

Housing Market Update

First Quarter 2021



Alum Rock Family Housing is one of the first affordable housing project in the city of San Jose to apply Senate Bill 35 to move the project forward on an expedited timeline. It is located within the Alum Rock Village plan, smartly designed, across the street from transit and will serve multiple levels of affordability. Forty-two of the 85 units will be set aside for formerly homeless with 14 reserved for Rapid Rehousing (RRH) and 29 reserved for Permanent Supportive Housing (PSH). A community courtyard amenity is located on the second level adjacent to social services and offices. On the fourth level, over 4,000 square feet of community open space and gardens are adjacent to a large community room.

(Image Courtesy of the Dahlin Group)

Q1 2021 San José Housing Market

- 🏠 Renters must earn **\$50/hour** (\$103,560/year) to afford the average *effective* monthly rent for a 2-bedroom apartment¹
- 🏠 Buyers must earn **\$118/hour** (\$246,042/year) to afford a median-priced single-family home²
- 🏠 Slow start to residential permit activity in 2021 - **165** residential building permits issued in Q1, none of which were for affordable apartments. 63% drop QoQ and 47% drop YoY
- 🏠 **109** secondary unit / ADU (Accessory Dwelling Units) permits issued in Q1 2021 - 20% increase QoQ
- 🏠 Average effective rent is **\$2,315³**, up **0.7%** QoQ; overall residential vacancy rate is **8.6%**
- 🏠 Median single family home price is **\$1,225,000⁴**, down **2%** QoQ but up **14%** YoY

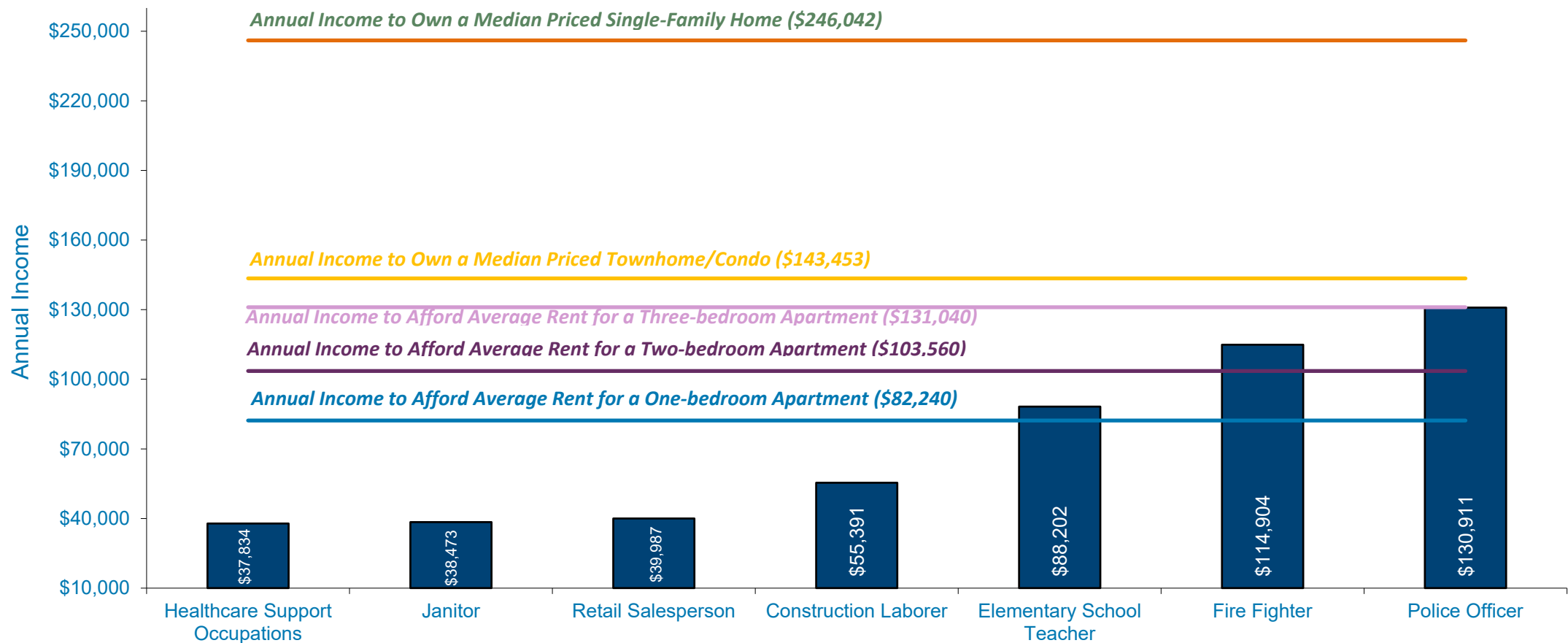
1. Based on Q1 2021 Costar average effective rents; income calculation assumes rents are 30% of income, 40-hour work week and a single-income household; "effective" rents include rent concessions such as free months' rent.

2. Based on SCCAOR December 2020 median prices; income calculation assumes monthly payments are 30% of income, 20% down, 3.08% interest rate, 1.1% property tax, 40-hour work week, and a single-income household.

3. Based on Costar Average Effective Rents, April 19, 2021.

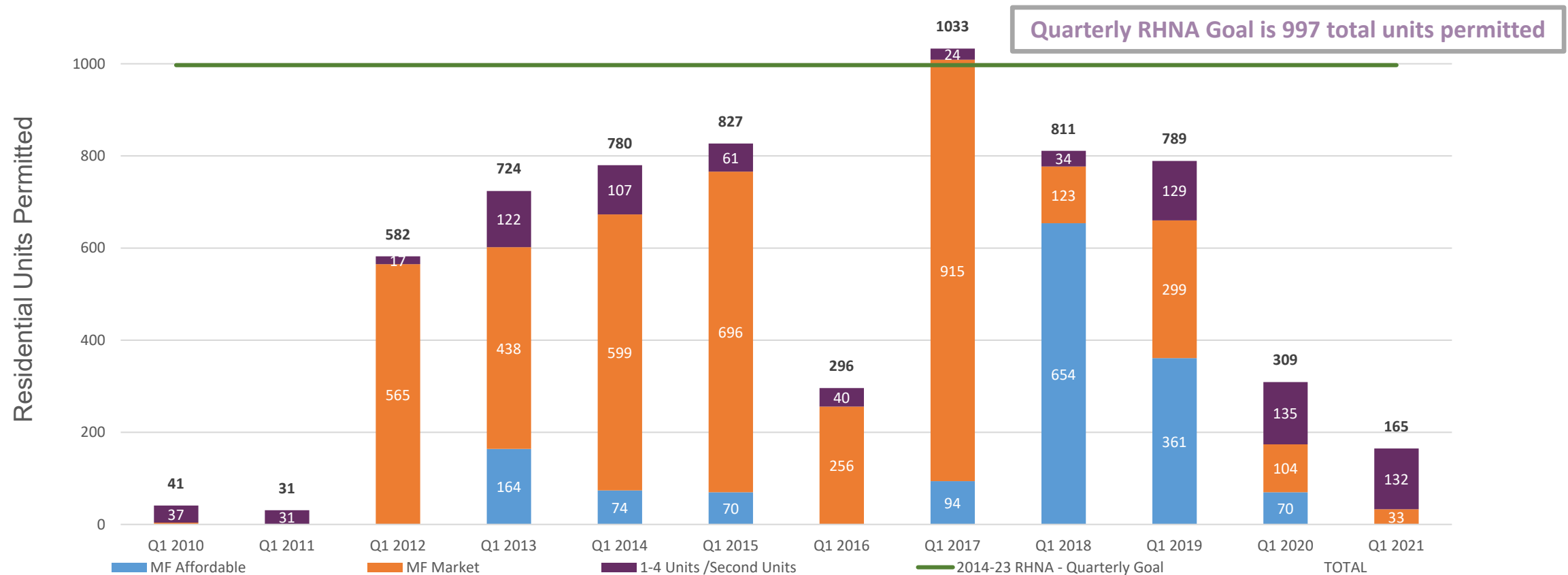
4. Based on Santa Clara County Association of Realtors (SCCAOR), March 2020.

Many Workers Cannot Afford San José Housing Costs



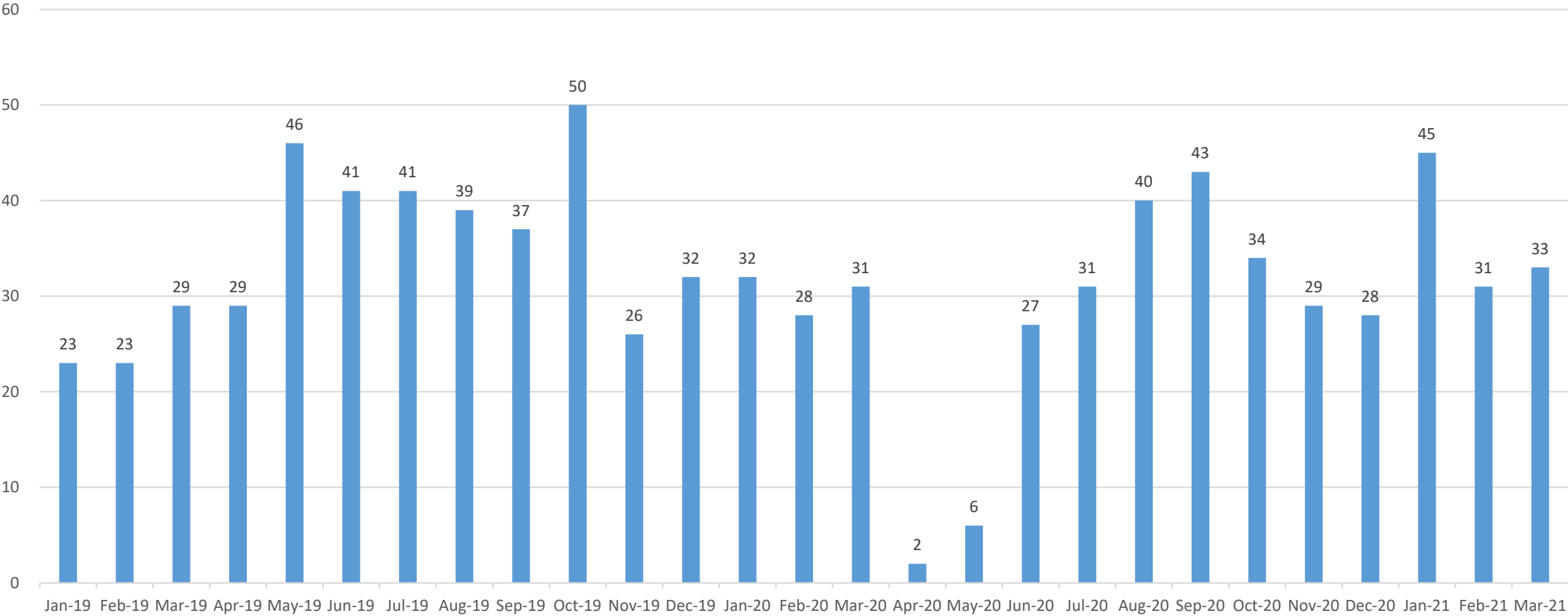
SOURCE: Employment Development Department (EDD) – First Quarter 2020 Wages; Costar Q1 2021 Average Effective Rents; Income to rent calculation assumes rent at 30% of income and a single-income household; SCCOAR March 2021 median home sales prices; Income to mortgage calculations assume payments at 30% of income, 20% down, 3.08% interest, 1.1% Property Tax, \$300 HOA dues for condos and a single-income household.

Anemic Q1 2021 Residential Permit Activity



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

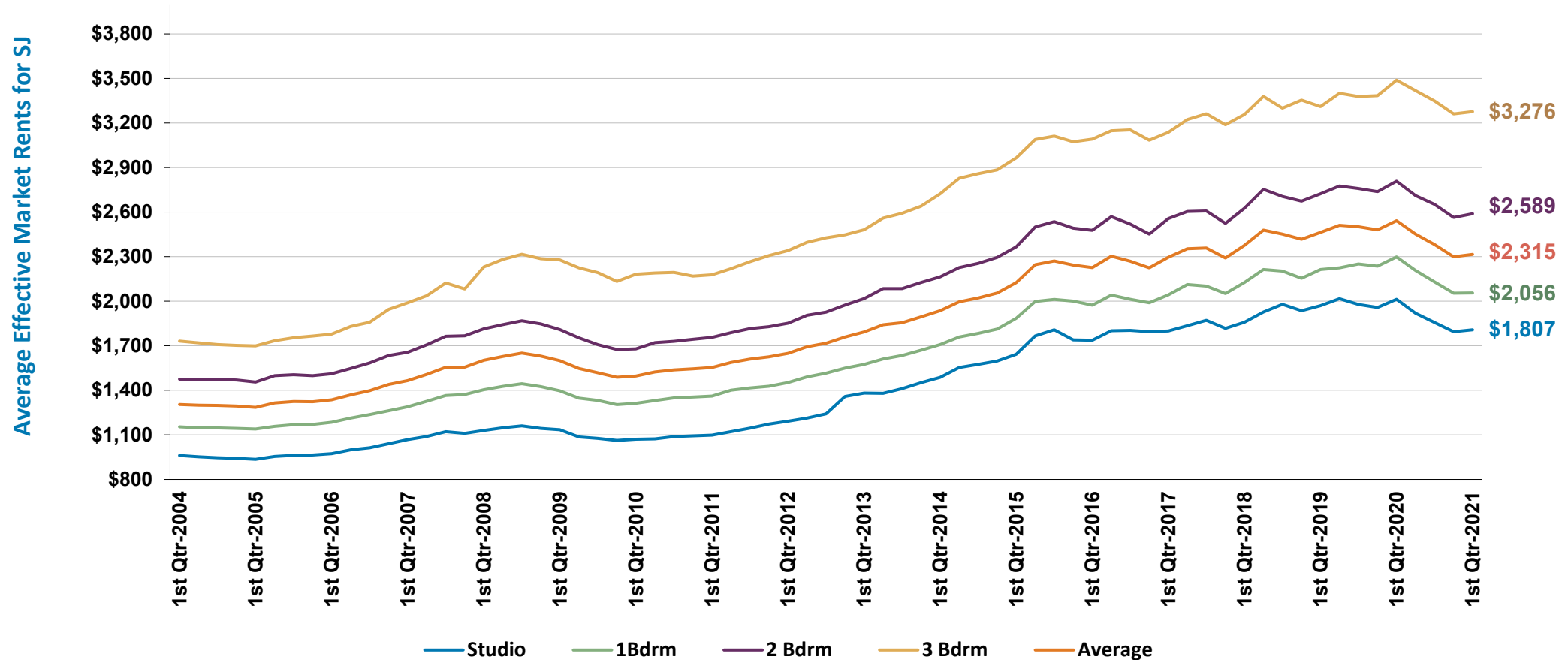
ADU Permit Activity Remains Strong



Zoning code updated in Nov 2016 and in June 2018 to conform with new State Legislation and to facilitate construction of ADUs; not all permits result in units built.

SOURCE: City of San José Permit Reports as of March 2020.

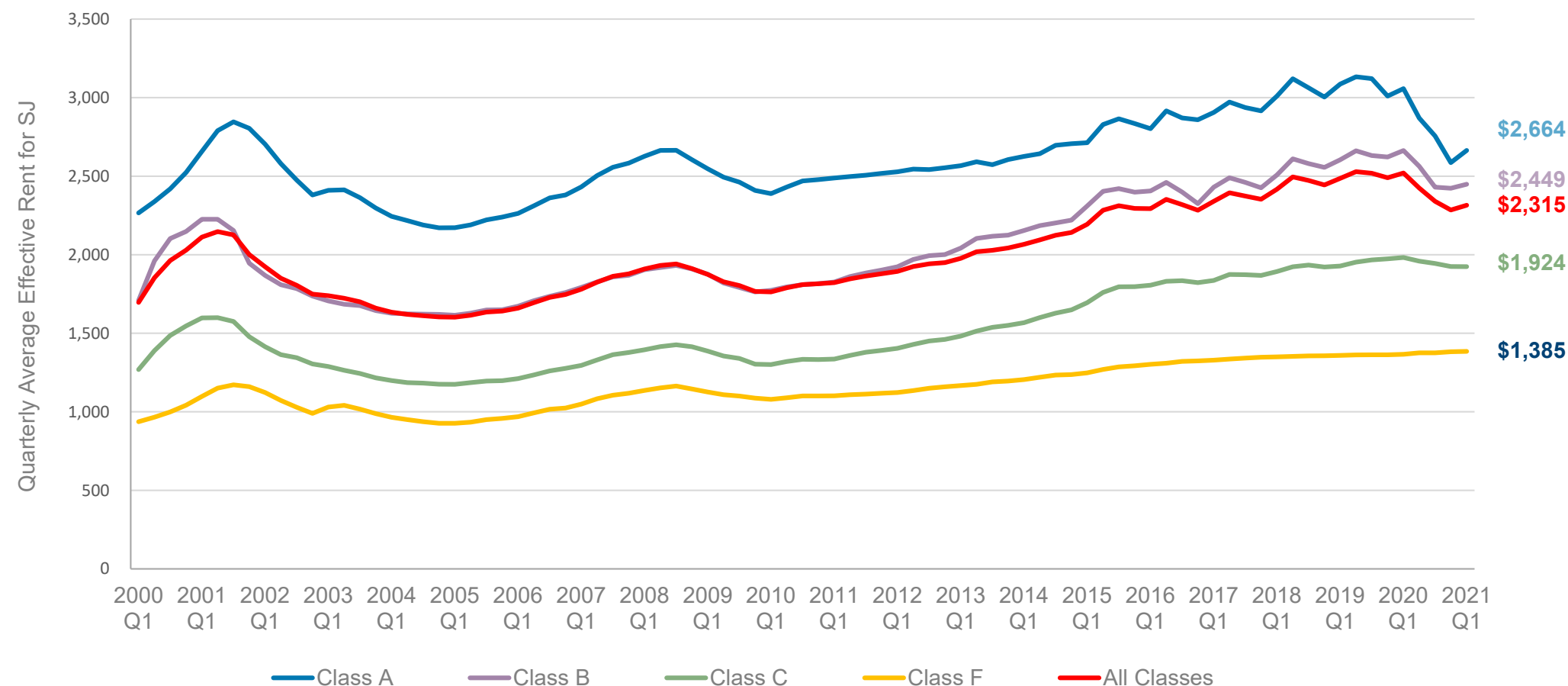
Average Rents Edge Up 0.7% QoQ, Down 9% YoY



SOURCE: Costar April 19, 2021.

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

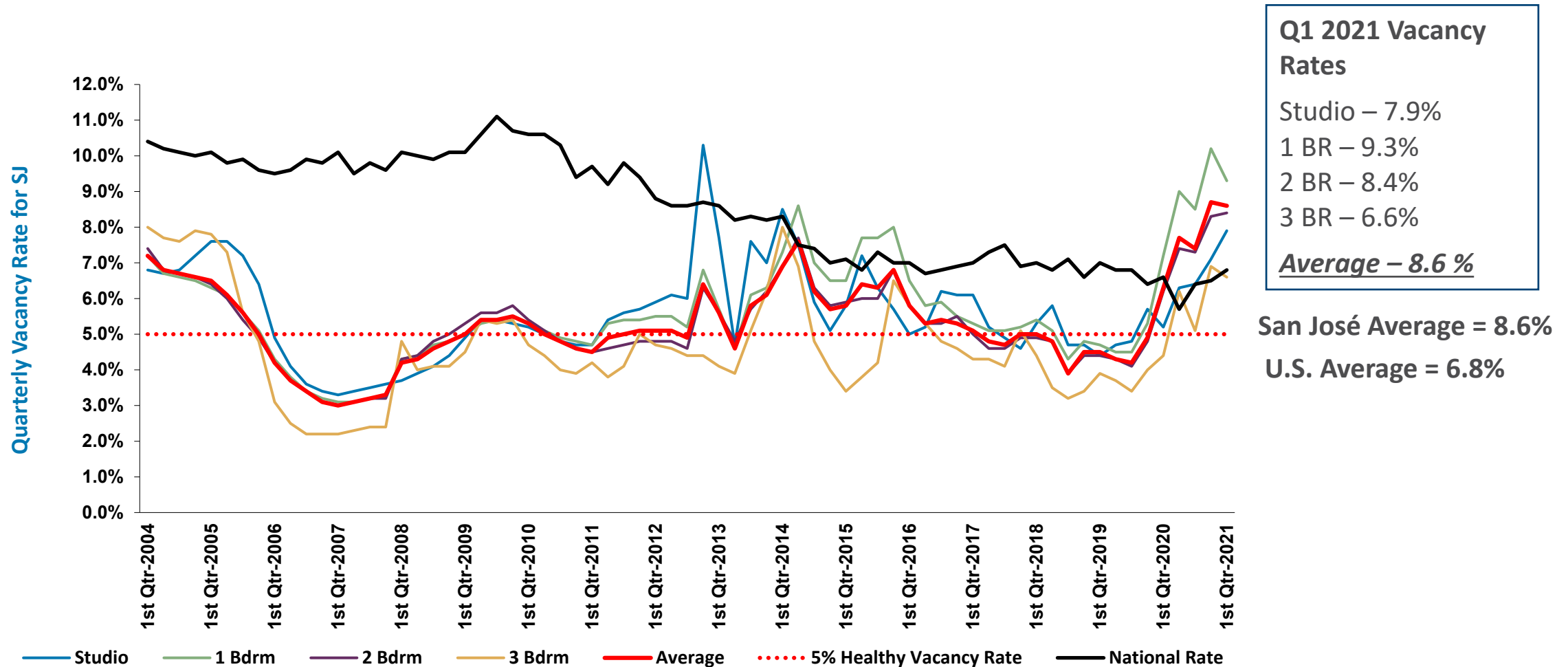
Average Rents By Class – Class A Rents Fell Farthest



SOURCE: Costar April 19, 2021.

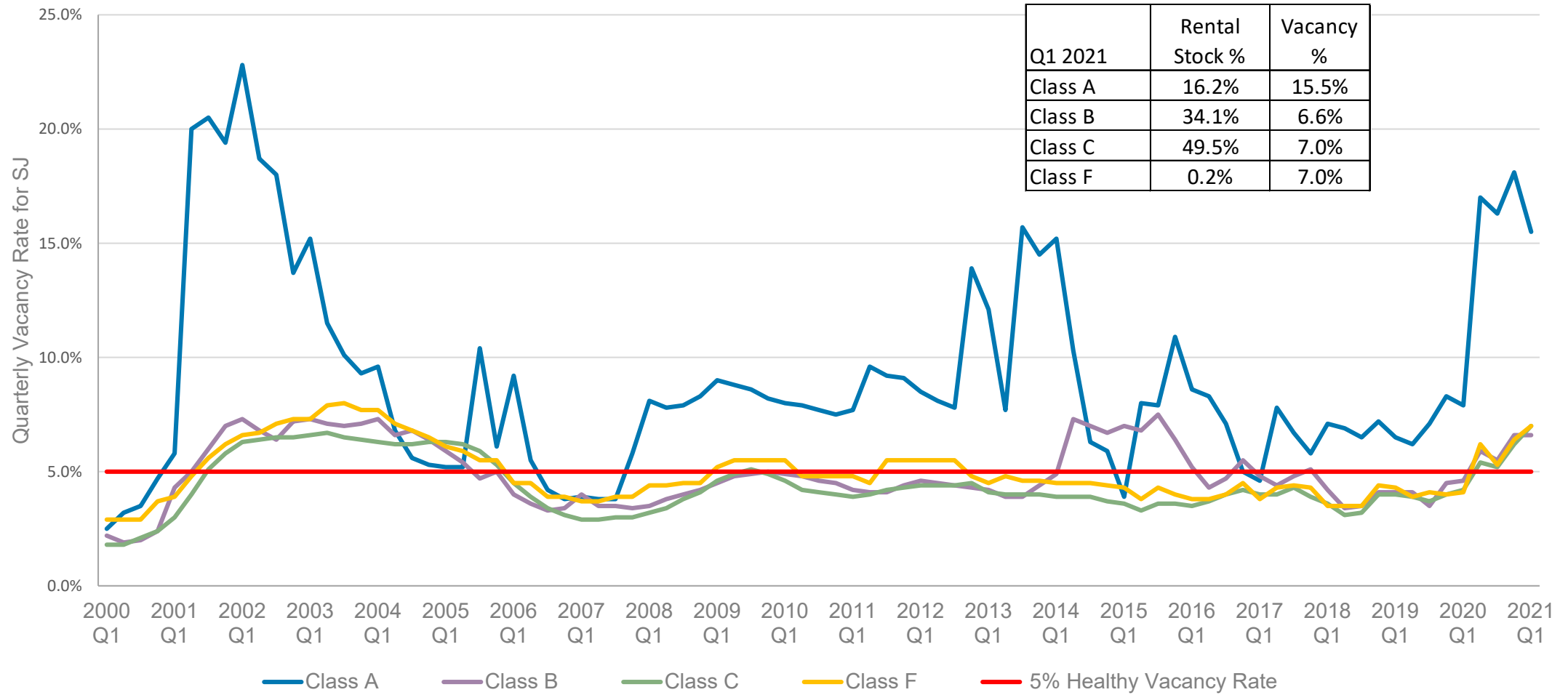
* QoQ = Quarter-over-Quarter; YoY = Year-over-Year.

Average Vacancy Falls 0.1 pts QoQ to 8.6%, Still Above “Healthy” Rate of 5%



SOURCE: Costar, April 19, 2021; National Rate – US Census Bureau Current Population Survey/ Housing Vacancy Survey Q1, 2021.

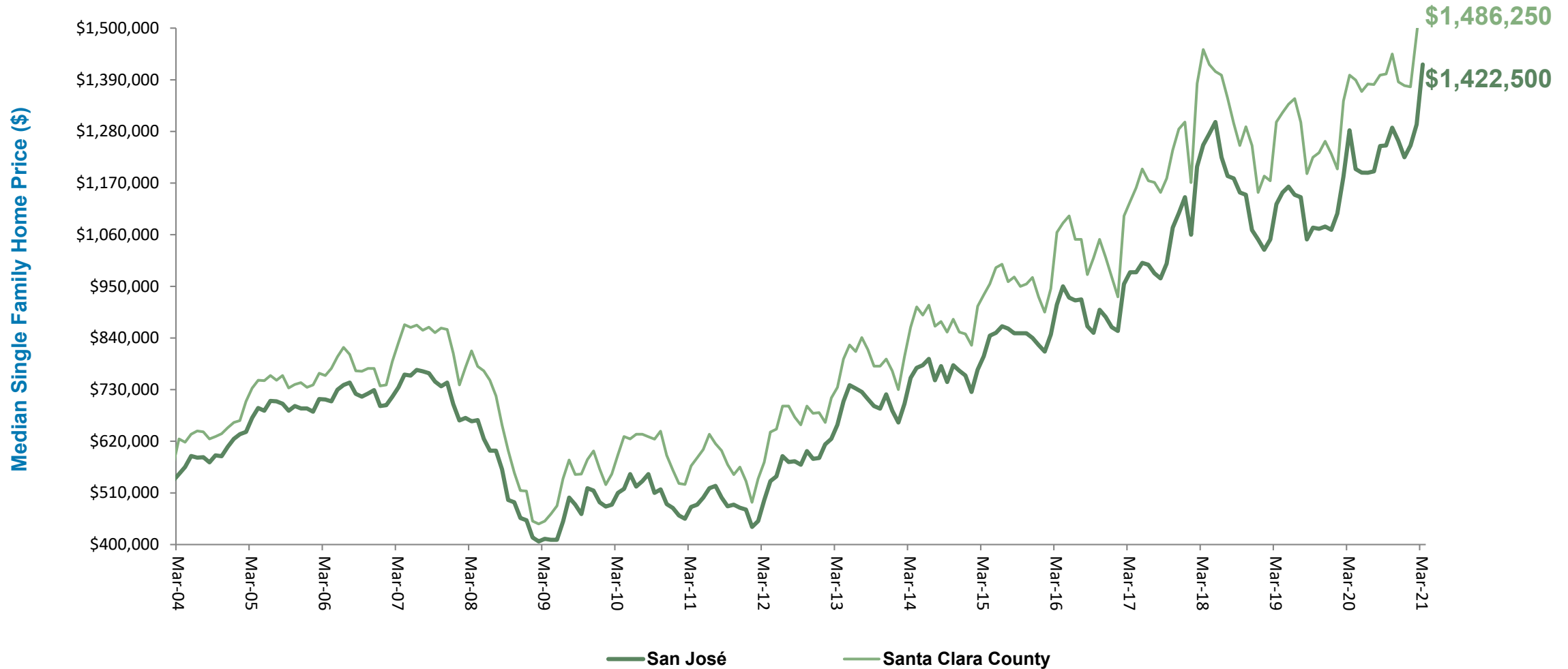
Vacancies by Class – Class A Vacancy Still High, but Down 2.6 pts QoQ



SOURCE: Costar April 19, 2021

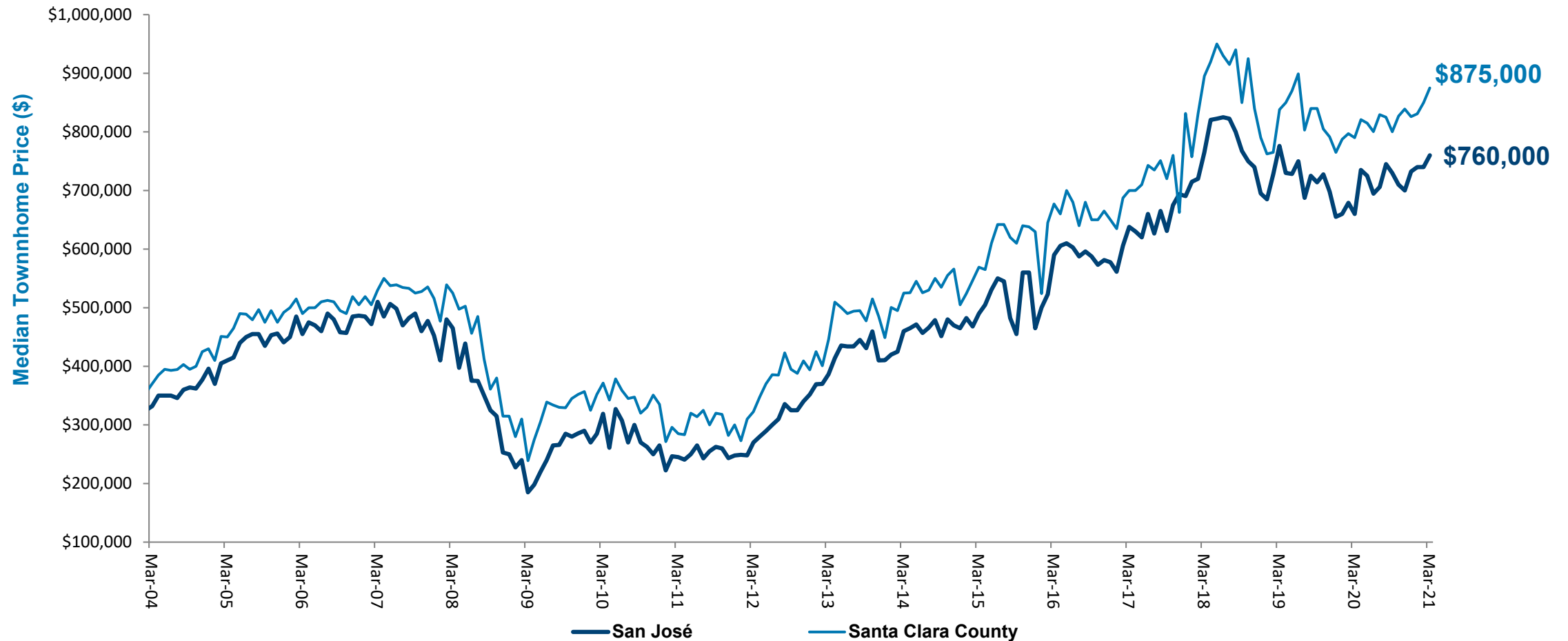
* Note: Older buildings refer to Class B, C and F properties; Class A buildings are usually newly-constructed properties.

San José Single Family Median Home Prices Continue to Rise - Up 16% QoQ and 11% YoY



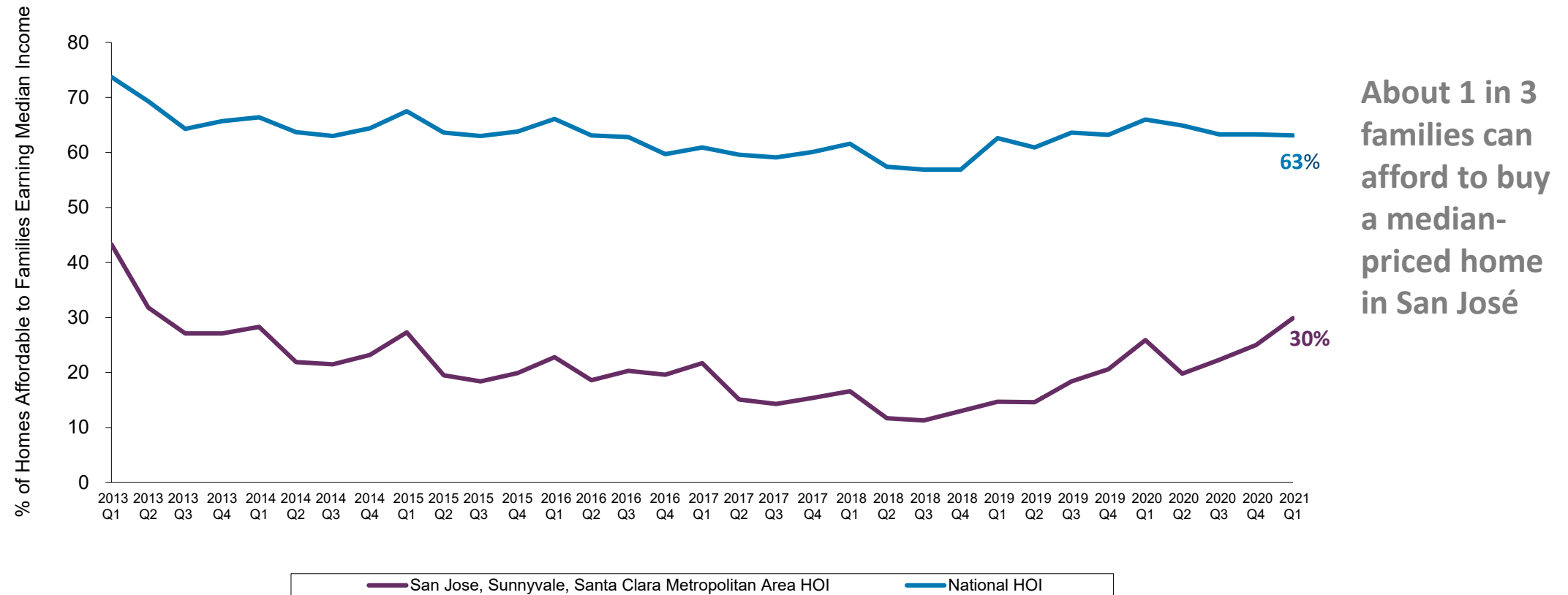
SOURCE: Santa Clara County Association of Realtors March 2020.

San José Condo/Townhome Median Prices Up 4% QoQ and 15% YoY



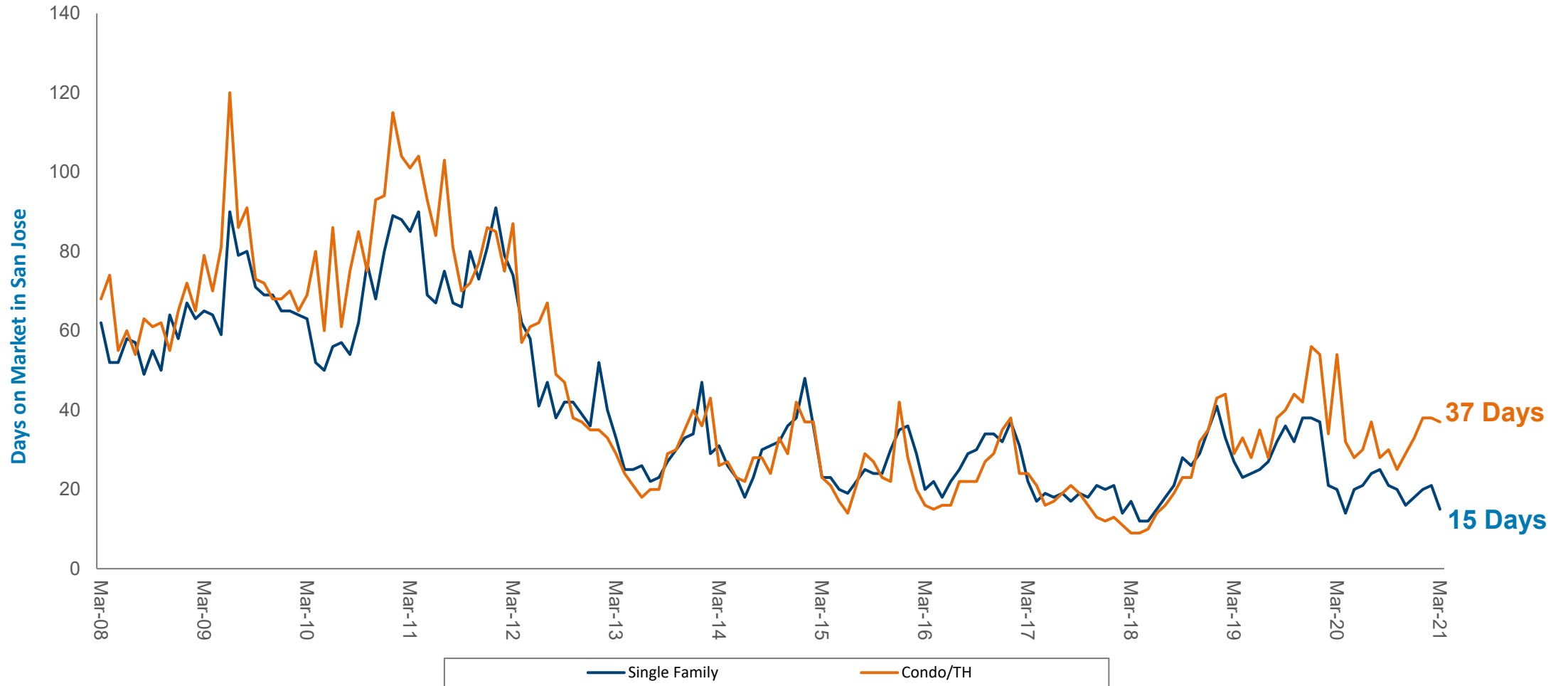
SOURCE: Santa Clara County Association of Realtors March 2021

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



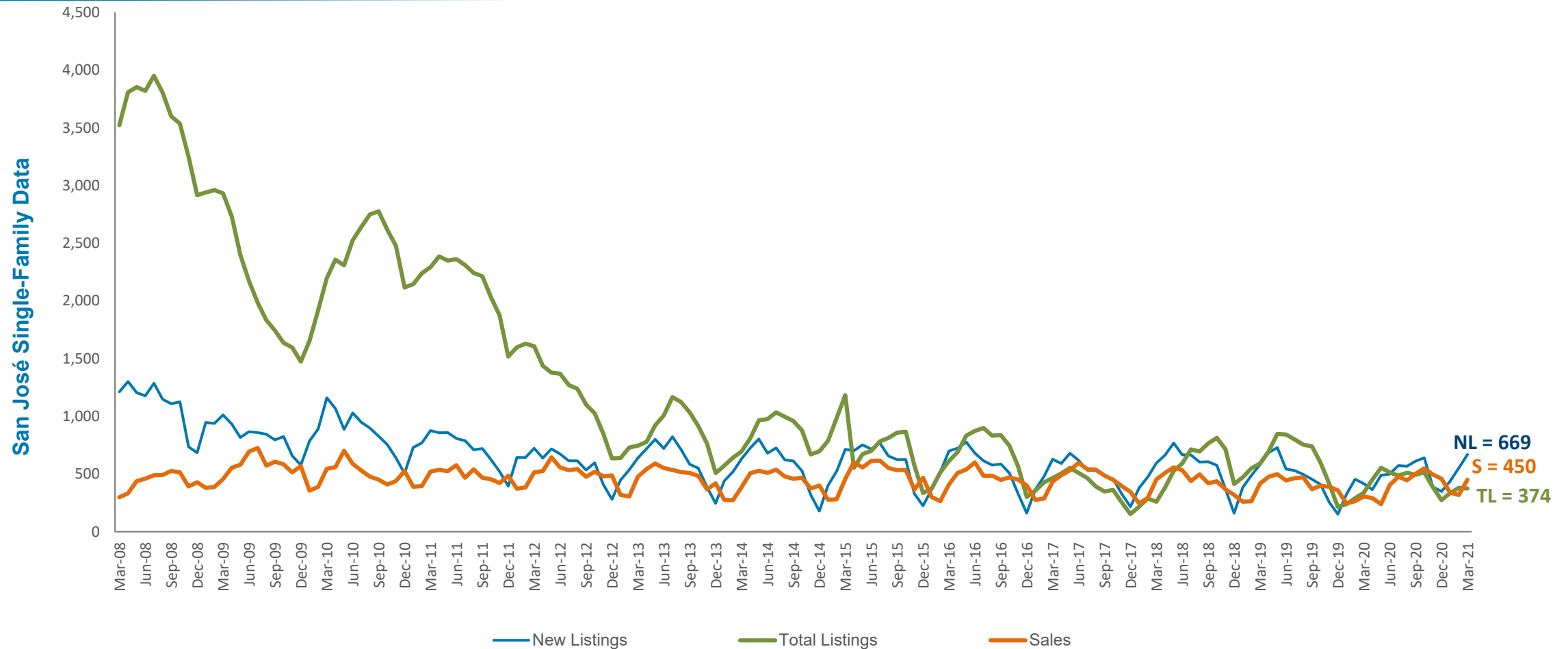
SOURCE: National Association of Home Builders, Housing Opportunity Index (HOI) Q1 2021.

Single Family Homes Sell Quickly



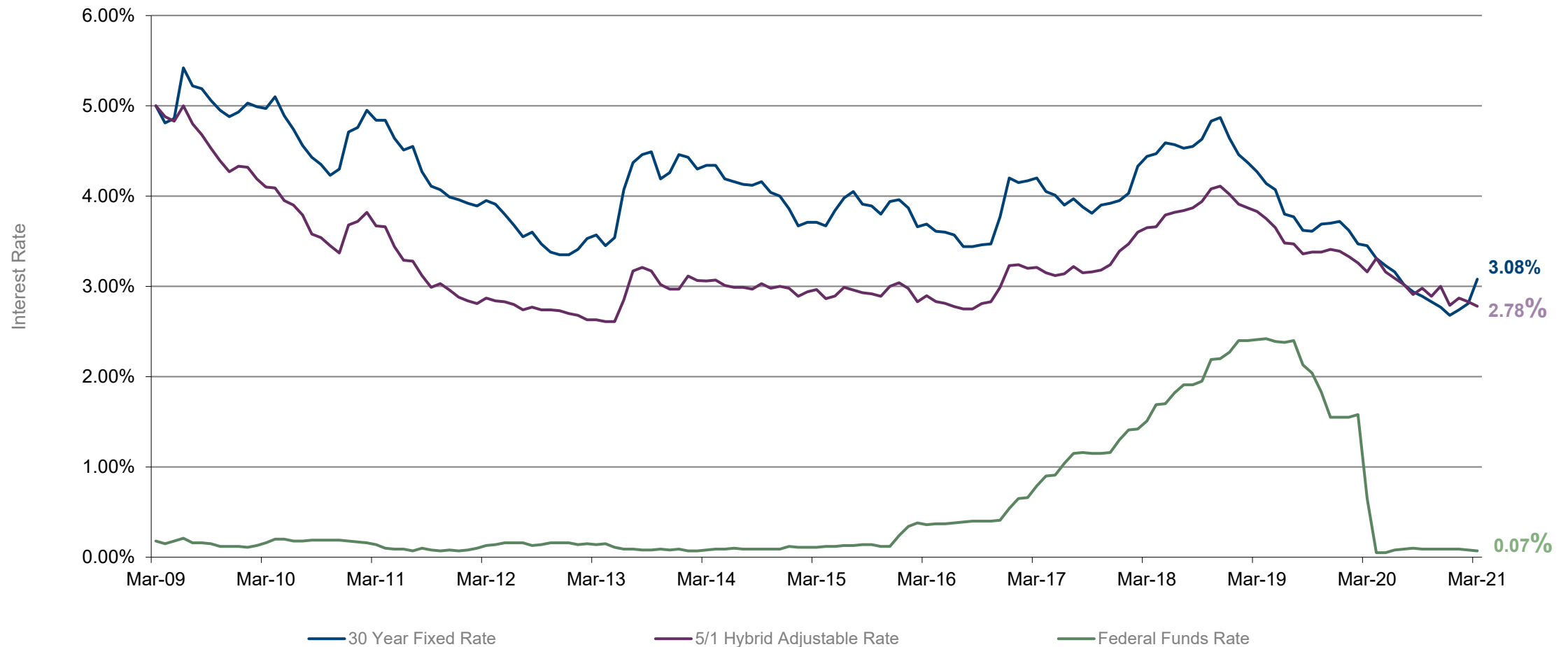
SOURCE: Santa Clara County Association of Realtors December 2020.

Single Family Inventory Increases 37% & Sales Fall Slightly, 2% QoQ



SOURCE: Santa Clara County Association of Realtors March 2021

30-Year Fixed Rate Up QoQ, Above 3%



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