2021

Weekly Real Estate Monitor

Residential and Commercial Markets

August 30-September 2

National Association of REALTORS® Research Group

NATIONAL ASSOCIATION OF REALTORS®

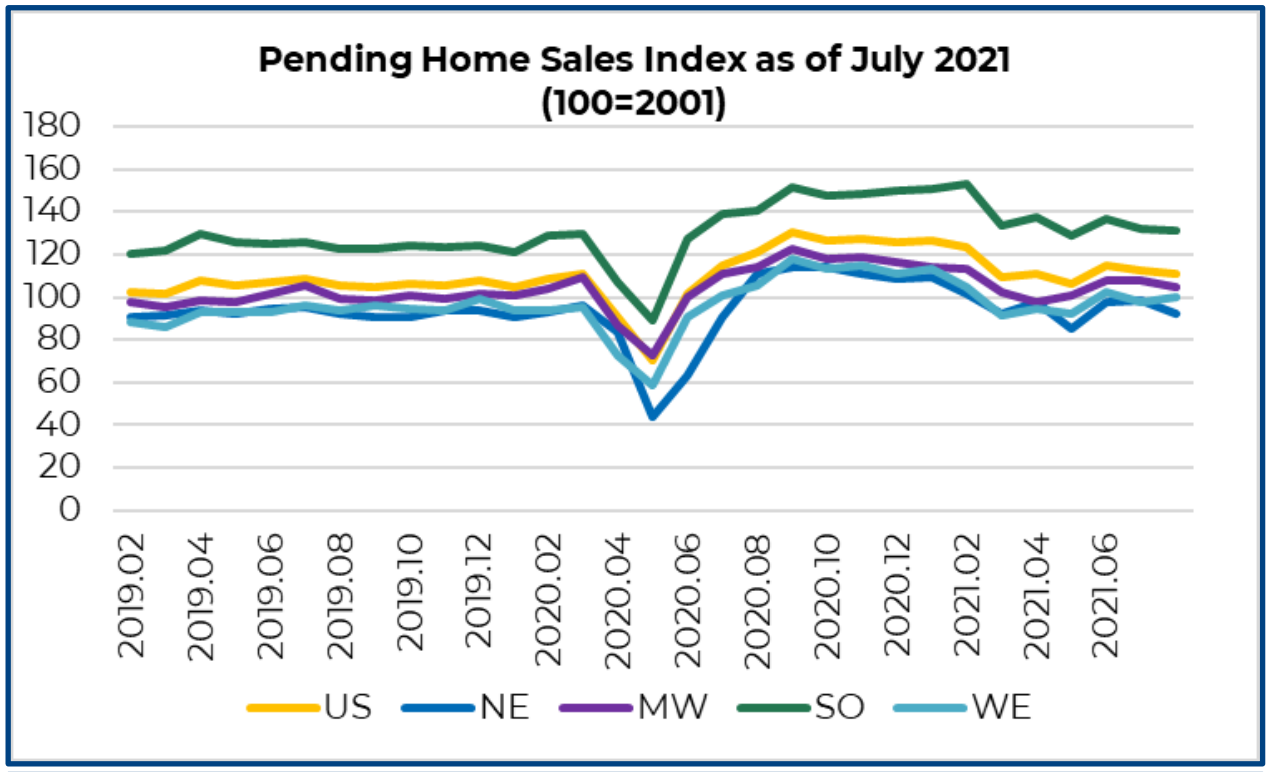
Weekly Real Estate Monitor

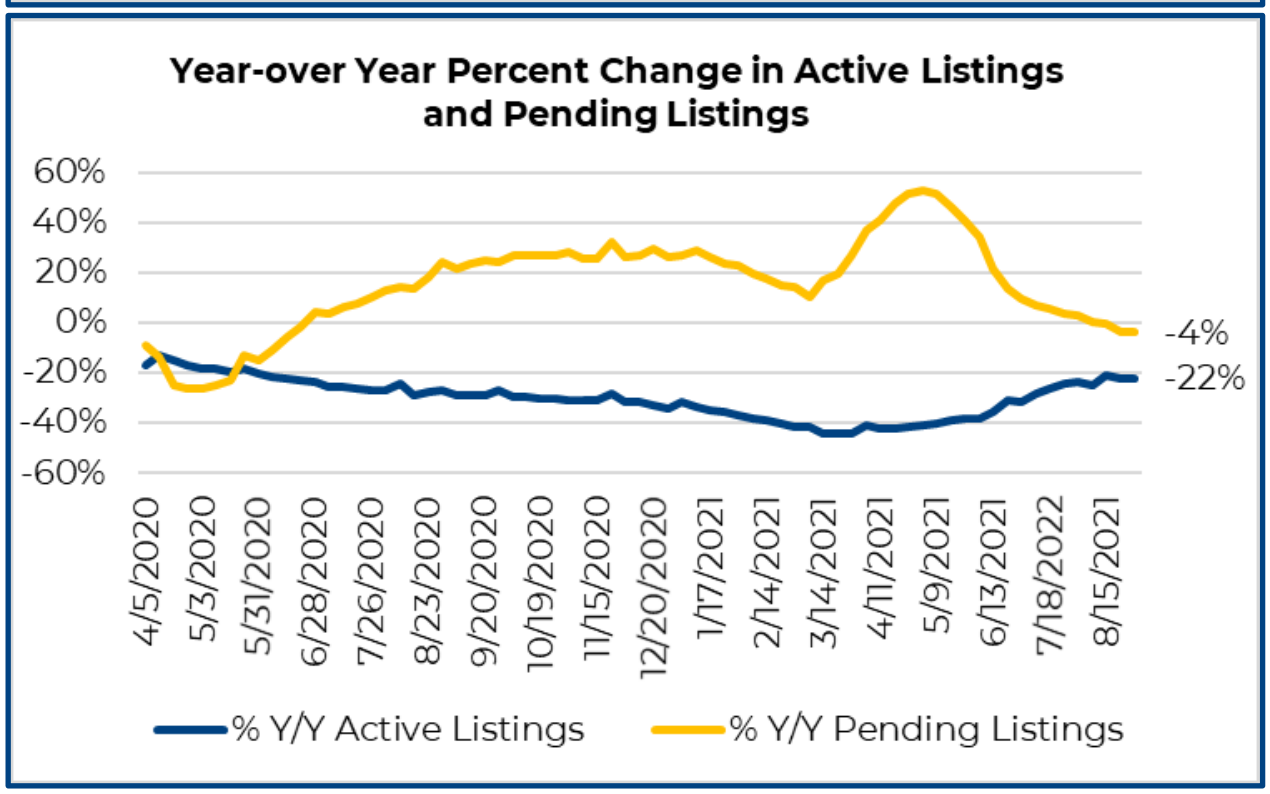
Pending Home Sales Dip for Second Straight Month in July

Pending home sales decreased 1.8% from June and were lower 8.5% from one year ago. Compared to June, only the West saw contract signings increase in July (+1.9%) while contract signings decreased in the Northeast (-6.6%), Midwest (-3.3%) , and the South (-0.9%).

Year-over-year, pending sales were down 8.5% nationally, with all regions recording declines.

Pending home sales have generally been trending downwards since March as home prices have become less affordable. The median existing-home sales price was up 17.8% year-over-year as of July. Prices have soared as demand continues to outpace supply. As of August 29, the stock of pending listings was down 4% from one year ago while the stock of active listings was down 22% year-over-year.





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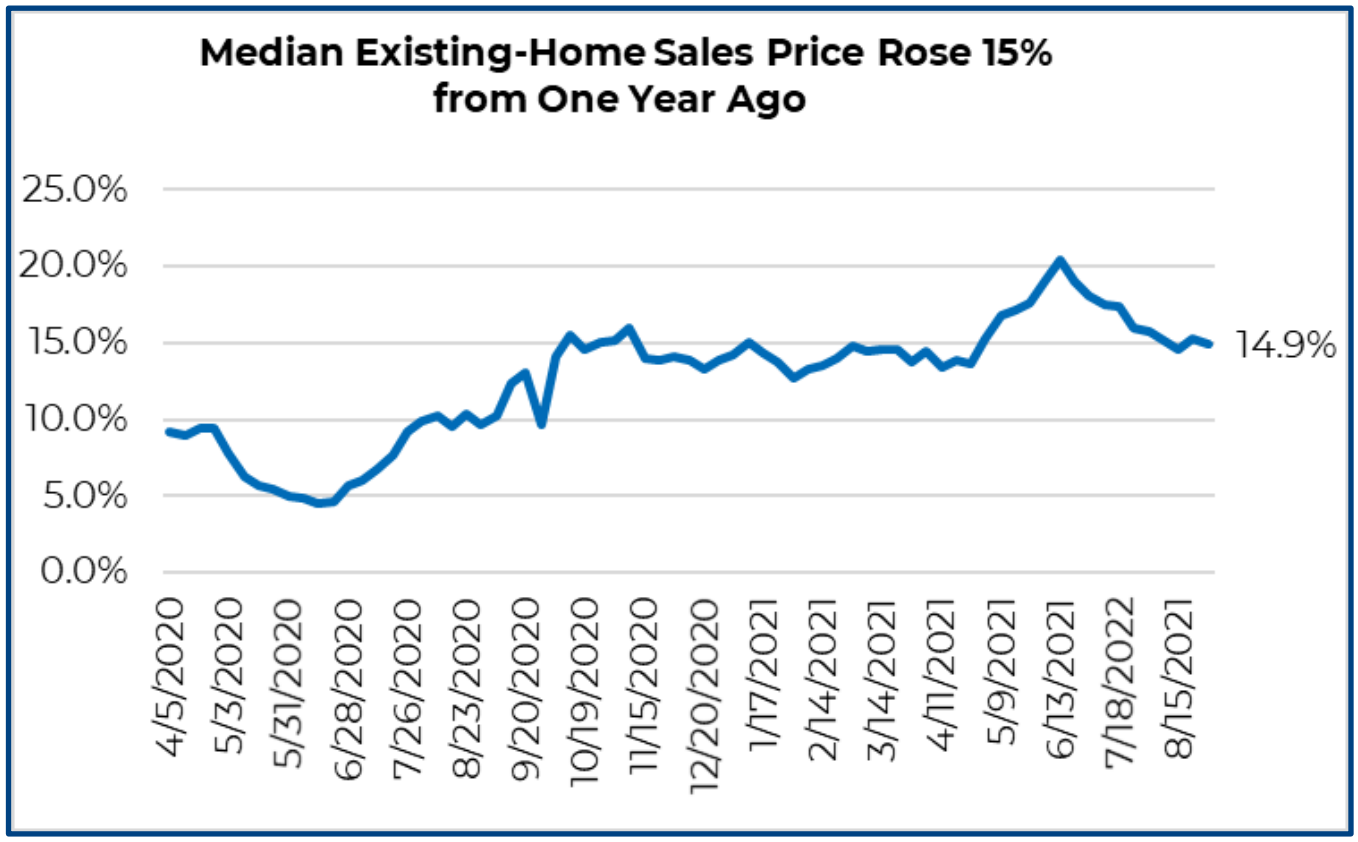
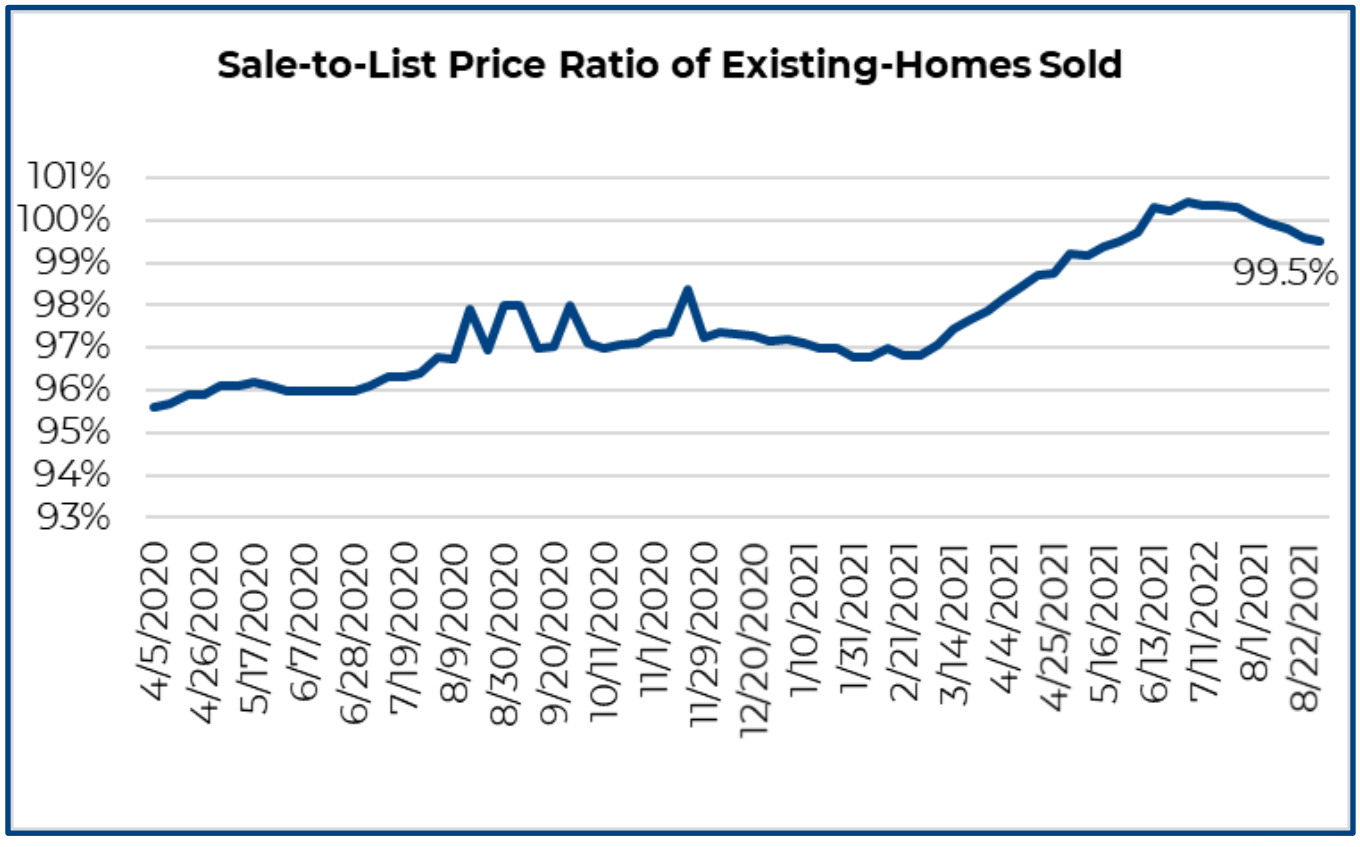
Home Price Appreciation Eases to 15%

The heated home price appreciation is starting to cool. Based on preliminary data, the median sales price of existing-homes sold during the past four weeks ended August 29 rose at a slower year-over-year pace of 14.9%, a slowdown from the 20% price appreciation during the four weeks ended June 13.

The sale-to-list price ratio has also tapered down to 99.5% after rising over 100% in June and July.

Homes typically sold in 14 days compared to 24 days one year ago, indicating that demand for homes remain strong compared to the supply of homes for sale.





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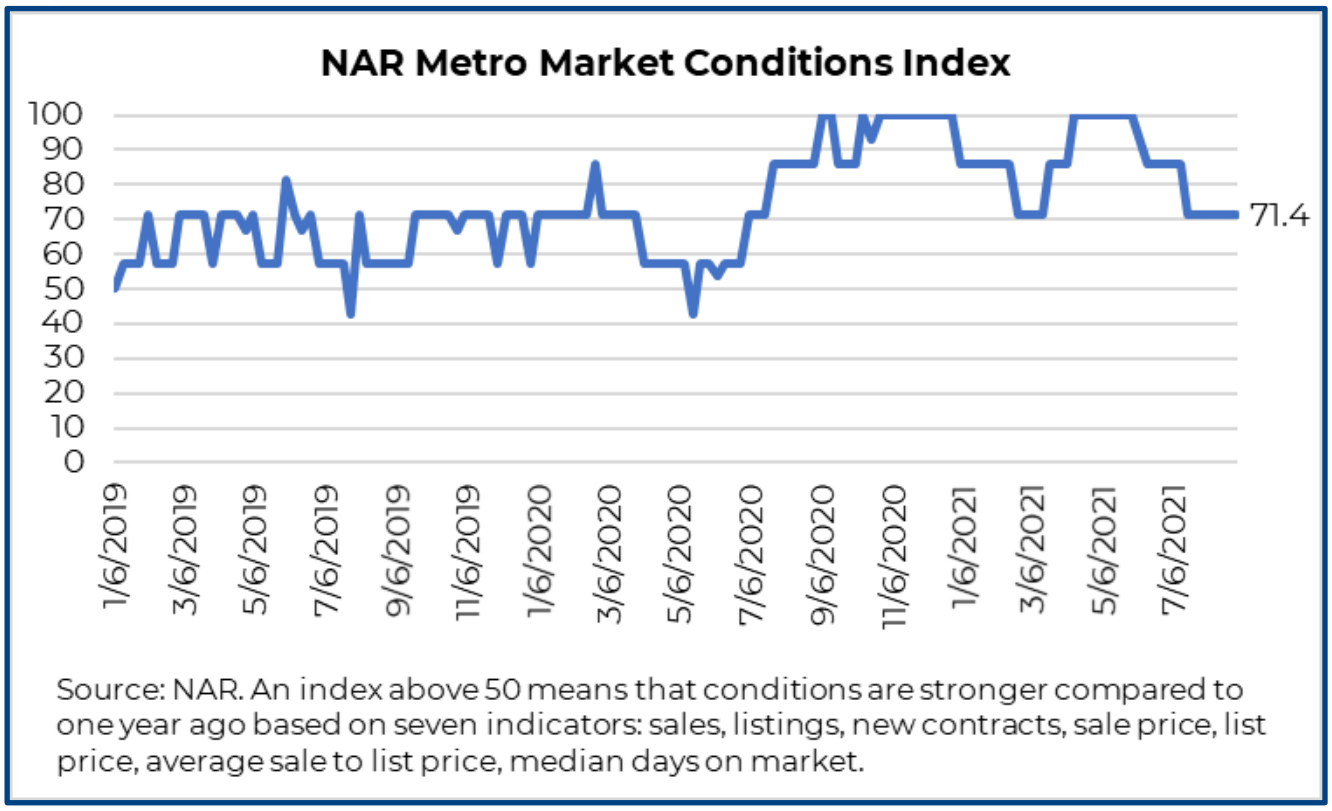
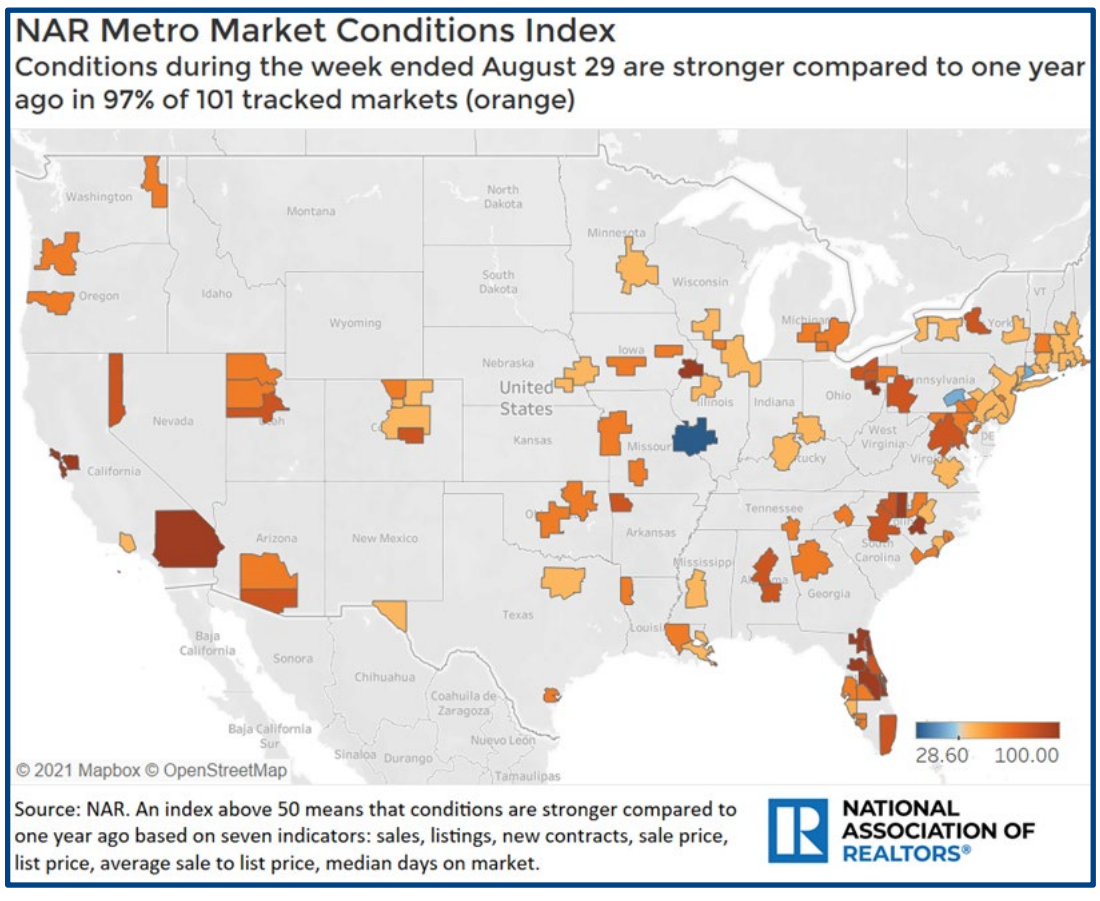
NAR Metro Market Conditions Index Indicates a Softening Housing Market

NAR's Metro Market Conditions Index stayed stable at 71.4 during the week ended August 29. With the index still at over 50, this means that market conditions during the week ended August 29 in 101 tracked markets are still broadly stronger than one year ago. However, compared to May when the index hit 100, the current indicator indicates the hot housing market is starting to cool slightly.*

97% of 101 metro areas had stronger market conditions compared to one year ago (index over 50).



Source: NAR. An index above 50 means that conditions are stronger compared to one year ago based on seven indicators: sales, listings, new contracts, sale price, list price, average sale to list price, median days on market.



* The Metro Market Conditions Index is the median of the diffusion index calculated for 101 metro areas based on 7 indicators: sales, listings, new contracts, sale price, list price, average sale to list price, median days on market. Each indicator is coded 100= +y/y change; 50= no y/y change; 0= y/y decline) except for days on market where a decline is given a value of 100. For each metro area, the average is then calculated and an index above 50 means conditions are broadly stronger compared to one year ago. Then, the median value of these metro-level indices is calculated to arrive at a national level index.

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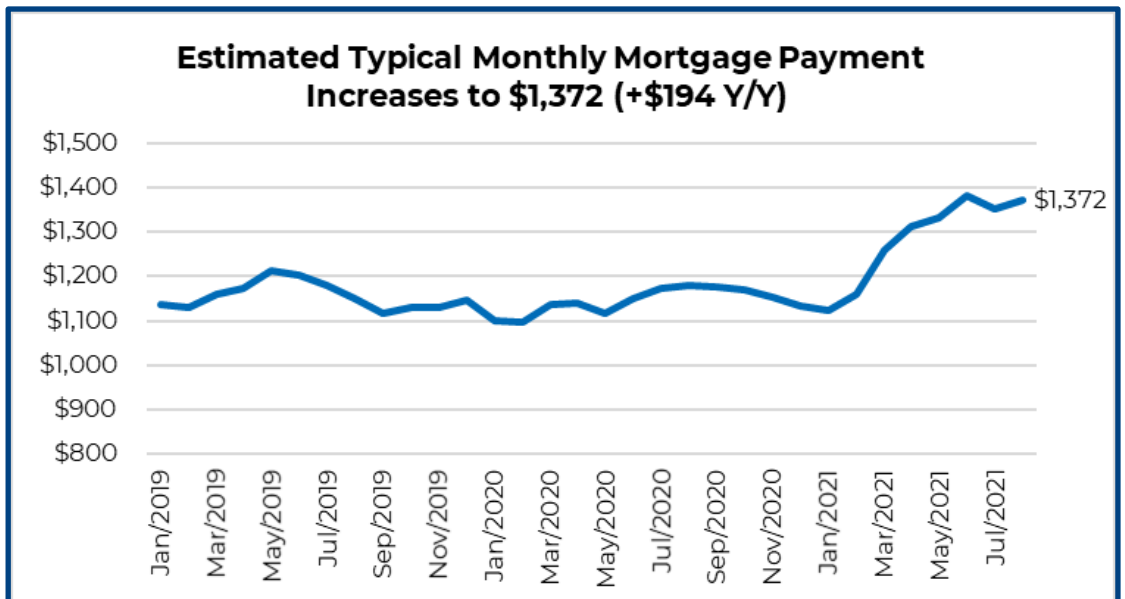
Monthly Mortgage Payment Up $194 from One Year Ago Even as Mortgage Rate Remains Below 3%

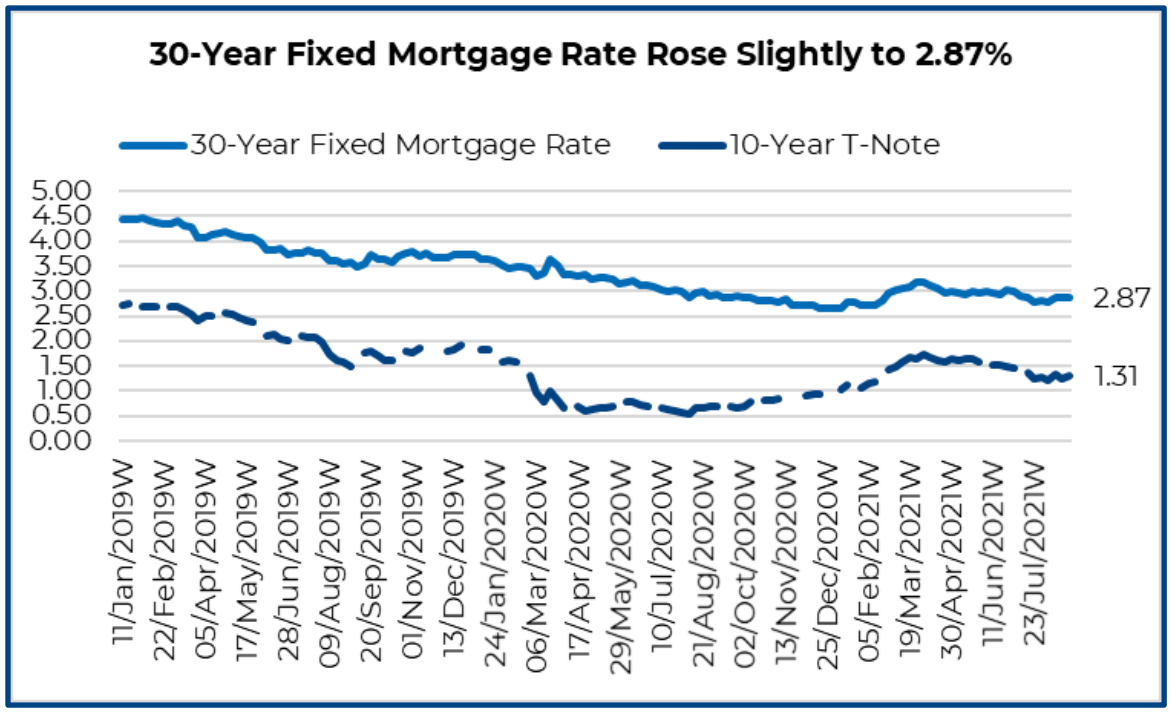
With home prices up 18% from one year ago, the estimated monthly mortgage payment on a typical home rose to $1,372, up $194/month from one year ago, making a home purchase less affordable. In June, NAR's Housing Affordability Index fell to 146.3.

The 30-year fixed mortgage rate slightly inched up to 2.87 following the uptick in the 10-year T-note to 1.31%, a bellwether of mortgage rates. The 10-year Treasury note yield has generally trended downwards in July and August on concerns about the economic impact of the surge in Delta-variant cases.

NAR Chief Economist Lawrence Yun expects the 30-year fixed mortgage rate to increase to 3.3% by the 4th quarter of 2021 and to average 3.6% in 2022 with inflation hitting 5.4% in June and July.



Source of data: NAR calculations based on NAR, Freddie Mac, US Census Bureau data
Calculations based on average rate of 2.87% 30-year fixed rate + 0.7% points for week of August 20 and 10% downpayment and a forecasted estimated median existing home sales price of $365,553 estimated by applying the latest y/y price appreciation of 17.8% in July 2021 to the median existing home sales to estimate August prices.



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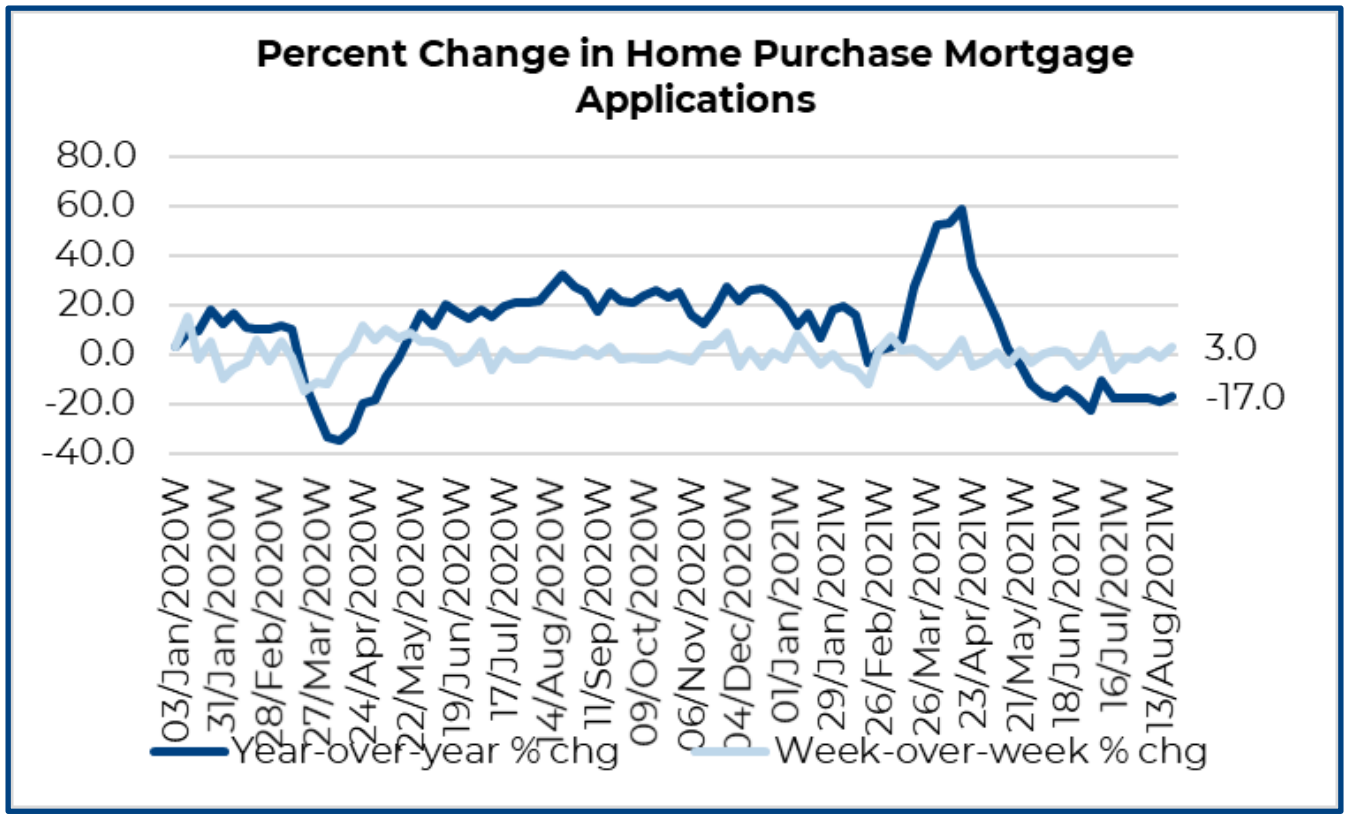
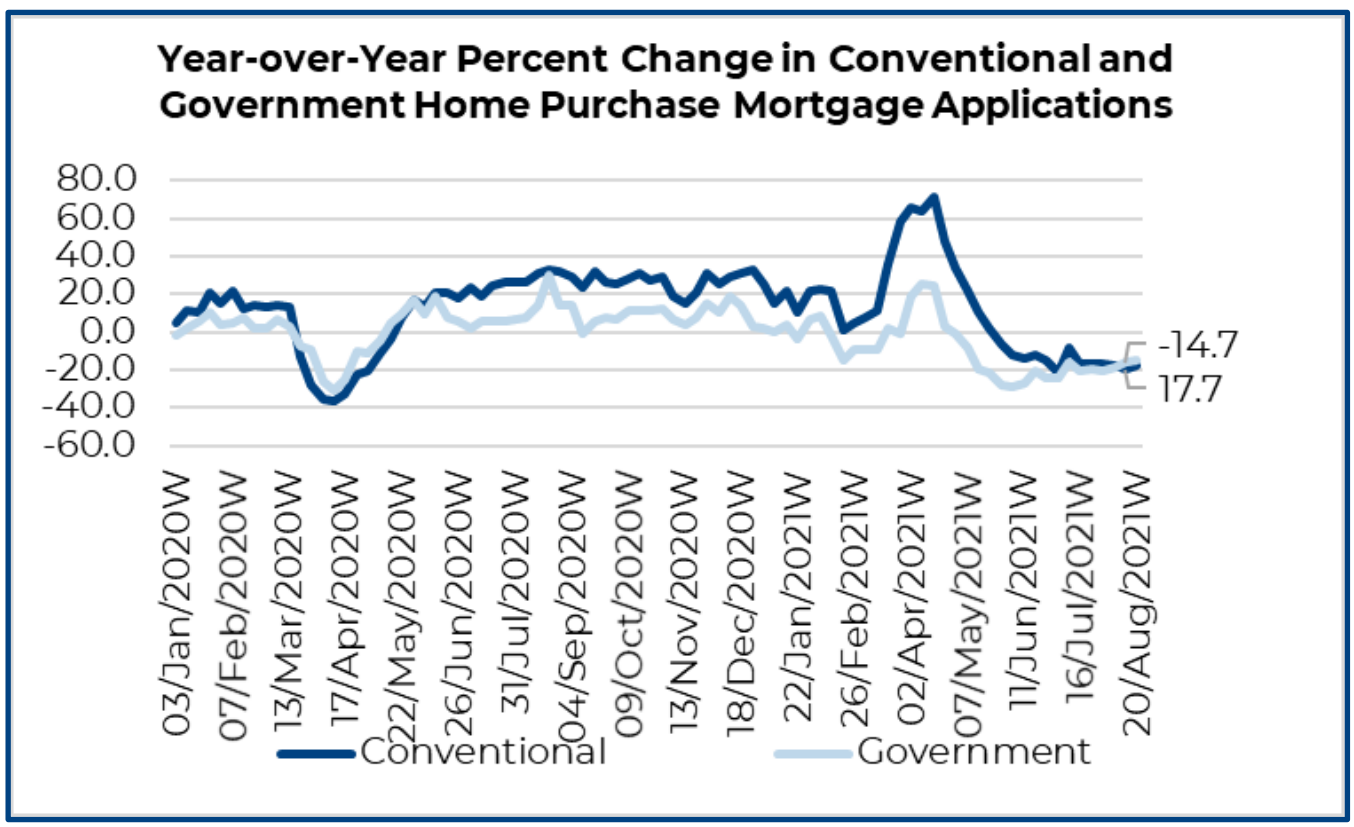
Weekly Mortgage Applications Increase 3% from the Prior Week

Mortgage purchase applications have been volatile, but applications for a home purchase rose 3% from the prior week, but applications are down 17% from one year ago, according to the MBA's Weekly Mortgage Applications Survey.

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

Refinancing applications increased 0.9% from the prior week and 2.9% from one year ago. Mortgage rates have hovered at the low 3% since 2020 so most higher rate mortgages have likely been refinanced already.





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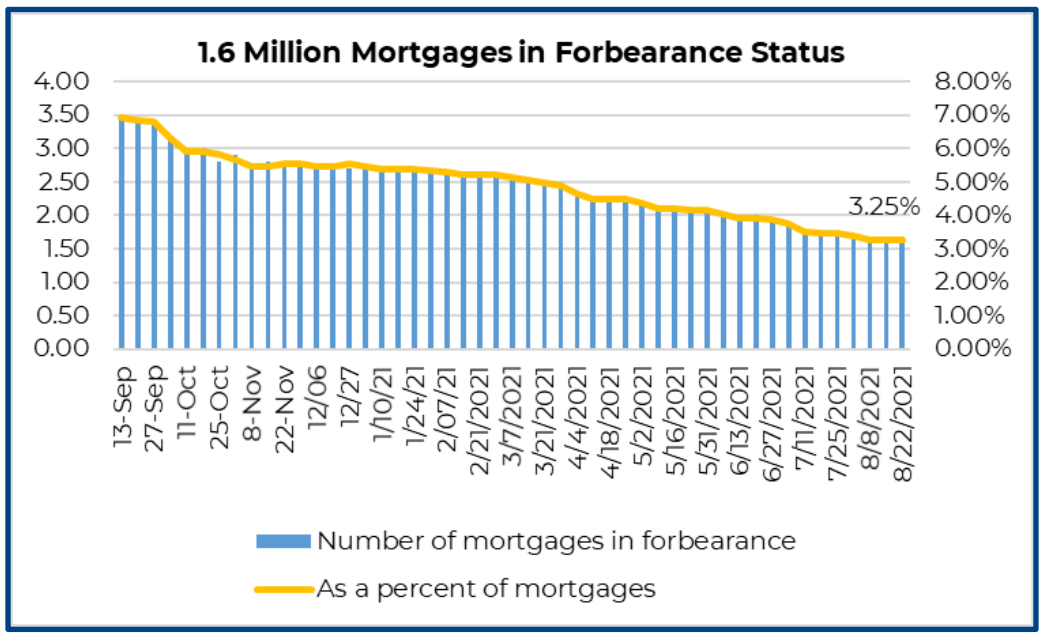
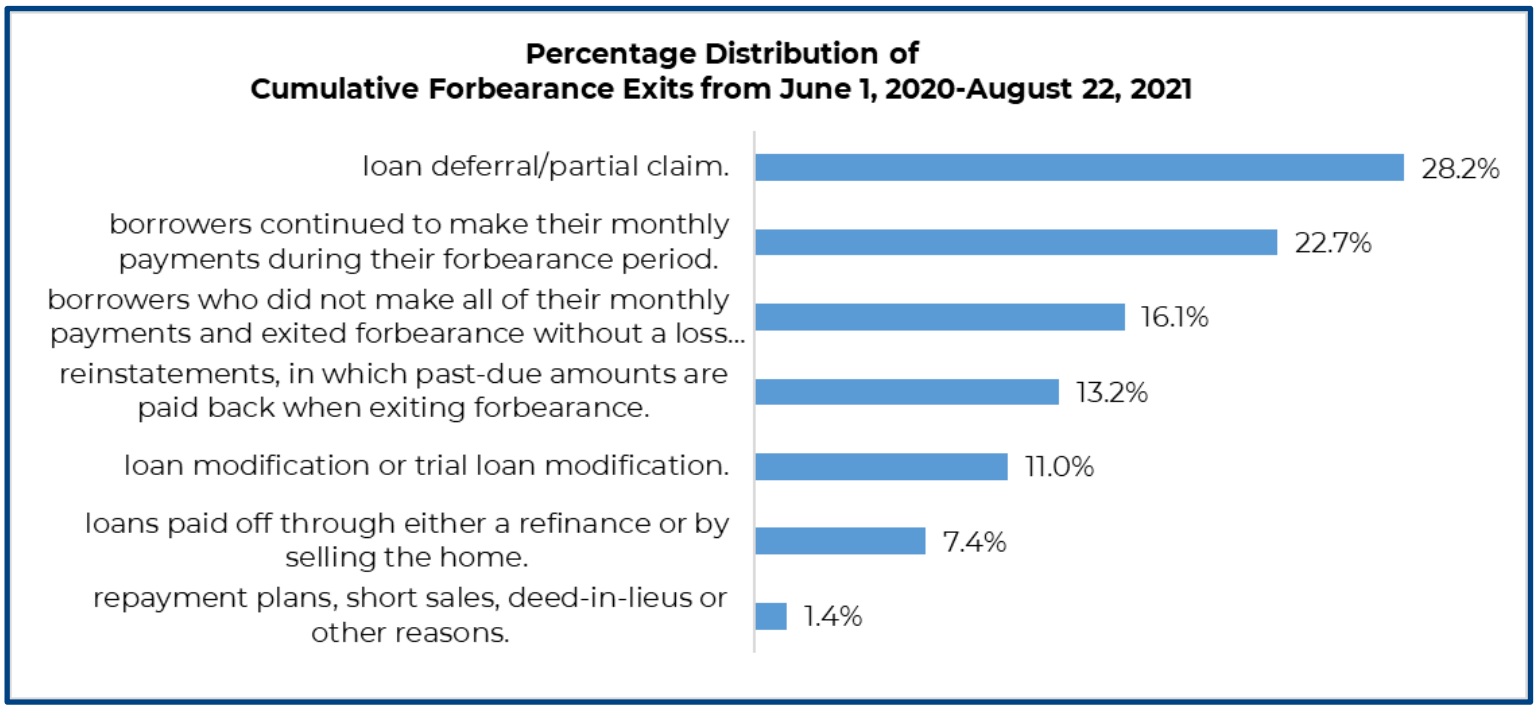
Fraction of Loans in Forbearance Holds at 3.25%

The fraction of loans in forbearance stayed stable at 3.25% of total mortgages, equivalent to 1.6 million, according to the MBA.

Most distressed borrowers are working out payment options with lenders to keep their homes, with 75.1% of homeowners in forbearance having a loss mitigation plan. Of the homeowners who exited forbearance during June 1, 2020—August 22, 2021, 7.5% exited forbearance by refinancing their home or selling their home and 1.4% ended in a short sale or deed-in-lieu (and other reasons). With an average of 2.44 million loans in forbearance during September 2020—August 22, 2021, that has added 183,00 homes for sale during this 12-month period.

However, 16% of borrowers have exited forbearance without a loss mitigation in place, which can put these borrowers in distress later. With an average of 2.44 million loans in forbearance during September 2020—August 22, 2021, that yields about 390,000 borrowers who exited without a loss mitigation plan. This is equivalent to only about 1 month of the current pace of existing-home sales (499,167) and should not cause a huge drop in home prices.





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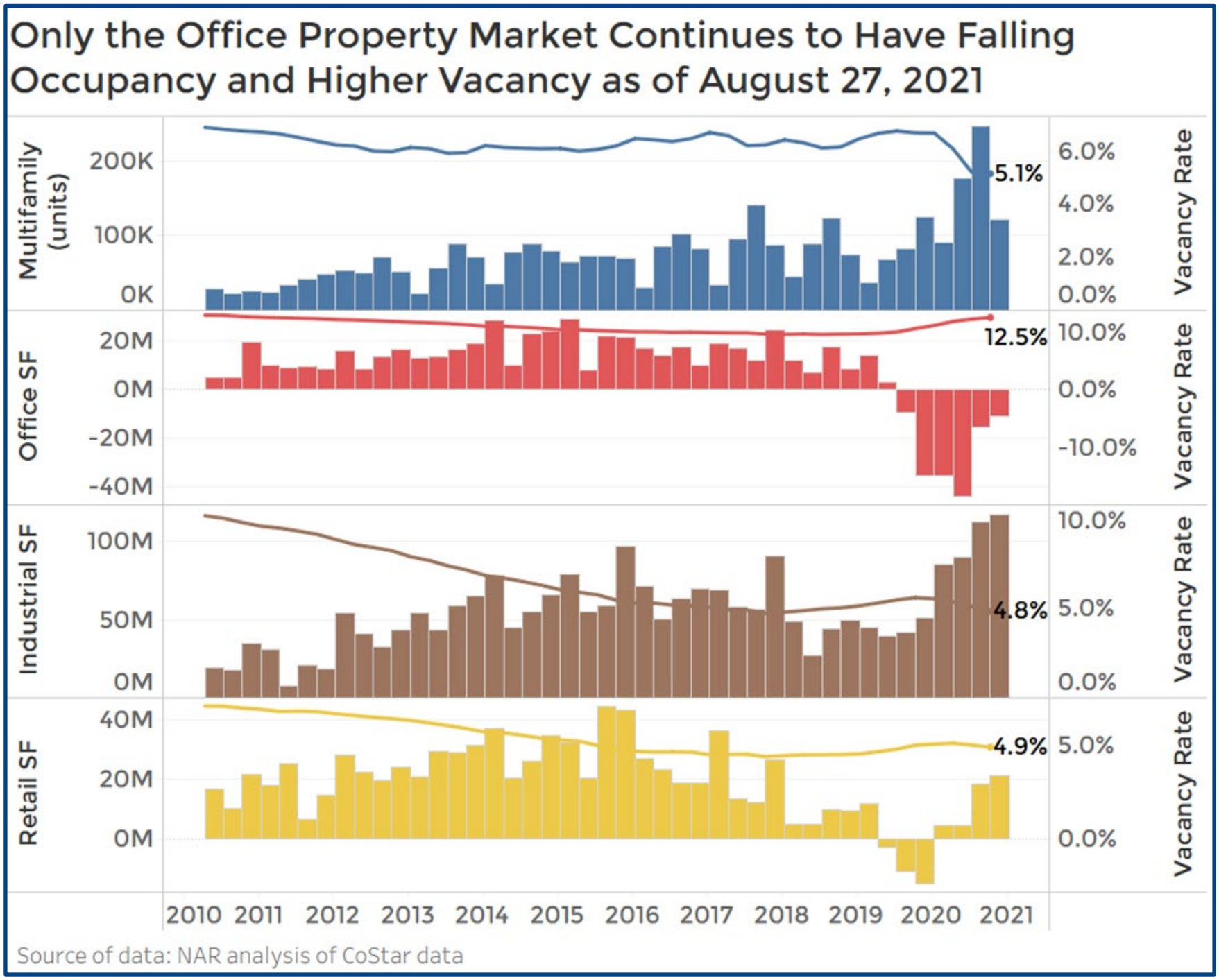
Positive Absorption, Except for Office

The commercial property market is undergoing a bifurcated recovery. Only the office property market had continued to see a decline in occupancy (negative net absorption) while the multifamily, industrial, and retail property markets saw an increase in occupancy.

In the apartment market, there was a positive net absorption of 845,219 units since 2020 Q2 through 2021, with the vacancy rate declining to 5.1% from 6.7% in 2020 Q1 (pre-pandemic).

In the industrial market, 500 million square feet of office space has been absorbed since 2020 Q2. This positive net absorption of industrial space more than offsets the negative net absorption of office space.

Download the August Commercial Market Insights Report



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Rents are Rising, Except for Office

In the multifamily market, the average asking rent per unit as of the 2021 Q3 is up 10.6% from one year ago or 6-fold the rent growth prior to the pandemic of just 2.6%.

In the industrial property market, the average asking rent per square foot was up 6.3%, also higher than the 5% rent growth prior to the pandemic.

In the retail property market, rents are also rising, with the average asking rent up by 1.9% although this is a tad lower than the 2.2% pre-pandemic rent growth.

Only the office market continues to face falling rents, with the average asking rent down by 0.7% compared to one year ago.

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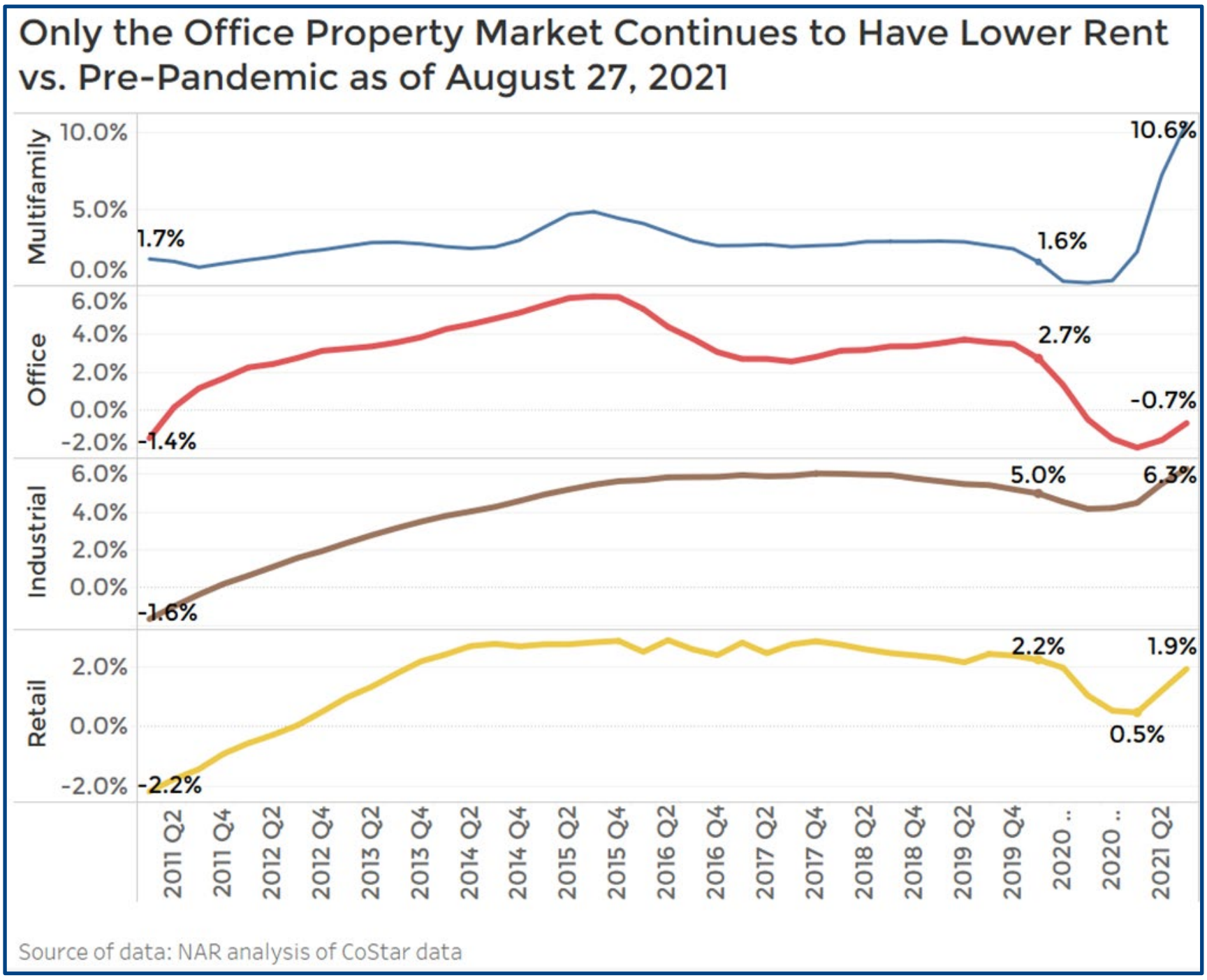

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Slowdown in Construction, Except for Industrial Properties

The pace of construction activity has been on the decline since the second quarter of 2020 in the core property markets except in industrial real estate.

In the apartment market, there are 592,846 units under construction as of 2021 Q3, well below the 710,000 units under construction prior to the pandemic. The decline in construction activity will continue to push up apartment rents.

In the office market, construction activity is at 143 million square feet as of 2021 Q3. The current pace of construction is equivalent to 1.8% of the current inventory. As businesses push back the dates workers return to the office and with the office property market still undergoing negative net absorption, expect vacancy rates to remain elevated and rents flat.

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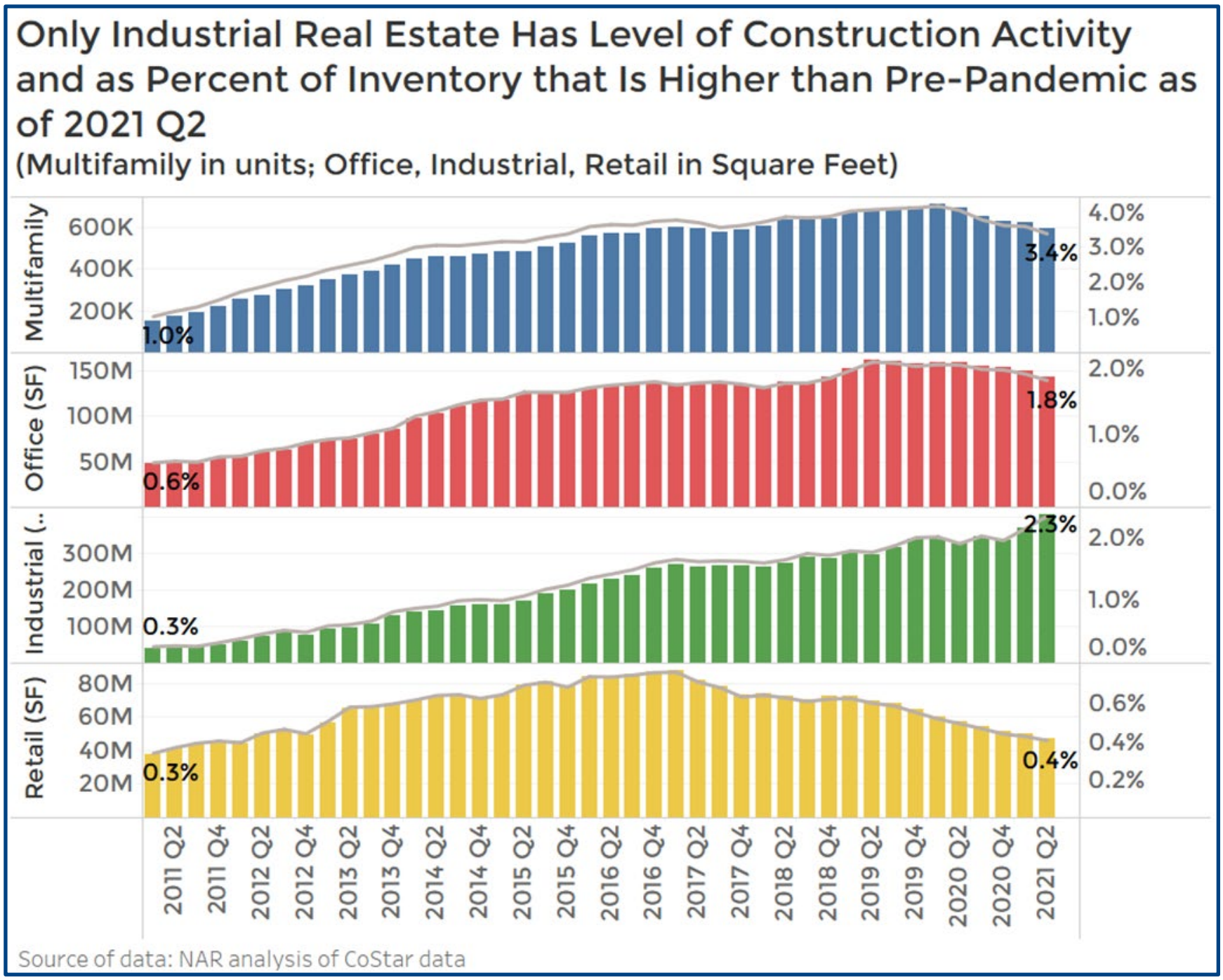

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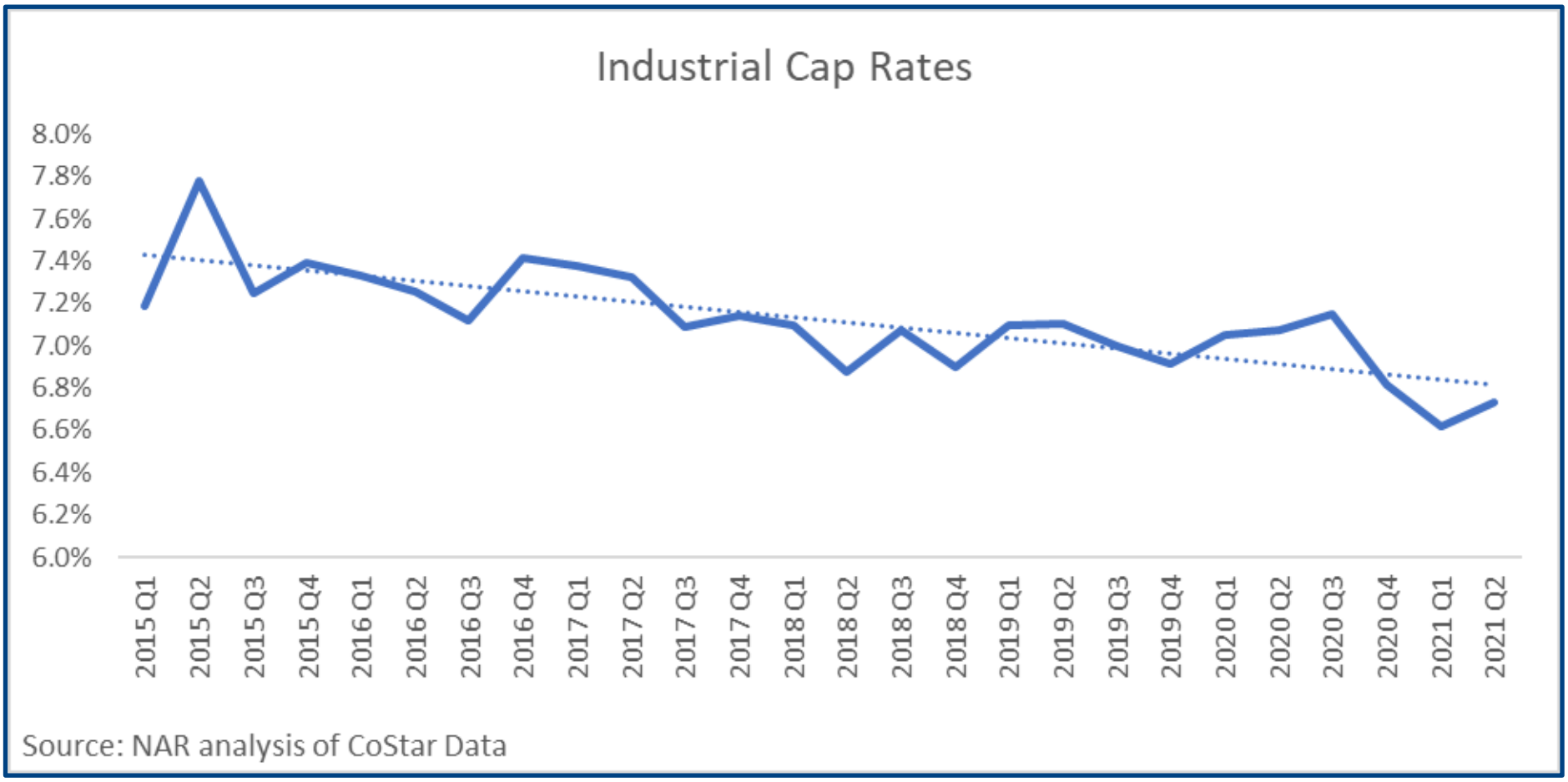
Industrial Markets Remain Solid

E-commerce remains the primary motivator for the increased demand for quality industrial space.

As of the second quarter of 2021, the demand for industrial space remains robust, as vacancy rates continue to decrease and as rent growth continues an upward trajectory across the United States.

Although there was a slight uptick in cap rates, the demand for industrial space will continue to be strong as e-commerce dollars continue to increase.

Read the full report here.



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2021 January – June Migration Trends Report

Do you want to know where people move a year into the pandemic? In this report, the National Association of REALTORS® analyzed the latest migration trends. Here are some highlights:

During the first half of the year:

- fewer people moved compared to a year earlier. As millions of Americans are already vaccinated, people are no longer rushing to relocate. Nevertheless, a year earlier, people "panic-moved," leaving their homes due to the pandemic.
- people continue to move away from urban centers while small towns and rural areas attract even more movers. The share of inbound moves for urban areas was 48.5% - indicating migration losses - compared to 54.6% for rural areas – migration gains.
- when people don't move to more affordable areas, they choose to move to a home near the ocean or with a nice mountain view. Barnstable Town, MA (63%) and Portland, ME (56%) were the top areas with the most migration gains, although homes are more expensive than the national median.
- families moved to small cities. Nearly 30% of the inbound moves in small towns and micropolitan areas were made by families, compared to 24% of the moves in metropolitan areas. Rural areas are also attracting families as the share of inbound moves rose to 22.8% from 22.0% a year earlier.
- individuals moved to urban centers. Seventy percent of movers in urban centers were individuals. Fewer individuals moved to a smaller city compared to a year earlier.
- businesses moved away from urban centers following the urban–rural migration trend. The share of inbound moves for businesses was 47% in urban centers compared to 65% in small towns and rural areas.

Read the full report here.

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