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The Real Estate Report

Condo Prices Set New Highs, Again

The median price for condos was up 34.8%, year-over-year, to \$950,000. This is the third month in a row the median price for condos has set new highs.

The average price for condos also set a new high in May, going over \$1,000,000 for the first time ever: \$1,005,520.

The median price for single-family, re-sale homes continued to slip from the high set in March. The median price for homes rose 18.5% over last May to \$1,416,000.

The median price for homes has been higher than the year before by double-digits eleven months in a row. The average price was up by double-digits for the tenth consecutive month.

This is also the 75th month in a row the median price has been higher than the year before.

The average price for homes was up 18.5%, year-over-year, to \$1,706,510.

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 at triple digits: 110.6% for homes and 113.4% for condos.

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

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

All this is due to an incredible lack of inventory. Since January 2000, Santa Clara County has averaged 94 days of inventory. Last month it was twenty-eight.

Condos have averaged 87 days since 2000. Last month it was nineteen.

As of June 5th, there were 972 homes and 260 condos for sale in Santa Clara County.

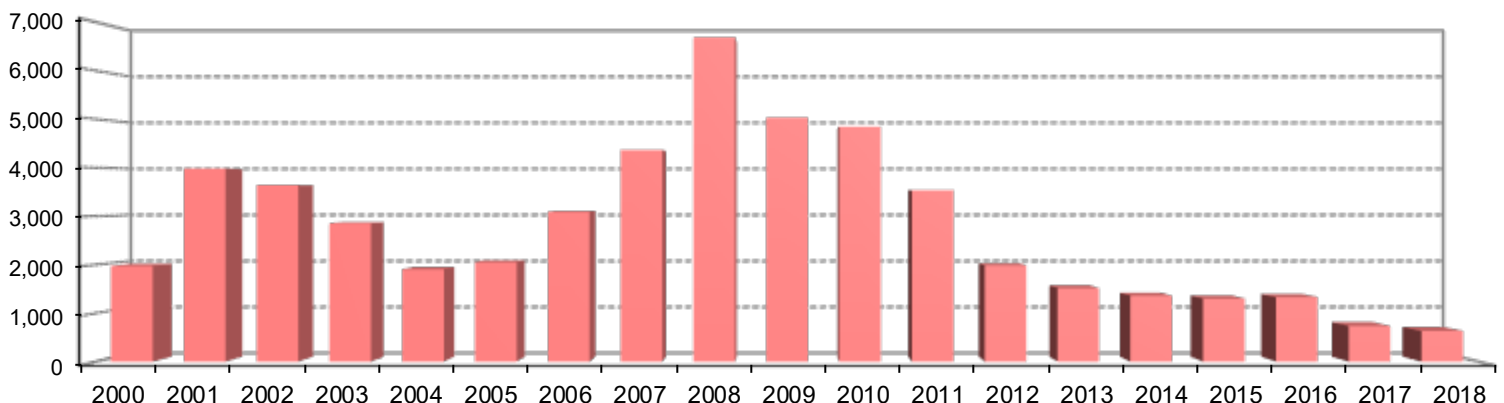
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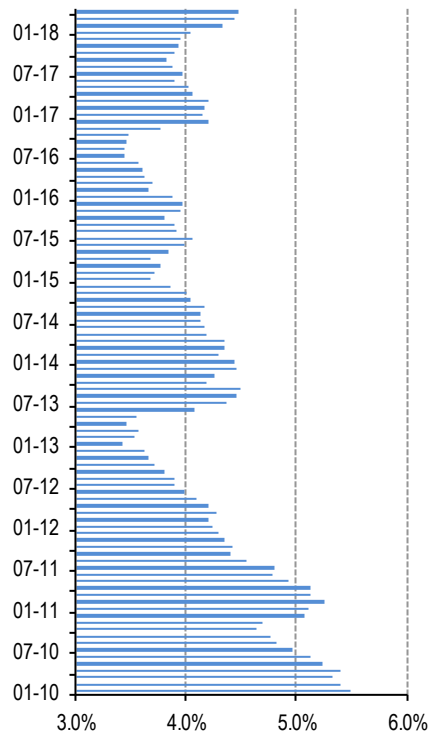
Search for recent sales & listings in your neighborhood, or in the neighborhood where you are considering buying.

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Santa Clara County Average Active Listings SFR YTD



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

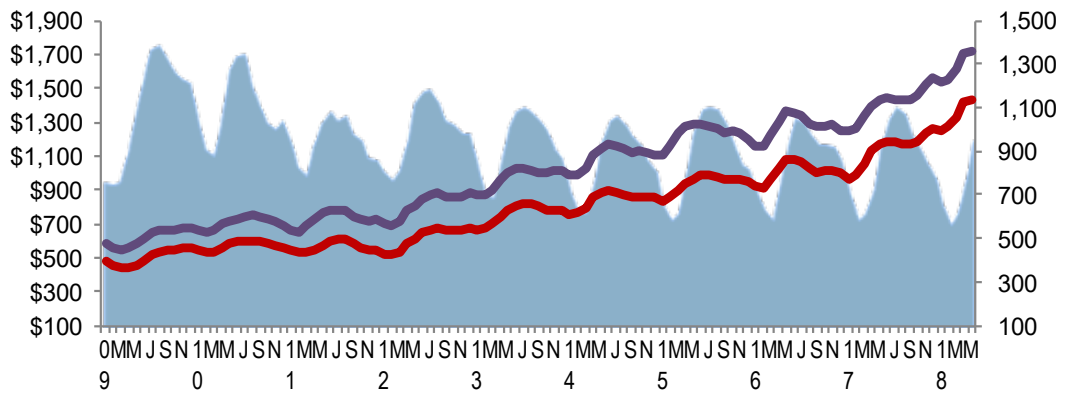
count as income for mortgage-qualification purposes. Lenders typically look for stable and continuing income streams: two years of documented income plus reasonable prospects that those earnings will continue for another several years. Lenders also routinely obtain tax-return transcripts from the Internal 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 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.

(Continued on page 4)

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



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| Santa Clara County - May 2018 | | | | | | | | | | | | |
|-------------------------------|--------------|--------------|-------|-------|-------|-----|--------|---------------------------|-------|--------|--------|--------|
| Single-Family Homes | | | | | | | | % Change from Year Before | | | | |
| Prices | | | | | | | | Prices | | | | |
| Cities | Median | Average | Sales | Pend | Inven | DOI | SP/LP | Med | Ave | Sales | Pend' | Inven' |
| SCC | \$ 1,416,000 | \$ 1,706,510 | 1,059 | 1,008 | 972 | 28 | 110.6% | 18.5% | 18.5% | -2.8% | -12.5% | -3.9% |
| Campbell | \$ 1,574,000 | \$ 1,639,770 | 36 | 31 | 29 | 24 | 109.7% | 25.9% | 28.8% | -14.3% | -27.9% | 61.1% |
| Cupertino | \$ 2,400,000 | \$ 2,335,340 | 27 | 20 | 31 | 34 | 108.2% | 17.9% | 13.4% | 17.4% | 5.3% | 14.8% |
| Gilroy | \$ 800,000 | \$ 859,917 | 62 | 68 | 59 | 29 | 102.7% | 15.9% | 14.1% | -19.5% | -12.8% | -25.3% |
| Los Altos | \$ 3,245,000 | \$ 3,654,520 | 28 | 28 | 22 | 24 | 108.8% | 15.9% | 19.9% | -24.3% | -24.3% | 15.8% |
| Los Altos Hills | \$ 5,549,000 | \$ 5,219,420 | 12 | 4 | 25 | 63 | 104.3% | 0.9% | 1.2% | 33.3% | -50.0% | -28.6% |
| Los Gatos | \$ 2,080,000 | \$ 2,024,980 | 43 | 55 | 110 | 77 | 102.5% | 21.9% | 10.5% | -2.3% | -12.7% | -1.8% |
| Milpitas | \$ 1,238,890 | \$ 1,291,110 | 23 | 28 | 27 | 35 | 113.3% | 24.8% | 22.5% | -28.1% | -28.2% | 17.4% |
| Monte Sereno | \$ 4,075,000 | \$ 3,800,000 | 4 | 6 | 11 | 83 | 99.1% | 53.0% | 42.7% | 100.0% | 20.0% | -35.3% |
| Morgan Hill | \$ 1,100,000 | \$ 1,130,880 | 55 | 59 | 54 | 29 | 104.3% | 23.9% | 24.5% | 10.0% | -26.3% | -28.9% |
| Mountain View | \$ 2,535,000 | \$ 2,478,900 | 32 | 19 | 18 | 17 | 113.6% | 26.0% | 18.4% | 45.5% | 5.6% | 28.6% |
| Palo Alto | \$ 3,227,660 | \$ 3,381,340 | 40 | 35 | 33 | 25 | 112.8% | 3.5% | -0.9% | 5.3% | 12.9% | -23.3% |
| San Jose | \$ 1,300,000 | \$ 1,366,990 | 543 | 513 | 414 | 23 | 111.9% | 30.2% | 24.2% | 2.5% | -11.6% | -1.9% |
| Santa Clara | \$ 1,520,000 | \$ 1,607,500 | 55 | 63 | 47 | 26 | 113.9% | 20.6% | 24.3% | -20.3% | 0.0% | 6.8% |
| Saratoga | \$ 2,662,500 | \$ 3,027,320 | 28 | 32 | 46 | 49 | 108.0% | 2.0% | 10.4% | -33.3% | -3.0% | -16.4% |
| Sunnyvale | \$ 2,016,890 | \$ 2,008,840 | 71 | 47 | 46 | 19 | 116.1% | 17.6% | 19.2% | -1.4% | -14.5% | 70.4% |

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Market Statistics

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Trends at a Glance

(Single-family Homes)

| | May 18 | Month % | Apr 18 | Year % | May 17 |
|------------------------|-------------|---------|-------------|--------|-------------|
| Median Price: | \$1,416,000 | -0.3% | \$1,420,000 | 18.5% | \$1,195,000 |
| Average Price: | \$1,706,510 | -0.9% | \$1,722,370 | 18.5% | \$1,440,070 |
| Home Sales: | 1,059 | 13.4% | 934 | -2.8% | 1,089 |
| Pending Sales: | 1,008 | 4.9% | 961 | -12.5% | 1,152 |
| Active Listings: | 972 | 29.1% | 753 | -3.9% | 1,011 |
| Sale/List Price Ratio: | 110.6% | -1.6% | 112.4% | 4.5% | 105.8% |
| Days on Market | 14 | -6.3% | 15 | -23.7% | 18 |
| Days of Inventory: | 28 | 17.8% | 23 | -1.1% | 28 |

(Condominiums)

| | May 18 | Month % | Apr 18 | Year % | May 17 |
|------------------------|-------------|---------|-----------|--------|-----------|
| Median Price: | \$950,000 | 3.8% | \$915,444 | 34.8% | \$705,000 |
| Average Price: | \$1,005,520 | 4.0% | \$966,725 | 32.4% | \$759,178 |
| Home Sales: | 401 | 5.0% | 382 | -5.6% | 425 |
| Pending Sales: | 393 | 13.9% | 345 | -12.5% | 449 |
| Active Listings: | 260 | 13.5% | 229 | -1.1% | 263 |
| Sale/List Price Ratio: | 113.4% | -1.3% | 114.8% | 8.1% | 104.9% |
| Days on Market | 10 | 10.6% | 9 | -38.8% | 17 |
| Days of Inventory: | 19 | 11.9% | 17 | 4.8% | 19 |

If your property is listed with a real estate broker, please disregard. It is not our intention to solicit the offerings of other real estate brokers. We are happy to work with them and cooperate fully.

Based on information from MLS Listings, Inc. Due to MLS reporting and allowable reporting policy, this data is only informational and may not be completely accurate. Therefore, we do not guarantee the data accuracy.

Data maintained by the MLS may not reflect all real estate activity in the market.

Santa Clara County Condos - Median & Average Prices & Sales

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

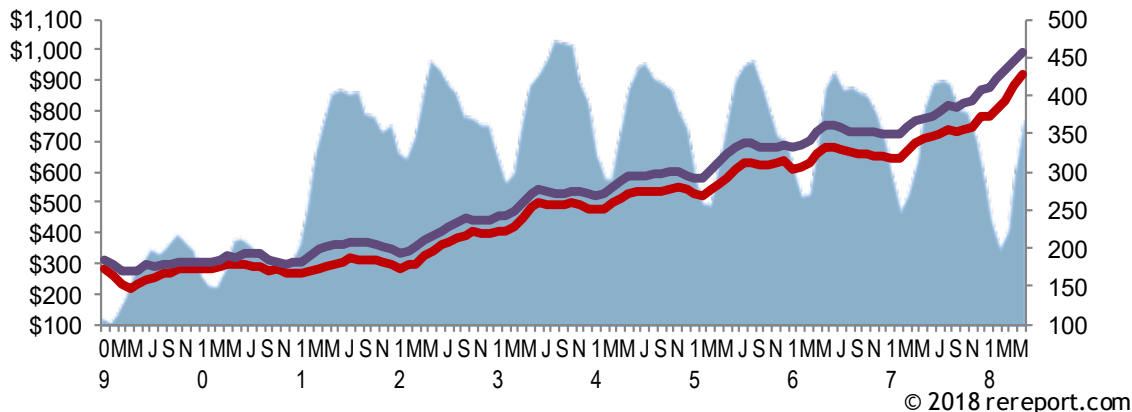


Table Definitions

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 of properties actively for sale as of the last day of the month.

Santa Clara County - May 2018

| Condominiums | | | | | | | | % Change from Year Before | | | | |
|---------------|--------------|--------------|-------|------|-------|-----|--------|---------------------------|--------|--------|--------|--------|
| Prices | | | | | | | | Prices | | | | |
| Cities | Median | Average | Sales | Pend | Inven | DOI | SP/LP | Med | Ave | Sales | Pend' | Inven' |
| SCC | \$ 950,000 | \$ 1,005,520 | 401 | 393 | 260 | 19 | 113.4% | 34.8% | 32.4% | -5.6% | -12.5% | -1.1% |
| Campbell | \$ 975,000 | \$ 1,016,360 | 13 | 18 | 12 | 28 | 115.9% | 35.5% | 40.1% | 8.3% | 157.1% | 140.0% |
| Cupertino | \$ 1,295,500 | \$ 1,368,850 | 8 | 6 | 7 | 26 | 111.6% | 17.9% | 22.5% | 0.0% | -53.8% | 133.3% |
| Gilroy | \$ 495,000 | \$ 496,667 | 3 | 4 | 4 | 40 | 99.9% | 50.0% | 50.5% | 200.0% | -20.0% | 300.0% |
| Los Altos | \$ 1,769,000 | \$ 1,645,900 | 5 | 6 | 2 | 12 | 108.0% | 19.5% | 7.3% | 0.0% | 100.0% | 0.0% |
| Los Gatos | \$ 1,350,000 | \$ 1,238,460 | 13 | 13 | 11 | 25 | 108.6% | 22.7% | 17.7% | 44.4% | 44.4% | 37.5% |
| Milpitas | \$ 1,100,000 | \$ 1,063,670 | 19 | 22 | 29 | 46 | 117.7% | 34.1% | 45.8% | -9.5% | -8.3% | 190.0% |
| Morgan Hill | \$ 705,000 | \$ 711,444 | 9 | 8 | 6 | 20 | 104.0% | 27.0% | 23.6% | 28.6% | 33.3% | -25.0% |
| Mountain View | \$ 1,362,000 | \$ 1,331,970 | 35 | 26 | 19 | 16 | 120.2% | 14.2% | 17.4% | 2.9% | 23.8% | 72.7% |
| Palo Alto | \$ 1,800,000 | \$ 1,847,220 | 9 | 7 | 8 | 27 | 119.6% | 46.3% | 40.5% | 125.0% | -30.0% | -11.1% |
| San Jose | \$ 822,500 | \$ 854,657 | 214 | 214 | 119 | 17 | 111.7% | 34.8% | 34.1% | -16.1% | -23.3% | -27.0% |
| Santa Clara | \$ 830,000 | \$ 921,105 | 37 | 36 | 24 | 19 | 115.7% | 7.1% | 15.0% | -5.1% | 9.1% | -4.0% |
| Saratoga | \$ 1,087,500 | \$ 1,168,750 | 4 | 2 | 3 | 23 | 107.0% | -30.7% | -25.6% | 300.0% | 0.0% | -40.0% |
| Sunnyvale | \$ 1,290,000 | \$ 1,303,740 | 32 | 31 | 16 | 15 | 116.9% | 29.0% | 29.9% | 10.3% | -16.2% | 23.1% |



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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.