Local Market Trends

Santa Clara County

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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.

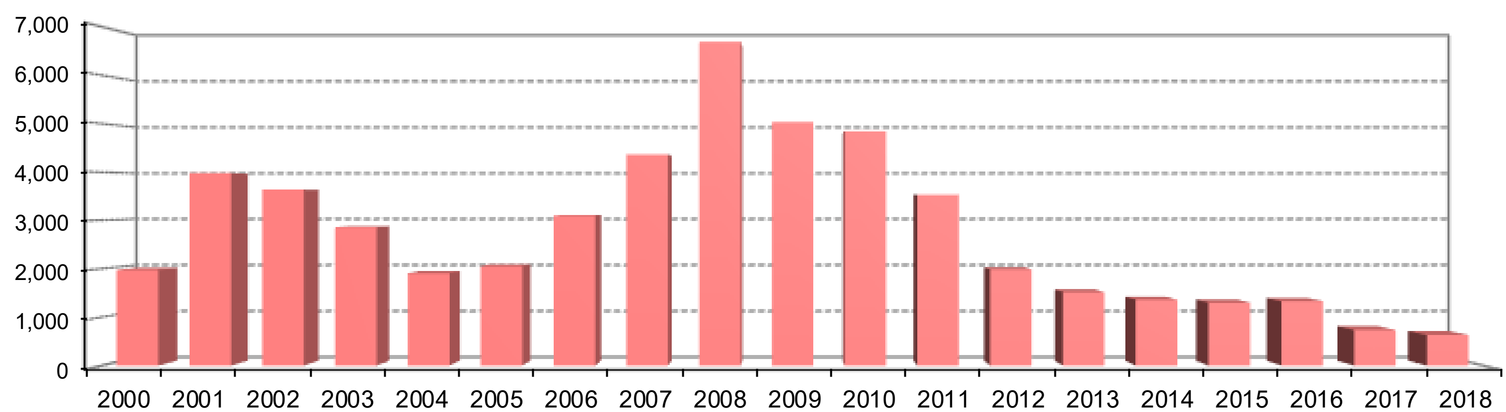
Condos have averaged 87 days since 2000. Last month it was nineteen.

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

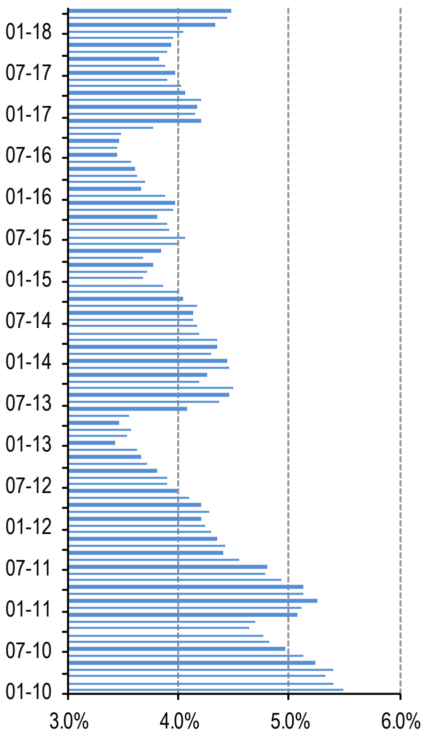
VISIT
http://gretchenmerrick.rereport.com/

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

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.

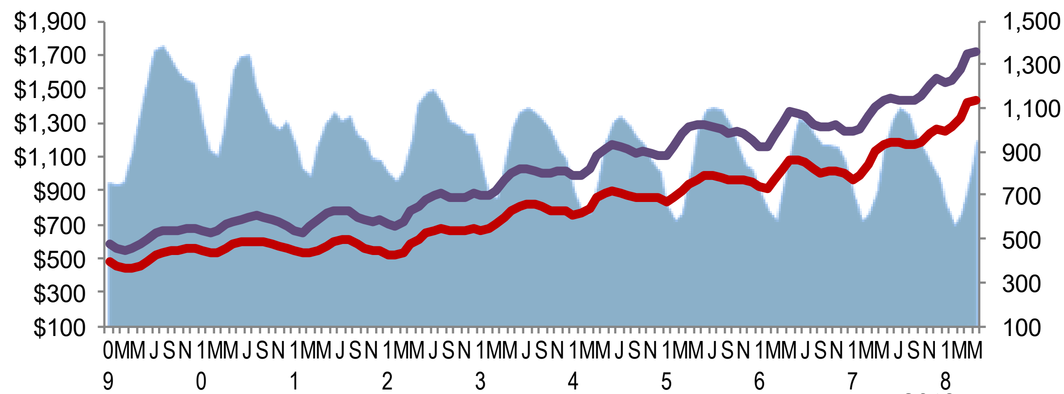
But when buying a home, the challenge for these workers is to make their gig-sourced earnings count as income for mortgage-qualification purposes. Lenders typically look for stable and continuing income streams: two years of documented income plus reasonable prospects that those earnings will continue 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

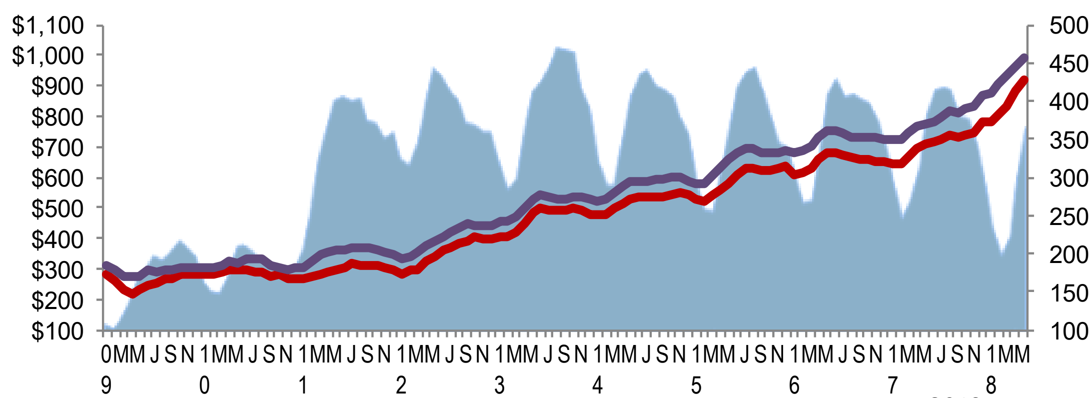
(Single-family Homes)	May 18	Month %	Apr 18	Year %	May 17
Median Price:	$1,416,000	-0.3%	$1,420,000	18.5%	$1,195,000
Average Price:	$1,706,510	-0.9%	$1,722,370	18.5%	$1,440,070
Home Sales:	1,059	13.4%	934	-2.8%	1,089
Pending Sales:	1,008	4.9%	961	-12.5%	1,152
Active Listings:	972	29.1%	753	-3.9%	1,011
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)



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%

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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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.