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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.

VISIT

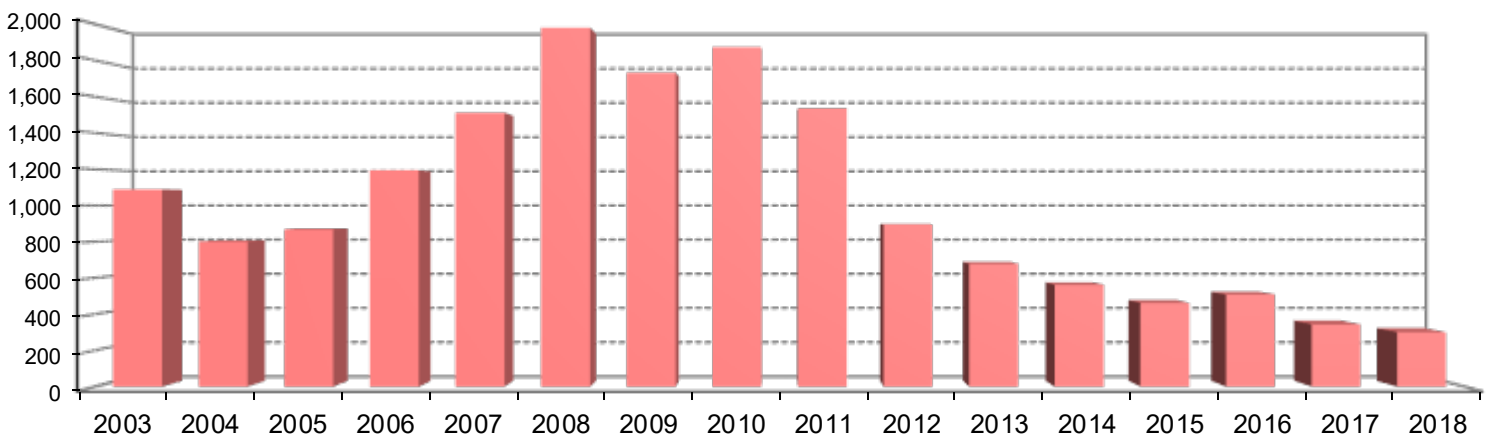
<http://krize.rereport.com>

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

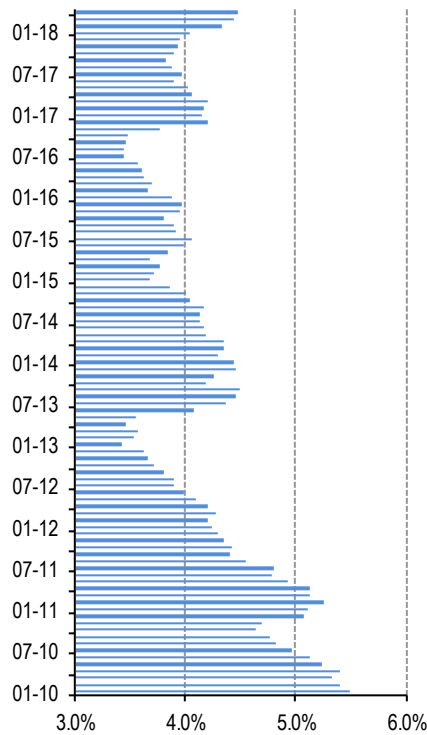
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San Mateo County

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

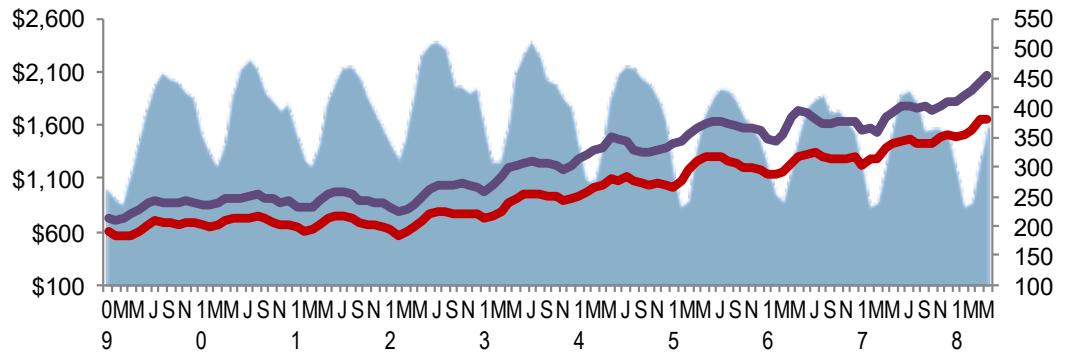
pursuits and projected that this could rise to 43 percent by 2020.

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 | | | | | | | | | % Change from Year Before | | | | |
| Cities | Prices | | | Sales | Pend | Inven | DOI | SP/LP | Prices | | | | |
| | Median | Average | | | | | | | 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% | |

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 |

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San Mateo County Condos- Median & Average Prices & Sales

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

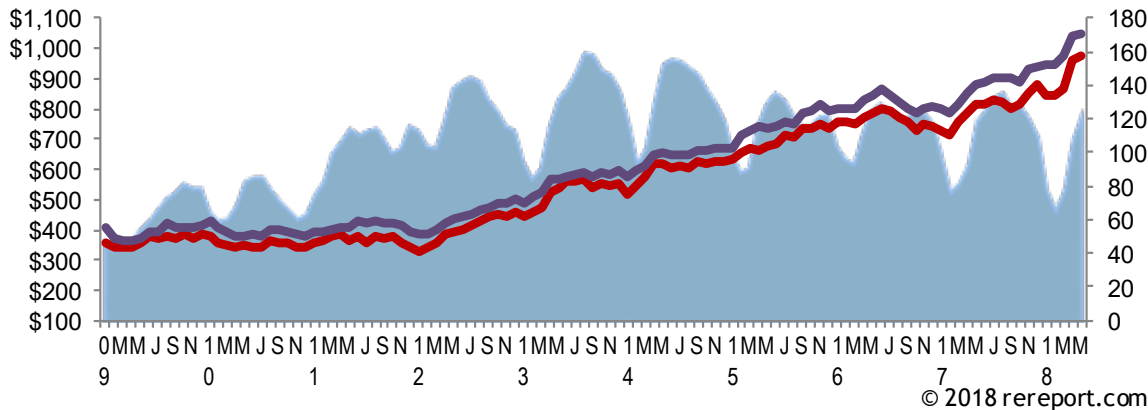


Table Definitions

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.

| 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% |



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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.