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The Real Estate Report

Prices & Sales Continue Rising

The median sales price for single-family, re-sale homes in Monterey County rose 12.4%, year-over-year, to $679,500 in May.

The average price for homes was up 13.7% compared to last May: $939,396.

The median price for condos jumped 16.7% year-over-year to $523,250. The average price jumped 18.7% to $580,771.

Home sales were up 10.3% year-over-year. Condo sales were down 14.3%.

The sales price to list price ratio, or what buyers are paying compared to what sellers are asking, continues to hover just below the 100% mark.

The ratio for homes was 98.7%. For condos, it was 98.1%.

Property is selling slightly faster than normal. It is taking only forty days from when a home comes on the market to when it goes under contract. The average for the past fourteen years is sixty-eight days.

For condominiums, it took forty-two days from listing to contract in April. The average is sixty-six days.

Inventory, or the lack thereof, continues to be the biggest factor in the Monterey market, as it is throughout the Bay Area.

There are only fifty-eight days of home inventory. The average is one-hundred and ninety-three.

For condominiums, there are sixty-nine days compared to an average of one-hundred and ninety-four.

As of June 5th, there were four hundred and ninety-seven homes for sale. The average is 1,333.

There were fifty-five condos for sale. The average is one hundred and twenty-two.

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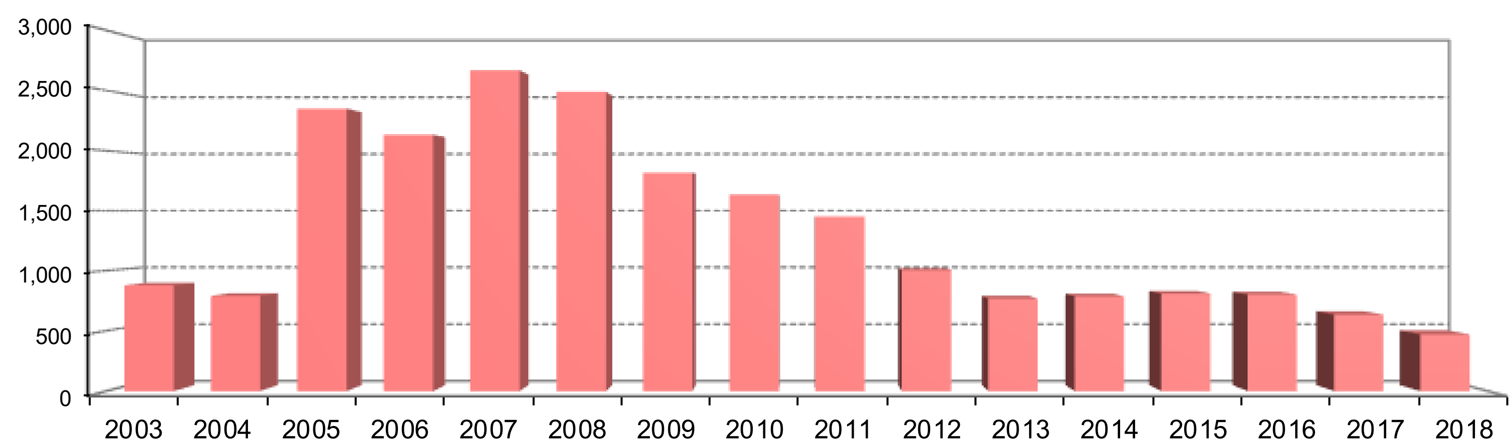
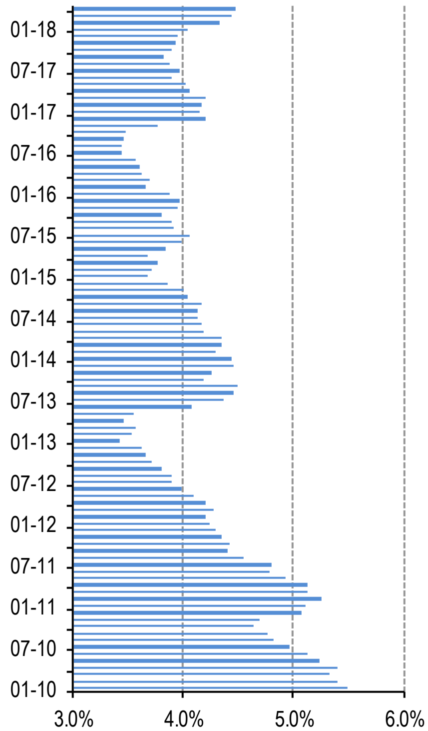
Search for recent sales & listings in your neighborhood, or in the neighborhood where you are considering buying.

Monterey County
Average Monthly Active Listings SFR



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

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/.

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 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.

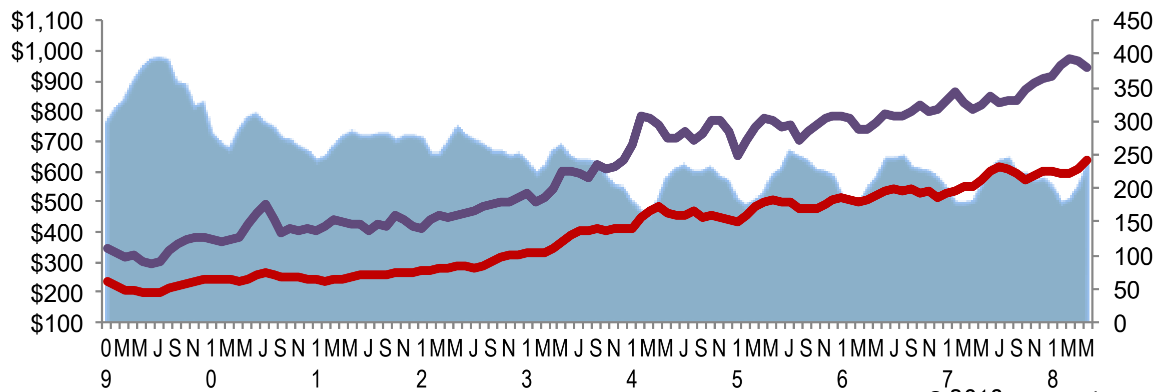
Yet those earnings may not qualify for conventional mortgages.

Enter Fannie Mae and Freddie Mac.

(Continued on page 4)

Monterey County Homes - Median & Average Prices & Sales

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



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Monterey County - May 2018												
Single-Family Homes								% Change from Year Before				
	Prices							Prices				
Cities	Median	Average	Sales	Pend	Inv	DOI	SP/LP	Med	Ave	Sales	Pend'	Inven'
MC	$ 679,500	$ 939,396	256	421	497	58	98.7%	12.4%	13.7%	10.3%	13.2%	-28.9%
Carmel	$ 1,810,000	$ 2,116,990	35	38	114	98	96.4%	6.5%	2.4%	84.2%	18.8%	-21.4%
Carmel Valley	$ 1,052,500	$ 1,152,500	12	19	50	125	97.4%	10.8%	7.3%	-20.0%	58.3%	-3.8%
Marina	$ 610,000	$ 641,158	16	41	23	43	99.6%	12.8%	16.4%	60.0%	86.4%	4.5%
Monterey	$ 949,000	$ 1,114,550	17	30	62	109	98.1%	18.6%	15.0%	-37.0%	36.4%	-8.8%
Pebble Beach	$ 1,597,500	$ 1,945,740	12	25	54	135	95.5%	-9.0%	3.3%	0.0%	66.7%	-34.1%
Pacific Grove	$ 867,500	$ 944,000	18	23	21	35	99.4%	-2.0%	-7.9%	12.5%	-14.8%	-38.2%
Salinas	$ 520,000	$ 571,939	91	151	98	32	99.7%	4.0%	8.9%	19.7%	3.4%	-44.9%
Seaside	$ 556,500	$ 636,676	17	28	10	18	99.2%	21.0%	23.1%	-19.0%	-12.5%	-64.3%

Trends at a Glance					
(Single-family Homes)	May 18	Month %	Apr 18	Year %	May 17
Median Price:	$679,500	11.8%	$607,750	12.4%	$604,500
Average Price:	$939,396	4.6%	$897,708	13.7%	$826,313
Units Sold:	256	10.3%	232	10.3%	232
Pending Sales:	421	2.4%	411	13.2%	372
Active Listings:	497	-4.4%	520	-28.9%	699
Sale/List Price Ratio:	98.7%	0.1%	98.6%	0.4%	98.3%
Days on Market	40	-20.9%	51	-25.0%	54
Days of Inventory:	58	-10.4%	65	-35.6%	90
(Condominiums)	May 18	Month %	Apr 18	Year %	May 17
Median Price:	$523,250	5.6%	$495,500	16.7%	$448,500
Average Price:	$580,771	-6.1%	$618,192	18.7%	$489,200
Home Sales:	24	-7.7%	26	-14.3%	28
Pending Sales:	54	22.7%	44	54.3%	35
Active Listings:	55	0.0%	55	-22.5%	71
SP/LP Ratio	98.1%	-1.3%	99.4%	-1.7%	99.8%
Days on Market	42	-35.3%	65	36.3%	31
Days of Inventory:	69	12.1%	61	-9.6%	76

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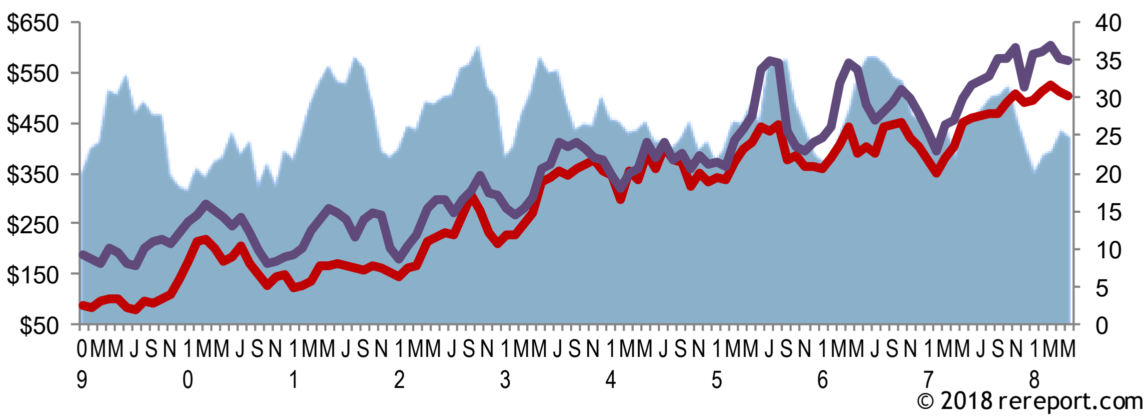
Monterey County Condos- Median & Average Prices & Sales

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



Monterey County - May 2018													
Condominiums								% Change from Year Before					
	Prices							Prices					
Cities	Median	Average	Sales	Pend	Inv	DOI	SP/LP	Med	Ave	Sales	Pend'	Inven'
MC	$ 523,250	$ 580,771	24	54	55	69	98.1%	16.7%	18.7%	-14.3%	54.3%	-22.5%
Carmel	$ 645,000	$ 804,857	7	16	15	64	98.5%	5.6%	29.7%	-12.5%	77.8%	-53.1%
Monterey	$ 460,000	$ 560,000	5	13	20	120	98.4%	-1.3%	10.1%	-37.5%	18.2%	42.9%
Salinas	$ 249,000	$ 360,571	7	12	6	26	98.3%	1.6%	53.2%	-22.2%	50.0%	-14.3%

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.

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

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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.