

2021

# Weekly Real Estate Monitor

Residential and Commercial Markets

September 6-9

National Association of REALTORS® Research Group



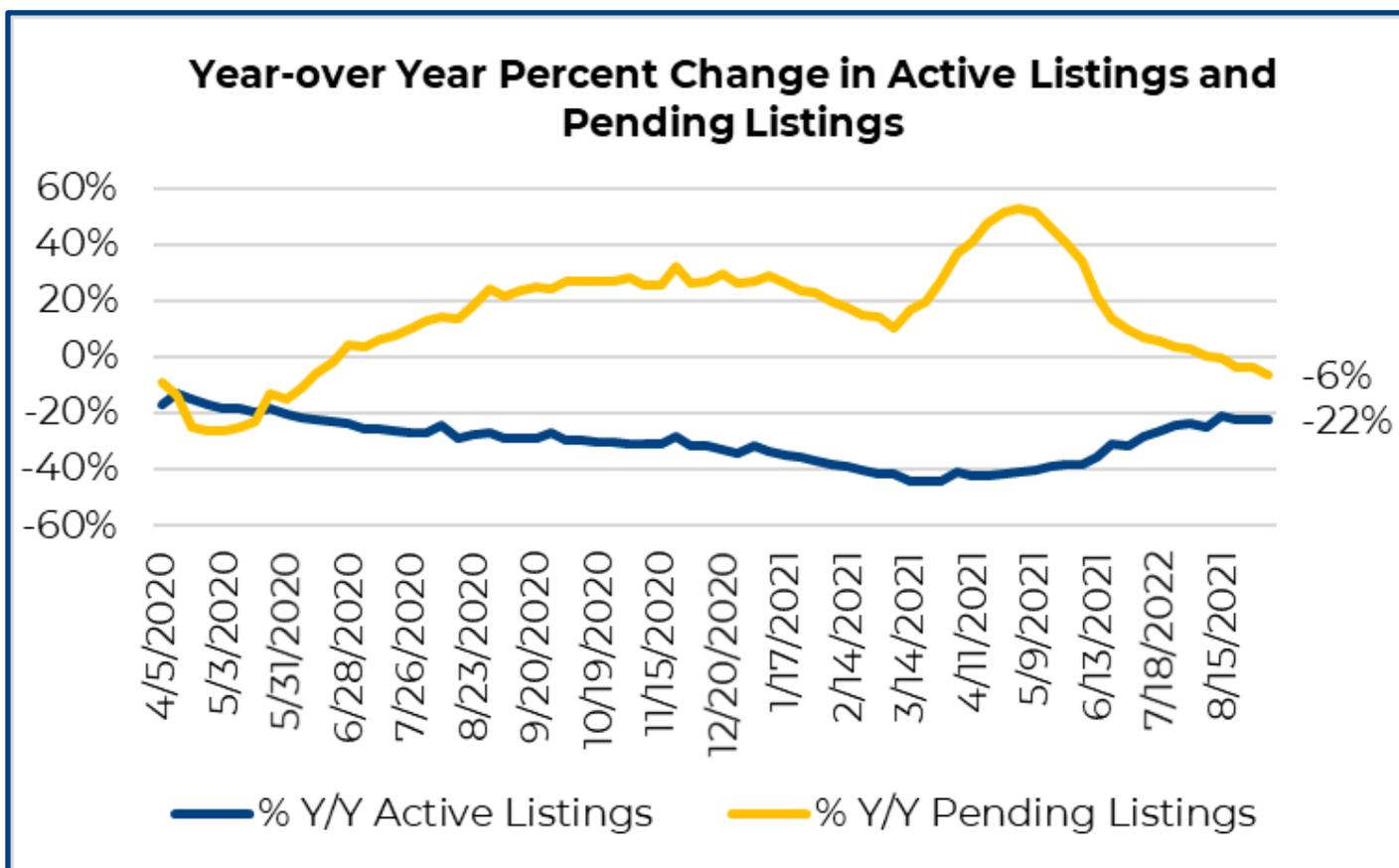
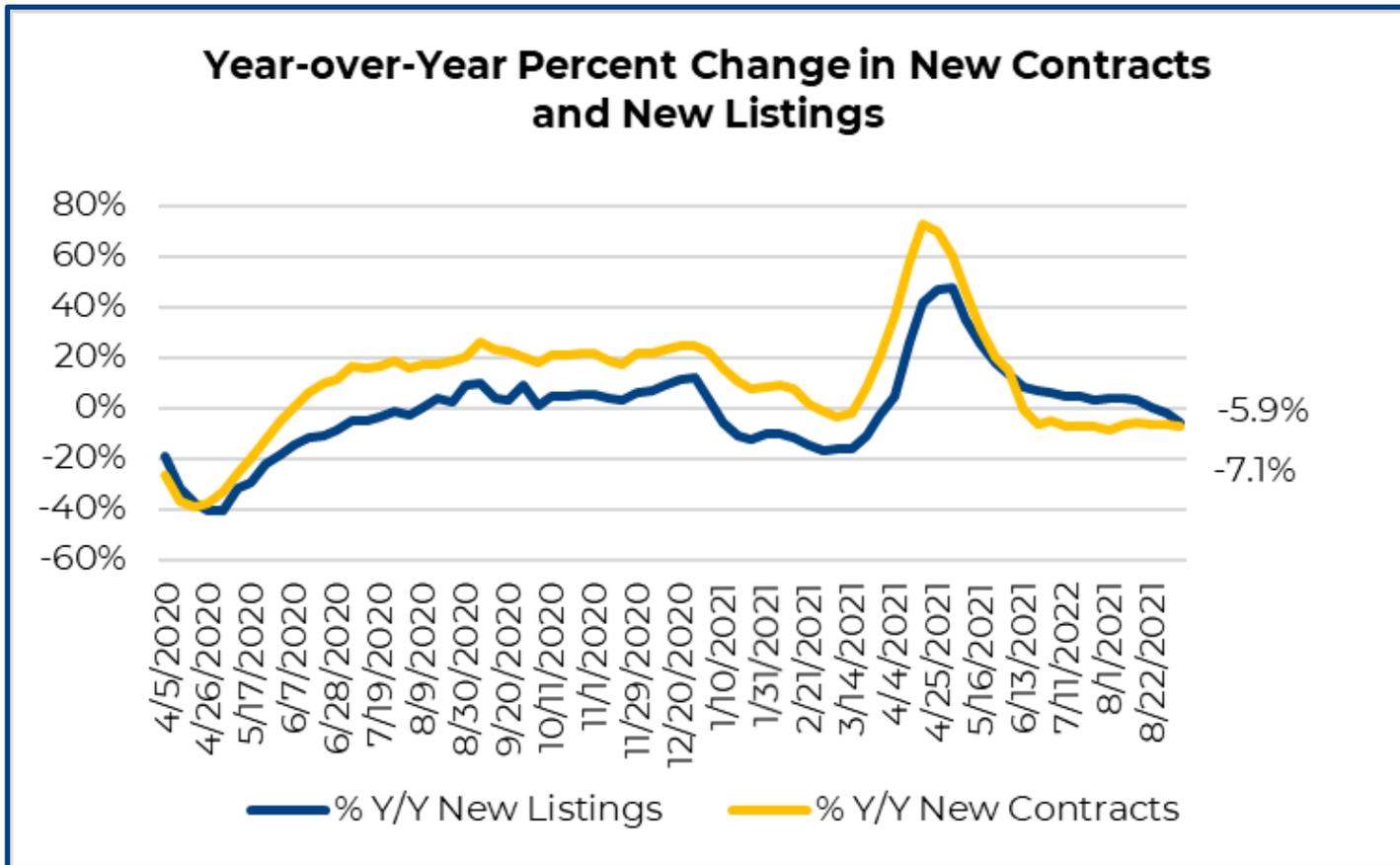
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# Weekly Real Estate Monitor

## New Contracts Decline at Faster Pace than New Listings

Housing demand is easing while supply is somewhat improving, narrowing the demand-supply gap. Preliminary data shows that contract signings (pending sales) fell 7.1% from one year ago. New listings during this same period fell at a slower rate of 5.9%.

The pending listings inventory was down 6% from one year ago. The level of active listings has been improving, but active listings inventory is still down 22% from one year ago.



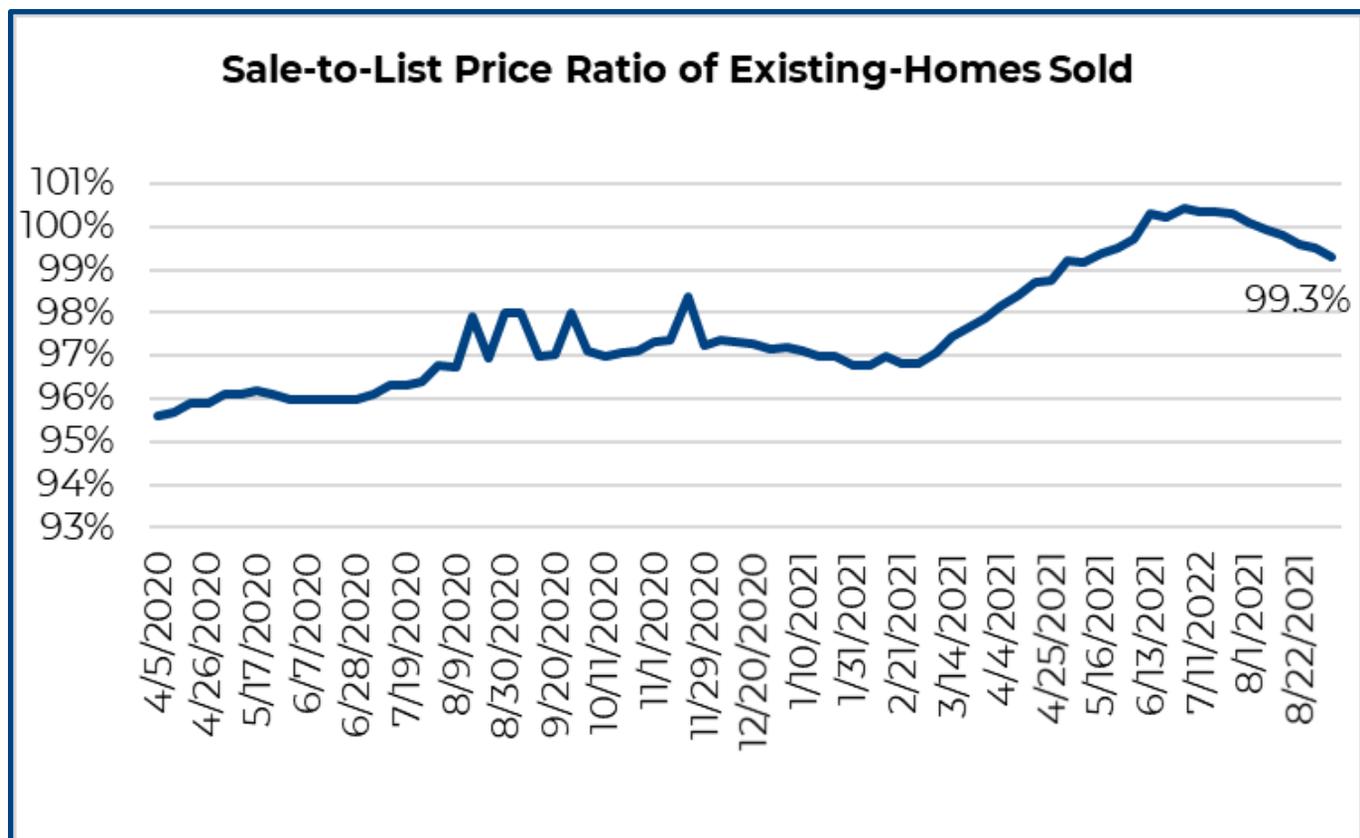
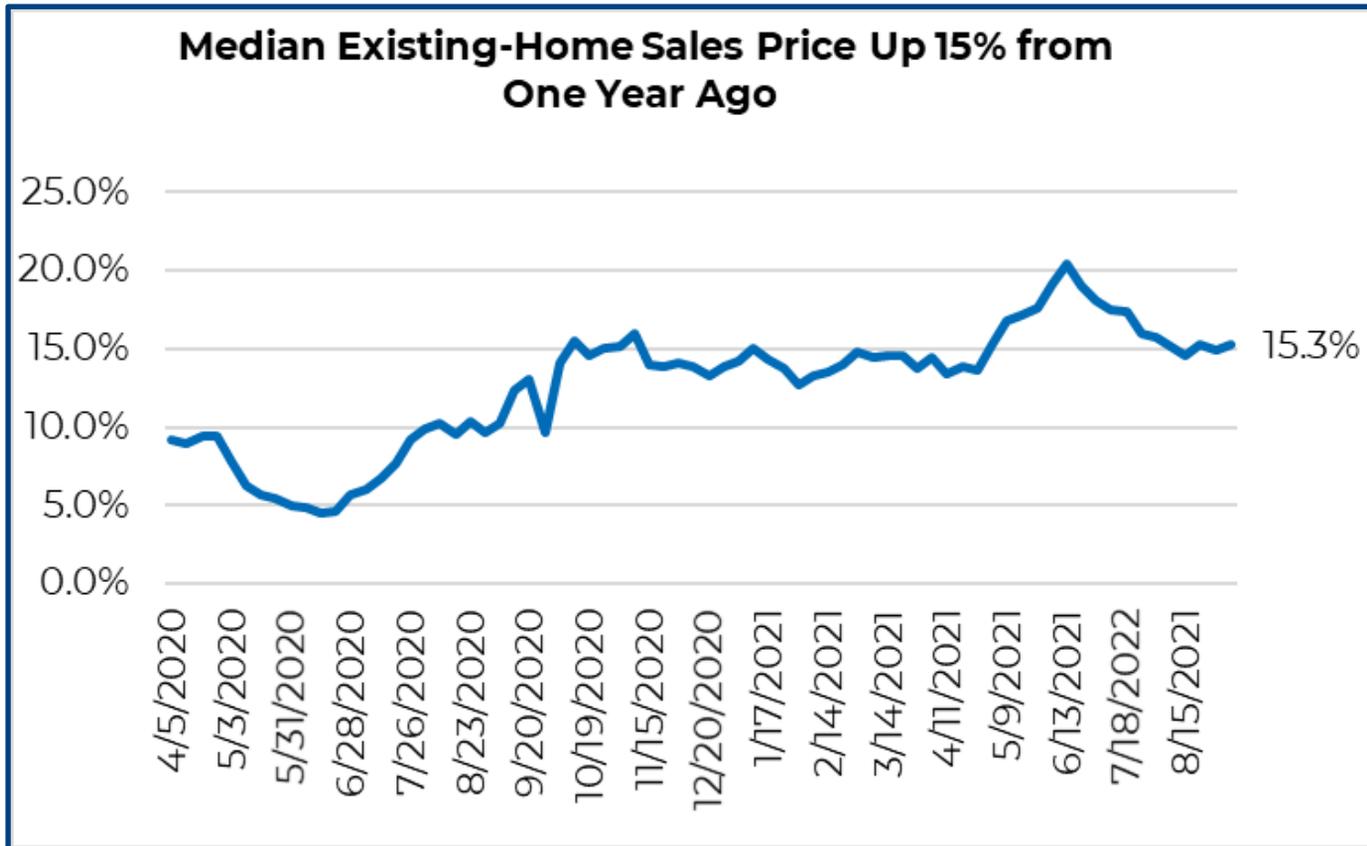
# Weekly Real Estate Monitor

## Home Price Appreciation Slows to 15%

With demand slowing and supply slightly improving, the pace of price appreciation is moderating. The median sales price\* of existing-homes sold at a slower pace of 15.3% from one year ago, a cooler pace from a peak of 20% during the four weeks ended June 13.

The sale-to-list price ratio has also tapered down to 99.3% after rising over 100% in June and July.

Homes typically sold in 14 days compared to 16 days one year ago.



\* - This is a preliminary figure based on incomplete coverage of metro areas such as California metro areas.

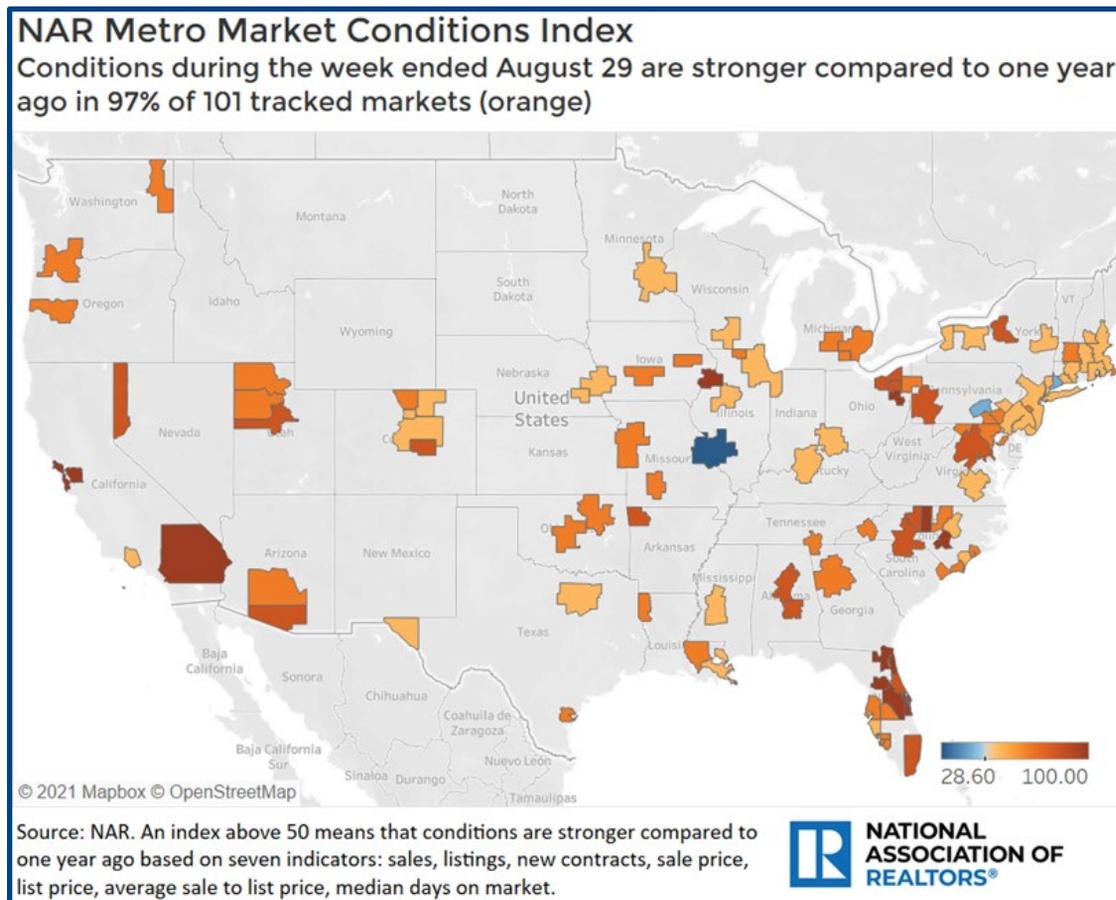
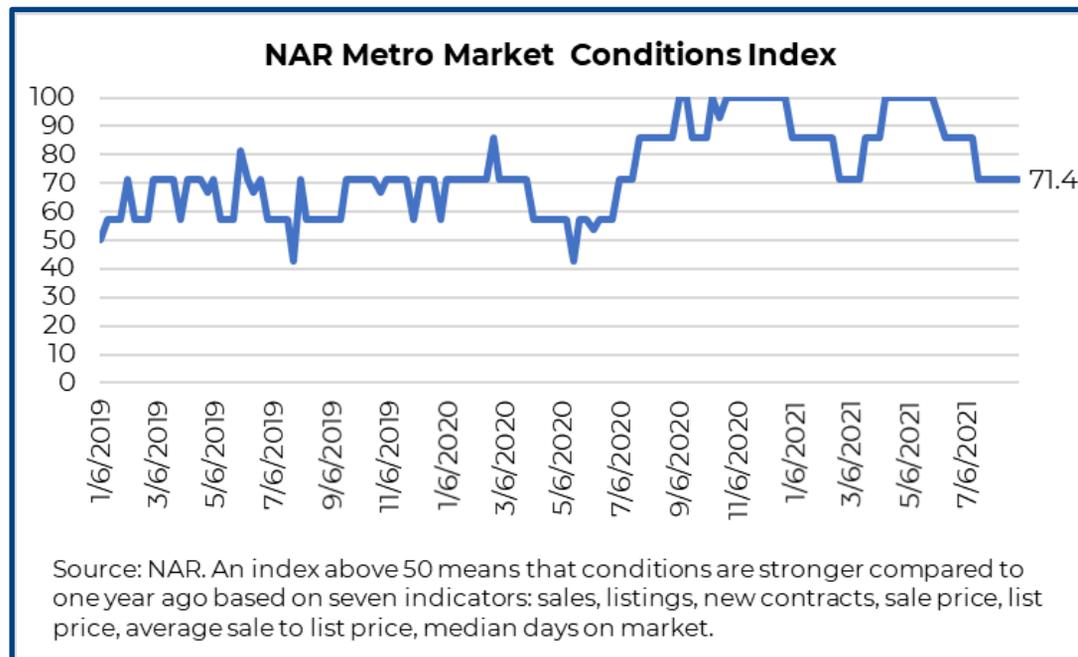
# Weekly Real Estate Monitor

## NAR Metro Market Conditions Index Indicates a Softening Housing Market

NAR's Metro Market Conditions Index stayed stable at 71.4. In May, the index was at 100 which means that the seven housing market indicators that make up the index were all above their levels one year ago. The decline in the index indicates the hot housing market is starting to cool slightly\*.

However, market conditions can still be characterized as broadly strong because the index is still over 50.

97% of 101 metro areas had stronger market conditions compared to one year ago.



\* 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.

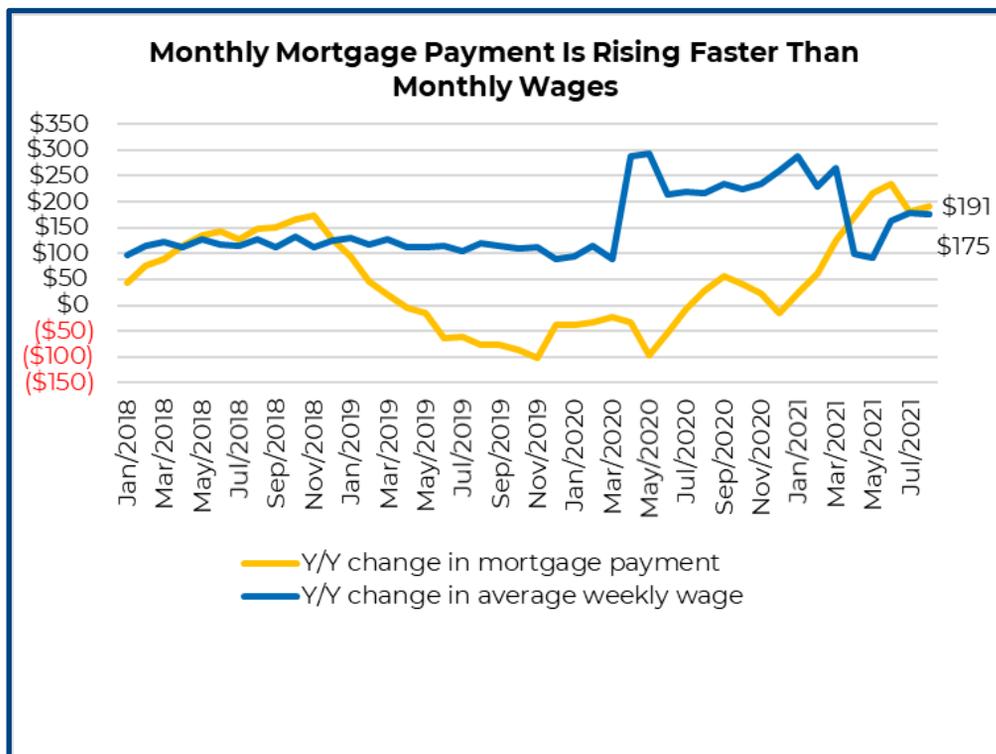
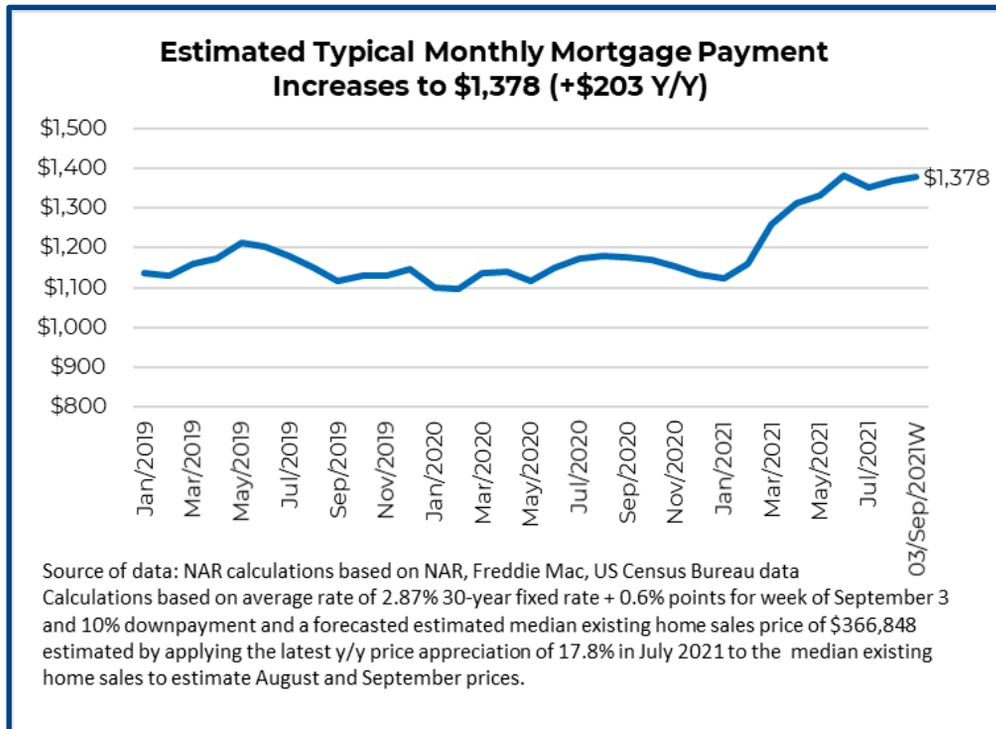
# Weekly Real Estate Monitor

## Monthly Mortgage Payment Up \$203 from One Year Ago, Outpacing Wage Gains

With home prices up 17.8% from one year ago, the estimated monthly mortgage payment on a 10% down payment 30-year mortgage for a typical home rose to \$1,378, up \$203/month from one year ago.

Mortgage payments have outpaced the rise in wages since April 2021. As of July, the monthly wage rose \$175 from one year ago while the monthly mortgage on a typical home (\$359,900) financed with a 10% down payment 30-year fixed rate mortgage was up \$175 from one year ago.

The 30-year fixed mortgage rate stayed at 2.87% during the week of September 3. 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. Mortgage rates have stayed low on concerns about the economic impact of rising Delta variant transmission, with 97% of counties having substantial to high transmission.



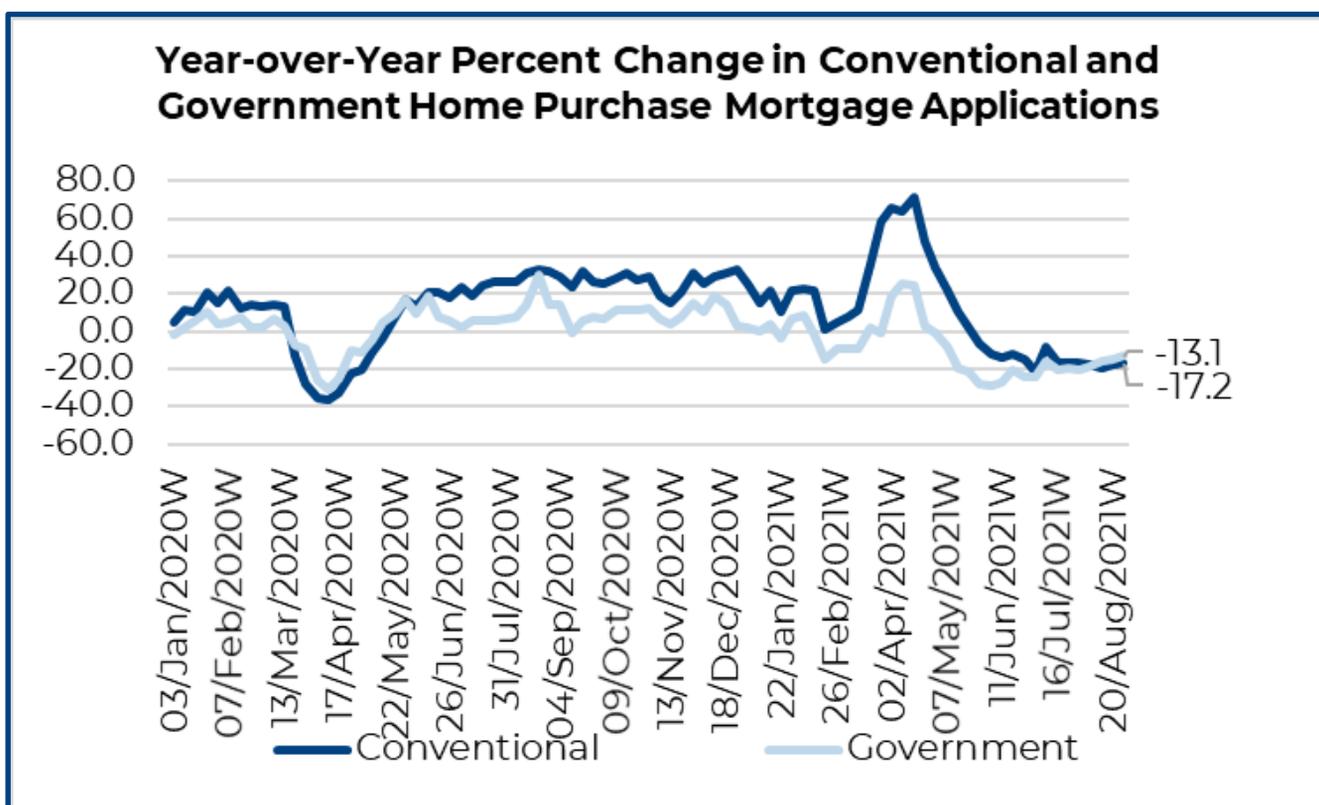
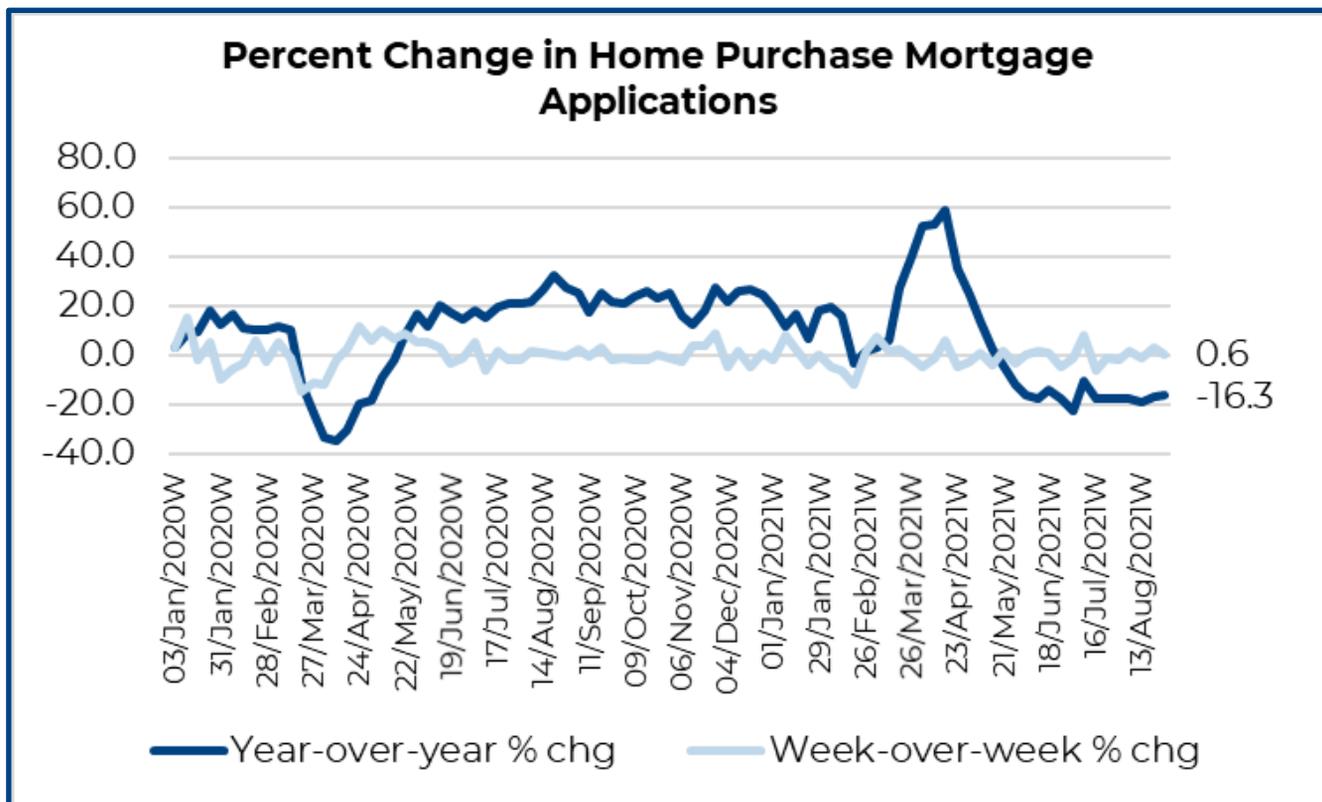
# Weekly Real Estate Monitor

## Weekly Mortgage Applications Increase 3% from the Prior Week

Applications for a home purchase rose 0.6% from the prior week, but applications were 16% below the level one year ago, according to the MBA 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 decreased 3.8% from the prior week but were up 2.1% from one year ago. Mortgage rates have hovered at the low 3% since 2020 so most higher rate mortgages have likely been refinanced already.



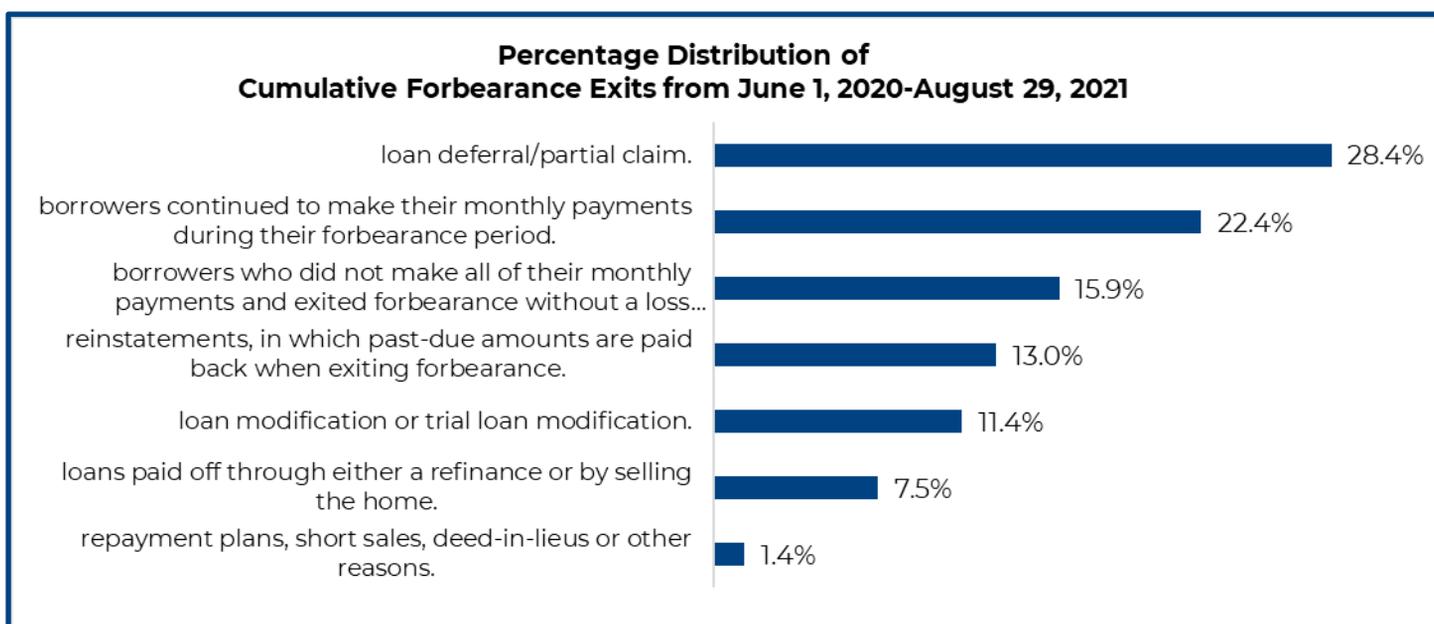
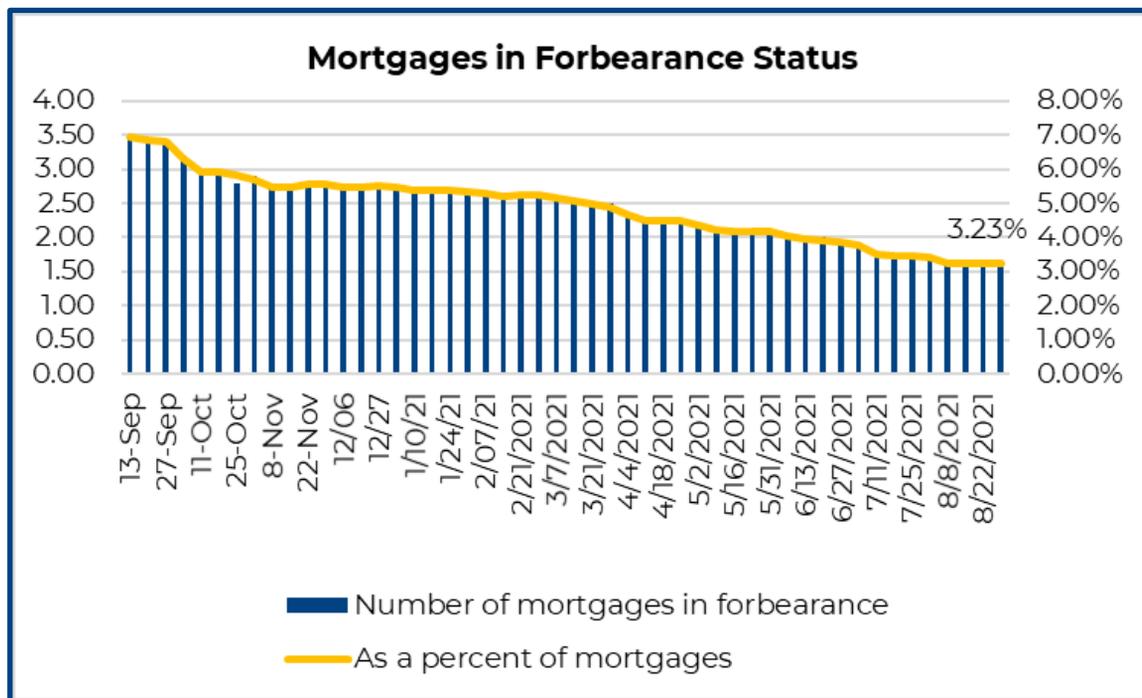
# Weekly Real Estate Monitor

## Fraction of Loans in Forbearance Continues to Decrease to 3.23%

The fraction of loans in forbearance decreased to 3.23% of total mortgages, equivalent to 1.6 million, according to the Mortgage Bankers Association.

Most distressed borrowers are working out payment options with lenders to keep their homes, with 75.2% of homeowners in forbearance having a loss mitigation plan. Of the homeowners who exited forbearance during June 1, 2020—August 29, 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 2.42 million loans in forbearance during September 2020—August 29, 2021, that has added 182,00 homes for sale during this 12-month period.

However, nearly 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 29, 2021, that yields about 386,000 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.



# Weekly Real Estate Monitor

## Strong Commercial Market Recovery Except Office Property Market

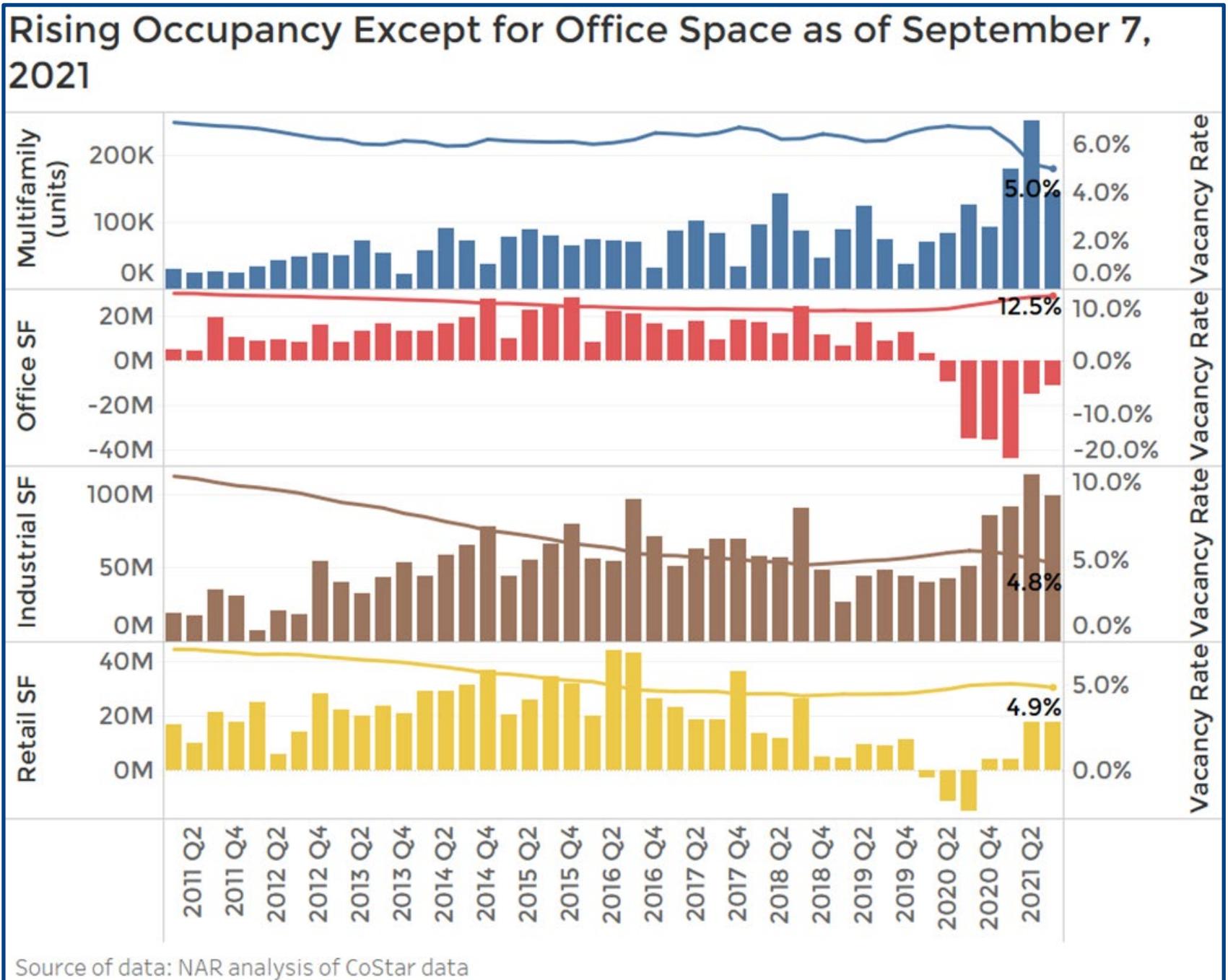
The commercial property market is undergoing a bifurcated recovery. As of 2021 Q3 (3-month rolling through September 7), only the office property market had a decline in occupancy (negative net absorption) of 150.3 million. The office vacancy rate increased to 12.5% (9.8% in 2020 Q1).

In the apartment market, there was a positive net absorption of 874,123 units since 2020 Q2 through 2021 Q3 with vacancy rate declining to 5.0% (6.7% in 2020 Q1).

In the industrial market, 483.6 million square feet of office space has been absorbed since 2020 Q2, with vacancy rate declining to 4.82% (5.3% in 2020 Q1).

In the retail property market, 19 million square feet has been absorbed since 2020 Q2, with vacancy rate slightly up at 4.9% (4.6% in 2020 Q1).

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



# Weekly Real Estate Monitor

## Double-Digit Rent Growth for Multifamily Properties

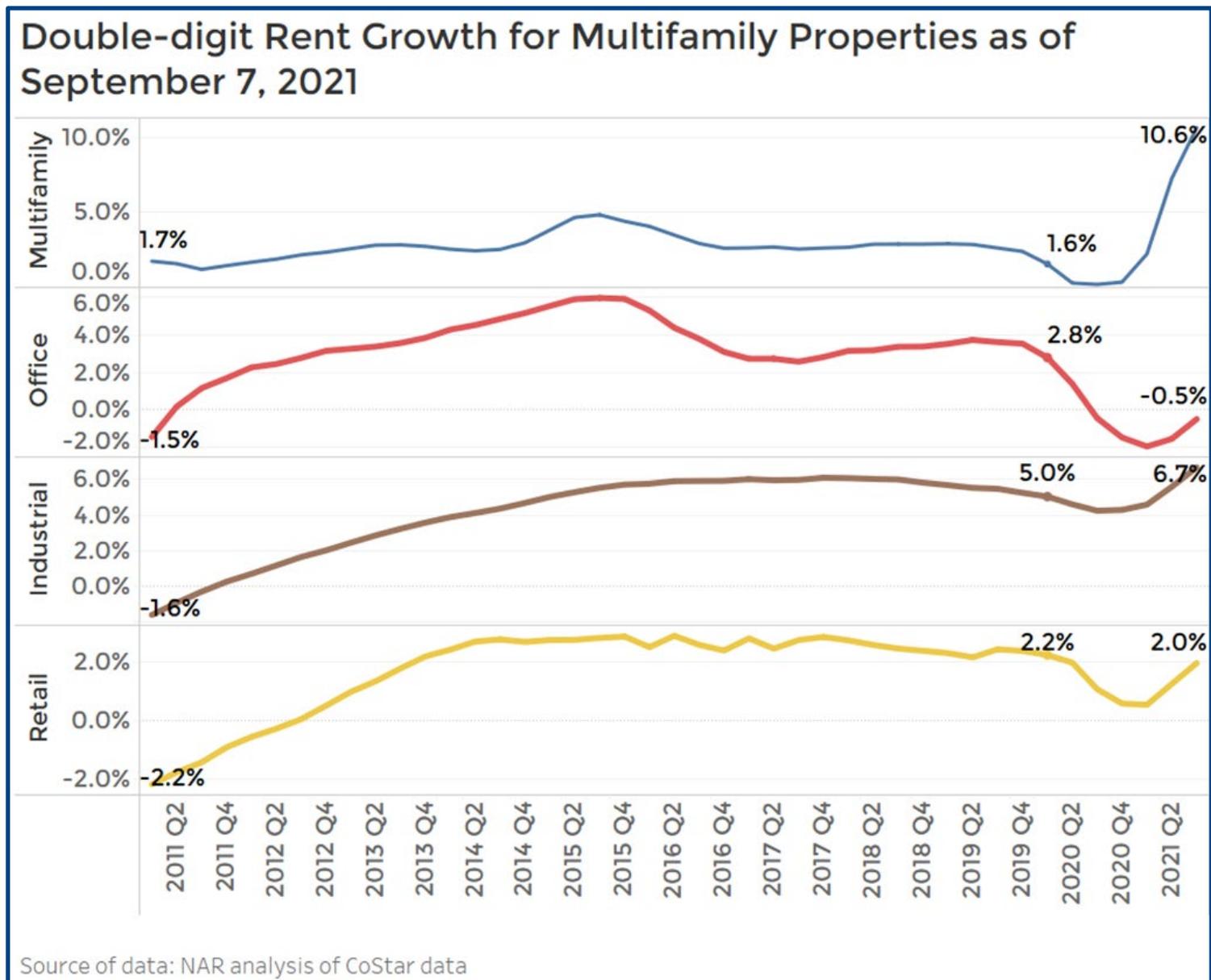
Asking rents have increased at the strongest pace in the multifamily market, with the average asking rent per unit up 10.6% from one year ago. Prior to the pandemic in 2020 Q1, the average asking rent growth was just 1.6%. Higher demand due to rising home prices and lower construction activity have pushed up rent growth.

In the industrial property market, the average asking rent per square foot was up 6.7%, also higher than the 5% rent growth prior to the pandemic. 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 was up 2%, just a tad lower than the 2.2% pre-pandemic rent growth.

With office space continuing to be released to the market, only the office market continues to have declining rents, with the average asking rent down by 0.5% compared to the 2.8% rent growth prior to the pandemic.

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



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## Fewer Apartment Units Under Construction, but Robust Construction of Industrial Properties as of 2021 Q2

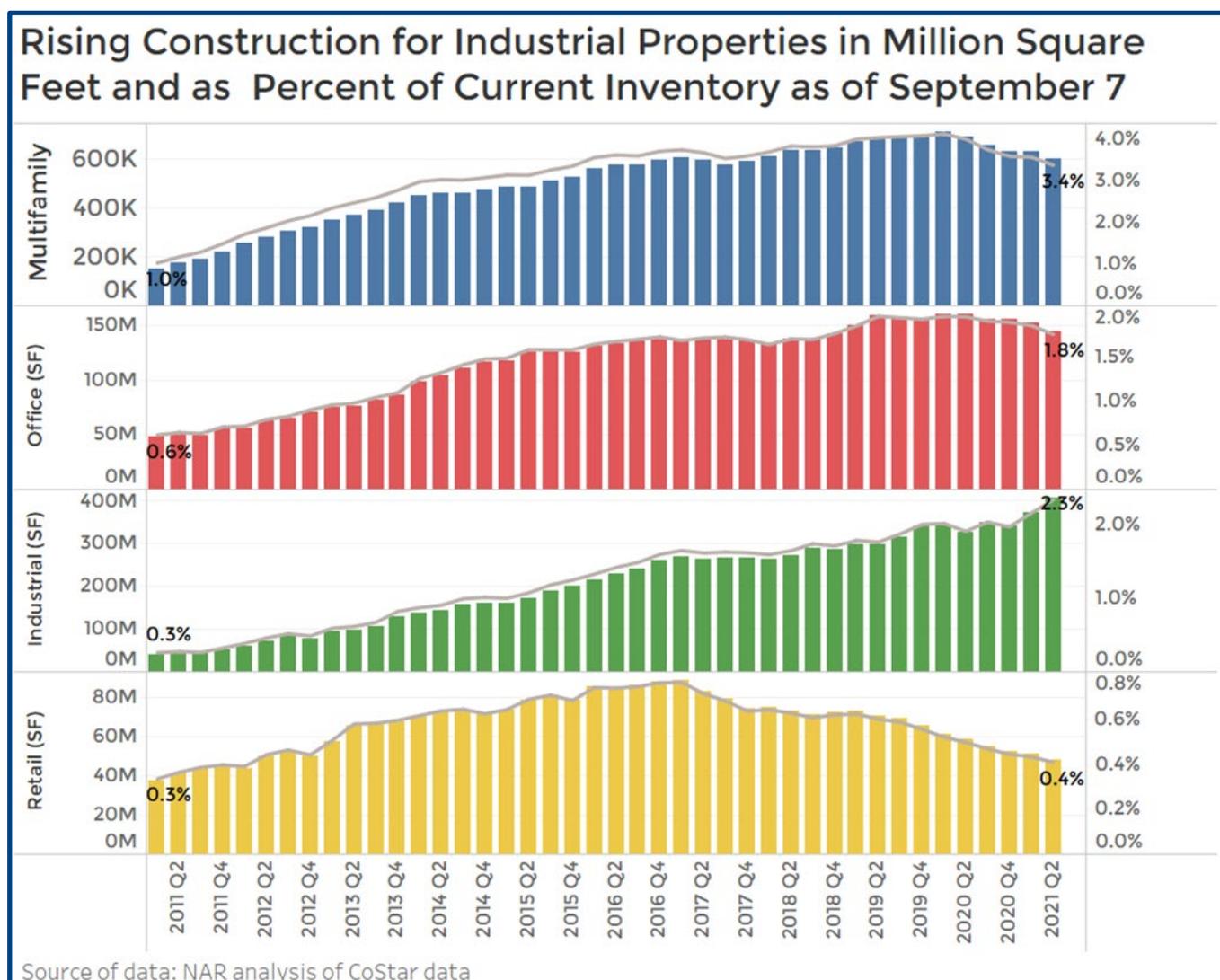
In the multifamily market, 597,137, 3.4% of the current inventory of apartment units are multifamily units under construction. The level of construction activity is well below the 709,000 units prior to the pandemic. Expect rent growth to remain at double-digit rates in the next 12 months.

In the office property market, 145 million square feet equivalent to 1.8% of the current inventory is under construction. Given the huge negative absorption, this space under construction will keep vacancy rates elevated at double-digit rate in the next two to three years with rent growth at around 1% to 2%.

Construction of industrial properties has been rising robustly. As of 2021 Q2, 406.4 million square feet equivalent to 2.3% of current inventory of industrial space is under construction. The construction will increase supply to keep the lid on rent growth to around 7% in the next 12 months.

In the retail property market, 48 million square feet is under construction, equivalent to 0.4% of the current inventory. Rent growth will likely stay flat at current modest pace of 2%.

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



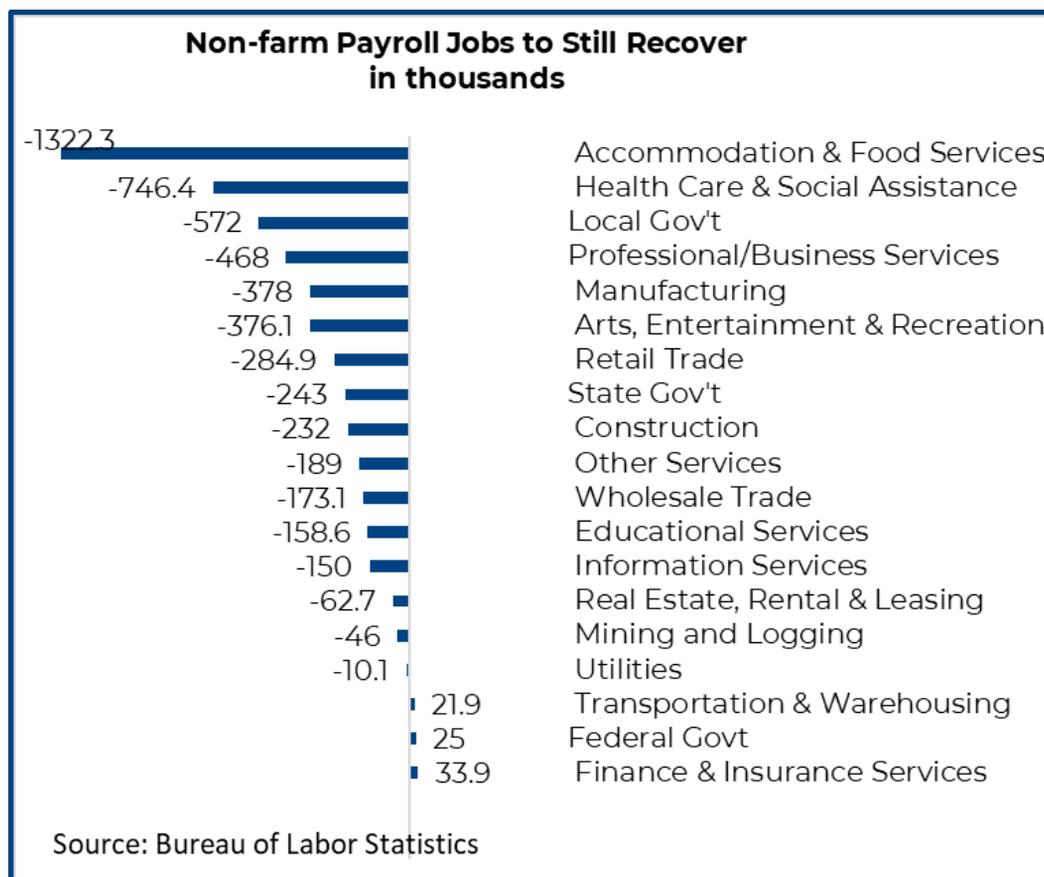
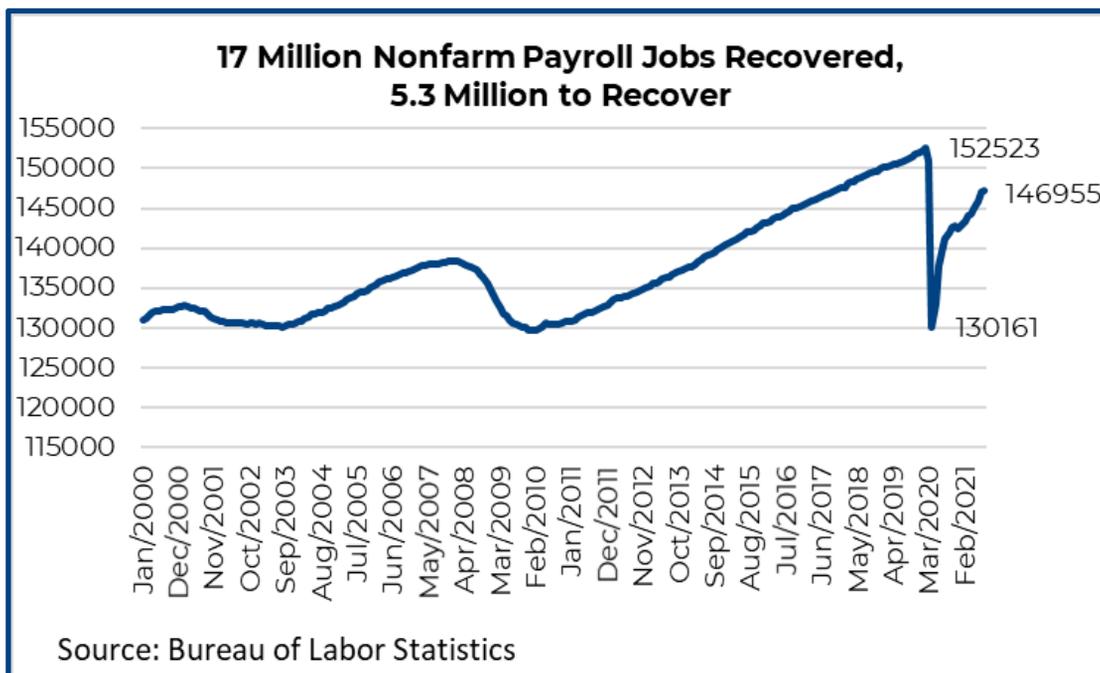
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## 235,000 Jobs Added in August Bringing Total Job Creation to 17 Million

In August, the economy added 235,000 non-farm payroll jobs, bringing the total number of jobs created to 17 million since May 2020 (measured on a seasonally adjusted basis). To date, 76% of the 22.4 million jobs have been recovered.

There are still 5.3 million non-farm payroll jobs to recover, of which 1.3 million are in the accommodation and food services industry. In the construction industry, 232,000 jobs still have to be recovered.

With the strong job recovery and inflation picking up, NAR Chief Economist Lawrence Yun expects the Federal Open Market Committee to start cutting back on mortgage backed-securities purchases before the end of the year and then an increase in the federal funds rate by 2022, both of which will lead to rising mortgage rates. [Read Lawrence Yun's Instant Reaction.](#)



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