

Housing Market Update

Fourth Quarter 2022



The Kelsey Ayer Station is a fully inclusive mixed-ability, mixed-income housing community located in a transit-oriented neighborhood blocks north of downtown San Jose. The 115 apartment homes include a mix of 2-bedrooms and studios for individuals with (25%) and without disabilities across a range of incomes. Rents ranging from \$400/month for extremely low-income individuals to missing middle and essential workforce housing. Financing comes from a variety of sources including Google's Affordable Housing Fund, City of San Jose, CA HCD, HUD, Housing Trust Silicon Valley, Enterprise Community Partners and others. Courtesy thekelsey.org

Q4 2022 San José Housing Market

- Renters must earn **\$57/hour** (\$117,560/year) to afford the average *effective* monthly rent for a 2-bedroom apartment¹
- Homebuyers must earn **\$148/hour** (\$308,422/year) to afford a median-priced single-family home²
- **1,792** residential building permits issued in 2022, **459 (26%)** were for affordable apartments; **228** permits issued in Q4, **115 (50%)** were for affordable apartments.
- **449** ADU (Accessory Dwelling Units) permits issued in 2022, up **7%** from 2021
- Rents down & vacancy up: average effective rent is **\$2,634**³, down **2.8%** QoQ⁴; overall rental vacancy rate is **5.5%**, up **0.6 pt** QoQ
- For-sale market cools - median single family home price is **\$1,300,000**⁵, down **10%** QoQ

1. Based on Q4 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.

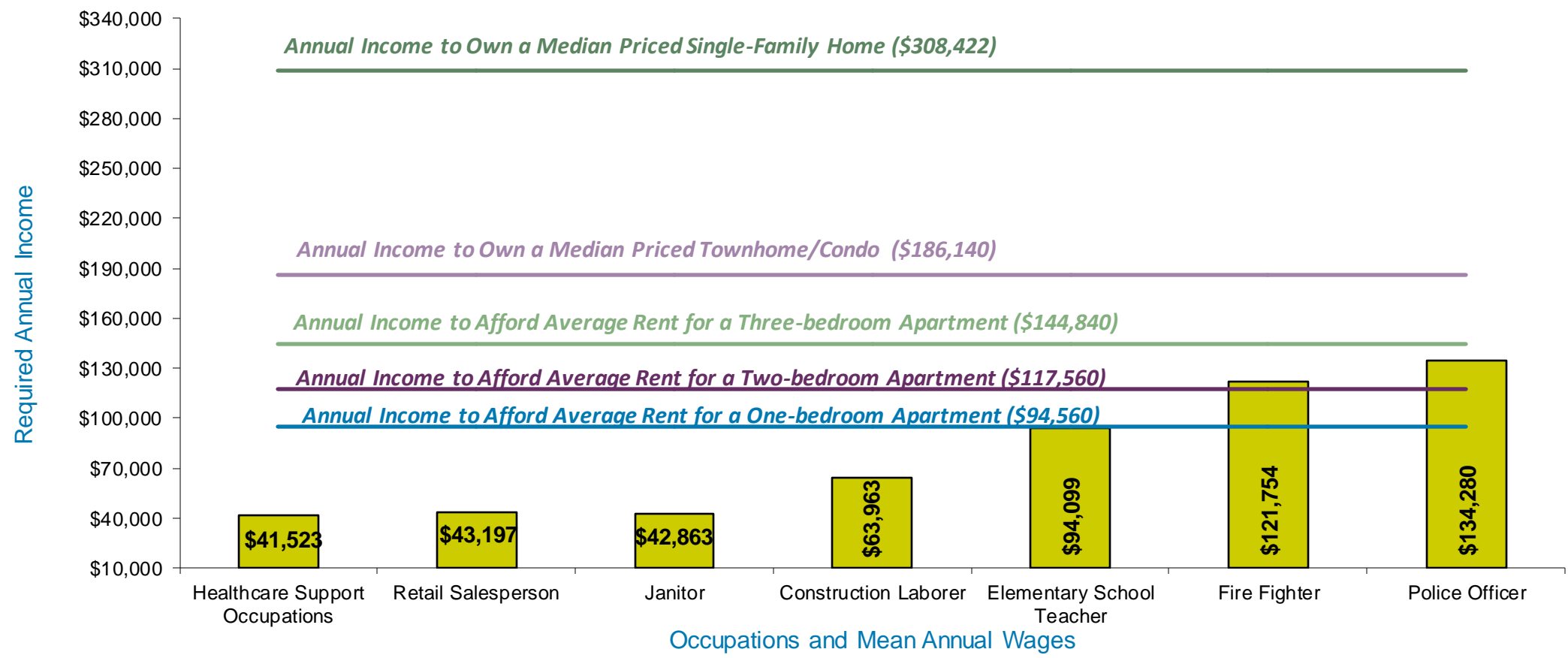
2. Based on SCCAOR Dec 2022 median prices; income calculation assumes monthly payments are 30% of income, 20% down, 6.42% interest rate, 1.1% property tax, 40-hour work week, and a single-income household.

3. Based on Costar Data, January 3, 2023.

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

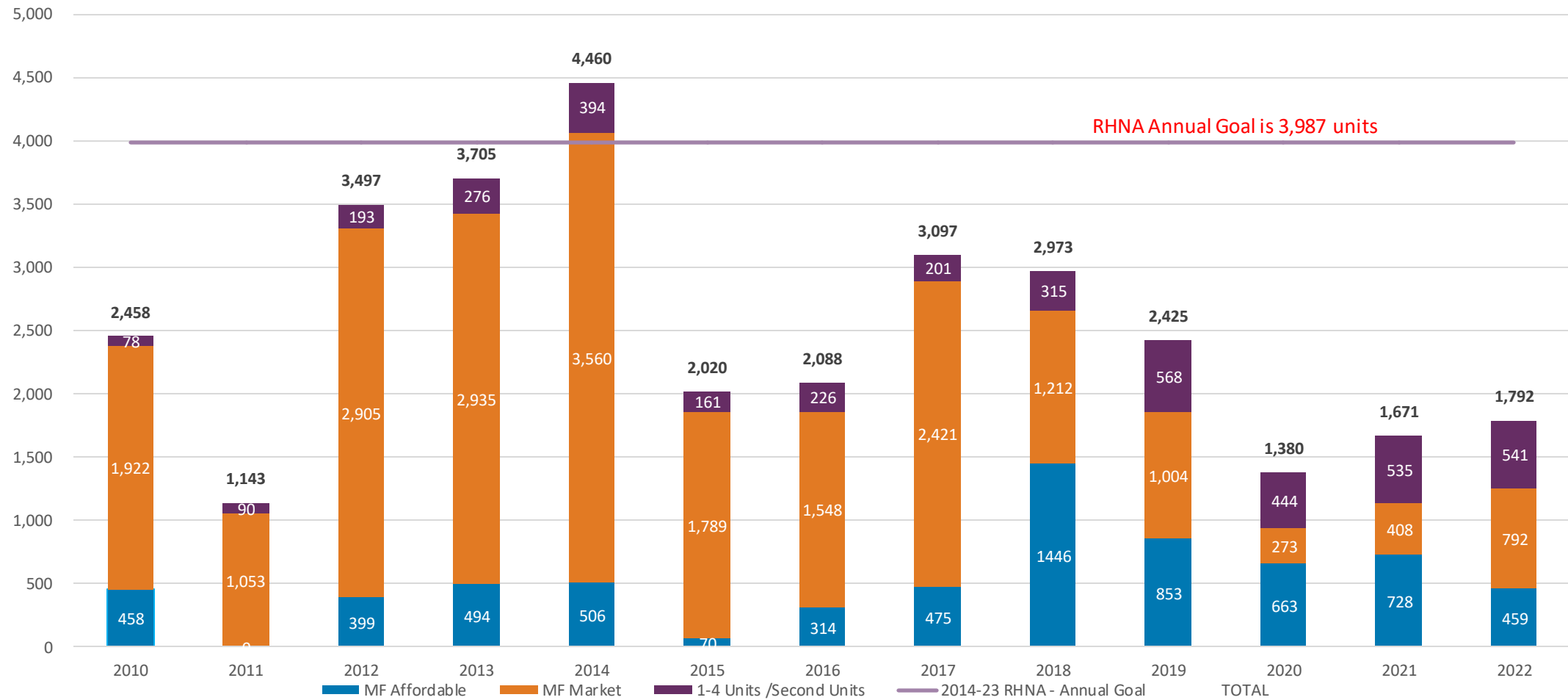
5. Based on Santa Clara County Association of Realtors (SCCAOR), Dec 2022.

Many Essential Workers Cannot Afford San José Housing Costs



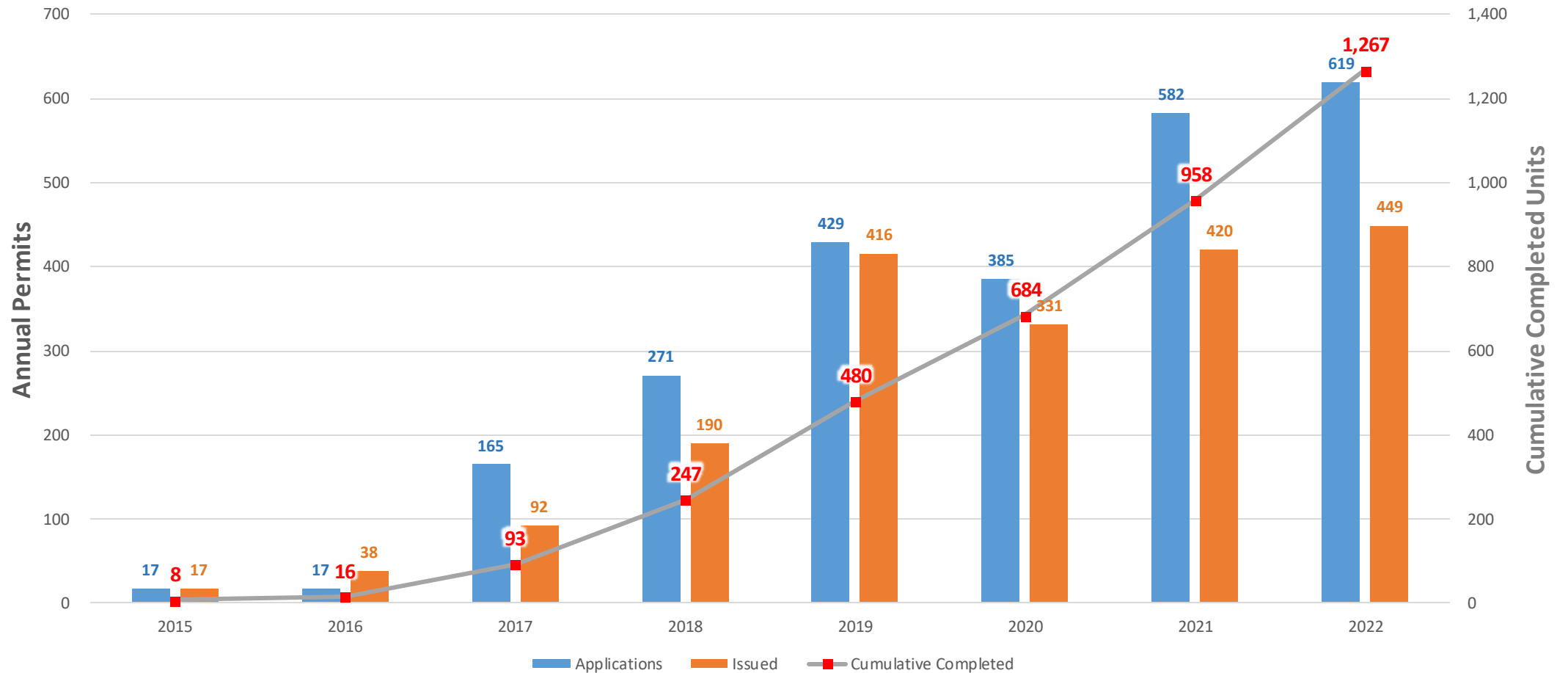
SOURCE: Employment Development Department (EDD) – First Quarter 2022 Wages; Income to afford average rent calculation uses Costar Q4 2022 Average Effective Rents, rent at 30% of income and a single-income household; Income to afford mortgage uses SCCOAR Dec 2022 median home sales prices; payments at 30% of income, 20% down, Dec 2022 Freddie Mac 30 Year Fixed interest Rate of 6.42%, 1.1% Property Tax, \$300 HOA dues for condos and a single-income household.

CY 2022 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.

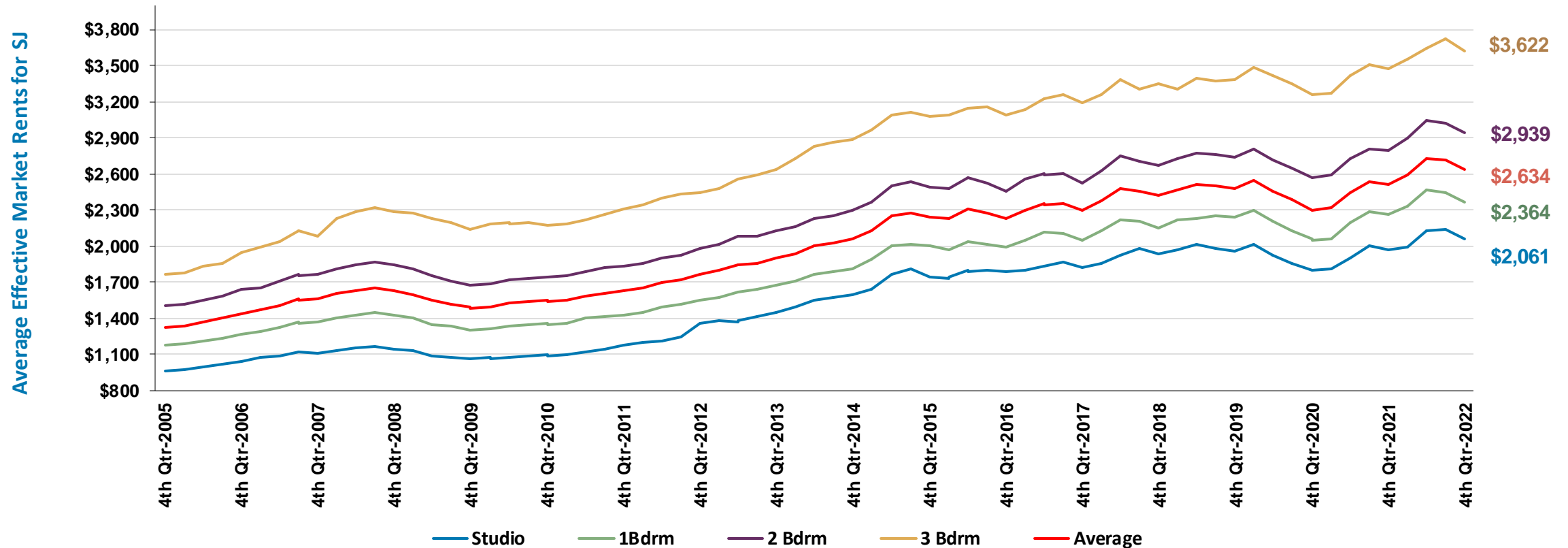
Strong ADU Permit Activity



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 2022.

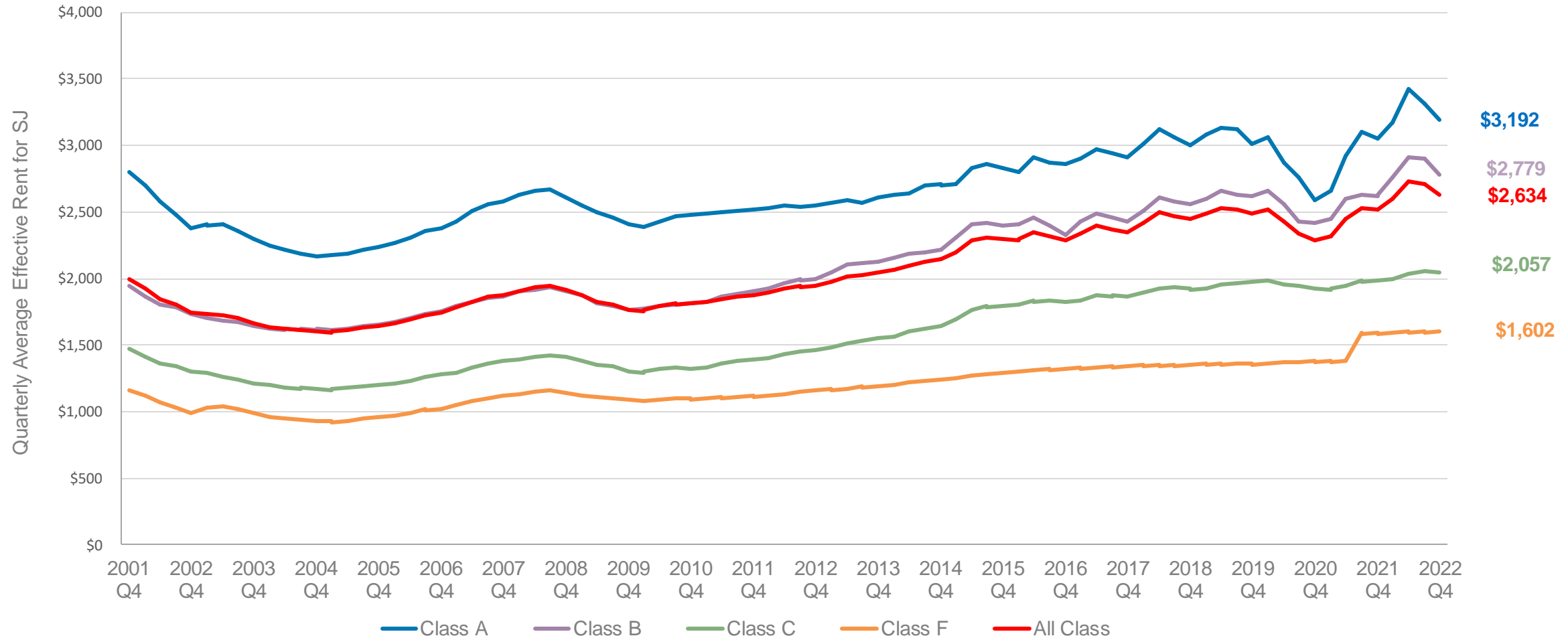
Rents Down 2.8% QoQ, Up 4.7% YoY



SOURCE: Costar Jan 3, 2023

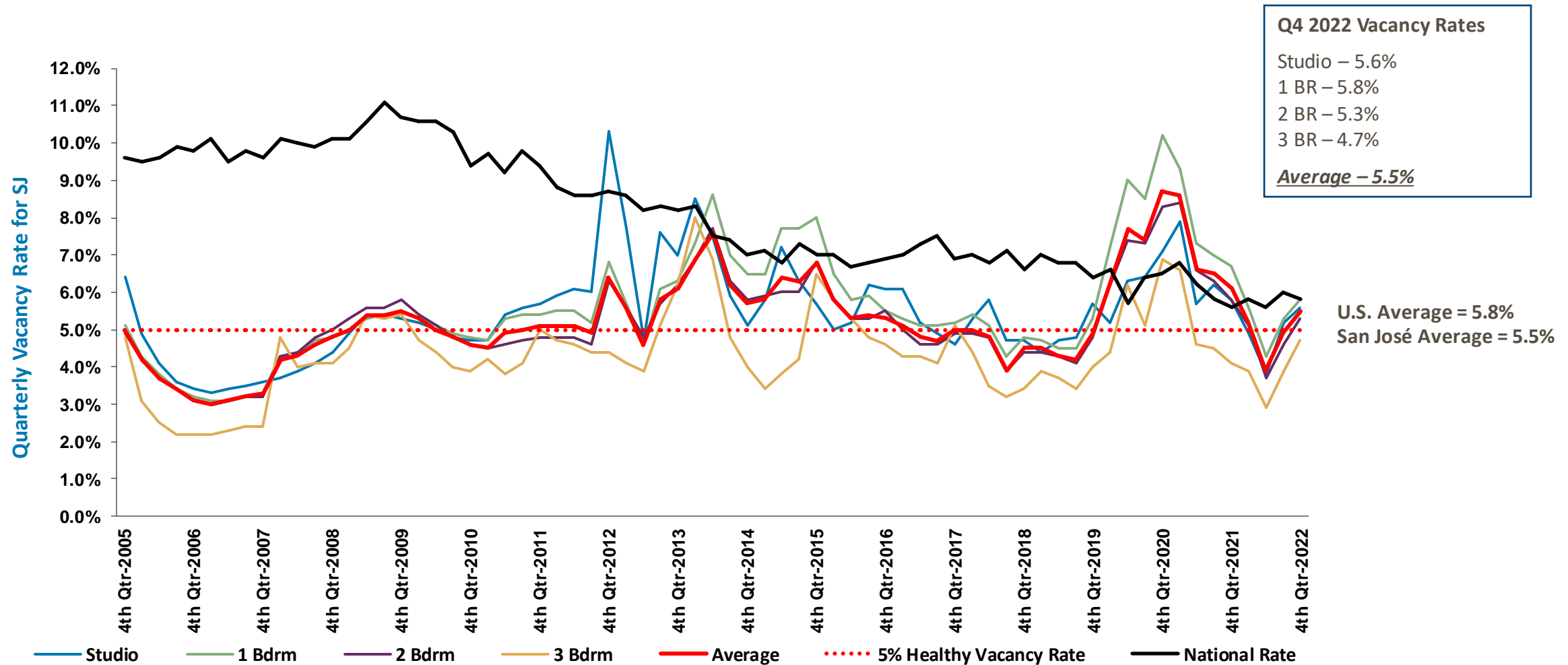
* QoQ = Quarter-over-Quarter; YoY = Year-over-Year.

Rents By Class – Class A is the most volatile



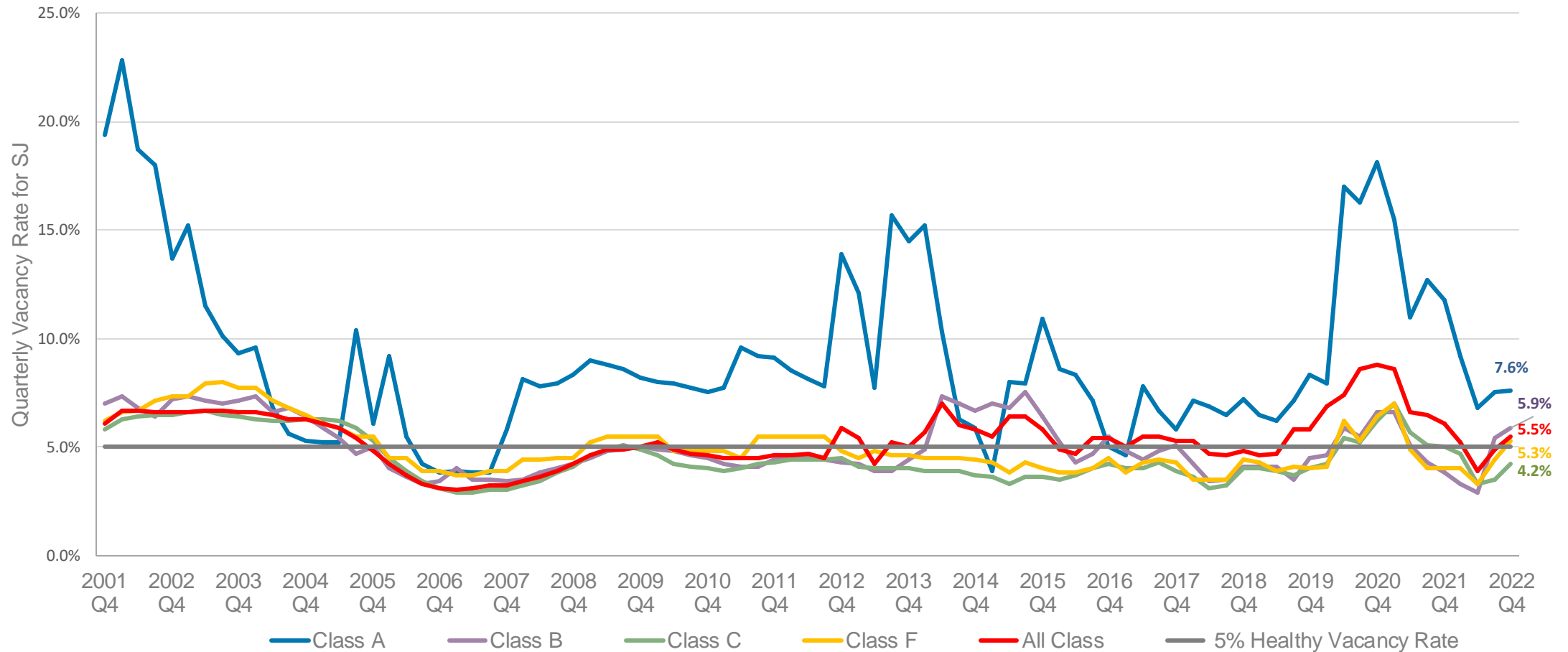
SOURCE: Costar Jan 3, 2023

Avg Rental Vacancy 5.5%, Up 0.6 pt QoQ, above "Healthy" Rate of 5%



SOURCE: Costar Jan 3, 2023; National Rate – US Census Bureau Current Population Survey/ Housing Vacancy Survey Q4, 2022.

Vacancies by Class – Class A Vacancy is 7.6% - Up 0.1 pts QoQ



SOURCE: Costar Jan 3, 2023

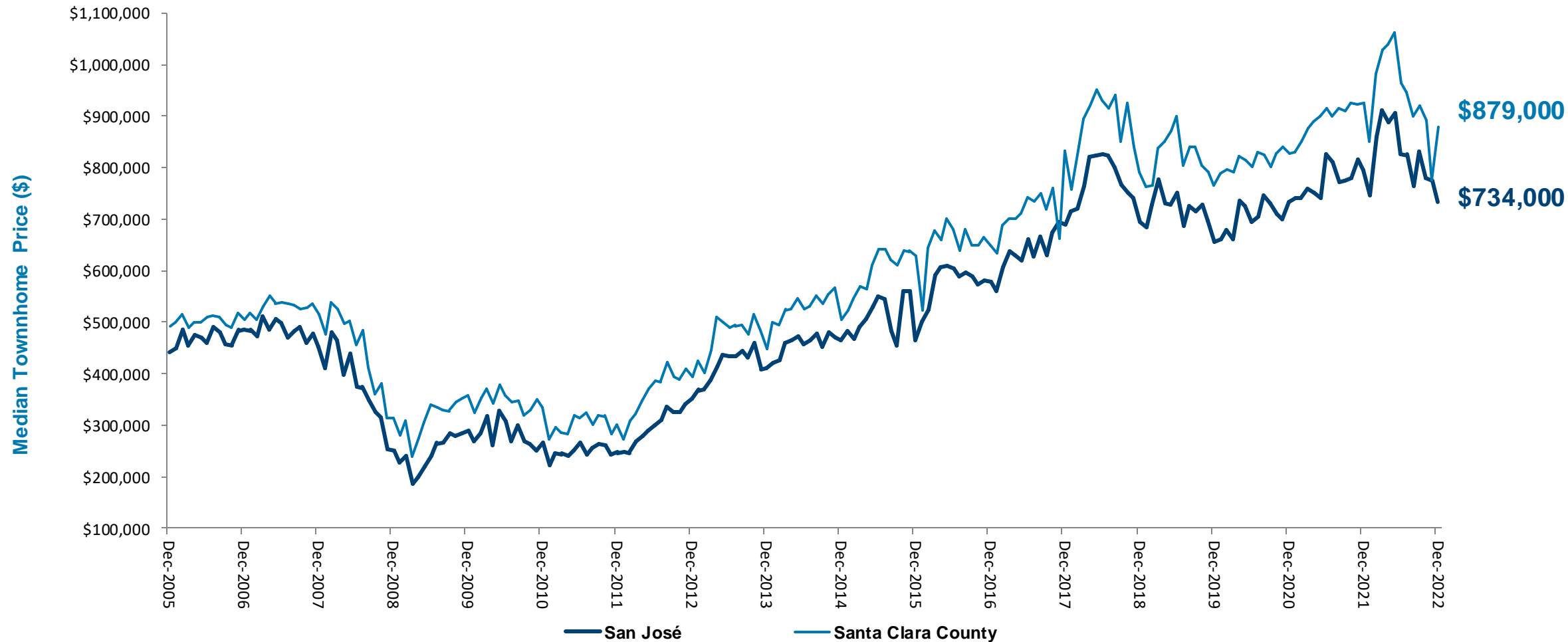
* Note: Older buildings refer to Class B, C and F properties; Class A buildings are usually newly-constructed properties.

San José Median Single-Family Home Price Continues to Fall, Down 10% QoQ and 11.9% YoY



SOURCE: Santa Clara County Association of Realtors Dec 2022

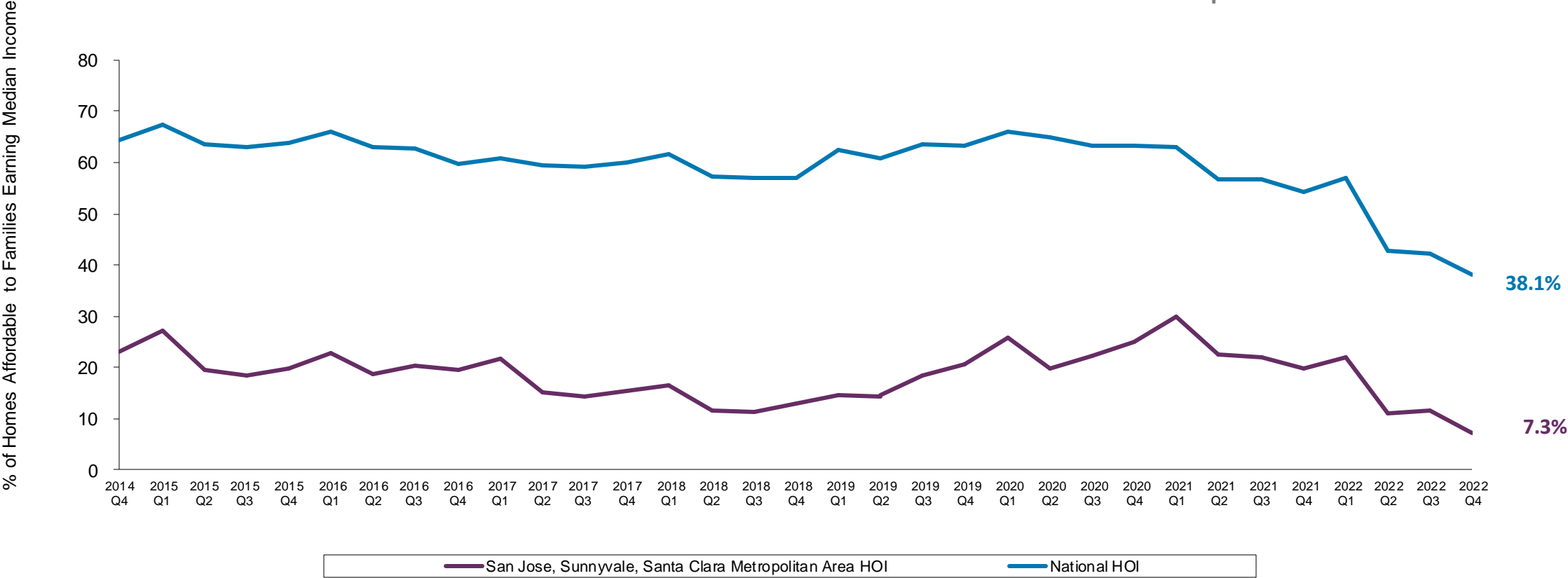
San José Median Condo/Townhome Prices Down 11.6% QoQ and 7.8% YoY



SOURCE: Santa Clara County Association of Realtors Dec 2022

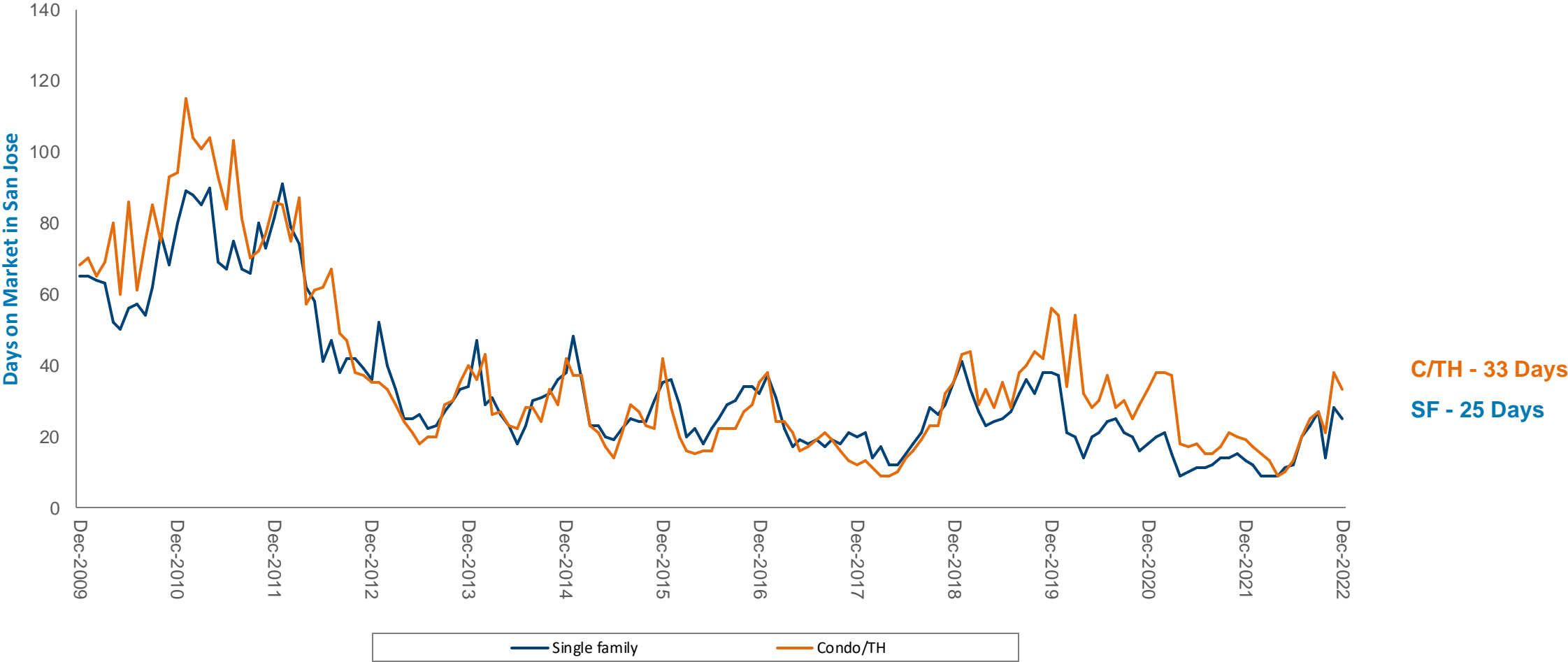
National Affordability > Five Times San José Metro Area Affordability

Less than 1 in 10 families can afford to buy a median-priced home in San José



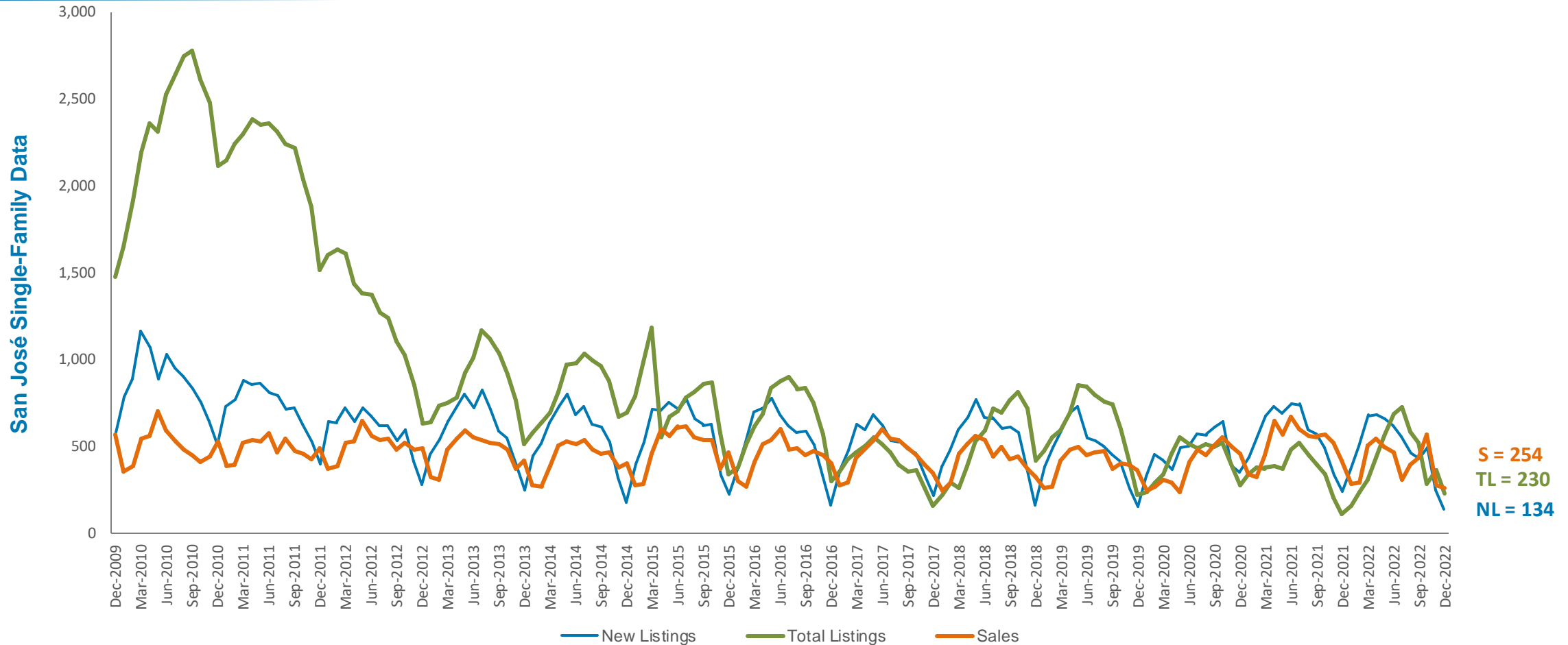
SOURCE: National Association of Home Builders, Housing Opportunity Index(HOI) Q4 2022.

San José Single Family Homes' DOM Close to One Month



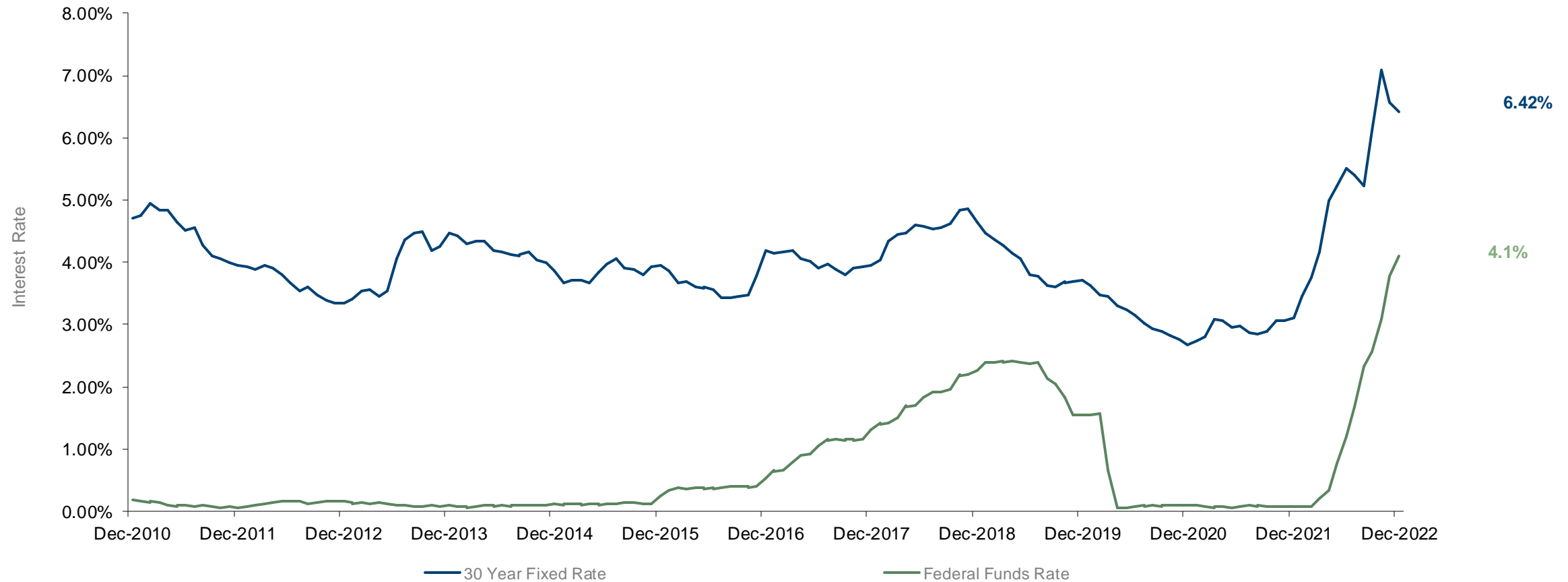
SOURCE: Santa Clara County Association of Realtors Dec 2022

SJ Single-Family Market Slump - Inventory (-55%), Sales (-41%) & Listings (-69%) down QoQ



SOURCE: Santa Clara County Association of Realtors Oct 2022

Interest Rates Remain High



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