Local Market Trends | San Mateo County | June 2018

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The Real Estate Report

The Average Price for Homes Hits Another High

In April, the median and average prices for both single-family, re-sale homes and condos set new all-time highs, for the third month in a row.

In May, condo prices retreated, along with the median price for homes. The average home price, on the other hand, jumped 23%, year-over-year, to $2,193,370 to set a new high.

The median price for homes was up 8.6% over last May to $1,602,500. That is a $167,500 drop from the record high set in April.

This is also the 26th month in a row the median price has been higher than the year before.

The median price for condos was up 15.9%. The average price for condos was up 17.4% over last May.

Multiple offers continue to be the norm. The sales price to list price ratio, or what buyers are paying over what sellers are asking remains in the triple digits: 112.3% for homes and 111.9% for condos.

The ratio has been over 100% for homes since April 2012 and for condos since June 2012.

Homes and condos are flying off the shelf. It is taking only sixteen days to sell a home, on average. Condos are taking thirteen days.

All this is due to an incredible lack of inventory. Since January 2003, San Mateo County has averaged 83 days of inventory. Last month it was twenty-seven.

Condos have averaged 92 days since 2000. Last month it was seventeen.

As of June 5th, there were 382 homes and 68 condos for sale in San Mateo County.

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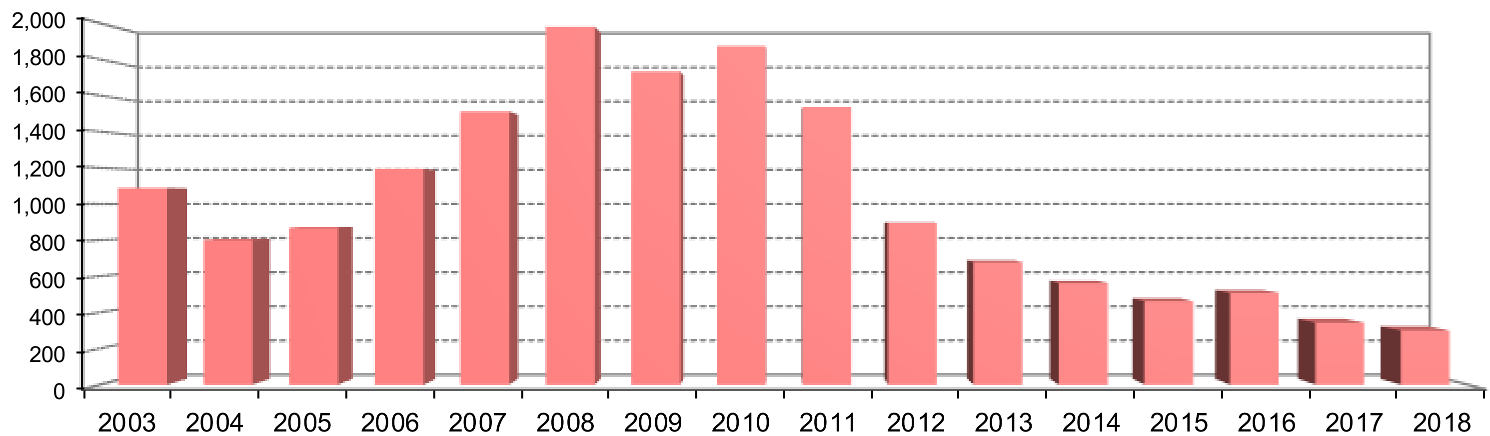
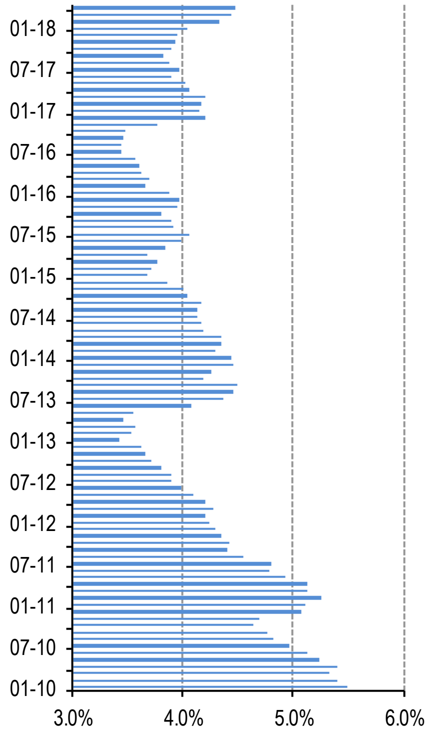
San Mateo County
Average Monthly Active Listings SFR



30-Year Fixed Mortgage Rates



The chart above shows the National monthly average for 30-year fixed rate mortgages as compiled by http://www.freddiemac.com/.

Mortgage investors want to make it easier for gig economy workers to get loans

The two biggest sources of home-mortgage money in the country — investors Fannie Mae and Freddie Mac — are quietly working on ways to make qualifying for a home purchase easier for participants in the booming "gig" economy.

The gig economy refers to hundreds of income-earning activities that allow workers to set their own hours, work for as long or as little as they choose, and function as independent contractors or freelancers as opposed to salaried employees. Prominent examples include people who work as drivers for Uber or Lyft, assemble Ikea furniture through TaskRabbit and offer rooms in their homes on Airbnb.

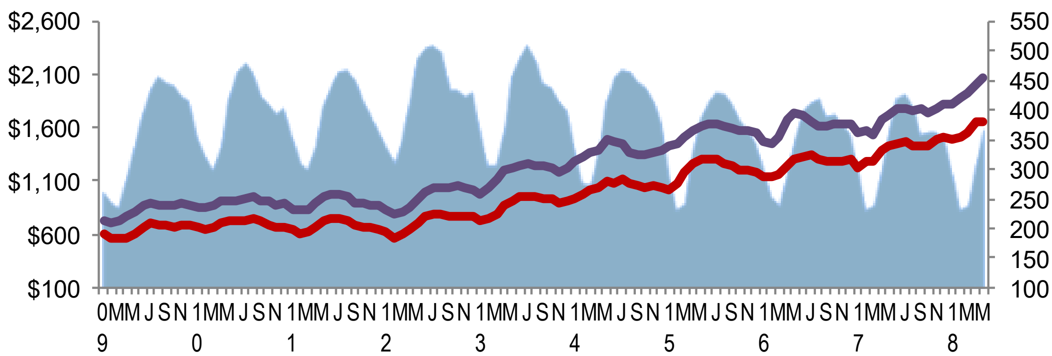
Estimates vary, but anywhere from just under 20 percent to 30 percent or more of the U.S. workforce participates in some way in the gig economy. Last year, Intuit, which owns TurboTax, estimated that 34 percent of the workforce earned money in gig pursuits and projected that this could rise to 43 percent by 2020.

But when buying a home, the challenge for these workers is to make their gig-sourced earnings count as income for mortgage-qualification purposes. Lenders typically look for stable and continuing income streams: two years of documented income plus reasonable prospects that those earnings will continue for another several years. Lenders also routinely obtain tax-return transcripts from the Internal Revenue Service to confirm an applicant's self-reported income.

Gig income often doesn't fit neatly into these boxes. It can be sporadic and variable, depending on how much time an individual is able to devote to the work. Gig earnings can be substantial — thousands of dollars a month — but if that money can't qualify as "income" under existing mortgage-industry

(Continued on page 4)

San Mateo County Homes - Median & Average Prices & Sales
(3-month moving average—prices in $000's)



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San Mateo County - May 2018

Single-Family Homes	Prices							% Change from Year Before: Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend'	Inven'
SMC	$ 1,602,500	$ 2,193,370	426	398	382	27	112.3%	8.6%	23.0%	-2.1%	-4.8%	-4.3%
Atherton	$ 10,477,500	$ 11,040,100	12	4	23	58	98.3%	135.3%	73.2%	20.0%	-66.7%	-28.1%
Belmont	$ 1,950,000	$ 1,997,770	13	23	10	23	116.2%	18.6%	22.5%	-56.7%	43.8%	-9.1%
Brisbane	$ 2,020,000	$ 2,020,000	1	1	1	30	101.1%	176.7%	144.6%	-66.7%	0.0%	-80.0%
Burlingame	$ 2,500,000	$ 2,663,650	17	24	13	23	113.8%	8.2%	7.6%	6.3%	20.0%	-7.1%
Daly City	$ 1,081,840	$ 1,106,880	33	33	19	17	120.6%	20.2%	24.0%	37.5%	10.0%	-17.4%
East Palo Alto	$ 935,000	$ 985,283	12	19	5	13	113.1%	19.1%	14.1%	-29.4%	58.3%	0.0%
El Granada	$ 1,140,000	$ 1,313,330	3	5	4	40	95.9%	-0.9%	14.1%	-62.5%	-37.5%	-55.6%
Foster City	$ 1,980,000	$ 1,997,770	13	8	12	28	112.2%	15.3%	13.6%	-18.8%	-50.0%	71.4%
Half Moon Bay	$ 1,430,000	$ 1,494,970	17	13	18	32	103.3%	-0.5%	2.5%	41.7%	18.2%	0.0%
Hillsborough	$ 4,267,330	$ 5,251,090	15	15	34	68	100.5%	15.3%	10.3%	36.4%	36.4%	-8.1%
Menlo Park	$ 2,595,000	$ 3,177,140	31	29	29	28	114.9%	22.7%	40.4%	-3.1%	20.8%	-9.4%
Millbrae	$ 1,740,000	$ 1,830,980	14	9	11	24	117.0%	16.0%	25.0%	-6.7%	-43.8%	-26.7%
Montara	$ 1,200,000	$ 1,218,570	7	1	1	4	103.7%	-5.0%	-19.4%	75.0%	0.0%	-85.7%
Moss Beach	$ 1,050,000	$ 1,052,600	5	1	3	18	102.4%	-16.0%	-16.3%	66.7%	-75.0%	100.0%
Pacifica	$ 1,225,000	$ 1,227,480	26	24	15	17	115.5%	26.9%	20.1%	13.0%	-14.3%	-16.7%
Portola Valley	$ 3,212,760	$ 3,184,550	10	7	18	54	103.1%	-11.6%	-17.1%	25.0%	16.7%	63.6%
Redwood City	$ 1,535,000	$ 1,695,230	39	52	33	25	110.5%	2.3%	11.2%	-22.0%	6.1%	13.8%
Redwood Shores	$ -	$ -	0	0	1	0	0.0%	-100.0%	-100.0%	-100.0%	-100.0%	200.0%
S. San Francisco	$ 949,000	$ 968,911	36	27	8	6	110.7%	6.0%	3.0%	44.0%	8.0%	-71.4%
San Bruno	$ 1,297,500	$ 1,263,660	26	22	8	9	117.7%	27.5%	19.6%	-3.7%	-12.0%	-42.9%
San Carlos	$ 2,075,000	$ 2,081,930	30	20	13	13	110.7%	17.1%	2.2%	-6.3%	-28.6%	18.2%
San Mateo	$ 1,625,000	$ 1,827,570	68	53	46	20	114.9%	4.8%	8.2%	7.9%	17.8%	100.0%
Woodside	$ 5,100,000	$ 5,963,300	4	5	32	240	96.0%	119.4%	86.7%	-33.3%	-50.0%	-17.9%

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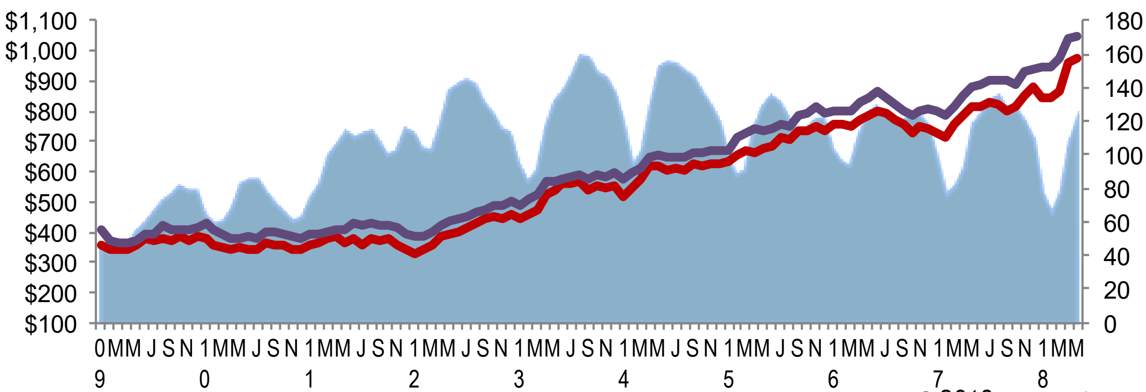
Trends at a Glance

(Single-family Homes)	May 18	Month %	Apr 18	Year %	May 17
Median Price:	$1,602,500	-9.5%	$1,770,000	8.6%	$1,475,000
Average Price:	$2,193,370	7.0%	$2,049,600	23.0%	$1,783,100
Home Sales:	426	27.9%	333	-2.1%	435
Pending Sales:	398	10.2%	361	-4.8%	418
Active Listings:	382	-4.5%	400	-4.3%	399
SP/LP Ratio	112.3%	0.3%	112.0%	3.2%	108.9%
Days on Market	16	-1.8%	16	-17.1%	19
Days of Inventory:	27	-22.8%	35	-2.2%	28
(Condominiums)					
	May 18	Month %	Apr 18	Year %	May 17
Median Price:	$985,000	-2.5%	$1,010,000	15.9%	$850,000
Average Price:	$1,051,230	-4.1%	$1,095,760	17.4%	$895,548
Home Sales:	120	-4.8%	126	-6.3%	128
Pending Sales:	137	17.1%	117	3.8%	132
Active Listings:	68	-8.1%	74	-28.4%	95
SP/LP Ratio	111.9%	-1.5%	113.6%	5.5%	106.1%
Days on Market	13	7.5%	12	-34.8%	19
Days of Inventory:	17	-0.2%	17	-23.6%	22

San Mateo County Condos- Median & Average Prices & Sales

(3-month moving average—prices in $000's)



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San Mateo County - May 2018

Condominiums								% Change from Year Before				
	Prices							Prices				
Cities	Median	Average	Sales	Pend	Inven	DOI	SP/LP	Med	Ave	Sales	Pend'	Inven'
SMC	$ 985,000	$ 1,051,230	120	137	68	17	111.9%	15.9%	17.4%	-6.3%	3.8%	-28.4%
Belmont	$ 1,050,000	$ 1,099,000	5	4	2	12	114.2%	90.9%	99.8%	400.0%	300.0%	0.0%
Burlingame	$ 1,517,500	$ 1,517,500	2	3	1	15	132.6%	18.7%	18.7%	100.0%	-66.7%	0.0%
Daly City	$ 675,000	$ 703,222	9	11	1	3	110.8%	33.7%	18.8%	28.6%	-35.3%	-91.7%
Foster City	$ 1,450,000	$ 1,433,870	15	22	9	18	111.2%	40.0%	46.1%	-11.8%	69.2%	800.0%
Menlo Park	$ 1,333,650	$ 1,392,030	10	9	12	36	110.0%	27.0%	5.5%	-23.1%	-40.0%	100.0%
Pacifica	$ 715,000	$ 717,333	3	7	2	20	109.6%	16.3%	16.6%	200.0%	250.0%	-71.4%
Redwood City	$ 1,150,000	$ 1,120,210	15	10	2	4	113.5%	33.7%	10.7%	66.7%	-9.1%	-75.0%
Redwood Shores	$ 1,330,000	$ 1,374,200	5	6	2	12	107.5%	7.3%	7.2%	-28.6%	100.0%	100.0%
San Bruno	$ 565,000	$ 544,375	8	8	0	0	112.4%	35.5%	15.2%	-11.1%	300.0%	400.0%
San Carlos	$ 1,302,000	$ 1,302,000	1	4	4	120	146.6%	38.5%	26.2%	-90.9%	-42.9%	100.0%
San Mateo	$ 967,500	$ 1,031,460	28	41	28	30	113.1%	15.2%	33.3%	21.7%	17.1%	-20.0%
S. San Francisco	$ 650,000	$ 663,111	9	13	9	29	106.2%	-4.4%	2.5%	0.0%	-23.5%	-30.8%

Table Definitions

Median Price
The price at which 50% of prices were higher and 50% were lower.

Average Price
Add all prices and divide by the number of sales.

SP/LP
Sales price to list price ratio or the price paid for the property divided by the asking price.

DOI
Days of Inventory, or how many days it would take to sell all the property for sale at the current rate of sales.

Pend
Property under contract to sell that hasn't closed escrow.

Inven
Number pf properties actively for sale as of the last day of the month.

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guidelines, it may not help in buying a home with a standard mortgage.

"We're seeing gig income becoming more and more prevalent, especially among the younger demographic — first-time buyers who have embraced things like Uber and Airbnb as a means to make money," John Meussner, executive loan officer for Mason-McDuffie Mortgage in San Ramon, Calif., told me.

Yet those earnings may not qualify for conventional mortgages.

Enter Fannie Mae and Freddie Mac.

Fannie recently surveyed 3,000 lending executives and found that gig income on applications is increasingly common, but 95 percent said it's difficult under current guidelines to use these earnings to approve borrowers' applications. Two of every 3 lenders said better treatment of this income would either "significantly" or "somewhat" improve "access to credit" for many buyers.

Fannie and Freddie are actively pursuing projects that would do just that. The tricky part for both companies: Whatever solutions they develop must still produce high-quality loans with low risks of default at the end of the process, and ideally must be automatable — that is, borrower information could be entered into Fannie's and Freddie's electronic underwriting systems at the application stage.

Freddie's efforts come under its "borrower of the future" initiative. Terri Merlino, vice president and chief credit officer for single-family business, told me the company is studying automated solutions "outside the box" to validate income from different sources for self-employed and gig-economy earners. Neither Freddie nor Fannie was able to discuss details on what they're considering, but Freddie confirmed its partnership with high-tech software company LoanBeam, which provides automated verifications of multiple income streams of self-employed and other borrowers.

Meussner hopes that Fannie and Freddie take a more realistic perspective on gig earnings.

"If someone is pulling income from Uber for only six months" — which won't qualify under the two-years standard — "they may have been doing similar things for years beforehand" for a different company. "That should be [the] primary focus rather than the exact employer and position that generated the income." After all, Meussner said, "if someone can make similar income over the course of years doing various things in various places [in the gig economy], it could be argued they're more dependable than someone with a long history with a salaried position in a field that is being disrupted by tech, in which case the loss of a job would be devastating financially."

You can bet Fannie and Freddie are listening to recommendations like this.

Bottom line: If you make money in the gig economy, be aware that your earnings may not be "income" for conventional mortgage purposes. But sometime soon, if pilot programs and research now underway at Freddie Mac and Fannie Mae are successful, they just might.

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