

Housing Market Update

Second Quarter 2022



Iamesi Village is the affordable portion of the North San Pedro Residential Project, a large multi-phased housing master plan being developed by Intracorp Companies, Barry Swenson Builder, and First Community Housing, in partnership with the San Jose Redevelopment Agency. The North San Pedro Residential Project area connects a recently redeveloped area of downtown with Guadalupe Park and the commercial shopping area of San Pedro Square. Iamesi is devoted entirely to veterans, permanent supportive housing and people with intellectual / developmental disabilities. This 135-unit apartment building offers 118 studio units, 16 one-bedroom units at 30-50% of the Area Median Income. Courtesy Firstcommunityhousing.org

Q2 2022 San José Housing Market

- 🏠 Renters must earn **\$59/hour** (\$121,720/year) to afford the average *effective* monthly rent for a 2-bedroom apartment¹
- 🏠 Buyers must earn **\$164/hour** (\$341,814/year) to afford a median-priced single-family home²
- 🏠 **159** residential building permits issued, **none** of which were for affordable apartments
- 🏠 **134** ADU (Accessory Dwelling Units) permits issued, down **22%** QoQ
- 🏠 Rents up & Vacancy down - Average effective rent is **\$2,732**³, up **5.3%** QoQ⁴; overall residential vacancy rate is **3.9%**, down **2.2 pts** QoQ
- 🏠 For-Sale Market cools - Median single family home price is **\$1,562,500**⁵, down **10%** QoQ, up **6%** YoY

1. Based on Q2 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.

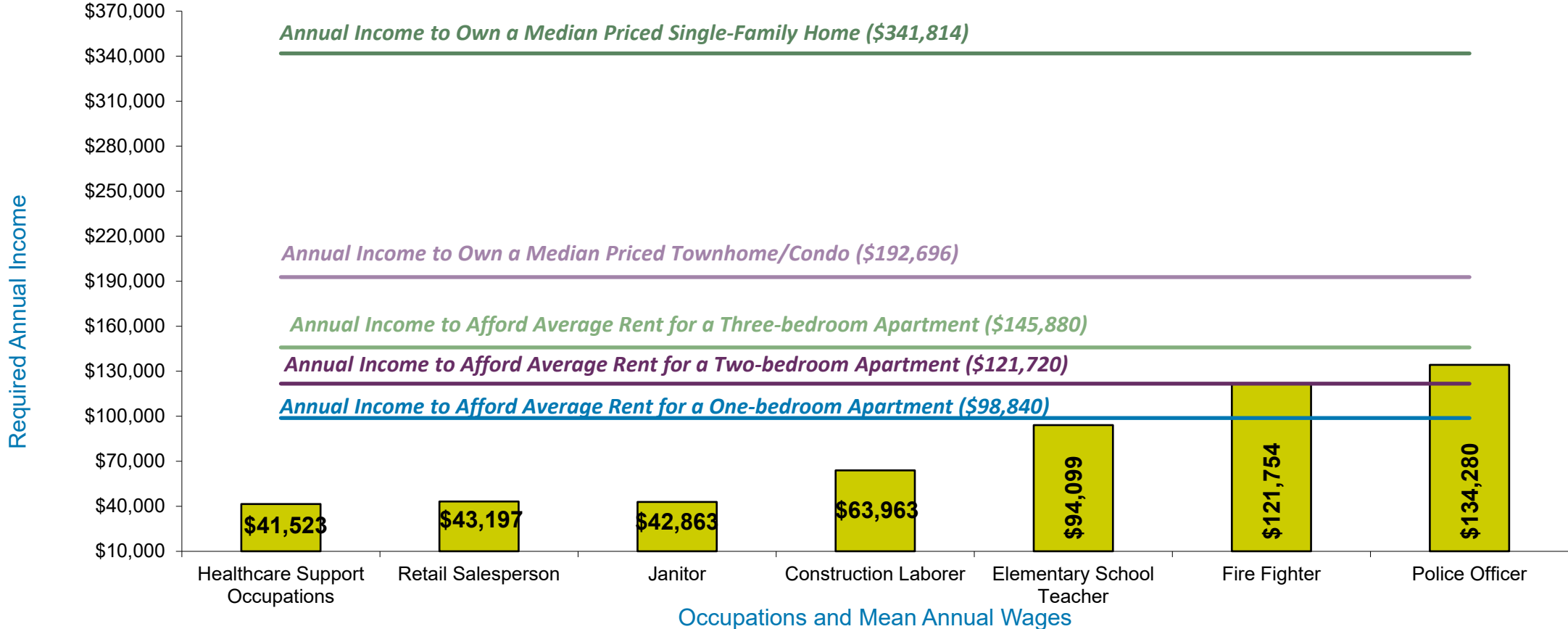
2. Based on SCCAOR June 2022 median prices; income calculation assumes monthly payments are 30% of income, 20% down, 5.52% interest rate, 1.1% property tax, 40-hour work week, and a single-income household.

3. Based on Costar Data, July 6, 2022.

4. QoQ – Quarter over Quarter; YoY – Year over Year.

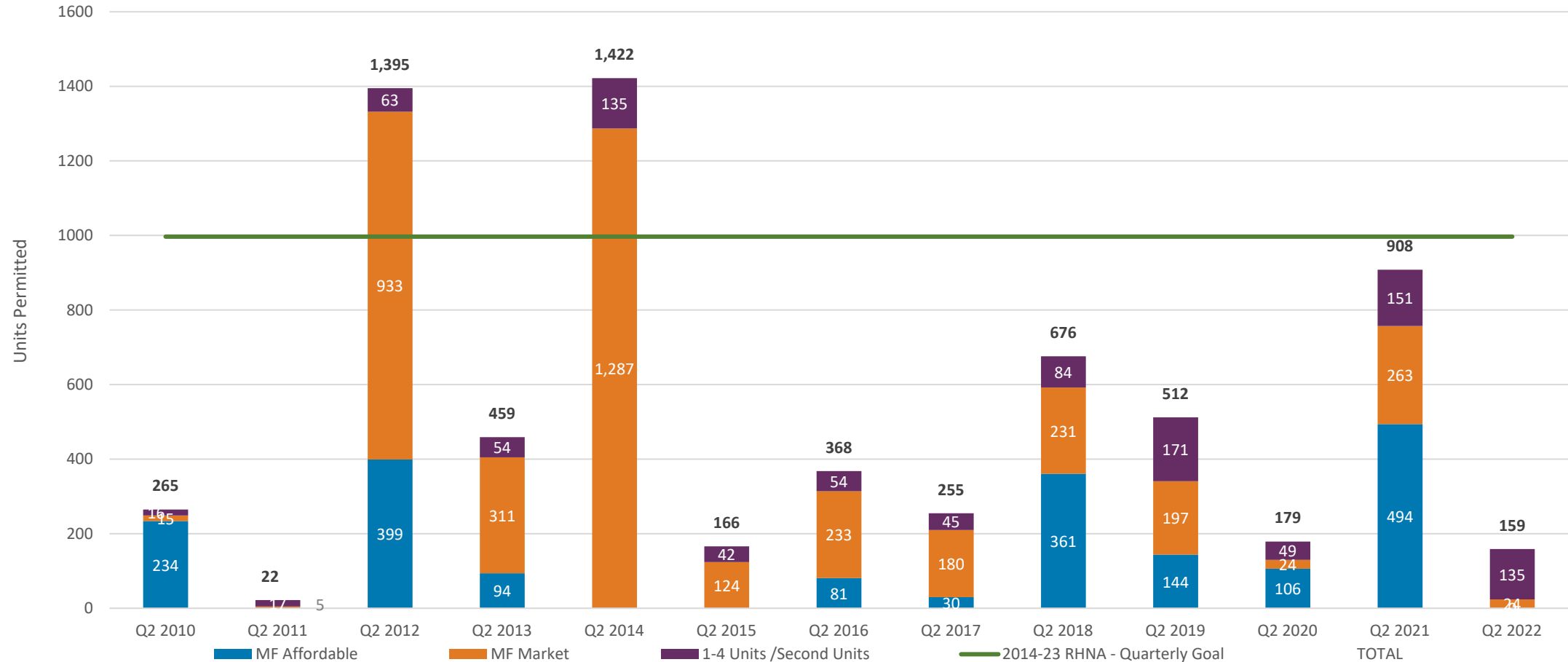
5. Based on Santa Clara County Association of Realtors (SCCAOR), June 2022.

Many Essential Workers Cannot Afford San José Housing Costs



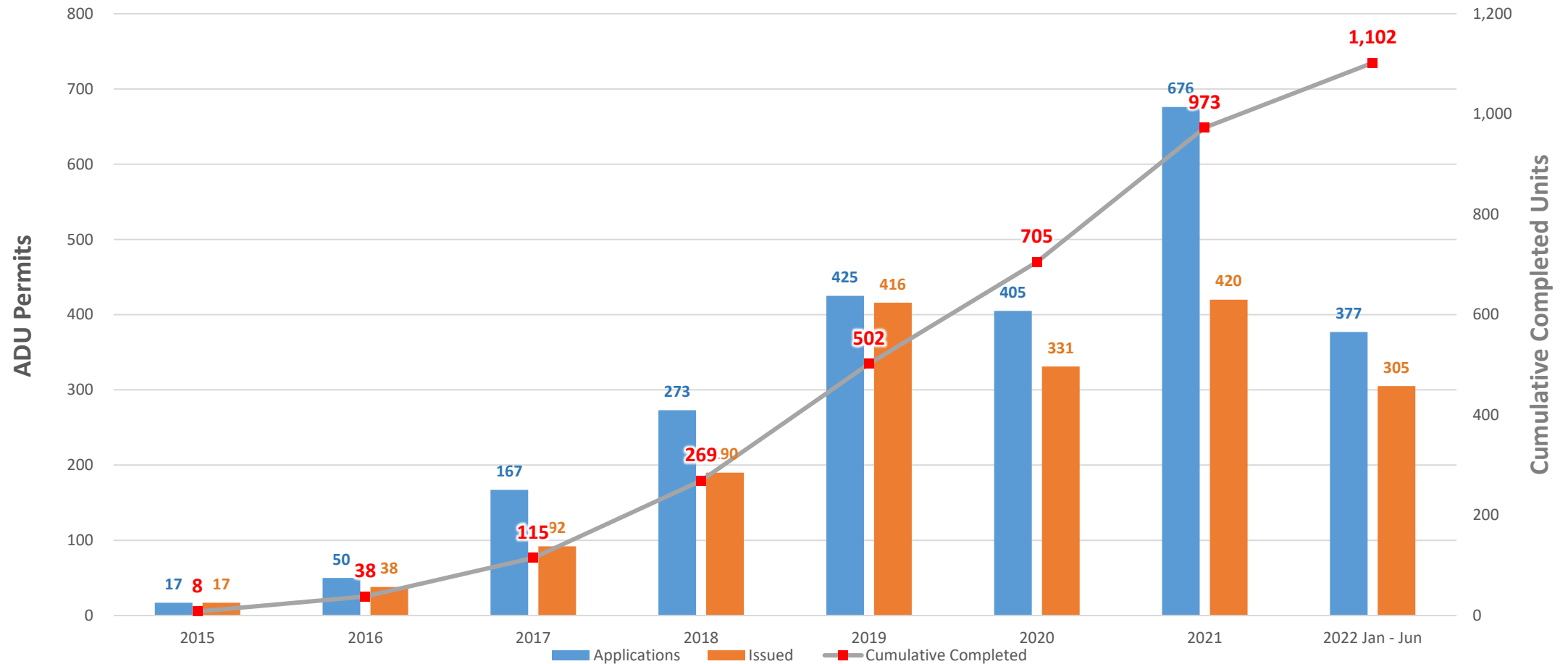
SOURCE: Employment Development Department (EDD) – First Quarter 2022 Wages; Income to afford average rent calculation uses Costar Q2 2022 Average Effective Rents, rent at 30% of income and a single-income household; Income to afford mortgage uses SCCOAR June 2022 median home sales prices; payments at 30% of income, 20% down, June 2022 Freddie Mac 30 Year Fixed interest Rate of 5.52%, 1.1% Property Tax, \$300 HOA dues for condos and a single-income household.

Lower Q2 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.

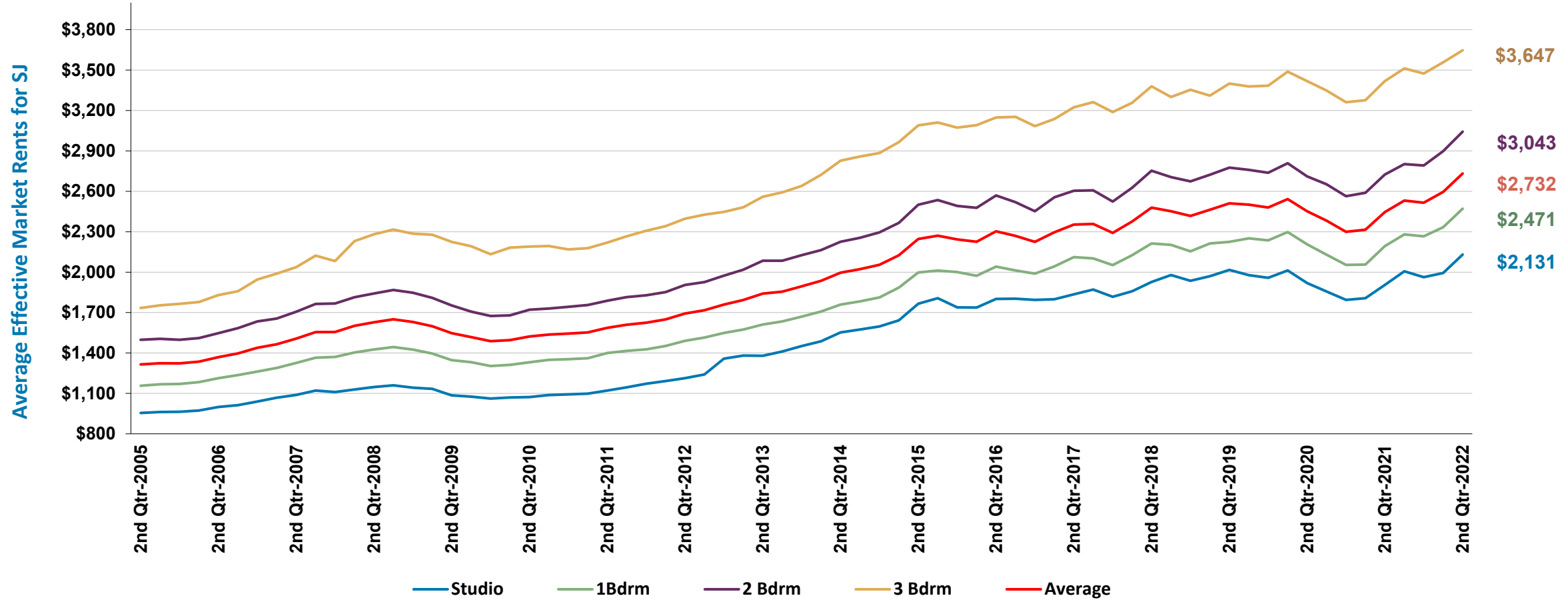
Strong ADU Permit Activity



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 June 2022.

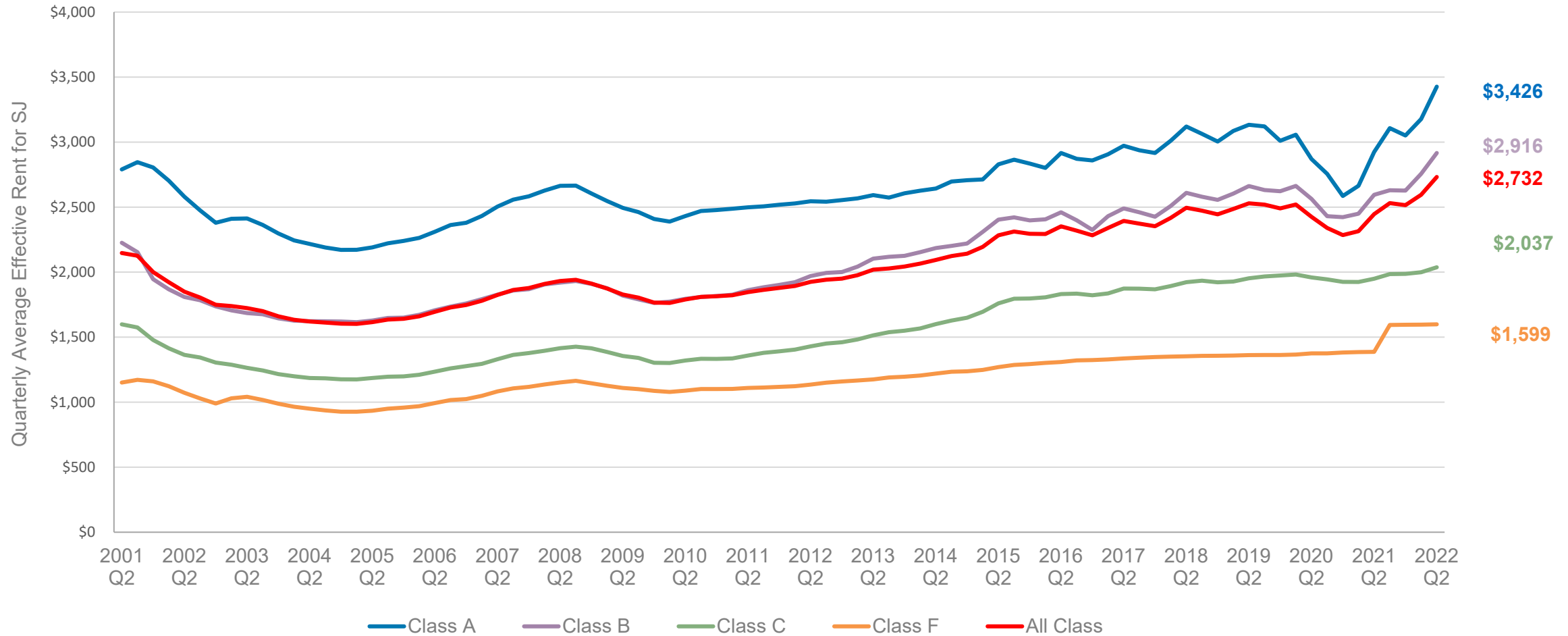
Rents Rising Above Pre-Pandemic Levels, Up 5.3% QoQ & 11.7% YoY



SOURCE: Costar July 6, 2022

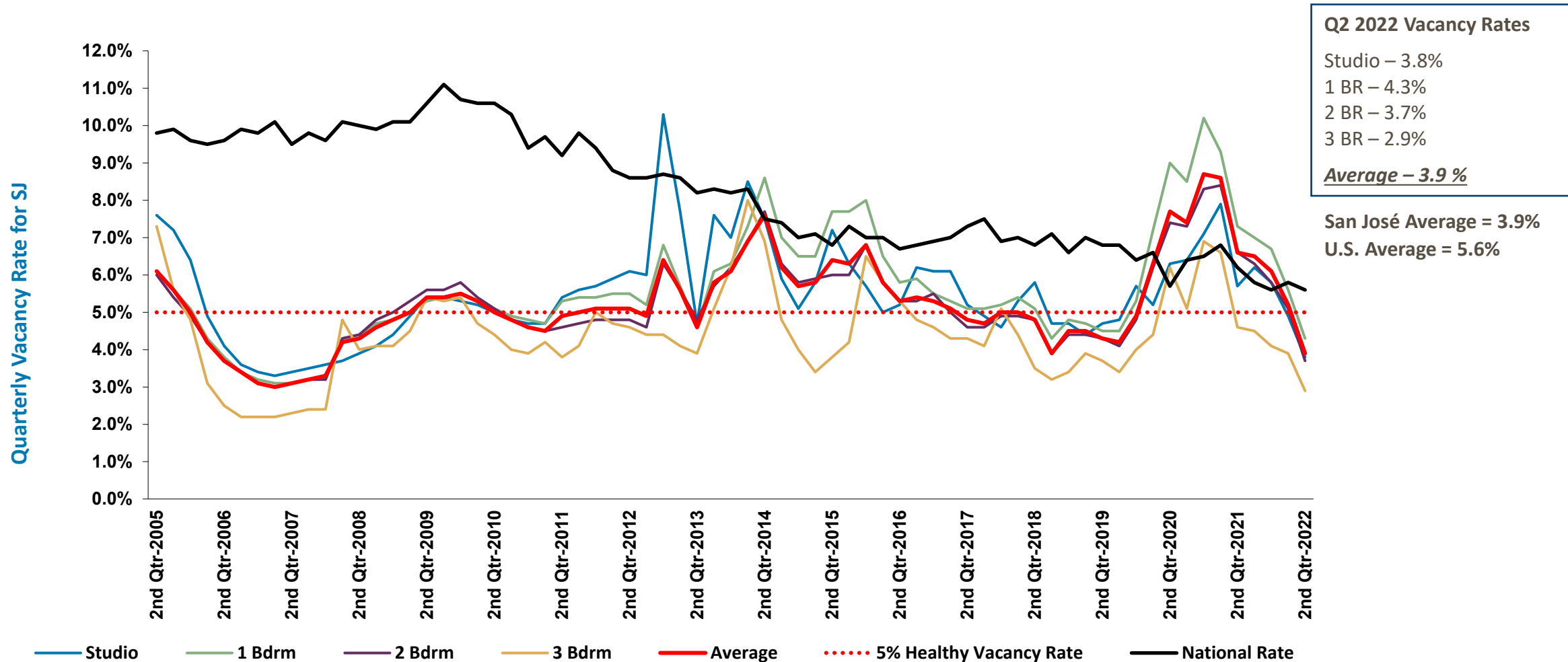
* QoQ = Quarter-over-Quarter; YoY = Year-over-Year.

Rents By Class – Class A is the most volatile



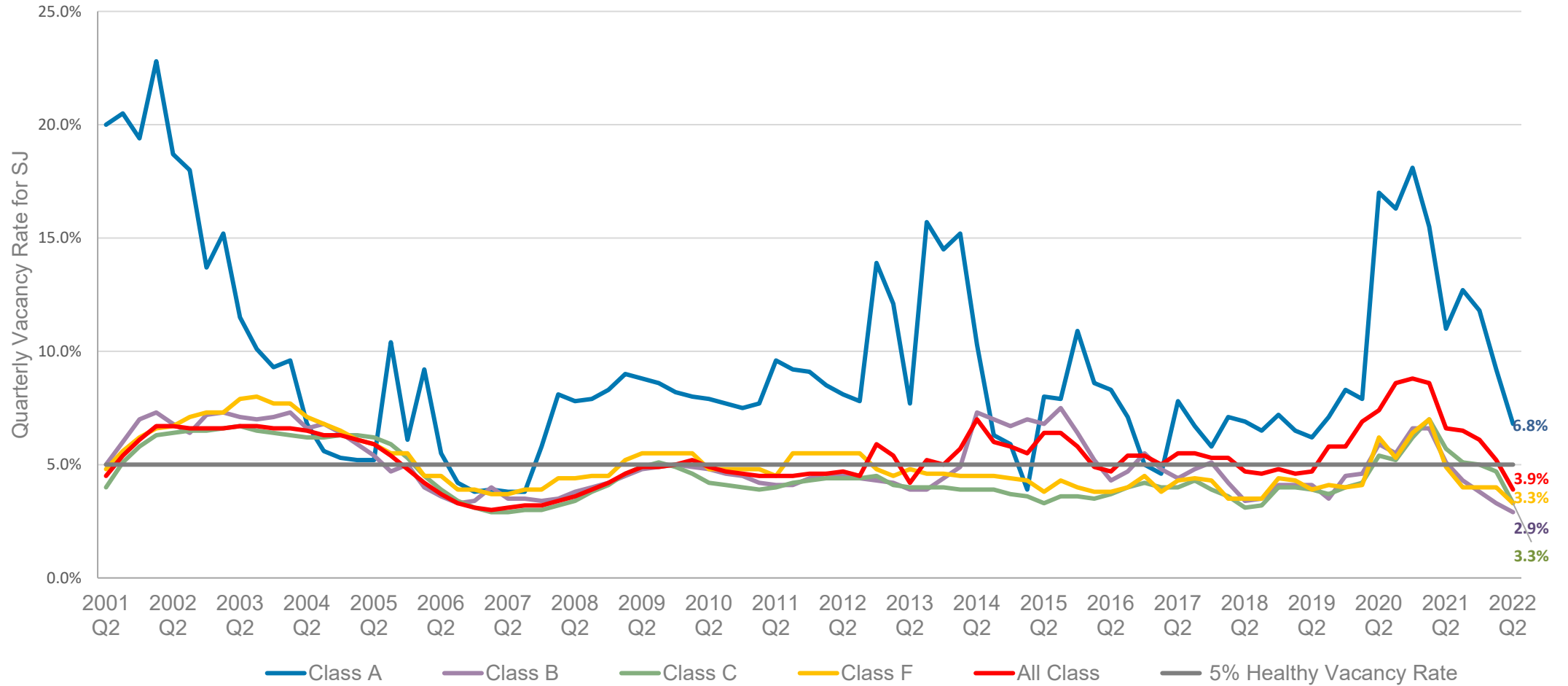
SOURCE: Costar July 6, 2022.

Avg Vacancy 3.9%, Down 0.9pts QoQ, Below “Healthy” Rate of 5%



SOURCE: Costar Jul 6, 2022; National Rate – US Census Bureau Current Population Survey/ Housing Vacancy Survey Q2, 2022.

Vacancies by Class – Class A Vacancy is 6.8% - Down 2.4 pts QoQ



SOURCE: Costar Jul 6, 2022

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

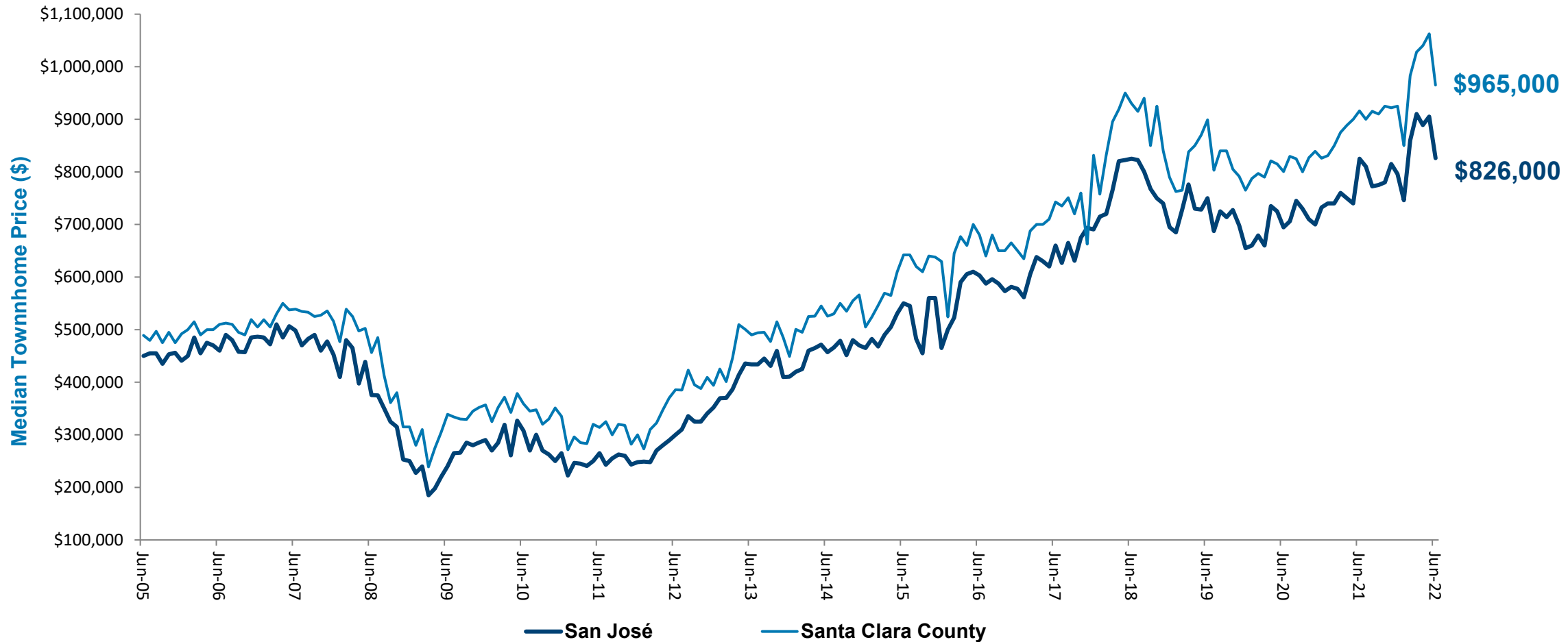
San José Median Single-Family Home Price Drops 10% QoQ, Up 6% YoY



SOURCE: Santa Clara County Association of Realtors June 2022

San José Median Condo/Townhome Prices

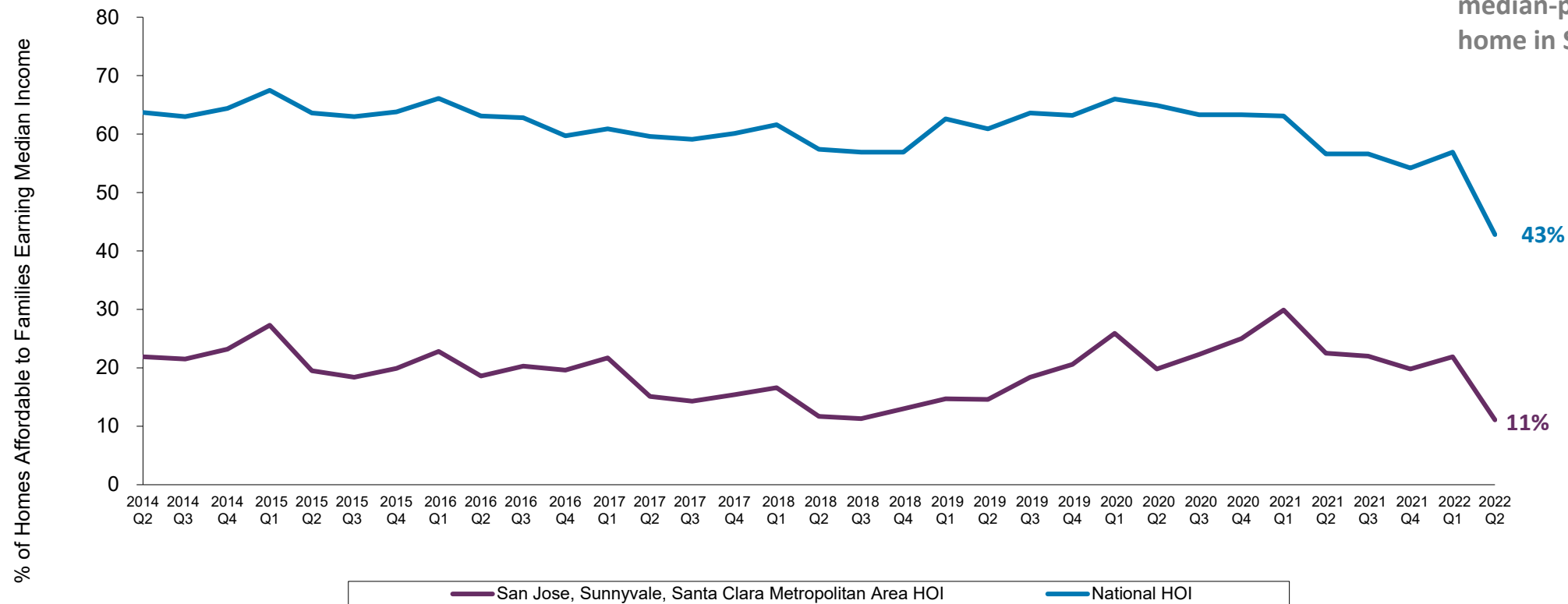
Down 9% QoQ, Up < 1% YoY



SOURCE: Santa Clara County Association of Realtors June 2022

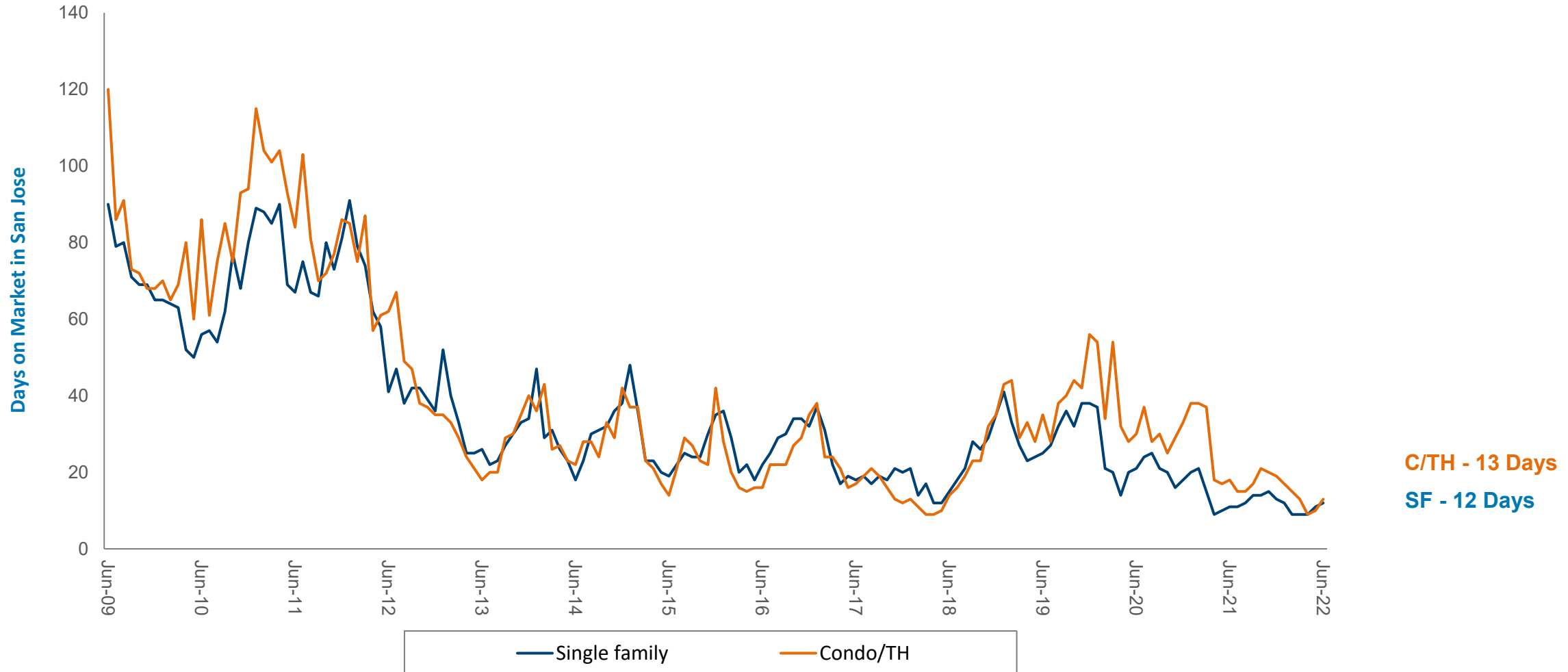
San José Metro Area Affordability drops QoQ from 38% to Quarter the National Average

About 1 in 9 families can afford to buy a median-priced home in San José



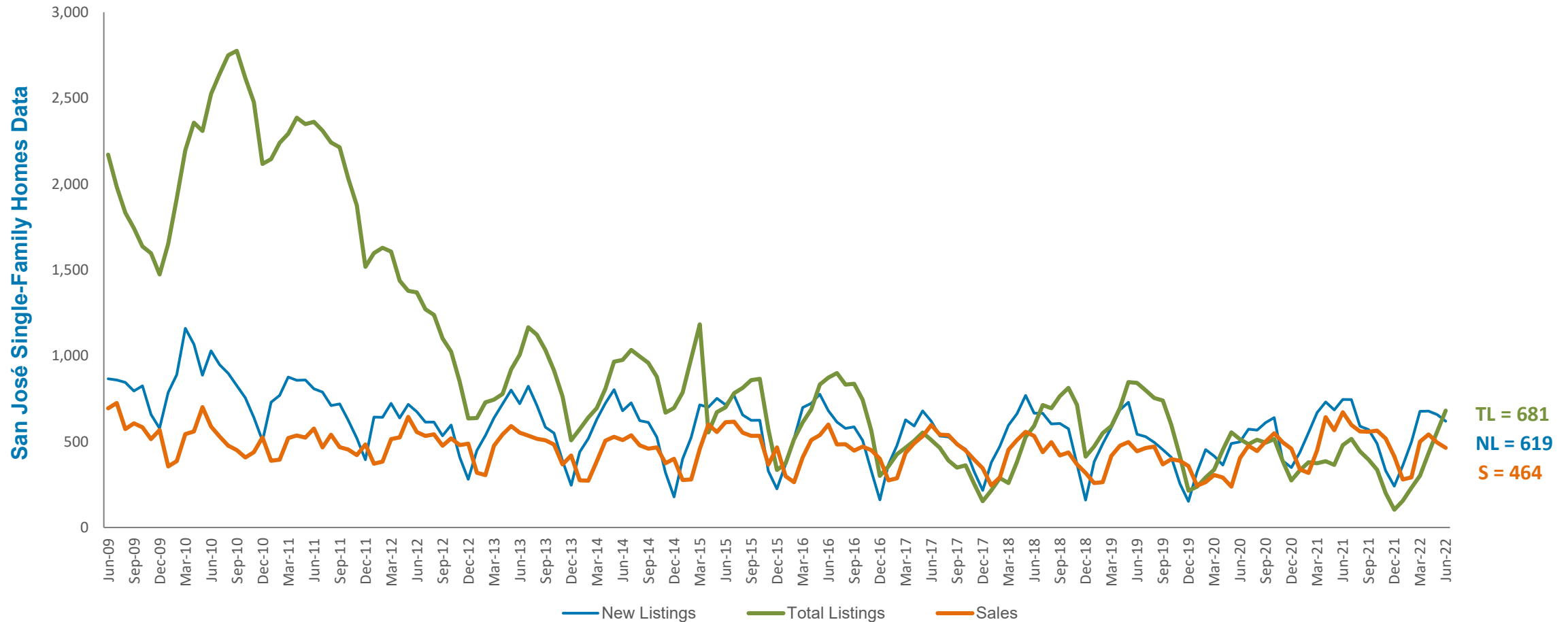
SOURCE: National Association of Home Builders, Housing Opportunity Index (HOI) Q2 2022.

SJ Homes In the Market < 2 weeks



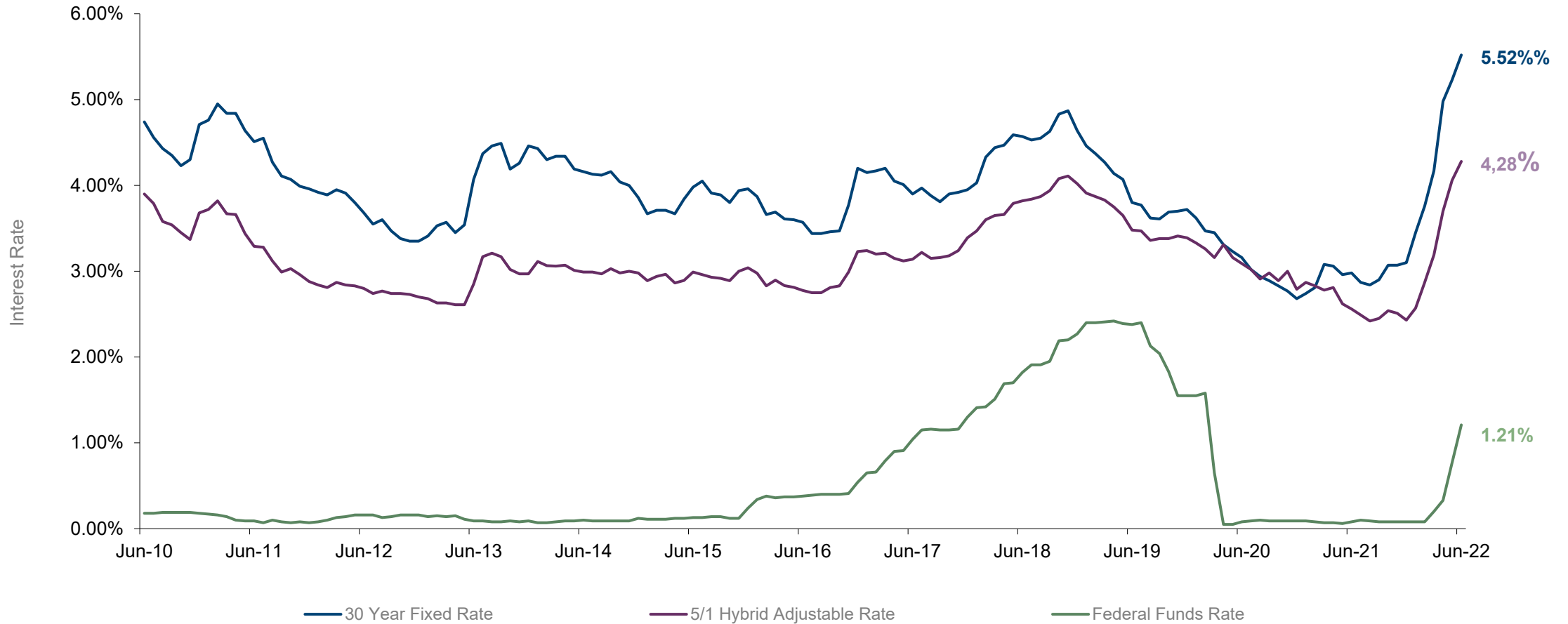
SOURCE: Santa Clara County Association of Realtors June 2022

Single-Family Inventory Doubles QoQ (+125%), New Listings (-9%) & Sales (-7%) Down QoQ



SOURCE: Santa Clara County Association of Realtors June 2022

Substantial Interest Rate Hikes



SOURCE: Federal Reserve, Freddie Mac Primary Mortgage Market Survey, Q2 2022.

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