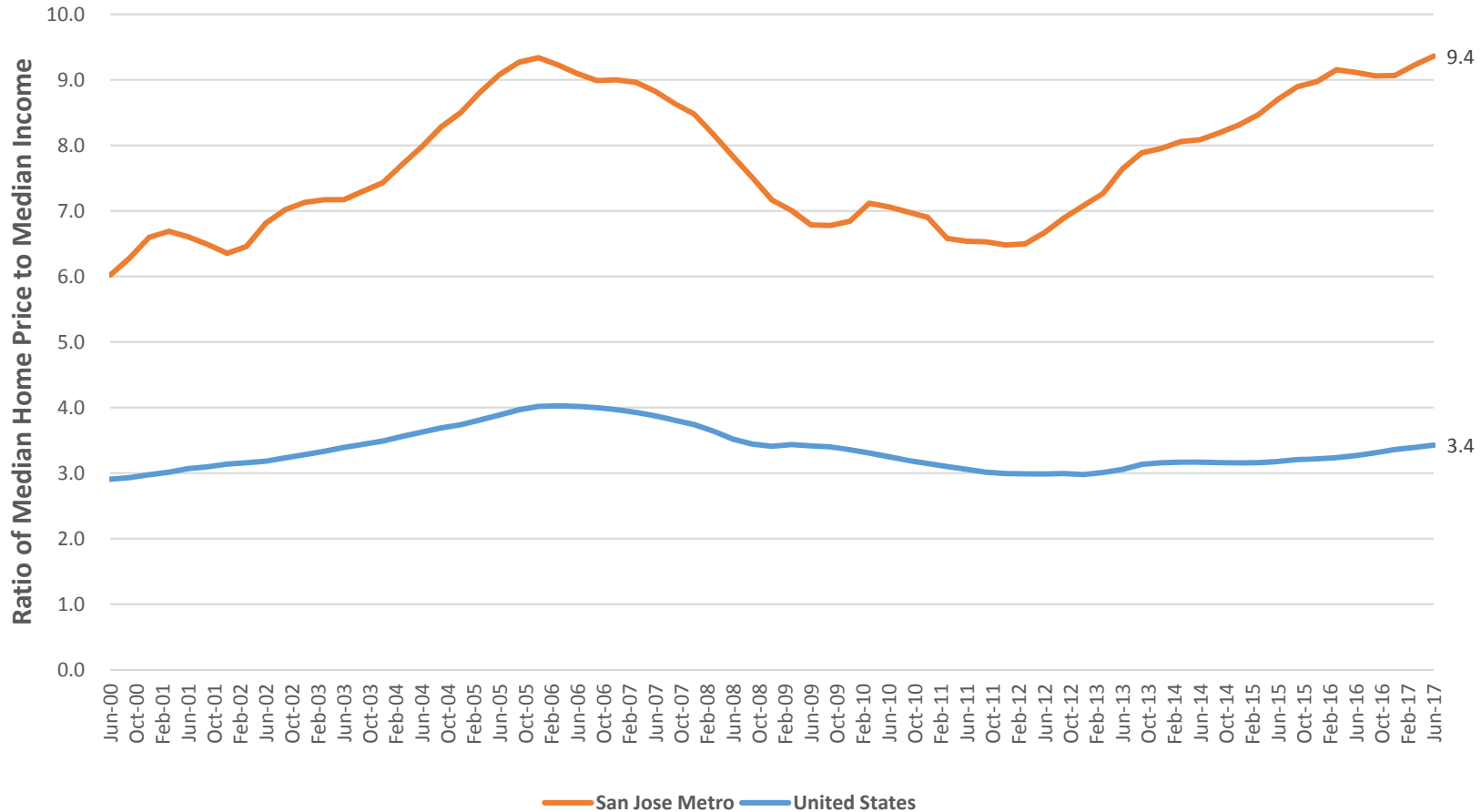
SOURCE: Zillow Rental Affordability Index Q2 2017– One Quarter Lag

SJ Single-Family Median Home Price Up 0.2% from Prior Quarter and 17% YoY



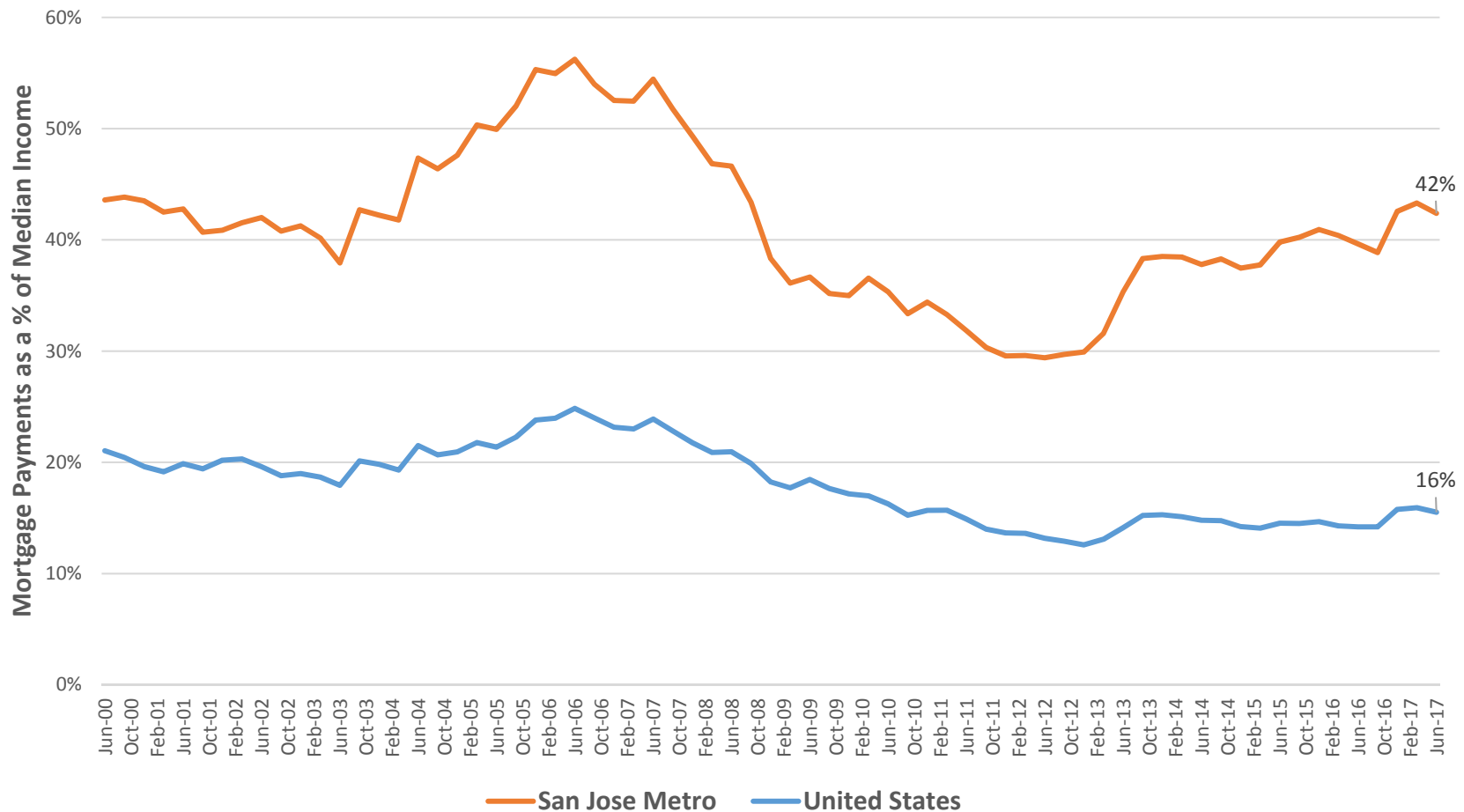
SOURCE: Santa Clara County Association of Realtors, September 2017

SJ Metro Area Median Home Prices Nearly 3 Times the National Average



SOURCE: Zillow Price to Income Index Q2 2017– One Quarter Lag

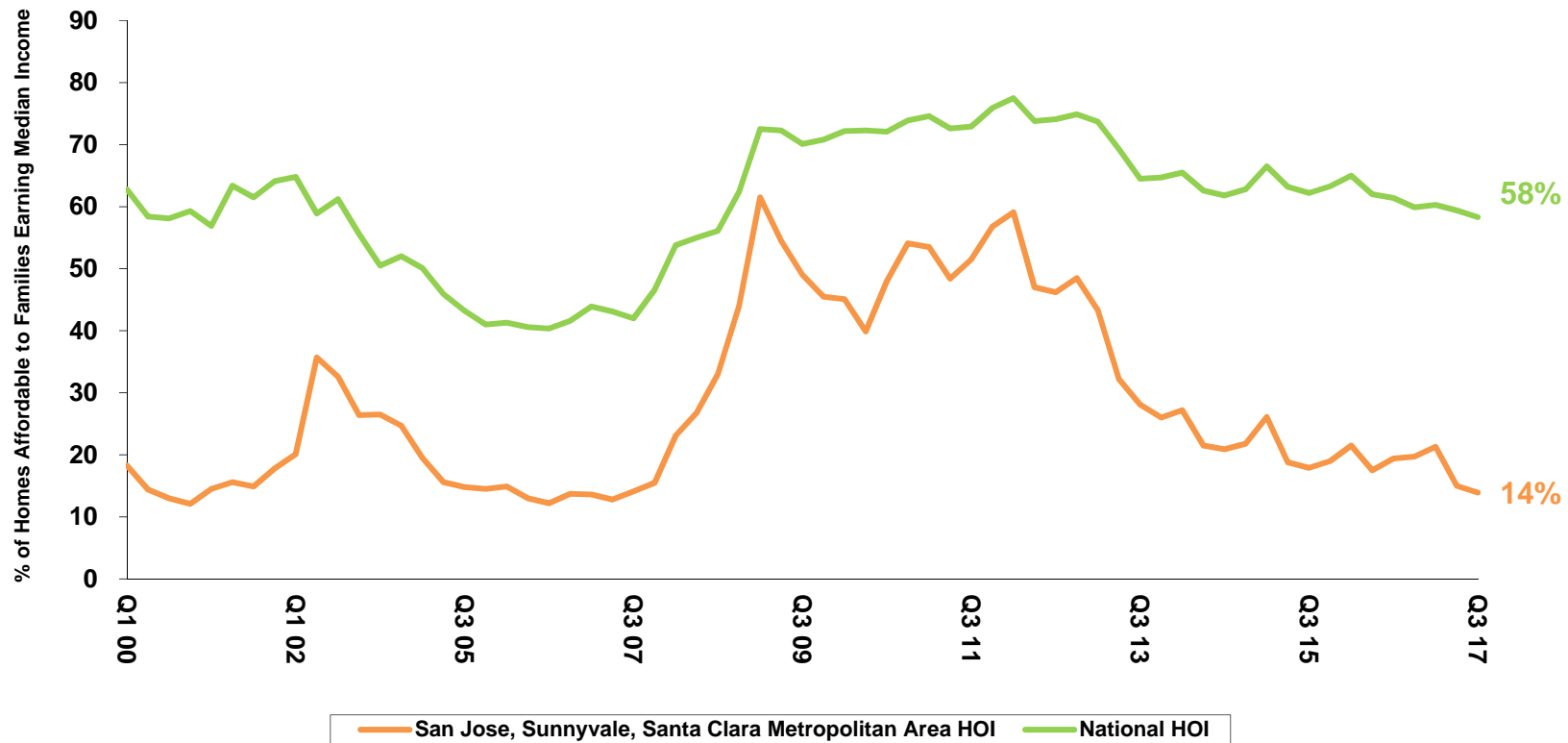
SJ Homeowners Pay 2.6 Times the Mortgage Costs of the Average US Homeowner



SOURCE: Zillow Mortgage Affordability Index Q2 2017– One Quarter Lag

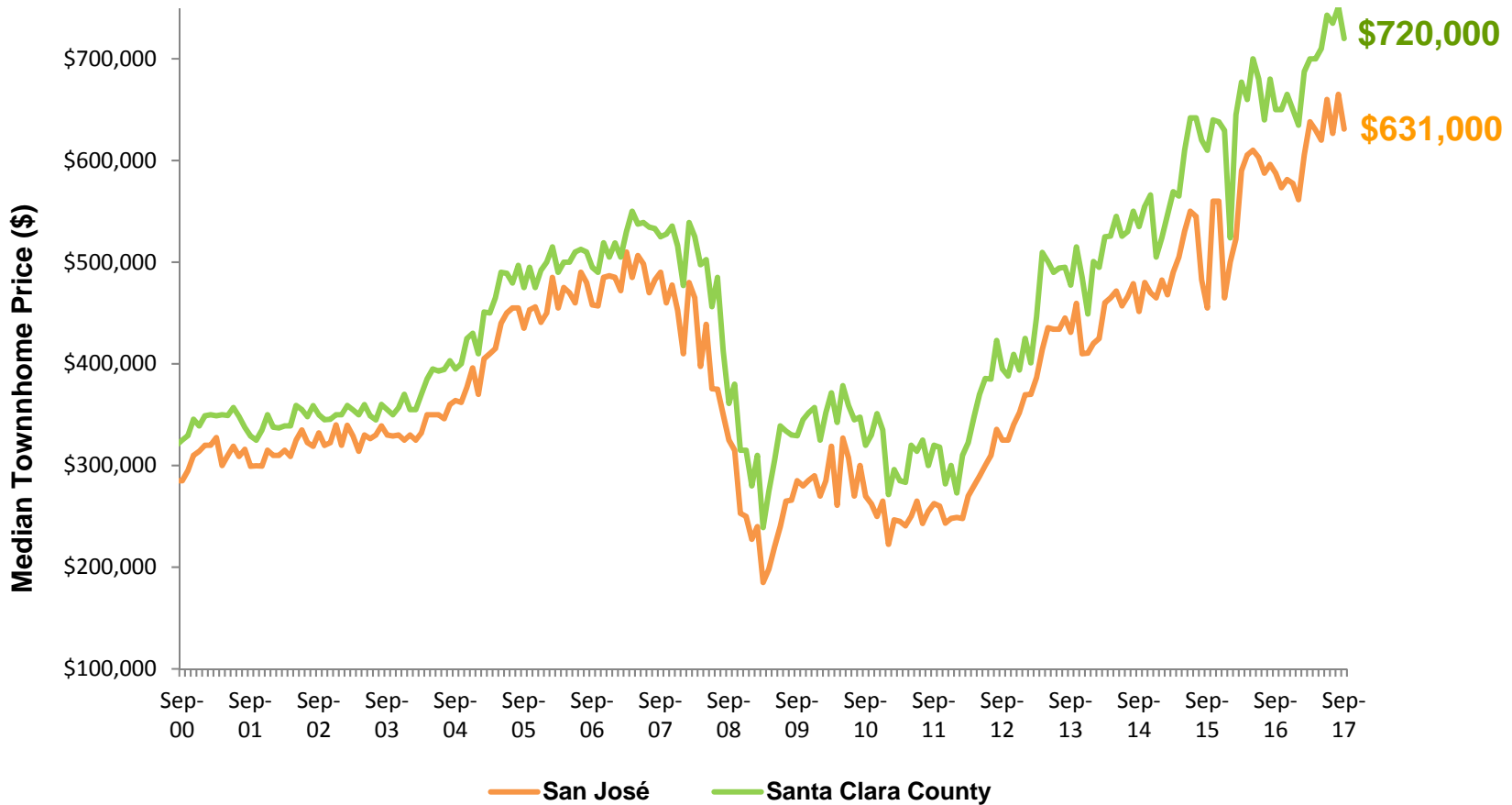
SJ Housing Affordability Remains Low Relative to the Nation (5th least affordable)

Less than 1 in 7 families in San José can afford to own a median priced home



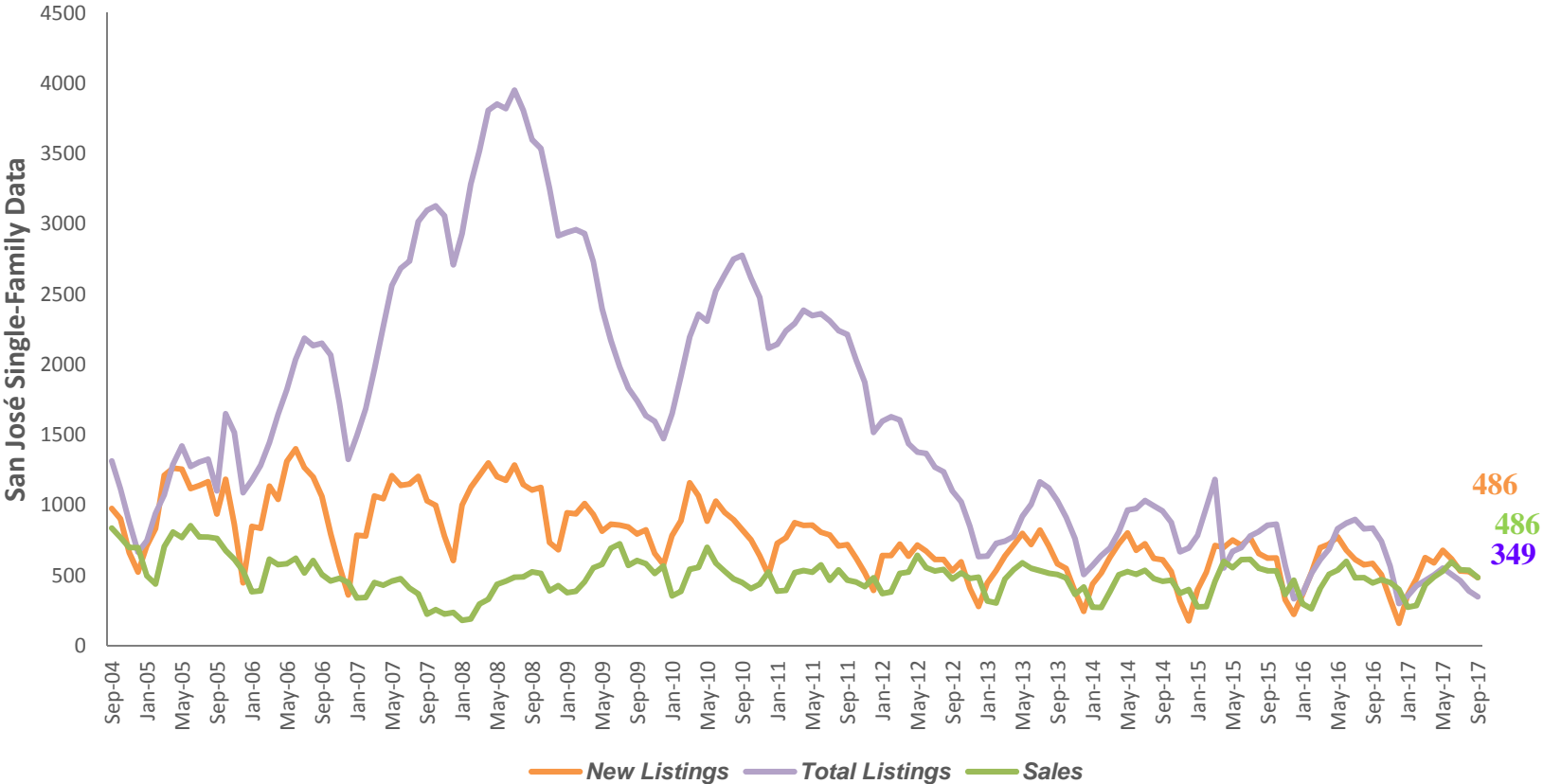
SOURCE: National Association of Home Builders, Housing Opportunity Index Q3 2017

SJ Townhome/Condo Median Prices Drop 4% from Prior Quarter, but Up 7% YoY



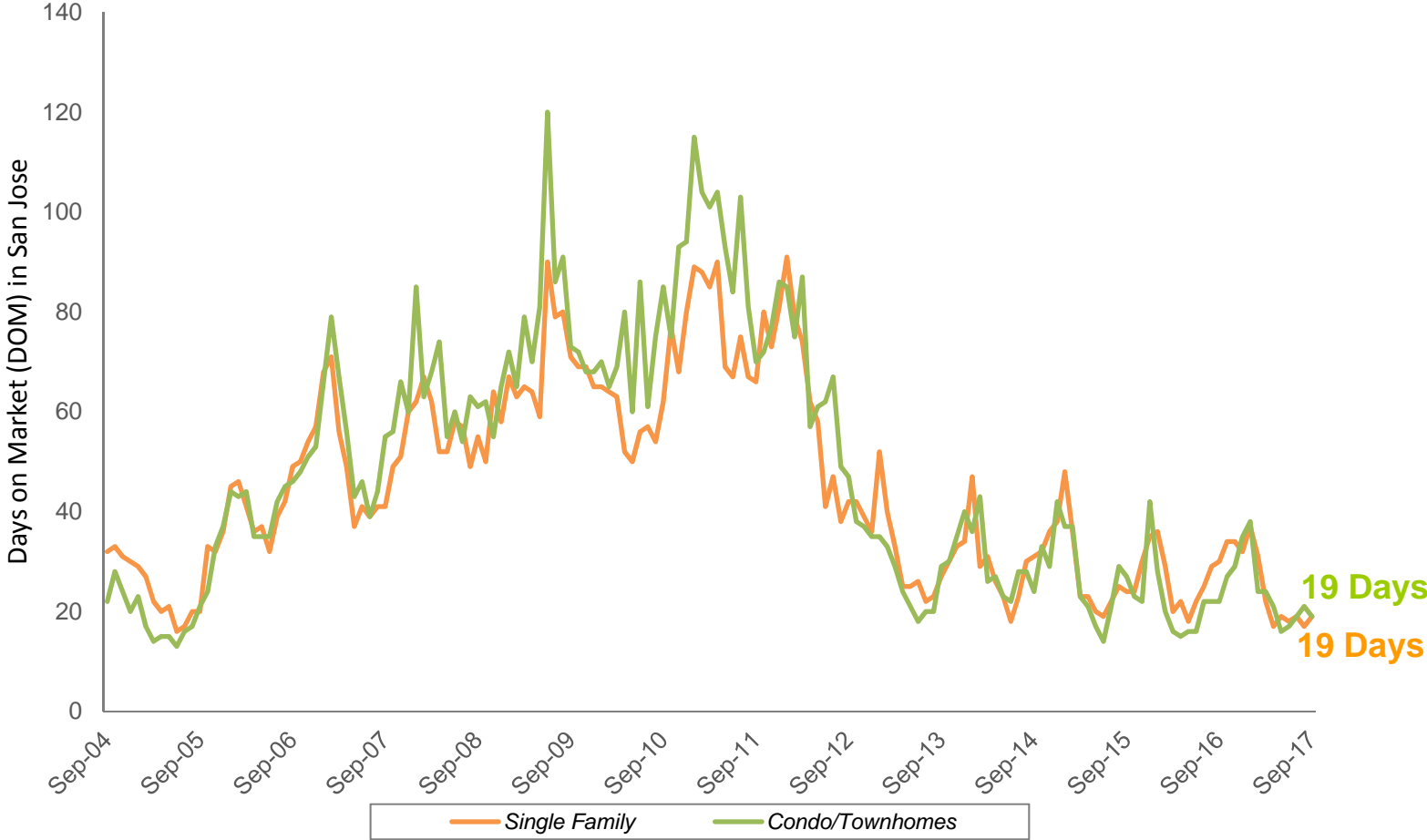
SOURCE: Santa Clara County Association of Realtors September 2017

SJ Single-Family Sales Down 19% From Prior Quarter; Inventory Low as Listings Fall



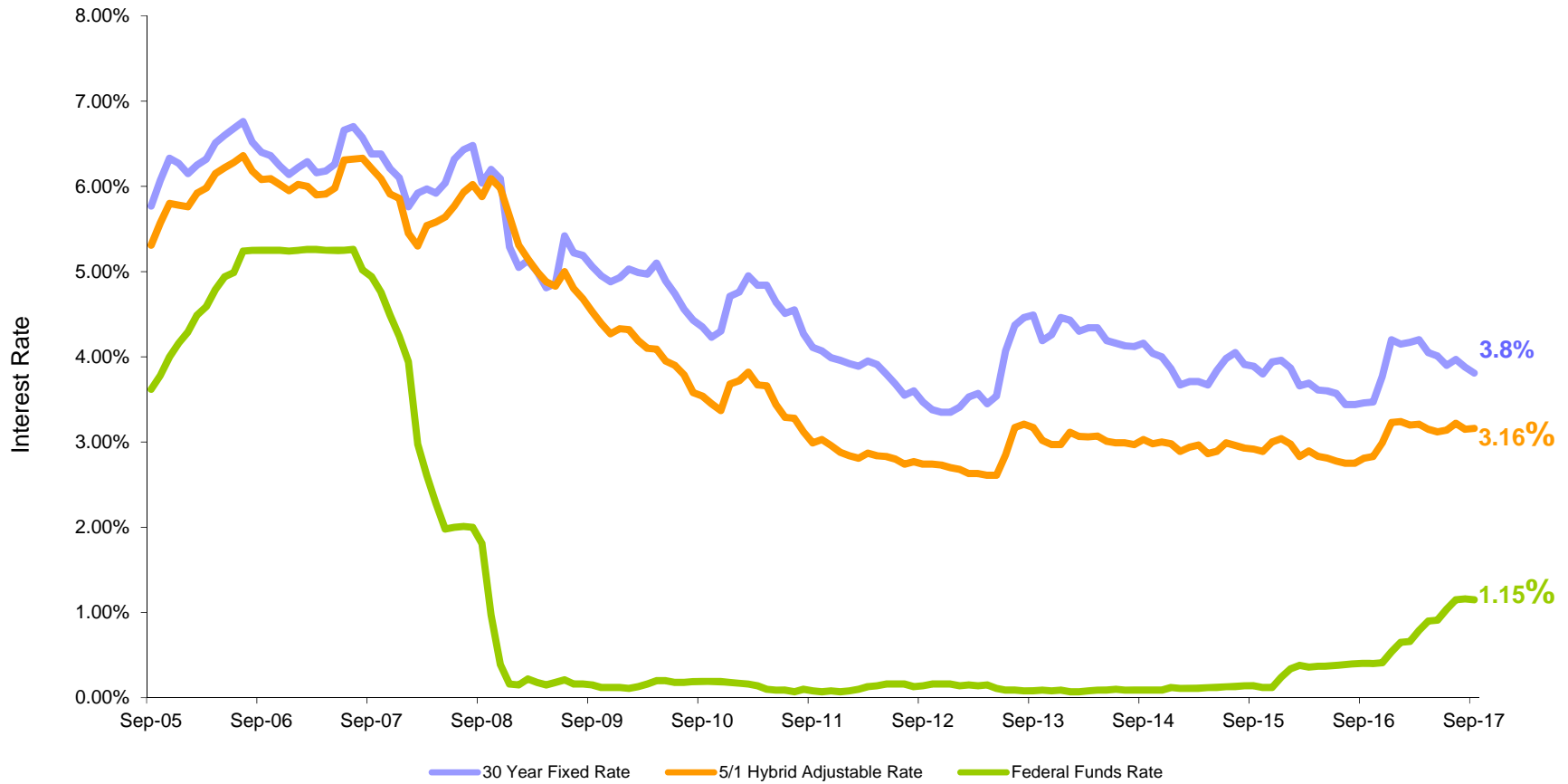
SOURCE: Santa Clara County Association of Realtors, September 2017

SJ Homes DOM Fall from Prior Quarter, Up 37% (11 days)YoY



SOURCE: Santa Clara County Association of Realtors September 2017

Interest Rates Remain Low



SOURCE: Federal Reserve, Freddie Mac Primary Mortgage Market Survey, Q3 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 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