

2022

Weekly Real Estate Monitor

Residential and Commercial Markets

January 10-13

National Association of REALTORS® Research Group



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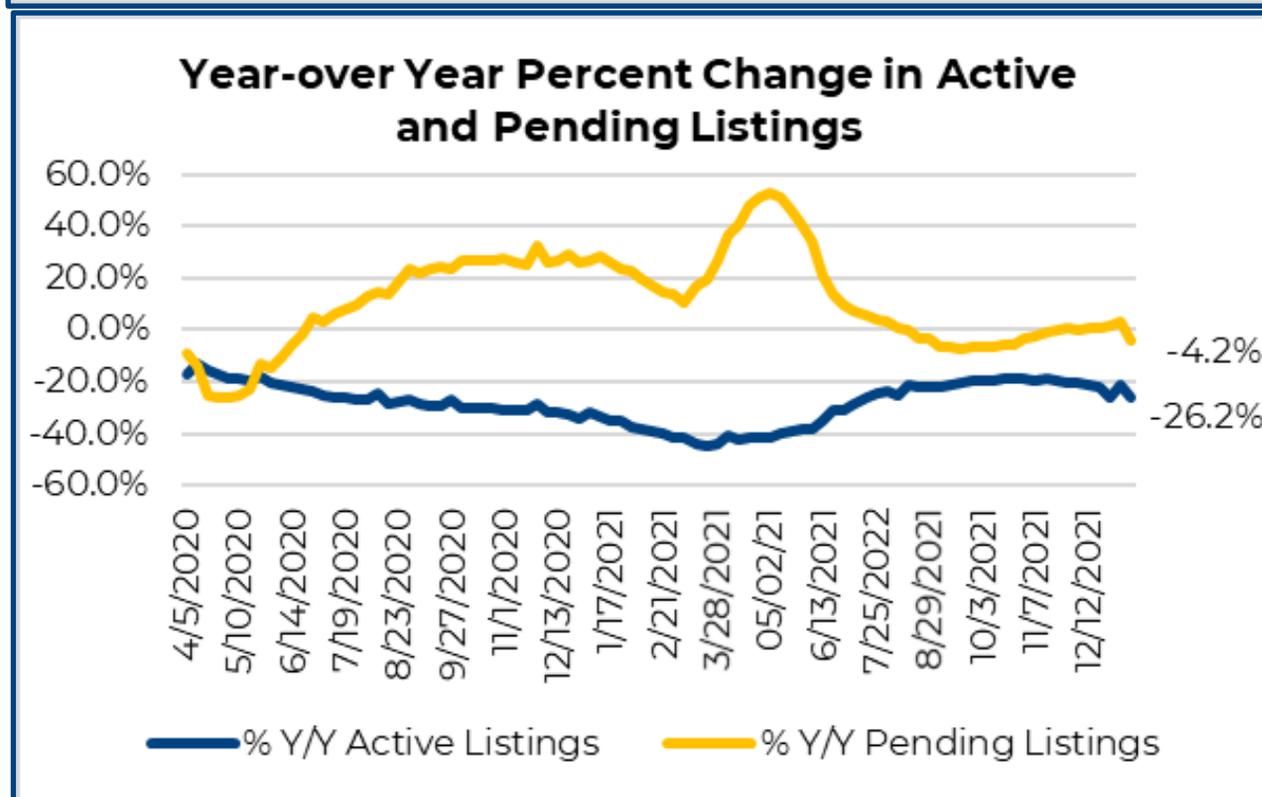
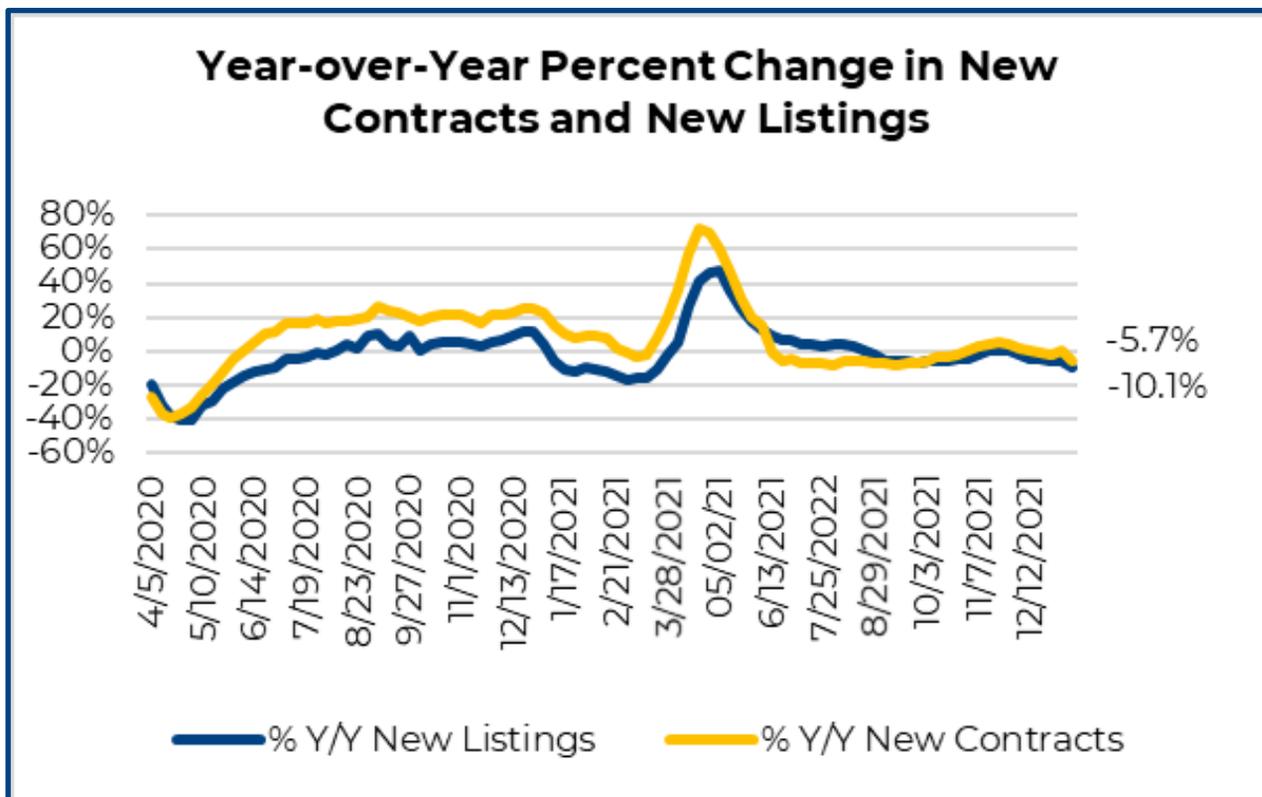
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New Listings and New Contract Signings Decrease

New listings declined more than the pace at which new contract signings declined, indicating demand is still outpacing supply. New contract signings fell 5.7% while new listings fell 10.1% compared to the levels one year ago.

The inventory (stock) was down 4.2% year-over-year while the inventory (stock) of active listings was lower 26.2% year-over-year.

This is the first time the stock of pending listings fell year-over-year after seven straight weeks of gain, an indication that the uptick in mortgage rates to over 3% since mid-November could be starting to have some impact on homebuying. However, other indicators like days on market and mortgage financing indicate the impact is not yet significant.

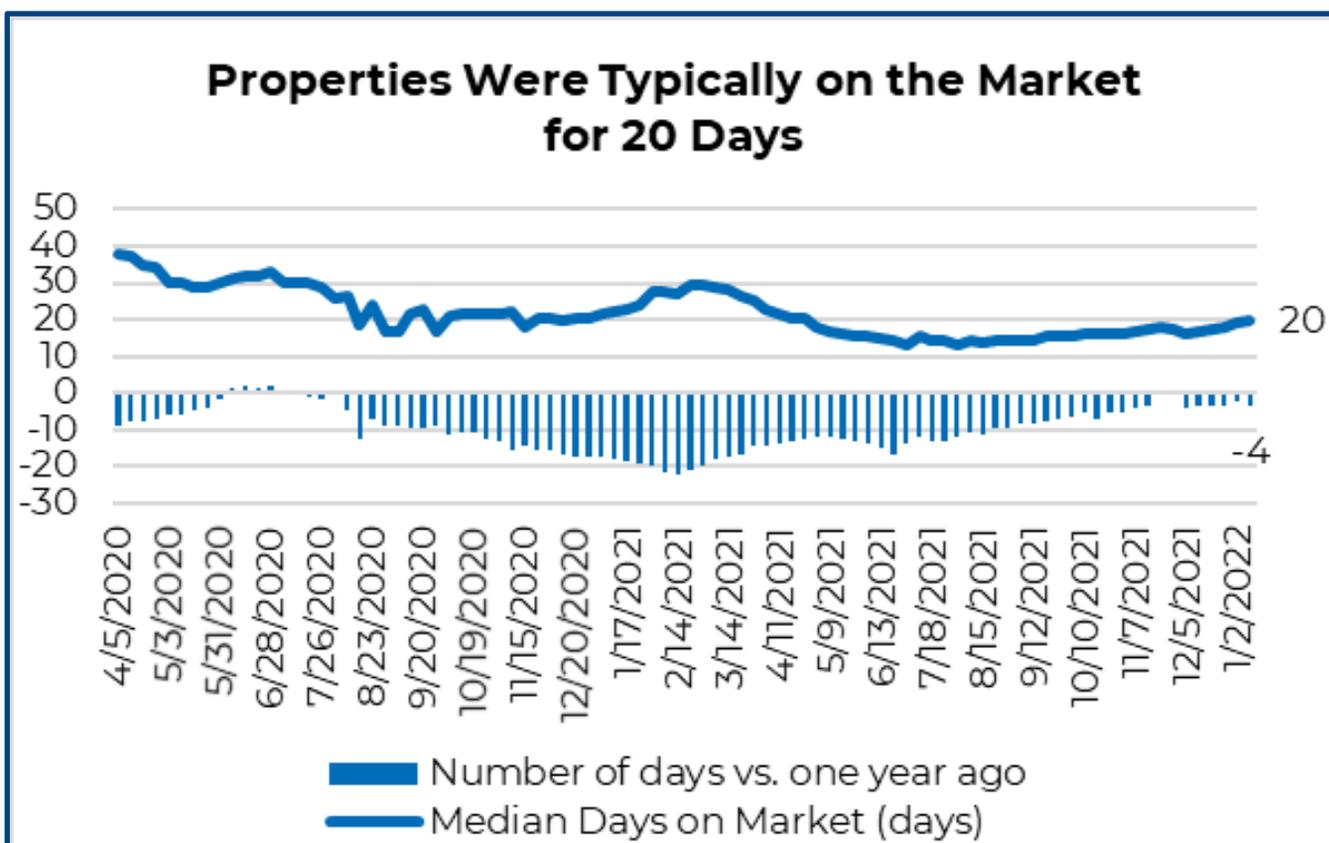


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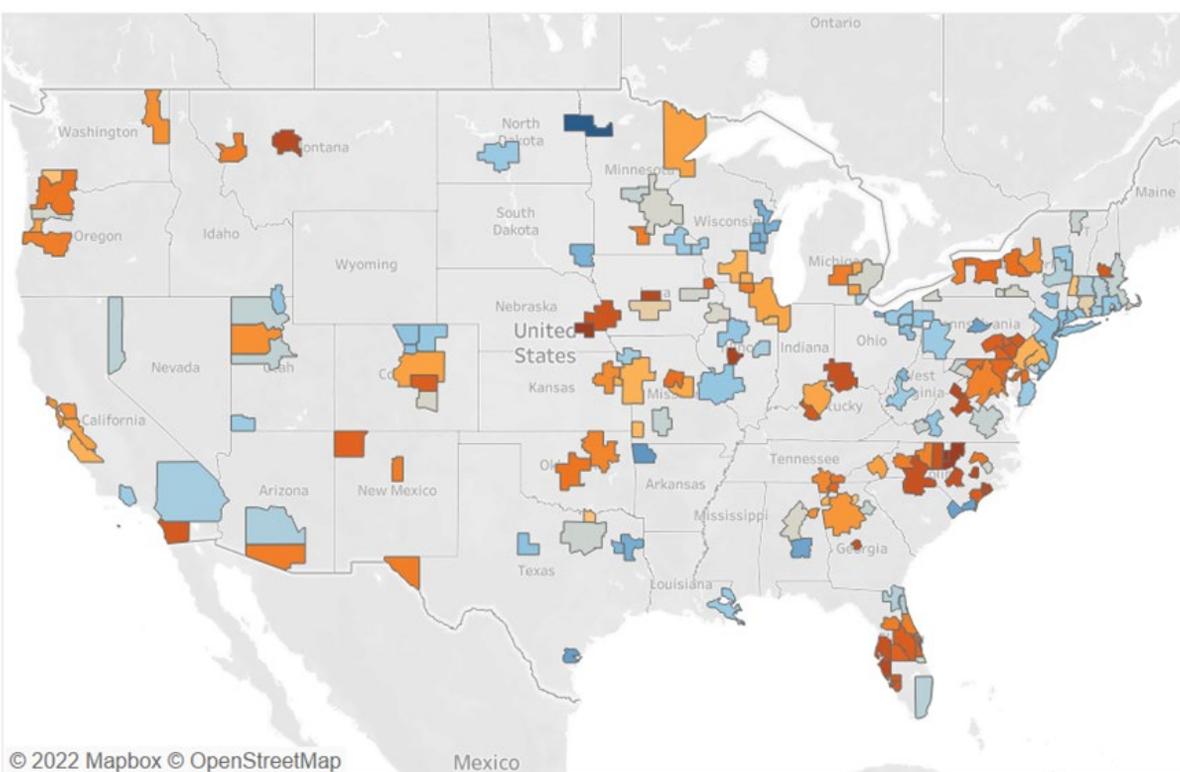
Properties Typically Sold Faster Compared to One Year Ago

With demand still outpacing supply, properties typically sold four days faster at 20 days, compared to one year ago (24 days). In the prior week, properties typically sold faster by two days compared to one year ago.

In 55% of 179 metro areas tracked by NAR, properties typically sold in 15 days or less during the four weeks ended January 9. Properties typically sold in 10 days or less in metro areas like Durham, North Point-Sarasota-Bradenton, Charlotte, Cincinnati, Omaha, Orlando, Tampa, Portland, San Diego, Tucson, and Washington DC.



Properties in 54% of 179 metro areas typically sold in less than 15 days during the 4-week period ended January 9 (orange areas)



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Mexico

Source: NAR, based on MLS data

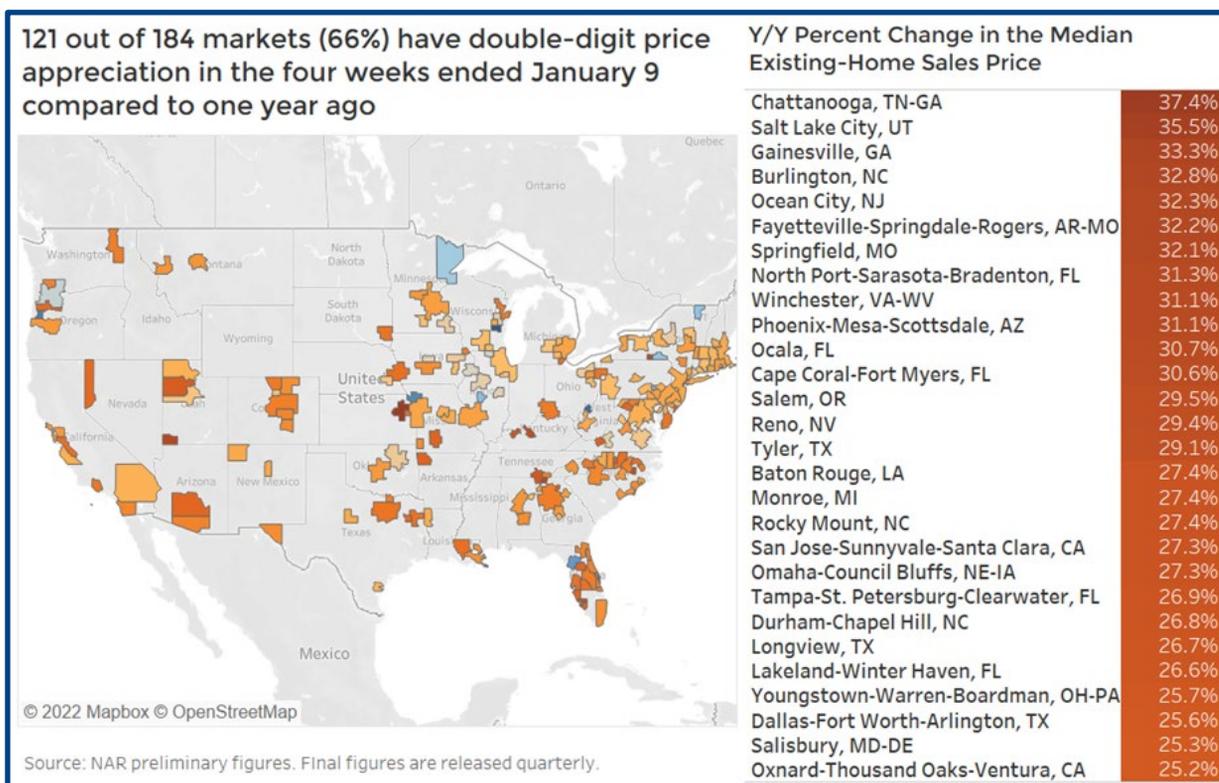
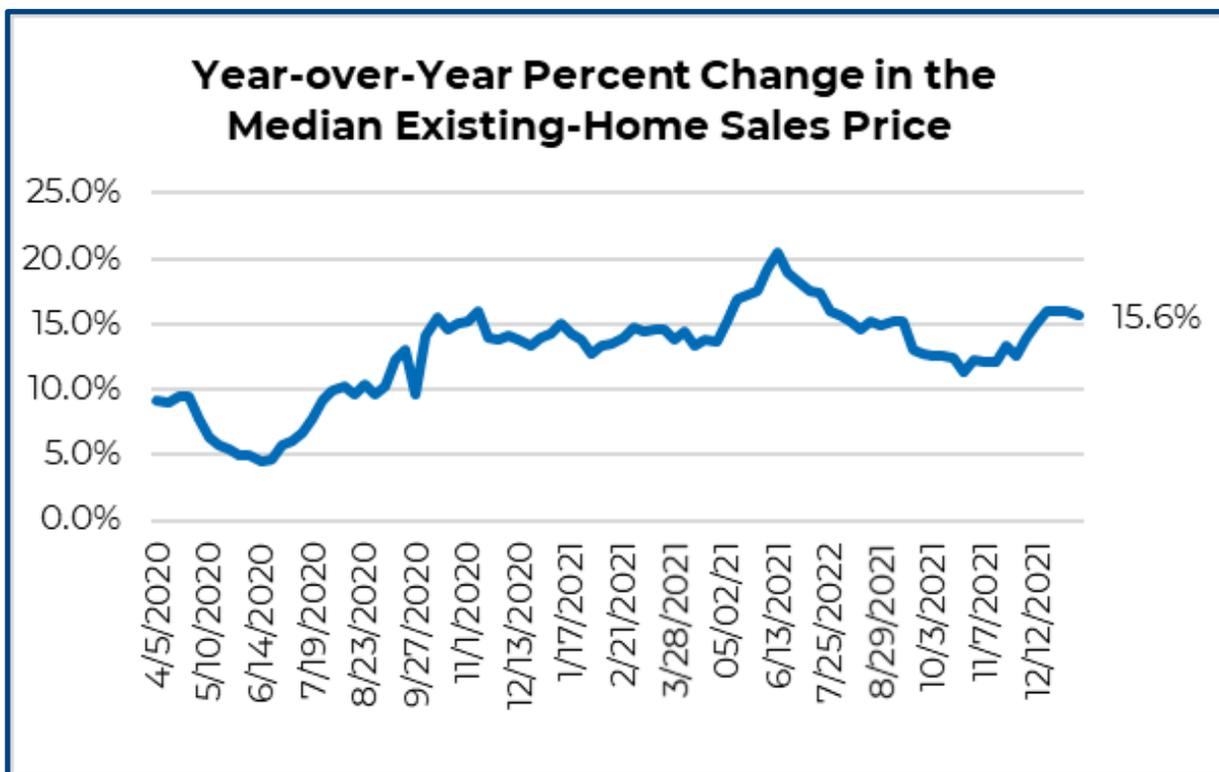
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Home Prices Typically Up 15.6%

With demand (new contract signings) still outpacing supply (new listings), the median sales price on existing-homes sold during the four weeks ended January 9 rose 15.6% year-over-year. Last week, the median sales price was up 16% year-over-year.

In 121 out of 184 markets (66%), the median existing-home sales price rose at a double-digit pace. [Official figures](#) are released quarterly. Some of the strongest price acceleration was in Chattanooga (37%), Salt Lake City (35%), Ocean City (32%), Fayetteville (32%), North Point-Bradenton-Sarasota (31%), and Phoenix (31%).

NAR Chief Economist Lawrence Yun expects existing-home sales prices to rise at a slower pace of less than 5% in 2022 as demand eases due to higher mortgage rates.



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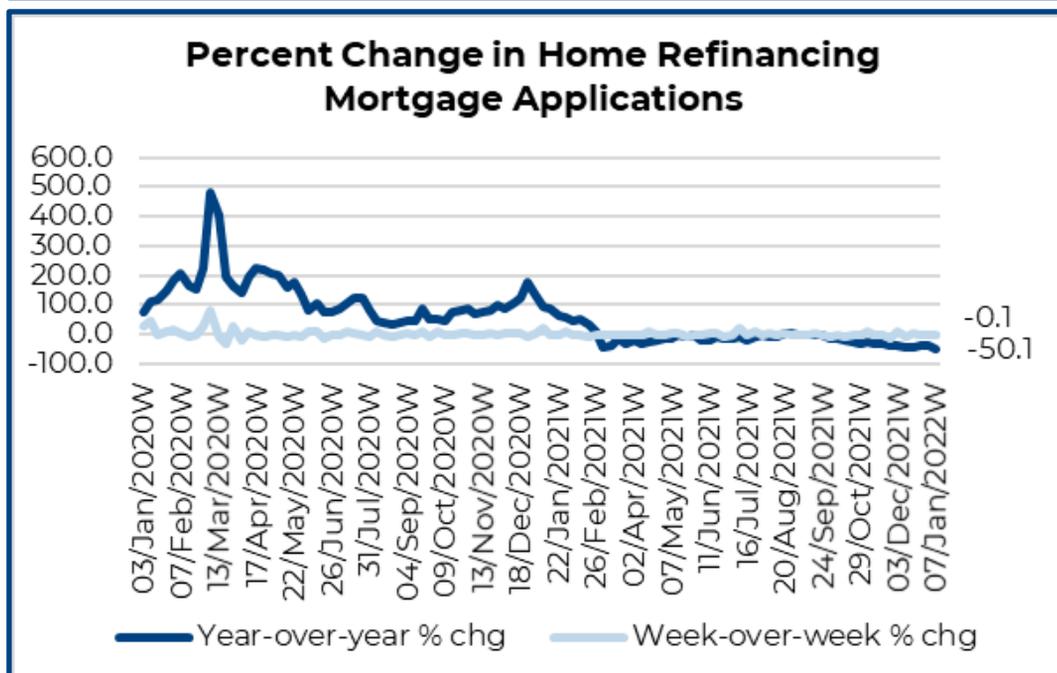
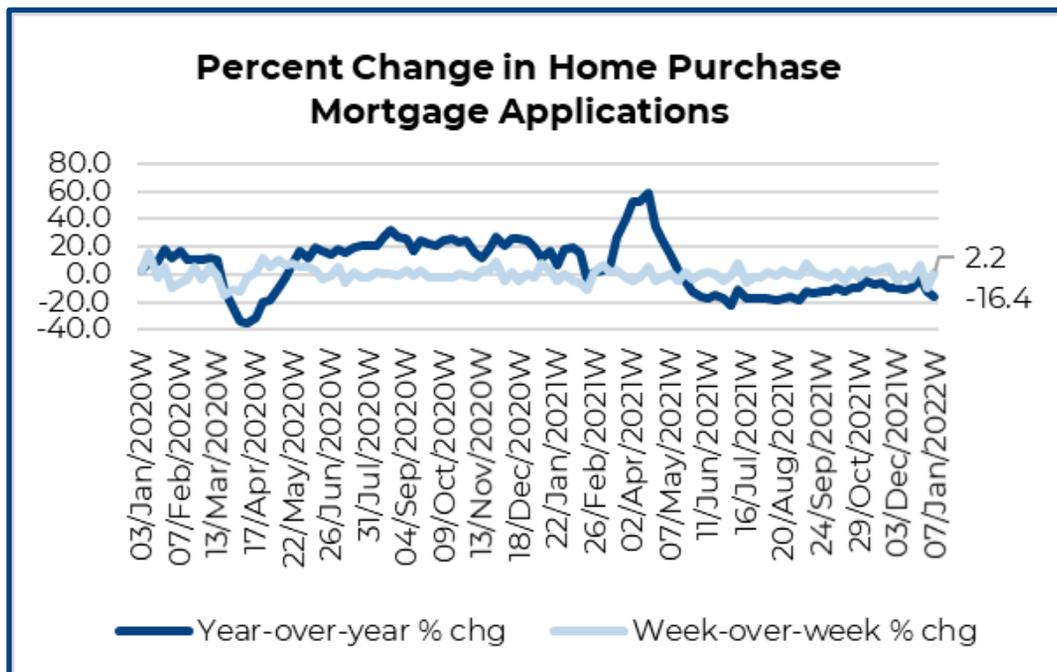
Mortgage Home Purchase and Refinancing Applications Increased

Mortgage applications for a home purchase increased 2.2% from the prior week but decreased 16.4% from one year ago, according to the MBA's Weekly Mortgage Applications Survey. Weekly applications are volatile (with standard deviation of 5%) while year-over-year comparisons are confounded by the shifting of demand in the second half of last year as a result of the COVID pandemic.

Conventional financing (includes Fannie Mae/Freddie Mac conforming loans) purchase applications increased 1.1% from the prior week and government-insured financing (FHA, VA, USDA) increased 5.4%.

Refinancing applications slightly decreased 0.1% from the prior week and 50.1% from one year ago. Expect a decline in refinancing activity for the most part in 2022 due to rising mortgage rates and with most homebuyers likely to have already refinanced given the low mortgage rates in the past year.

Mortgage financing lags contract signings as obtaining financing comes after closing on a contract. The increase in mortgage financing reflects transactions in December when mortgage rates were still at around 3%.



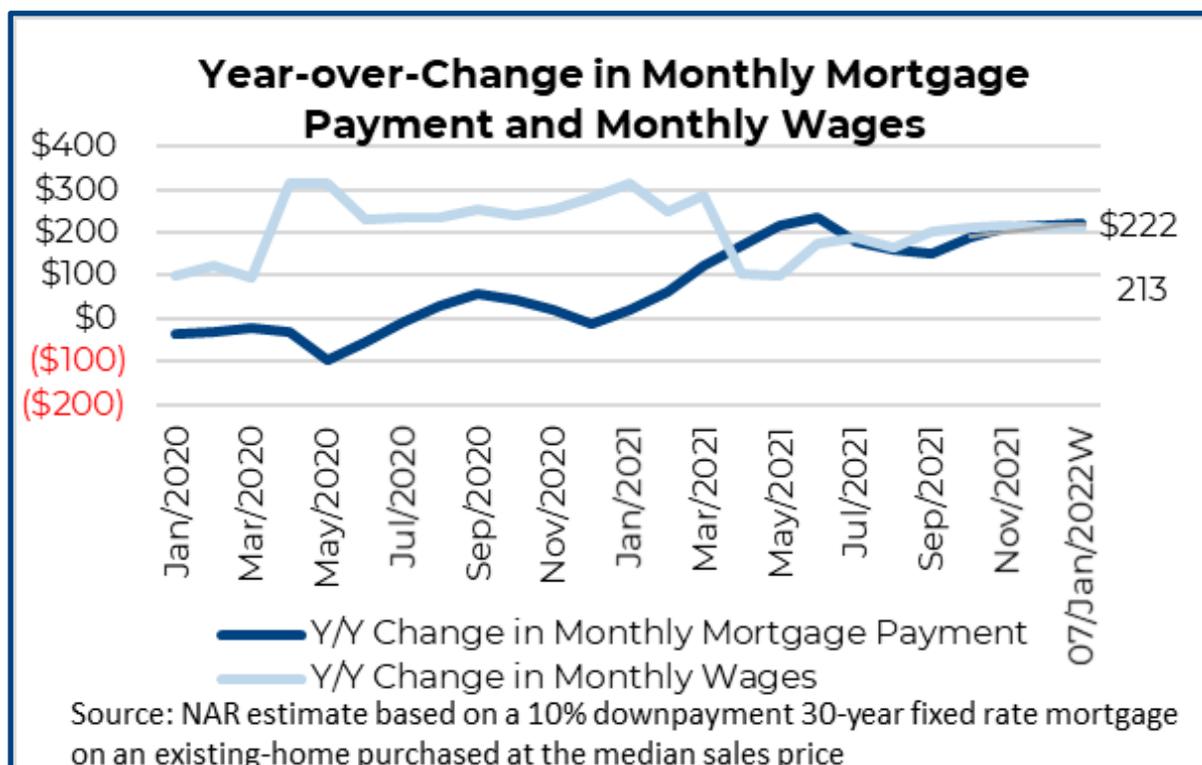
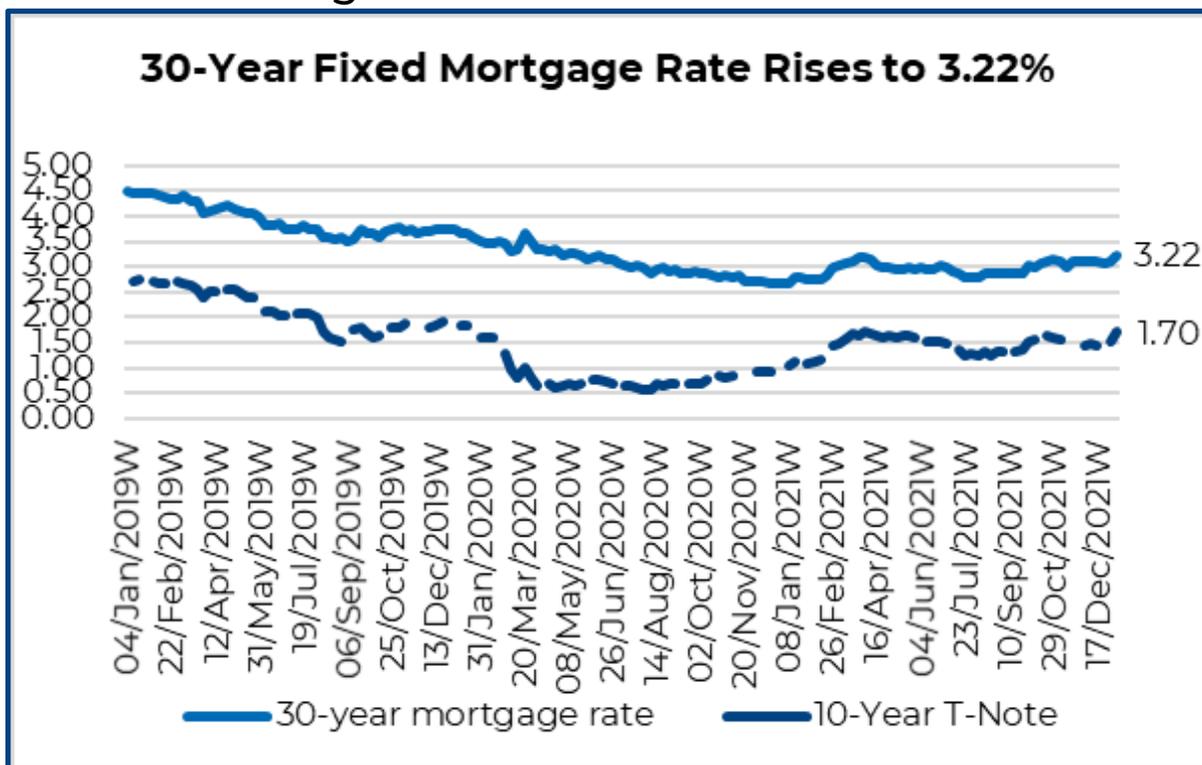
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Typical Monthly Mortgage Rose \$222 from One Year Ago as Mortgage Rate Hits 3.22%

The 30-year fixed mortgage rate rose to 3.22%, a 10-basis point increase which is the largest increase since rates have stayed above 3% since November 2021.

With a forecasted median existing-home sales price of \$342,107 for January 2022 and the 3.22% mortgage rate on a loan with 10% downpayment, a homeowner will pay \$222 more in January 2022 compared to one year ago, which is slightly higher than the \$213 expected increase in monthly wages, indicating a decline in affordability.

NAR Chief Economist Lawrence Yun expects the 30-year fixed mortgage rate to increase to 3.7% by the end of 2022 as the Federal Reserve tightens money supply to control inflation. While the era of 3% rates is over, mortgage rates will still be lower than in 2019 when rates averaged 4%.



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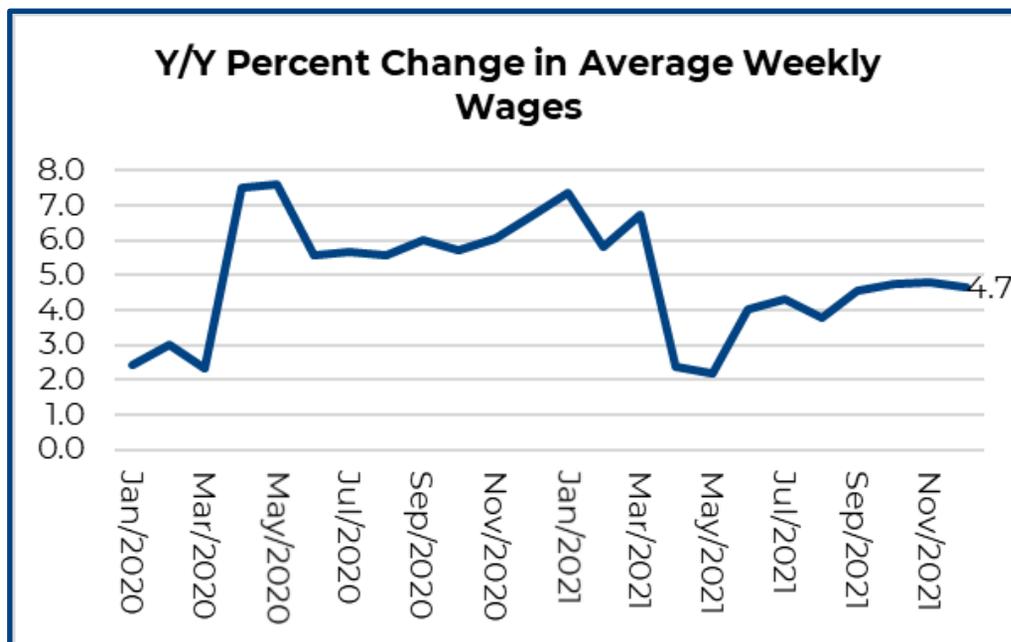
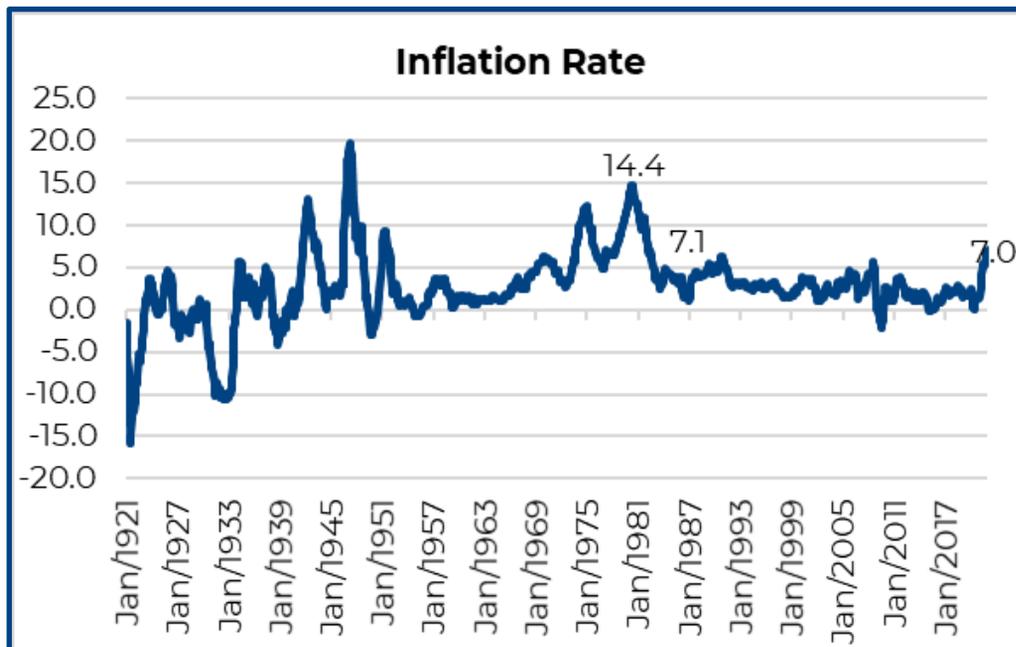
Inflation Accelerates to 7% in December

Inflation accelerated to 7% in December 2021. This is the highest inflation rate on a monthly basis since inflation rose 7.1% in 1982.

Inflation has become worrisome because inflation is hitting the essentials. Food prices that have increased 6.3% from just 3.8% in January. The cost of shelter which reflects rent (renters and what homeowners will be willing to rent their home for) rose 4.15% from just 1.6% at the beginning of the year.

Wages have been rising but not accelerating as fast as inflation. However, with food prices rising, there could be a clamor for higher wages, which can lead to a wage-price spiral. The strong uptick in food inflation coupled with a tight labor market (4 million more job seekers than unemployed as of November) makes a wage-price spiral more likely if inflation were not controlled quickly.

The acceleration of inflation means the Federal Reserve will likely apply a stronger dose of monetary tightening, by reducing its \$120 billion monthly asset purchases by March, followed by a hike in federal funds rate which is expected to happen at least three times, and by reducing its balance sheet or money supply. This means higher mortgage rates are likely to increase even through 2024.



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Higher Occupancy Across Core Commercial Real Estate Sectors

Occupancy increased in the multifamily, office, industrial, and retail commercial real estate sectors in 2021 Q4.

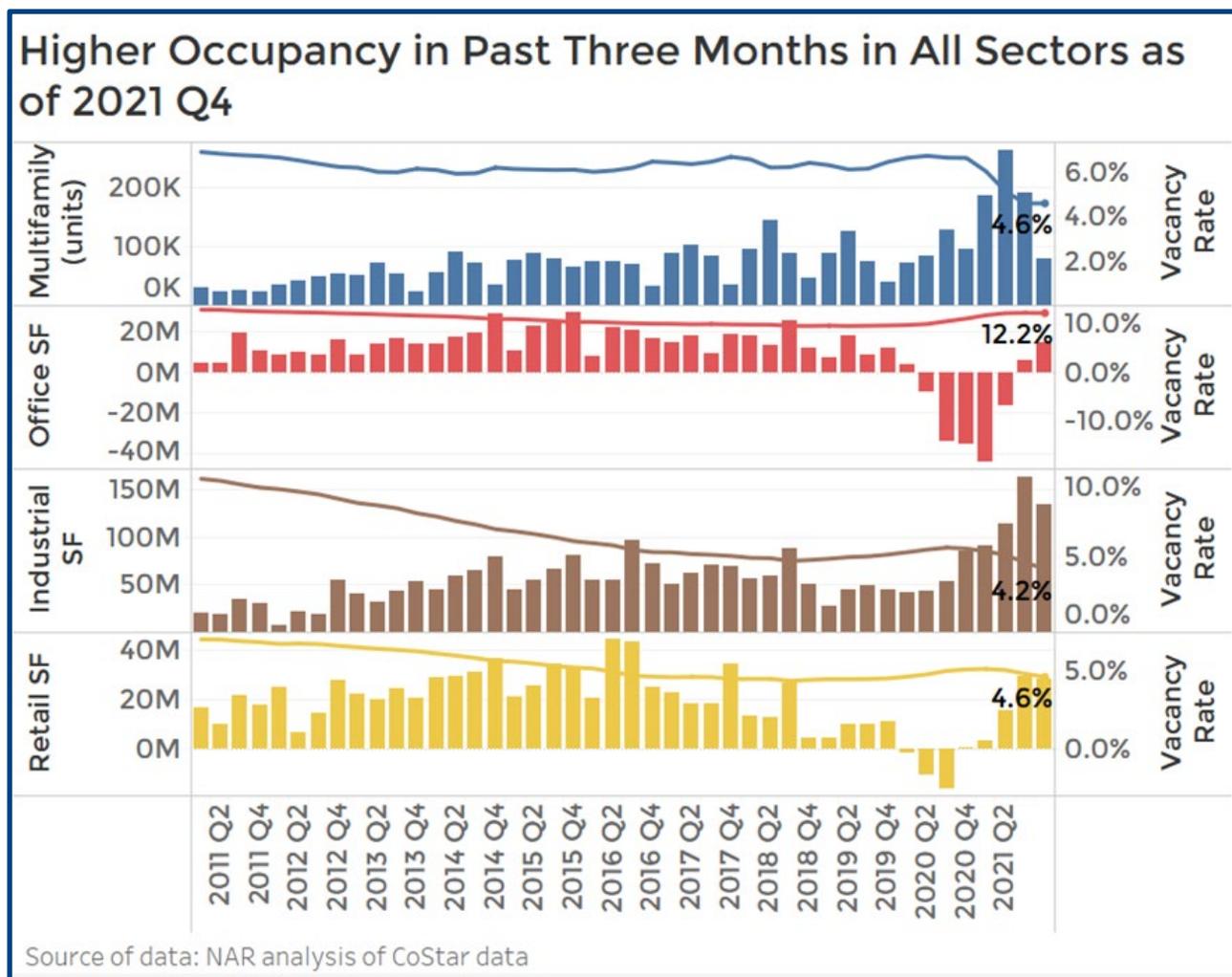
In the apartment market, 78,000 units were absorbed on a net basis in the last quarter, bringing the total net absorption to 714,672 in the past 12 months, which is nearly double the 12-month absorption in 2019 and 2020. Occupancy is up 1.02 million units since 2020 Q2. With higher absorption, the vacancy rate decreased to 4.6% from 6.7% in 2020 Q1.

In the office market, occupancy rose 14.6 million square feet in 2021 Q4. However, 117.9 million square feet of office space has given back to the market since 2020 Q2. The vacancy rate has increased to 12.2% as of 2021 Q4 from 9.7% in 2020 Q1.

In the industrial market, 134.7 million square feet of office space was absorbed in 2021 Q4, with 685 million square feet of space absorbed since 2020 Q2. The industrial sector has the lowest vacancy rate among the core property markets, at 4.2%, from 5.3% in 2020 Q1.

In the retail property market, occupancy has been rising since 2020 Q4, with 28 million square feet absorbed in 2021 Q4 and a net absorption of nearly 50 million square feet since 2020 Q2. The vacancy rate is at 4.6%.

Download the [December Commercial Market Insights Report](#) and [Commercial Metro Market Reports](#).



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Rising Rents in all Markets

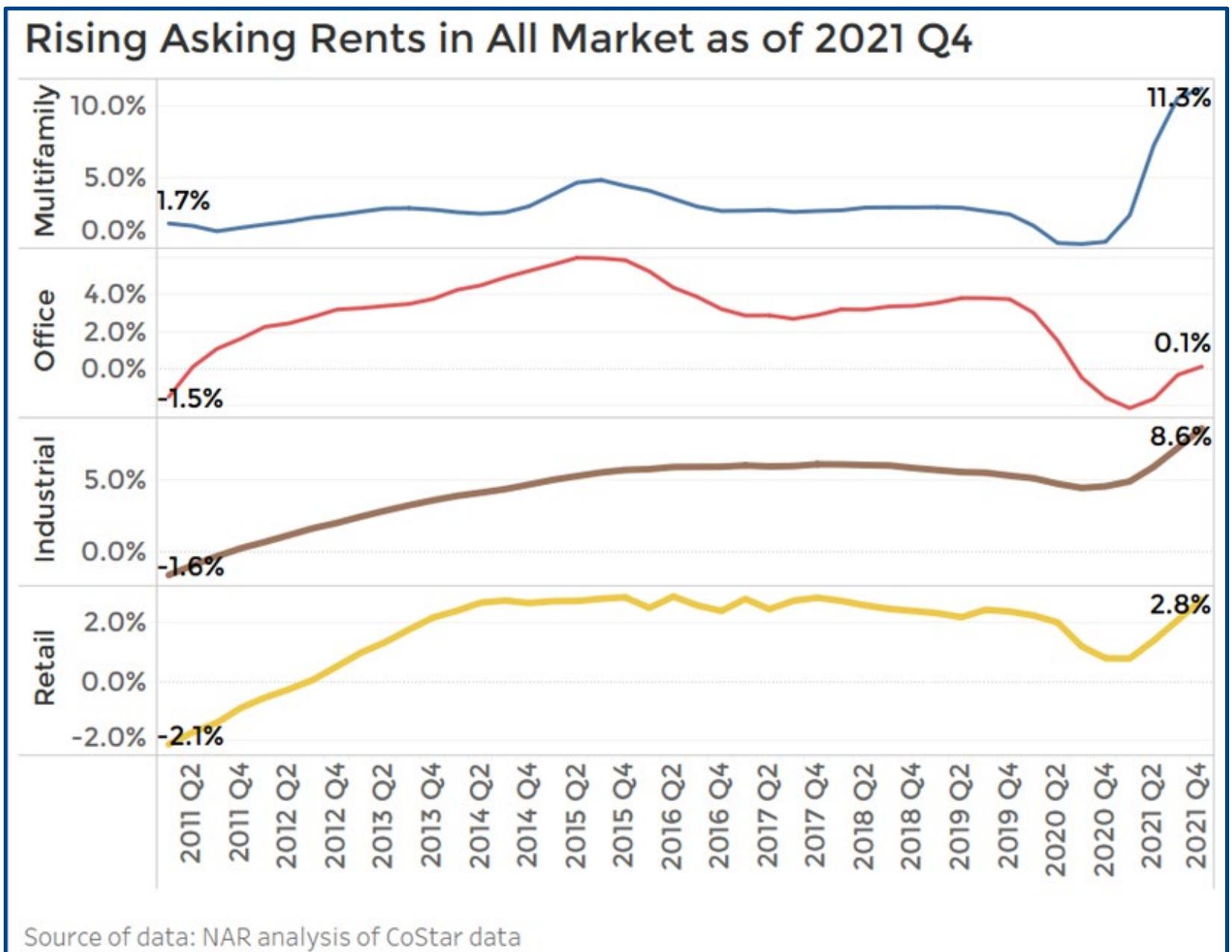
Apartment asking rents were up 11.3% year-over-year on average in the past 12 months as of December 2021. Prior to the pandemic in 2020 Q1, apartment rents were rising by just 1.6%.

In the office market, the average asking rent in 2021 Q4 was up 0.1% year-over-year after rents decreased 2.1% year-over-year in 2020 Q1. Prior to the pandemic in 2020 Q1, office rents had been rising 3% on a year-over-year basis.

In the industrial property market, the average asking rent per square foot rose to a record high of 8.6%. Prior to the pandemic, rents were rising by 5.1%. The acceleration of e-commerce sales is bolstering the demand for industrial warehouses and distribution centers.

In the retail property market, the average asking rent rose to 2.8%, which is higher than the 2.2% pre-pandemic rent growth.

Download the [December Commercial Market Insights Report](#) and [Commercial Metro Market Reports](#).



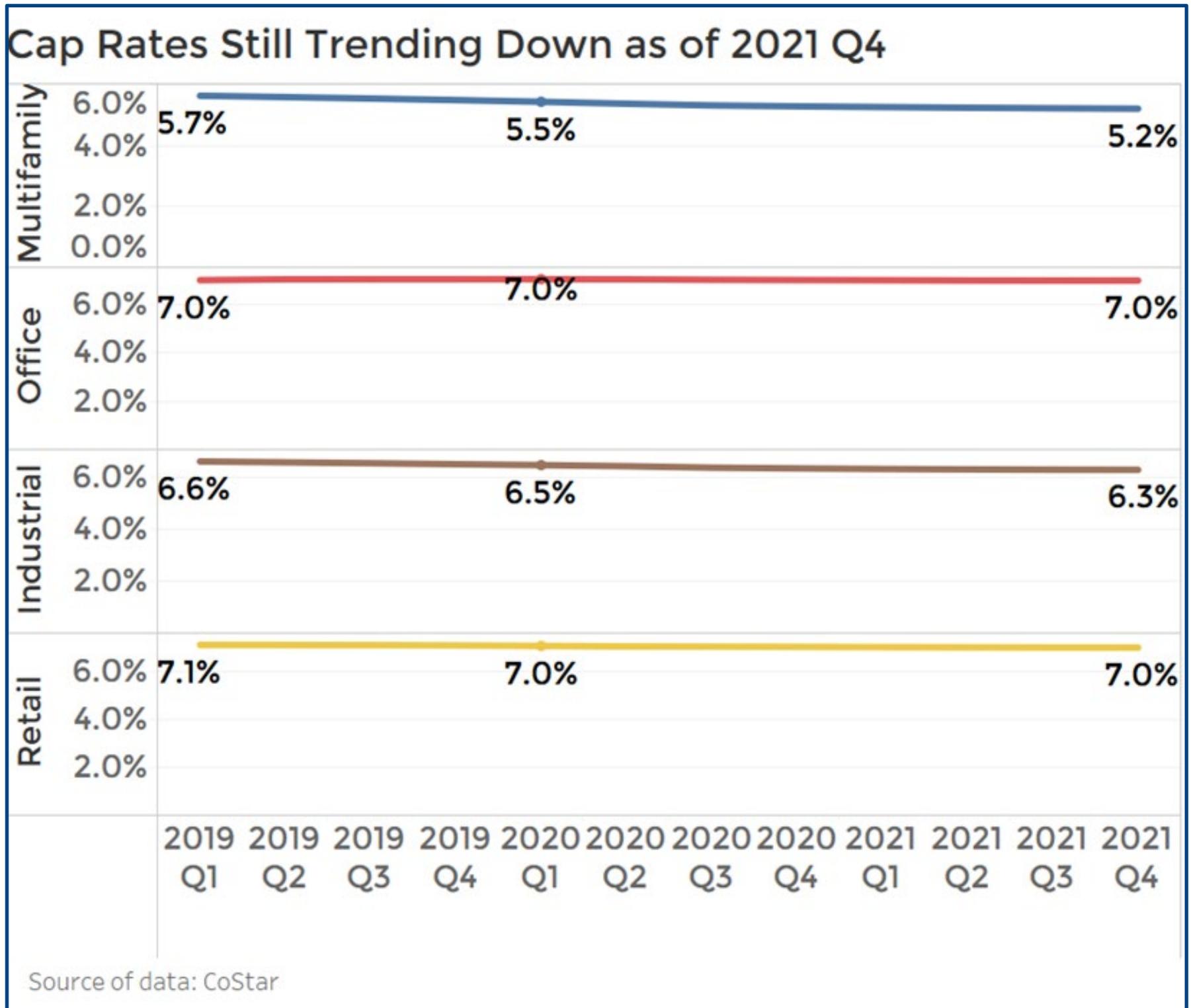
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Commercial Cap Rates

Cap rents continued to trend downwards relative to pre-pandemic levels even as the 10-year Treasury notes has been trending upwards during the year (1.08% in January, 1.5% as of December 31).

The multifamily market has the lowest cap rate among the core property markets, with a cap rate of 5.2% (5.5% in 2020 Q1). In the office market, the median cap rate was 7.0% (7.0% in 2020 Q1). In the industrial market, the median cap rate was 6.5% (6.5% in 2020 Q1). In the retail market, the median cap rate was 7% (7% in 2020 Q1).

Download the [December Commercial Market Insights Report](#) and [Commercial Metro Market Reports](#).



Top 20 Multifamily Real Estate Markets by Net Absorption as of 2021 Q4

CBSA Code	Geography Name	12-Month Absorption \mp in Units	Vacancy Rate	Market Asking Rent/Unit	Y/Y Market Asking Rent Growth	Market Cap Rate
19100	Dallas-Fort Worth - TX	49,099	5.4%	\$1,416	15.0%	4.9%
26420	Houston - TX	39,713	7.0%	\$1,237	9.6%	5.5%
35614	New York - NY	37,935	2.3%	\$2,868	5.8%	4.4%
31084	Los Angeles - CA	32,967	3.6%	\$2,092	6.7%	4.1%
47900	Washington - DC	23,396	6.3%	\$1,958	9.7%	4.7%
12420	Austin - TX	20,602	6.0%	\$1,593	20.5%	4.5%
16980	Chicago - IL	20,121	5.6%	\$1,537	8.3%	5.8%
12060	Atlanta - GA	18,364	5.5%	\$1,575	18.7%	4.8%
42660	Seattle - WA	17,178	4.9%	\$1,863	10.7%	4.1%
14460	Boston - MA	16,099	4.3%	\$2,491	10.9%	4.4%
36740	Orlando - FL	16,040	5.3%	\$1,654	24.7%	4.5%
37980	Philadelphia - PA	13,172	3.6%	\$1,539	9.7%	5.3%
16740	Charlotte - NC	12,937	6.4%	\$1,464	17.6%	4.5%
33124	Miami - FL	12,797	3.5%	\$2,006	17.4%	4.7%
19740	Denver - CO	12,682	6.2%	\$1,696	12.9%	4.4%
38060	Phoenix - AZ	12,469	5.1%	\$1,541	21.8%	4.1%
41700	San Antonio - TX	11,724	5.6%	\$1,177	12.9%	5.3%
33460	Minneapolis - MN	11,490	5.7%	\$1,363	3.6%	5.4%
38900	Portland - OR	10,377	4.7%	\$1,516	9.3%	4.5%
34980	Nashville - TN	10,284	5.5%	\$1,512	17.1%	4.8%

Source: CoStar. The cap rate is a modeled cap rate based on sales transactions data for some properties.

Top 20 Office Real Estate Markets by Net Absorption as of 2021 Q4

CBSA Code	Geography Name	12-Month Absorption \mp in Sq.Ft	Vacancy Rate	Market Rent/SF	Market Rent Growth 12 Mo	Market Cap Rate
12420	Austin - TX	2,221,098	13.1%	\$42	1.1%	5.9%
29820	Las Vegas - NV	1,109,284	10.8%	\$25	4.1%	7.4%
34980	Nashville - TN	1,082,971	10.1%	\$29	1.0%	7.0%
41700	San Antonio - TX	959,612	9.4%	\$27	1.6%	8.4%
41940	San Jose - CA	904,461	12.3%	\$62	1.2%	5.0%
41620	Salt Lake City - UT	890,168	9.1%	\$24	2.9%	7.3%
39580	Raleigh - NC	848,096	8.3%	\$28	2.6%	6.9%
39340	Provo - UT	664,344	10.8%	\$22	1.7%	8.3%
36740	Orlando - FL	586,869	8.1%	\$26	2.3%	7.6%
40140	Inland Empire - CA	566,377	6.6%	\$24	2.9%	7.2%
45300	Tampa - FL	402,026	8.7%	\$25	2.5%	7.7%
16740	Charlotte - NC	397,894	11.8%	\$30	1.5%	6.7%
12060	Atlanta - GA	300,540	13.8%	\$27	1.0%	7.2%
40900	Sacramento - CA	116,815	10.1%	\$27	1.3%	7.2%
19100	Dallas-Fort Worth - TX	-210,251	17.9%	\$28	0.9%	7.0%
28140	Kansas City - MO	-421,339	9.6%	\$21	0.6%	8.2%
19820	Detroit - MI	-490,863	11.7%	\$21	-0.1%	9.3%
38060	Phoenix - AZ	-777,916	13.9%	\$27	2.2%	7.0%
42660	Seattle - WA	-1,074,667	9.6%	\$38	1.1%	5.6%
14460	Boston - MA	-1,482,637	9.7%	\$41	1.2%	5.9%

Source: CoStar. The cap rate is a modeled cap rate based on sales transactions data for some properties.

Top 20 Industrial Real Estate Markets by Net Absorption as of 2021 Q4

CBSA Code	Geography Name	12-Month Net Absorption ¹ in Sq. Ft.	Vacancy Rate	Market Rent/SF	Market Rent Growth 12 Mo	Market Cap Rate
19100	Dallas-Fort Worth - TX	44,889,044	5.3%	\$7.6	9.9%	5.9%
12060	Atlanta - GA	36,661,384	3.2%	\$7.2	12.4%	6.1%
16980	Chicago - IL	32,956,184	5.3%	\$8.1	8.0%	6.7%
40140	Inland Empire - CA	32,445,388	1.5%	\$10.8	11.9%	4.3%
26420	Houston - TX	29,476,080	6.8%	\$8.0	4.8%	6.5%
38060	Phoenix - AZ	22,086,536	4.9%	\$9.8	11.8%	5.6%
26900	Indianapolis - IN	16,738,047	3.6%	\$6.2	6.2%	7.3%
37980	Philadelphia - PA	16,626,853	4.0%	\$8.8	13.3%	6.5%
18140	Columbus - OH	15,836,565	3.5%	\$6.0	12.0%	6.6%
35614	New York - NY	15,158,348	3.3%	\$15.8	6.5%	5.2%
32820	Memphis - TN	11,921,311	5.9%	\$4.4	10.8%	7.4%
10900	Lehigh Valley - PA	10,198,286	4.4%	\$7.1	9.8%	5.9%
19820	Detroit - MI	10,042,195	4.2%	\$7.7	9.4%	8.6%
28140	Kansas City - MO	10,040,826	4.5%	\$6.1	6.4%	7.7%
34980	Nashville - TN	9,560,492	3.2%	\$9.3	13.2%	6.0%
29820	Las Vegas - NV	9,198,117	2.4%	\$10.7	11.3%	5.2%
42340	Savannah - GA	9,196,872	2.2%	\$6.7	11.5%	6.1%
17140	Cincinnati - OH	8,271,474	4.4%	\$5.9	9.1%	7.5%
47900	Washington - DC	7,114,629	4.6%	\$13.5	9.3%	6.3%
16740	Charlotte - NC	4,808,904	5.7%	\$7.1	10.0%	6.6%

Source: CoStar. The cap rate is a modeled cap rate based on sales transactions data for some properties.

Top 20 Retail Real Estate Markets by Net Absorption as of 2021 Q4

CBSA Code	Geography Name	12-Month Net Absorption ¹ in Sq. Ft.	Vacancy Rate	Market Rent Growth 12 Mo	Market Rent/SF	Market Cap Rate
26420	Houston - TX	5,702,563	5.6%	3.2%	\$21.2	7.0%
19100	Dallas-Fort Worth - TX	4,500,692	5.4%	2.9%	\$20.6	6.6%
12060	Atlanta - GA	4,286,919	4.5%	6.9%	\$19.4	7.2%
16980	Chicago - IL	3,065,065	6.0%	2.4%	\$19.7	7.4%
19820	Detroit - MI	2,673,078	5.1%	5.2%	\$17.4	7.9%
35614	New York - NY	2,636,830	4.0%	2.3%	\$45.2	6.0%
27260	Jacksonville - FL	2,151,537	4.1%	7.1%	\$20.3	7.0%
38060	Phoenix - AZ	1,972,973	6.6%	4.3%	\$20.3	6.9%
12420	Austin - TX	1,931,546	3.5%	4.0%	\$27.0	6.3%
41700	San Antonio - TX	1,879,964	4.3%	4.2%	\$20.2	6.5%
36740	Orlando - FL	1,831,940	3.9%	4.6%	\$24.5	6.9%
45300	Tampa - FL	1,692,451	3.8%	7.1%	\$21.6	6.7%
29820	Las Vegas - NV	1,559,820	5.7%	9.3%	\$28.1	6.2%
14460	Boston - MA	1,453,401	2.8%	-0.6%	\$24.2	6.4%
37980	Philadelphia - PA	1,278,330	4.9%	2.8%	\$21.4	7.1%
16740	Charlotte - NC	1,183,000	4.0%	4.6%	\$20.8	7.1%
19740	Denver - CO	1,025,710	4.6%	2.7%	\$23.9	6.4%
36420	Oklahoma City - OK	884,503	5.1%	3.6%	\$15.8	7.8%
18140	Columbus - OH	761,039	3.8%	1.9%	\$16.8	8.2%
47900	Washington - DC	63,793	5.2%	0.2%	\$29.4	6.3%

Source: CoStar. The cap rate is a modeled cap rate based on sales transactions data for some properties.

Weekly Real Estate Monitor

More of the Latest from NAR Research



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