

Housing Market Update

Second Quarter 2021



Leigh Avenue Seniors Apartment is a transit-oriented infill project located at 1690 Southwest Expressway, at the intersection of Leigh Avenue and Southeast Expressway. Built by First Community Housing, the project provides 64 units of affordable senior apartments over 6,750 square feet of commercial space. All units are reserved for chronically homeless seniors. (Image Courtesy Apartments.com)

Q2 2021 San José Housing Market

- 🏠 Renters must earn **\$52/hour** (\$108,960/year) to afford the average *effective* monthly rent for a 2-bedroom apartment¹
- 🏠 Buyers must earn **\$122/hour** (\$253,428/year) to afford a median-priced single-family home²
- 🏠 **933** residential building permits issued in Q2 2021, 25% of which were for affordable apartments
- 🏠 **141** secondary unit / ADU (Accessory Dwelling Units) permits issued in Q2 2021
- 🏠 Average effective rent is **\$2,446³**, up **5.7% QoQ⁴**; overall residential vacancy rate is **6.6%**, down 2 pts QoQ
- 🏠 Median single family home price is **\$1,480,000⁵**, up **4% QoQ**

1. Based on Q2 2021 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.

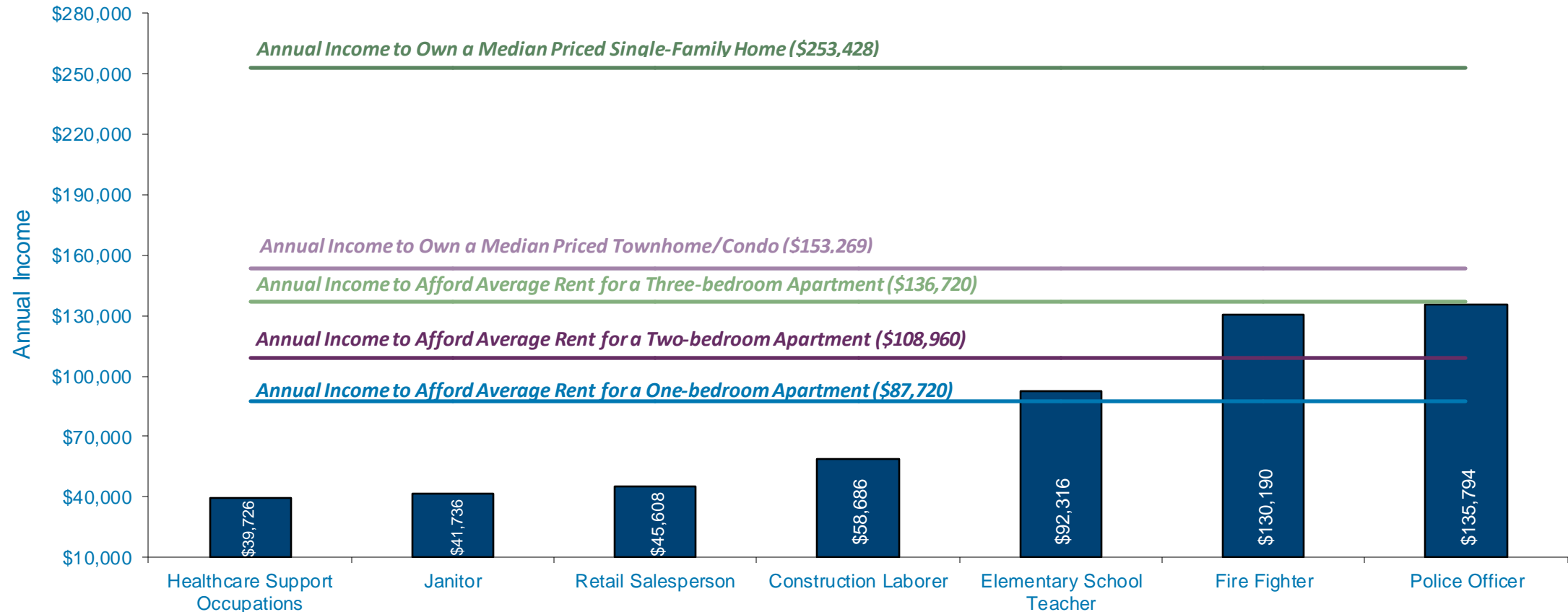
2. Based on SCCAOR June 2021 median prices; income calculation assumes monthly payments are 30% of income, 20% down, 2.98% interest rate, 1.1% property tax, 40-hour work week, and a single-income household.

3. Based on Costar Average Effective Rents, July 12, 2021.

4. QoQ – Quarter over Quarter

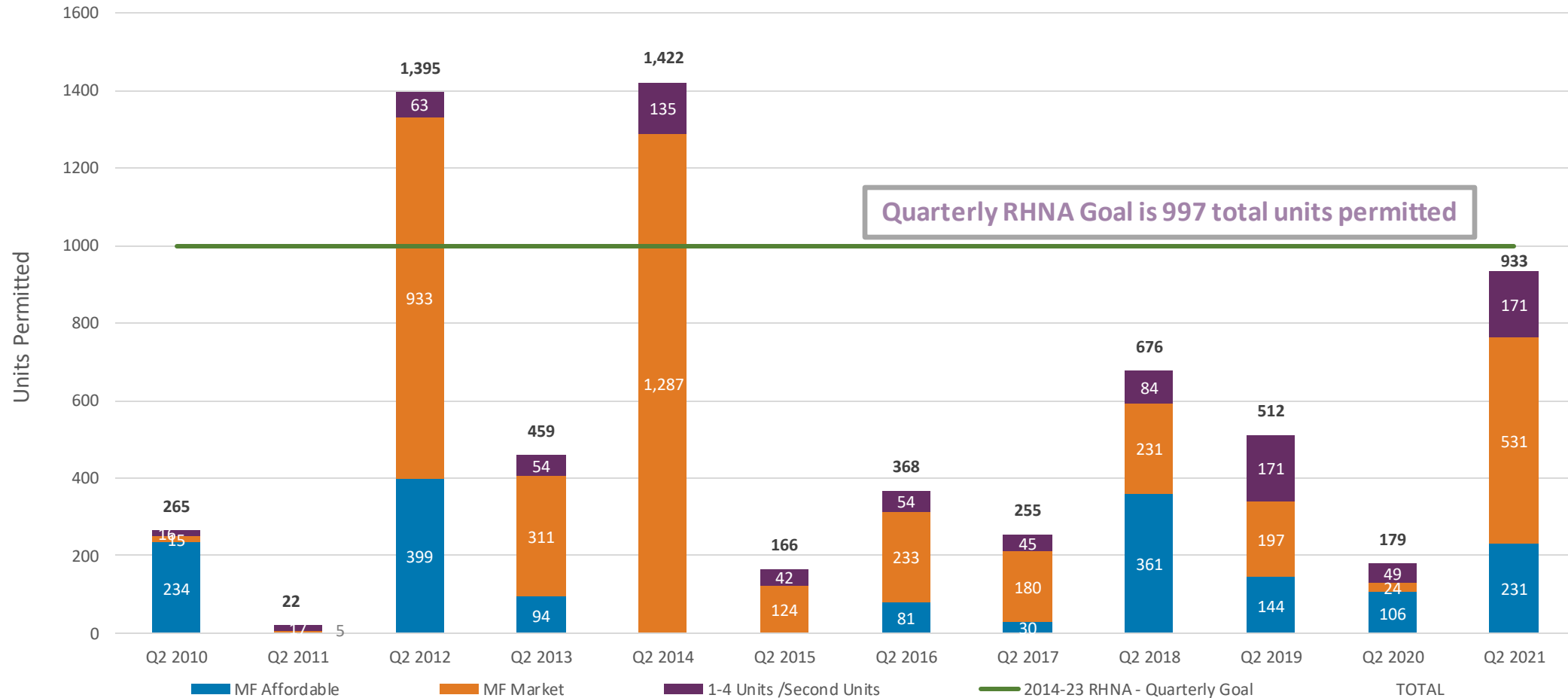
5. Based on Santa Clara County Association of Realtors (SCCAOR), June 2021.

Many Essential Workers Cannot Afford San José Housing Costs



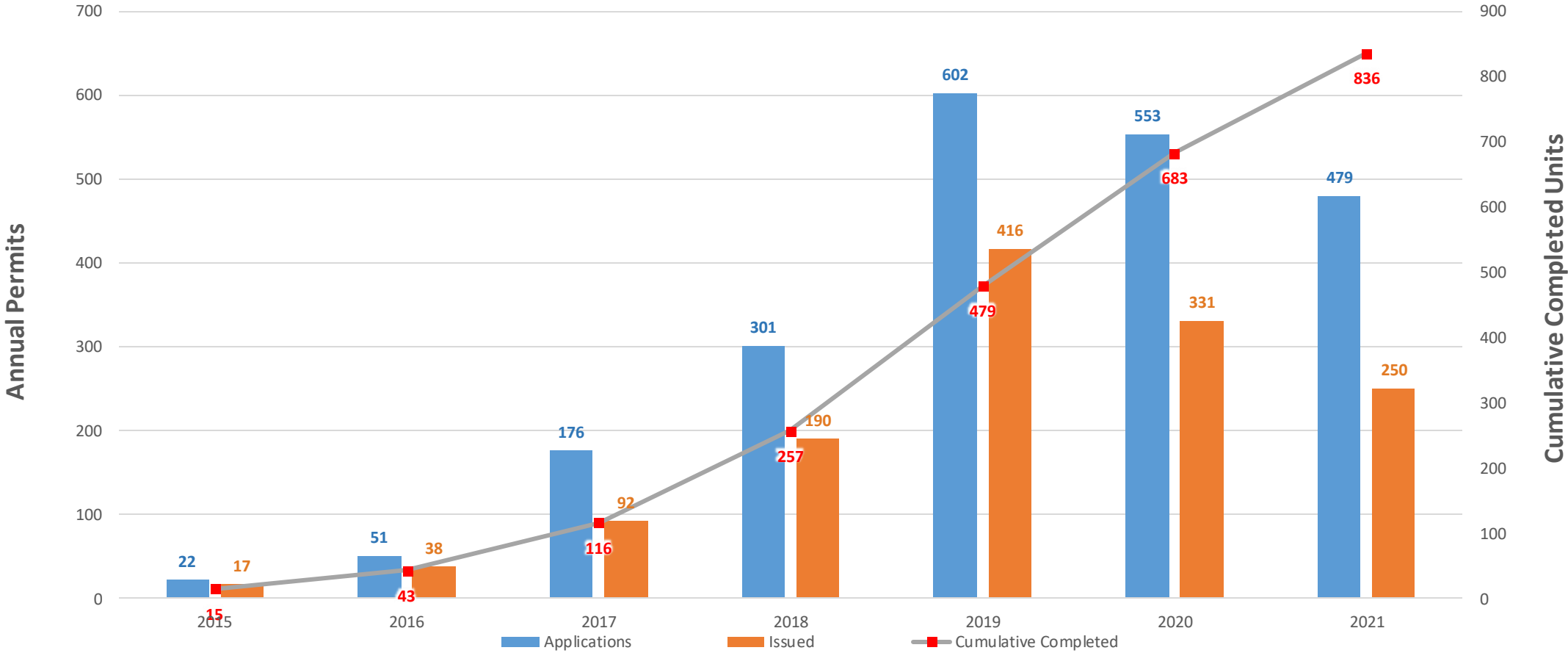
SOURCE: Employment Development Department (EDD) – First Quarter 2021 Wages; Costar Q2 2021 Average Effective Rents; Income to rent calculation assumes rent at 30% of income and a single-income household; SCCOAR June 2021 median home sales prices; Income to mortgage calculations assume payments at 30% of income, 20% down, 2.98% interest, 1.1% Property Tax, \$300 HOA dues for condos and a single-income household.

Q2 2021 Residential Permit Activity – 25% Affordable



SOURCE: City of San José Housing Department. MF Affordable Includes some market-rate units counted as moderate-income units, without deed restrictions, per HCD guidelines for RHNA reporting.

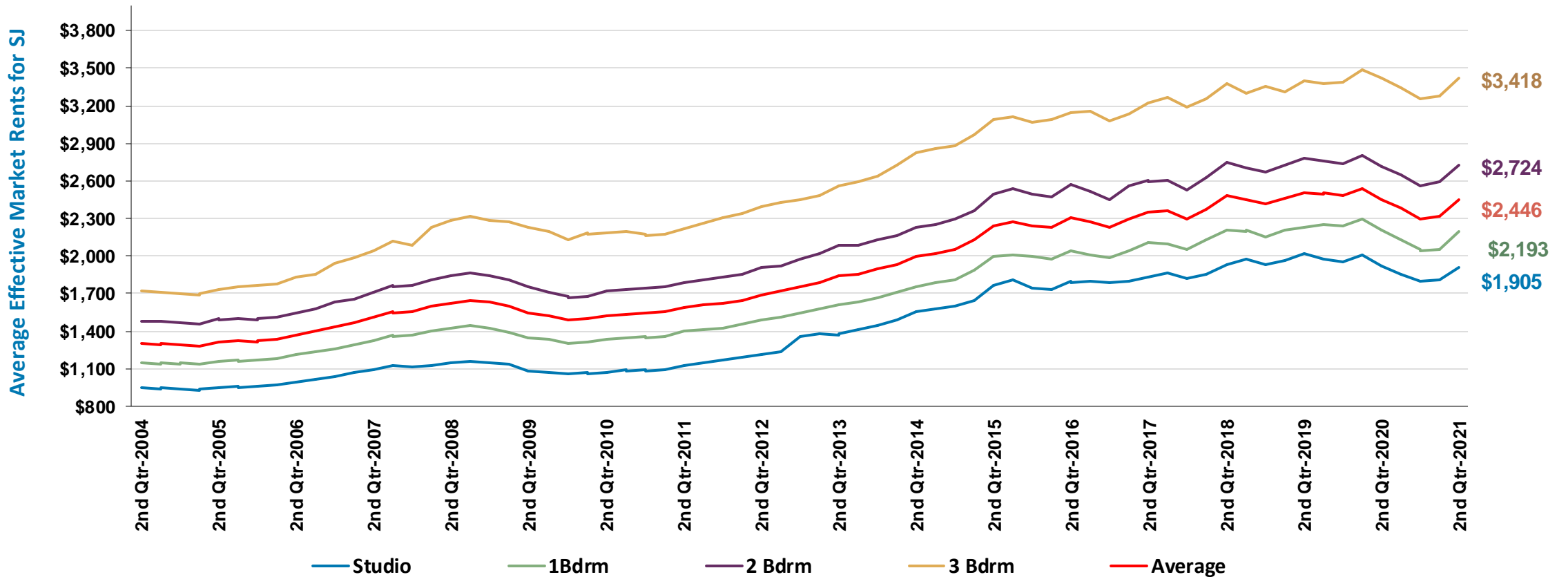
Robust ADU Permit Activity



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 Permit Activity Reports as of June 2021.

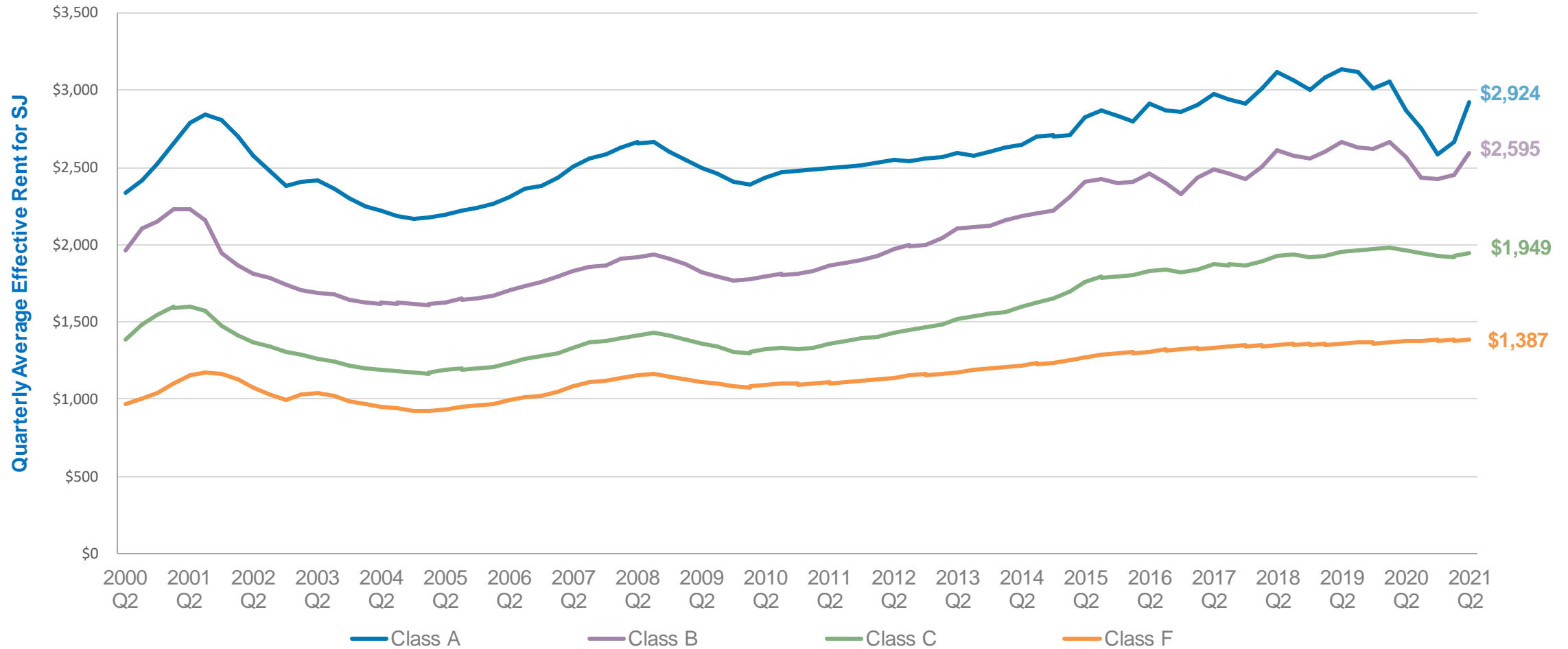
Rising Rents – Avg Up 5.7% QoQ, Down 0.2% YoY



SOURCE: Costar July 12, 2021.

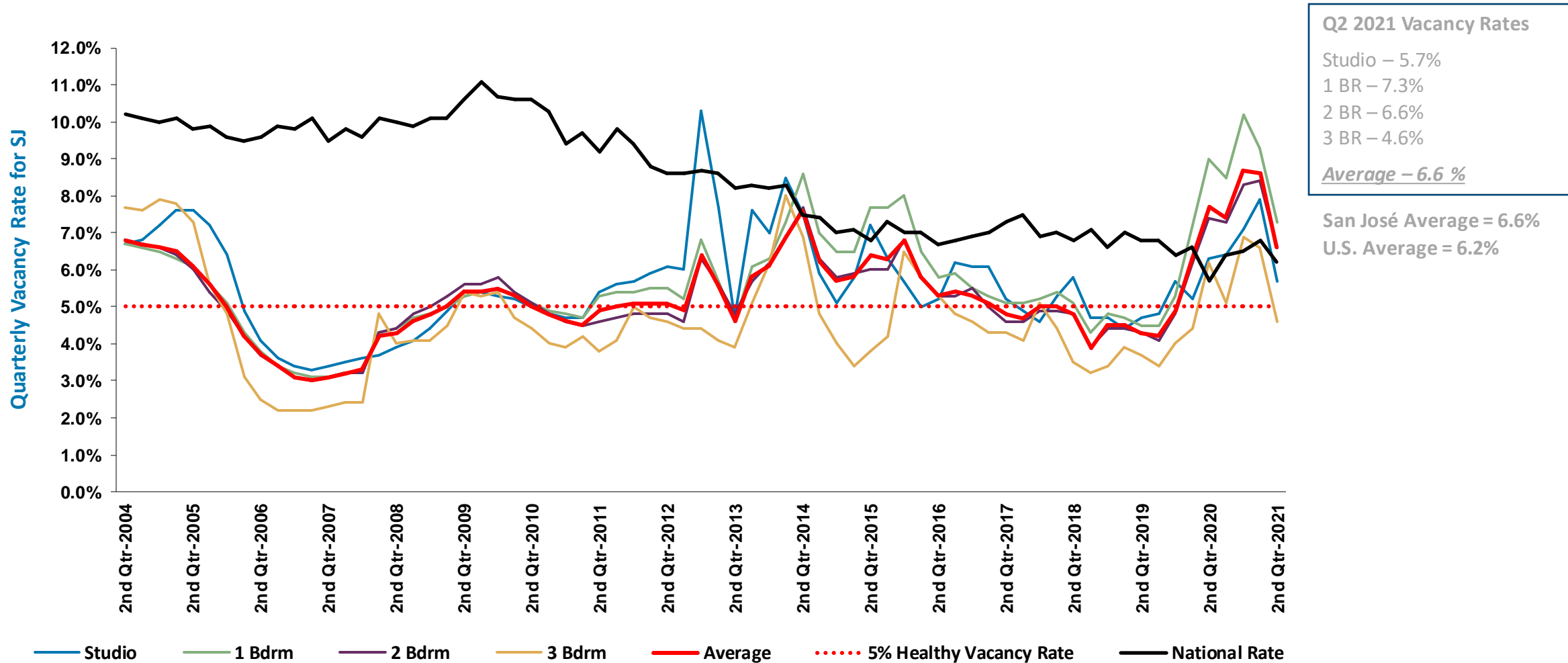
* QoQ = Quarter-over-Quarter; YoY = Year-over-Year.

Average Rents By Class – Class A Rents Fluctuate the Most



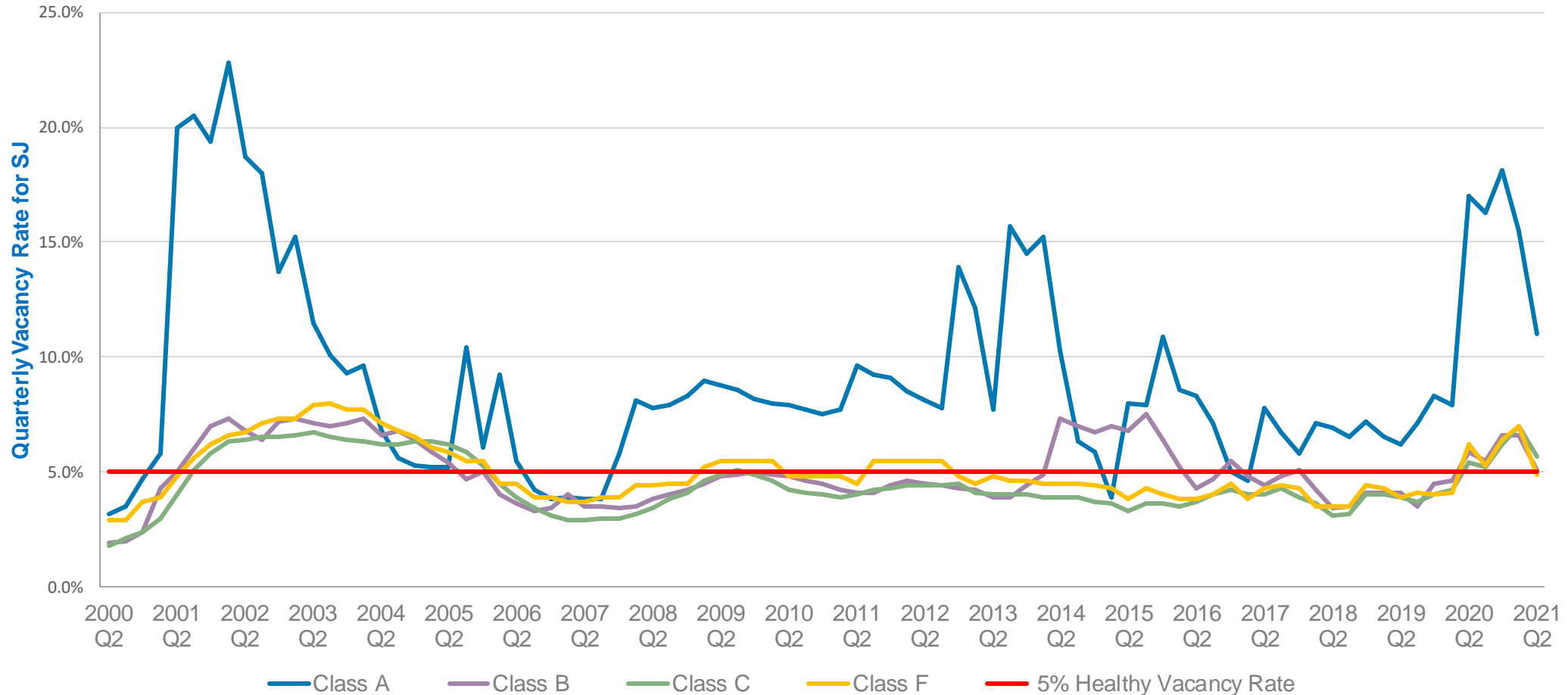
SOURCE: Costar July 12, 2021.

Falling Vacancy - Avg Falls 2 pts QoQ, Still Above “Healthy” Rate of 5%



SOURCE: Costar, July 12, 2021; National Rate – US Census Bureau Current Population Survey/ Housing Vacancy Survey Q2, 2021.

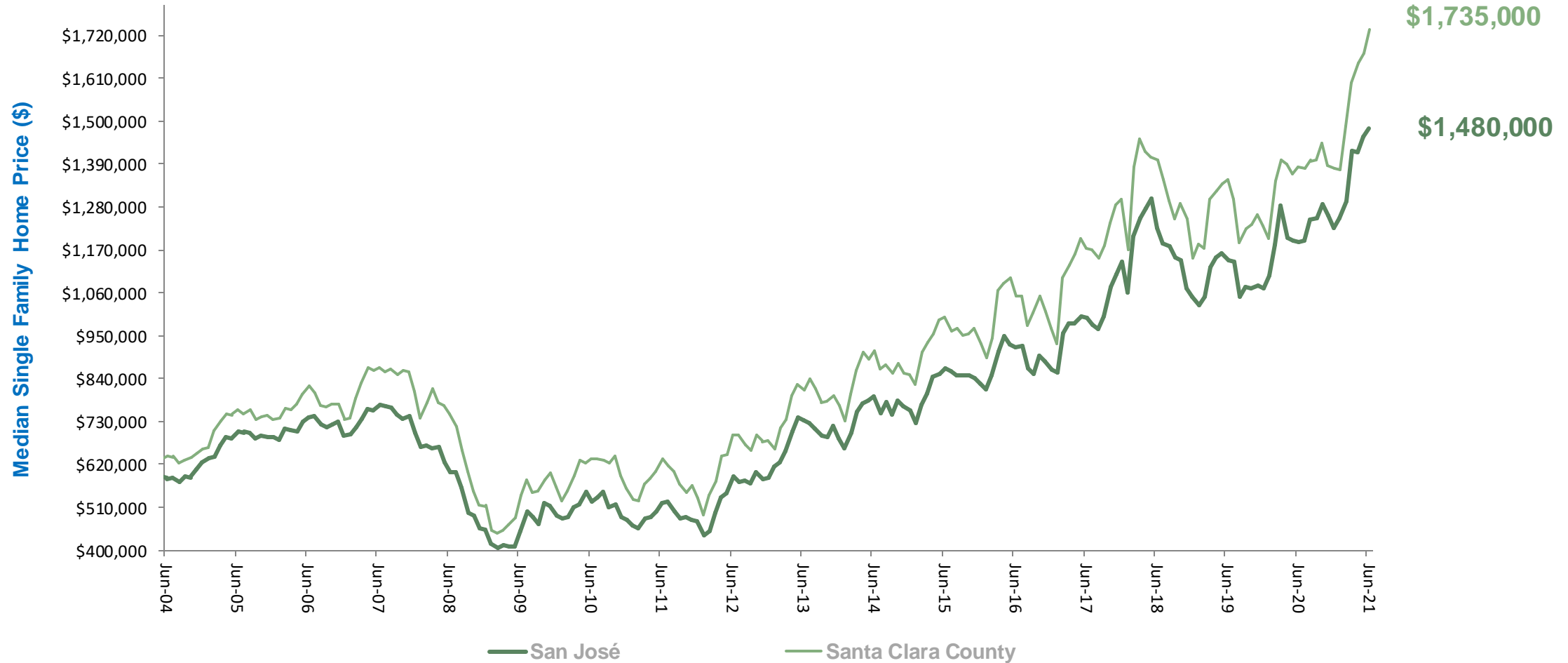
Vacancies by Class – Class A Vacancy is 11% - Still High, but Down 4.5 pts QoQ



SOURCE: Costar July 12, 2021

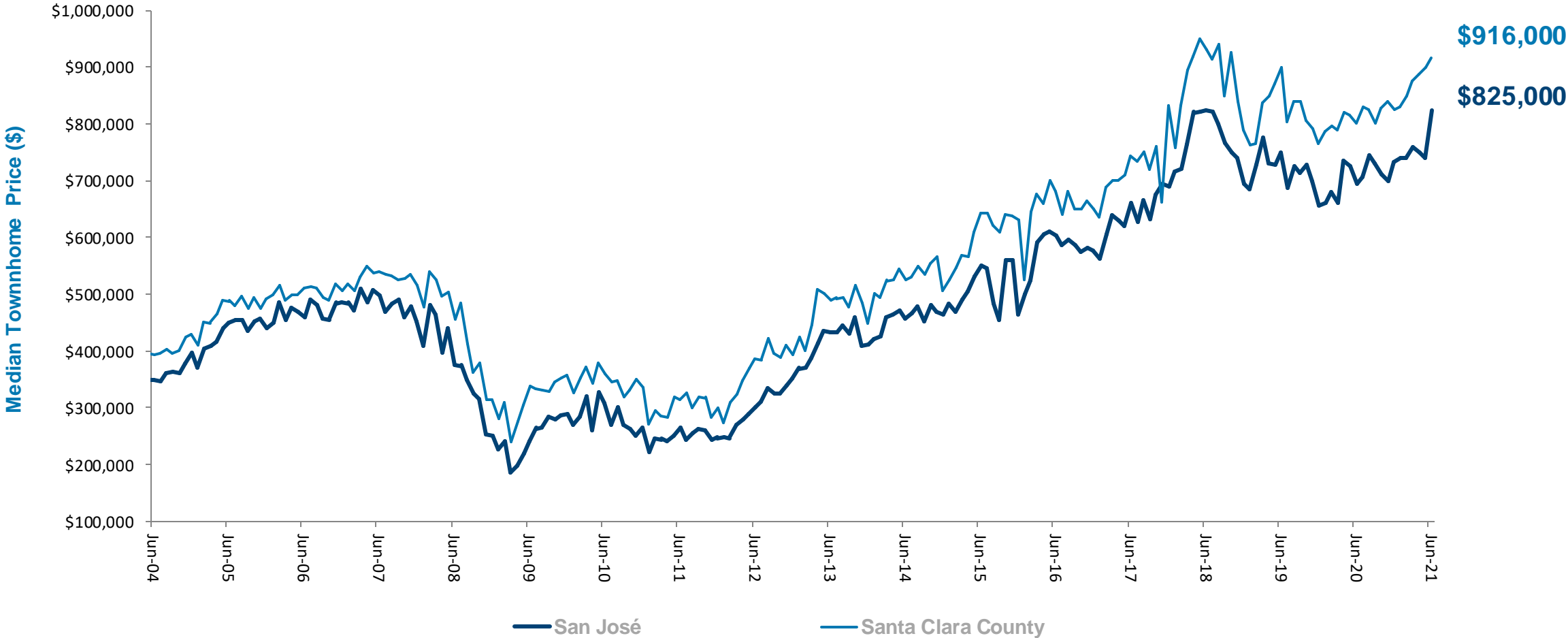
* Note: Older buildings refer to Class B, C and F properties; Class A buildings are usually newly-constructed properties.

San José Single Family Median Home Prices Continue to Climb - Up 4% QoQ and 24% YoY



SOURCE: Santa Clara County Association of Realtors June 2021.

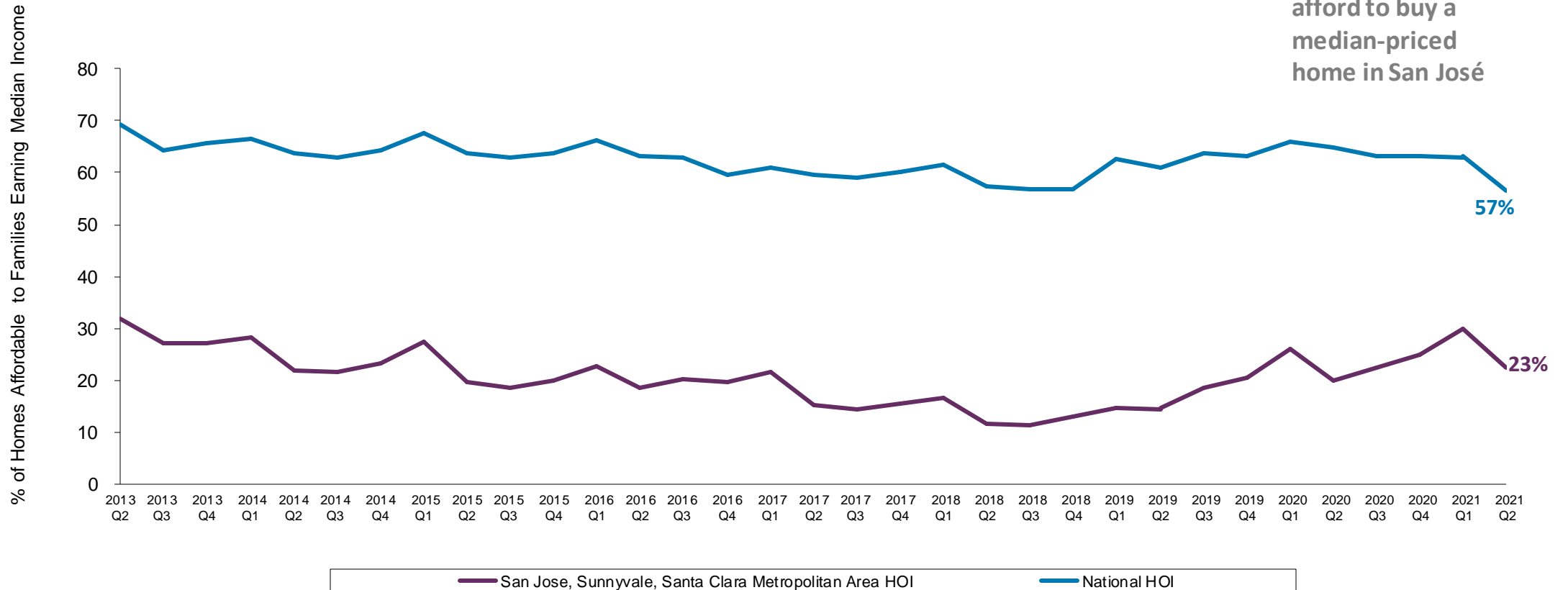
San José Condo/Townhome Median Prices Up 9% QoQ and 17% YoY



SOURCE: Santa Clara County Association of Realtors June 2021.

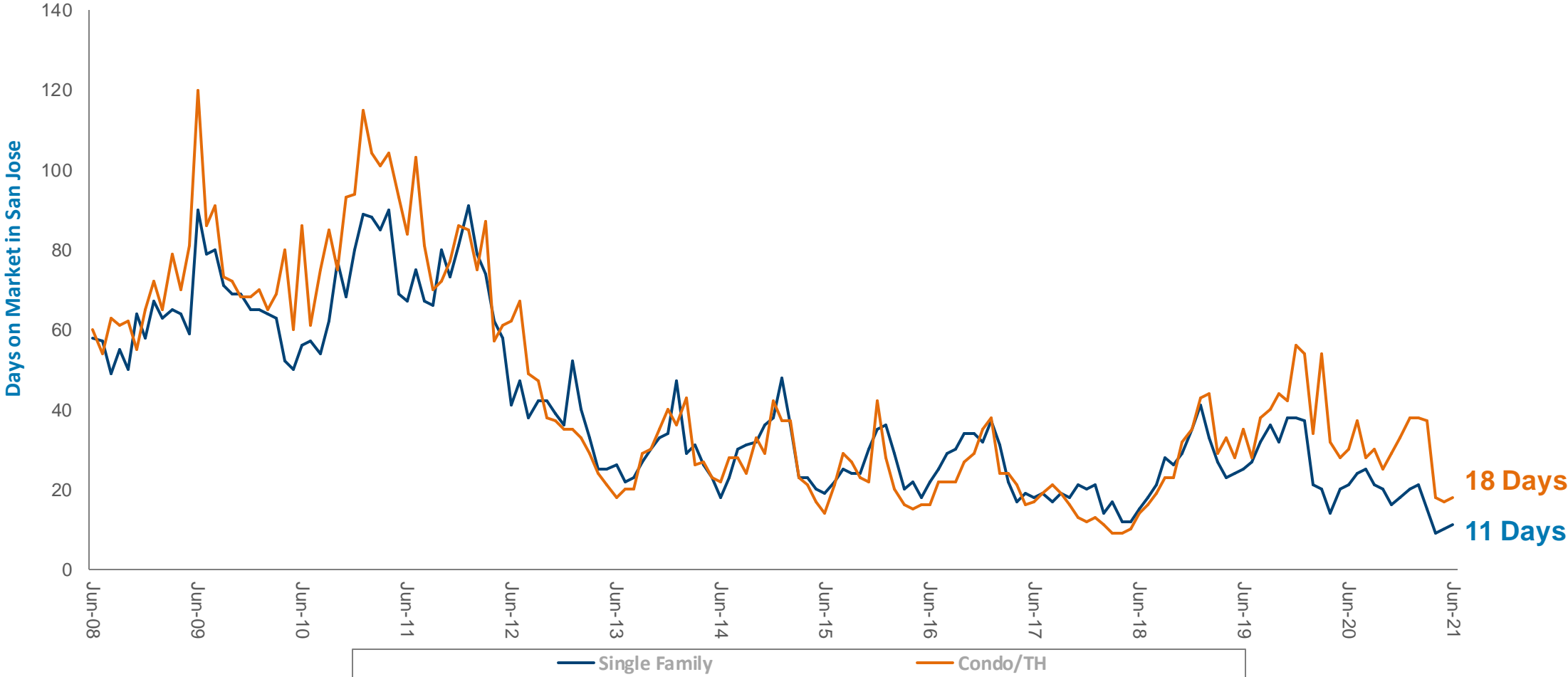
San José Metro Area Affordability is Less than Half the National Average

Less than 1 in 4 families can afford to buy a median-priced home in San José



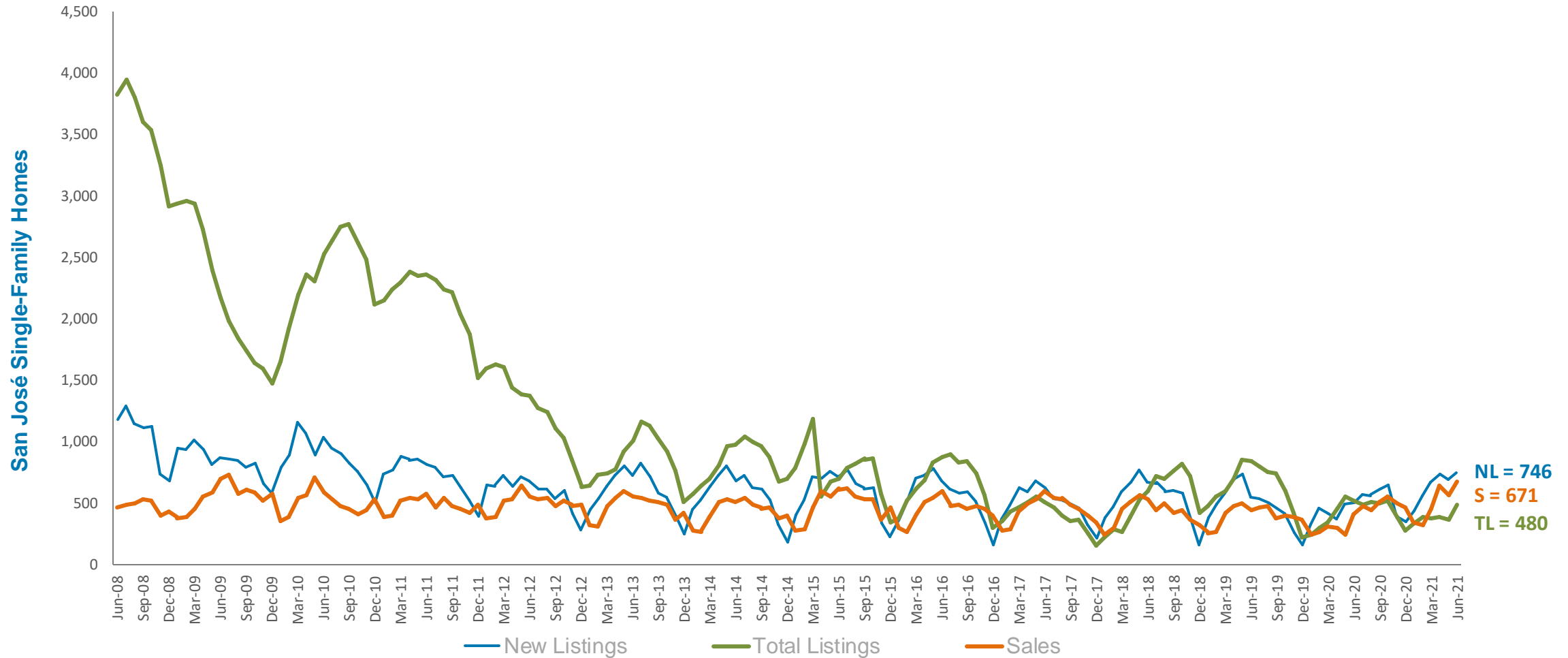
SOURCE: National Association of Home Builders, Housing Opportunity Index (HOI) Q2 2021.

SJ Homes Sell Quickly



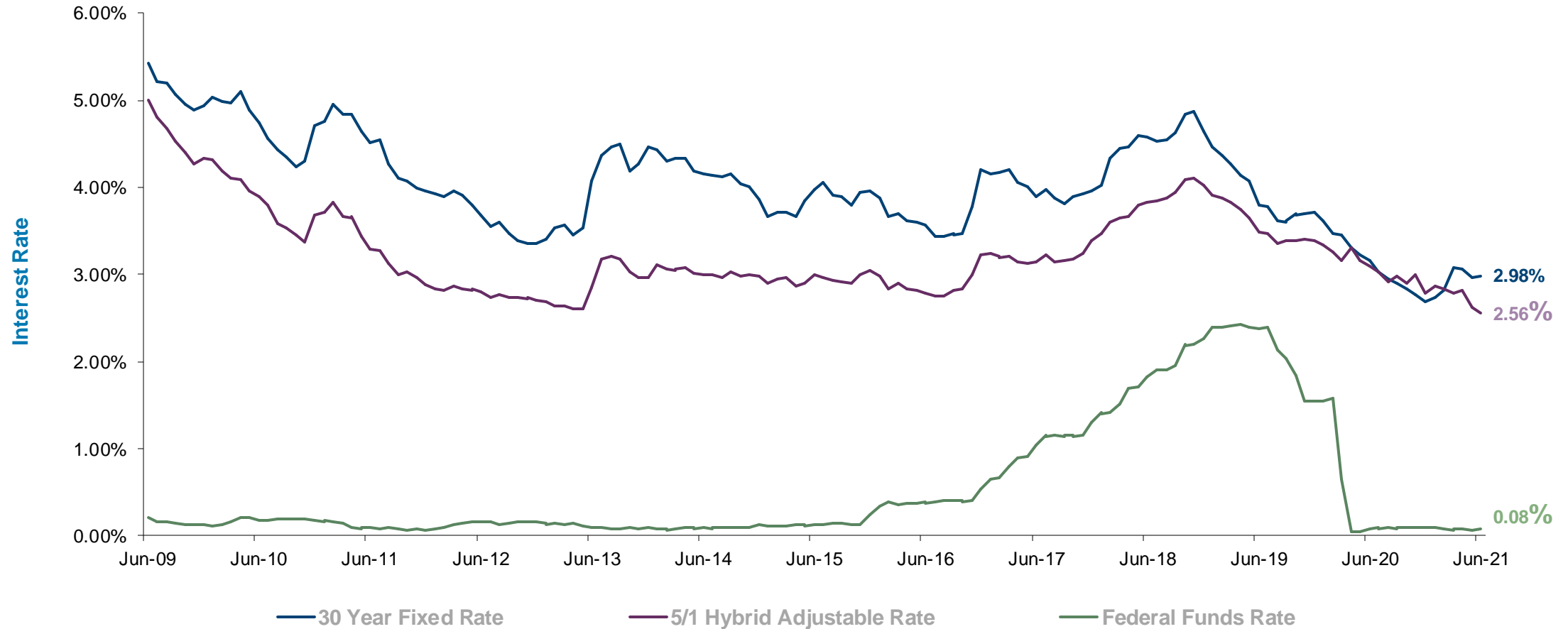
SOURCE: Santa Clara County Association of Realtors June 2021.

Single Family Inventory Increases 28% & Sales Increase 49% QoQ



SOURCE: Santa Clara County Association of Realtors June 2021

30-Year Fixed Rate Below 3%



SOURCE: Federal Reserve, Freddie Mac Primary Mortgage Market Survey, Q2 2021.

Data Sources and Definitions

- 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
- For historical consistency, the City restated its rents and vacancy data back to **January 2000** using Costar. The revised data has been posted in Housing Market Update reports since Q2 2017
- Analysis based on Zillow Indices has been removed from the report, as Zillow ceased publication of the following Indices as of Q1 2020 – Rent Affordability Index, Mortgage Affordability Index, Price to Income Index
- The City of San José selected **Costar** to supply rental housing statistics as of July 1, 2017, as the City's previous vendor, RealAnswers, went out of business in Q4 2016
- For questions, please call the Housing Department at 408-535-3860