

Housing Market Update

Fourth Quarter 2021



Blossom Hill Seniors, developed by Charities Housing Associates and expected to open in Dec 2023, will provide 147 new affordable homes for seniors 62 and older. It will incorporate supportive services to enable older adults to maintain independence and will also include supportive housing for 49 seniors who have formerly experienced homelessness. It is close to transit, just 15 minutes walk from the Snell VTA Light Rail Station. The first floor of the building will include commercial, office, and community space, including needed health and wellness services available to residents and the broader neighborhood. Image courtesy of charitieshousing.org

Q4 2021 San José Housing Market

- Renters must earn **\$54/hour** (\$111,680/year) to afford the average *effective* monthly rent for a 2-bedroom apartment¹
- Buyers must earn **\$123/hour** (\$255,635/year) to afford a median-priced single-family home²
- **1,663** residential building permits issued in 2021, **730** of which were for affordable apartments (44% affordable); Q4 permits were **317** out of which **128** were affordable
- **420** ADU (Accessory Dwelling Units) permits issued in 2021, up **27% YoY**³
- Average effective rent is **\$2,515**⁴, down **0.6% QoQ**; overall residential vacancy rate is **6.1%**, down **0.4 pts QoQ**
- Median single family home price is **\$1,475,000**⁵, up **4.2% QoQ**, up **20% YoY**

1. Based on Q4 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.

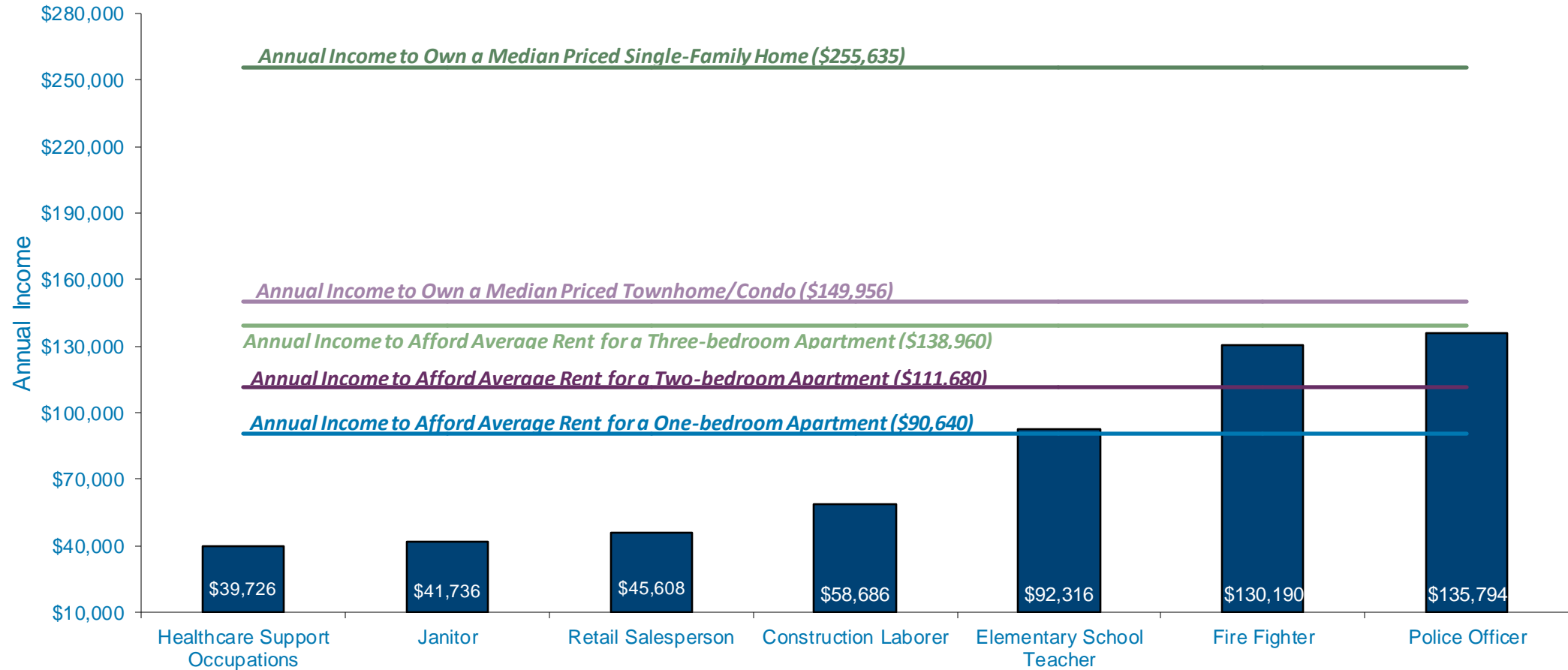
2. Based on SCCAOR Dec 2021 median prices; income calculation assumes monthly payments are 30% of income, 20% down, 3.1% interest rate, 1.1% property tax, 40-hour work week, and a single-income household.

3. Yoy – Year over Year; QoQ – Quarter over Quarter.

4. Based on Costar Average Effective Rents, Jan 3, 2022.

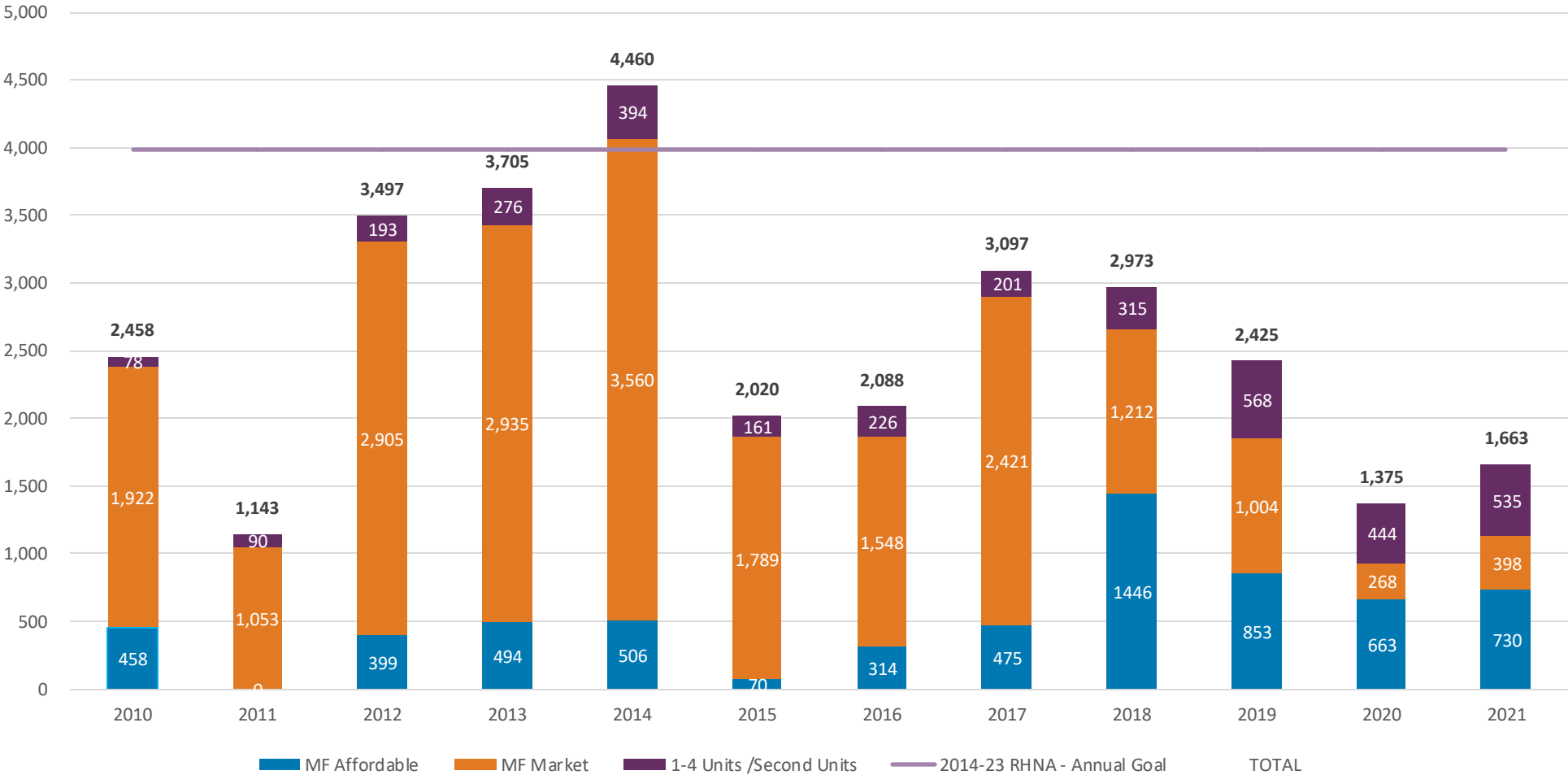
5. Based on Santa Clara County Association of Realtors (SCCAOR), Dec 2021.

Many Essential Workers Cannot Afford San José Housing Costs



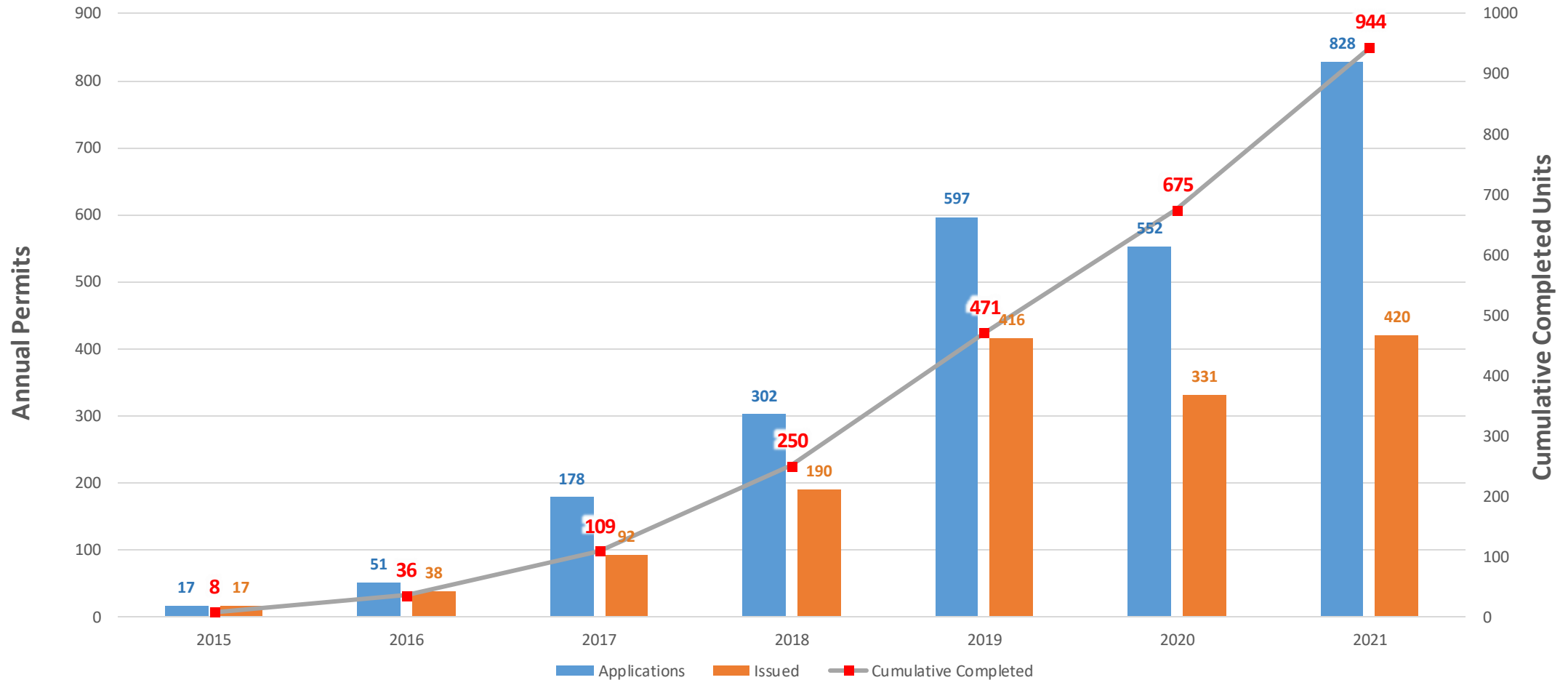
SOURCE: Employment Development Department (EDD) – First Quarter 2021 Wages; Costar Q4 2021 Average Effective Rents; Income to rent calculation assumes rent at 30% of income and a single-income household; SCCOAR December 2021 median home sales prices; Income to mortgage calculations assume payments at 30% of income, 20% down, 3.1% inte rest, 1.1% Property Tax, \$300 HOA dues for condos and a single-income household.

21% YoY Growth in 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.

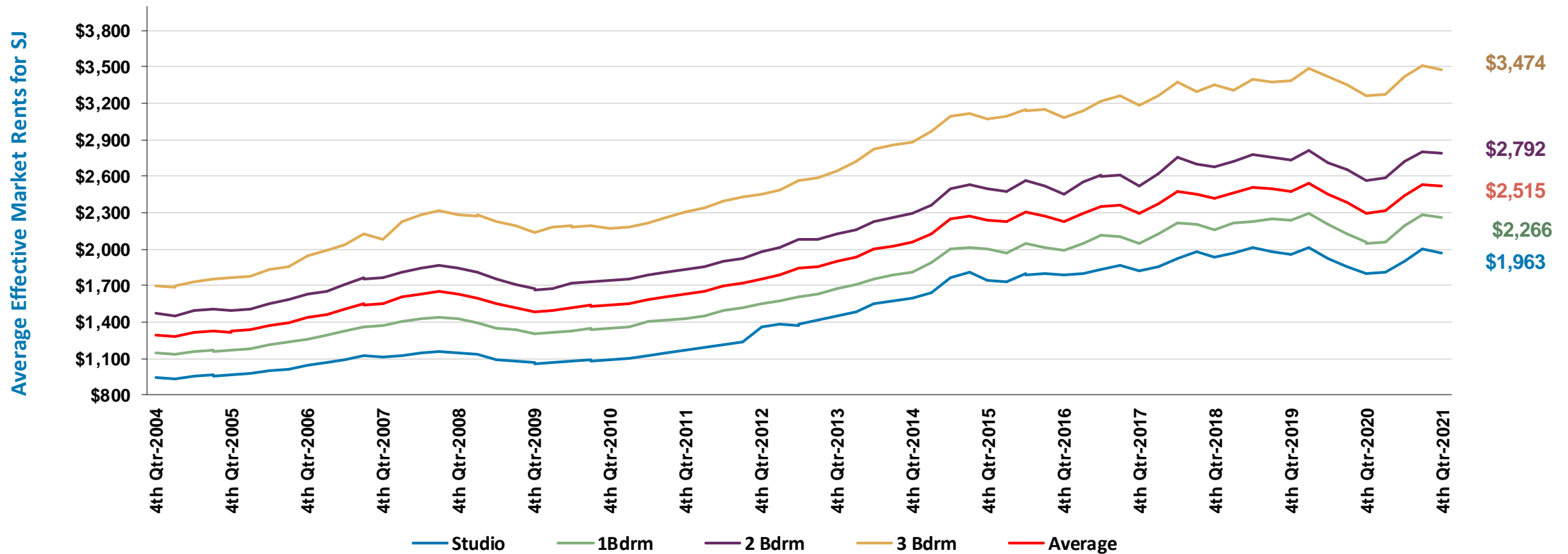
Strong ADU Permit Activity



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 Dec 2021.

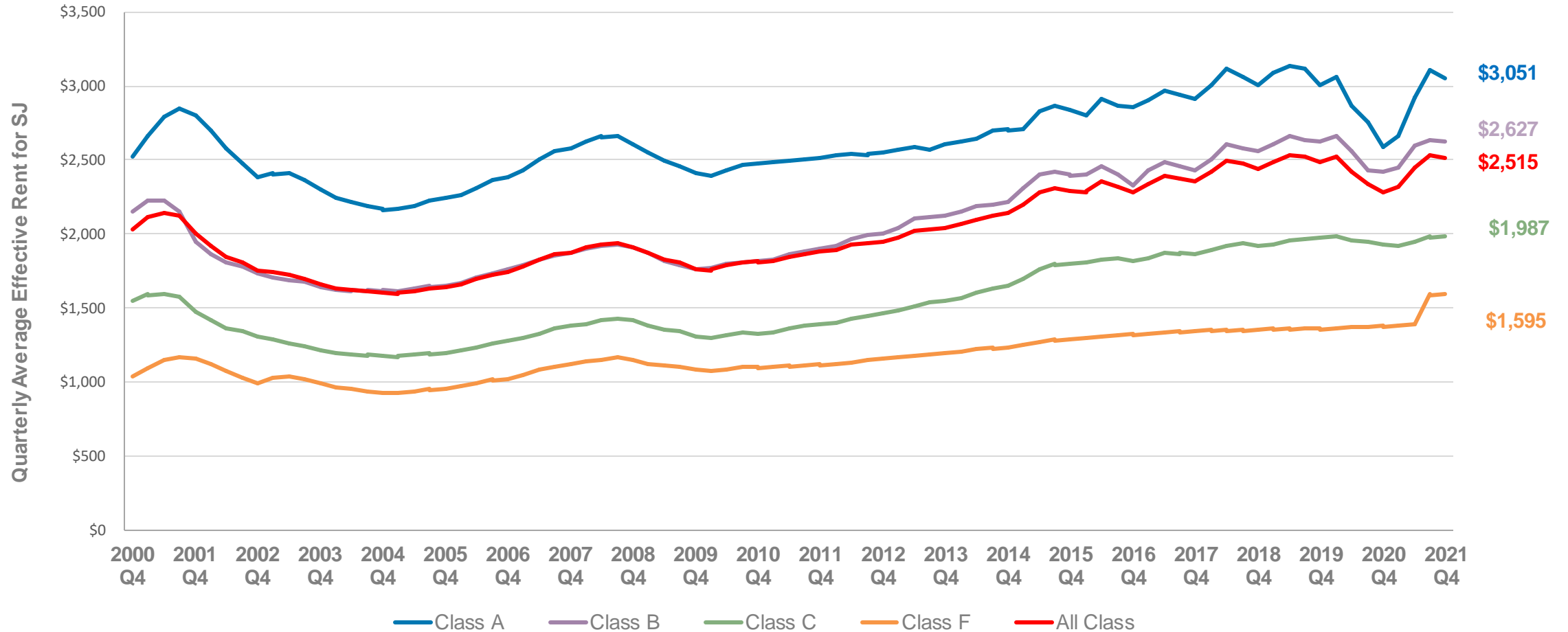
Average Rent Down 0.6% QoQ, but Up 9.4% YoY



SOURCE: Costar Jan 3, 2022.

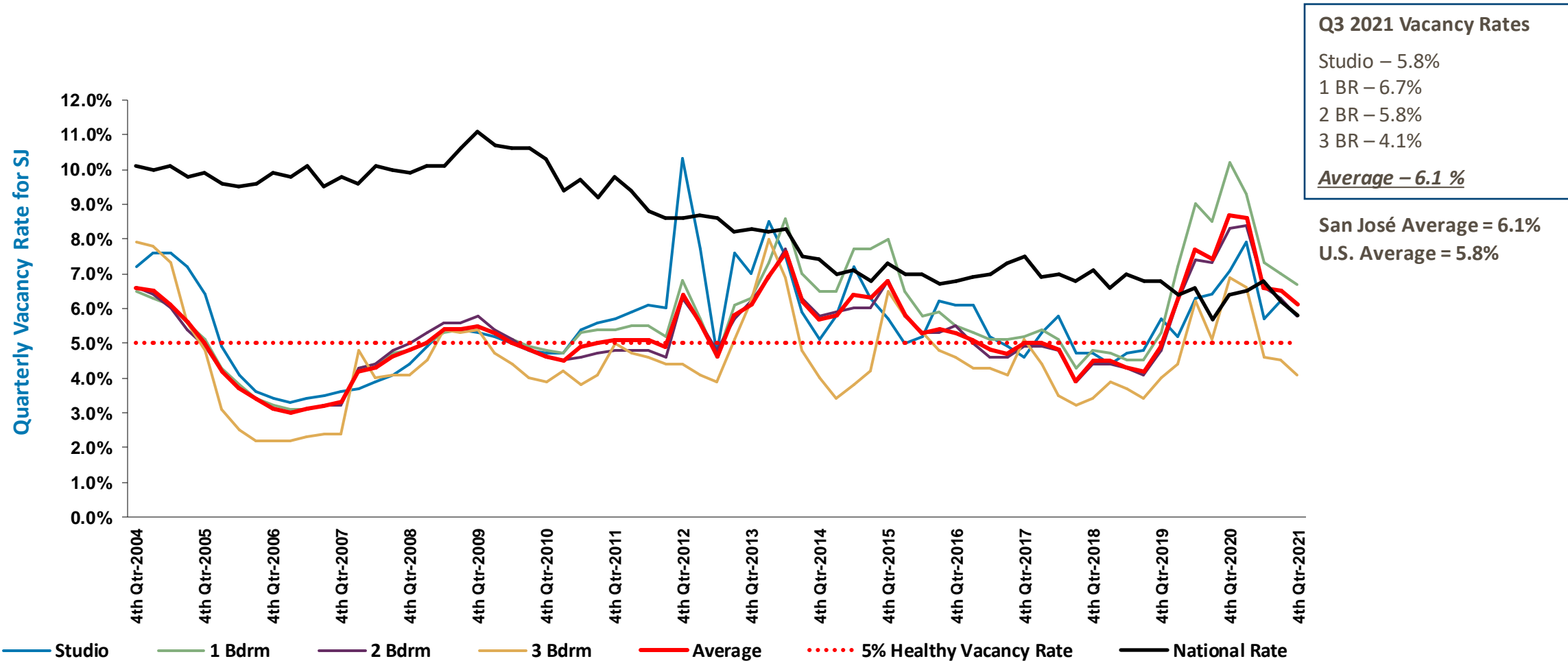
* QoQ = Quarter-over-Quarter; YoY = Year-over-Year.

Rents By Class – Class A is the most volatile



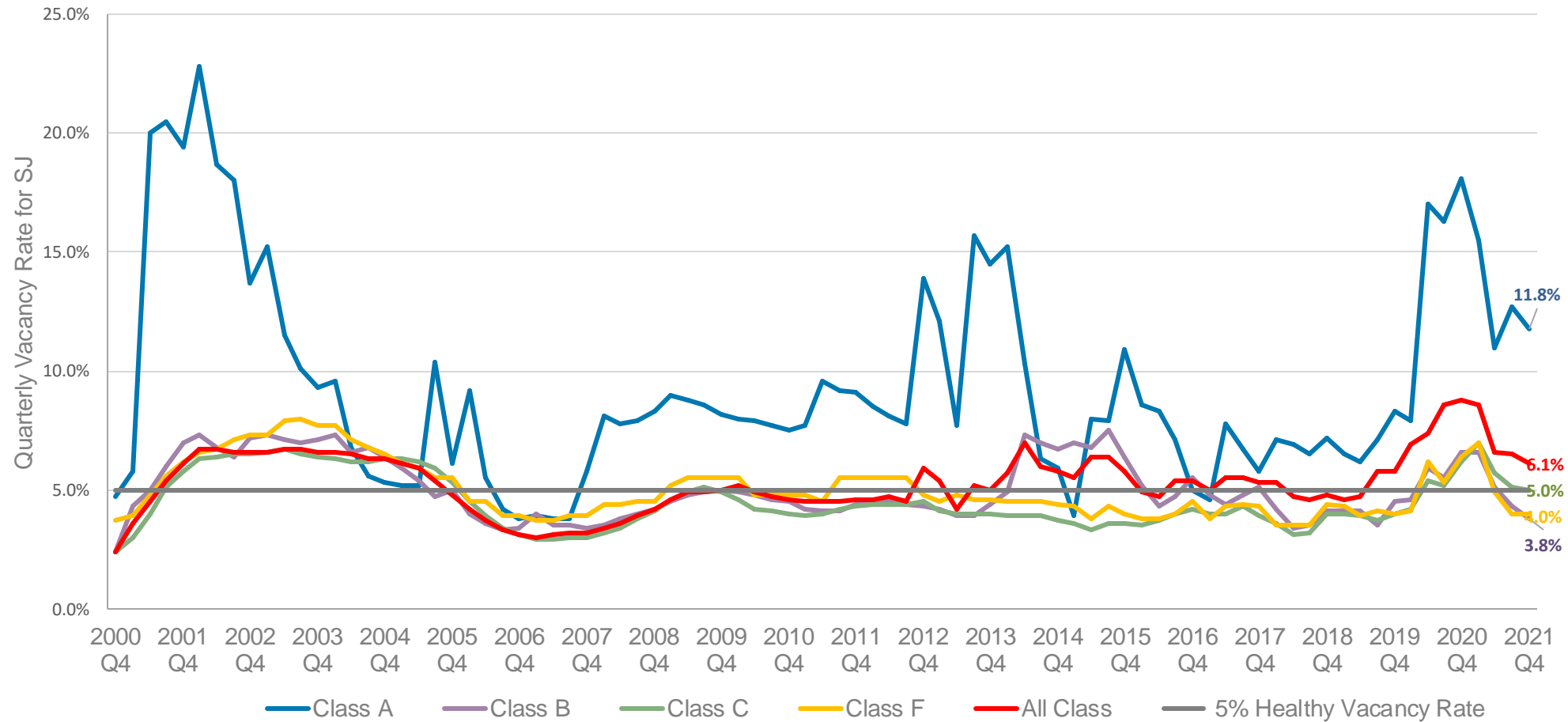
SOURCE: Costar Jan 3, 2022.

Avg Vacancy Down 0.4pts QoQ, Still Above “Healthy” Rate of 5%



SOURCE: Costar, Jan 3, 2022; National Rate – US Census Bureau Current Population Survey/ Housing Vacancy Survey Q3, 2021.

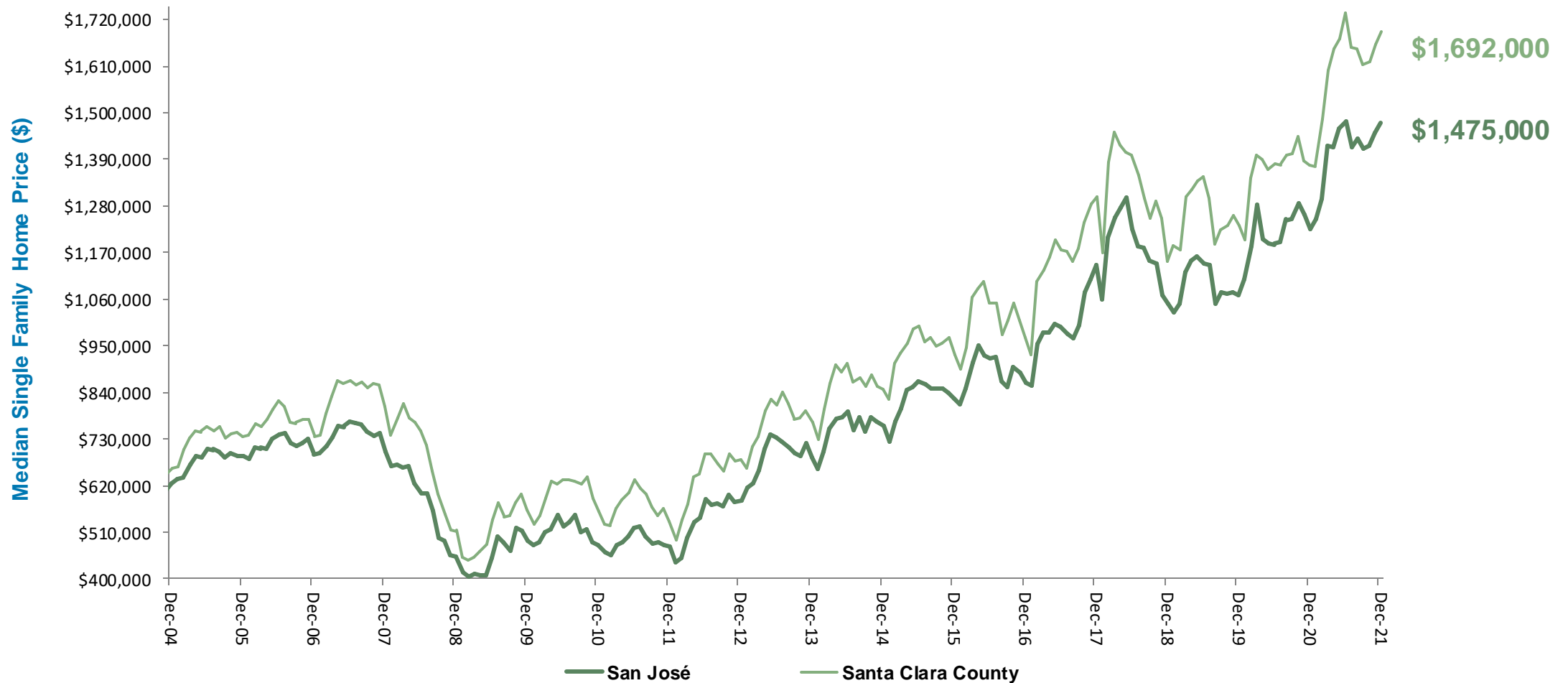
Vacancies by Class – Class A Vacancy is 11.8% - Down 0.9 pts QoQ



SOURCE: Costar, Jan 3, 2022

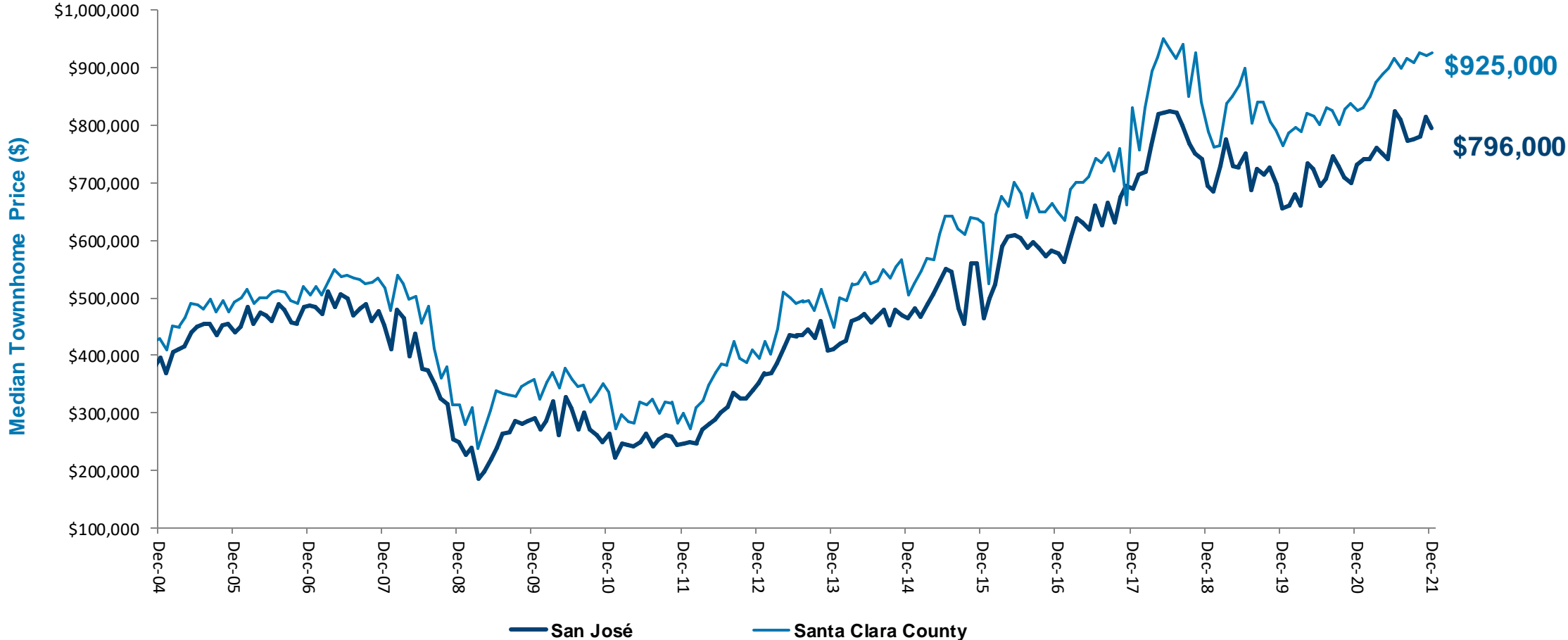
* Note: Older buildings refer to Class B, C and F properties; Class A buildings are usually newly-constructed properties.

San José Median Single Family Home Price Continues to Rise - Up 4% QoQ & 20% YoY



SOURCE: Santa Clara County Association of Realtors December 2021.

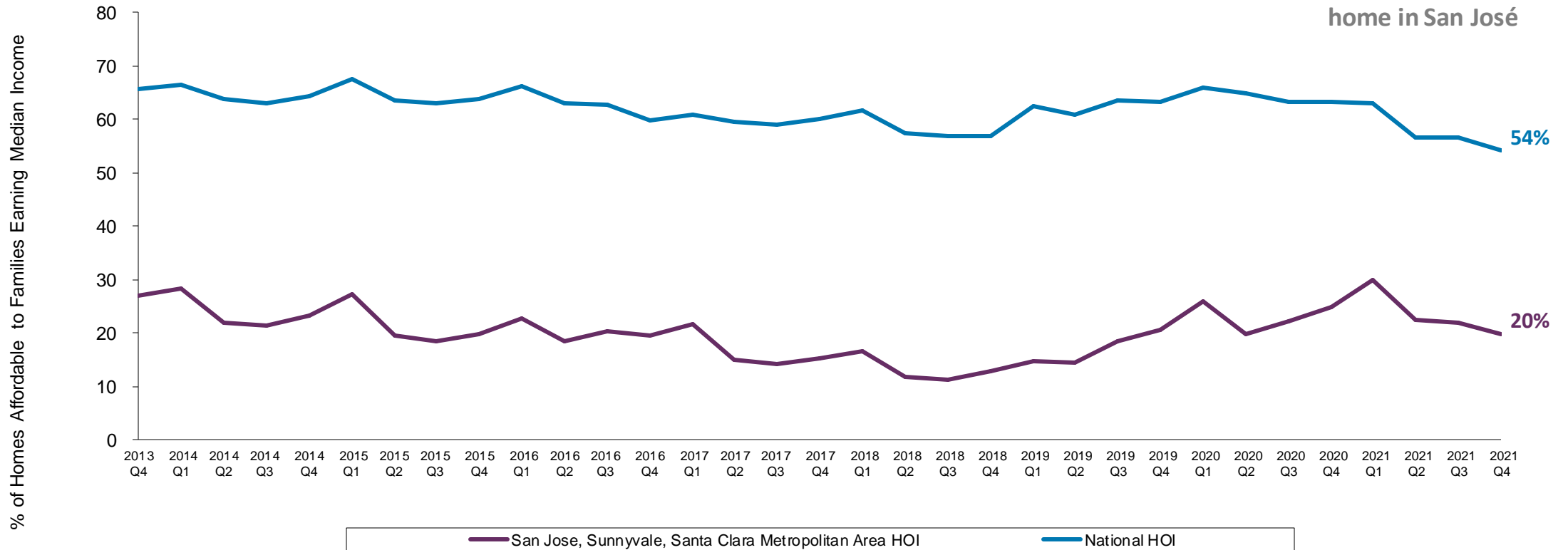
San José Median Condo/Townhome Prices Up 3% QoQ & 9% YoY



SOURCE: Santa Clara County Association of Realtors Dec 2021.

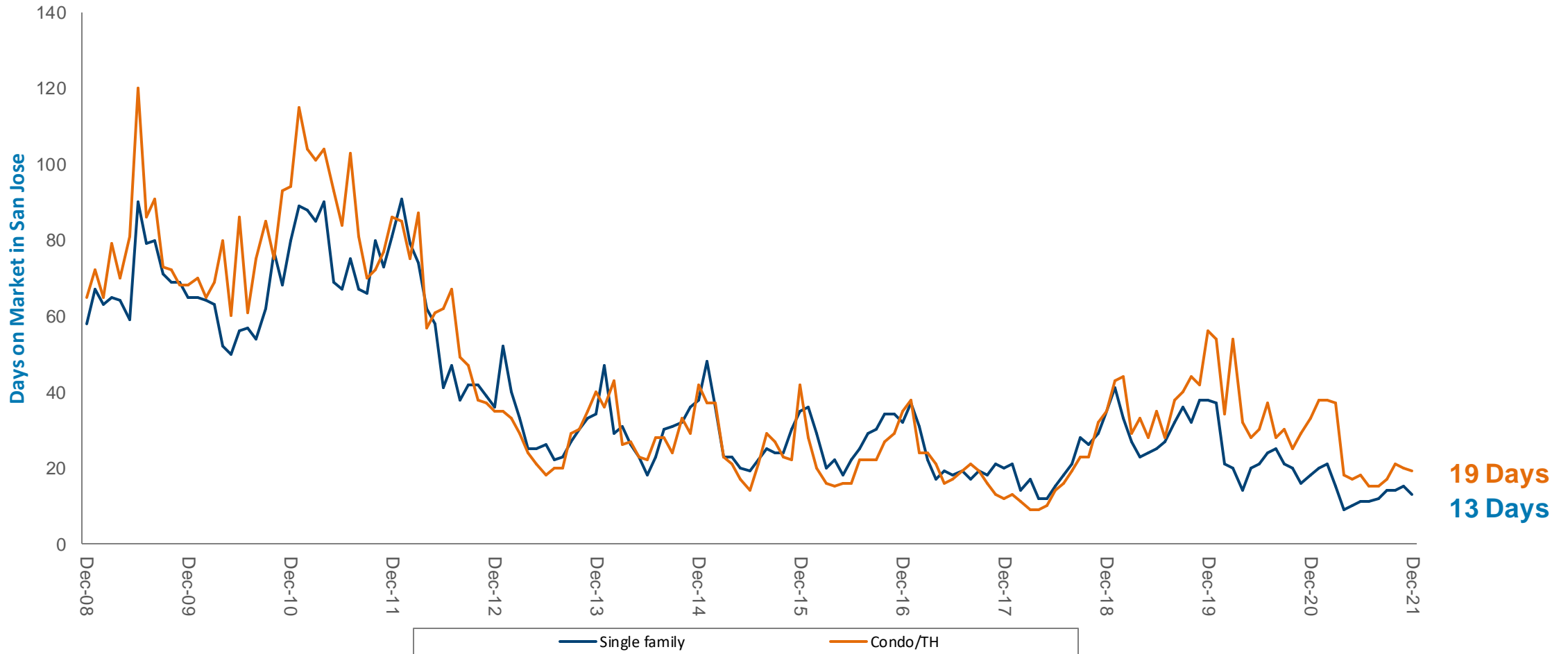
San José Metro Area Affordability is Less than Half the National Average

Only 1 in 5 families can afford to buy a median-priced home in San José



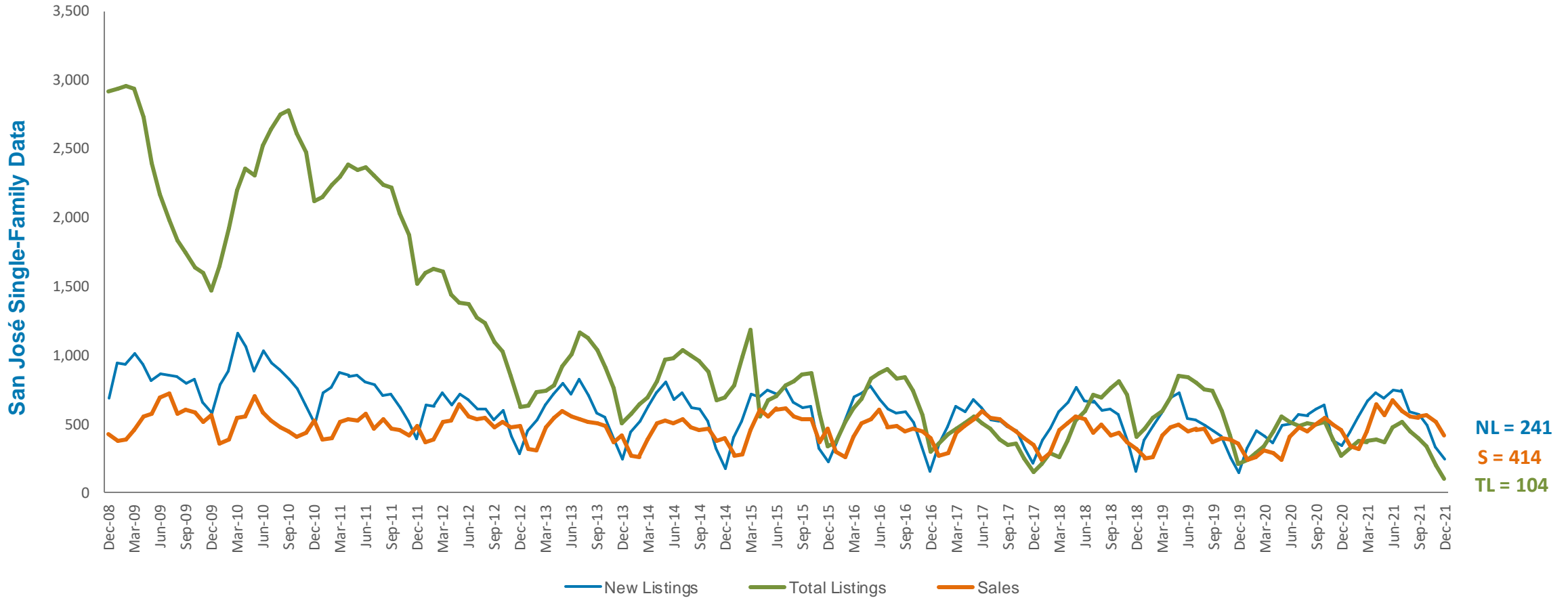
SOURCE: National Association of Home Builders, Housing Opportunity Index (HOI) Q4 2021.

SJ Homes are on the market only ~2 weeks



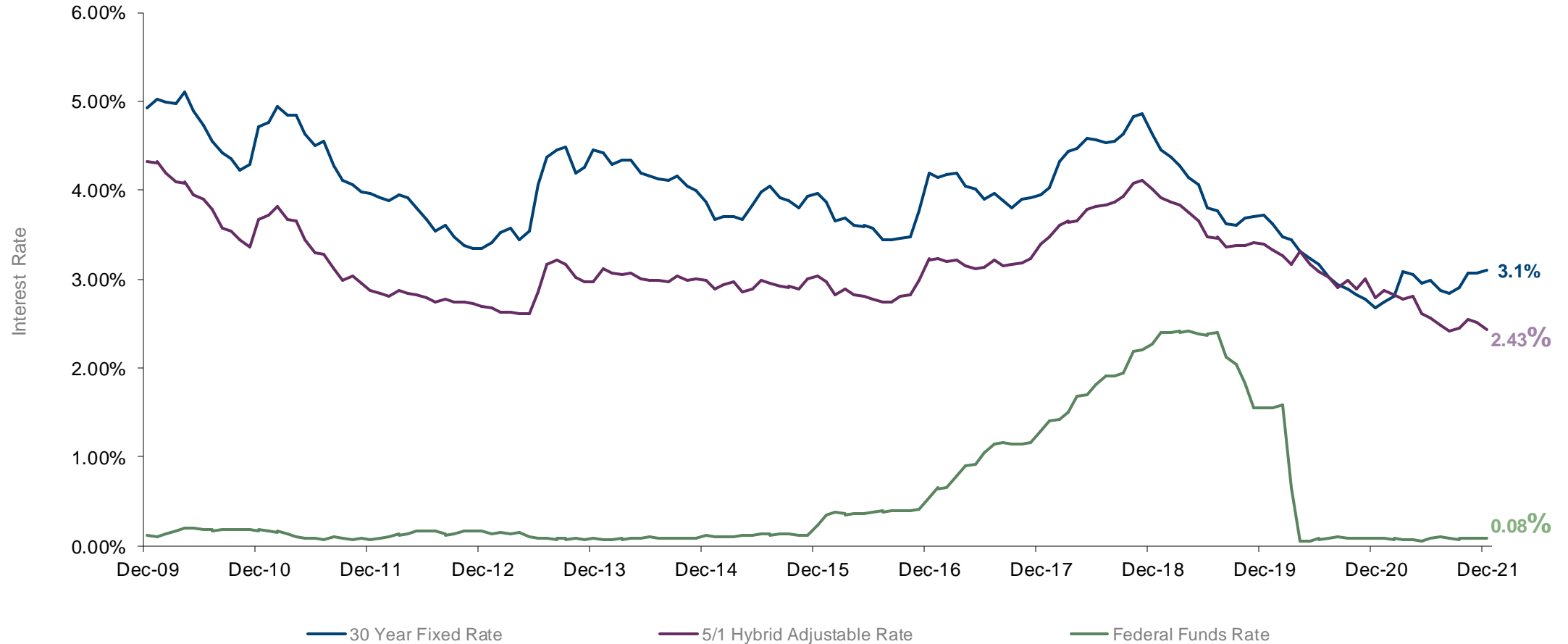
SOURCE: Santa Clara County Association of Realtors Dec 2021.

Single Family Inventory at Lowest Level in Decade



SOURCE: Santa Clara County Association of Realtors December 2021

30-Year Fixed Rate at 3.1%



SOURCE: Federal Reserve, Freddie Mac Primary Mortgage Market Survey, Q4 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