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Analysis of the **SAN JOSE, CALIFORNIA HOUSING MARKET**

as of April 1, 1967

**A Report by the
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
WASHINGTON, D. C. 20411**

September 1967

ANALYSIS OF THE
SAN JOSE, CALIFORNIA, HOUSING MARKET
AS OF APRIL 1, 1967

Field Market Analysis Service
Federal Housing Administration
Department of Housing and Urban Development

Foreword

As a public service to assist local housing activities through clearer understanding of local housing market conditions, FHA initiated publication of its comprehensive housing market analyses early in 1965. While each report is designed specifically for FHA use in administering its mortgage insurance operations, it is expected that the factual information and the findings and conclusions of these reports will be generally useful also to builders, mortgagees, and others concerned with local housing problems and to others having an interest in local economic conditions and trends.

Since market analysis is not an exact science, the judgmental factor is important in the development of findings and conclusions. There will be differences of opinion, of course, in the interpretation of available factual information in determining the absorptive capacity of the market and the requirements for maintenance of a reasonable balance in demand-supply relationships.

The factual framework for each analysis is developed as thoroughly as possible on the basis of information available from both local and national sources. Unless specifically identified by source reference, all estimates and judgments in the analysis are those of the authoring analyst and the FHA Market Analysis and Research Section.

Table of Contents

	<u>Page</u>
Summary and Conclusions	i
Housing Market Area	1
Map of the Area	3
Economy of the Area	4
Character and History	4
Employment	4
Principal Employers	8
Unemployment	10
Future Employment	10
Income	11
Demographic Factors	
Population	12
Households	14
Housing Market Factors	
Housing Supply	17
Residential Building Activity	19
Tenure of Occupancy	21
Vacancy	21
Sales Market	24
Rental Market	26
Public Housing	27
Military Housing	27
Urban Renewal	28
Demand for Housing	
Quantitative Demand	29
Qualitative Demand	30

ANALYSIS OF THE
SAN JOSE, CALIFORNIA, HOUSING MARKET
AS OF APRIL 1, 1967

Summary and Conclusions

1. Nonagricultural employment in the San Jose, California, Housing Market Area (HMA) averaged 336,400 during 1966, an increase of 138,700 (70 percent) over the 1959 level. The annual gains comprising this impressive growth ranged from a high of 31,400 in 1966 to a low of 13,300 in 1964. Although all industry groups have contributed to the growth since 1959, the electrical machinery and ordnance manufacturing (primarily Lockheed Aircraft Corporation) have provided the principal source of basic economic growth. Nonagricultural employment for the twelve months ending March 1, 1967 is 33,000 greater than for the comparable period ending March 1, 1966. This unusually high gain reflects the recovery of some previous losses in ordnance manufacturing and exceptionally high production of electrical machinery bound for Vietnam. During the next two years, nonagricultural employment is expected to increase by 35,000, 17,500 yearly, as gains continue in manufacturing, though at a more moderate pace than during the past twelve months, and as trade, service, and government employment continues to expand.

Unemployment in the San Jose HMA averaged 17,300 during the twelve months ending March 1, 1967, equal to 4.7 percent of the work force. This is the lowest unemployment ratio recorded since 1959.

2. The estimated 1967 median annual income in the San Jose HMA, after deduction of federal income tax, is \$8,050 for all families and \$5,100 for renter households of two or more persons. By 1969, median annual after-tax incomes are expected to approximate \$8,300 for all families and \$5,250 for renter households.
3. In April 1967, the population of the San Jose HMA was 997,000 persons. That figure represents an average increase of approximately 50,650 yearly since April 1960, considerably above the average increment of 35,200 persons a year during the 1950-1960 decade. By April 1969, the population in the HMA is expected to total 1,092,000, an anticipated gain of 47,500 a year.

4. There were 290,100 households in the San Jose HMA in April 1967, an average increase of 15,000 annually since April 1960. During the 1950-1960 decade, household increases averaged about 9,950 yearly. The number of households in the HMA is expected to total 318,200 by April 1969, reflecting an expected annual gain of 14,050.
5. The housing inventory of the San Jose HMA totaled 302,600 housing units in April 1967. Since April 1960, there has been a net addition of about 102,700 housing units to the inventory, a gain of 51 percent. The net addition resulted from the construction of about 103,700 new housing units, the addition of approximately 3,000 house trailers, and a loss of about 4,000 units, primarily through demolition.

The peak years of new residential construction since 1960 were 1962 and 1963. Subsequent to 1963, the number of housing units authorized by building permits declined sharply. This reduction was brought about by some employment declines and a realization that substantial surpluses of housing had developed. The decline was accentuated in early 1966 by the difficulty in obtaining mortgage and construction funds.

6. In April 1967, there were about 2,900 vacant housing units available for sale in the HMA, representing a homeowner vacancy ratio of 1.5 percent; there were 4,100 units available for rent, indicating a rental vacancy ratio of 3.8 percent. The April 1967 homeowner and renter vacancy ratios represent substantial improvement from the 1960 levels of 3.7 percent and 8.5 percent, respectively. The most significant improvement has occurred in the past three years.
7. During each of the next two years, there is expected to be a demand for 14,500 new privately-owned housing units in the San Jose HMA, consisting of 7,000 single-family houses and 7,500 units in multifamily structures, excluding low-rent public housing and rent-supplement accommodations. Approximately 500 units of demand for multifamily units will be at the lower rents which can be achieved only by use of below-market-interest-rate financing or assistance in land acquisition and cost. Careful observation of the rate of absorption of new units added should be made at frequent intervals to assure that this high level of production of multifamily units is being absorbed without adverse effect on the existing inventory.

Demand for single-family houses is distributed by sales price range on page 30. Demand for multifamily units by size and by monthly gross rent for units produced with market-interest-rate financing is expected to approximate the pattern shown on page 31.

ANALYSIS OF THE
SAN JOSE, CALIFORNIA, HOUSING MARKET
AS OF APRIL 1, 1967

Housing Market Area

The San Jose, California, Housing Market Area (HMA) is defined as Santa Clara County. This area is coextensive with the San Jose, California, Standard Metropolitan Statistical Area (SMSA) as defined by the U. S. Bureau of the Budget, and the San Jose Labor Market Area, as delineated by the California Department of Employment. As of April 1960, the Census reported a population of 642,315 in the San Jose Standard Metropolitan Statistical Area. Santa Clara County has been one of the most rapidly growing counties in the nation since that date, however, and on April 1, 1967 the county population totaled an estimated 997,000. Santa Clara County includes an area of 1,302 square miles, but most of the urban development has been concentrated in the northwest quadrant of the county (see map).

Topography has been a most significant factor influencing development in the HMA. The Santa Clara Valley, formed by the Diablo Mountains in the eastern portion of the county and the Santa Cruz Mountains to the west, is a clearly defined area that is suitable for urban development.

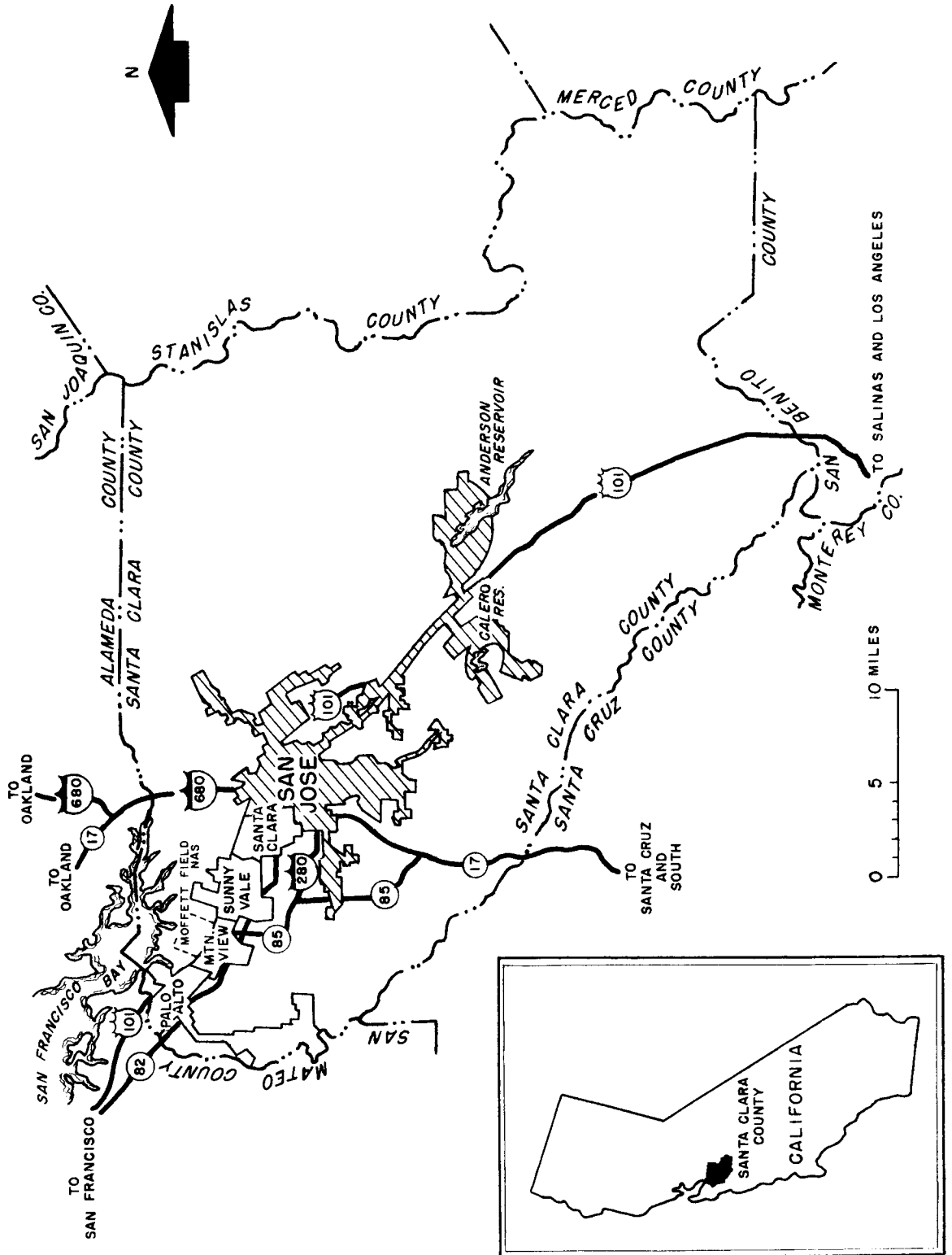
The San Jose HMA is contiguous to San Mateo County and Alameda County on the north, both of which are part of the San Francisco Standard Metropolitan Statistical Area. This proximity to the most mature metropolitan area in the western part of the nation tended for some time to be a limiting influence to the expansion of the San Jose economy. During the decade of the 1950's, however, this pattern was changed by the location in Santa Clara County of Lockheed Missile and Space Company, Ford Motor Company, and several sizable manufacturers of electrical equipment.

San Jose is the largest city in the HMA, but economic and commercial activity is shared among several large communities in the northwest corner of the HMA; they are Palo Alto, Mountain View, Sunnyvale, and Santa Clara. San Jose and these four communities account for two-thirds of the April 1967 population in Santa Clara County; employment is even more heavily concentrated in these communities. Inasmuch as the rural-farm population in the San Jose HMA constituted only 1.3 percent of the total population in 1960, all demographic and housing data used in this analysis refer to the total of farm and nonfarm data.

A network of federal and state highways serves the San Jose area and, with the exception of the "rush hour" demand, the system is adequate. U.S. route 101 (Bayshore Freeway) is the principal access between Los Angeles (375 miles to the south) and San Francisco (50 miles to the north). State route 17 (Nimitz Freeway) passes through the HMA terminating in Santa Cruz to the south and Oakland to the north and intersects with U.S. 101 in San Jose. Interstate 280 (Junipero Serra Freeway) is partially completed in Santa Clara County and eventually

will provide an alternative freeway route to San Francisco. El Camino Real (state route 82) also stretches between San Francisco and San Jose but has become very congested and is primarily a service route lined with commercial development. These principal highways are interlaced with connecting facilities that enable expeditious access to all areas in the HMA except during the peak traffic periods. Regularly scheduled airline service is provided at the San Jose Municipal Airport by Pacific Southwestern Airlines and Pacific Airlines. San Francisco International Airport lies about 30 miles north of San Jose furnishing world-wide air passenger and freight service. Railroad service provided by the Southern Pacific and Western Pacific railroads is ample and adequate truck freight facilities are available.

SAN JOSE, CALIFORNIA, HOUSING MARKET AREA



Economy of the Area

Character and History

San Jose, like many California communities, grew from the nucleus provided by one of the early Spanish missions; the city, incorporated by the State legislature in 1850, is one of the oldest in California. The economy of San Jose in the latter half of the 1800's centered about the raising of cattle and grain farming. Near the turn of the century, a shift toward fruit growing took place which, in conjunction with produce processing, provided most of the basic economic support of the area through the first half of the twentieth century. During the 1950's, the location of Lockheed Missiles and Space Company, a Ford Motor Company assembly plant, an IBM plant, and several other firms manufacturing electrical equipment significantly improved the economic diversification of San Jose and furnished the basis for the rapid growth that has occurred in the HMA during the past seventeen years.

Growth and development of the San Jose HMA has been strongly influenced by the San Francisco metropolitan area, which is contiguous on the north; the city of San Francisco is some 50 miles north of San Jose City. San Francisco is the major service center for northern California; for some specialized services its sphere of influence extends beyond California to a number of other western states. Although the economic dependence of San Jose on San Francisco has diminished substantially in the past fifteen years, San Francisco still provides vital services and support for the HMA.

In 1960, there was a net out-commutation from Santa Clara County approximating 11,000 workers daily, most of whom worked in San Francisco, San Mateo, and Alameda Counties. Congestion has increased considerably during the past seven years in the San Francisco Bay Area so that the number of commuters has not increased and may have declined slightly.

Employment

Current Estimate. For the twelve months ending March 1, 1967, the civilian work force in the San Jose HMA averaged 367,300 persons. Components of the work force included 17,300 unemployed persons, 7,700 agricultural workers, and 342,300 nonagricultural workers (see table I). The average civilian work force for the past twelve months represents a gain of 30,300 (9.0 percent) over the twelve months ending March 1, 1966; nonagricultural employment increased by 33,000 (10.7 percent) during the same period.

Although the San Jose economy is growing at an impressive rate, the increase between the twelve-month periods ending March 1, 1966 and March 1, 1967 is moderated somewhat by the fact that a portion of the gain resulted from a recovery of previous losses in the manufacture of guided missile components. In addition, the substantial increase in the electrical machinery industry during this interval was due, in large part, to the awarding of additional contracts for equipment to be used in Vietnam.

Past Trend. Between 1959 and 1966, nonagricultural employment in the San Jose HMA increased by 138,700 workers (70 percent). Year-to-year increases comprising this impressive growth in nonagricultural employment have varied over a wide range. Between 1965 and 1966, the increase was 31,400 jobs, but only 13,300 jobs were added in 1964 and 13,900 were added in 1965. Although all industry groups had sizeable employment gains during the period since 1959, the electrical machinery and ordnance manufacturing industries probably provided the key source of basic economic growth. These two industry groups also were responsible for the reduced employment gain in 1964 and 1965, as compared with gains in prior years (see table II). The following table shows the yearly gains of work force and employment.

Trend of Work Force and Nonagricultural Employment
San Jose, California, Housing Market Area
1959-1967
(in thousands)

<u>Year</u>	<u>Work force</u>		<u>Nonagricultural employment</u>	
	<u>Number</u>	<u>Change</u>	<u>Number</u>	<u>Change</u>
1959	221.1	-	197.7	-
1960	242.4	21.3	216.9	19.2
1961	262.6	20.2	234.9	18.0
1962	284.8	22.2	257.8	22.9
1963	305.6	20.8	277.8	20.0
1964	320.1	14.5	291.1	13.3
1965	333.5	13.4	305.0	13.9
1966	361.6	28.1	336.4	31.4
<u>12 mos. ending</u>				
March 1, 1966	337.0	-	309.3	-
March 1, 1967	367.3	30.3	342.3	33.0

Source: California Department of Employment.

Manufacturing employment for the twelve months ending March 1, 1967, totaled 107,400, a gain of 15,900 (17 percent) over the comparable period ending March 1, 1966. Of this increment, 8,900 occurred in the manufacture of electrical machinery and 4,300 were in the "other durable goods" category. Between 1959 and 1966, manufacturing employment increased by 42,200 jobs (68 percent); annual changes varied widely from a loss of 400 jobs between 1963 and 1964 to an increment of 14,600 between 1965 and 1966. The total increment to manufacturing employment included an increase of 33,900 jobs in the electrical machinery and the other durable goods industries combined, representing 80 percent of the total gain in manufacturing employment.

Nonmanufacturing employment in the San Jose HMA averaged 234,900 during the twelve months ending March 1, 1967, up by 17,100 (7.9 percent) from the average for the twelve months ending March 1, 1966. There was an increase of 96,500 nonmanufacturing jobs in the period from 1959 to 1966. Employment in trade, services, and government accounted for 88 percent (84,700 jobs) of the total nonmanufacturing gain. As shown in table II, retail trade and state and local governments were the source of most of the increase in the trade and government categories, respectively; the employment increase in services was the greatest of any of the industry

1/ Includes the ordnance and the transportation equipment industries.

groups. Contract construction employment expanded only slightly between 1959 and 1966 with a gain of just 700 from the 1959 level of 18,800; peak employment of 21,800 in this industry, however, was reached in 1963. The steady year-to-year employment gains in transportation, communication, and utilities and in finance, insurance, and real estate have been moderate. Yearly changes in the manufacturing and nonmanufacturing components of non-agricultural employment are shown in the following table.

Trend of Manufacturing and Nonmanufacturing Employment
San Jose, California, Housing Market Area
1959-1967
(in thousands)

<u>Year</u>	<u>Manufacturing</u>		<u>Nonmanufacturing</u>	
	<u>Number</u>	<u>Change</u>	<u>Number</u>	<u>Change</u>
1959	62.2	-	135.5	-
1960	70.3	8.1	146.6	11.1
1961	76.3	6.0	158.6	12.0
1962	85.4	9.1	172.4	13.8
1963	88.3	2.9	189.5	17.1
1964	87.9	-0.4	203.2	13.7
1965	89.8	1.9	215.2	12.0
1966	104.4	14.6	232.0	16.8
<u>12 mos. ending</u>				
March 1, 1966	91.5	-	217.8	-
March 1, 1967	107.4	15.9	234.9	17.1

Source: California Department of Employment.

Major Industry Groups. An estimated average of 107,400 persons were employed in manufacturing industries during the twelve months ending March 1, 1967, of whom 85,500 (80 percent) worked in durable goods manufacturing. The electrical machinery industry, with an average of 35,200 workers during the past twelve months, employs more persons than any other manufacturing industry and also has been the most rapidly growing manufacturing industry since 1959 (see table II). This industry includes branches of the largest electronic manufacturing and electronic research and development firms in the nation, as well as numerous smaller organizations many of whom are sub-contractors. The manufacturing classification of "other durable goods" with an average of 33,400 workers during the past twelve months is of major importance because it includes the ordinance and the transportation equipment industries. Although increasing only slightly since 1959, the food and kindred products industry represents considerable employment centered in the processing of the fruit harvest in the HMA; increasing mechanization has enabled production to rise with only modest employment gains.

Employment in all major industry groups in the nonmanufacturing sector increased appreciably between 1959 and 1966 with the exception of construction. Employment in this industry began to decline in 1964, which may have been the result of a severely over-supplied housing market; the decline continued in 1965 and 1966. The decline in 1966 probably resulted, in part, from the tightening of mortgage credit. The most notable growth in nonmanufacturing industries between 1959 and 1966 was in services, a pattern that has been typical of most metropolitan areas during this interval.

Principal Employers

Diversification of employment has improved in the San Jose HMA during the past fifteen years, but a greater involvement in production related to the national defense also has occurred. New firms locating in the area, especially in the electrical equipment industry, originally were engaged largely in the production of goods intended to be marketed in the civilian sector of the economy; however, defense contracts awarded to these firms have caused an increasing proportion of their production to be defense-oriented. Although far from representing an unstable economic situation, it must be recognized that the increasing importance of defense-related production would necessitate considerable adjustment in the San Jose economy should considerations regarding the nation's defense result in a shift of priorities; this prospect is virtually impossible to foresee.

There are approximately 125 manufacturing firms in the HMA which employ in excess of 100 workers, of which about 25 have 500 or more employees. The twelve employers in the area with 2,500 or more employees are listed on the following page; with the exception of the Ford Motor Company, all have some degree of dependence upon defense contracts.

Principal Employers
San Jose, California, Housing Market Area
April 1, 1967

Firm

Fairchild Instrument Corporation
F M C, Corporation
Ford Motor Company
General Electric Company
Hewlett-Packard Company
IBM Corporation
Lockheed Aircraft Corporation
N. A. S. A.
Philco Corporation
Sylvania, Inc.
Varian Associates
Westinghouse Corporation

Source: Industrial Department, San Jose Chamber of Commerce.

Moffett Field Naval Air Station also is one of the principal sources of employment in the San Jose HMA. In February 1967, the installation had a military complement of about 5,100 and civilian personnel numbered about 480. The military personnel are not included in the employment data maintained by the California Department of Employment; the civilian workers, however, are included in the federal government subtotal. Until recently primary activities at Moffett Field were military airlift and anti-submarine warfare. However, a change is underway to phase out military airlift activities and to increase the anti-submarine warfare work. The transition is to occur with little deviation from the February 1967 strength levels. The trend of military and civilian strength at Moffett Field since 1962 is shown on the following page.

In the city of Sunnyvale is the Air Force Satellite Test Annex; on March 1, 1967, the facility had 429 military personnel and 166 civilian employees. Current plans call for an increase of about 330 military personnel and 35 civilian workers. Another small military installation in the area is Almaden Air Force Station, which is about 28 miles south of San Jose and eight miles west of New Almaden. On March 31, 1967, this aircraft control and warning activity had 144 military personnel and 26 civilian employees. No change in the personnel level is anticipated.

Military and Civilian Strength
Moffett Field Naval Air Station
December 1962 to February 1967

<u>Date</u>	<u>Military</u>	<u>Civilian</u>	<u>Total</u>
December 1962	4,104	442	4,546
December 1963	3,889	430	4,319
December 1964	3,764	429	4,193
December 1965	5,442	432	5,874
December 1966	5,092	481	5,573
February 1967	5,100	482	5,582

Source: U.S. Department of the Navy.

Unemployment

During the twelve months ending March 1, 1967, unemployment in the San Jose HMA averaged 17,300, equal to 4.7 percent of the work force (see table I). This is the lowest unemployment ratio recorded during the period since 1959. Unemployment for previous years during the 1959-1967 period ranged between 5.2 percent and 6.4 percent, with the exception of 1966 when the ratio was 4.8 percent. Peak levels of unemployment were during the 1961 national recession (6.4 percent) and in 1964 (6.2 percent) resulting, at least in part, from the work force reduction in the ordnance industry which began in late 1963.

Future Employment

Total nonagricultural employment is expected to increase by about 17,500 jobs annually, a total of 35,000, during the April 1, 1967 to April 1, 1969 forecast period, a gain somewhat below the average annual increment of about 20,000 jobs in the past eight years. The forecast is premised on the expectation that the San Jose economy during the next two years will be performing similar to the pattern of the period since 1959, with the exception of the increase provided by the ordnance industry during that period. The employment forecast is in sharp contrast to the gain of 31,400 jobs from 1965 to 1966. As stated earlier, this addition resulted, to a substantial degree, from a recovery of prior losses in the manufacture of missile components and considerable increases associated with the manufacture of electrical machinery to be used in Vietnam. These gains and their ancillary effects are not expected to be duplicated during the forecast period.

Expansion is expected to continue in the manufacture of electrical equipment as firms already in the area continually increase research and production capacity. Also, past growth in retail trade, service, and local

government is expected to be maintained. As San Jose becomes a more mature metropolitan area, an increasing number of trade and service functions provided in the past by the San Francisco area will be furnished locally. The outlook for the contract construction industry and the finance, insurance, and real estate industries is much improved from that of the past several years. Much of the surplus supply of housing previously plaguing the area has been absorbed and there have been indications that funds for residential mortgages will be more readily available in the near future. Both of these factors should offer some stimulus to these two industries. An additional growth factor that is difficult to measure is the number of firms that may locate in the San Jose area to escape the congestion of the San Francisco area.

Although the economic strength and diversification of the San Jose HMA are favorable, the relatively high degree of dependence on defense contracts could result in considerable readjustment if these contracts were terminated; conversely, unprecedented growth may occur if substantial new contracts are awarded. Economic changes of this nature are not foreseen or anticipated, but the composition of the San Jose economy provides the possibility.

Income

The estimated 1967 median income of all families in the San Jose HMA, after deducting federal income tax, is \$8,050 yearly, and the median after-tax income of all renter households^{1/} is \$5,100 a year. By 1969, the median after-tax incomes of all families and of renter households will be approximately \$8,300 and \$5,250, respectively.

Detailed distributions of all families and of renter households by annual income are presented in table III. About 19 percent of all families and 48 percent of renter households have after-tax incomes below \$5,000 annually. At the upper end of the income distributions, approximately 16 percent of all families and seven percent of renter households earn in excess of \$12,500 yearly.

^{1/} Excludes one-person households.

Demographic Factors

Population

Current Estimate. As of April 1, 1967, the population of the San Jose HMA totaled 997,000, representing an increase of about 354,700 over the April 1960 Census total of 642,300. San Jose, with a population of 388,400, is the largest city in the HMA. The next four largest cities in the HMA also are significant employment and population centers; the cities and their current populations are Sunnyvale (89,750), Santa Clara (86,150), Palo Alto (58,000), and Mountain View (50,200). Together with San Jose, these cities, each of which is adjacent to at least one of the others, form the economic and urban core of the HMA and accounted for 672,500 (67 percent) of the population in the total HMA on April 1, 1967 (see table IV).

Population Changes
San Jose, California, Housing Market Area
April 1, 1950 to April 1, 1967

<u>Date</u>	<u>Total population</u>	<u>Average annual change from preceding date</u>	
		<u>Number</u>	<u>Percent^{a/}</u>
April 1, 1950	290,547	-	-
April 1, 1960	642,315	35,177	7.9
April 1, 1967	997,000	50,650	6.3
April 1, 1969	1,092,000	47,500	4.8

a/ All average annual percentage changes in demographic data used in this analysis, are derived through the use of a formula designed to calculate the rate of change on a compound basis.

Sources: 1950 and 1960 Censuses of Population
1967 and 1969 estimated by Housing Market Analyst.

Past Trend. Since April 1960, the population of the San Jose HMA has increased at an average rate of 50,650 persons (6.3 percent) yearly. The combined growth of the five largest cities accounted for over three-fourths of the total increase in the HMA (see table IV). A substantial, but not numerically determinable, portion of the gain in these cities was the result of annexation especially in San Jose which has annexed somewhat over 30 square miles of territory since 1960.

During the decade of the 1950's, population of the San Jose HMA increased by 351,800 persons indicating an average annual increment of 35,200 (7.9 percent). As the gains actually developed, however, they probably were more heavily concentrated in the last half of the decade; it is probable that as much as 65 percent of the over-all decennial gain occurred between 1955 and 1960.

The five major cities in the HMA accounted for about 71 percent of the increase during the 1950-1960 decade. Annexation was a significant contributor to the population increase in each of the cities, with the exception of Santa Clara which reported no annexations between 1950 and 1960. Between 1950 and 1960, San Jose had a population gain of 108,900, of which 99,400 (91 percent) occurred in the annexed area. Of the total gain of 43,069 in Sunnyvale, 41,450 (96 percent) was the result of annexation. In Palo Alto the total addition of 26,800 included 17,700 (66 percent) in annexed territory, and the 24,300 population increase in Mountain View included 22,150 (91 percent) in the annexed area.

Estimated Future Population. By April 1, 1969, the population of the San Jose HMA is expected to total 1,092,000. This represents an anticipated increment of 47,500 (4.8 percent) persons yearly during the April 1967 to April 1969 forecast period. The future rate of population growth is expected to continue at a high level, although somewhat below the rate of the preceding seven years. Population gains are premised on an employment increase of 17,500 new jobs yearly which, although representing a continuing high rate of growth, does not match annual employment increases since 1960.

Net Natural Increase and Migration. Between April 1950 and April 1960, net natural increase (excess of births over deaths) in the San Jose HMA numbered 80,700. When compared with the total population increase of 351,800, a net in-migration of 271,100 is indicated, equal to 77 percent of the total population increase. During the April 1960 to April 1967 period, the population gain of 354,700 resulted from a net natural increase of about 99,000 and an in-migration of 255,700. In-migration during this interval accounted for about 72 percent of the total increase in the population.

Components of Population Change
San Jose, California, Housing Market Area
April 1, 1950 to April 1, 1967

<u>Source of change</u>	<u>Average annual change^{a/}</u>	
	<u>1950-1960</u>	<u>1960-1967</u>
Total population change	<u>35,200</u>	<u>50,650</u>
Net natural increase	<u>8,100</u>	<u>14,150</u>
Migration	<u>27,100</u>	<u>36,500</u>

^{a/} Rounded.

Sources: U.S. Census Population Report, series P-23, No. 7;
California Department of Public Health; Estimates
by Housing Market Analyst.

Households

Current Estimate. On April 1, 1967, there were 290,100 households in the San Jose HMA, a gain of 105,150 since April 1960. San Jose City is the residence of 111,800 households; San Jose and the four other largest cities contain a combined total of 200,100 households, 69 percent of all households in the HMA (see table V).

Household Changes
San Jose, California, Housing Market Area
April 1, 1950 to April 1, 1969

<u>Date</u>	<u>Total households</u>	<u>Average annual change from preceding date</u>	
		<u>Number</u>	<u>Percent</u>
April 1, 1950	85,424	-	-
April 1, 1960	184,945	9,952	7.7
April 1, 1967	290,100	15,000	6.5
April 1, 1969	318,200	14,050	4.8

Sources: 1950 and 1960 Censuses of Housing.
1967 and 1969 estimated by Housing Market Analyst.

Past Trend. Household gains in the San Jose HMA have averaged 15,000 (6.5 percent) yearly since April 1960, a considerably greater average than during the previous decade, when the gain was 9,950 (7.7 percent) yearly.^{1/} The pattern of household growth for each of the five largest cities is shown in table V and the geographic distribution conforms closely to patterns of population. During the seven years since April 1960, 78 percent of the total increase in households in the HMA developed in the five principal communities. During the previous decade the proportion was 72 percent. The preceding discussion of the effects of annexation on the population growth of the incorporated areas also is applicable to the increases in households.

Household Size Trends. In April 1967, the average size of all households in the San Jose HMA was 3.35 persons. This average represents a reversal of the trend toward larger households during the 1950-1960 decade when the average increased from 3.19 persons to 3.36 persons. Since 1960, persons born in the baby-boom after World War II have grown, left the homes of their parents, and have formed their own households. This action created two smaller households where previously only one had existed. Also contributing to the smaller size of households since 1960 is the declining number of births in the HMA which has effected a sharp decline in the birth rate. The continued increase in household size in San Jose City between 1960 and 1967 probably is the result of the sizeable annexations of suburban territory. Only a slight further decline in average household size is anticipated during the two-year period.

Average Household Size Trends
San Jose, California, Housing Market Area
April 1950 to April 1967

<u>Area</u>	<u>April</u> <u>1950</u>	<u>April</u> <u>1960</u>	<u>April</u> <u>1967</u>
HMA total	3.19	3.36	3.35
San Jose	3.03	3.19	3.41
Sunnyvale	3.20	3.65	3.37
Santa Clara	3.27	3.61	3.39
Palo Alto	2.94	3.07	2.92
Mountain View	2.70	3.17	2.75
Remainder of county	N.A.	3.56	3.48

Sources: 1950 and 1960 Censuses of Population and Housing.
1967 estimated by Housing Market Analyst.

^{1/} The increase in the number of households between 1950 and 1960 reflects, in part, the change in census definition from "dwelling unit" in the 1950 Census to "housing unit" in the 1960 Census. Because this definitional change primarily affected furnished room type accommodations and because this type of unit was not numerous in the San Jose HMA, the effect of this change probably is negligible.

Estimated Future Household Growth. Based on the anticipated annual increase in population and on the assumption that household size will not decline appreciably during the next two years, there will be 318,200 households in the San Jose HMA by April 1, 1969, or an addition of 14,050 new households a year. The future household growth is expected to be distributed geographically according to the pattern established during the past several years; approximately three-fourths of the expected gain will occur in the five largest cities.

Housing Market Factors

Housing Supply

Current Estimate. On April 1, 1967, there were 302,600 housing units in the San Jose HMA, indicating a net gain since April 1960 of 102,700 (51 percent), an average increment of 14,650 units a year. The net increase resulted from the construction of about 103,700 new housing units, the addition of approximately 3,000 trailers, and the loss of some 4,000 units, primarily through demolition. The average yearly increase in the housing inventory since April 1960 compares with a net average gain of about 10,800 units a year during the 1950-1960 decade.

Units in Structure. The substantial volume of new multifamily housing units constructed in the San Jose HMA since 1960 has resulted in a notable shift in the composition of the inventory by the number of units in each structure. In April 1967, single-family structures accounted for about 74 percent of the housing inventory, a sharp decline from 84 percent of the housing inventory in April 1960. The proportion of the inventory in structures with three or more units has increased from 12 percent in 1960 to 22 percent in 1967. The proportion of the inventory in two-unit structures showed a slight increase.

Housing Inventory by Units in Structure San Jose, California, Housing Market Area April 1960 and April 1967

<u>Units in</u> <u>structure</u>	<u>April 1960</u>		<u>April 1967</u>	
	<u>Number</u> <u>of units</u>	<u>Percent</u> <u>of total</u>	<u>Number</u> <u>of units</u>	<u>Percent</u> <u>of total</u>
1 unit ^{a/}	168,719	84.4	225,000	74.3
2 units	6,836	3.4	11,400	3.8
3 or 4 units	6,268	3.2	19,000	6.3
5 or more units	17,986	9.0	47,200	15.6
Total	199,809 ^{b/}	100.0	302,600	100.0

^{a/} Includes trailers.

^{b/} Differs from count of all housing units because units in structure were enumerated on a sample basis.

Sources: 1960 Census of Housing.
1967 estimated by Housing Market Analyst.

Year Built. The recent development and rapid growth of the San Jose HMA is demonstrated by the newness of the housing inventory as shown in the following table. During the twelve years since the beginning of 1955, 182,500 housing units, or 60 percent of the current inventory, have been added to the housing stock of the HMA. Units constructed prior to 1940 number about 49,850 units, or less than 17 percent of the April 1967 inventory.

Distribution of the Housing Inventory by Year Built^{a/}
San Jose, California, Housing Market Area
April 1967

<u>Year built</u>	<u>Number of units</u>	<u>Percentage distribution</u>
April 1960 - April 1967	106,700	35.3
1959 - March 1960	26,150	8.6
1955 - 1958	49,600	16.4
1950 - 1954	41,800	13.8
1940 - 1949	28,500	9.4
1930 - 1939	16,500	5.5
1929 or earlier	<u>33,350</u>	<u>11.0</u>
Total	302,600	100.0

^{a/} The basic data in the 1960 Census of Housing from which the above estimates were developed reflect an unknown degree of error in "year built" occasioned by the accuracy of response to enumerators' questions as well as errors caused by sampling.

Sources: 1960 Census of Housing.
Estimates by Housing Market Analyst.

Condition. Of the 302,600 housing units in the San Jose HMA in April 1967, about 5,000, or only 1.7 percent, were dilapidated or lacked one or more plumbing facilities. This very low proportion of substandard housing is considerably less than usually is found in an area the size of San Jose and reflects the age of the inventory. Some improvement in the quality of housing has taken place since April 1960, when about four percent (8,900 units) of the inventory was dilapidated or lacked one or more plumbing facilities. New construction, demolition, and general up-grading of the inventory through modernization and repair are responsible for the improvement.

Residential Building Activity

Past Trend. Between January 1, 1960 and March 1, 1967, about 105,400 new housing units were authorized by building permits in the San Jose HMA (all construction in the HMA requires authorization by building permits). The general trend in the total number of units authorized was an increase from 1960 to 1963, but subsequent to the 1963 peak a precipitous decline in authorizations ensued. Three primary factors were responsible for this pattern. The stimulus for the San Jose economy provided by the expansion of the electrical equipment industry and Lockheed Missile and Space Company generated a substantially broadened market for housing in the HMA prior to 1963; even with the rapidly expanding market, however, supply exceeded demand during this period and a surplus of both rental and sales housing developed. Subsequent to 1963, the reduction in the growth rate of employment and the realization that a serious over-supply had developed caused new authorizations to decline sharply. The difficulty in obtaining mortgage and construction funds beginning in early 1966 accentuated the decline from early 1966 through the first quarter of 1967.

Housing Units Authorized By Building Permits, By Units in Structure San Jose, California, Housing Market Area January 1960 - February 1967

<u>Year</u>	<u>Single-family</u>	<u>Two units</u>	<u>Three or four units</u>	<u>Five or more units</u>	<u>Total units</u>
1960	10,175	1,078	806	4,368	16,427
1961	8,616	793	1,891	4,695	15,995
1962	8,704	956	3,806	5,414	18,880
1963	8,995	678	4,051	7,652	21,376
1964	7,546	554	1,703	4,928	14,731
1965	6,824	660	544	2,386	10,414
1966	5,186	288	328	904	6,706
<u>Jan. - Feb.</u>					
1966	724	90	94	196	1,104
1967	684	50	74	69	877

Sources: U.S. Bureau of Census, Construction Reports, C-40.
Santa Clara County Planning Commission.

The volume of building permit authorizations for single-family houses was 10,175 in 1960 and in the following three years it ranged between 8,600 and 9,000 houses. In 1964, permits were issued for 7,546 single-family houses and by 1966 the number had declined to 5,186. Building permit data for the first two months of 1967 show fewer single-family units authorized than during the same period in 1966; however, the fact that the previous

over-supply has been nearly eliminated and the prospect of greater availability of mortgage funds suggest that total single-family houses authorized during 1967 may exceed the 5,186 authorized in 1966.

The trend in the number of multifamily units authorized annually has followed a pattern similar to that of single-family authorizations. The annual total of multifamily permits rose from 6,252 units in 1960 to a peak of 12,381 units in 1963. From the 1963 level the number of multifamily units authorized declined to a total of 1,520 in 1966. For the first two months of 1967, multifamily housing units authorized totaled only 193 or about one-half the total for the same period in 1966.

The numbers of new housing units authorized by building permits for each of the five largest cities in the HMA are shown in table VI. Since April 1960, the cities of San Jose, Sunnyvale, Santa Clara, Palo Alto, and Mountain View have accounted for nearly 78 percent of the housing units authorized in the entire county. Continued annexations of developing areas by these five cities is a factor contributing to the high proportion of activity in these cities. The heavy emphasis on construction of multifamily housing units since 1960 has been responsible for much of the concentration in these communities since the large, more urbanized areas generally are preferred locations for multifamily housing projects.

Units Under Construction. Based on building permit data, the March 1967 postal vacancy survey, and data provided by the San Francisco FHA insuring office, there are about 1,700 housing units under construction in the San Jose HMA. About 950 units of this total are single-family units, of which over one-half are located in San Jose where they are concentrated in the new developments in the southern portions of the city. The remaining 750 units under construction are multifamily units most of which, although shown as heavily concentrated in Mountain View by the postal vacancy survey, are actually in Palo Alto; this occurs because postal areas do not conform to political boundaries. The multifamily units under construction include a 118-unit apartment in Palo Alto to be insured under Section 207 of the National Housing Act, 33 units of Section 213 housing in San Jose, and 94 units of Section 221(d)(4) housing in Palo Alto.

Demolition. Large scale demolition has not taken place in the San Jose HMA because of the relative newness of the housing inventory, the location of most urban renewal activity in commercial or industrial areas, and because most highway construction has been confined to sparsely settled or nonresidential areas. In many instances, when highway rights-of-way have included residential areas, much of the housing is moved to new sites. Based on data provided by the San Jose Redevelopment Agency, the California Highway Department, and discussion with building inspectors, about 4,000 housing units have been lost from the housing inventory through demolition, fire, conversion, and other losses since April 1960. During each of the next two years, accelerated programs by the San Jose Redevelopment Agency and the highway department are expected to boost these losses to about 900 units a year.

Tenure of Occupancy

Current Estimate. On April 1, 1967, about 186,600 units (64 percent of the occupied housing stock) in the San Jose HMA were owner-occupied and 103,500 were renter-occupied.

Trend of Tenure Change San Jose, California, Housing Market Area April 1950 - April 1967

<u>Tenure</u>	<u>April</u> <u>1950</u>	<u>April</u> <u>1960</u>	<u>April</u> <u>1967</u>
Total occupied	<u>85,424</u>	<u>184,945</u>	<u>290,100</u>
Owner-occupied	55,325	127,130	186,600
Percent of total	64.8%	68.7%	64.3%
Renter-occupied	30,099	57,815	103,500

Sources: 1950 and 1960 Censuses of Housing.
1967 estimated by Housing Market Analyst.

Past Trend. Since April 1960, the proportion of owner occupancy has declined from almost 69 percent to the April 1967 proportion of 64 percent. This reduction was the result of an apparent shift in preference by many families for apartment accommodations, as manifested by the unprecedented addition of multifamily housing units between April 1960 and April 1967. During the 1950-1960 decade, owner-occupancy increased from 65 percent of all occupied housing units to 69 percent.

Vacancy

April 1960 Census. According to the April 1960 Census of Housing, there were about 10,350 vacant, nondilapidated, nonseasonal housing units available for rent or sale in the San Jose HMA, an available vacancy ratio of 5.3 percent. About 4,950 of the available vacancies were for sale, equal to a homeowner vacancy ratio of 3.7 percent. The remaining 5,400 vacant units were for rent, representing a renter vacancy ratio of 8.5 percent (see table VII). Available vacancies in 1960 included about 320 units that lacked some or all plumbing facilities, of which 20 were for sale and 300 were for rent.

Rental Vacancies by Type of Structure. As shown in the table below, vacancy ratios were excessive in all structural types of rental housing in April 1960. Single-family houses, which represented about 58 percent of the renter-occupied inventory, had a vacancy ratio of 4.6 percent; the

highest vacancy ratio (14.5 percent) was for units in structures of five or more units. Since 1960, surplus rental vacancies in all structural classifications have been reduced significantly. In April 1967 the vacancy ratio for single-family units was in the 3.0 percent to 3.5 percent range. For units in multiple unit structures, the decline in vacancies has been even more significant; vacancy in structures containing two or more units is in the 4.5 percent to 5.0 percent range.

Renter-Occupied Units and Vacant Units for Rent
By Type of Structure
San Jose, California, Housing Market Area
April 1960

<u>Type of structure</u>	<u>Renter occupied</u>	<u>Vacant for rent</u>	<u>Available vacancy rate</u>
1 unit ^{a/}	33,700	1,614	4.6%
2 to 4 unit	9,542	1,119	10.5
5 to 9 unit	5,930	1,000	14.4
10 or more unit	8,570	1,449	14.5
Total	57,742 ^{b/}	5,182 ^{b/}	8.2 ^{b/}

^{a/} Includes trailers.

^{b/} Total vacant differs from the count of all rental vacancies, because vacant units by type of structure were enumerated on a sample basis.

Source: 1960 Census of Housing.

Postal Vacancy Survey. A postal vacancy survey was conducted in the San Jose HMA in March 1967 by all post offices having city delivery routes. The survey covered 296,100 possible deliveries, or about 98 percent of the housing inventory. An over-all vacancy ratio of 2.4 percent was indicated by the postal vacancy survey. The survey showed that 1.7 percent of the residences covered were vacant and 4.8 percent of the apartments covered were vacant. The survey results for the HMA and for each of the participating post offices are shown in table VIII. Two postal vacancy surveys conducted prior to the March 1967 survey are summarized in the following table. The results of the three surveys show how the vacancy ratios in residences and apartments have gradually diminished during the past five years. Of particular significance is the substantial decline in the number of vacancies between July 1966 and March 1967.

Vacancy as Indicated by Postal Vacancy Surveys
San Jose, California, Housing Market Area

<u>Date</u>	<u>Vacant residences and apartments</u>		<u>Vacant residences</u>		<u>Vacant apartments</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
June 1962	9,650	4.9	5,728	3.7	3,922	9.4
July 1966	11,003	3.8	5,263	2.3	5,740	8.9
March 1967	7,063	2.4	3,989	1.7	3,074	4.8

Source: FHA in cooperation with Post Offices in Santa Clara County.

The results of the postal vacancy survey are expressed in quantitative terms because it was not feasible to collect qualitative data for this type of survey. The resultant vacancy data are not entirely comparable with the data published by the Bureau of the Census because of differences in definition, area delineations, and methods of enumeration. The census reports units and vacancies by tenure, whereas the postal vacancy survey reports units and vacancies by type of structure. The Post Office Department defines a "residence" as a unit representing one stop for one delivery of mail (one mailbox). These are principally single-family homes, but include some duplexes, row houses, and structures with additional units created by conversion. An "apartment" is a unit on a stop where more than one delivery of mail is possible. Postal surveys omit vacancies in limited areas served by post office boxes and tend to omit units in subdivisions under construction. Although the postal vacancy survey has obvious limitations, when used in conjunction with other vacancy indicators, the survey serves a valuable function in the derivation of estimates of local market conditions.

Current Estimate. Based on the postal vacancy surveys, data provided by the Santa Clara County Planning Commission and San Jose State College, and discussion with informed persons in the HMA, it is estimated that there were about 7,000 vacant housing units available for rent or sale in the San Jose HMA on April 1, 1967, an over-all available vacancy ratio of 2.4 percent. Of this total, 2,900 were for sale and 4,100 were for rent, equal to homeowner and renter vacancy ratios of 1.5 percent and 3.8 percent, respectively. Only a negligible number of available sales vacancies lack one or more plumbing facilities, while about 100 of the available rental vacancies lack one or more facilities. The April 1967 level of homeowner and renter vacancies represents a very favorable supply-demand balance; the market is in a much better position than at any time during the past seven years. There are no apparent qualitative deviations from this healthy condition, except for a few projects and subdivisions where design, management, or location have created marketing problems.

FHA Rental Vacancies. With a few exceptions, multifamily projects insured by FHA are very successful. The general level of vacancies in the multifamily projects insured by FHA has been reduced somewhat during the past three years, as have vacancies in the over-all rental market.

Sales Market

General Market Conditions. The condition of the San Jose sales market has improved significantly since April 1960, with most of the improvement occurring in the past three years. As indicated by the April 1960 and 1967 homeowner vacancy ratios of 3.7 percent and 1.5 percent, respectively, a sizeable excess supply of vacant sales housing has been absorbed. The table on page 23 shows the considerable decline in both the number and percentage of vacant residences as counted by the postal vacancy surveys. The reductions in homebuilding since 1963 have aided in the achievement of a reasonable balance between supply and demand in the market for both new and existing sales houses. A reduced rate of production, at a time when demand was maintained at favorable levels, is the principal factor effecting the improvement, although recent shortages of mortgage funds have led to a reduction of effective demand that occasioned further reductions in the level of new home production and created disposal problems for owners of some existing properties.

The rapid growth of the San Jose HMA and the large number of new houses constructed have led to a continued outward expansion of peripheral development. During the past few years, the primary areas of subdivision activity have been the southeastern portion of San Jose and the contiguous areas east of the Los Gatos Freeway (route 17). This area has accounted for about 60 percent of homes constructed in subdivisions in recent years, and the homes in this area are concentrated in the \$15,000 to \$25,000 price range. Homes constructed on a contract basis are generally of higher value and usually are located in the hills in the northwestern part of the HMA.

There are no apparent qualitative problems in the sales market, although subdivisions in the most distant developing areas are experiencing slower market acceptance than their counterparts located closer to the urban core.

Few single-family homes can be constructed in the San Jose HMA at sales prices below \$15,000. However, most new construction is concentrated in the \$17,500 to \$30,000 sales price range; during the past several years 50 to 60 percent has been in this bracket. The most popular price range appears to be the \$20,000 to \$25,000 group, which has accounted for one-third to one-half of new houses constructed in subdivisions in recent years.

Speculative Construction. Surveys of new sales housing conducted during the past four years by the FHA San Francisco Insuring Office reveal that houses constructed speculatively in the San Jose HMA account for a high proportion of new houses constructed in subdivisions. For each of the four years from 1963 to 1966, the proportion of speculative starts was from 62 percent to 64 percent of total completions. The total number of completions has declined considerably (from 7,275 in 1963 to 4,500 in 1966), and the number of speculative starts has fallen similarly (from 4,825 in 1963 to 2,775 in 1966). These data on speculative completions are generally indicative of speculative activity in the entire single-family market; the total number of completions in subdivisions represented 80 to 95 percent of the total number of single-family units authorized by building permits during each of the four years.

Unsold Inventory of New Houses. The FHA survey of unsold new houses completed in 1966 covered 100 subdivisions in the San Jose HMA in which 4,501 houses were reported to have been completed (see table below). Of that number, 1,731 houses (38 percent) were sold before construction started. Of the 2,770 houses built speculatively during 1966, 512 remained unsold as of January 1, 1967, representing 18 percent of speculative construction (compared with 25 percent in the two previous years). Of the 512 unsold houses, over two-thirds had been on the market for three months or less. An additional 80 new houses in these subdivisions had remained unsold longer than 12 months. The number of completed units covered by the 1967 survey was almost one-third below the number of units covered by the survey of the previous year; this decline in construction activity in subdivisions probably reflects the shortage of mortgage money, the more stringent mortgage lending practices, and higher interest rates prevalent in 1966.

Sales Houses Completed in 1966 in Subdivisions with Five or More Completions
By Sales Status and Price Class
San Jose, California, Housing Market Area

<u>Sales price</u>	<u>Total completions</u>	<u>Presold</u>	<u>Speculative houses</u>		
			<u>Total completed</u>	<u>Number sold</u>	<u>Percent unsold</u>
Under \$15,000	-	-	-	-	-
\$15,000 - 17,499	203	130	73	59	19
17,500 - 19,999	910	327	583	539	8
20,000 - 24,999	1,589	668	921	770	16
25,000 - 29,999	818	255	563	446	21
30,000 - 34,999	555	154	401	305	24
35,000 and over	426	197	229	139	39
Total	4,501	1,731	2,770	2,258	18

Source: Unsold inventory of new houses conducted by the FHA San Francisco Insuring Office.

FHA Default Terminations and Acquisitions

The number of FHA insured single-family mortgages terminated by foreclosure has risen markedly in recent years from five in 1960 to 324 in 1966; however, disposition of FHA acquired properties has been successful. The increase in FHA acquired properties is not judged to be indicative of a deteriorating sales market, but rather reflects a condition in the mortgage market. The small equity many owners have in homes of lower value has made disposal of some of these properties difficult without the owner absorbing a loss after sales commissions and other fees are paid. Rather than accept this loss, some prospective sellers have elected to allow their homes to be foreclosed or have offered the deed to the mortgagee in lieu of foreclosure. This situation has been aggravated by the tight money market during the past year.

The FHA inventory of acquired homes has been restricted to minimal levels by effective disposition action in the San Jose HMA. On March 1, 1967, FHA had an acquired property inventory of only 30 houses for which 24 contracts to purchase were on hand.

Rental Market

General Market Conditions. The rental market, especially the market for multifamily housing units, has shown a dramatic recovery from the condition of serious over-supply prevalent in 1960. The renter vacancy ratio has declined from 8.5 percent in April 1960 to 3.8 percent in April 1967. Apartment vacancy ratios indicated by the postal vacancy surveys (see page 23) show a decrease of one-half from 1962 to 1967. A vastly improved rental market is apparent by the notable lack of "gimmicks" to induce prospective tenants to sign leases such as free trips, one month rent free, free carpeting and draperies, etc., which were prevalent only a year or more ago. In a few instances monthly rentals have been increased by about \$5, confirming strength in the rental market.

The FHA multifamily housing absorption survey conducted in December 1966 covered 7,527 units that had been marketed more than six months but less than three years. Of these, 188 (2.5 percent) were vacant. A majority of the units were in projects with 50 units or fewer, although some structures with more than 100 units were included. The projects included very few efficiency and three-bedroom apartments; the units covered were approximately equally divided between one- and two-bedroom units. Most of the one-bedroom units are concentrated in the range of \$120 to \$140 gross monthly rent and the two-bedroom units are concentrated in the \$135 to \$155 range. The results of the absorption survey for each of the principal areas covered is shown in the following table.

Occupancy in Multifamily Units Completed From
Six Months to Three Years
San Jose, California, Housing Market Area
December 1, 1966

	<u>HMA</u> <u>total</u>	<u>San</u> <u>Jose</u>	<u>Sunny-</u> <u>vale</u>	<u>Santa</u> <u>Clara</u>	<u>Mtn.</u> <u>View</u>	<u>Palo</u> <u>Alto</u>	<u>Campbell-</u> <u>Cupertino</u>
Total units	7,527	2,250	2,585	608	1,369	274	441
Number vacant	188	86	46	20	23	4	9
Percent vacant	2.5	3.8	1.8	3.3	1.7	1.5	2.0

Source: FHA, San Francisco Insuring Office.

Because household growth has continued strong and because new construction of multifamily units has been negligible since this survey was conducted, it is probable that vacancies in these new projects are even lower now.

Some portion of the highly successful occupancy record in new multifamily projects during the past year or two may be attributed to difficulty in obtaining funds to purchase new single-family units by some families. The large number of new units absorbed in multiple unit structures reflects a considerable divergence from previous housing preferences in the San Jose HMA.

Public Housing

The city of San Jose is the only municipality in the HMA participating in the federally assisted low-rent housing program. The San Jose Housing Authority owns no housing units, but has authority to lease 1,000 units under the Housing Assistance Administration leasing program. On March 1, 1967, about 550 units were leased by the housing authority and the maximum authorized limit of 1,000 units is expected to be reached by mid-1967. Reportedly, the results of the leasing program are encouraging.

Military Housing

The Navy currently controls 277 units of family housing in the San Jose HMA. Of the total, 15 units are officers quarters located on-base at Moffett Field, 150 units are apartments classified as substandard, 72 units are privately-owned and operated; also included are 40 units of leased apartments. The fiscal year 1966 program included 300 units of family housing which were approved. Funds for this program were "frozen" by the Secretary of Defense in early 1966; funds were released in January 1967. Included in the total 300 units are 260 three-bedroom and 40 four-bedroom quarters; 224 of the total are for enlisted personnel who would have difficulty finding comparable quarters in the private housing market within the maximum allowable housing allowance. There are 27 family units on base at Almaden Air Force Station and four private units were being leased for use as public quarters in March 1967.

Urban Renewal

There are four urban renewal projects in the San Jose HMA; three are in execution and one is in planning. Park Center (R-36), located in downtown San Jose, necessitated the relocation of about 170 families. Some high-rise apartments were intended in the original program, but most recent plans indicate that re-use of this project will be entirely public with a concert hall as the primary addition. San Antonio Plaza (R-90) is in the planning stage and includes a project area located adjacent to San Jose State College. Private rehabilitation is emphasized in this project with only selected spot clearance of poor quality structures. The execution stage of this project is planned to begin in mid-1967.

The Encina Project (R-32) in Sunnyvale is in the execution stage. About 75 families were relocated from the project area with re-use scheduled to be predominately public.

In Santa Clara, the University Project (R-31) required relocation of about 100 families to make way for the planned commercial redevelopment of the project area.

Demand for Housing

Quantitative Demand

Demand for additional housing in the San Jose HMA during the two-year period from April 1, 1967 to April 1, 1969, is based on an anticipated increase of about 14,050 households a year^{1/} and on the number of units expected to be removed from the housing inventory. Consideration is also given to the current tenure distribution and to the likelihood that the shift of some single-family homes from owner-occupancy to renter-occupancy will continue. Giving regard to these factors, it is expected that about 14,500 new housing units may be absorbed during each of the next two years. Of the total demand, 7,000 units will represent demand for single-family houses and 7,500 demand for units in multifamily structures. The annual demand for 7,500 multifamily units excludes low-rent public housing and rent-supplement accommodations, but includes 500 units at rents which probably can be achieved only through the use of below-market-interest-rate financing or assistance in land acquisition and cost.

The annual demand for 7,000 single-family houses is below the average of 8,000 houses a year authorized during the past seven years and considerably above the 5,175 single-family houses authorized by building permits in 1966; it approximates the 6,825 houses authorized in 1965. During the last two years, however, a substantial surplus of single-family vacancies has been absorbed and the single-family sales market is now in a balanced position. The shift in preference toward multifamily units may not continue at the same rate as during the last seven years.

The forecast demand for 7,500 multifamily units a year is somewhat above the average annual addition of about 7,000 multifamily units since 1960; it is substantially below the 12,375 authorized in 1963 and the 10,175 in 1962. It is substantially above the 3,600 multifamily units authorized in 1965 and the 1,525 authorized in 1966. The large volume of multifamily housing added between 1960 and 1964, inclusive, has been absorbed and the 4.8 percent vacancy ratio in apartments reported by the March 1967 postal vacancy survey indicates that an increase in apartment construction is necessary to provide for the increase in renter households, and to prevent a shortage of rental accommodations. If construction at the rate of 7,500 units a year is undertaken, however, careful observation of the rate of absorption should be made at frequent intervals to assure that the new units are being occupied without creating a high level of vacancy in competitive projects.

^{1/} Approximately 450 of the annual increase in households will represent occupants of trailers and therefore will not represent demand for additional housing to be supplied by local builders.

Qualitative Demand

Single-Family Houses. The distribution of the annual demand for new single-family houses for sale by price ranges is shown in the following table. Recent market experience and the ability to pay, as measured by the current family income and the income to purchase price ratio typical in the HMA, are the principal factors determining the distribution. Adequate single-family homes cannot be built in the area for much less than about \$15,000.

Estimated Annual Demand For New Single-Family Houses, by Price Class
San Jose, California, Housing Market Area
April 1, 1967 to April 1, 1969

<u>Sales price</u>	<u>Number</u>	<u>Percent</u>
Under \$17,500	700	10
\$17,500 - 19,999	1,400	20
20,000 - 24,999	2,100	30
25,000 - 29,999	1,050	15
30,000 - 34,999	1,050	15
35,000 and over	700	10
Total	7,000	100

Multifamily Units. The distribution of the annual demand for 7,000 new privately-owned rental units by unit size and gross monthly rents achievable with market-interest-rate financing is shown in the following table. These net additions may be accomplished by either new construction or rehabilitation at the specified rentals without public benefits or assistance through subsidy, tax abatement, or aid in financing or land acquisition. The production of new units in higher rental ranges than indicated may be justified if a competitive filtering of existing accommodations to lower ranges of rent may be anticipated as a result.

Estimated Annual Demand For New Multifamily Units
By Unit Size and Monthly Rent
San Jose, California, Housing Market Area
April 1, 1966 to April 1, 1969

<u>Gross monthly rent^{a/}</u>	<u>Unit size</u>			
	<u>Efficiency</u>	<u>One bedroom</u>	<u>Two bedrooms</u>	<u>Three bedrooms</u>
\$100 - \$120	290	-	-	-
120 - 140	-	1,895	440	-
140 - 160	-	730	1,315	290
160 - 180	-	290	585	510
180 and over	-	145	290	220
Total	290	3,060	2,630	1,020

^{a/} Gross rent is shelter rent plus the cost of utilities.

The preceding distribution of average annual demand for new apartments is based on projected tenant-family income, the size distribution of tenant households, and rent-paying propensities found to be typical in the area; consideration is given also to the recent absorption experience of new rental housing. Thus, it represents a pattern for guidance in the production of rental housing predicated on foreseeable quantitative and qualitative considerations. Specific market demand opportunities or replacement needs may permit effective marketing of a single project differing from this demand distribution. Even though a deviation may experience market success, it should not be regarded as establishing a change in the projected pattern of demand for continuing guidance unless thorough analysis of all factors involved clearly confirms the change. In any case, particular projects must be evaluated in the light of actual market performance in specific rent ranges and neighborhoods or submarkets.

The demand for an additional 500 multifamily units at rents than can be achieved only through the use of below-market-interest-rate financing or assistance in land acquisition and cost includes 150 one-bedroom units, 200 two-bedroom units, and 150 three-bedroom units.

The location factor is of especial importance in the provision of new units at the lower-rent levels. Families in this user group are not as mobile as those in other economic segments; they are less able or willing to break with established social, church, and neighborhood relationships, and proximity to place of work frequently is a governing consideration in the place of residence preferred by families in this group. Thus, the utilization of lower-priced land for new rental housing in outlying locations to achieve lower rents may be self-defeating unless the existence of a demand potential is clearly evident.

Table I

Civilian Work Force Components
San Jose, California, Housing Market Area
(in thousands)

	<u>Annual averages</u>								<u>Average 12 mos. ending Feb. 1967</u>
	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	
Total work force	<u>221.5</u>	<u>242.4</u>	<u>262.6</u>	<u>284.8</u>	<u>305.6</u>	<u>320.1</u>	<u>333.5</u>	<u>361.6</u>	<u>367.3</u>
Unemployment	11.5	14.4	16.8	16.3	17.4	19.7	20.1	17.5	17.3
Percent unemployed	5.2%	5.9%	6.4%	5.7%	5.7%	6.2%	6.0%	4.8%	4.7%
Agricultural employment	12.3	11.1	10.9	10.8	10.4	9.3	8.4	7.7	7.7
Nonagricultural employment	197.7	216.9	234.9	257.8	277.8	291.1	305.0	336.4	342.3

Source: California Department of Employment.

Table II
Trend of Nonagricultural Employment
San Jose, California, Housing Market Area
(in thousands)

	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>Twelve months ending Feb. 1967</u>
Nonagricultural employment	<u>197.7</u>	<u>216.9</u>	<u>234.9</u>	<u>257.8</u>	<u>277.8</u>	<u>291.1</u>	<u>305.0</u>	<u>336.4</u>	<u>342.3</u>
Manufacturing	<u>62.2</u>	<u>70.3</u>	<u>76.3</u>	<u>85.4</u>	<u>88.3</u>	<u>87.9</u>	<u>89.8</u>	<u>104.4</u>	<u>107.4</u>
Durable goods	<u>44.7</u>	<u>51.6</u>	<u>57.2</u>	<u>65.6</u>	<u>68.0</u>	<u>66.9</u>	<u>68.4</u>	<u>82.6</u>	<u>85.5</u>
Stone, clay, and glass	<u>2.5</u>	<u>2.6</u>	<u>2.5</u>	<u>2.6</u>	<u>2.6</u>	<u>2.6</u>	<u>2.7</u>	<u>2.8</u>	<u>2.8</u>
Fabricated metals	<u>2.5</u>	<u>2.6</u>	<u>2.5</u>	<u>2.4</u>	<u>2.4</u>	<u>2.5</u>	<u>2.4</u>	<u>2.7</u>	<u>2.7</u>
Nonelectrical machinery	<u>5.0</u>	<u>5.6</u>	<u>6.0</u>	<u>6.9</u>	<u>6.7</u>	<u>7.5</u>	<u>9.0</u>	<u>10.9</u>	<u>11.4</u>
Electrical machinery	<u>13.7</u>	<u>16.8</u>	<u>18.5</u>	<u>21.6</u>	<u>23.5</u>	<u>23.6</u>	<u>25.3</u>	<u>33.9</u>	<u>35.2</u>
Other durables	<u>21.0</u>	<u>24.0</u>	<u>27.7</u>	<u>32.1</u>	<u>32.8</u>	<u>30.7</u>	<u>29.0</u>	<u>32.3</u>	<u>33.4</u>
Nondurable goods	<u>17.5</u>	<u>18.7</u>	<u>19.1</u>	<u>19.8</u>	<u>20.3</u>	<u>21.0</u>	<u>21.4</u>	<u>21.8</u>	<u>21.9</u>
Food and kindred	<u>12.1</u>	<u>12.7</u>	<u>12.7</u>	<u>12.8</u>	<u>13.1</u>	<u>13.3</u>	<u>13.3</u>	<u>13.3</u>	<u>13.4</u>
Paper and printing ^{a/}	<u>3.6</u>	<u>4.1</u>	<u>4.4</u>	<u>4.8</u>	<u>4.9</u>	<u>5.1</u>	<u>5.3</u>	<u>5.7</u>	<u>5.8</u>
Other nondurables ^{a/}	<u>1.8</u>	<u>1.9</u>	<u>2.0</u>	<u>2.2</u>	<u>2.3</u>	<u>2.6</u>	<u>2.8</u>	<u>2.8</u>	<u>2.7</u>
Nonmanufacturing	<u>135.5</u>	<u>146.6</u>	<u>158.6</u>	<u>172.4</u>	<u>189.5</u>	<u>203.2</u>	<u>215.2</u>	<u>232.0</u>	<u>234.9</u>
Contract construction	<u>18.8</u>	<u>17.8</u>	<u>18.6</u>	<u>19.4</u>	<u>21.8</u>	<u>21.6</u>	<u>20.0</u>	<u>19.5</u>	<u>19.4</u>
Trans., comm., and utilities	<u>9.1</u>	<u>9.6</u>	<u>9.6</u>	<u>10.0</u>	<u>10.6</u>	<u>11.2</u>	<u>12.7</u>	<u>14.1</u>	<u>14.4</u>
Trade	<u>38.0</u>	<u>40.7</u>	<u>42.7</u>	<u>45.9</u>	<u>49.1</u>	<u>54.0</u>	<u>57.2</u>	<u>61.9</u>	<u>62.8</u>
Wholesale	<u>(5.8)</u>	<u>(6.4)</u>	<u>(6.8)</u>	<u>(7.3)</u>	<u>(7.9)</u>	<u>(9.6)</u>	<u>(10.5)</u>	<u>(11.5)</u>	<u>(11.7)</u>
Retail	<u>(32.2)</u>	<u>(34.3)</u>	<u>(35.9)</u>	<u>(38.6)</u>	<u>(41.2)</u>	<u>(44.4)</u>	<u>(46.7)</u>	<u>(50.4)</u>	<u>(51.1)</u>
Finance, ins., and real estate	<u>7.1</u>	<u>7.9</u>	<u>8.4</u>	<u>9.5</u>	<u>10.5</u>	<u>11.5</u>	<u>12.4</u>	<u>12.8</u>	<u>12.8</u>
Services	<u>38.3</u>	<u>43.2</u>	<u>48.3</u>	<u>53.5</u>	<u>59.9</u>	<u>64.0</u>	<u>68.6</u>	<u>73.7</u>	<u>74.3</u>
Government	<u>23.6</u>	<u>26.8</u>	<u>30.3</u>	<u>33.4</u>	<u>36.8</u>	<u>40.1</u>	<u>43.4</u>	<u>49.0</u>	<u>50.1</u>
Federal	<u>(4.2)</u>	<u>(5.2)</u>	<u>(6.2)</u>	<u>(6.5)</u>	<u>(7.1)</u>	<u>(7.3)</u>	<u>(7.7)</u>	<u>(8.4)</u>	<u>(8.5)</u>
State and local	<u>(19.4)</u>	<u>(21.6)</u>	<u>(24.1)</u>	<u>(26.9)</u>	<u>(29.7)</u>	<u>(32.8)</u>	<u>(35.7)</u>	<u>(40.6)</u>	<u>(41.6)</u>
All other	<u>0.6</u>	<u>0.6</u>	<u>0.7</u>	<u>0.7</u>	<u>0.8</u>	<u>0.8</u>	<u>0.9</u>	<u>1.0</u>	<u>1.1</u>

Source: California Department of Employment.

^{a/} Includes ordnance and transportation equipment industries.

Table III

Estimated Percentage Distribution of Families, By Annual Income
After Deducting Federal Income Tax
San Jose, California, Housing Market Area

<u>Income</u>	<u>1967 annual rate</u>		<u>1969 annual rate</u>	
	<u>All families</u>	<u>Renter households^{a/}</u>	<u>All families</u>	<u>Renter households^{a/}</u>
Under \$4,000	13	37	12	36
\$ 4,000 - 4,999	6	11	6	11
5,000 - 5,999	8	12	7	11
6,000 - 6,999	11	11	11	11
7,000 - 7,999	11	7	11	8
8,000 - 8,999	10	5	10	5
9,000 - 9,999	10	4	9	4
10,000 - 12,499	15	6	16	6
12,500 - 14,999	8	4	9	4
15,000 and over	<u>8</u>	<u>3</u>	<u>9</u>	<u>4</u>
Total	100	100	100	100
Median	\$8,050	\$5,100	\$8,300	\$5,250

^{a/} Excludes one-person renter households.

Source: Estimated by Housing Market Analyst.

Table IV

Population Trends
San Jose, California, Housing Market Area

	<u>April 1950</u>	<u>April 1960</u>	<u>April 1967</u>	<u>Average annual changes</u>			
				<u>1950 - 1960</u>		<u>1960 - 1967</u>	
				<u>Number</u>	<u>Rate^{a/}</u>	<u>Number</u>	<u>Rate^{a/}</u>
HMA Total	<u>290,547</u>	<u>642,315</u>	<u>997,000</u>	<u>35,177</u>	7.9	<u>50,650</u>	6.3
San Jose	95,280	204,196	388,400	10,891	7.6	26,325	9.2
Sunnyvale	9,829	52,898	89,750	4,307	16.8	5,275	7.6
Santa Clara	11,702	58,880	86,150	4,718	16.1	3,900	5.5
Palo Alto	25,475	52,287	58,000	2,681	7.2	800	1.5
Mountain View	6,563	30,889	50,200	2,433	15.5	2,750	7.0
Remainder of county	141,698	243,165	324,500	10,147	5.3	11,600	4.2

^{a/} Derived through the use of a formula designed to calculate the rate of change on a compound basis.

Sources: 1959 and 1960 Censuses of Population.
1967 estimated by Housing Market Analyst.

Table V

Household Trends
San Jose, California, Housing Market Area

<u>Area</u>	<u>April 1950</u>	<u>April 1960</u>	<u>April 1967</u>	<u>Average annual changes</u>			
				<u>1950 - 1960</u>		<u>1960 - 1967</u>	
				<u>Number</u>	<u>Rate^{a/}</u>	<u>Number</u>	<u>Rate^{a/}</u>
HMA Total	<u>85,424</u>	<u>184,945</u>	<u>290,100</u>	<u>9,952</u>	7.7	<u>15,000</u>	6.5
San Jose	29,725	62,312	111,800	3,259	7.3	7,050	8.4
Sunnyvale	2,903	14,478	26,550	1,157	16.1	1,725	8.7
Santa Clara	3,307	15,146	24,100	1,184	15.3	1,275	6.7
Palo Alto	8,478	16,896	19,500	842	6.9	375	2.1
Mountain View	2,111	9,663	18,150	755	15.3	1,200	9.0
Remainder of county	38,900	66,450	90,000	2,755	5.3	3,375	4.4

a/ Derived through the use of a formula designed to calculate the rate of change on a compound basis.

Sources: 1950 and 1960 Censuses of Housing.
1967 estimated by Housing Market Analyst.

Table VI

Housing Units Authorized by Building Permits in Selected Communities
San Jose, California, Housing Market Area
1960-1967

<u>Year</u>	<u>HMA total</u>	<u>San Jose</u>	<u>Sunnyvale</u>	<u>Santa Clara</u>	<u>Palo Alto</u>	<u>Mountain View</u>	<u>Remainder of county</u>
1960	16,427	8,436	1,296	2,253	325	975	3,142
1961	15,995	7,794	1,459	1,392	834	1,209	3,307
1962	18,880	6,830	2,513	1,837	586	1,807	5,307
1963	21,376	9,425	3,107	1,547	417	2,279	4,601
1964	14,731	6,759	2,071	893	400	1,560	3,048
1965	10,414	6,095	683	341	216	615	2,464
1966	6,706	3,705	628	251	133	434	1,555
<u>Jan. - Feb.</u>							
1966	1,104	577	125	127	10	41	224
1967	877	575	97	0	5	7	193

Source: U.S. Bureau of the Census.

Table VII

Vacancy Trends
San Jose, California, Housing Market Area
April 1950-April 1967

<u>Component</u>	<u>April 1950</u>	<u>April 1960</u>	<u>April 1967</u>
Total Housing Units	<u>91,670</u>	<u>199,922</u>	<u>302,600</u>
Total vacant	<u>6,246</u>	<u>14,977</u>	<u>12,500</u>
Available vacant	<u>2,217</u>	<u>10,335</u>	<u>7,000</u>
For sale	1,034	4,945	2,900
Homeowner vacancy ratio	1.8%	3.7%	1.5%
For rent	1,183	5,390	4,100
Renter vacancy ratio	3.8%	8.5%	3.8%
Seasonal	1,055	1,601	2,200
Other vacant ^{a/}	2,974	3,041	3,300

^{a/} Includes dilapidated units, units rented or sold and awaiting occupancy, and units held off the market for absentee owners or for other reasons.

Sources: 1950 and 1960 Censuses of Housing.
1967 estimated by Housing Market Analyst.

Table VIII

San Jose, California, Area Postal Vacancy Survey

March 6-10, 1967

Postal area	Total residences and apartments						Residences						Apartments						House trailers		
	Total possible deliveries	Vacant units				Under const.	Total possible deliveries	Vacant units				Under const.	Total possible deliveries	Vacant units				Under const.	Total possible deliveries	Vacant	
		All	%	Used	New			All	%	Used	New			All	%	Used	New			No.	%
The Survey Area Total	296,066	7,063	2.4	5,555	1,508	1,701	231,643	3,989	1.7	2,733	1,256	959	64,423	3,074	4.8	2,822	252	742	6,398	205	3.2
San Jose	133,506	3,582	2.7	2,764	818	562	108,624	2,135	2.0	1,406	729	507	24,882	1,447	5.8	1,358	89	55	3,573	158	4.4
Main Office	38,664	994	2.6	594	400	214	31,886	625	2.0	266	359	214	6,778	369	5.4	328	41	-	1,518	76	5.0
Branch:																					
Cambrian Park	12,478	283	2.3	207	76	53	11,726	170	1.4	96	74	38	752	113	15.0	111	2	15	-	-	-
Stations:																					
D	29,295	1,132	3.9	901	231	171	25,266	823	3.3	594	229	171	4,029	309	7.7	307	2	-	541	31	5.7
E	10,269	213	2.1	209	4	25	6,800	68	1.0	64	4	1	3,469	145	4.2	145	-	24	-	-	-
St. James Park	28,973	688	2.4	637	51	15	21,201	312	1.5	305	7	7	7,772	376	4.8	332	44	8	1,514	51	3.4
Westgate	13,827	272	2.0	216	56	84	11,745	137	1.2	81	56	76	2,082	135	6.5	135	-	8	-	-	-
Other Cities and Towns	162,560	3,481	2.1	2,791	690	1,139	123,019	1,854	1.5	1,327	527	452	39,541	1,627	4.1	1,464	163	687	2,825	47	1.7
Campbell	10,372	180	1.7	174	6	12	8,022	80	1.0	74	6	10	2,350	100	4.3	100	-	2	135	4	3.0
Cupertino	8,472	137	1.6	80	57	34	7,335	82	1.1	41	41	34	1,137	55	4.8	39	16	-	-	-	-
Gilroy	3,993	105	2.6	71	34	19	3,638	79	2.2	45	34	11	355	26	7.3	26	-	8	-	-	-
Los Altos	10,443	139	1.3	89	50	39	10,098	137	1.4	87	50	36	345	2	0.6	2	-	3	24	-	0.0
Los Gatos	11,018	455	4.1	385	70	58	9,138	307	3.4	248	59	58	1,880	148	7.9	137	11	-	148	3	2.0
Milpitas	5,303	323	6.1	214	109	107	4,501	253	5.6	144	109	107	802	70	8.7	70	-	-	314	2	0.6
Morgan Hill	2,394	124	5.2	124	-	15	2,171	75	3.5	75	-	15	223	49	22.0	49	-	-	13	1	7.7
Mountain View	19,942	387	1.9	352	35	531	11,132	144	1.3	119	25	20	8,810	243	2.8	233	10	511	724	7	1.0
Palo Alto	30,727	525	1.7	426	99	58	22,212	247	1.1	227	20	23	8,515	278	3.3	199	79	35	137	1	0.7
Santa Clara	25,150	503	2.0	461	42	89	18,069	154	0.9	143	11	5	7,081	349	4.9	318	31	84	286	11	3.8
Saratoga	7,148	89	1.2	52	37	38	7,084	82	1.2	45	37	38	64	7	10.9	7	-	-	-	-	-
Sunnyvale	27,598	514	1.9	363	151	139	19,619	214	1.1	79	135	95	7,979	300	3.8	284	16	44	1,044	18	1.7

The survey covers dwelling units in residences, apartments, and house trailers, including military, institutional, public housing units, and units used only seasonally. The survey does not cover stores, offices, commercial hotels and motels, or dormitories; nor does it cover boarded-up residences or apartments that are not intended for occupancy.

The definitions of "residence" and "apartment" are those of the Post Office Department, i.e.: a residence represents one possible stop with one possible delivery on a carrier's route; an apartment represents one possible stop with more than one possible delivery.

Source: FHA postal vacancy survey conducted by collaborating postmaster(s).