

Housing Market Update

Third Quarter 2021



Arya, developed by Satellite Affordable Housing Associates (SAHA), will bring 87 affordable homes to San José. The eight-story project will serve households earning between 30% and 60% of the area median income. SAHA is also utilizing state funds, secured in partnership with the city and the Valley Transportation Authority (VTA), through an Affordable Housing and Sustainable Communities grant, among the first projects in San José to do so. The state program supports developments that work to reduce greenhouse gas emissions. Image Courtesy HousingFinance.com

Q3 2021 San José Housing Market

- 🏠 Renters must earn **\$54/hour** (\$112,080/year) to afford the average *effective* monthly rent for a 2-bedroom apartment¹
- 🏠 Buyers must earn **\$116/hour** (\$240,437/year) to afford a median-priced single-family home²
- 🏠 **328** residential building permits issued in Q3 2021, **106** of which were for affordable apartments
- 🏠 **115** secondary unit / ADU (Accessory Dwelling Units) permits issued in Q3 2021
- 🏠 Average effective rent is **\$2,531**³, up **3.5%** QoQ⁴; overall residential vacancy rate is **6.5%**, down **0.1 pts** QoQ
- 🏠 Median single family home price is **\$1,415,500**⁵, down **4%** QoQ

1. Based on Q3 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.

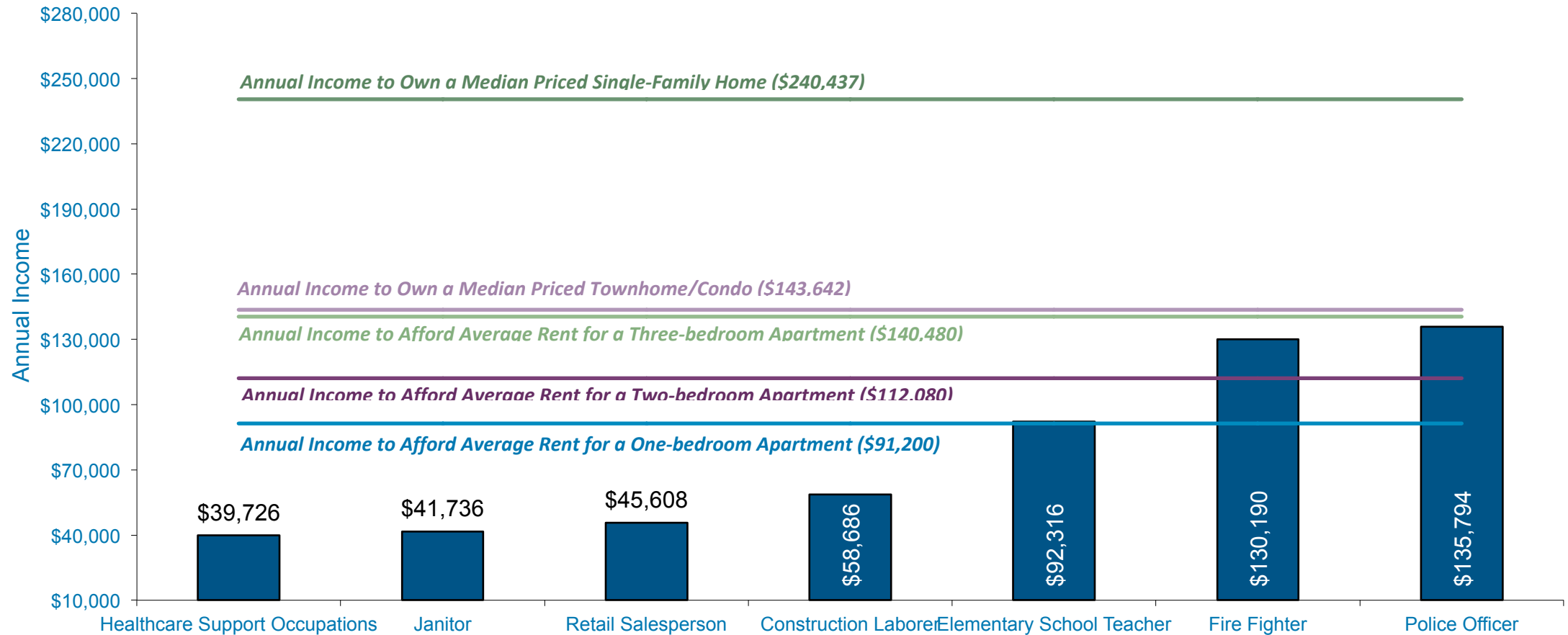
2. Based on SCCAOR Sept 2021 median prices; income calculation assumes monthly payments are 30% of income, 20% down, 2.9% interest rate, 1.1% property tax, 40-hour work week, and a single-income household.

3. Based on Costar Average Effective Rents, Oct 13,, 2021.

4. QoQ – Quarter over Quarter

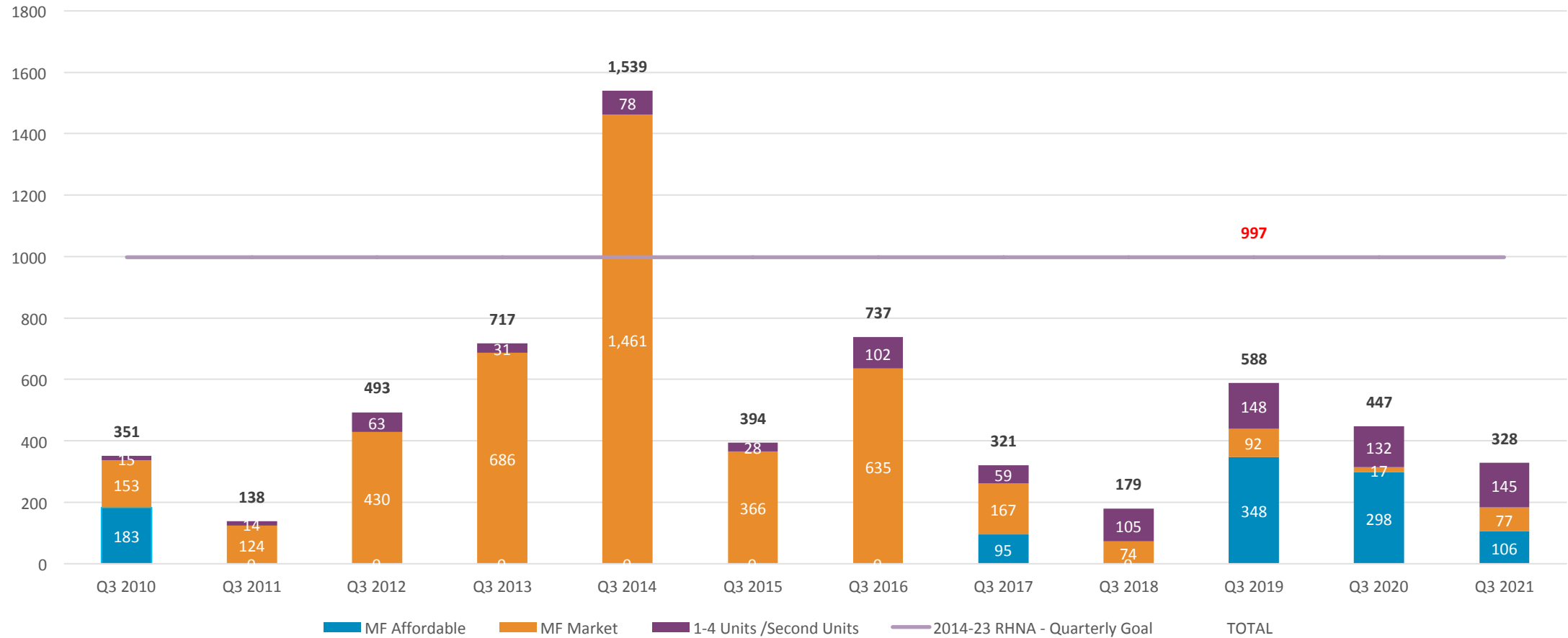
5. Based on Santa Clara County Association of Realtors (SCCAOR), Sept 2021.

Many Essential Workers Cannot Afford San José Housing Costs



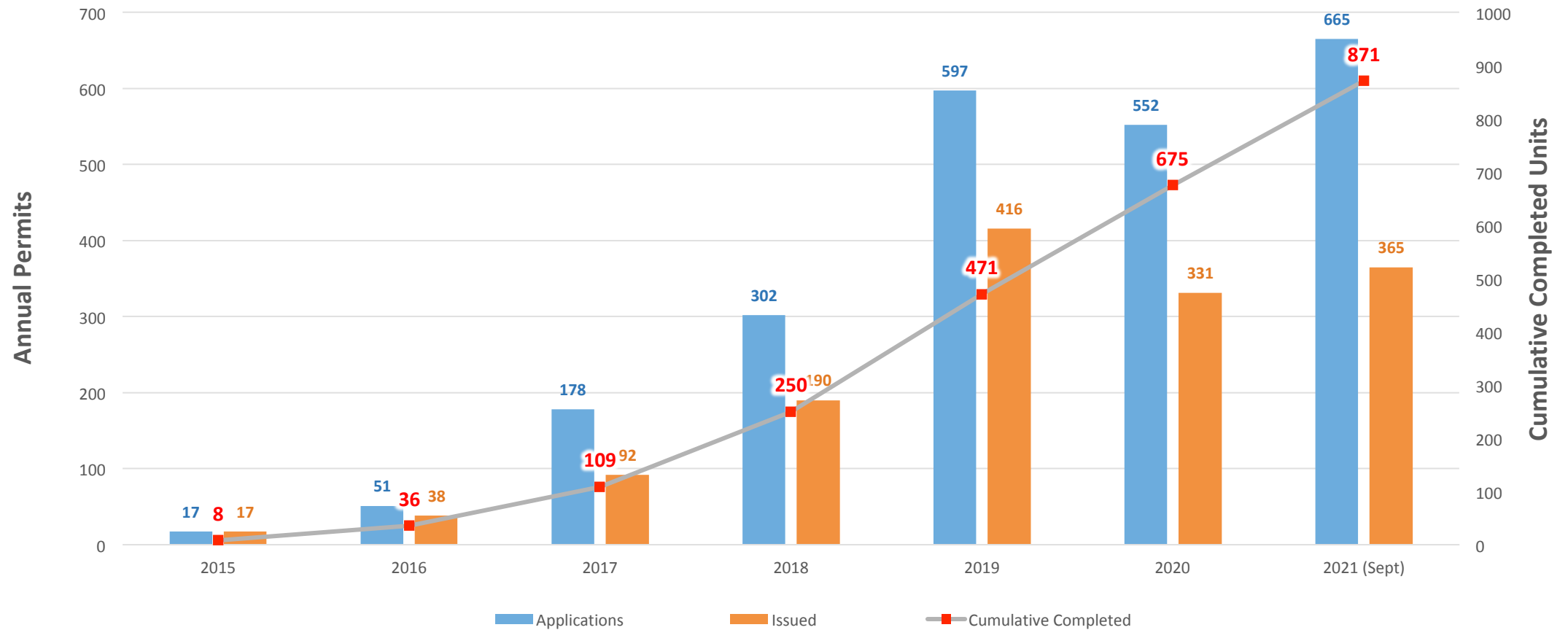
SOURCE: Employment Development Department (EDD) – First Quarter 2021 Wages; Costar Q3 2021 Average Effective Rents; Income to rent calculation assumes rent at 30% of income and a single-income household; SCCOAR September 2021 median home sales prices; Income to mortgage calculations assume payments at 30% of income, 20% down, 2.9% interest, 1.1% Property Tax, \$300 HOA dues for condos and a single-income household.

Q3 2021 Residential Permit Activity – 32% Affordable



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

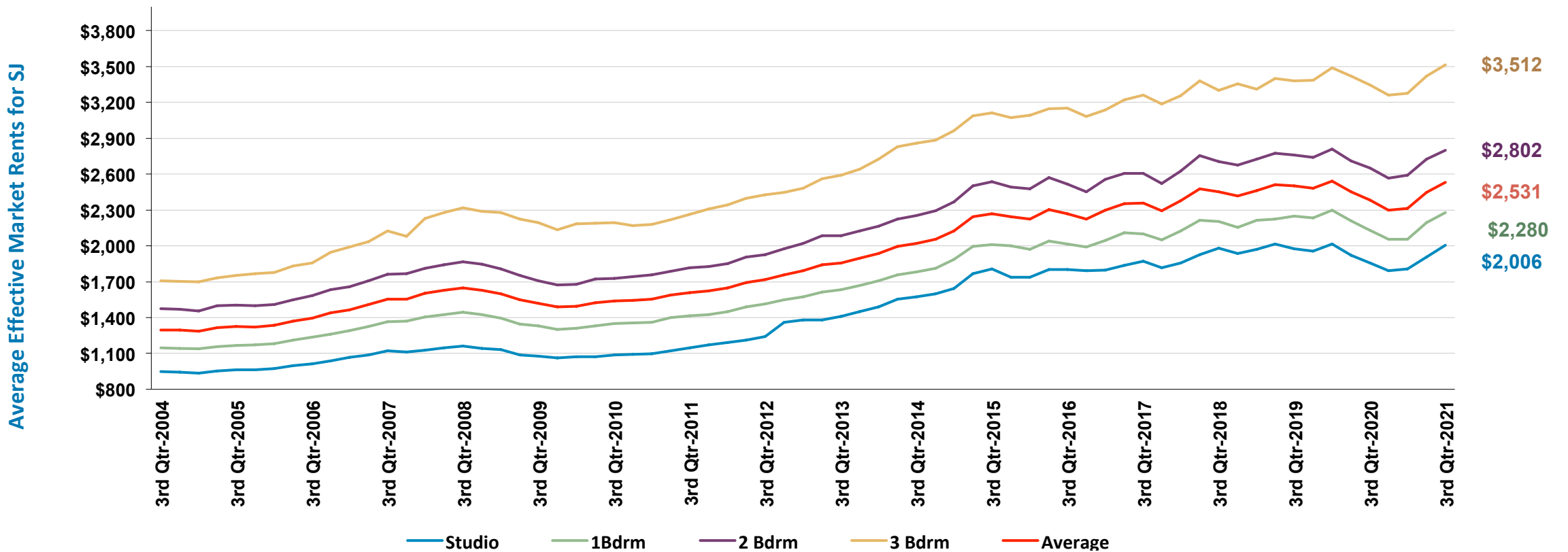
Robust ADU Permit Activity



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 ADU Dashboard & Permit Activity Reports as of Sept 2021.

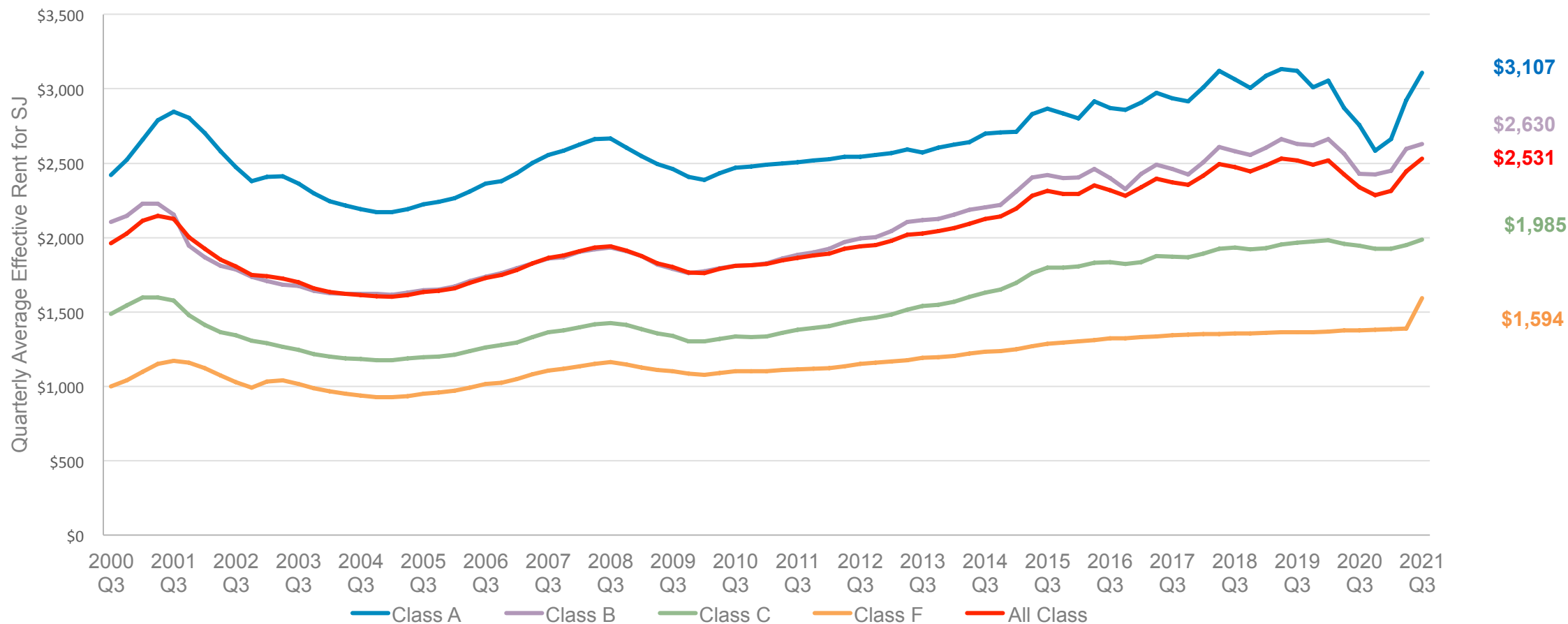
Rising Rents – Avg Up 3.5% QoQ, 6.3% YoY



SOURCE: Costar Oct 13, 2021.

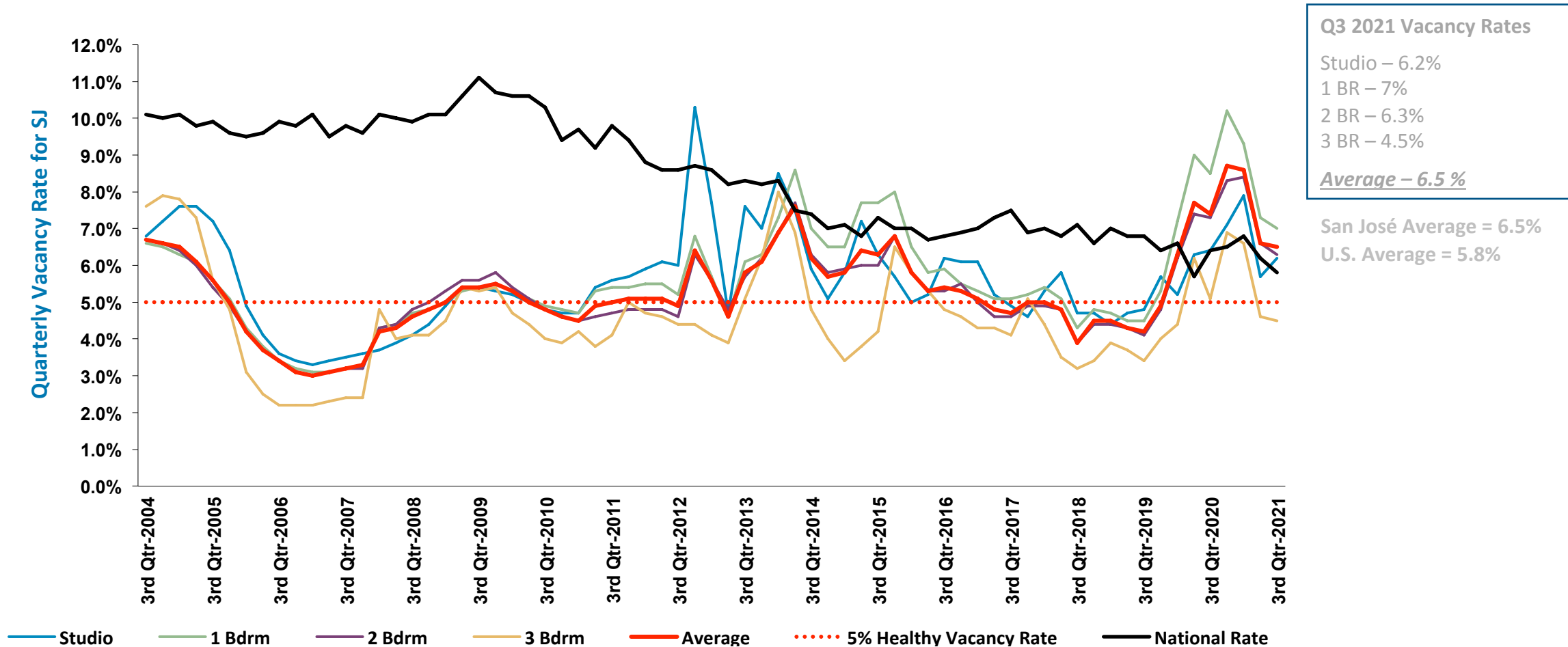
* QoQ = Quarter-over-Quarter; YoY = Year-over-Year.

Rents By Class



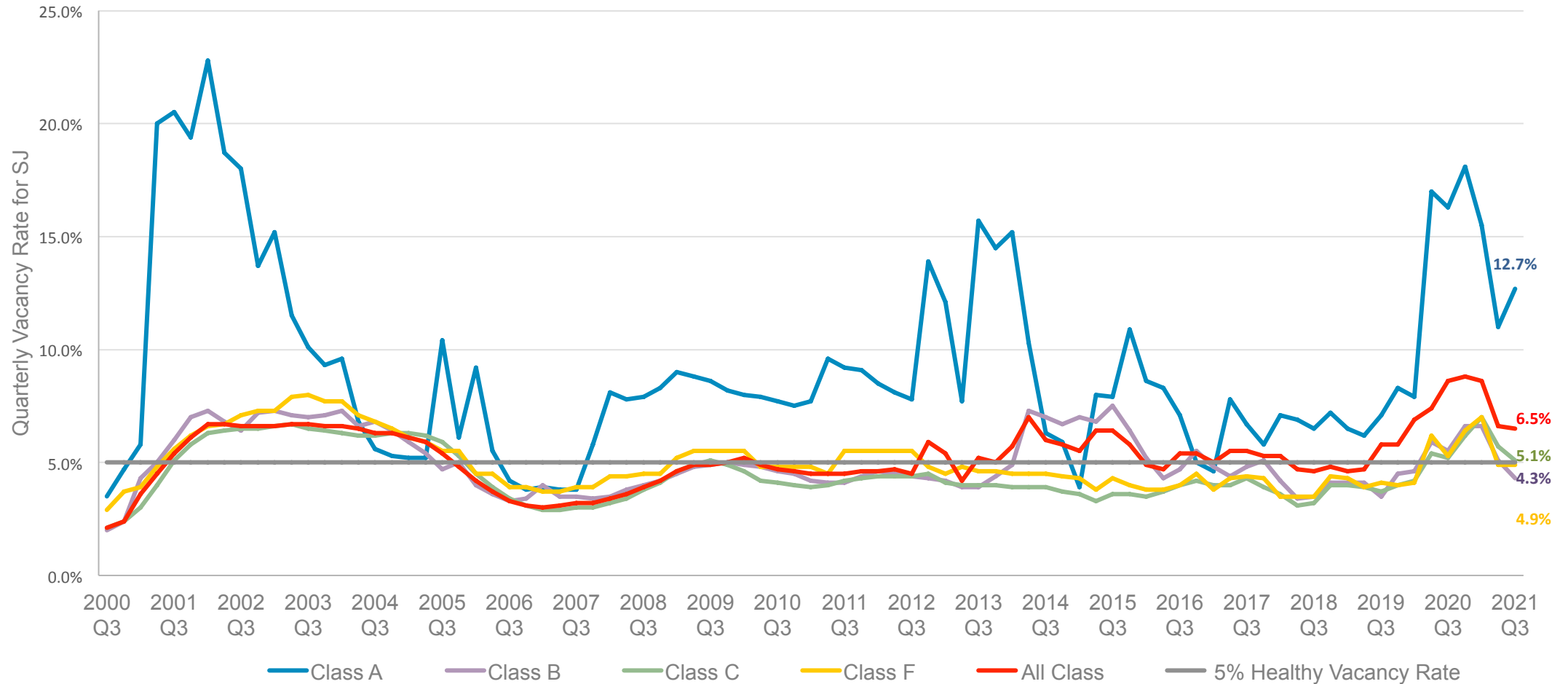
SOURCE: Costar Oct 13, 2021.

Avg Vacancy Up 0.1pts QoQ, Still Above “Healthy” Rate of 5%



SOURCE: Costar, Oct 13, 2021; National Rate – US Census Bureau Current Population Survey/ Housing Vacancy Survey Q3, 2021.

Vacancies by Class – Class A Vacancy is 12.7% - Up 1.7 pts QoQ



SOURCE: Costar, Oct 13, 2021

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

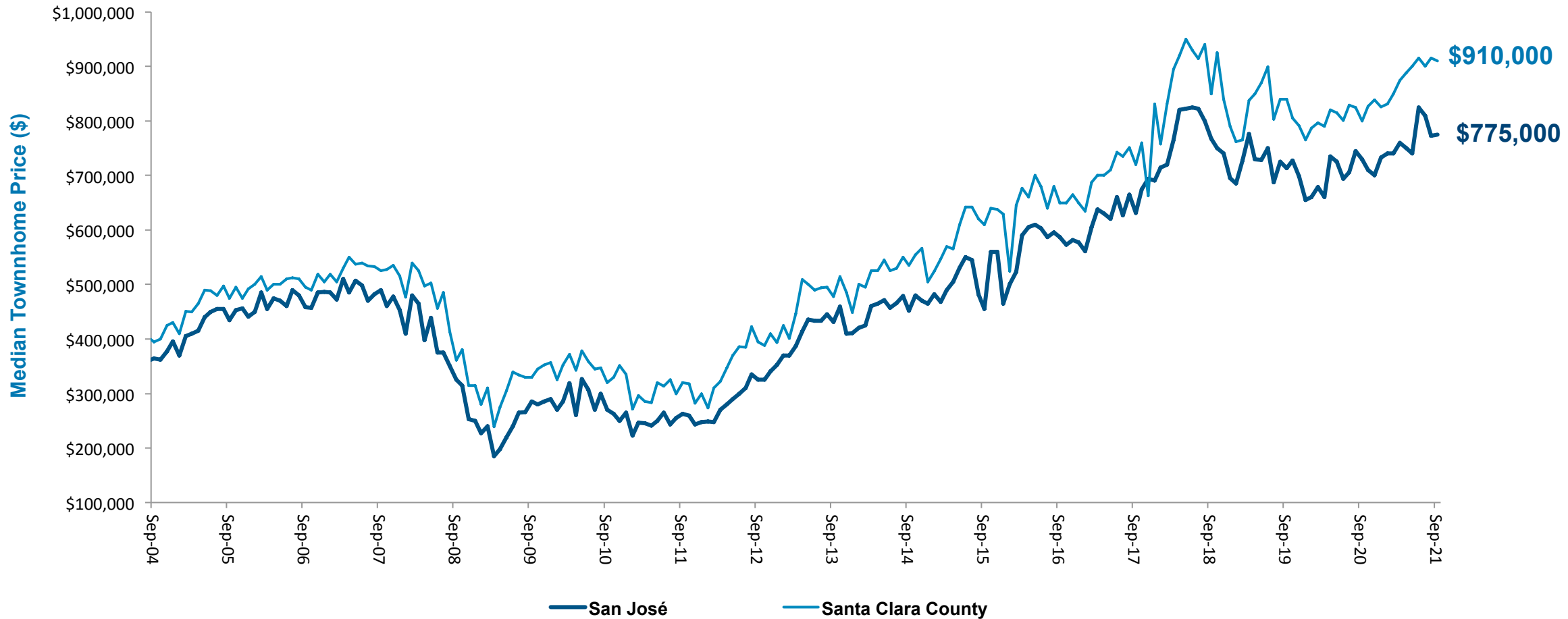
San José Single Family Median Home Prices

Drop 4% QoQ, still Up 19% YoY



SOURCE: Santa Clara County Association of Realtors September 2021.

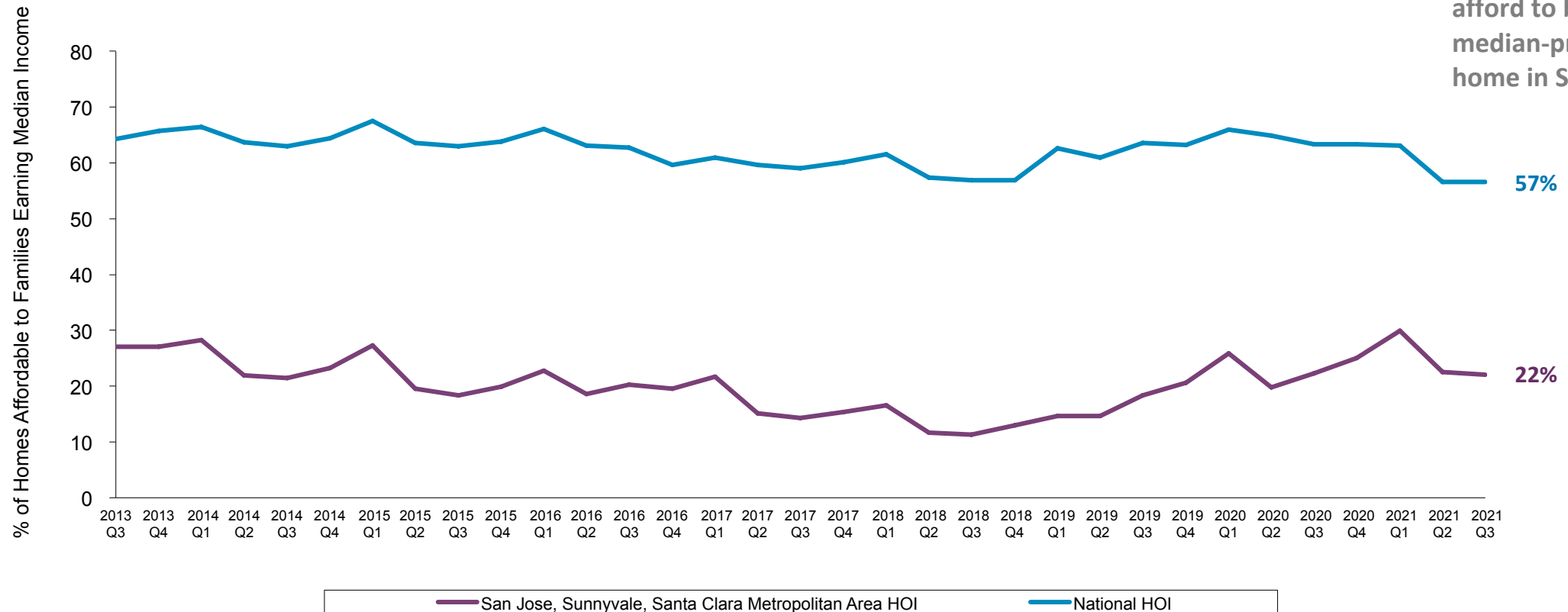
San José Condo/Townhome Median Prices Down 6% QoQ, Up 12% YoY



SOURCE: Santa Clara County Association of Realtors Sept 2021.

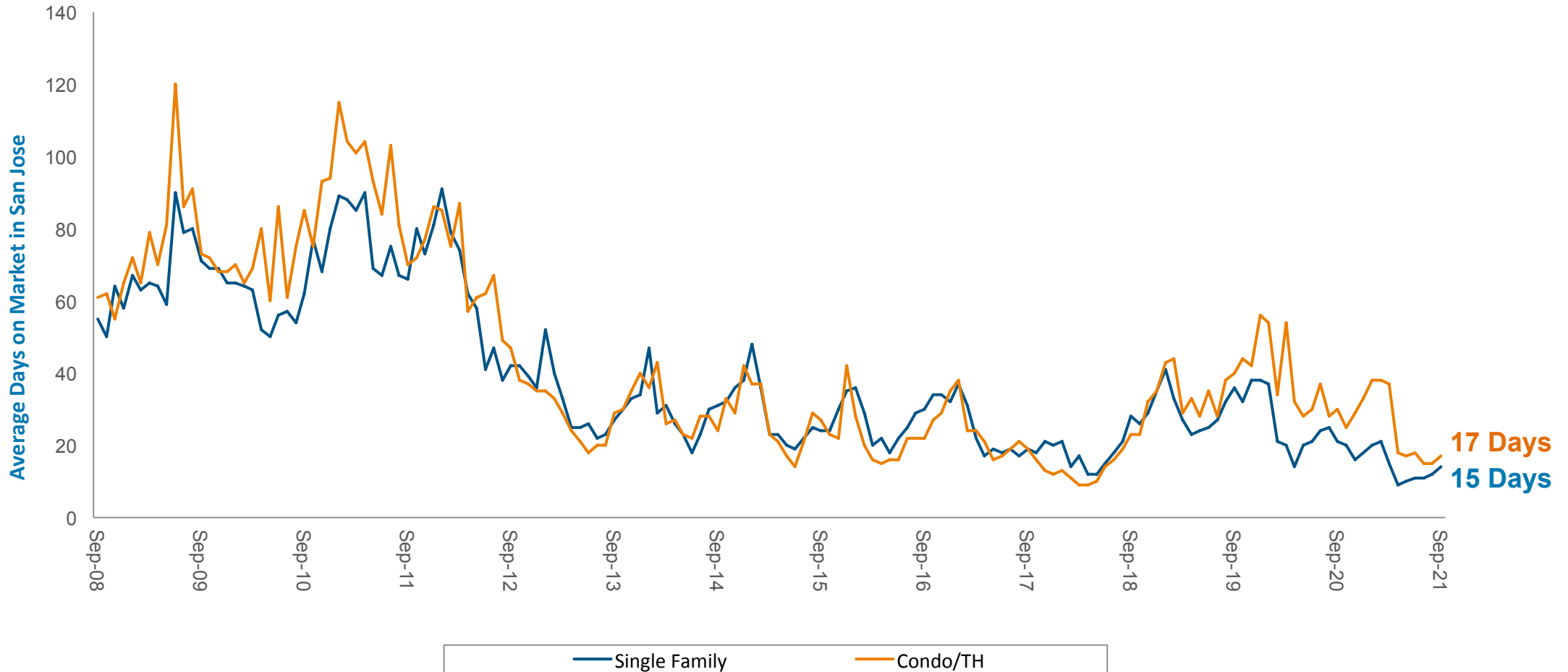
San José Metro Area Affordability is Less than Half the National Average

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



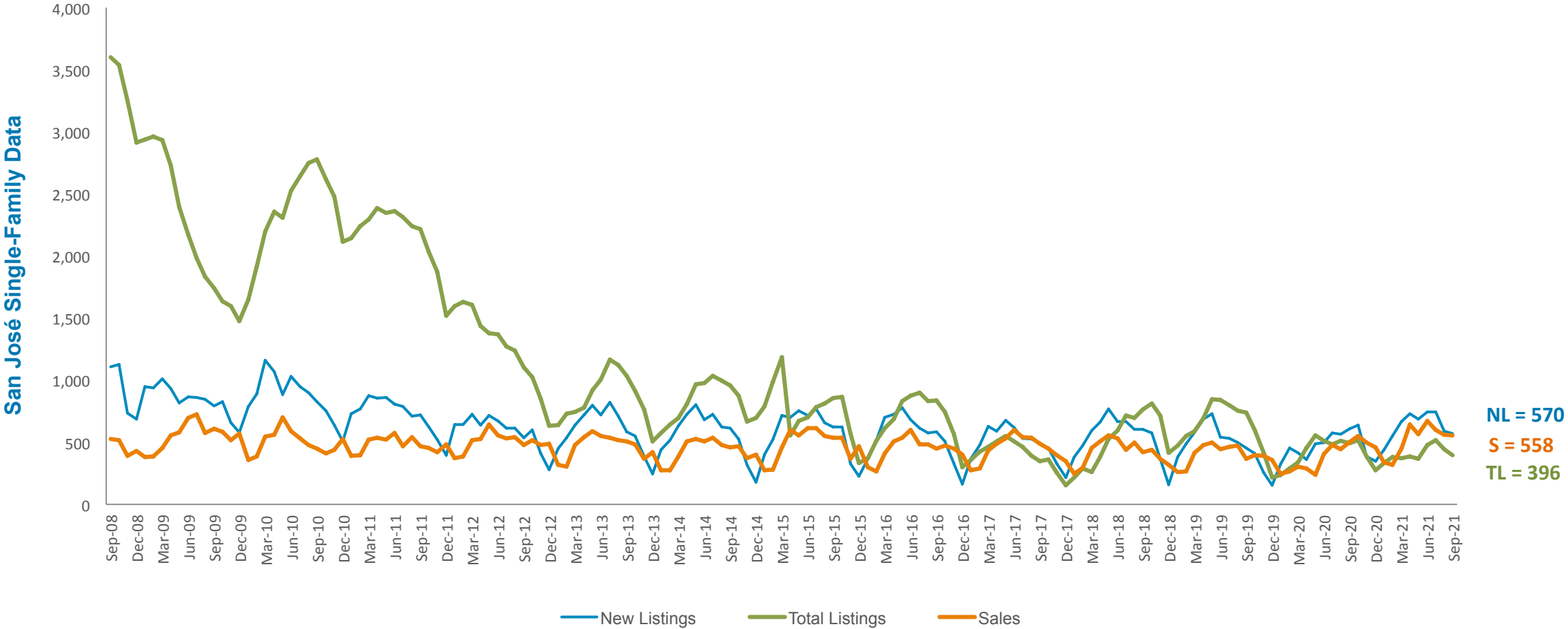
SOURCE: National Association of Home Builders, Housing Opportunity Index (HOI) Q3 2021.

SJ Homes Sell in about Two Weeks



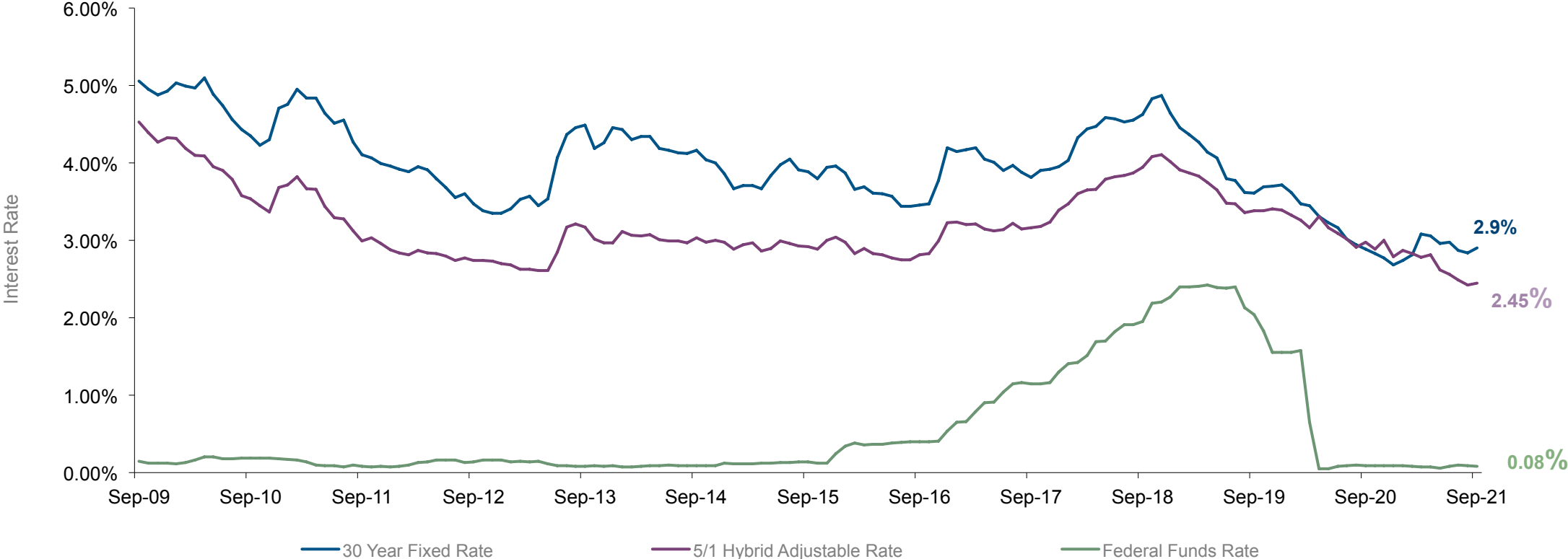
SOURCE: Santa Clara County Association of Realtors Sept 2021.

Single Family Inventory & Sales Fall 17% QoQ



SOURCE: Santa Clara County Association of Realtors September 2021

30-Year Fixed Rate Below 3%



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