

Rent increases outpace tech salaries

Rent hike

HOUSING

Apartment prices in San Jose metro grew 7% while wages dropped 1% over past 3 years

By Louis Hansen

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The pinch of high rents has reached well-paid tech professionals.

Over the past three years, rent increases in the San Jose metro area have outpaced stagnant tech employee salaries, according to a new study by Rent Cafe.

Rents in the San Jose metro area during the past three years grew by almost 7 percent, while the average tech salary dropped nearly 1 percent.

Tech employees fared better in San Francisco and the East Bay, where the average wage increased 14 percent and rents grew by nearly 6 percent.

In a region where housing prices have forced middle-class workers into outer suburbs and chased others out of state, the study suggests that housing costs are now hitting the well-heeled.

Engineers and scientists recruited to the Bay Area for a dream job at a major tech firm often get a shocking jolt, real estate agents say.

“Once you reach the brass ring, financially, everything is supposed to feel good,” said Justin Pogue, property manager and real estate consultant in San Jose.

“And then you end up spending

\$48,000 a year on housing, and that’s after-tax money.”

About 12 percent of workers in the San Jose metro area are employed in tech, roughly 132,000 jobs, according to the survey. The average tech worker salary is about \$126,000, adjusted upward for inflation from 2017, the most recent federal data available. Tech salaries in the region surged from 2014 to 2015, then leveled off.

But housing prices have continued to climb. The average rent in San Jose was \$2,871, an increase of 6.9 percent over three years, according to Rent Cafe.

In San Francisco and the East Bay, home to 138,000 tech jobs, wages grew about 14 percent, outpacing the nearly 6 percent growth in rents, according to the study. The typical rent in the San Francisco metro area is \$3,084.

“In the long run, this could also have an impact on the American dream as many renters won’t be able to save and, therefore, will

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find it more difficult to become homeowners,” Rent Cafe analyst Florentina Sarac wrote in an email.

have caused a net migration to other parts of the state and country.

Despite the strong economy, about 22,300 residents left the region last year, slightly more than the number of foreign immigrants coming in, according to a study by Joint Venture Silicon Valley.

Sarac added that San Jose rent prices could continue to spike with strong job growth driven by Silicon Valley tech companies. It may force Bay Area residents to re-evaluate staying here.

“As rents take up a big chunk out of an employee’s income,” she said, “many of those living in such big tech hubs will find themselves on the verge of unaffordability.”

The study looked at federal wage and employment data from 2014 through 2017, the most recent figures available. Rent Cafe said apartment prices usually adjust years after changes in wages.

Other established and emerging tech hubs also saw rents race higher than salaries. Seattle, Boston, Denver and Atlanta all had apartment prices that rose faster than tech salaries over the past three years.

Already, the stresses of living in the Bay Area

Real estate agents and property managers sense the growing frustration with rising prices, although some say rents in existing apartment buildings have remained steady. They say overall prices in the market are inflated by a handful of new luxury apartment buildings.

Pogue managed about 200 apartment units in Silicon Valley and found renters often flustered at the high prices and seemingly little leverage with landlords.

But Pogue advises renters and landlords to negotiate and find common ground in this pressurepacked environment.

“The whole thing is stress,” he said. *Contact Louis Hansen at 408- 920- 5043.*