



*Housing*

# Housing Market Update

First Quarter 2022



Gallup and Mesa is a 46-unit development that will be located in the Almaden neighborhood of San Jose. 23 units will be set aside for Transition Aged Youth (TAY). These residents will be young adults who have exited the foster system and are in need of housing. The remaining units will be rented to families. The development includes an outdoor terrace on the second floor for residents, as well as a 1,000 square foot community room on the ground floor for neighboring residents. Image & write-up courtesy Edenhousing.org

# Q1 2022 San José Housing Market

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- 🏠 Renters must earn **\$56/hour** (\$115,920/year) to afford the average *effective* monthly rent for a 2-bedroom apartment<sup>1</sup>
- 🏠 Buyers must earn **\$160/hour** (\$332,703/year) to afford a median-priced single-family home<sup>2</sup>
- 🏠 **1,153** residential building permits issued, **150** of which were for affordable apartments (13% affordable)
- 🏠 **171** ADU (Accessory Dwelling Units) permits issued, up **4%** QoQ<sup>3</sup>
- 🏠 Average effective rent is **\$2,595**<sup>4</sup>, up **3.2%** QoQ; overall residential vacancy rate is **5.2%**, down **0.9 pts** QoQ
- 🏠 Median single family home price is **\$1,727,500**<sup>5</sup>, up **17%** QoQ, up **21%** YoY

1. Based on Q1 2022 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.

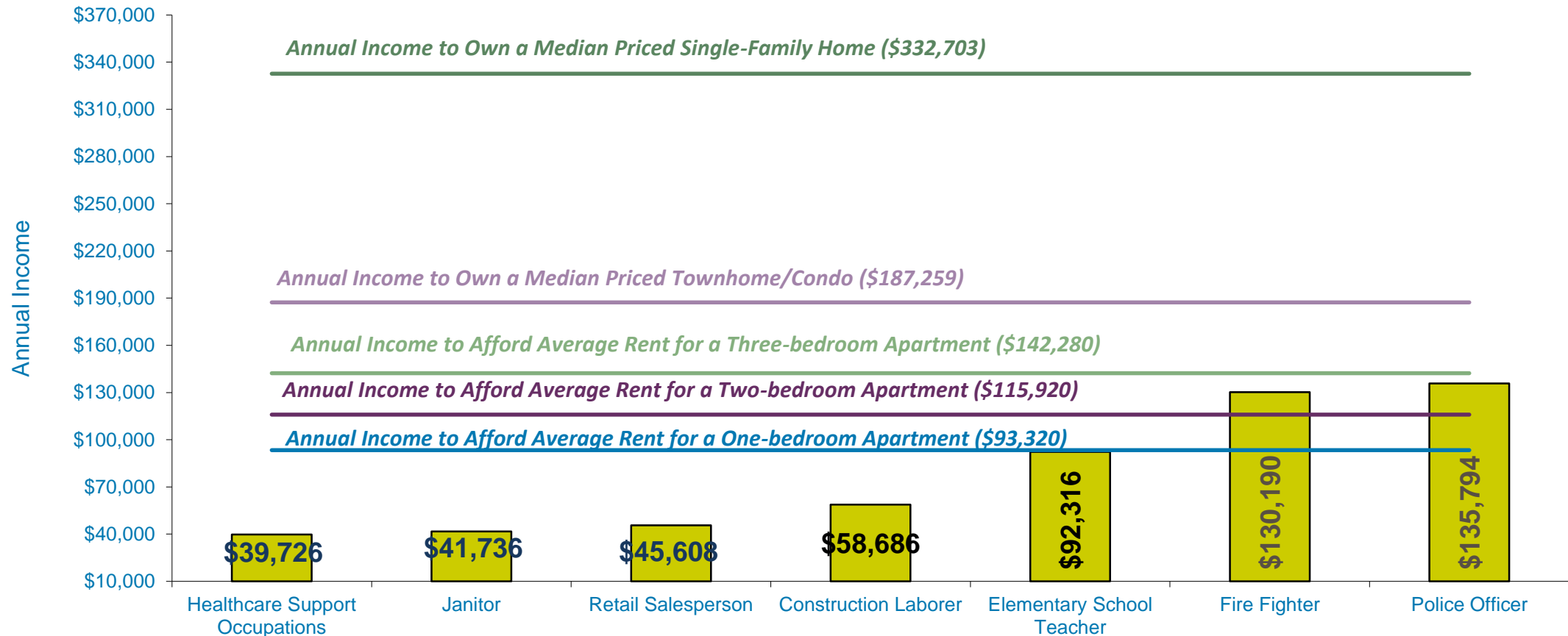
2. Based on SCCAOR March 2022 median prices; income calculation assumes monthly payments are 30% of income, 20% down, 4.17% interest rate, 1.1% property tax, 40-hour work week, and a single-income household.

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

4. Based on Costar Average Effective Rents, April 6, 2022.

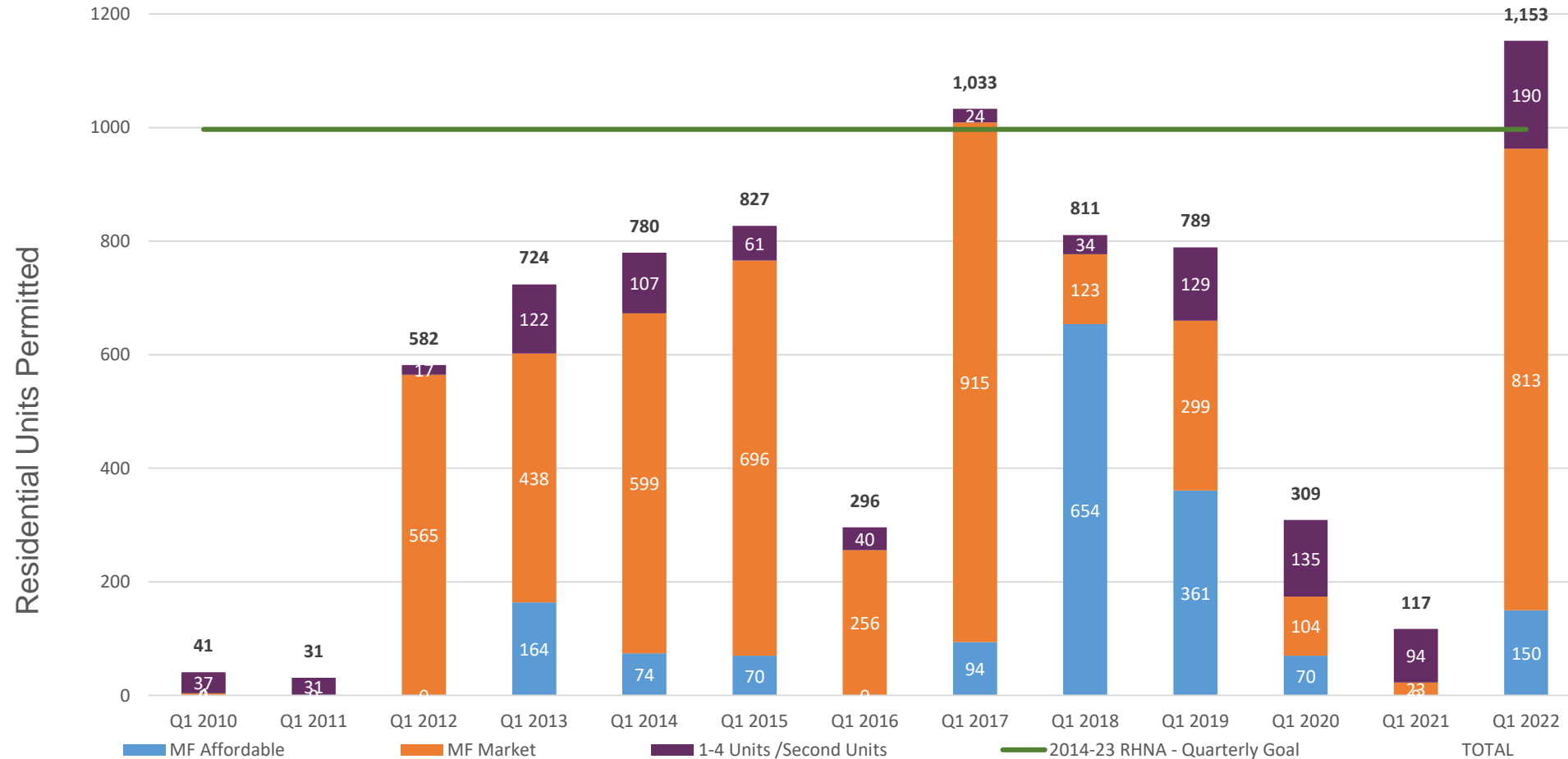
5. Based on Santa Clara County Association of Realtors (SCCAOR), March 2022.

# Many Essential Workers Cannot Afford San José Housing Costs



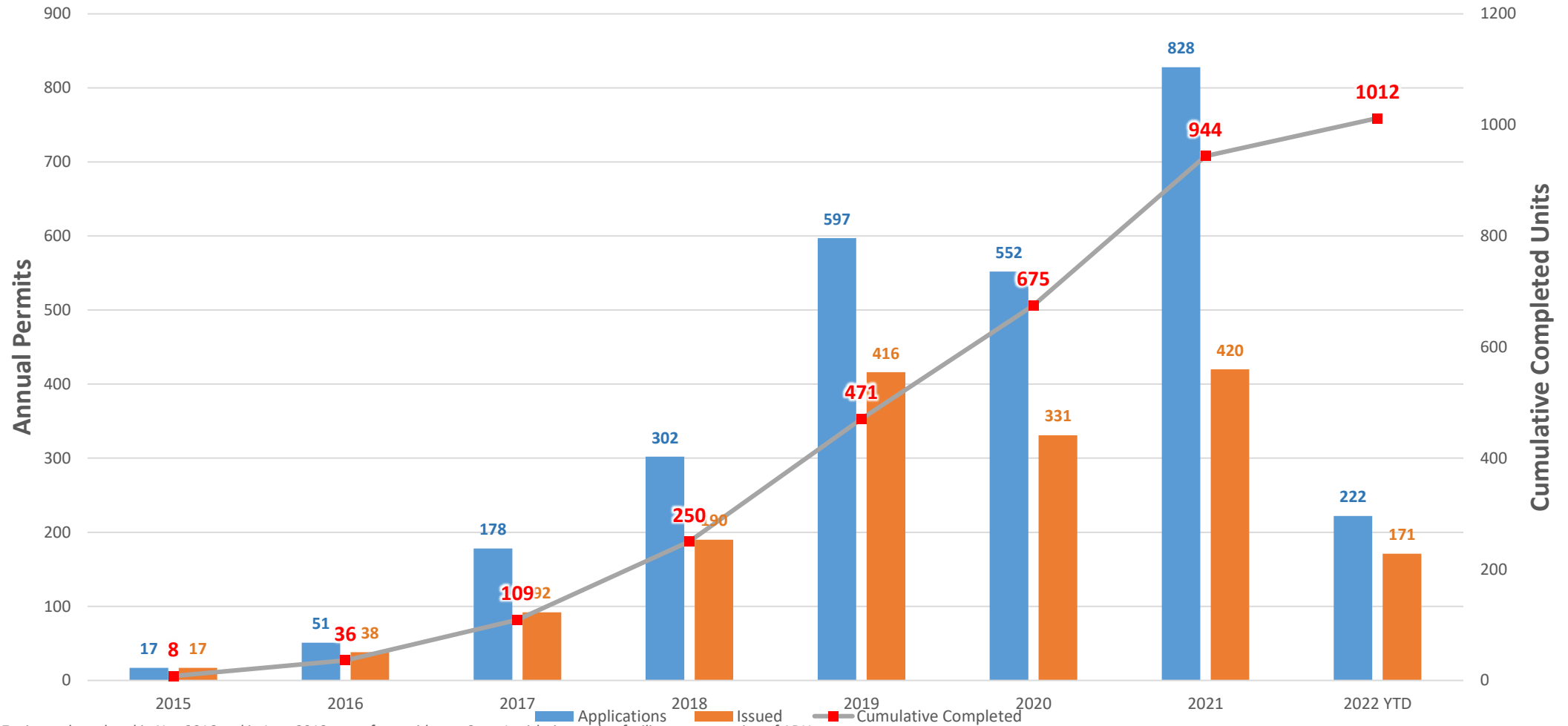
SOURCE: Employment Development Department (EDD) – First Quarter 2021 Wages; Income to afford average rent calculation uses Costar Q1 2022 Average Effective Rents, rent at 30% of income and a single-income household; Income to afford mortgage uses SCCOAR March 2022 median home sales prices; payments at 30% of income, 20% down, March 2022 Freddie Mac 30 Year Fixed interest Rate, 1.1% Property Tax, \$300 HOA dues for condos and a single-income household.

# 782-unit Maxwell Apt Project Pulls Q1 2022 Residential Permits to Record Level



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.

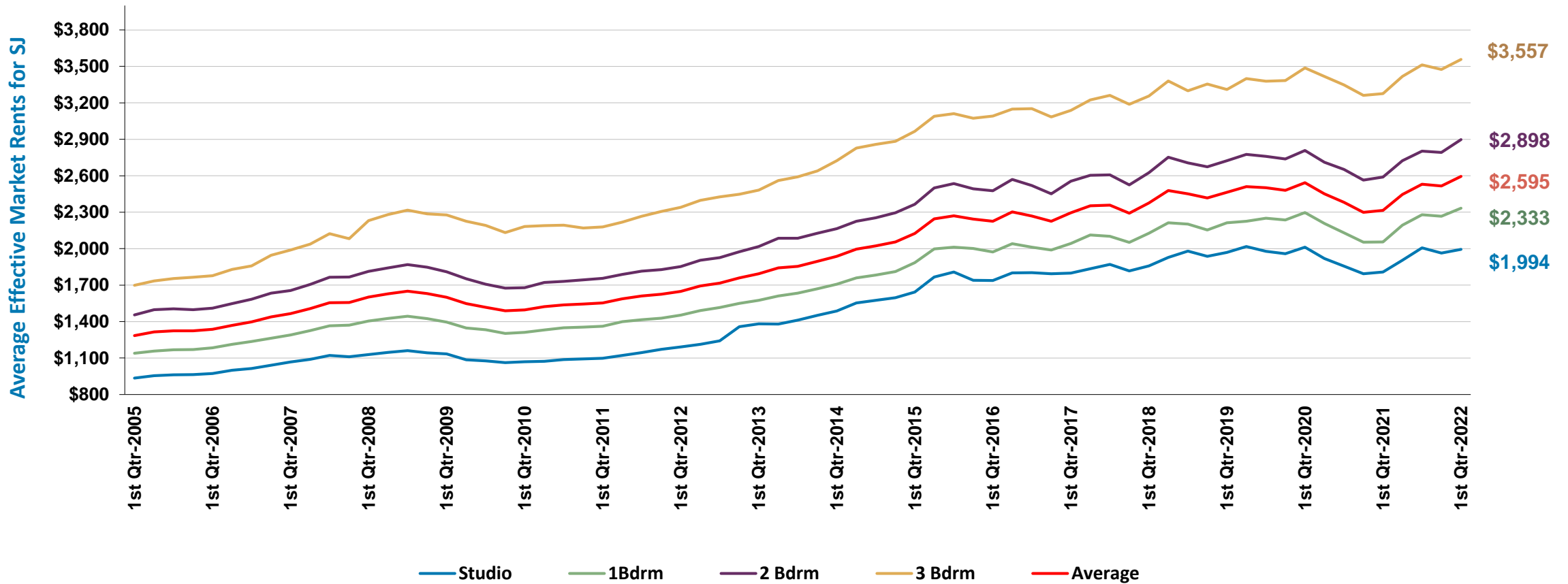
# Strong ADU Permit Activity



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 March 2022.

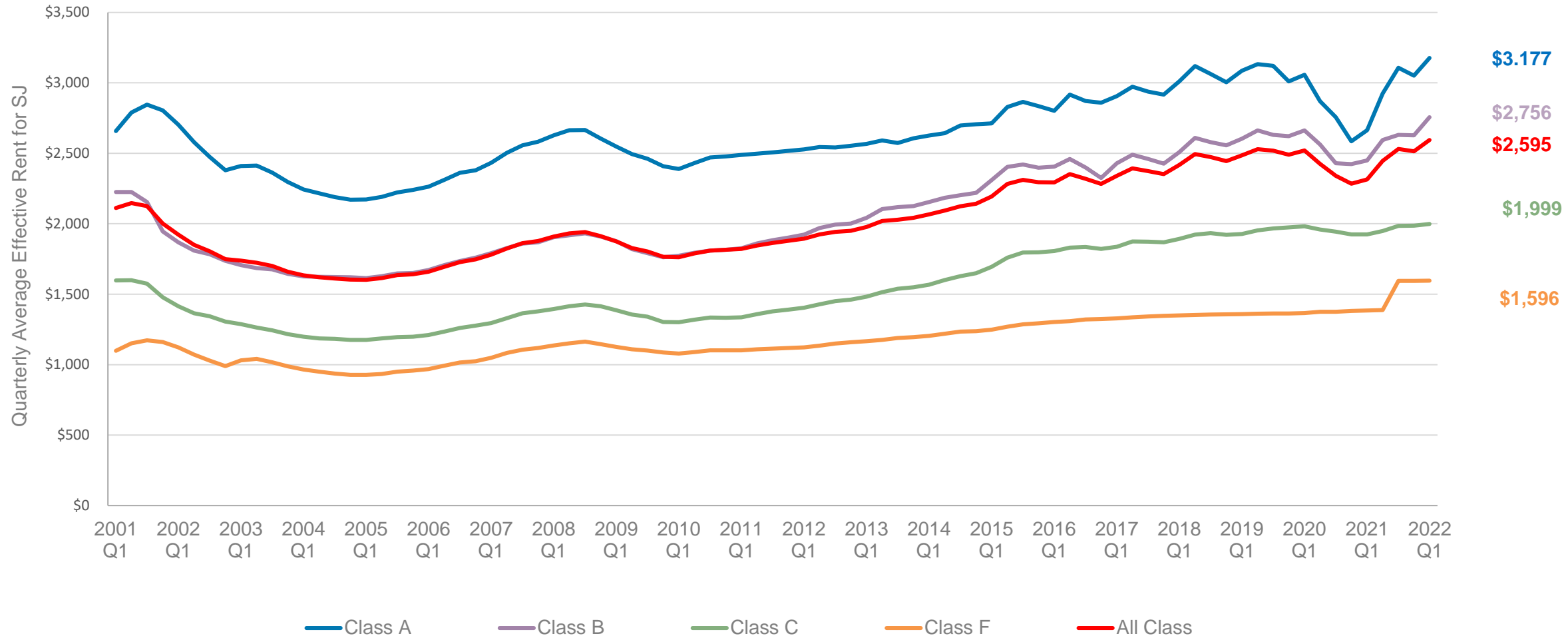
# Rising Average Rent, Up 3.2% QoQ & 12% YoY



SOURCE: Costar April 6, 2022

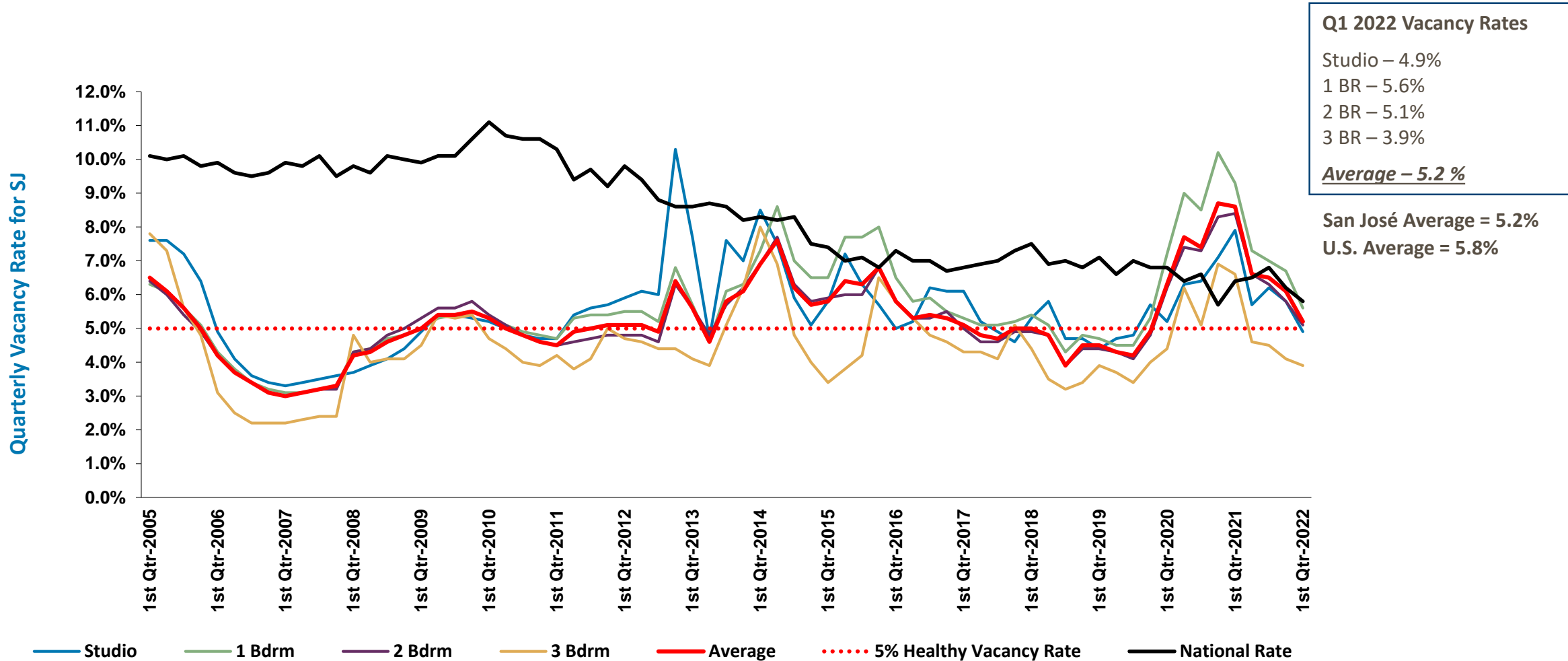
\* QoQ = Quarter-over-Quarter; YoY = Year-over-Year.

# Rents By Class – Class A is the most volatile



SOURCE: Costar April 6, 2022.

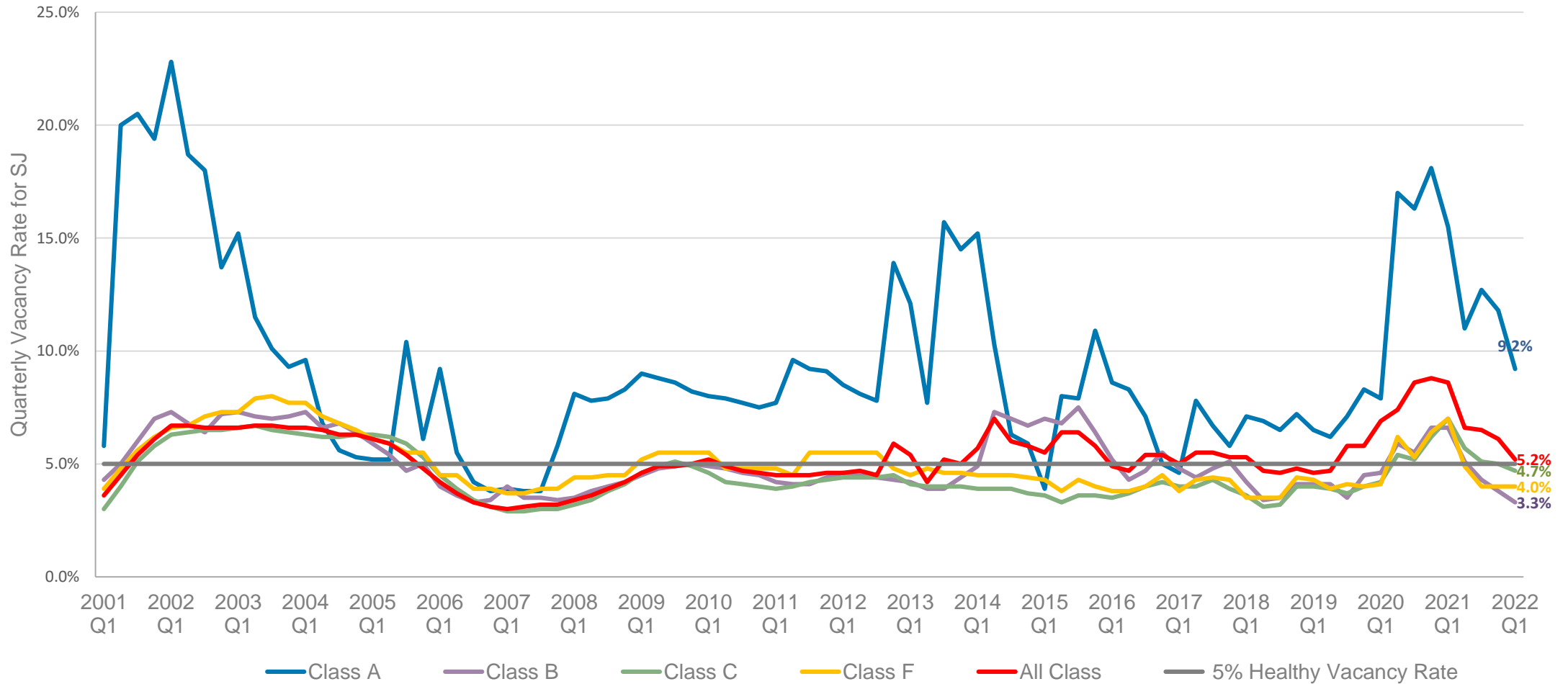
# Avg Vacancy 5.2%, Down 0.9pts QoQ, Slightly Above “Healthy” Rate of 5%



SOURCE: Costar Apr 6, 2022; National Rate – US Census Bureau Current Population Survey/ Housing Vacancy Survey Q1, 2022.



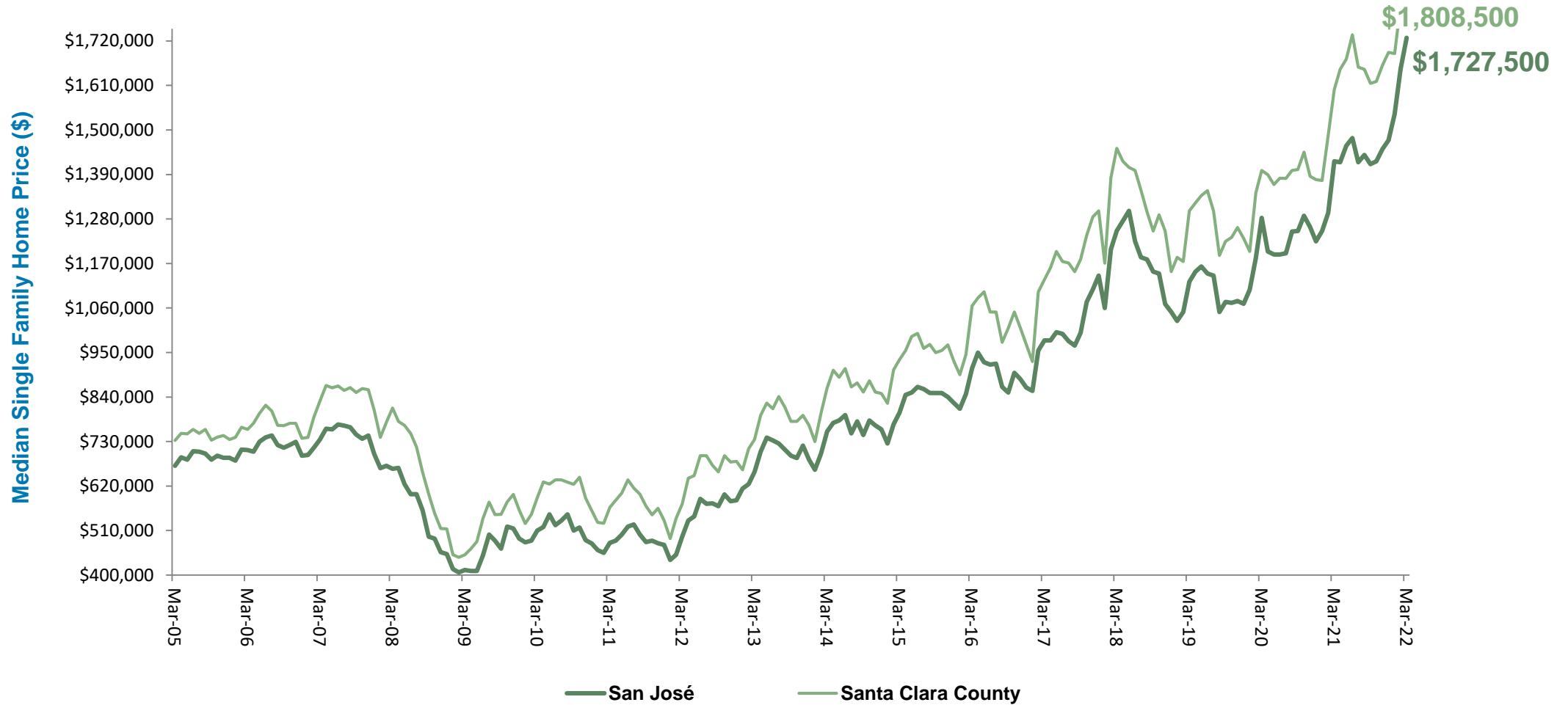
# Vacancies by Class – Class A Vacancy is 9.2% - Down 2.6 pts QoQ



SOURCE: Costar, Apr 6, 2022

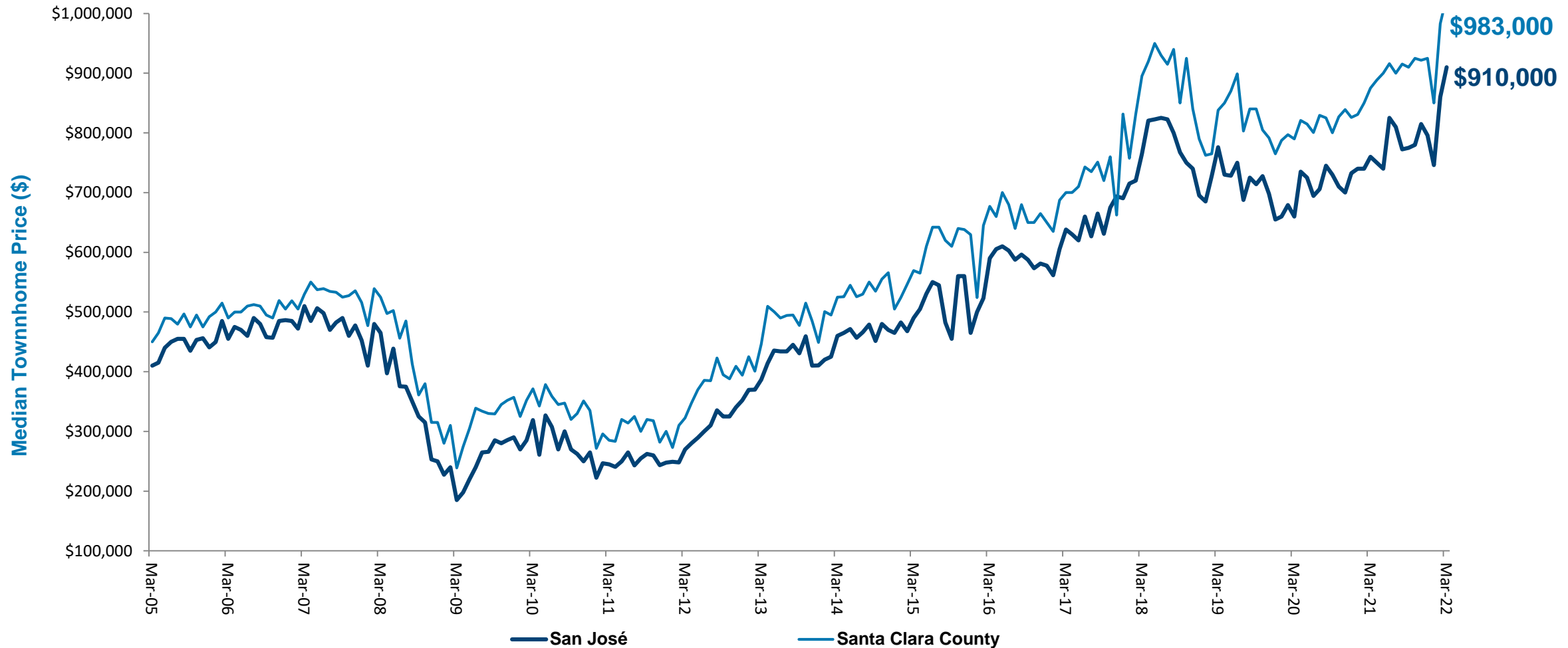
\* Note: Older buildings refer to Class B, C and F properties; Class A buildings are usually newly-constructed properties.

# San José Median Single-Family Home Price Continues Climb - Up 17% QoQ & 21% YoY



SOURCE: Santa Clara County Association of Realtors March 2022

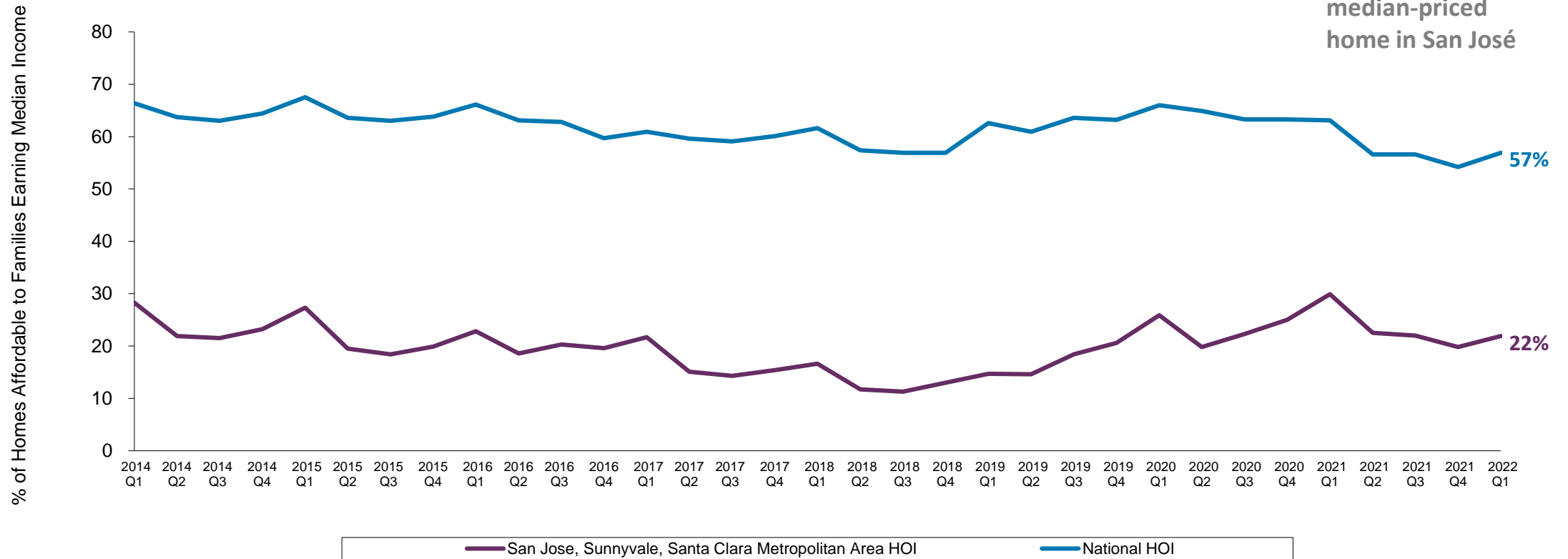
# Hot San José Median Condo/Townhome Prices Up 14% QoQ & 20% YoY



SOURCE: Santa Clara County Association of Realtors March 2022

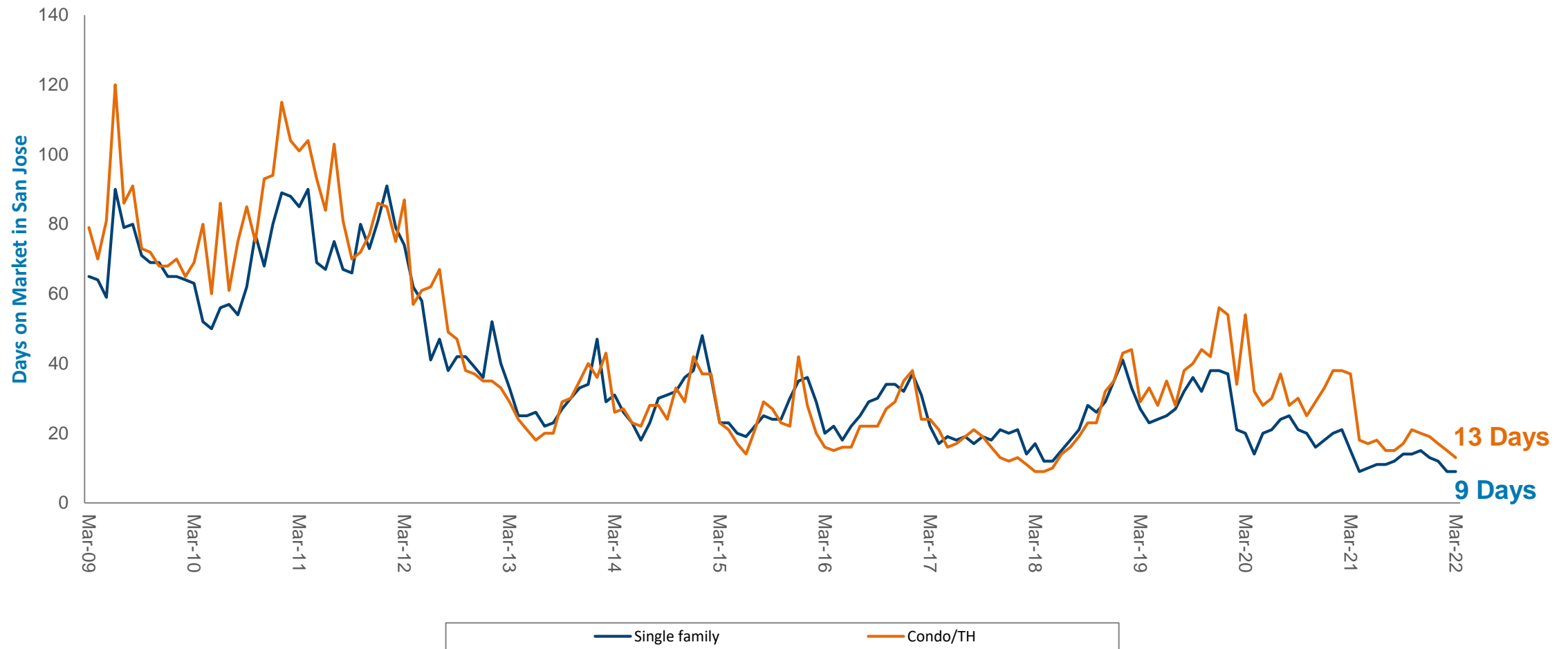
# San José Metro Area Affordability is Less than Half the National Average

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



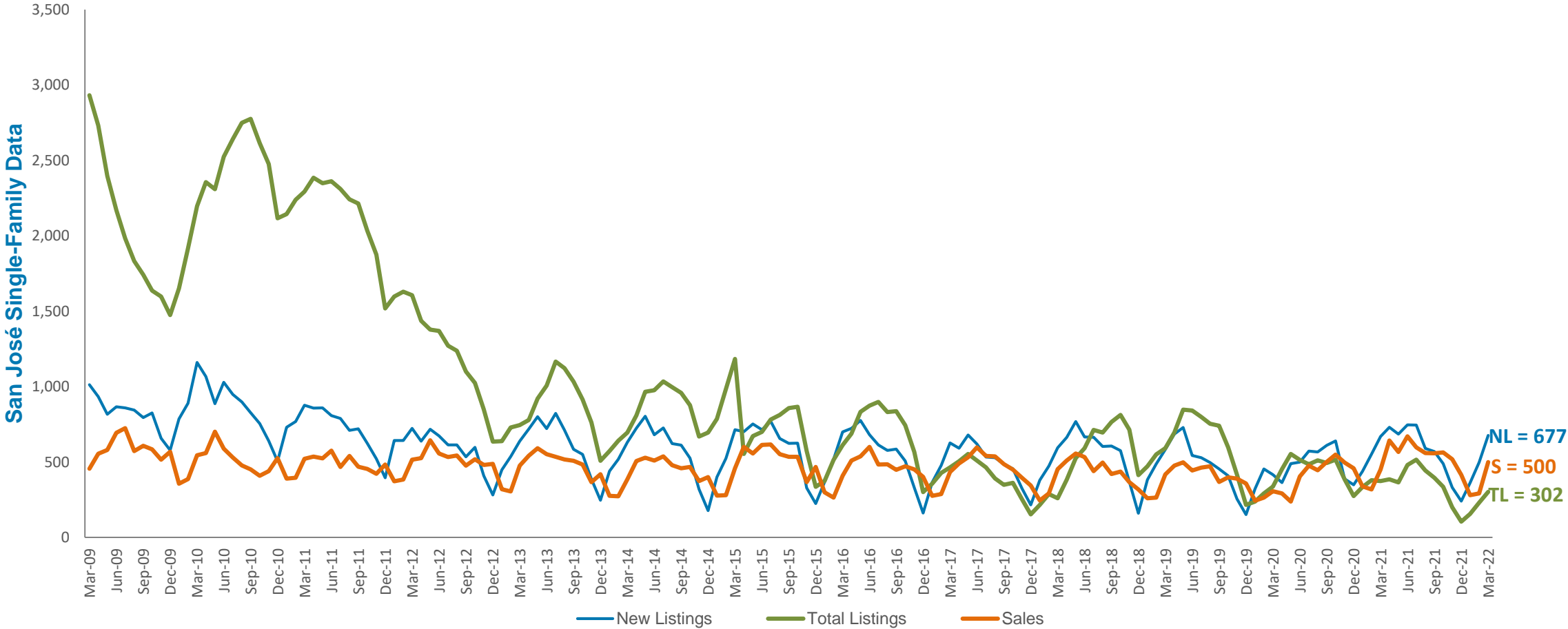
SOURCE: National Association of Home Builders, Housing Opportunity Index (HOI) Q1 2022.

# SJ Homes only on the market < 2 weeks



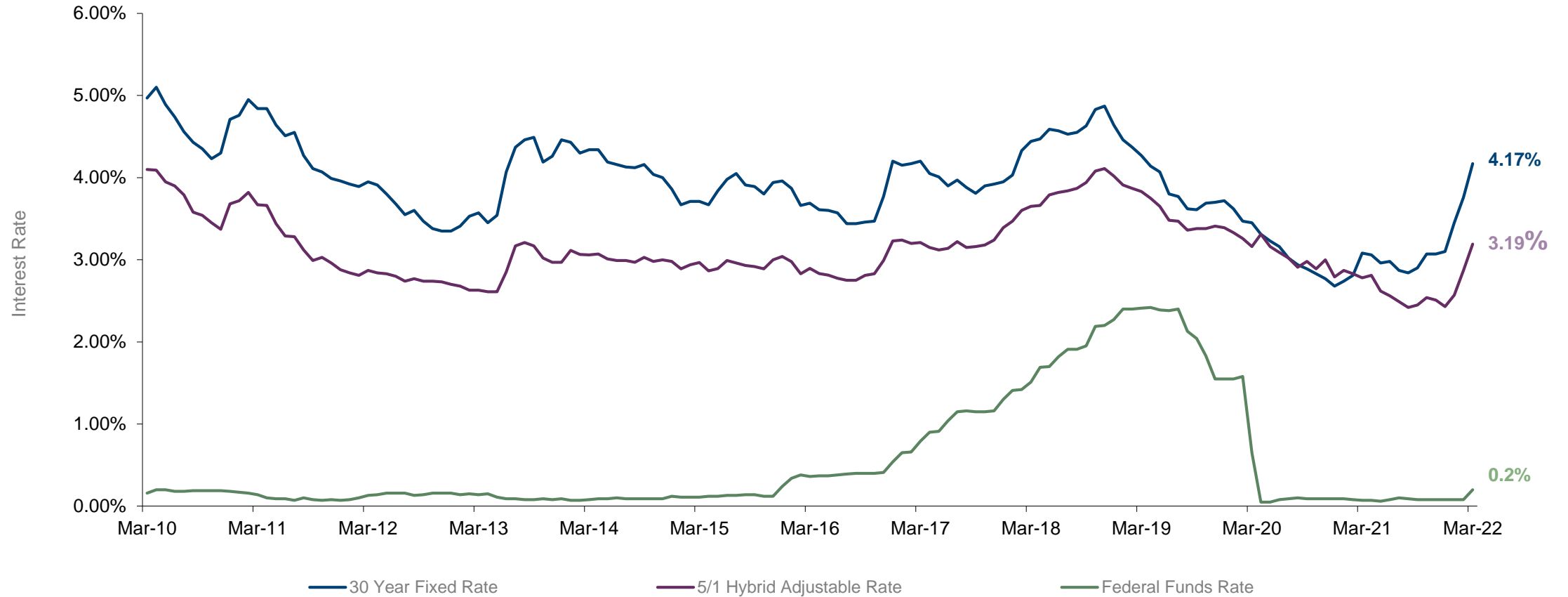
SOURCE: Santa Clara County Association of Realtors March 2022

# Single Family Inventory Rises QoQ, but 20% lower YoY



SOURCE: Santa Clara County Association of Realtors March 2022

# Rising Interest Rates



SOURCE: Federal Reserve, Freddie Mac Primary Mortgage Market Survey, Q1 2022.

# Data Sources and Definitions

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- ◆ 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