2021

Weekly Housing Market Monitor

July 12-July 15

National Association of REALTORS®
Research Group

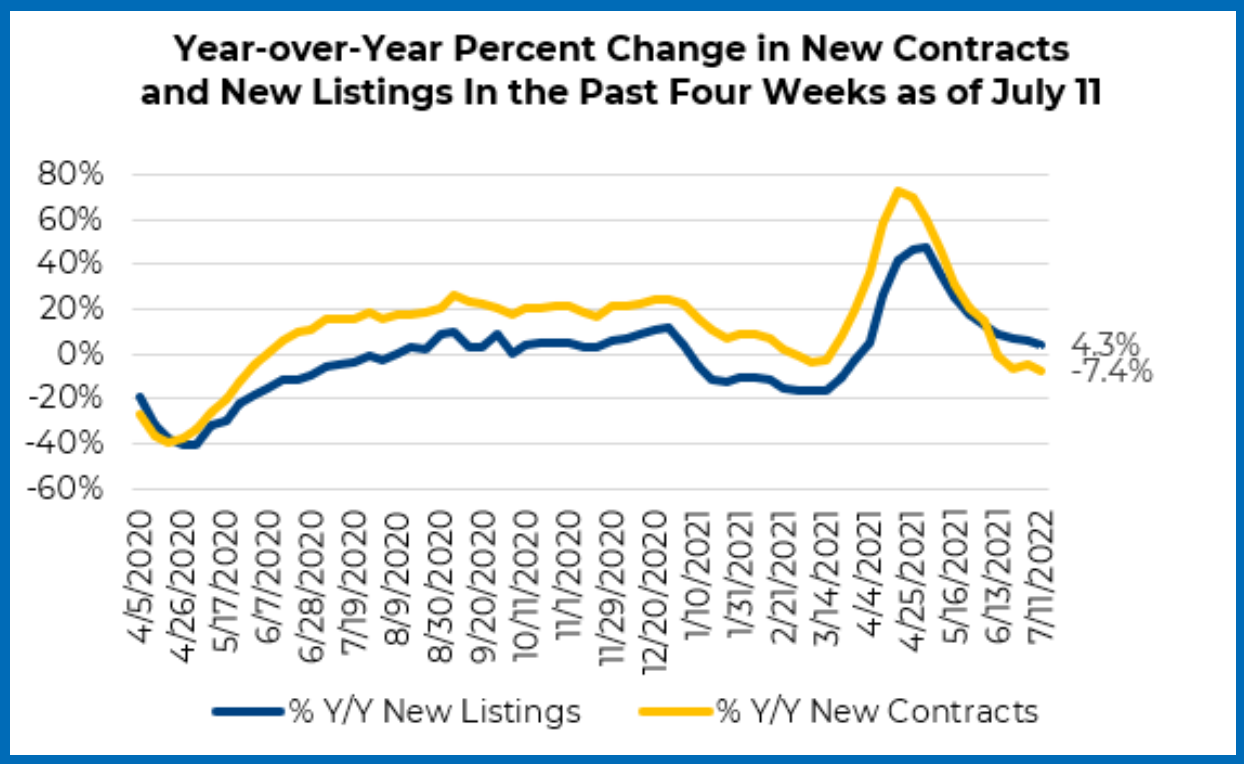
NATIONAL ASSOCIATION OF REALTORS®

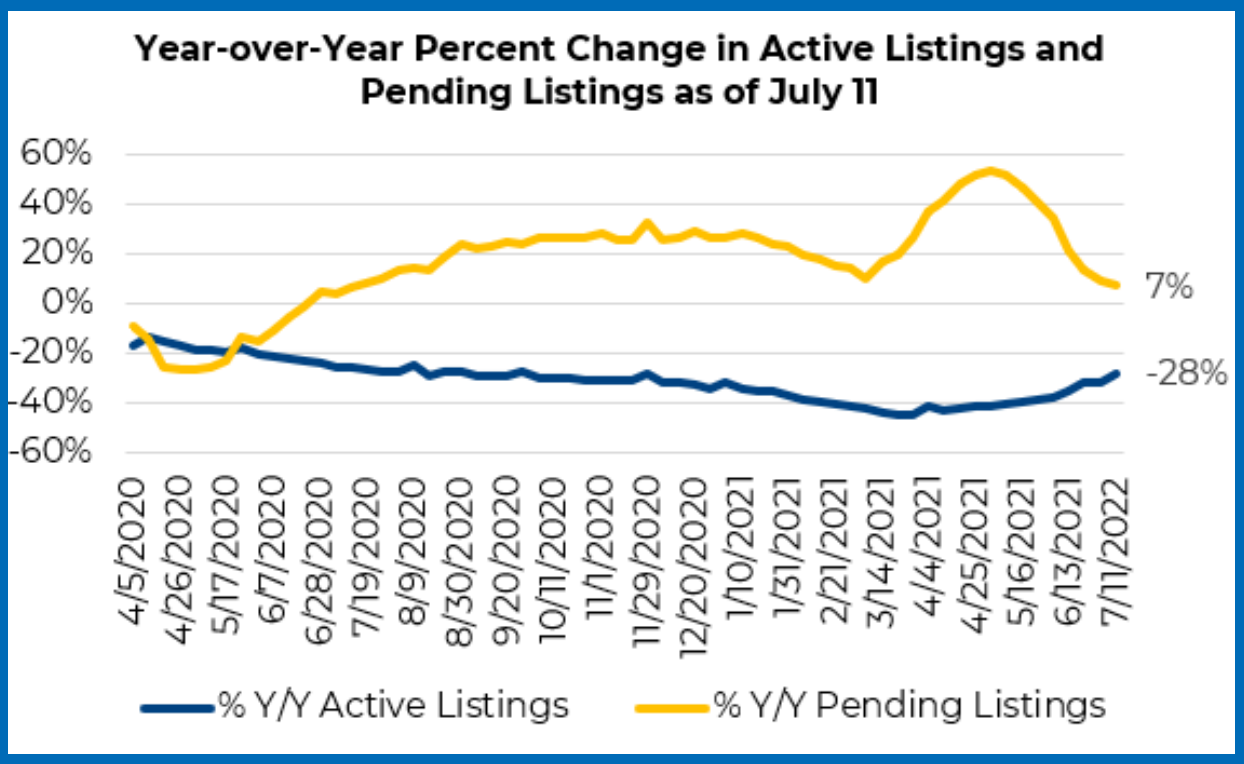
Weekly Housing Market Monitor

New Contract Signings in the Past Four Weeks Ended July 11 Decreased 7% from One Year Ago

Contracts signed during the four weeks ended July 11 (pending sales) decreased 7% from one year ago. Meanwhile, the active listings that came into the market in the past four weeks rose 4.3% from one year ago.

While the gap between demand (pending sales) and supply (active listings) is starting to narrow, there is still a large demand-supply gap: the inventory of active listings as of June 11 was down 28% from one year ago while the inventory of pending listings was up 7% year-over-year.





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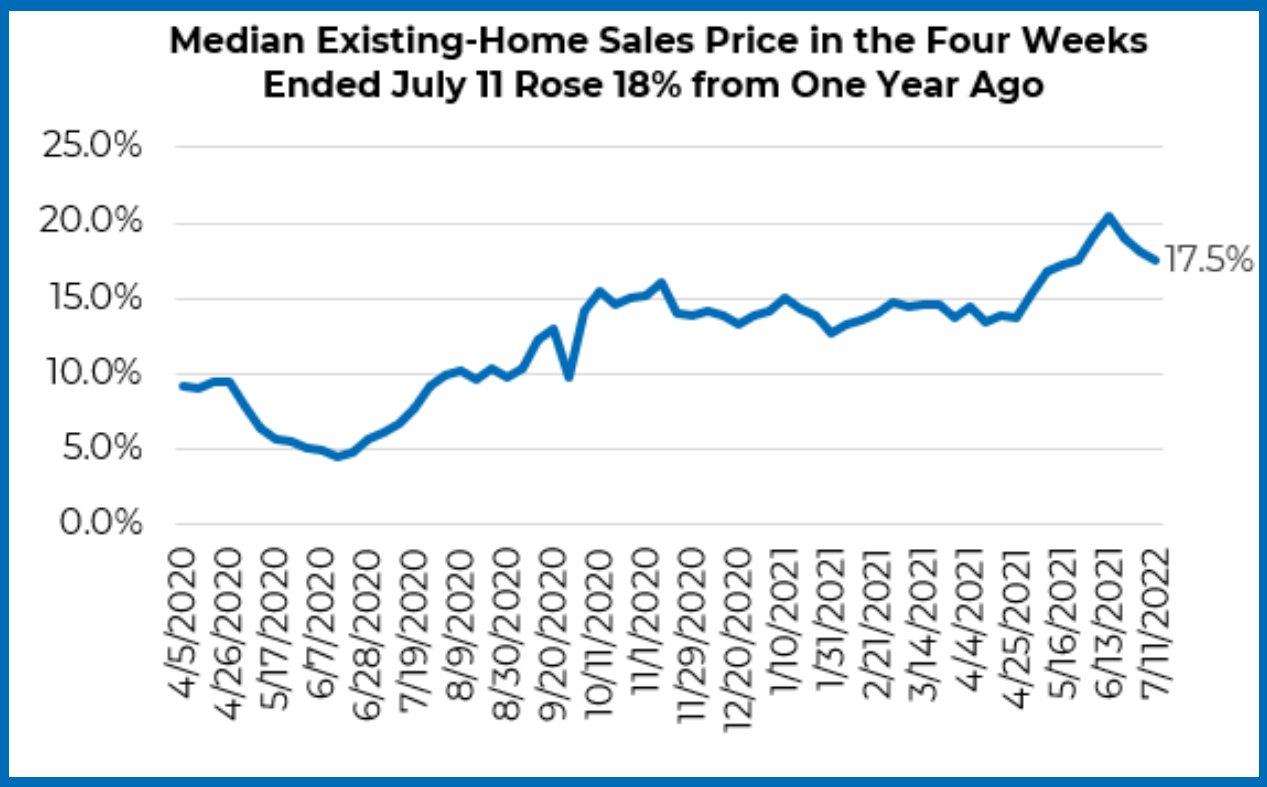
Median Existing-Home Sales Price in the Past Four Weeks Ended July 11 Rose 18% from One Year Ago

With demand outpacing supply, the median existing-home sales price of properties that sold in the four weeks ended July 11 rose nearly 18% from the level one year ago. However, the pace is decelerating: in May, the median existing home sales price rose 24% on a year-over-year basis.

On average, homes closed at 100.4% of the list price during the four weeks ended July 11. During the four weeks ended July 11, homes typically sold in 15 days.



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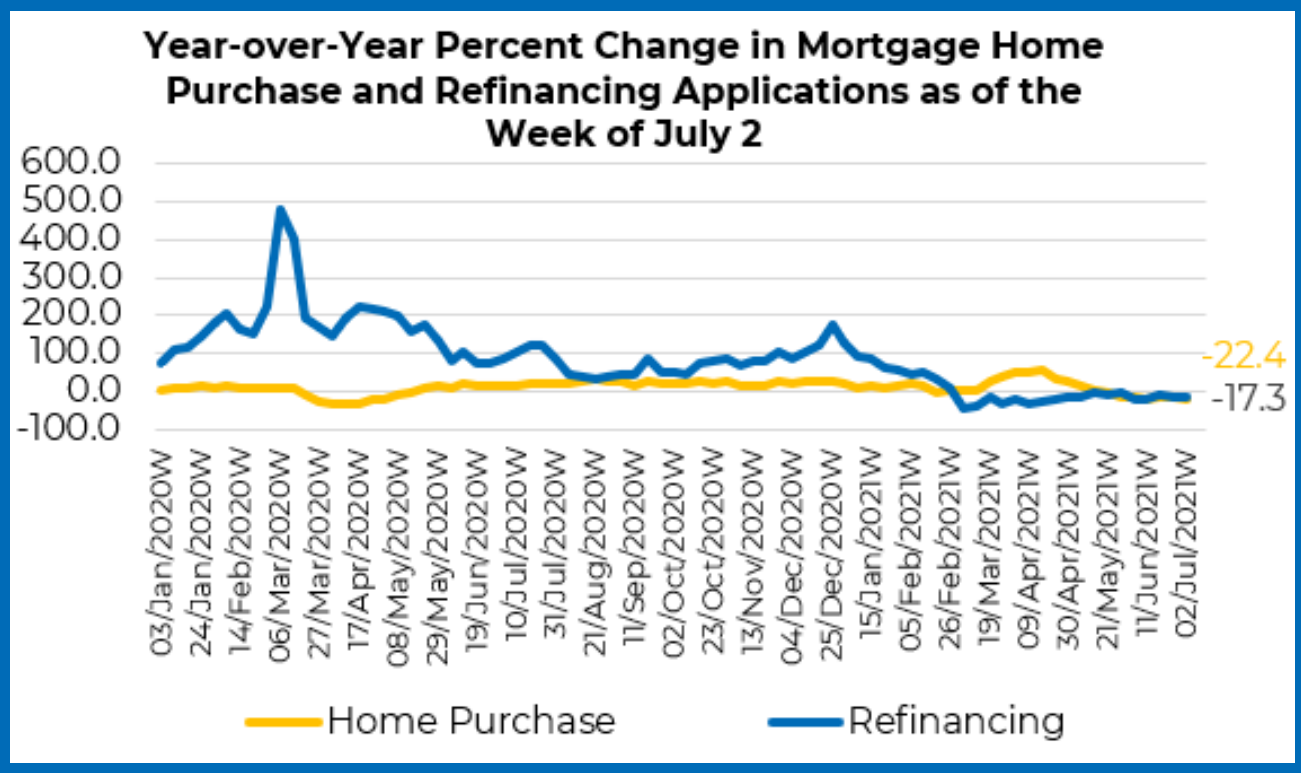
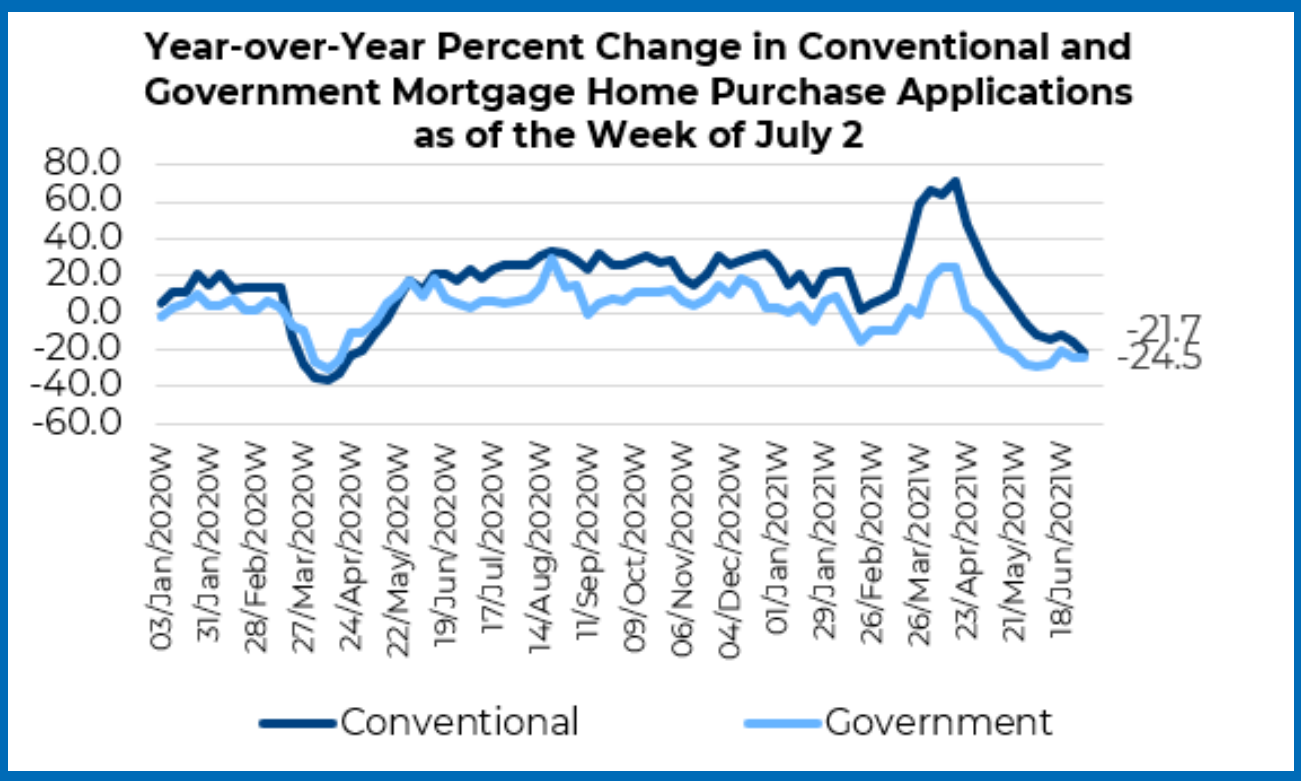
Weekly Mortgage Purchase Applications During Week of July 2 Declined 1% from Prior Week

Mortgage purchase applications during the week of July 2 declined by 1% from the prior week and 22% from one year ago, according to the Mortgage Bankers Association's (MBA) Weekly Mortgage Applications Survey. Both government-insured (FHA, VA, USDA) and conventional (includes Fannie Mae/Freddie Mac) home purchase loan applications fell from the prior week and were down by at least 20% year-over-year.

Refinancing applications also fell 2% from the prior week and 17% on a year-over-year basis. Mortgage originations have declined even the 30-year fixed mortgage rate hovers at a historic low level, plausibly because of the sharp rise in home prices that has eroded home affordability.





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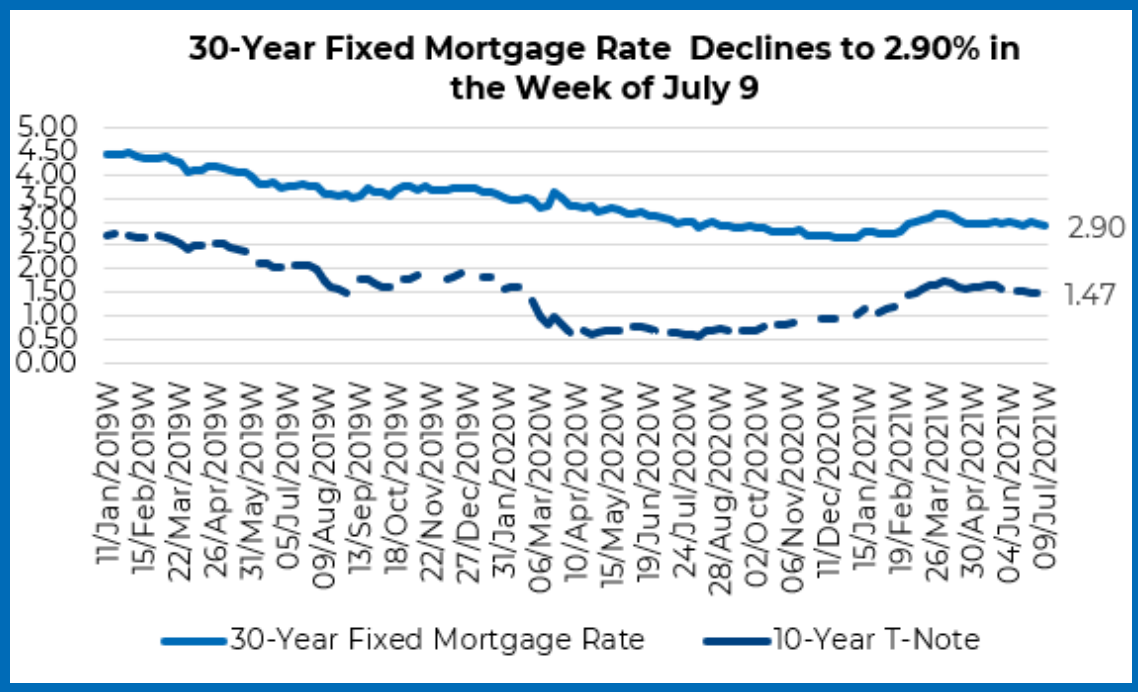
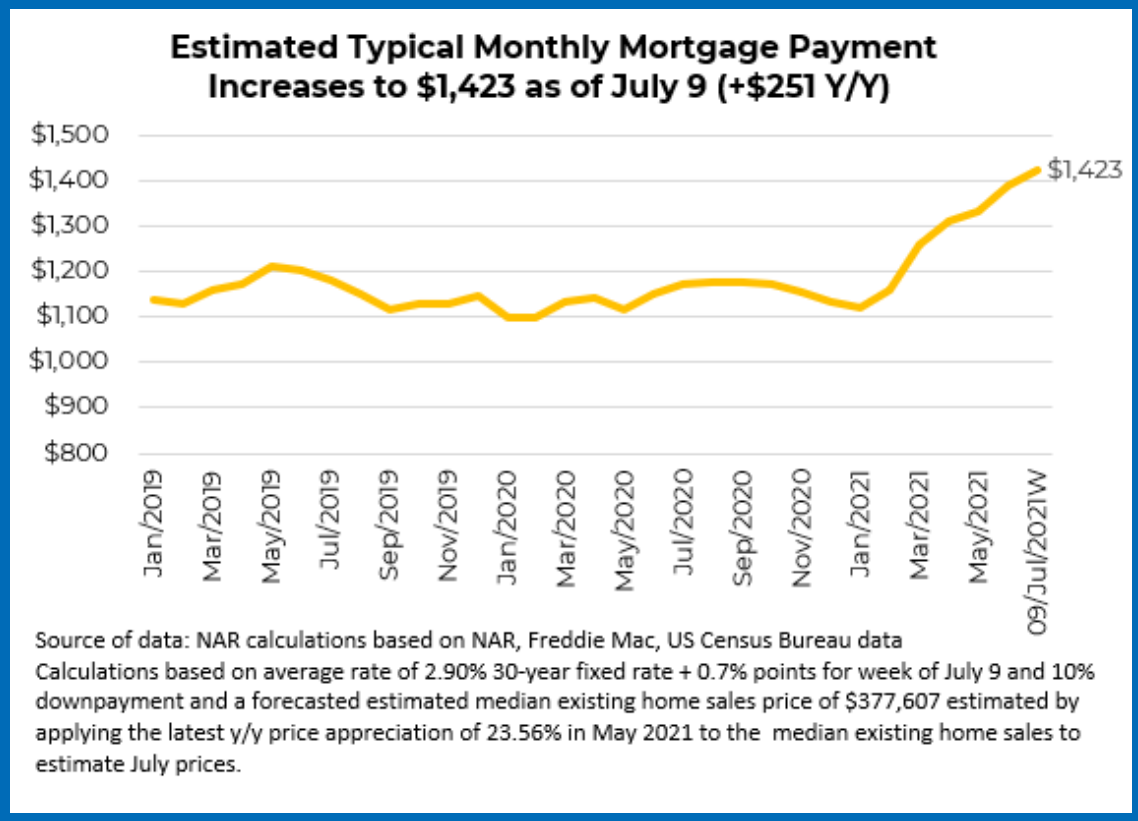
30-Year Fixed Mortgage Rate Stays Below 3% in the Week of July 9; Monthly Mortgage Payment is Up $251 from One Year Ago

The 30-year fixed mortgage rate fell again in the week of July 9 to 2.9% following the prior week's decline in the 10-year T-note fell to 1.47%.



Chief Economist Lawrence Yun expects the 30-year fixed mortgage rate to move towards 3.5% by the end of 2021 and the inflation rate to average 2.7% in 2021. Even with higher inflation, the Federal Open Market Committee has kept the federal funds rate at 0 to 25 basis points as it sees the current inflation rate to be transitory, mainly arising from a temporary rebound in consumer spending.*



Source of data: NAR calculations based on NAR, Freddie Mac, US Census Bureau data
Calculations based on average rate of 2.90% 30-year fixed rate + 0.7% points for week of July 9 and 10% downpayment and a forecasted estimated median existing home sales price of $377,607 estimated by applying the latest y/y price appreciation of 23.56% in May 2021 to the median existing home sales to estimate July prices.

The estimated monthly mortgage payment as of July 9 rose to $1,423, up $251/month from one year ago, making a home purchase less affordable. In May, NAR's Housing Affordability Index fell to 151.7.

*In its June 16 meeting, the Federal Open Market Committee kept the federal funds rate at 0 to 25% and the current policy to increase its holdings of Treasury securities by at least $80 billion per month and of agency mortgage-backed securities by at least $40 billion per month to steer the economy back to maximum employment.

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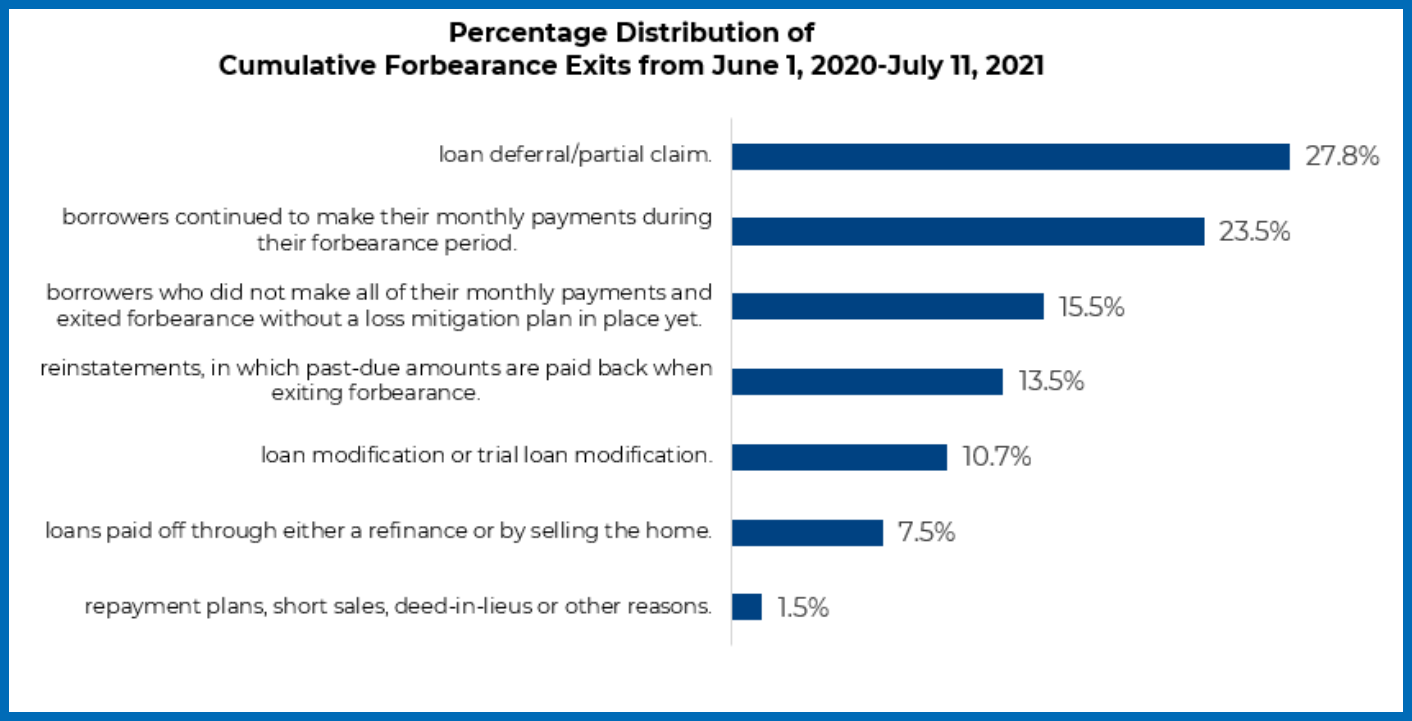
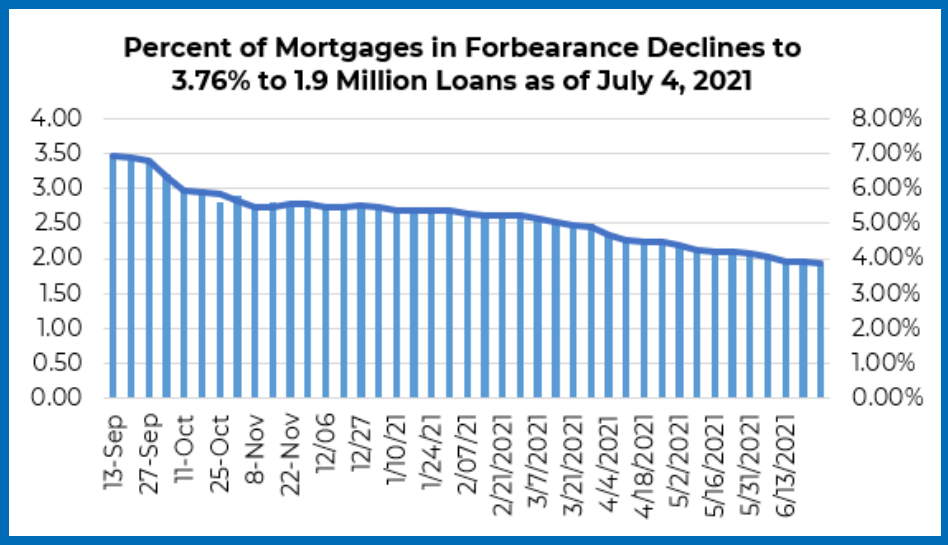
Fraction of Loans in Forbearance Declines to 3.76% in the Week of July 4

As of July 4, the fraction of loans in forbearance continued to trend downwards to 3.76% of total mortgages, or 1.9 million borrowers, according to the Mortgage Bankers Association. Most distressed borrowers are working out payment options with lenders to keep their homes, with 75.5% of homeowners in forbearance having a loss mitigation plan. Of the homeowners who exited forbearance during June 1, 2020—July 4, 2021, 7.5% exited forbearance by refinancing their home or selling their home and less than 2% ended in a short sale or deed-in-lieu (and other reasons).

However, 15.5% of borrowers have exited forbearance without a loss mitigation in place, which can put these owners in distress later. With an average of 2.6 million loans in forbearance during September 2020—July 4, 2021, that yields about 400,000 borrowers who exited without a mitigation plan. This is equivalent to about 1 month of the current pace of existing-home sales (483,333) and should not cause a decline in home prices. Read more: https://www.nar.realtor/blogs/economists-outlook/the-forbearance-period-is-ending-whats-the-impact-on-foreclosures-house-prices-supply-and





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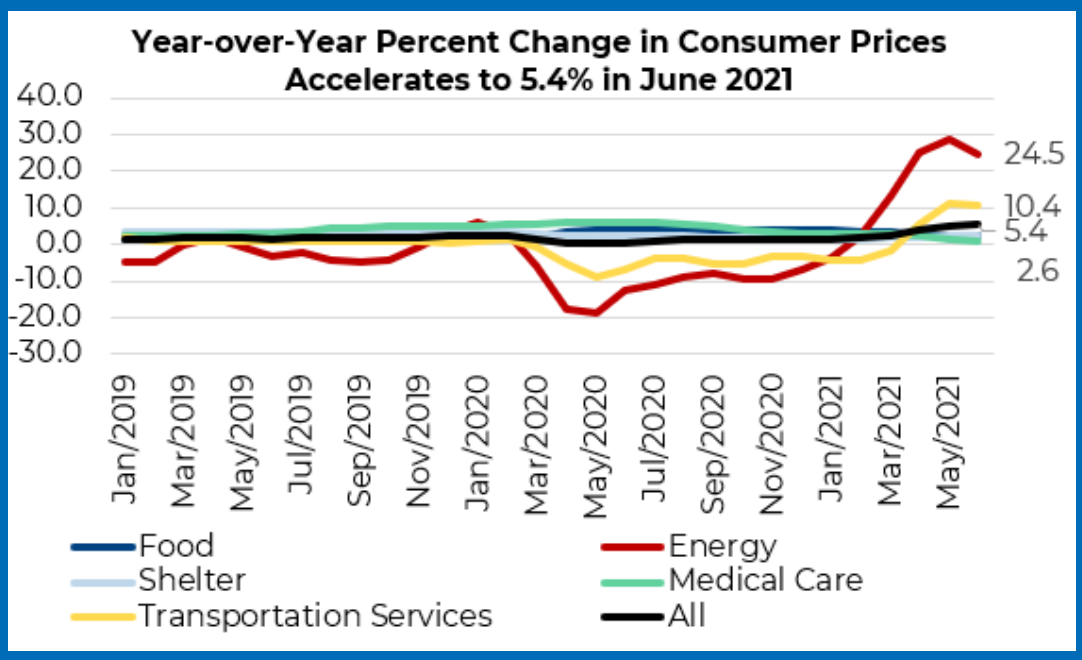
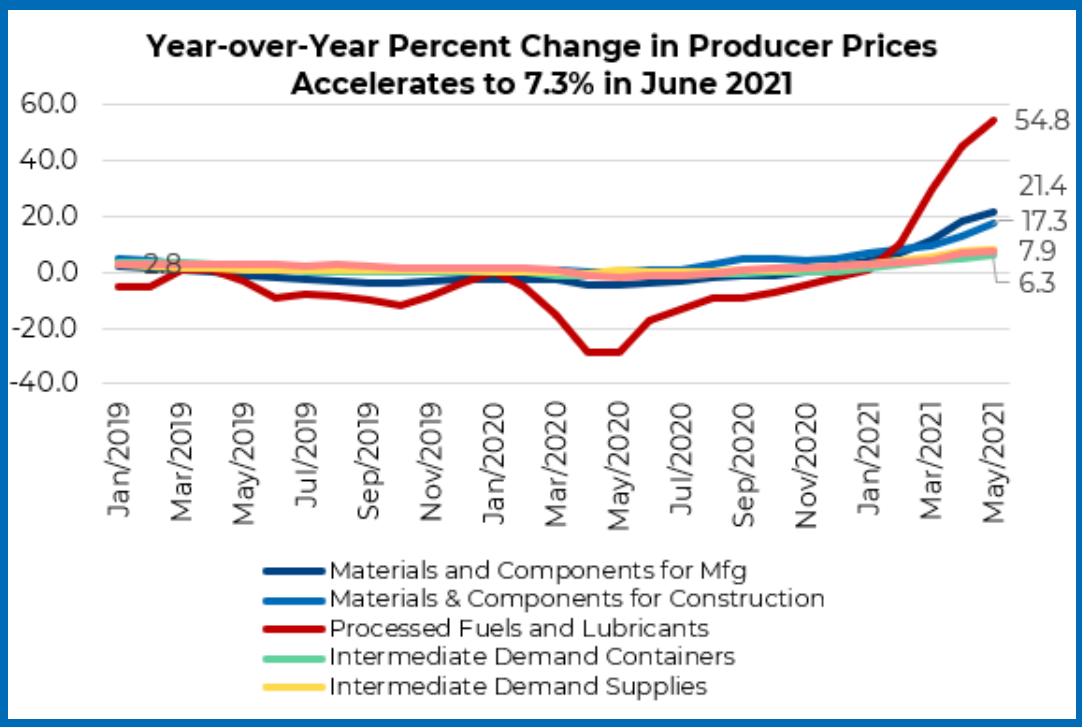
Inflation Accelerates to 5.4% in June

Inflation accelerated to 5.4% in June, mainly arising from the rise in energy prices (+24.5%) and transportation services (+10.4%). The cost of energy and transportation services has increased strongly due to rising oil prices and the pickup in travel as the COVID-19 pandemic wanes. With recovery of the global economy, crude oil prices (West Texas Intermediate) rose to $72/barrel in June from just $38/barrel one year ago. The cost of shelter services (rent) rose 2.6% year-over-year, due to rising home prices that factor into the mortgage payment and hence, what homeowners are willing to rent their home for.

However, inflation is likely to remain at this level because producer prices have also been rising. The producer prices on final demand goods is up 7.3% year-over-year. Fed Chairman Powell in his semiannual report to Congress testified that "inflation has increased notably and will likely remain elevated in coming months before moderating".*





*https://www.federalreserve.gov/newsevents/testimony/powell20210714a.htm

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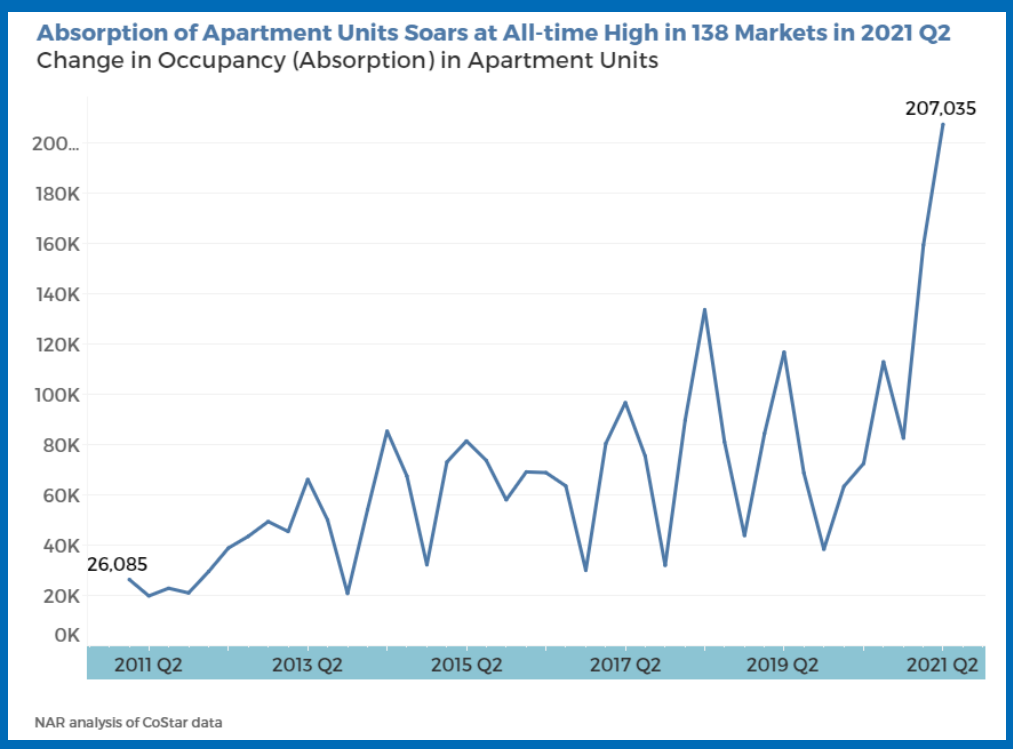
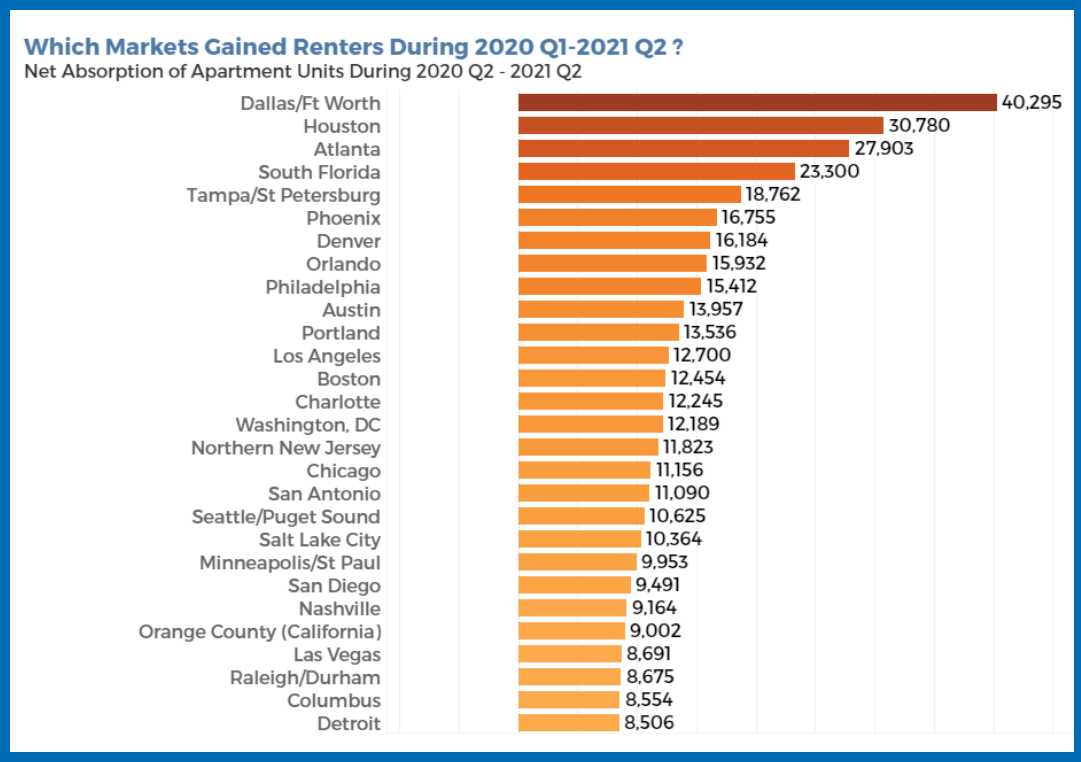
Apartment occupancy has increased in nearly all markets since the pandemic

Net absorption of apartment units rose by 207,035 units in 2021 Q2 from the prior quarter in 138 apartment markets. In 2019 Q2, a pre-pandemic period, net absorption was only 116,526 units, about half the current pace of absorption.

During 2020 Q2 through 2021 Q2, 137 out of 138 areas experienced an increase in the number of occupied units (positive net absorption), with San Francisco as the only metro area that still had a negative net absorption of 2,730 units, according to NAR analysis of CoStar data. During 2020 Q2 through 2021 Q2, the top markets renters moved to were Dallas, Houston, Atlanta, South Florida, and Tampa/St. Petersburg. Read more: https://www.nar.realtor/blogs/economists-outlook/apartment-occupancy-gains-reach-decade-high





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