



*Housing*

# Housing Market Update

Third Quarter 2022



**Immanuel Sobrato** Community will provide 106 permanent supportive homes for formerly unhoused San Jose residents. The unique public-private partnership between the City of San Jose, MidPen Housing, John A. and Susan Sobrato, the Housing Authority and the Immanuel Evangelical Lutheran Church of San Jose is the City's first redevelopment of a place of worship to include supportive housing. Courtesy Blach Construction

# Q3 2022 San José Housing Market

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- 🏠 Renters must earn **\$58/hour** (\$120,640/year) to afford the average *effective* monthly rent for a 2-bedroom apartment<sup>1</sup>
- 🏠 Homebuyers must earn **\$160/hour** (\$333,494/year) to afford a median-priced single-family home<sup>2</sup>
- 🏠 **449** residential building permits issued, **192 (43%)** were for affordable apartments
- 🏠 **428** ADU (Accessory Dwelling Units) permits issued
- 🏠 Rents down slightly & vacancy up - average effective rent is **\$2,711**<sup>3</sup>, down **0.8%** QoQ<sup>4</sup>; overall residential vacancy rate is **4.9%**, up **1 pt** QoQ
- 🏠 For-sale market cools - median single family home price is **\$1,445,000**<sup>5</sup>, down **7.5%** QoQ

1. Based on Q3 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.

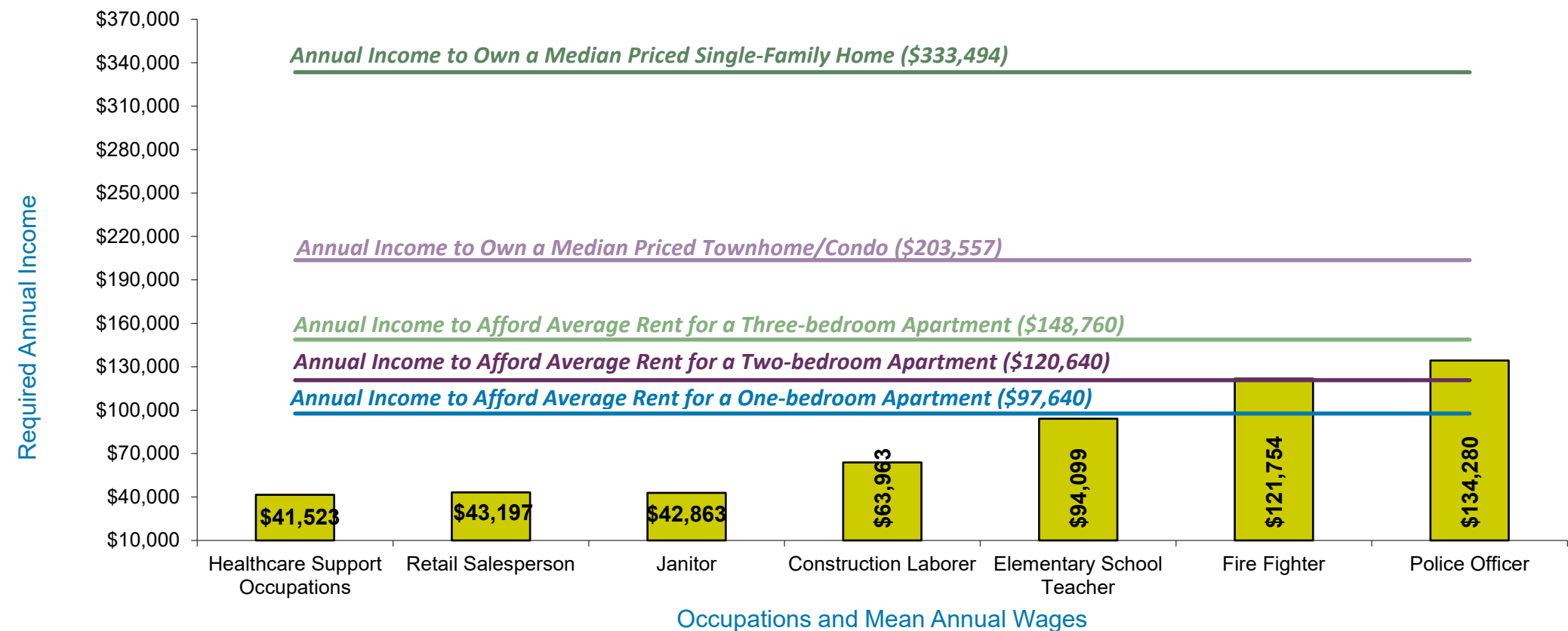
2. Based on SCCAOR Sept 2022 median prices; income calculation assumes monthly payments are 30% of income, 20% down, 6.11% interest rate, 1.1% property tax, 40-hour work week, and a single-income household.

3. Based on Costar Data, October 4, 2022.

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

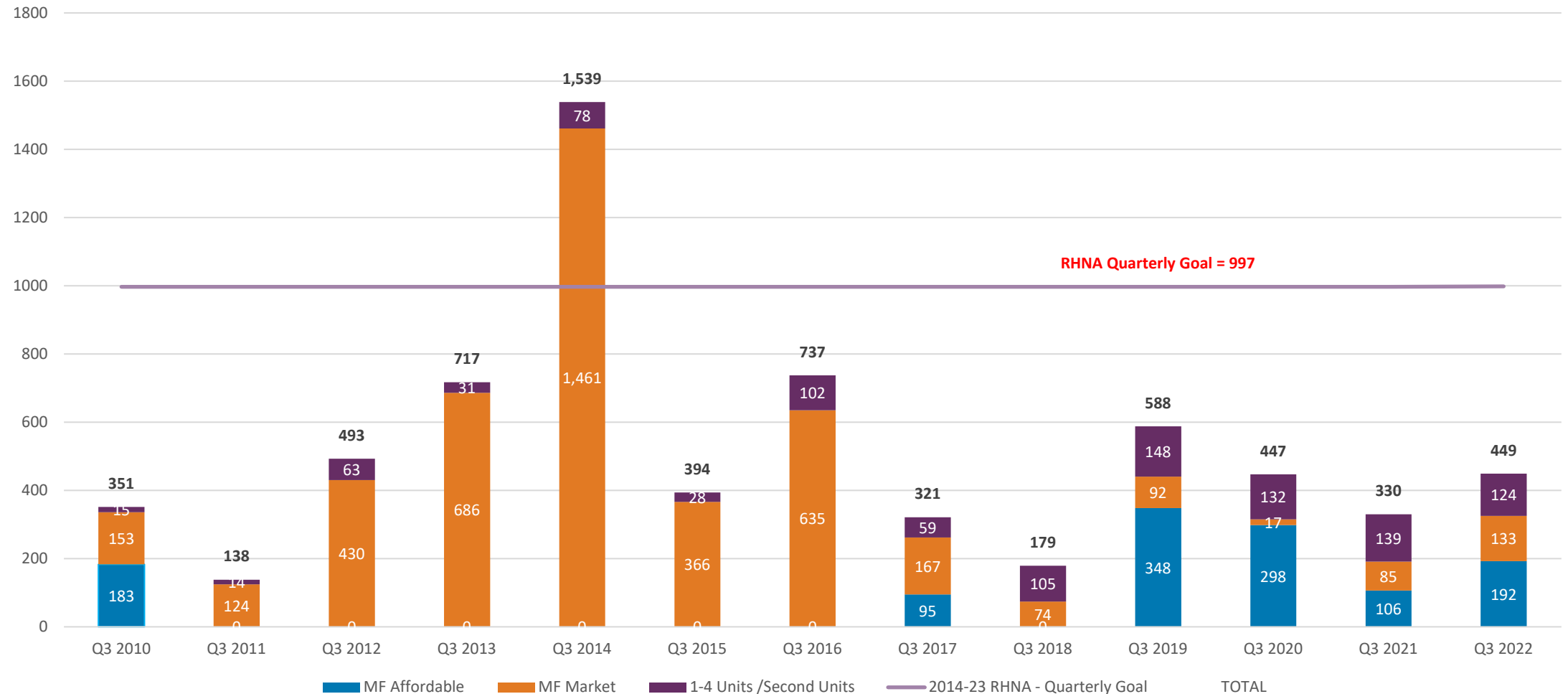
5. Based on Santa Clara County Association of Realtors (SCCAOR), Sept 2022.

# Many Essential Workers Cannot Afford San José Housing Costs



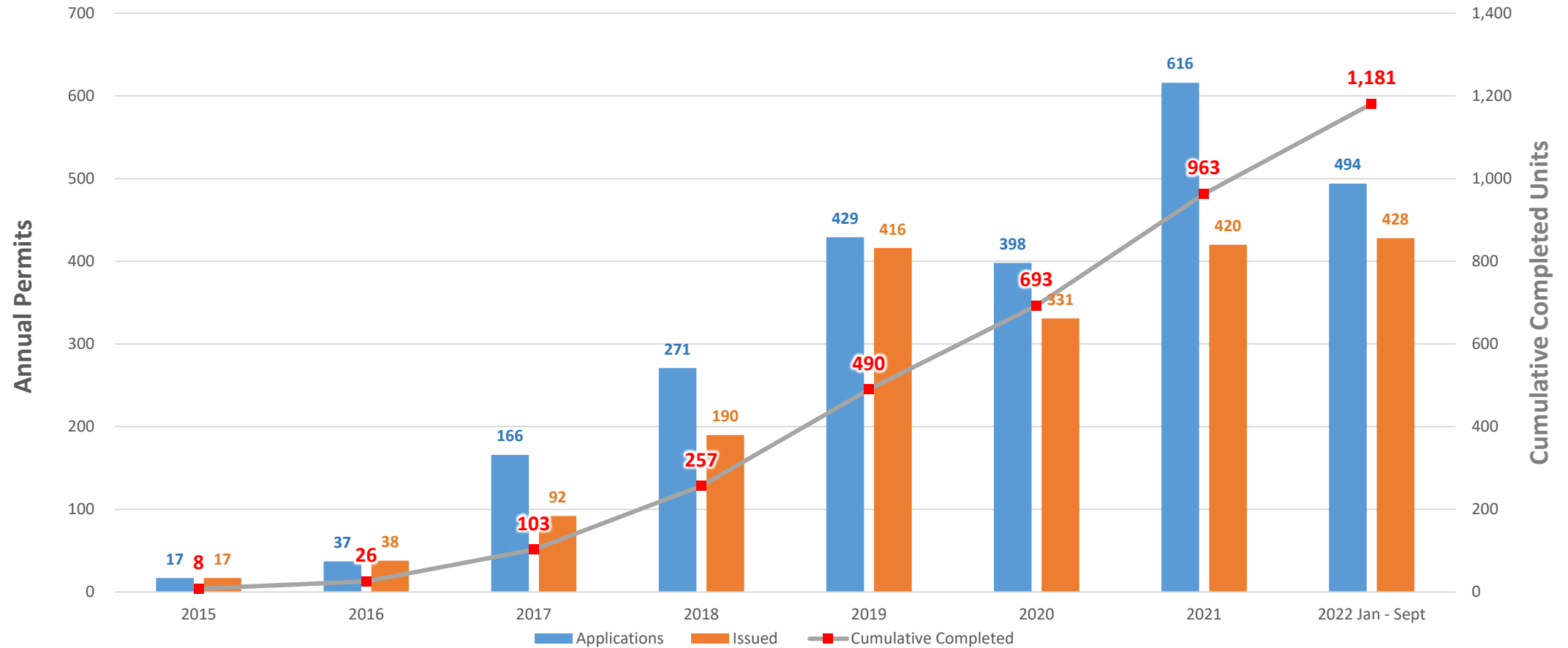
SOURCE: Employment Development Department (EDD) – First Quarter 2022 Wages; Income to afford average rent calculation uses Costar Q3 2022 Average Effective Rents, rent at 30% of income and a single-income household; Income to afford mortgage uses SCCOAR Sept 2022 median home sales prices; payments at 30% of income, 20% down, Sept 2022 Freddie Mac 30 Year Fixed interest Rate of 6.11%, 1.1% Property Tax, \$300 HOA dues for condos and a single-income household.

# Q3 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.

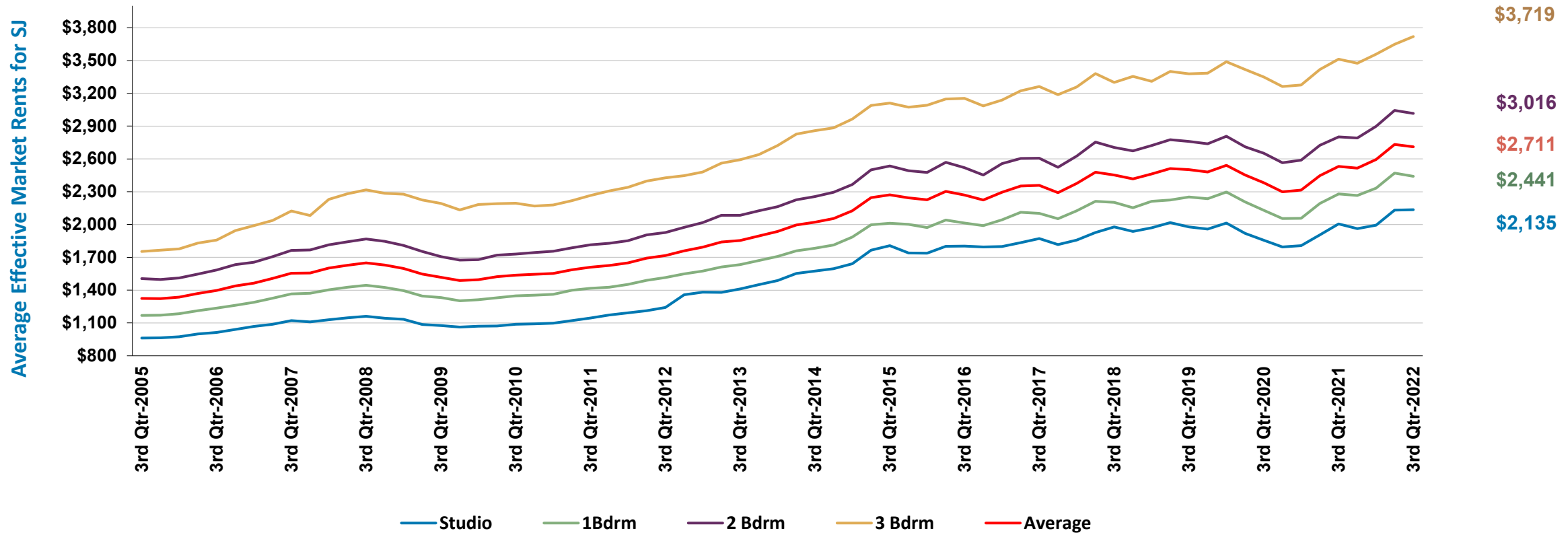
# Strong ADU Permit Activity



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 Sept 2022.

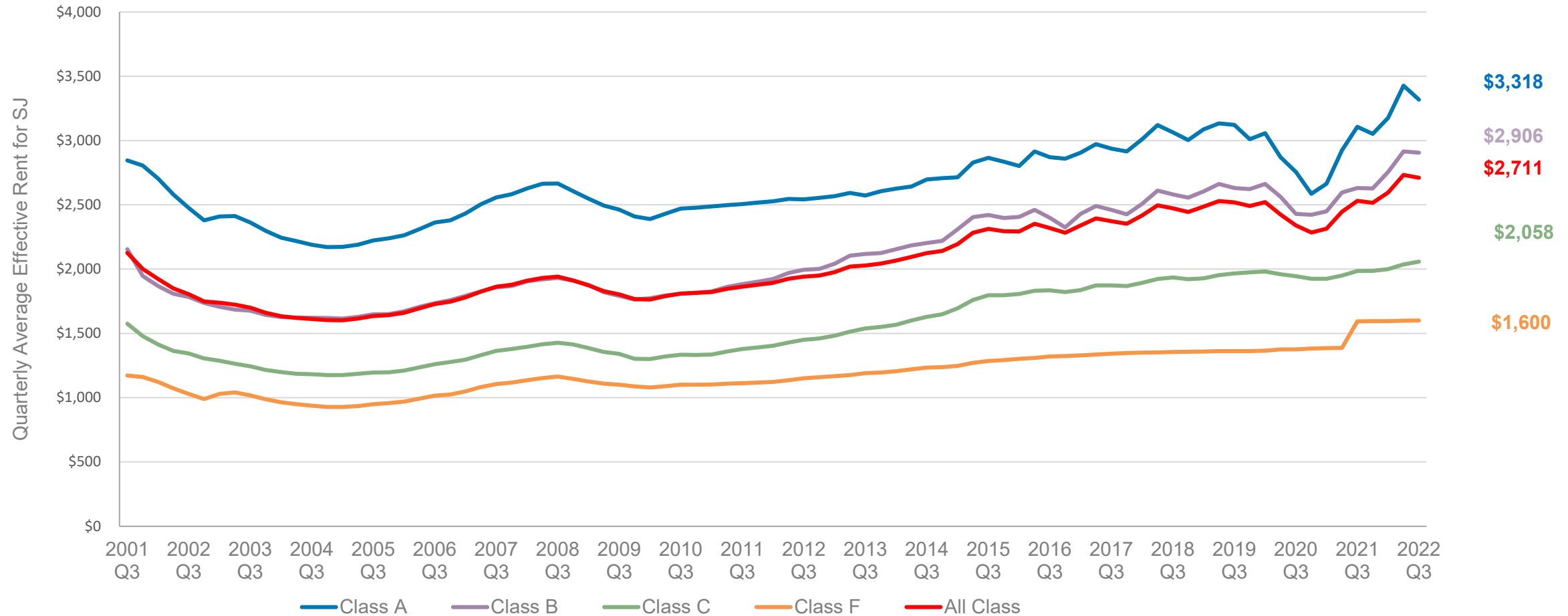
# Rents Down 0.8% QoQ, Up 7.1% YoY



SOURCE: Costar Oct 4, 2022

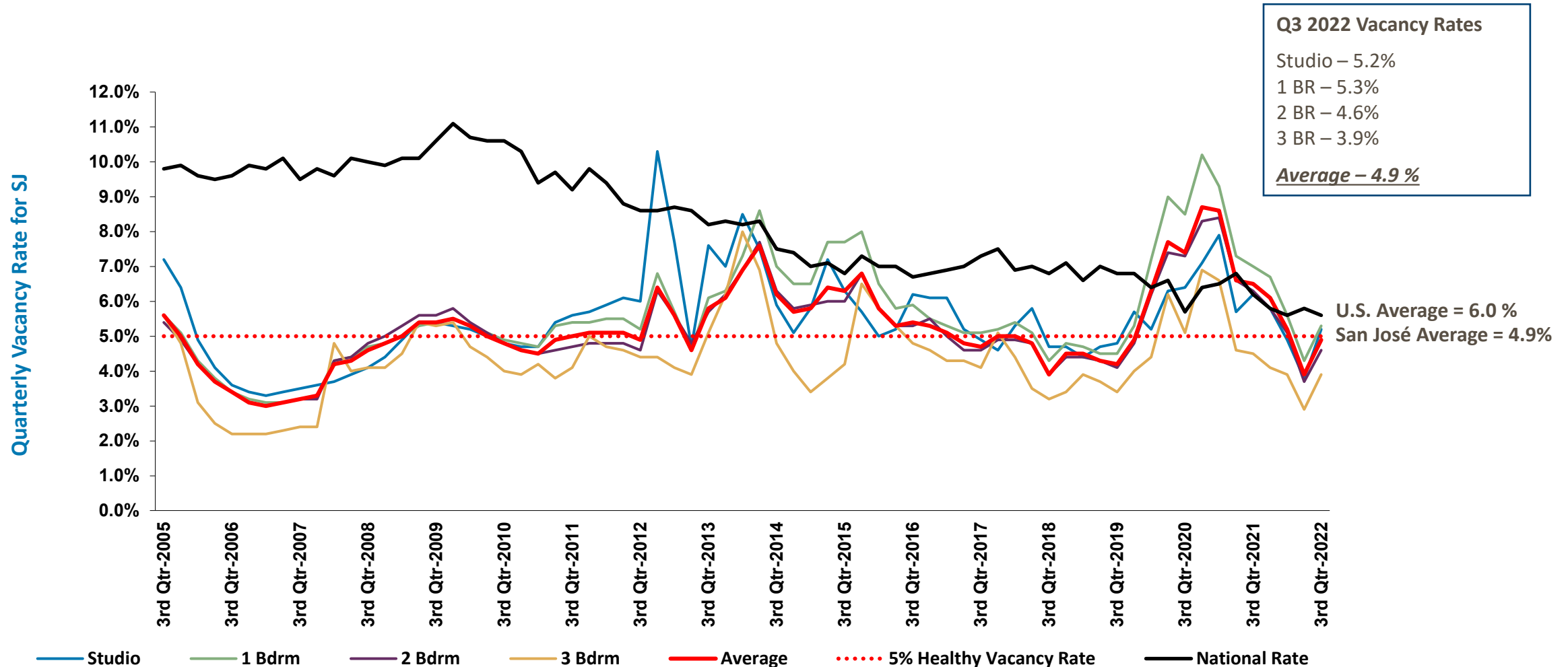
\* QoQ = Quarter-over-Quarter; YoY = Year-over-Year.

# Rents By Class – Class A is the most volatile



SOURCE: Costar Oct 4, 2022.

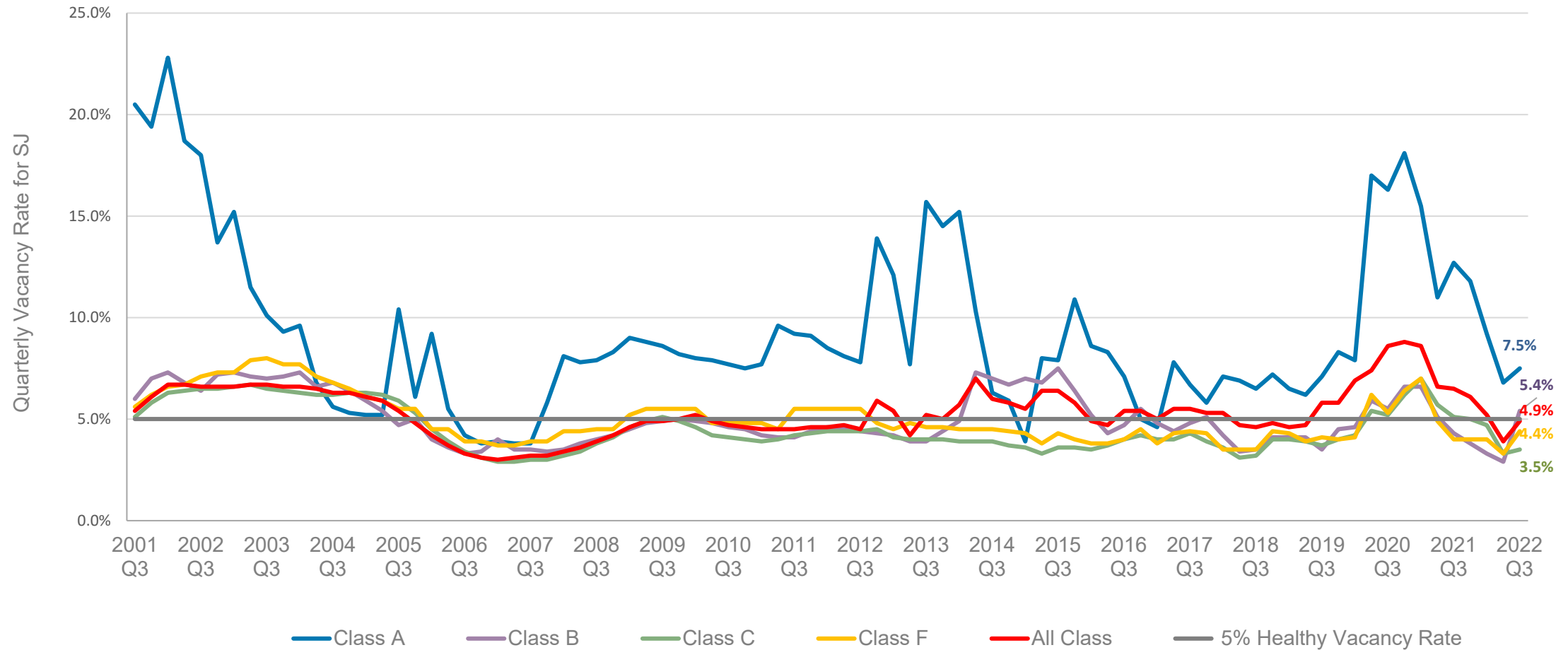
# Avg Vacancy 4.9%, Up 1pt QoQ, near “Healthy” Rate of 5%



SOURCE: Costar Oct 4, 2022; National Rate – US Census Bureau Current Population Survey/ Housing Vacancy Survey Q3, 2022.



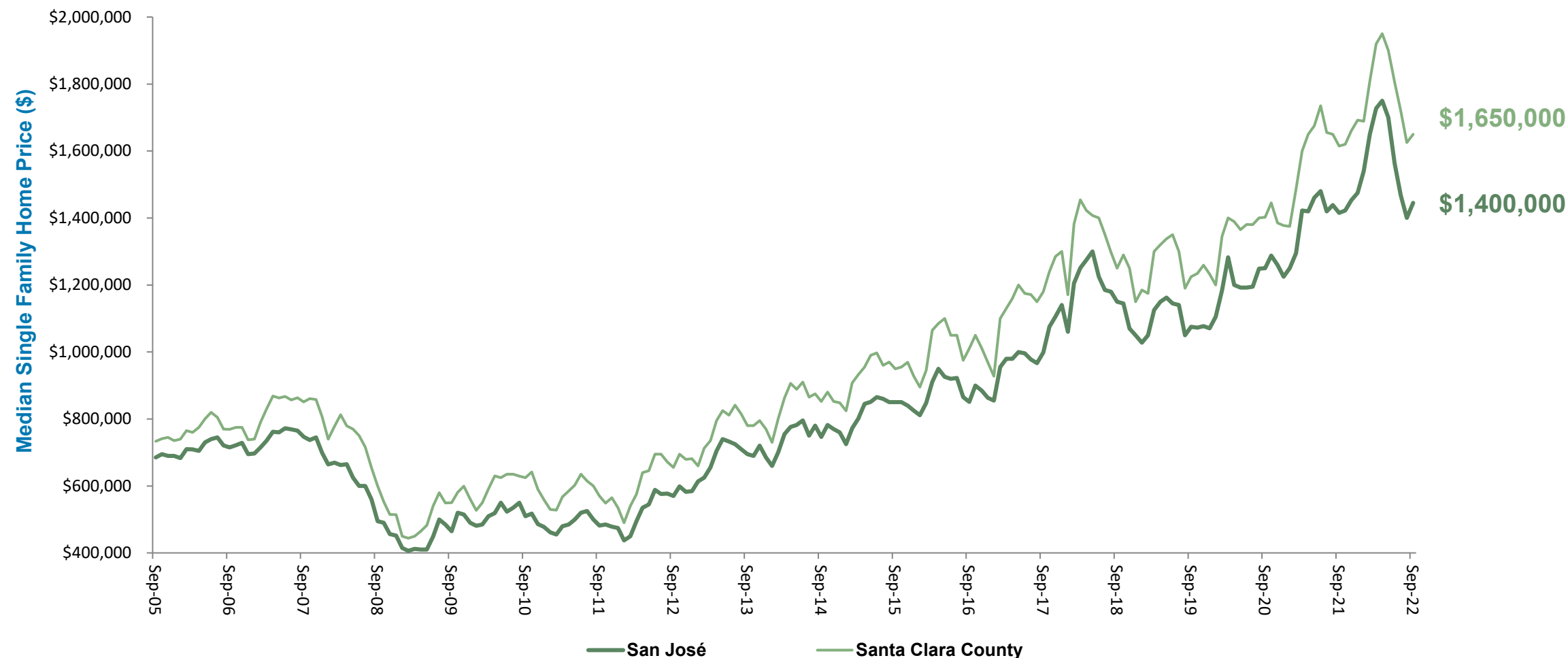
# Vacancies by Class – Class A Vacancy is 7.5% - Up 0.7 pts QoQ



SOURCE: Costar Oct 4, 2022

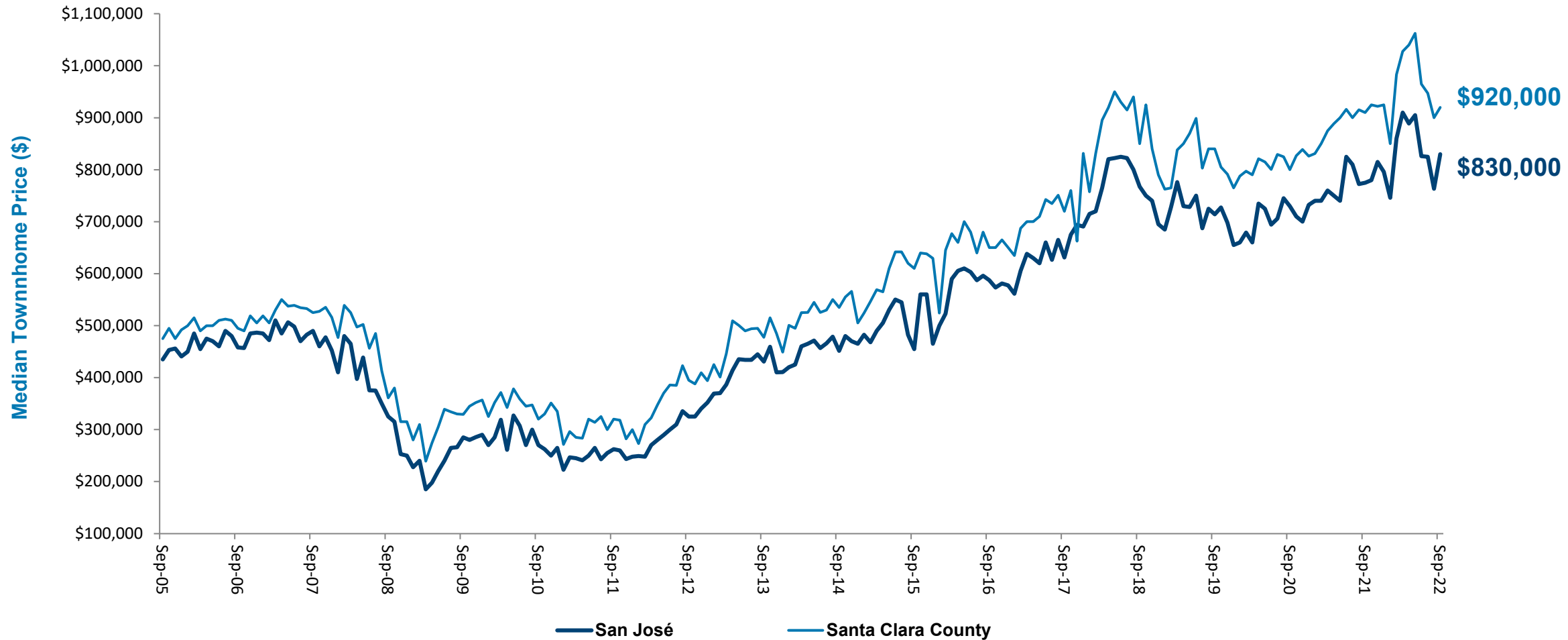
\* Note: Older buildings refer to Class B, C and F properties; Class A buildings are usually newly-constructed properties.

# San José Median Single-Family Home Price Drops Two Quarters in a row, Down 7.5% QoQ, Up 2.1% YoY



SOURCE: Santa Clara County Association of Realtors Sept 2022

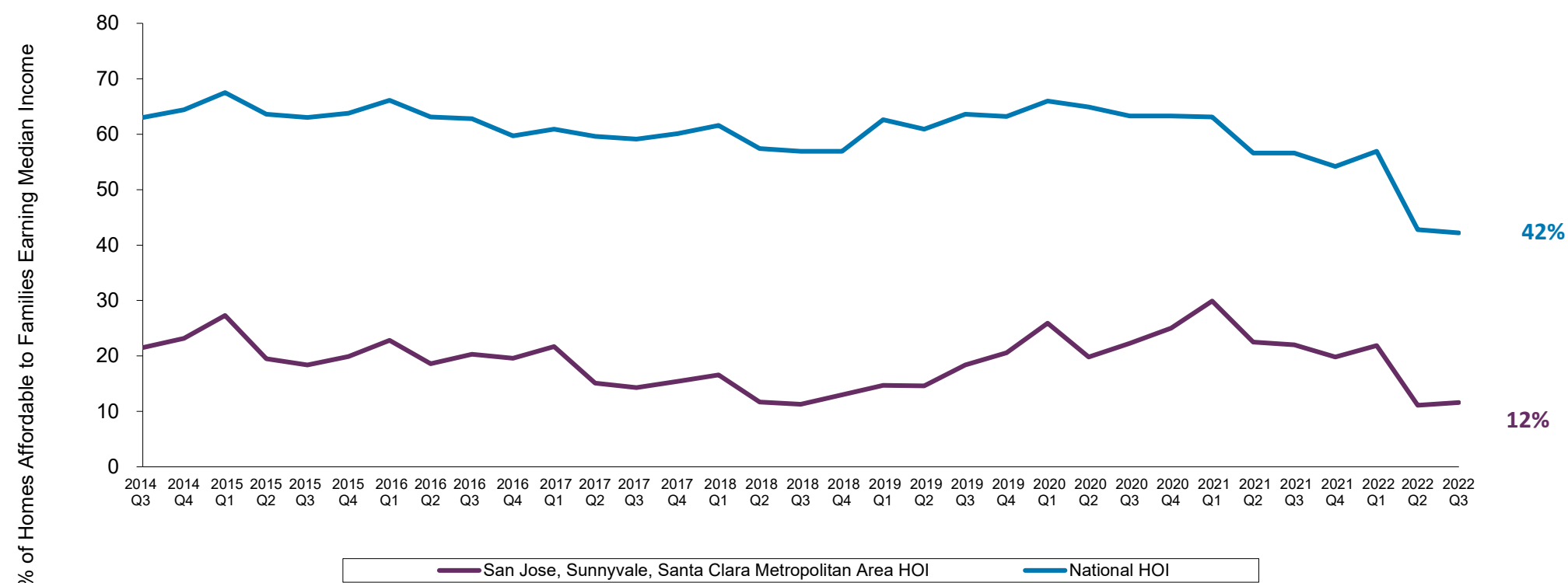
# San José Median Condo/Townhome Prices Up 0.5% QoQ & Up 7.1% YoY



SOURCE: Santa Clara County Association of Realtors Sept 2022

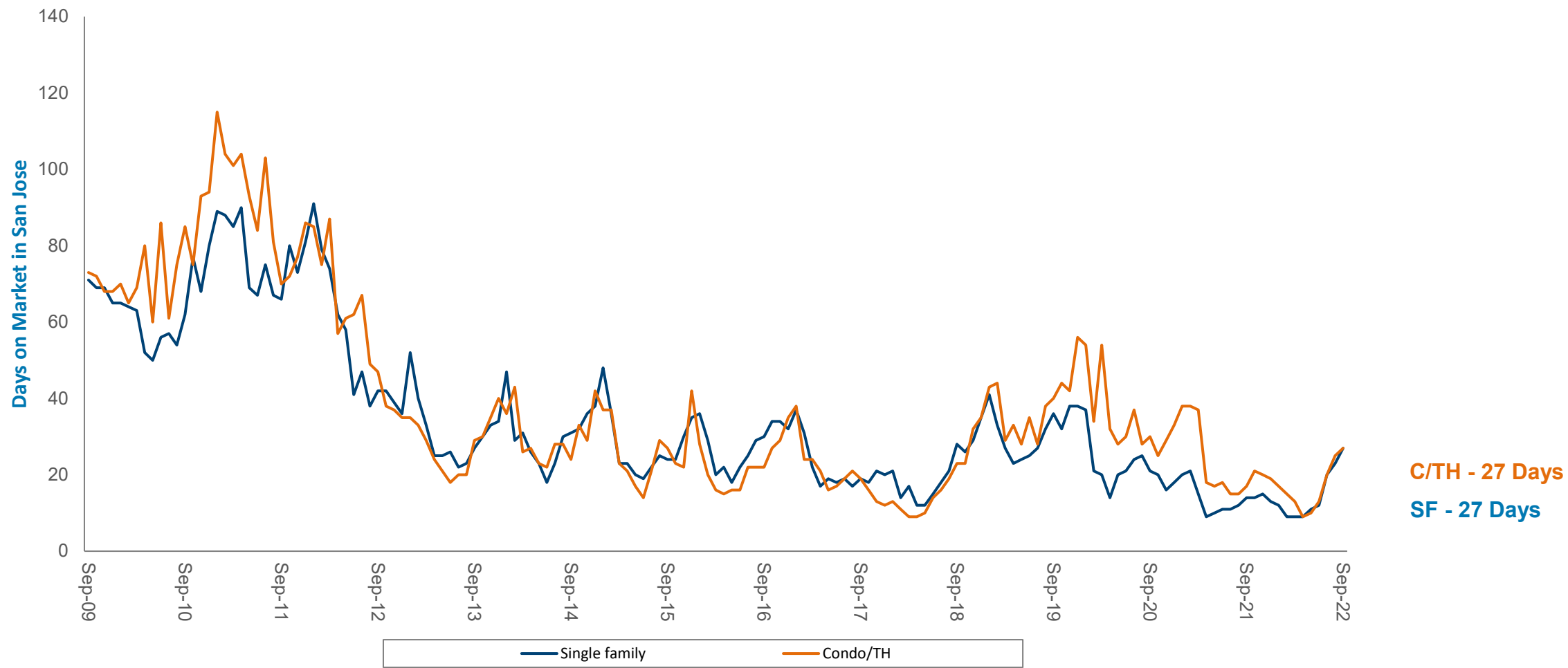
# National Affordability > Triple San José Metro Area Affordability

About 1 in 8 families can afford to buy a median-priced home in San José



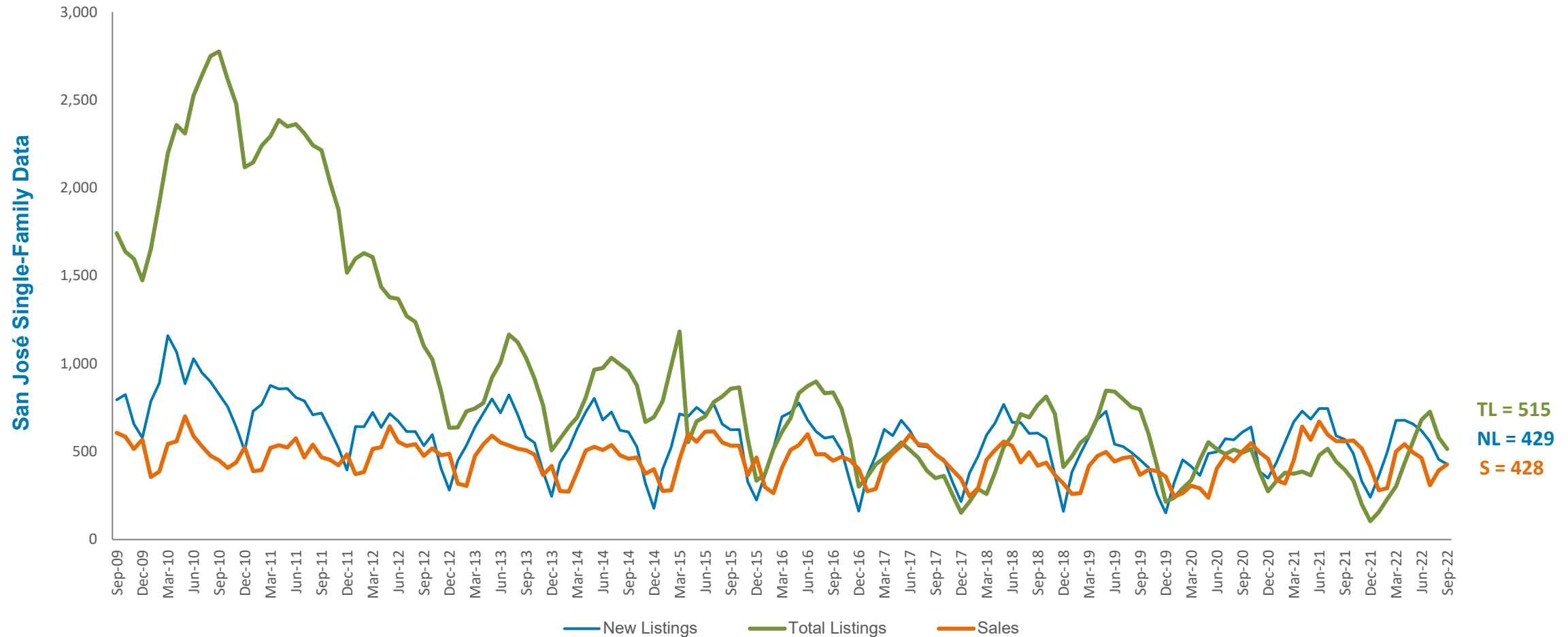
SOURCE: National Association of Home Builders, Housing Opportunity Index (HOI) Q3 2022.

# SJ Homes take a month to sell



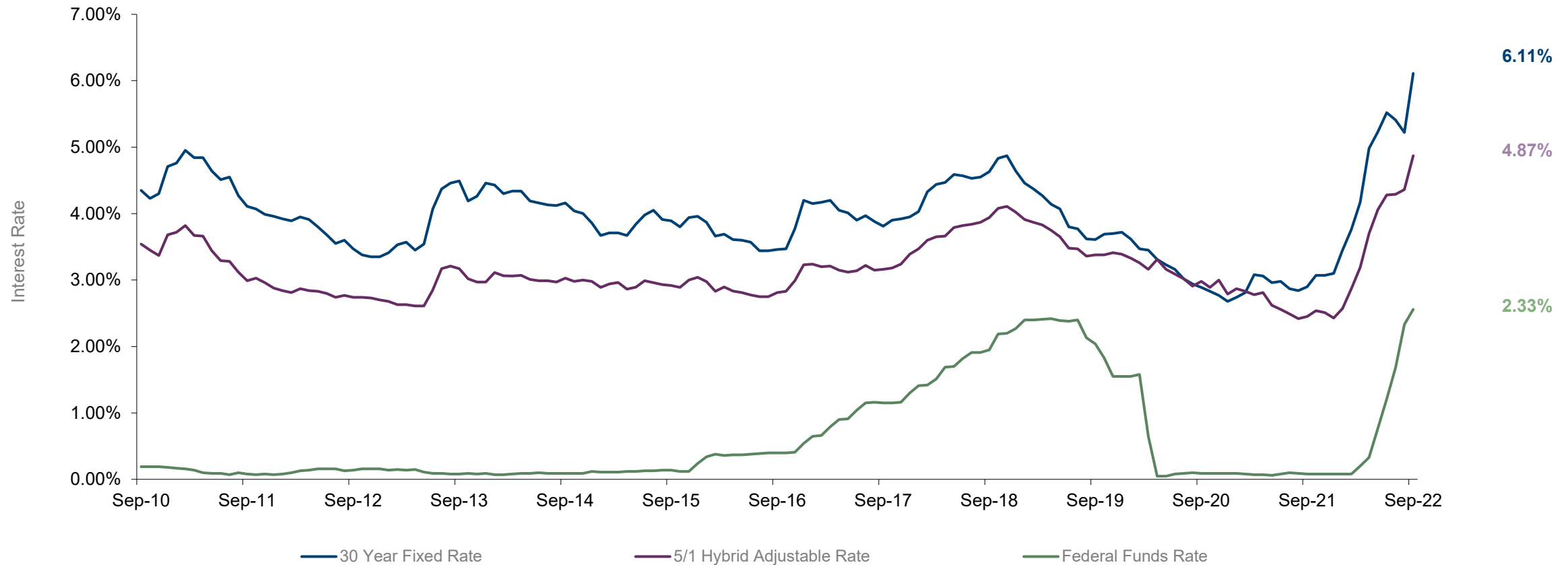
SOURCE: Santa Clara County Association of Realtors Sept 2022

# Single-Family Inventory (-25%), Sales (-8%) & Listings (-30%) down QoQ



SOURCE: Santa Clara County Association of Realtors Sept 2022

# Interest Rate Continue to Rise



SOURCE: Federal Reserve, Freddie Mac Primary Mortgage Market Survey, Q3 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