2021

Weekly Housing Market Monitor

July 19-July 22

National Association of REALTORS®
Research Group

NATIONAL ASSOCIATION OF REALTORS®

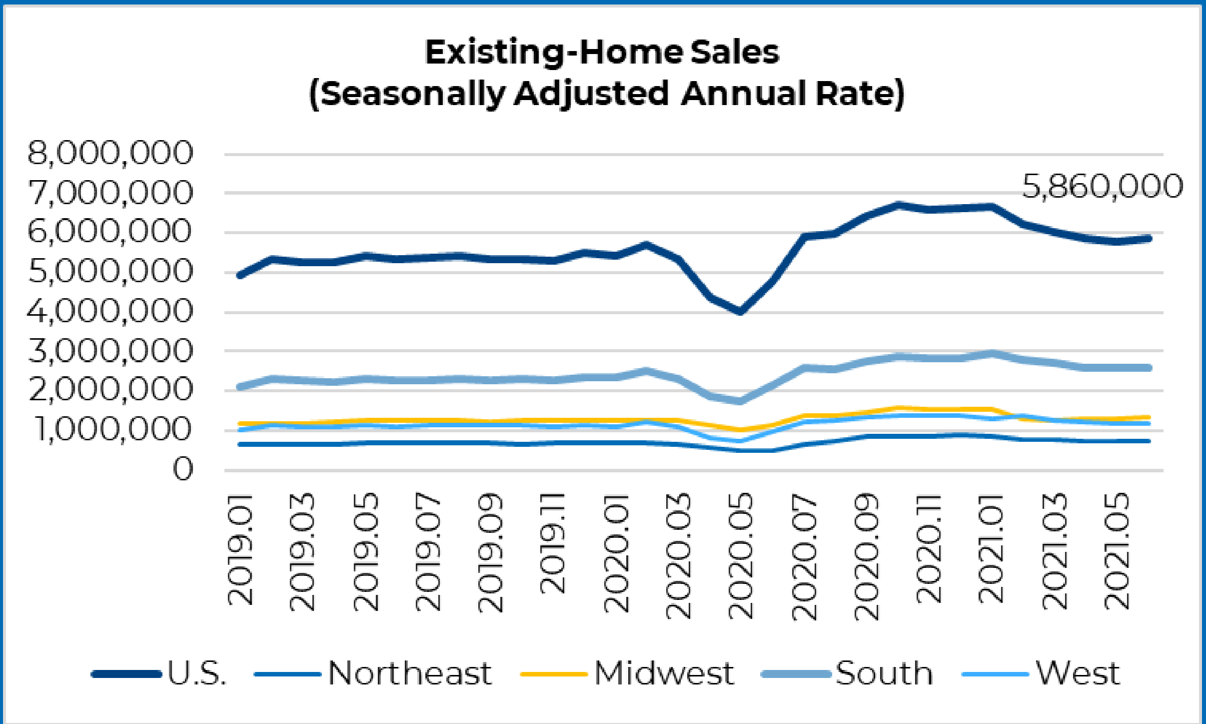
Weekly Housing Market Monitor

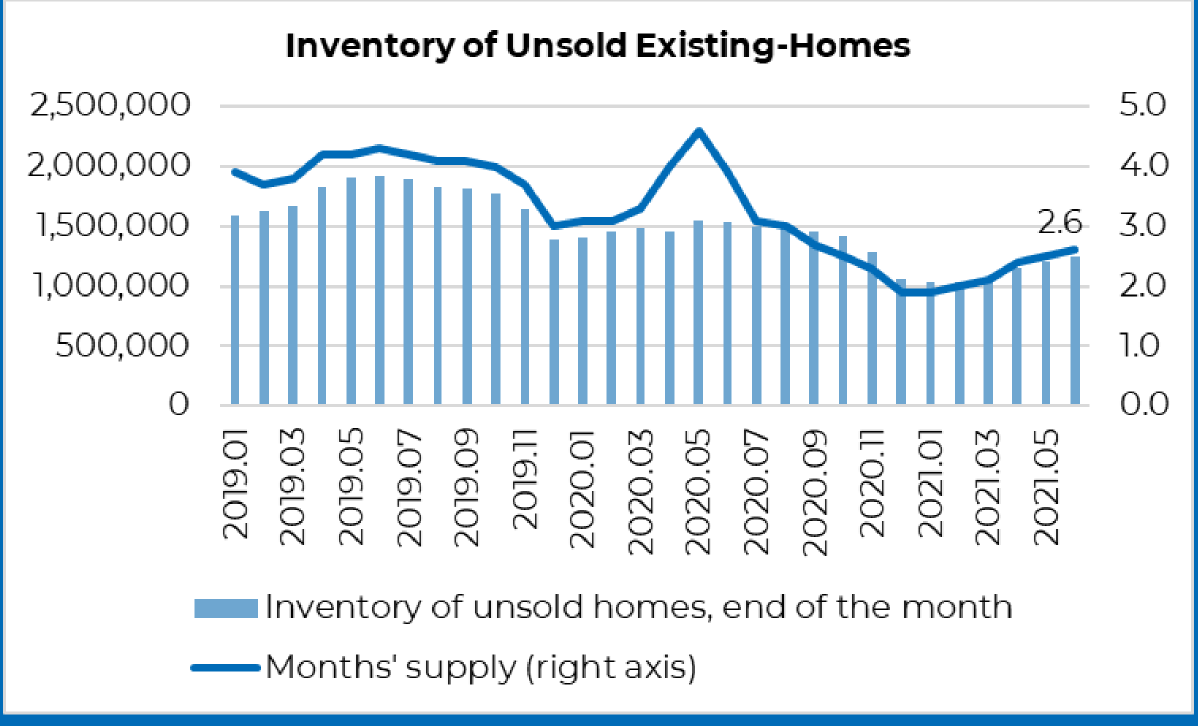
Existing-Home Sales Rebound 1.4% in June 2021 as Inventory of Homes for Sale Slightly Improves

After four months of decline, sales of existing-homes made a slight comeback with a 1.4% increase in June from the prior month, to 5.86 million. Compared to one year ago, sales are 22.9% higher. With inflation rising and mortgage rates expected to rise as well, sales are likely to trend below 6 million on an annualized basis for the rest of the year.

Sales rose with more inventory coming into the market, aided by an increase in housing construction. The inventory of unsold homes rose to 1.25 million (1.21 million in May), which is equivalent to 2.6 months of the monthly sales' pace (2.5 months in May). While inventory of homes for sales are rising, the number of homes on the market is still 18.8% below the level one year ago.

Compared to May, sales rose in the Northeast (2.8%), Midwest (3.1%), and West (1.7%) regions while sales in the South were unchanged.





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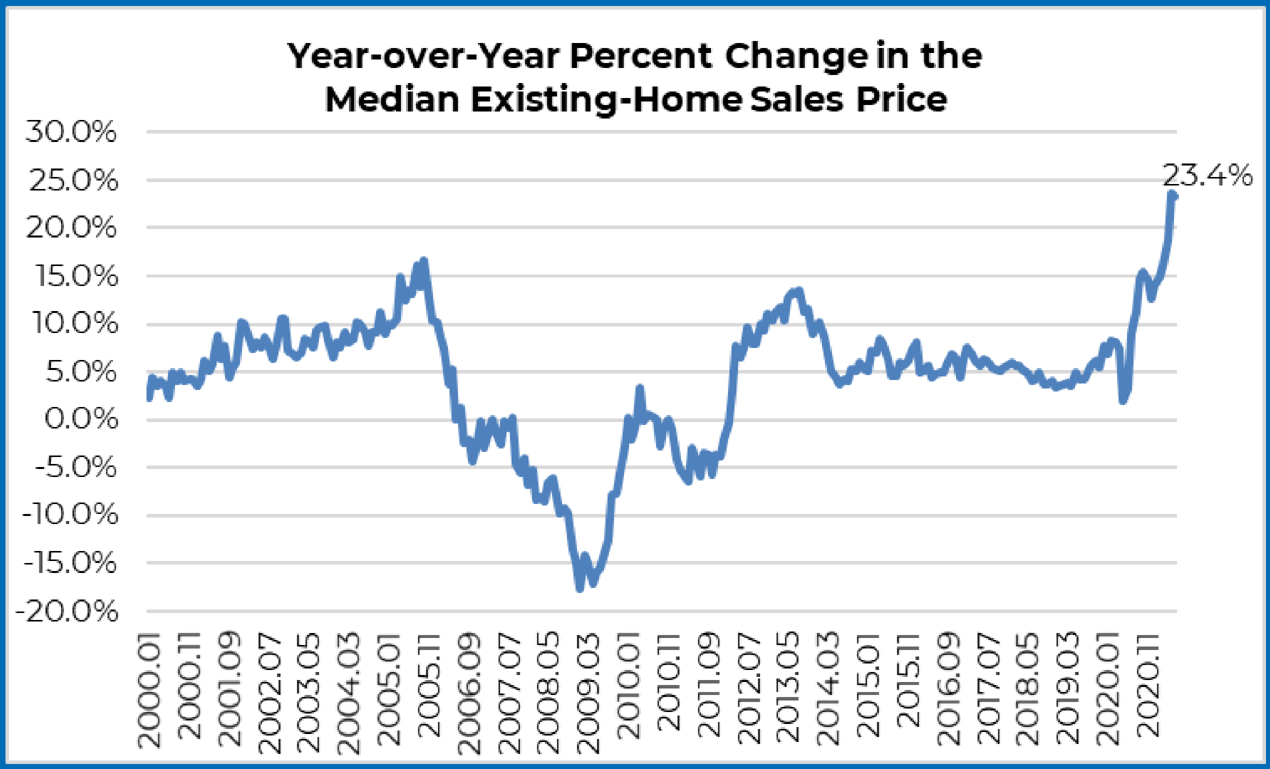
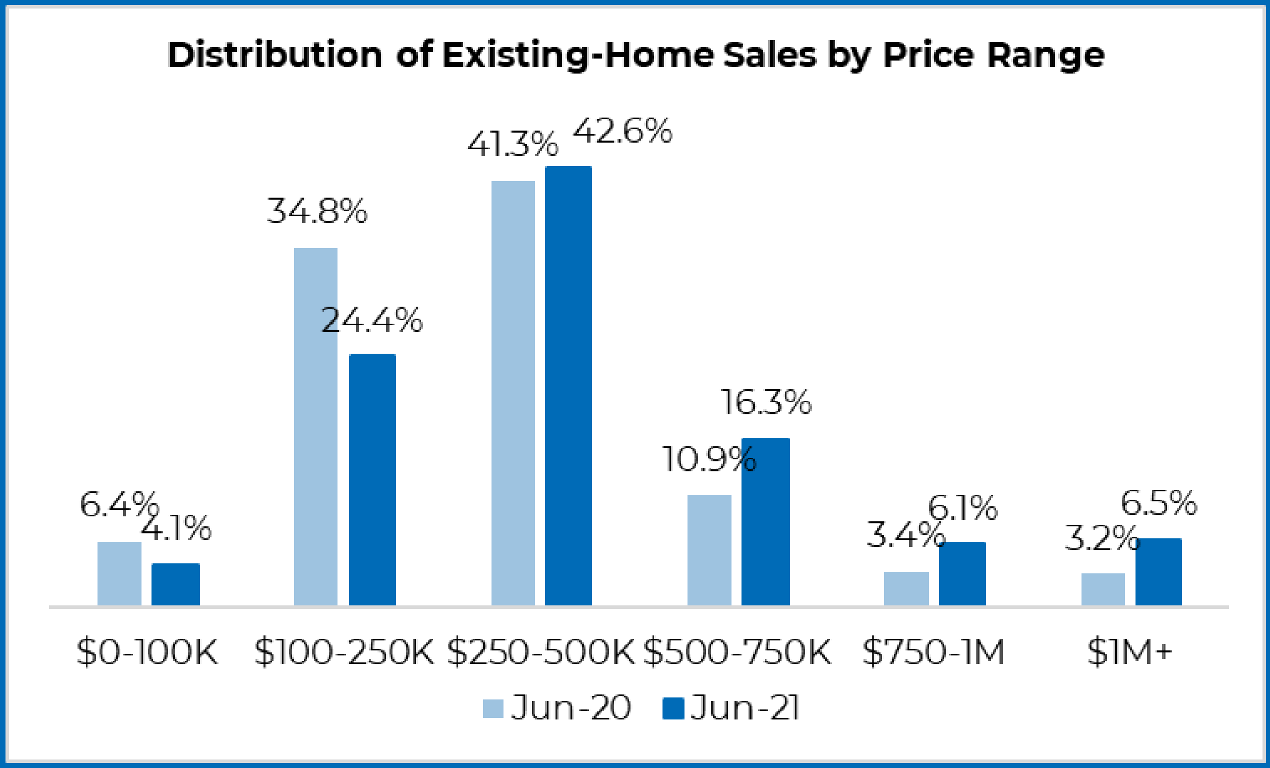
Median Existing-Home Sales Price Rose at an Annual Pace of 23.4% in June 2021

With inventory of homes for sale at 20% below the level measured one year ago, the median existing-home sales price rose 23.4% year-over-year to $363,300 in 2021, the second highest pace on record since 1999.

Existing-homes priced at below $250,000 accounted for 28.5% of sales. One year ago, homes in this price range were 41.2% of the market.

The median prices rose at double-digit pace across all regions, led by the Northeast (23.4%, $412,800), followed by the South (21.4%, $311,600), the Midwest (18.5%,$278,700), and the West (17.6%, $507,000).





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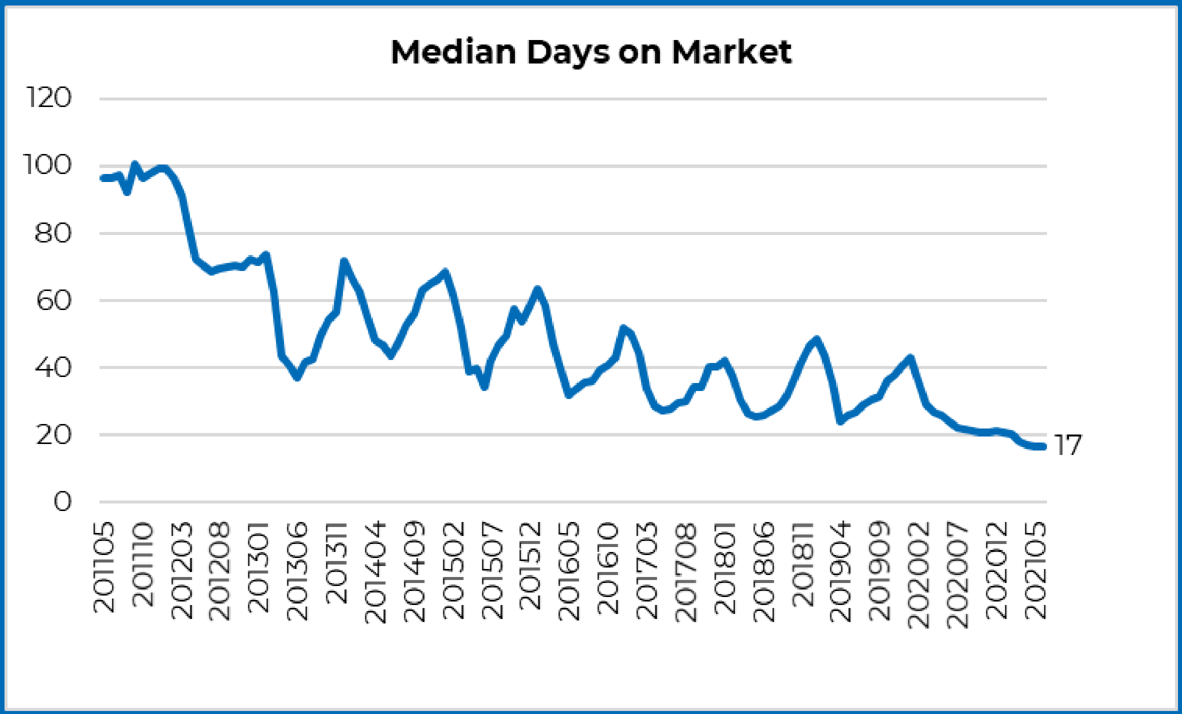
Properties Typically Sold in 17 Days with an Average of Nearly 5 Offers on Homes that Sold

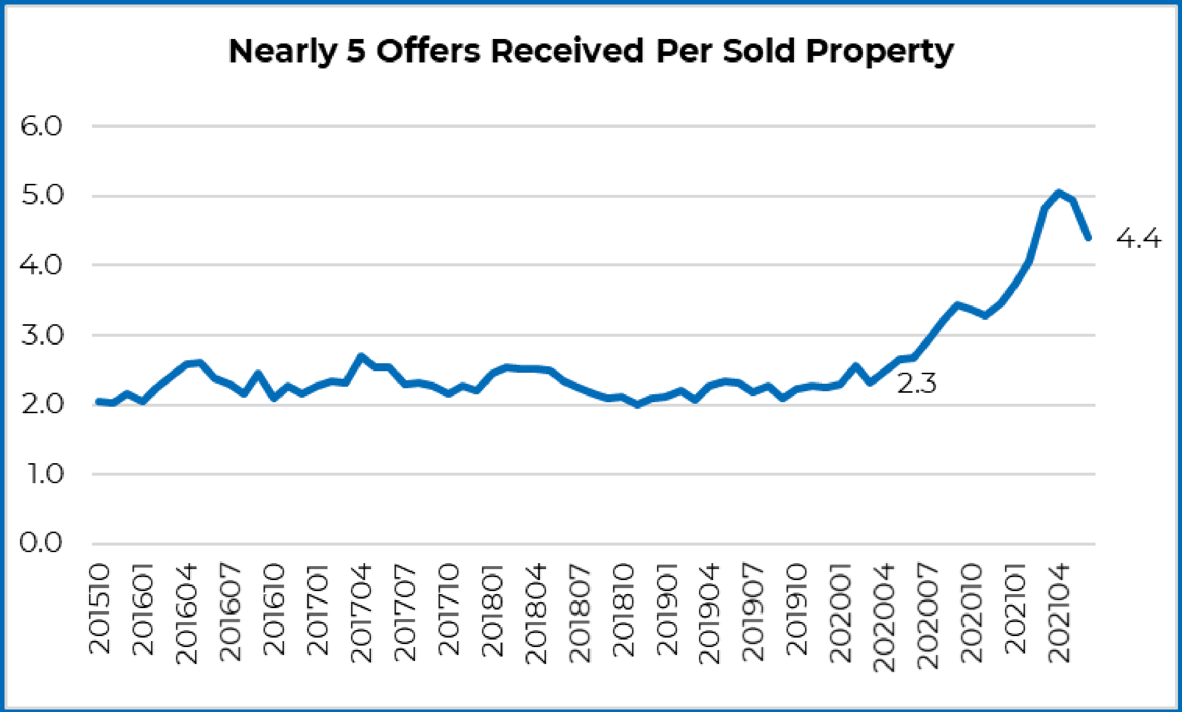
In June 2021, properties typically stayed on the market for 17 days compared to 24 days one year ago, according to a survey of REALTORS® about their transactions during the month.

Of homes that closed in June, 89% were on the market for less than one month, an increase from 62% one year ago.

On average, a home that sold in May received four to five offers, compared to two to three offers one year ago. However, the number of offers was slightly lower than in May (5.4), indicating some softening of demand with prices continuing to surge and with fewer homes at the below $250,000 price range.

Download the **REALTORS® Confidence Index Report.**





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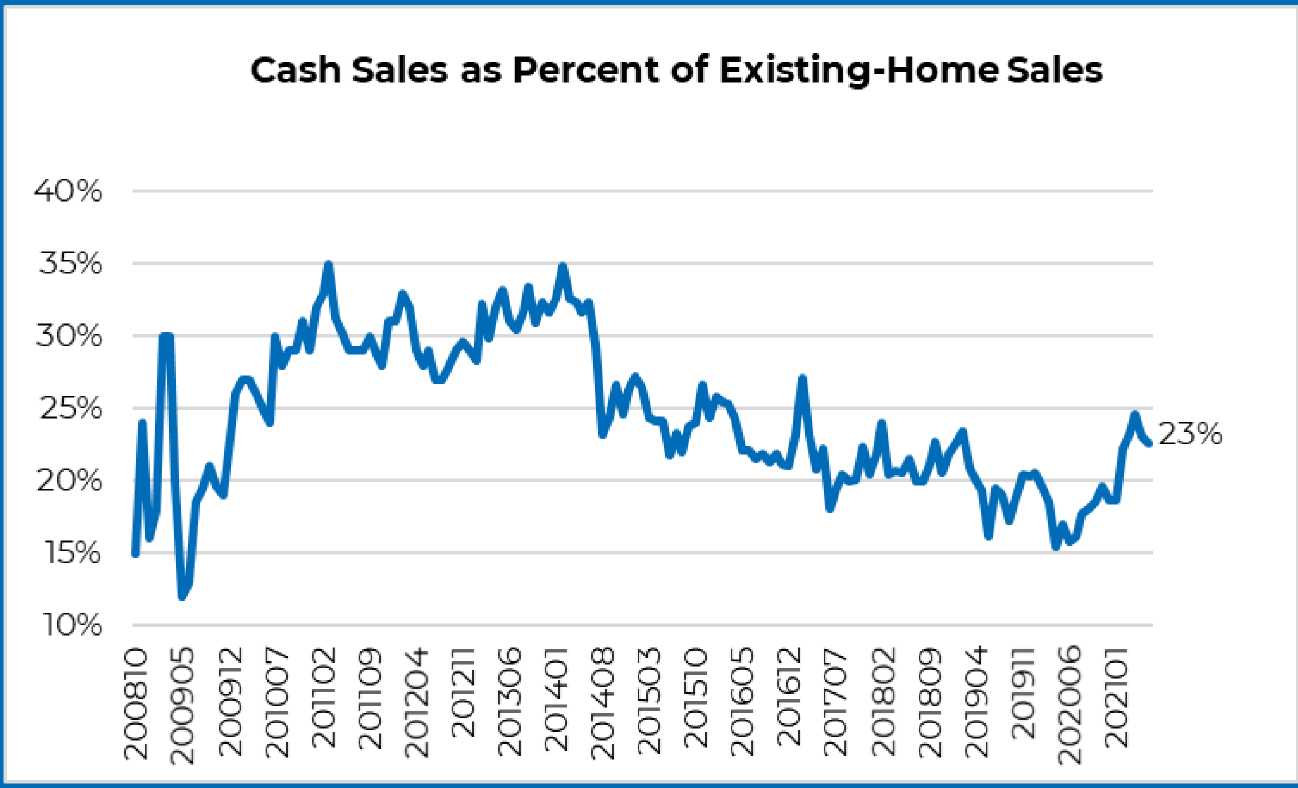
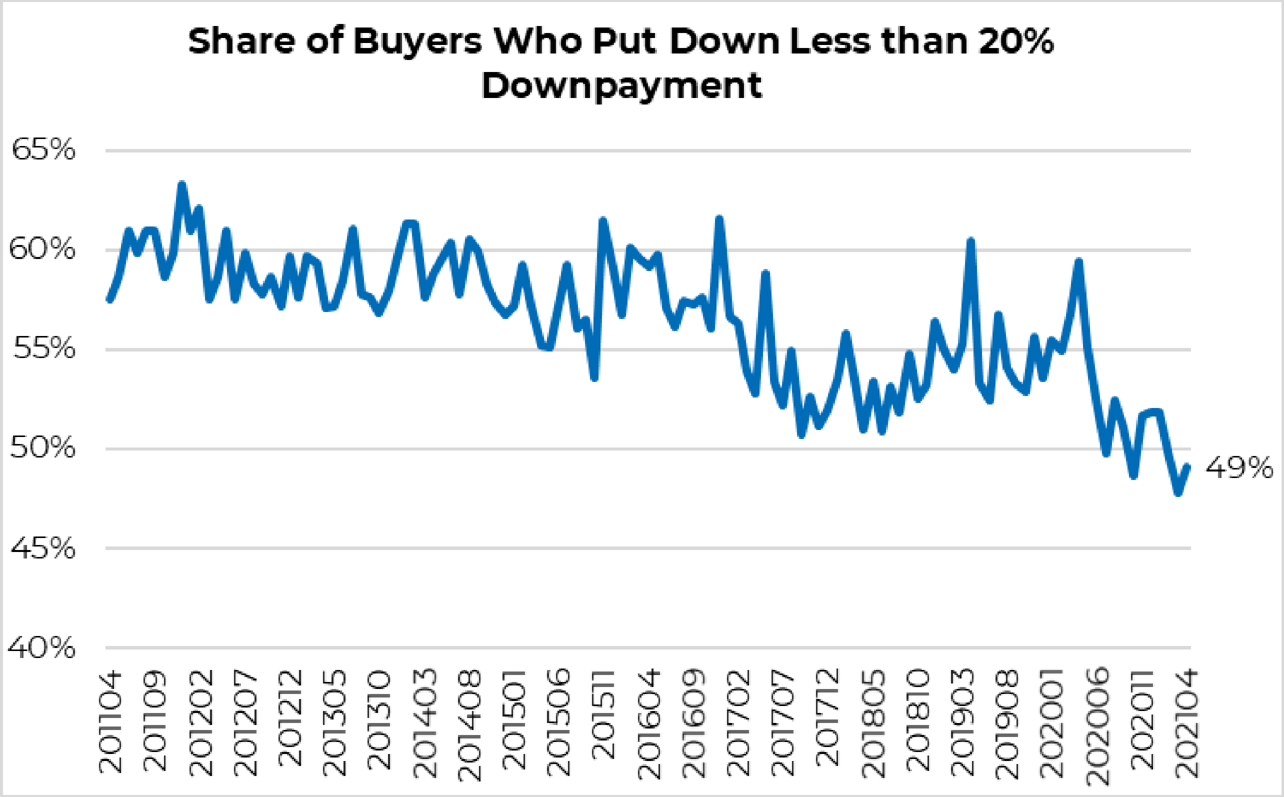
Cash Buyer Share Stays at 23% in June 2021

Amid intense competition, the share of all-cash sales was unchanged at 23%, the second highest on record (25% in April 2021). One year ago, cash buyers accounted for 16% of sales. Sellers prefer cash because of the risk that a buyer obtaining mortgage financing may not be able to secure financing or have the down payment in case the home appraises for a lower value than the contract price.

Sellers also prefer buyers offering higher down payment. Among buyers who obtained a mortgage, the fraction of buyers who put in a down payment of 20% or lower has been trending down, to 49% in June 2021 (59% one year ago), according to NAR's **REALTORS® Confidence Index Report**.





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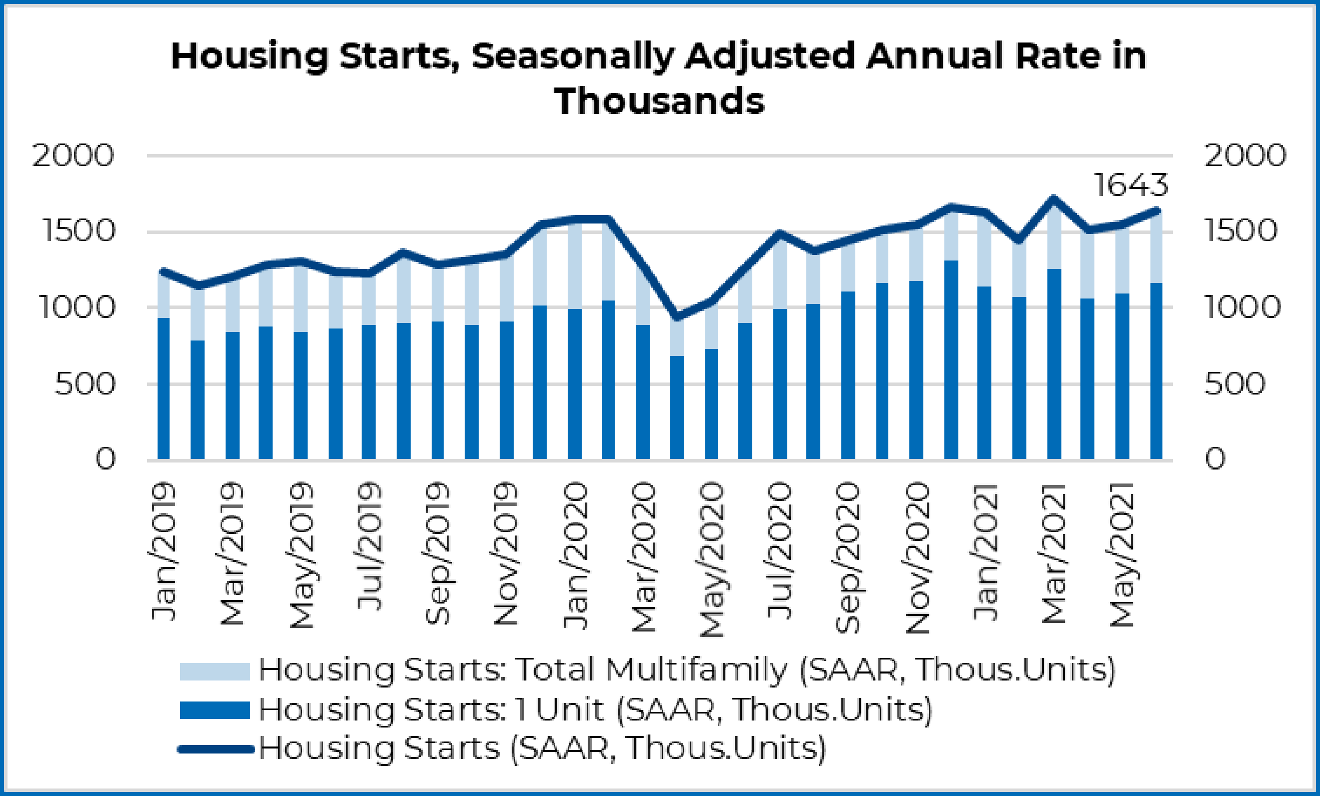
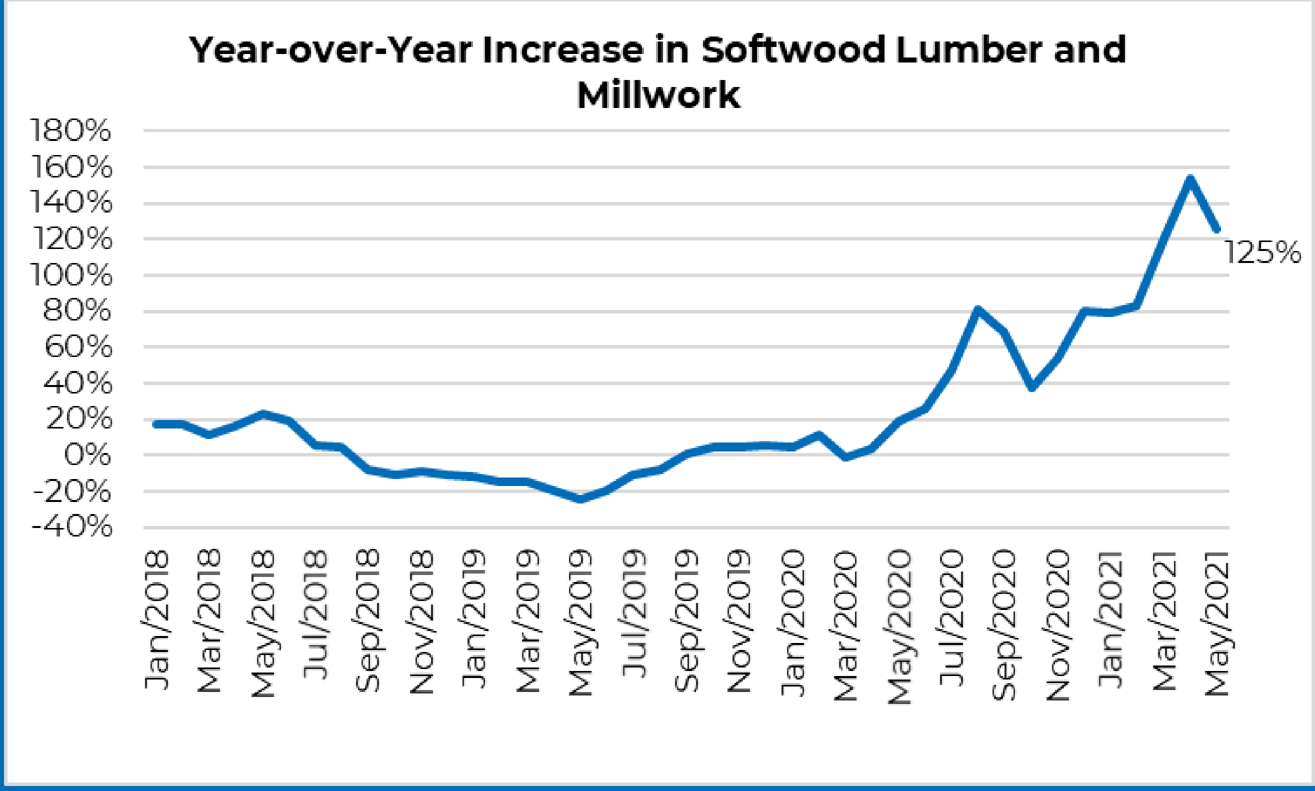
Housing Starts Increase to 1.63 million in June 2021

Housing starts measured on a seasonally adjusted annual rate rose to 1.64 million in June (1.55 in May), the third straight month of increase, as supply bottlenecks related to the pandemic have eased and some decline in lumber prices. Housing starts increased for both single-family to 1.16 million (1.09 million in May), and multifamily to 483,000 (455,000 in May).

While housing starts are rising, 2.1 million housing units need to be constructed over the next 20 years to make up for the 5.5 million in underbuilding since 2000 and to maintain the production of 1.5 million units annually. **Read the NAR-commissioned study**.





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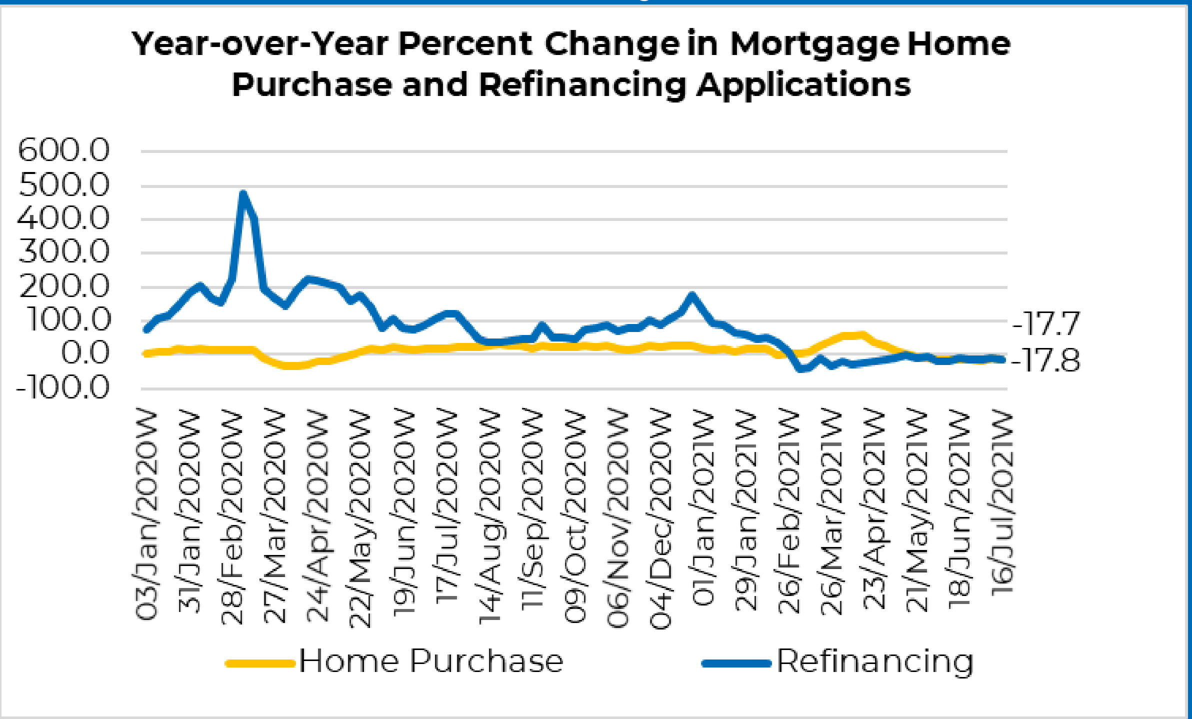
Weekly Mortgage Purchase Applications Declined 6% from Prior Week

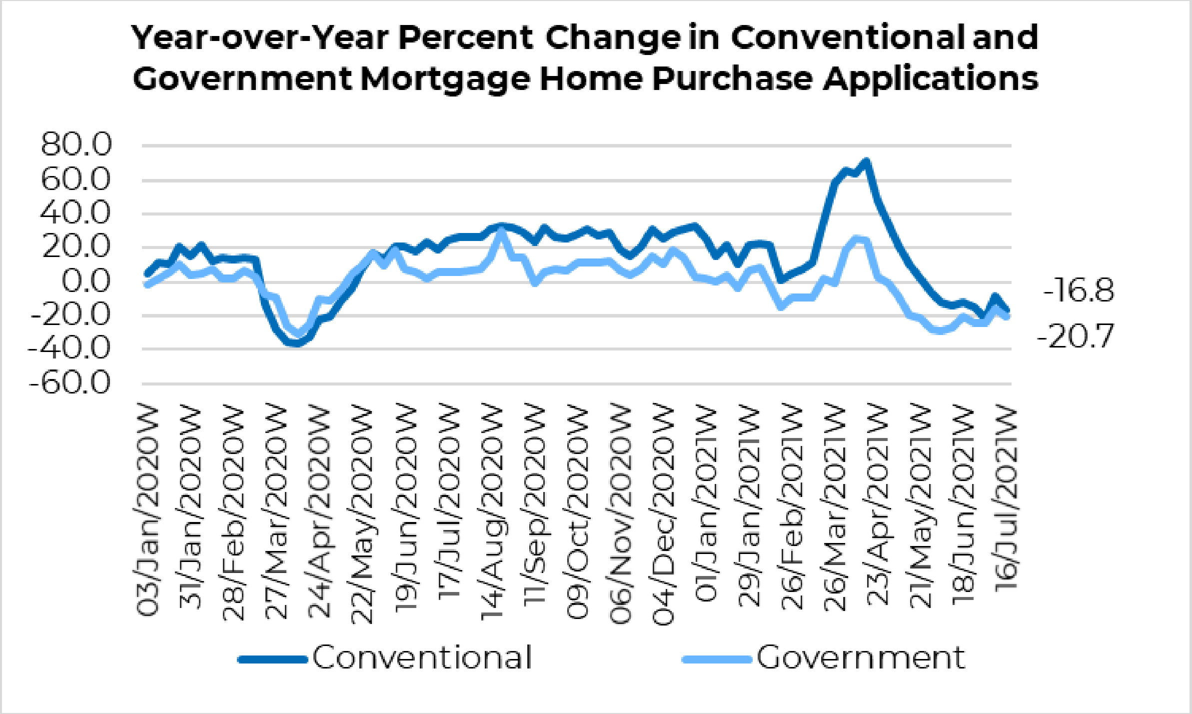
Mortgage purchase applications during the week of July 16 declined by 6.4% from the prior week and 17.7% from one year ago, according to the Mortgage Bankers Association's (MBA) Weekly Mortgage Applications Survey.

Both government-insured (FHA, VA, USDA) and conventional (includes Fannie Mae/Freddie Mac) home purchase loan applications fell from the prior week and from one year ago.

Refinancing applications also fell 2.8% from the prior week and 17.8% from one year ago.

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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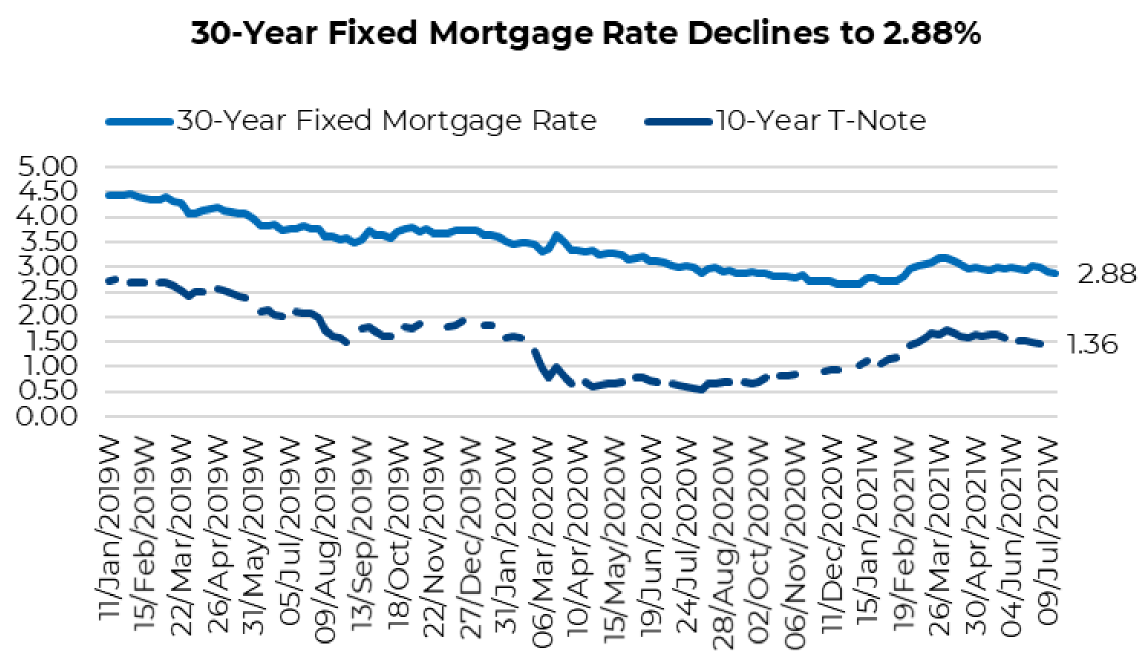
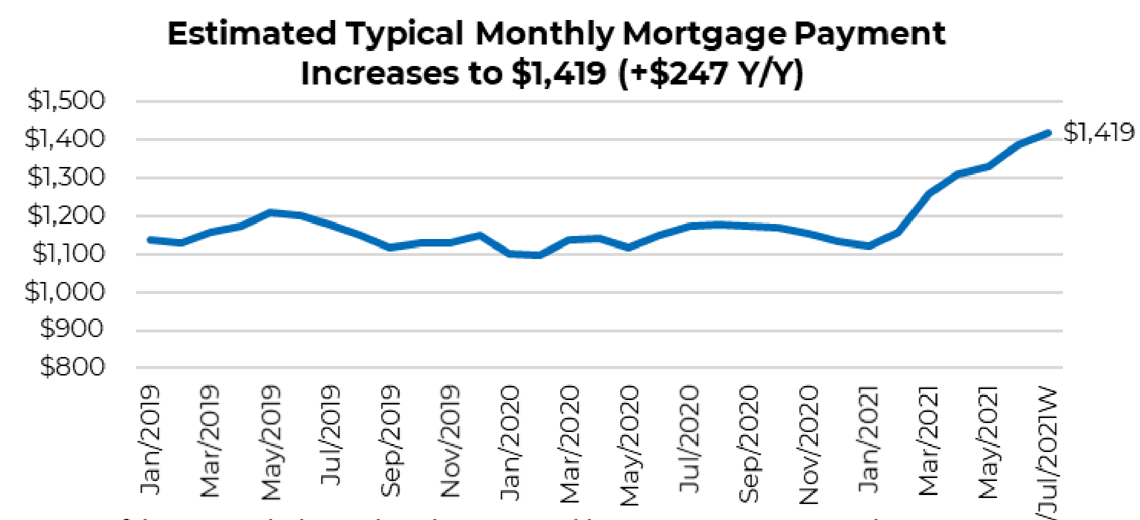
30-Year Fixed Mortgage Rate Stays Below 3%; Monthly Mortgage Payment is Up $247 from One Year Ago

The 30-year fixed mortgage rate fell again for the third straight to 2.88% following the decline in the 10-year T-note to 1.36%. Interest rates have declined even as inflation rose to 5.4% in June 2021. For now, investors seem to be agreeing with the Fed that the rise in inflation is transitory , mainly due to the higher cost of energy (24.5%) and transportation services (10.4%).

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.

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.





Source of data: NAR calculations based on NAR, Freddie Mac, US Census Bureau data
Calculations based on average rate of 2.88% 30-year fixed rate + 0.7% points for week of July 16 and 10% downpayment and a forecasted estimated median existing home sales price of $377,121 estimated by applying the latest y/y price appreciation of 23.4% in June 2021 to the median existing

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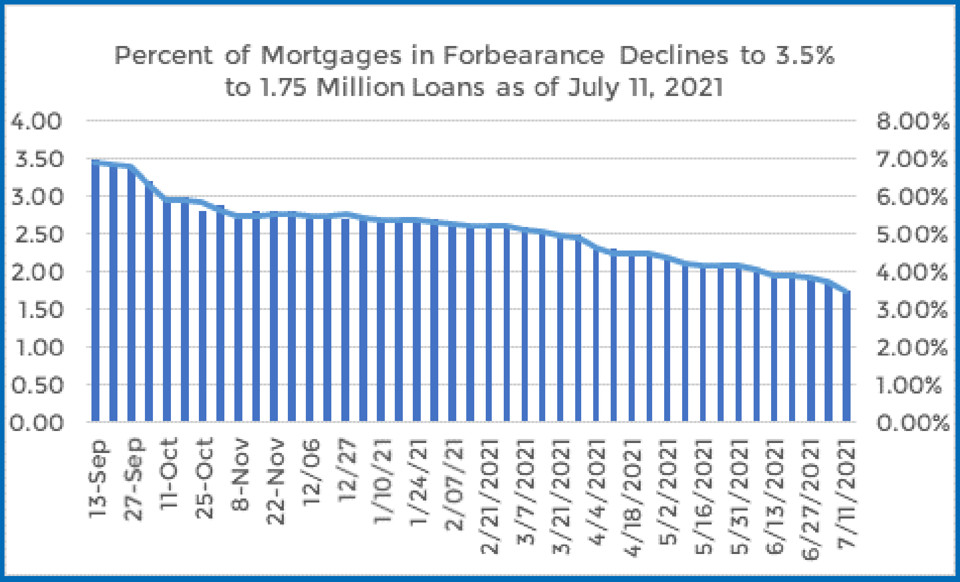
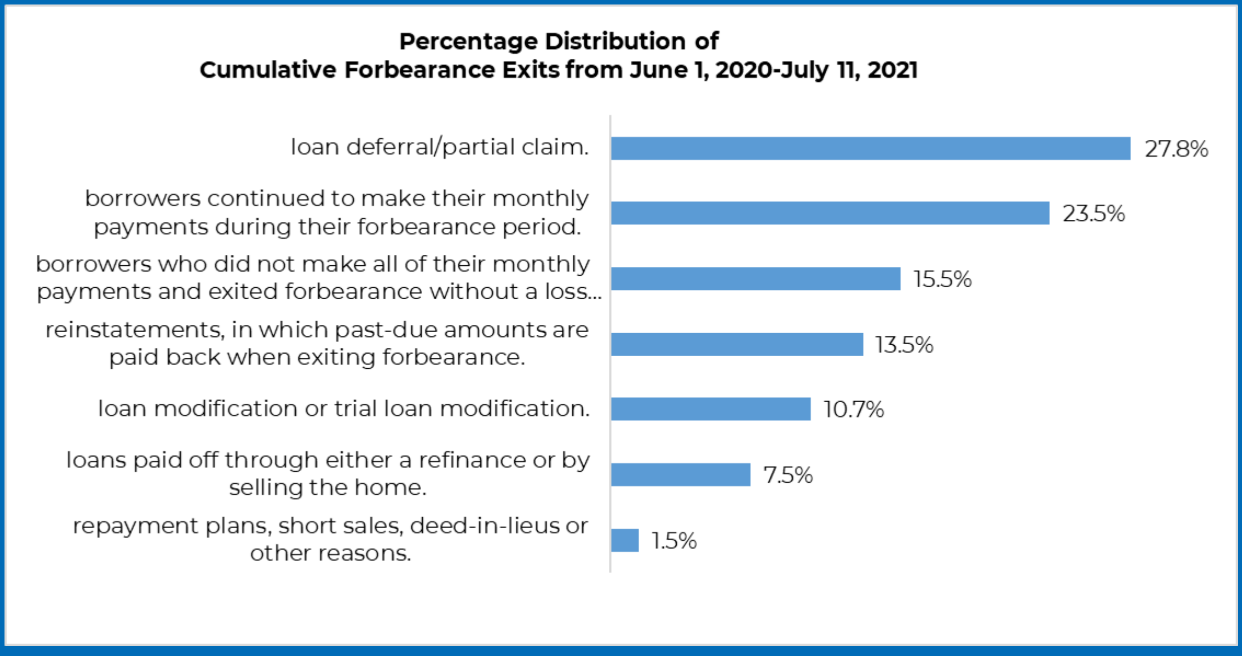
Fraction of Loans in Forbearance Declines to 3.5%

As of July 11, the fraction of loans in forbearance continued to trend downwards to 3.5% of total mortgage. The number of borrowers with loan forbearance continues to decline, to 1.75 million, as borrowers exit forbearance and move into loan payment programs, according to the Mortgage Bankers Association.

Most distressed borrowers are working out payment options with lenders to keep their homes, with 75.4% of homeowners in forbearance having a loss mitigation plan. Of the homeowners who exited forbearance during June 1, 2020—July 11, 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 borrowers in distress later on. With an average of 2.6 million loans in forbearance during September 2020—July 11, 2021, that yields about 400,000 borrowers who exited without a loss mitigation plan. This is equivalent to only about 1 month of the current pace of existing home sales (483,333) and should not cause a decline in home prices.





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The National Association of REALTORS® is America's largest trade association, representing more than 1.4 million members, including NAR's institutes, societies and councils, involved in all aspects of the real estate industry. NAR membership includes brokers, salespeople, property managers, appraisers, counselors and others engaged in both residential and commercial real estate. The term REALTOR® is a registered collective membership mark that identifies a real estate professional who is a member of the National Association of REALTORS® and subscribes to its strict Code of Ethics. Working for America's property owners, the National Association provides a facility for professional development, research and exchange of information among its members and to the public and government for the purpose of preserving the free enterprise system and the right to own real property.

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The Mission of the NATIONAL ASSOCIATION OF REALTORS® Research Group is to produce timely, data driven market analysis and authoritative business intelligence to serve members, and inform consumers, policymakers and the media in a professional and accessible manner.

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