2021

Weekly Real Estate Monitor

Residential and Commercial Markets

November 15-18

National Association of REALTORS® Research Group

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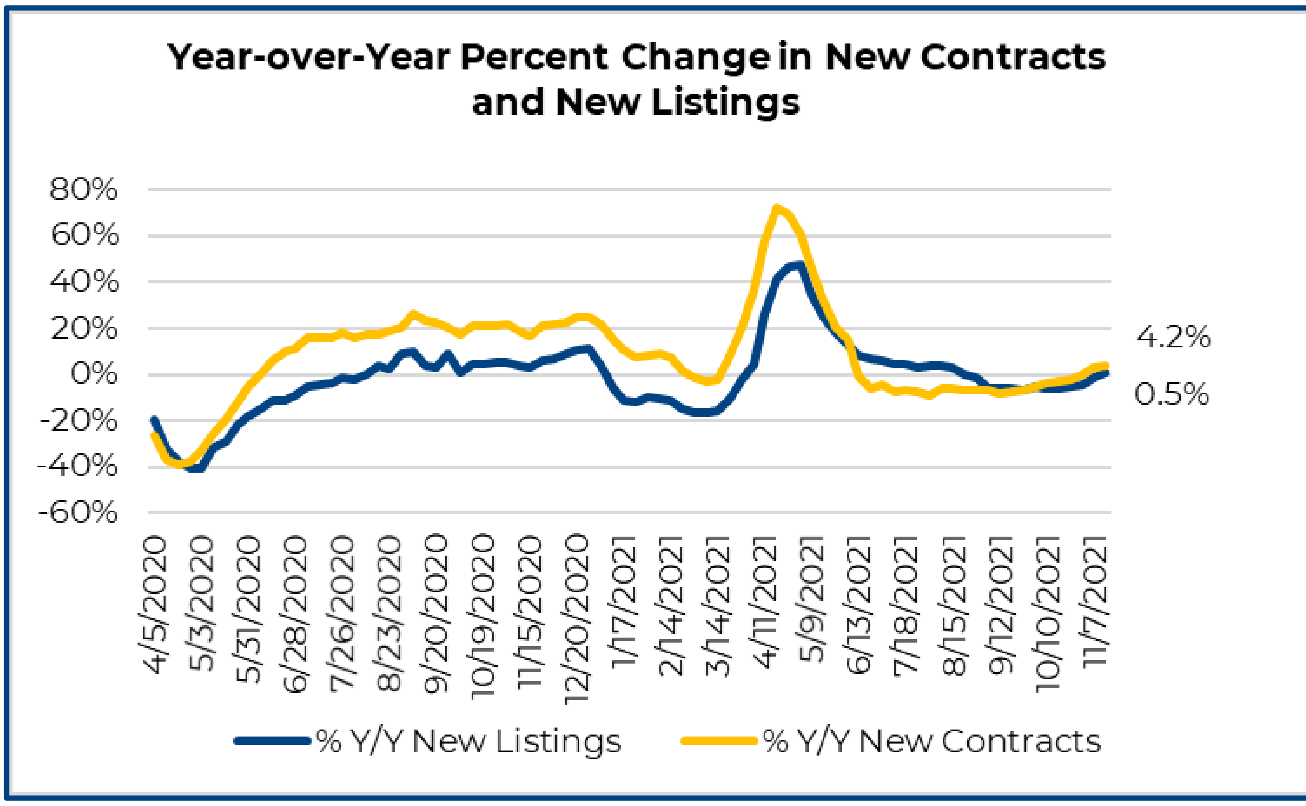
Weekly Real Estate Monitor

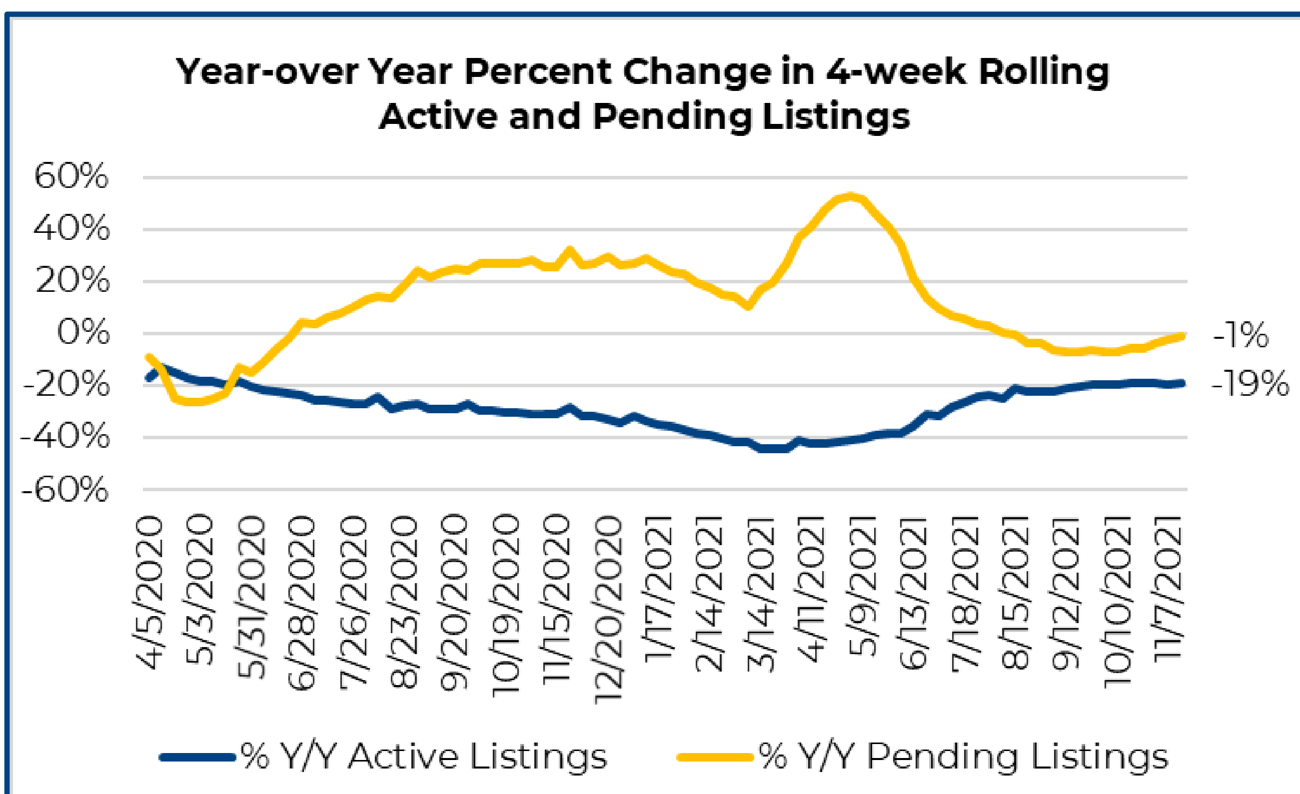
Uptick in Contract Signings and New Listings

The housing market doesn't appear to be ready to taper off just yet, perhaps as buyers try to beat the further increase in mortgage rates. Preliminary data on contracts signings (pending sales) in the past four weeks ended November 14 rose 4.2% compared to the rolling 4-week level of contract signings four weeks ago (prior month).*

New listings in the past 4-week period also rose 0.5% compared to the rolling 4-week level four weeks ago (prior month).

As of October 31, the inventory (stock) of pending listings was down 1% year-over-year while the inventory of active listings was down 19%, indicating the demand continues to outpace supply.





*The 4-week rolling period in the current month won't exactly end on the same day one month ago.

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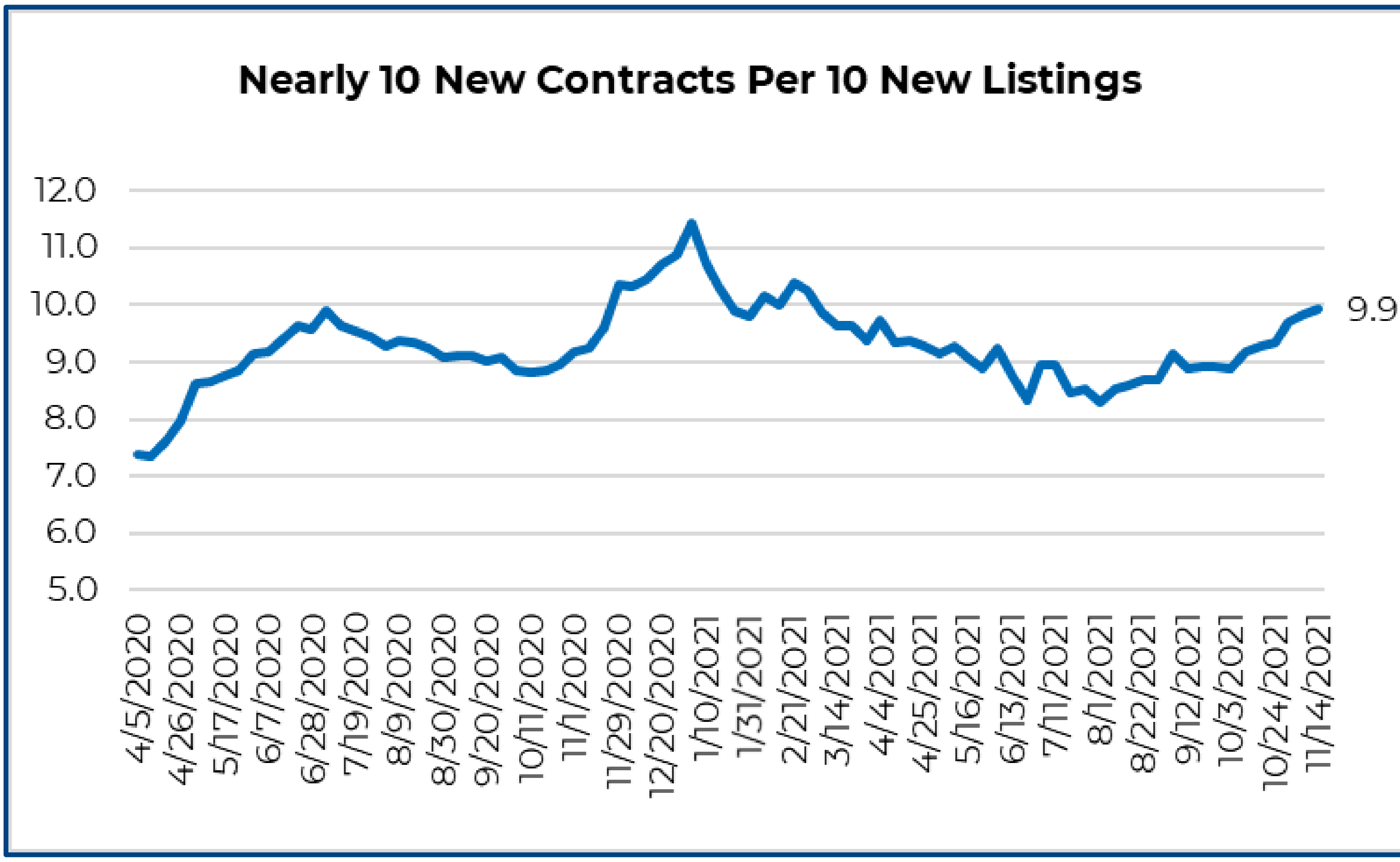
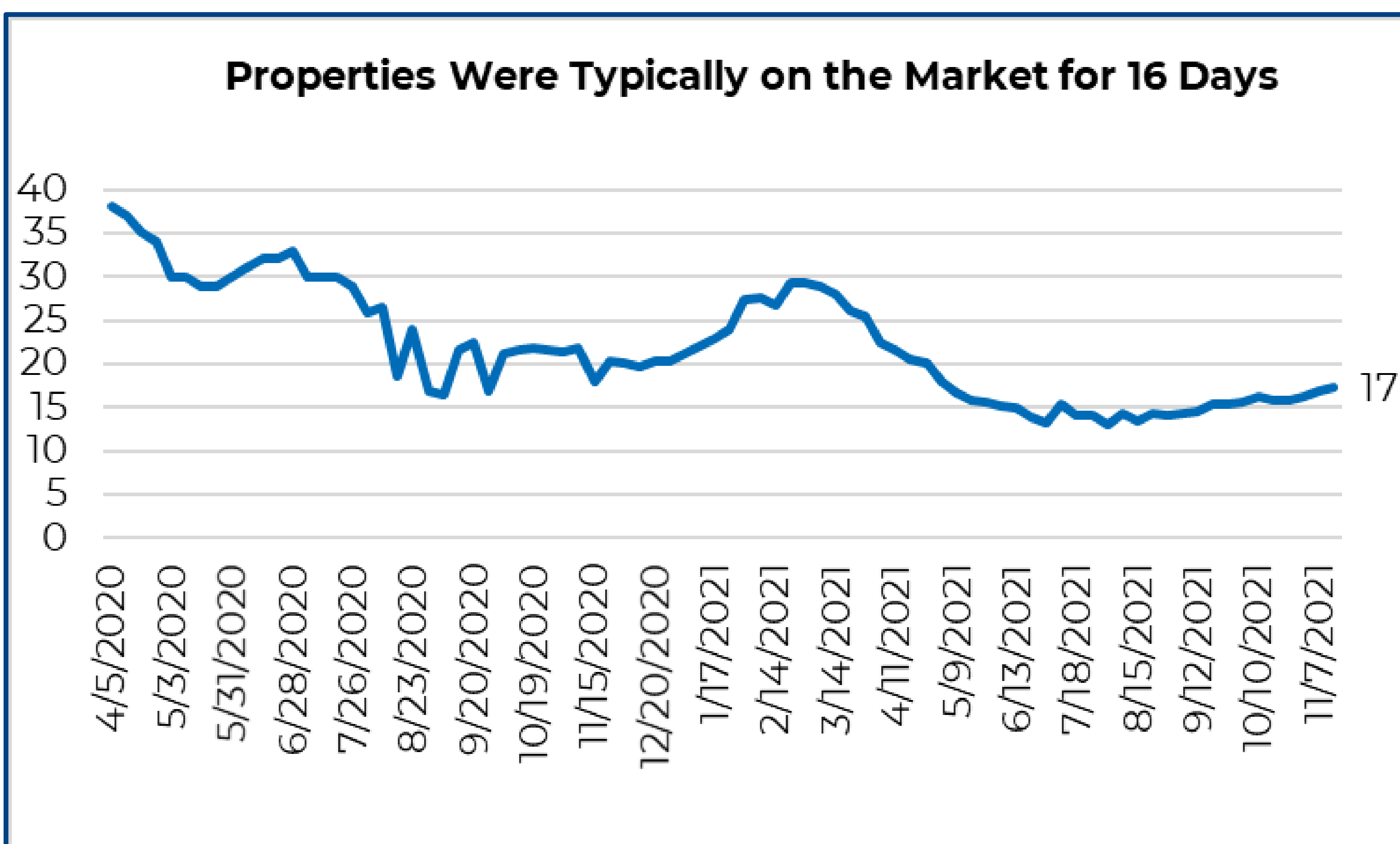
Nearly 10 New Contracts Signed for Every 10 New Listings

Demand is tightening again. There were nearly 10 new pending sales for every 10 new listings, up from about 8 new sales per 10 new listings in June-July 2021.

Over the past four weeks, properties typically sold in 17 days (18 days one year ago).





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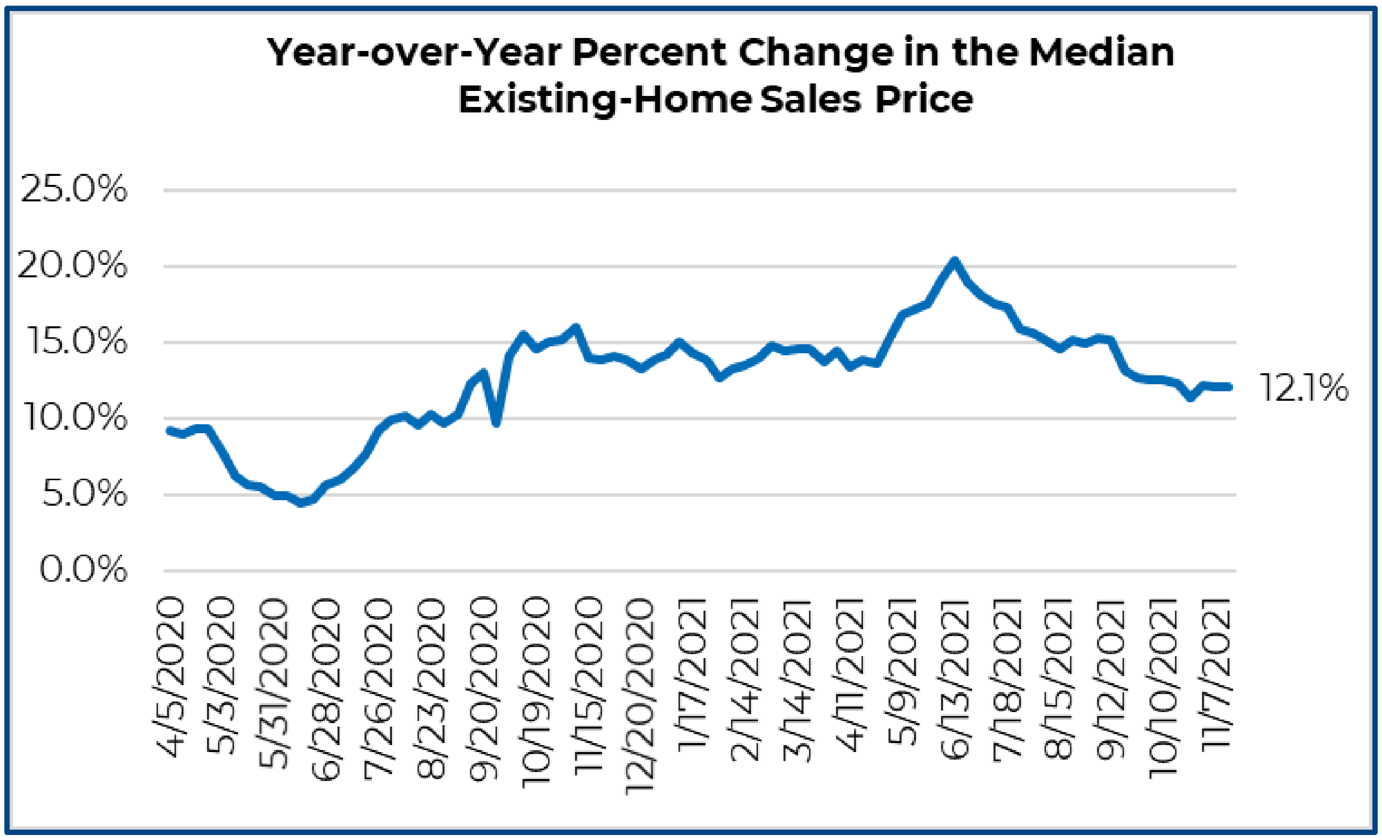
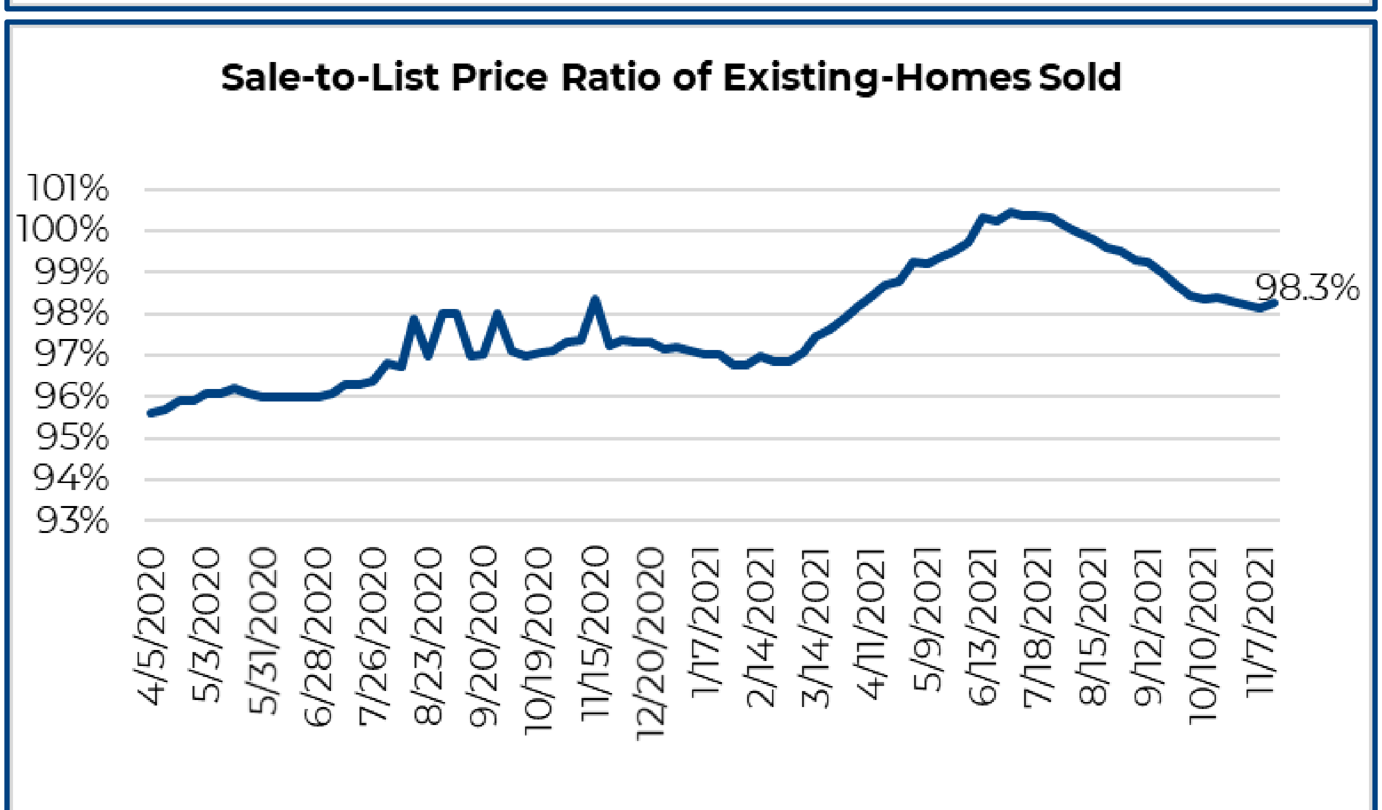
Home Price Appreciation Slows to 12%

Preliminary data indicates that the median existing-home sales price rose 12% year-over-year. This is a slower pace compared to past months when the median existing-home sales price rose to a historic high of 23.6% in May 2021. In September, the median sales price rose 13.3%.

Buyers are starting to find bargains, with the sales-to-list price ratio at 98.3% after trending at over 100% this summer.

NAR Chief Economist Lawrence Yun expects existing-home sales prices to rise at a slower pace of 2.8% in 2022 and new home sales price to increase 4.4% in 2022 as demand eases due to higher mortgage rates.





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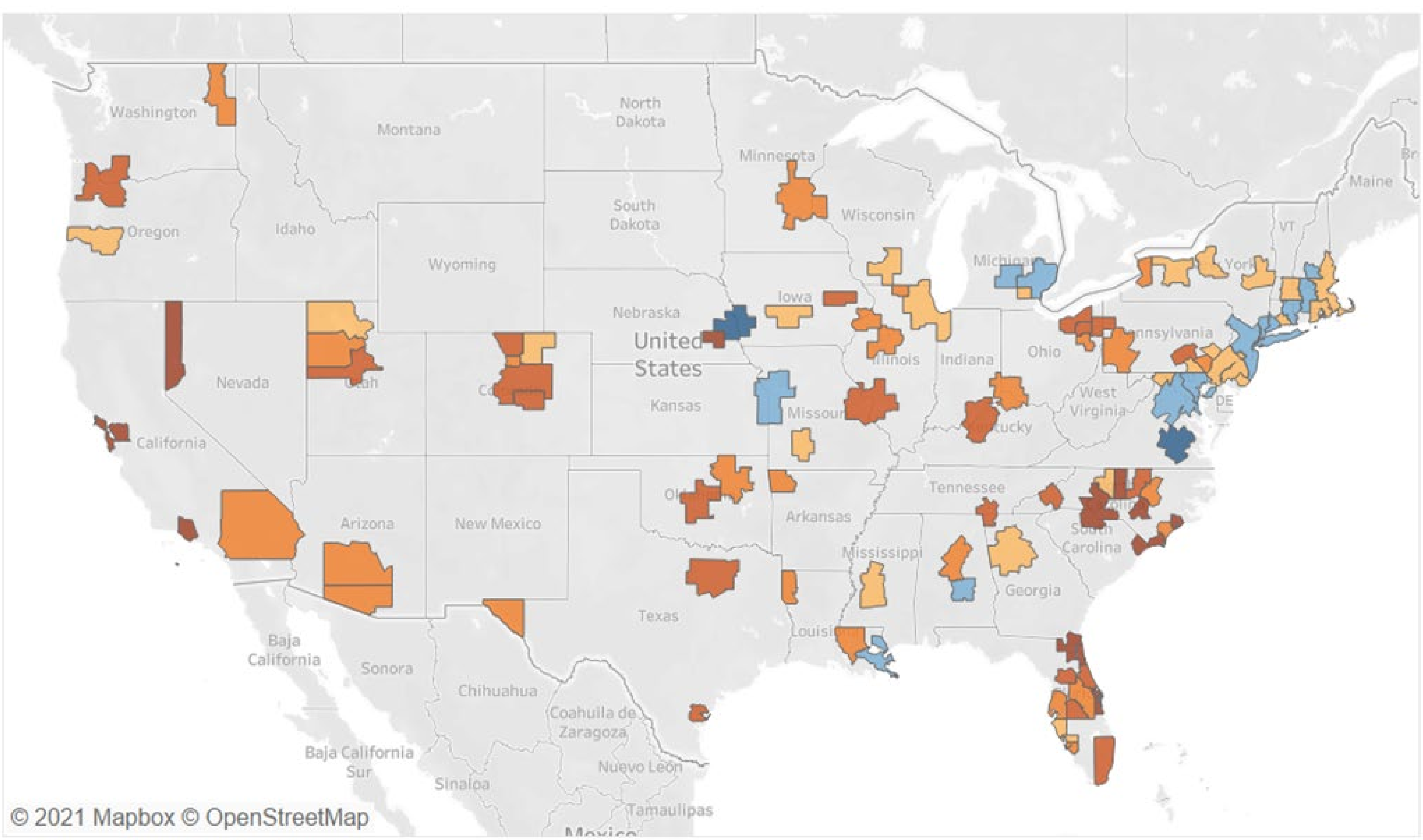
86% of 101 Tracked Metros Have "Stronger" Conditions Compared to One Year Ago

The number of metro areas showing stronger market conditions compared to one year ago also increased. 86% of 101 tracked markets had stronger conditions, compared to one year ago (81% in the prior 4-week period) based on the NAR Metro Housing Market Index. Fourteen markets had an index less than 50. The median value of the metro-level indices rose to 74.1 (57.1 in the prior 4-week period).

Eleven metro areas had an index of 100: San Francisco-Oakland-Hayward, Reno, Palm Bay-Melbourne-Titusville, Oxnard-Thousand Oaks-Ventura, Myrtle Beach-Conway-North Myrtle Beach, Lincoln, Jacksonville (Florida), Jacksonville (North Carolina), Greensboro-High Point, Fayetteville (North Carolina), and Charlotte-Concord-Gastonia.

The NAR Metro Housing Market Index for each metro area is compiled from seven indicators: sales, listings, new contracts, sale price, list price, sale to list price, and median days on market. An index above 50 means a market has "stronger" conditions compared to one year ago.

NAR Metro Housing Market Index
Conditions during the 4-week period ended November 14 are stronger in 86 out of 101 metro areas (Median = 71.4)



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

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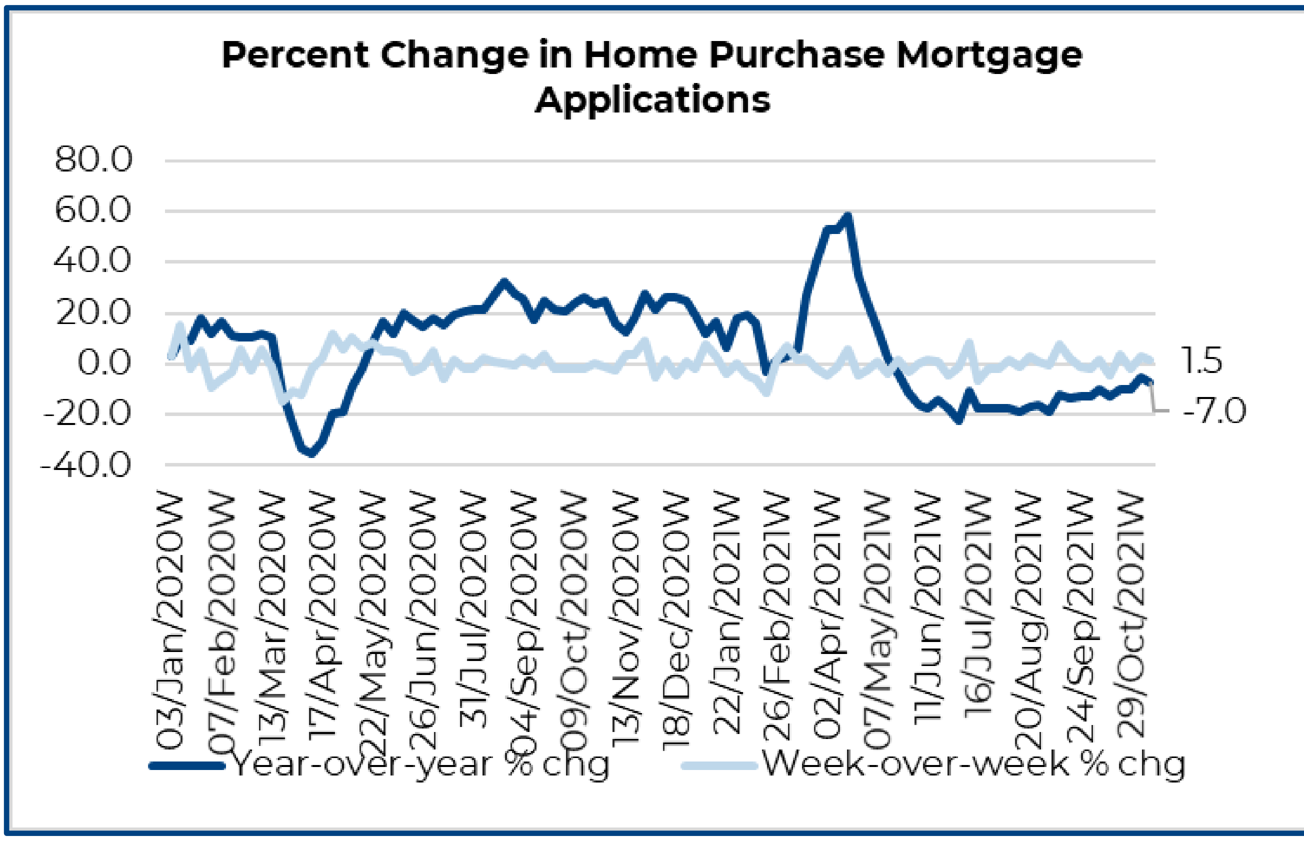
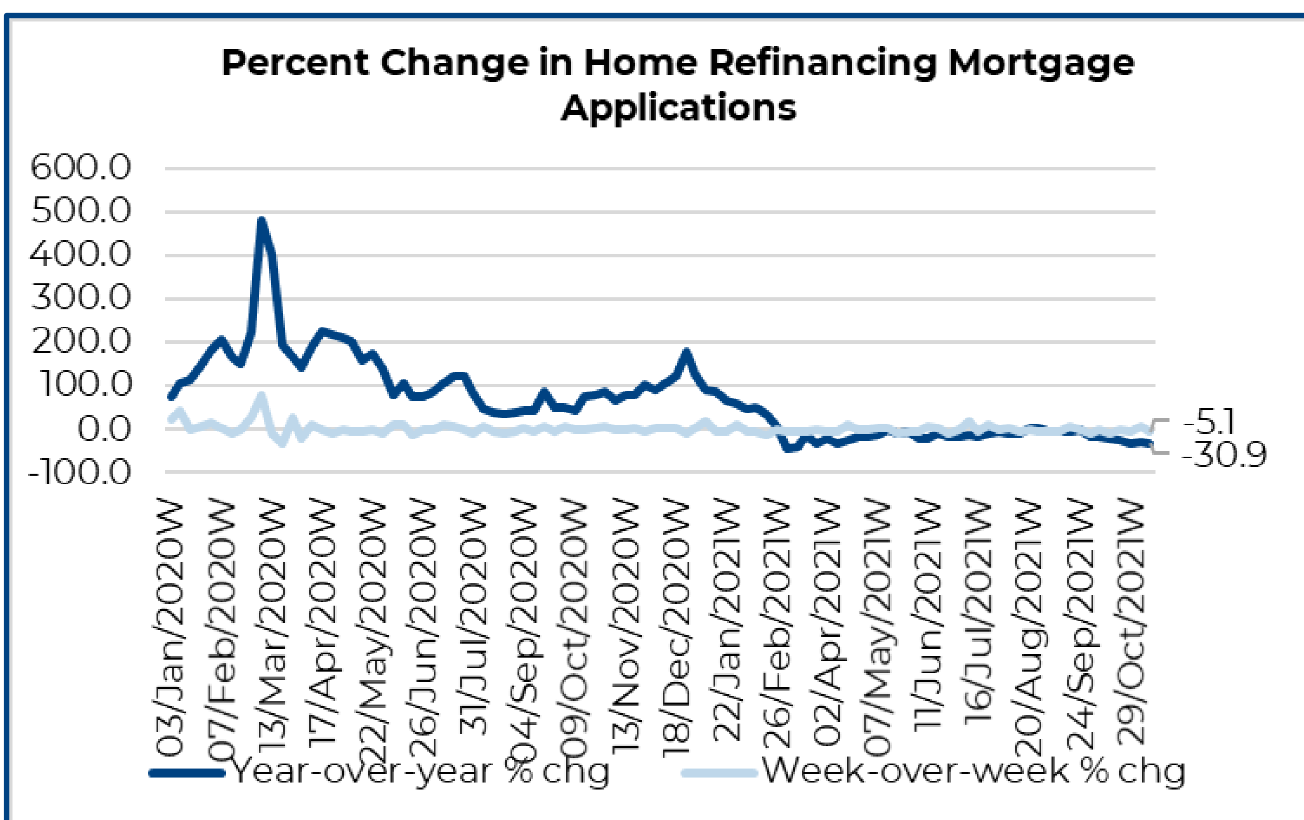
Mortgage Applications Increase

Applications for a home purchase increased 1.5% from the prior week but were lower by 7% compared to last year's abnormal level, according to the MBA's Weekly Mortgage Applications Survey.

Conventional financing (includes Fannie Mae/Freddie Mac conforming loans) purchase applications increased 1.2% from the prior week and government-insured financing (FHA, VA, USDA) also increased 2.5%.

Refinancing applications decreased by 5% from the prior week which reflects the increase in mortgage rates in October prior to falling again in the first two weeks of November.





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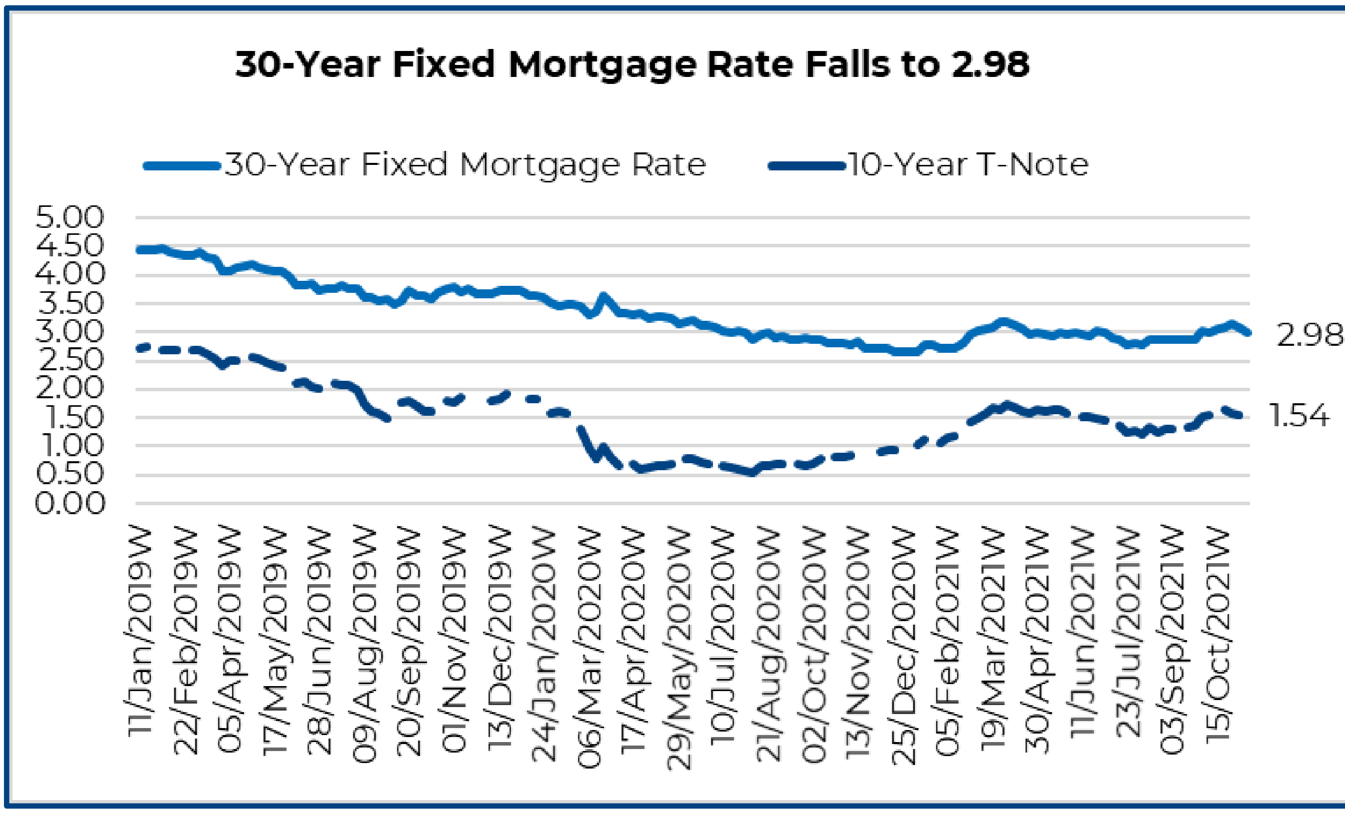
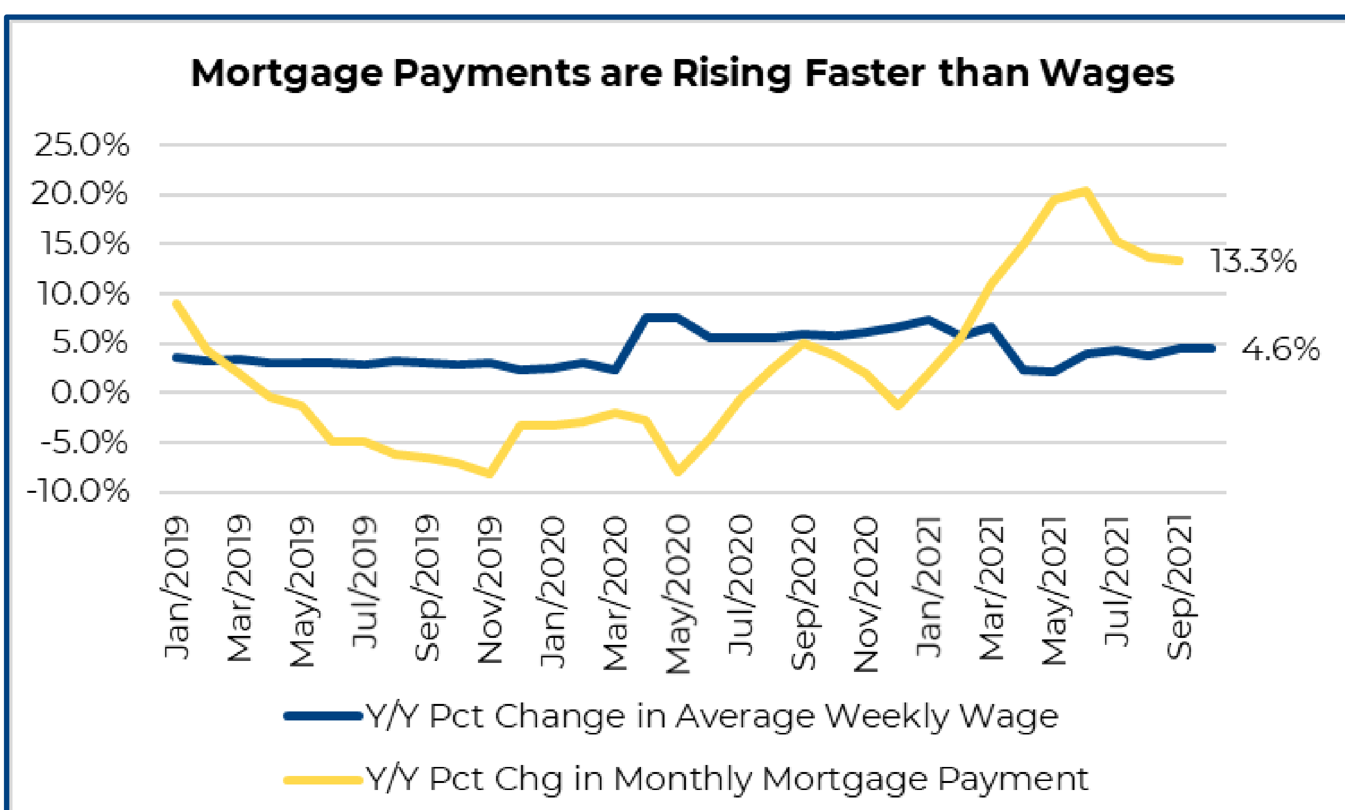
Mortgage Rate Falls to Below 3% Again

The 30-year fixed mortgage rate further fell for the second straight week to 2.98% as the 10-year T-note also fell to 1.54%. *

However, rates are likely to go up more than to stay at below 3%. With the unemployment rate falling to 4.6% in October and inflation rising to 6.2%, the Fed is expected to start reducing its purchases of asset-backed mortgages and raising the federal funds rate next year by 0.25 basis points.

NAR Chief Economist Lawrence Yun expects the 30-year fixed mortgage rate to increase to 3.5% in 2022 as the Fed tightens on the flow of money to the economy.





*Minutes of the Federal Open Market Committee September 21-22, 2021; https://www.federalreserve.gov/monetarypolicy/files/fomcminutes20210922.pdf

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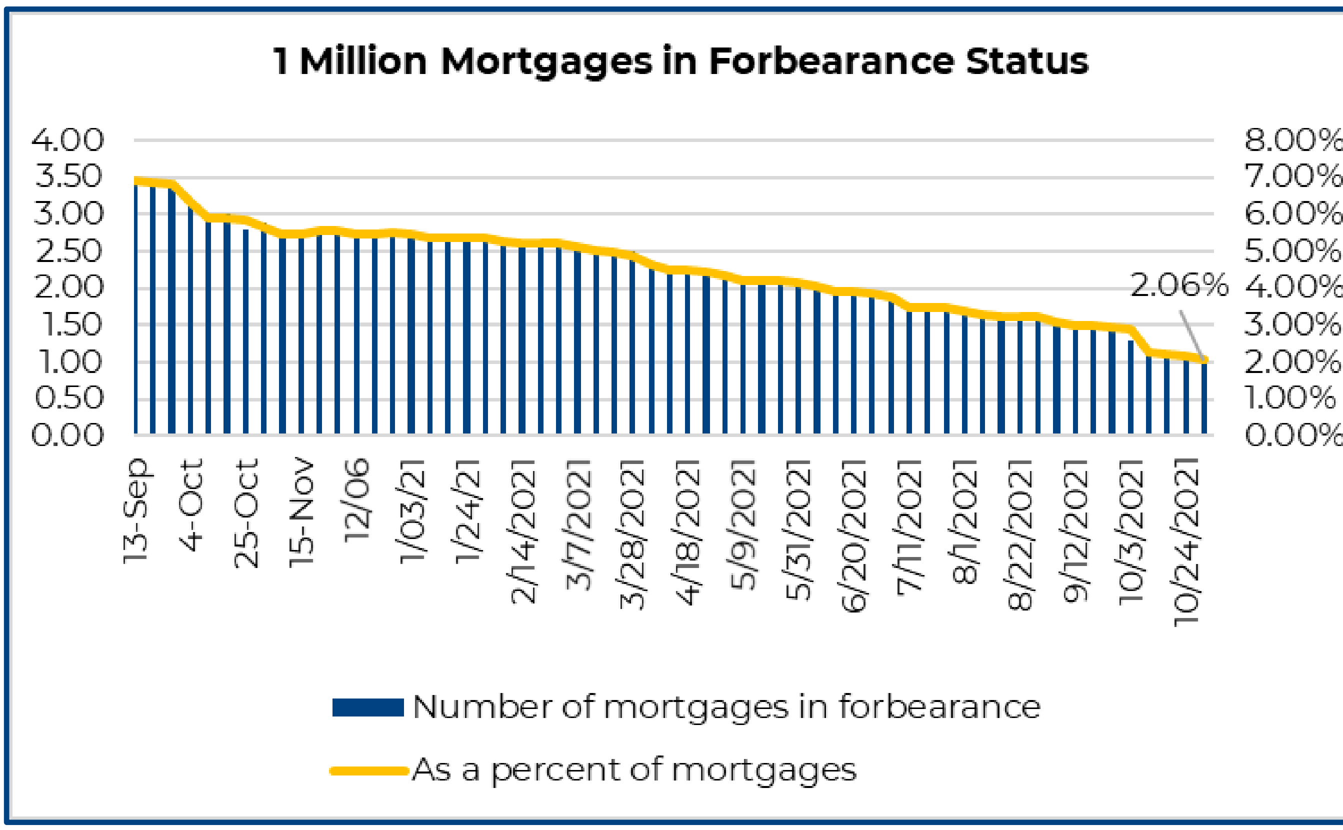
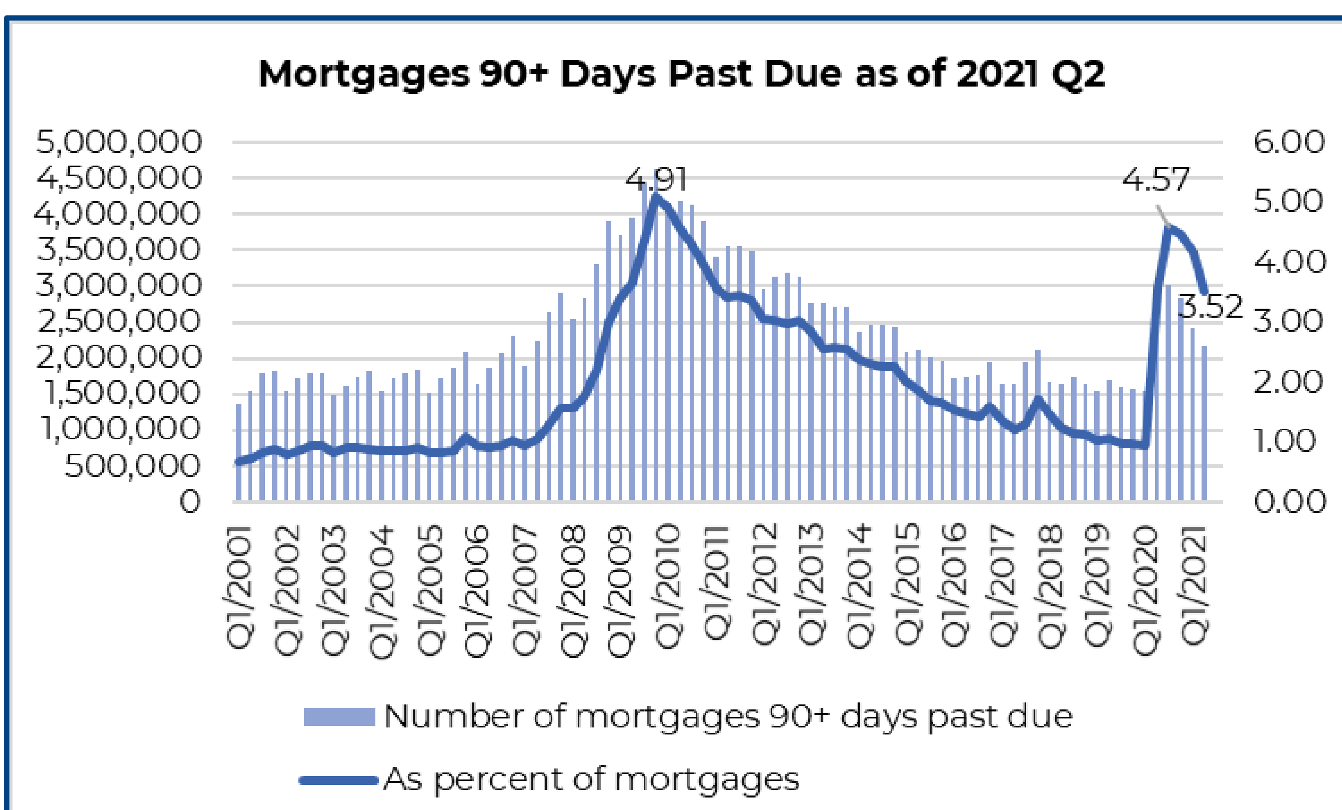
Number of Loans in Forbearance Declines to 1 Million

Loans in forbearance decreased to 2.06% of mortgages which is equivalent to 1 million mortgages, according to the MBA.

Most distressed borrowers are working out payment options with lenders to keep their homes, with 74.9% of homeowners in forbearance having a loss mitigation plan and only 7% selling their home.

Mortgages that are past due are also declining. As of the second quarter of 2021, 3.5% of mortgages are over 90 days past due (2.18 million), down from 4.57% one year ago. The peak rate was during the Great Recession when over 90 days past due rose to 4.91% of mortgages outstanding.





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Office Occupancy Declines Again in the Past Three Months

Office occupancy declined again in the past three months. All other core markets — multifamily, industrial, and retail — saw an increase in occupancy in the past three months

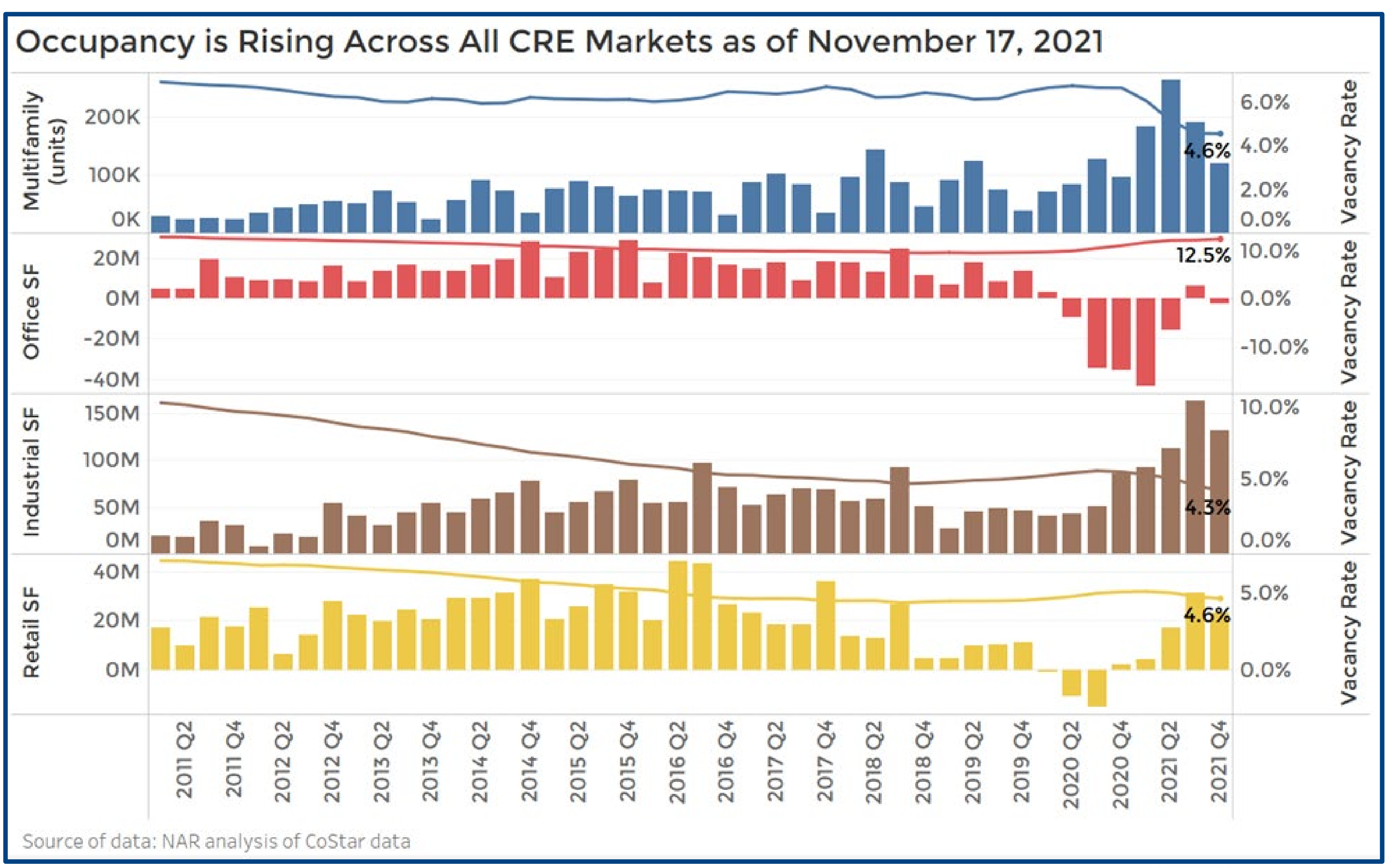
Office occupancy decreased 2.3 million square feet in the past three months, after increasing 6.5 million in the third quarter. However, compared to the pre-pandemic level, 134 million square feet has been given up (negative absorption) from 2020 Q2 through November 17. The vacancy rate is at 12.5% (9.8% in 2020 Q1).

In the multifamily market, occupancy increased by 119,668 units compared to three months ago, with a total increase in units occupied by 1.06 million units since 2020 Q2. The vacancy rate is at 4.6% (6.7% in 2020 Q1).

In the industrial market, occupancy increased by 131.9 million square feet in the past three months, with a total of 680 million square feet of industrial space absorbed since 2020 Q2. The vacancy rate has fallen to 4.3% (5.3% in 2020 Q1), the lowest rate among the core commercial markets.

In the retail property market, 23. 2 million square feet became occupied in the past three months, with 52.6 million square feet absorbed since 2020 Q2. The vacancy rate is at 4.6% (4.6% in 2020 Q1).

Download the October Commercial Market Insights Report and Commercial Metro Market Reports.



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Multifamily Rent Growth Up 11%

Multifamily asking rents continue to increase at a double-digit pace of 11.1% year-over-year. Prior to the pandemic in 2020 Q1, the average asking rent growth was just 1.6%. Higher demand due to rising mortgage rates and lower construction activity will likely keep rents elevated in 2022, according to a Commercial Weekly analysis for this market.

In the office market, rent growth finally turned flat after rents declined in 2020 Q3. In 2020 Q1, rents rose 2.9% 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%. Prior to the pandemic, rents rose at an average of 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 also rose to 2.6%, which is higher than the 2.3% pre-pandemic rent growth.

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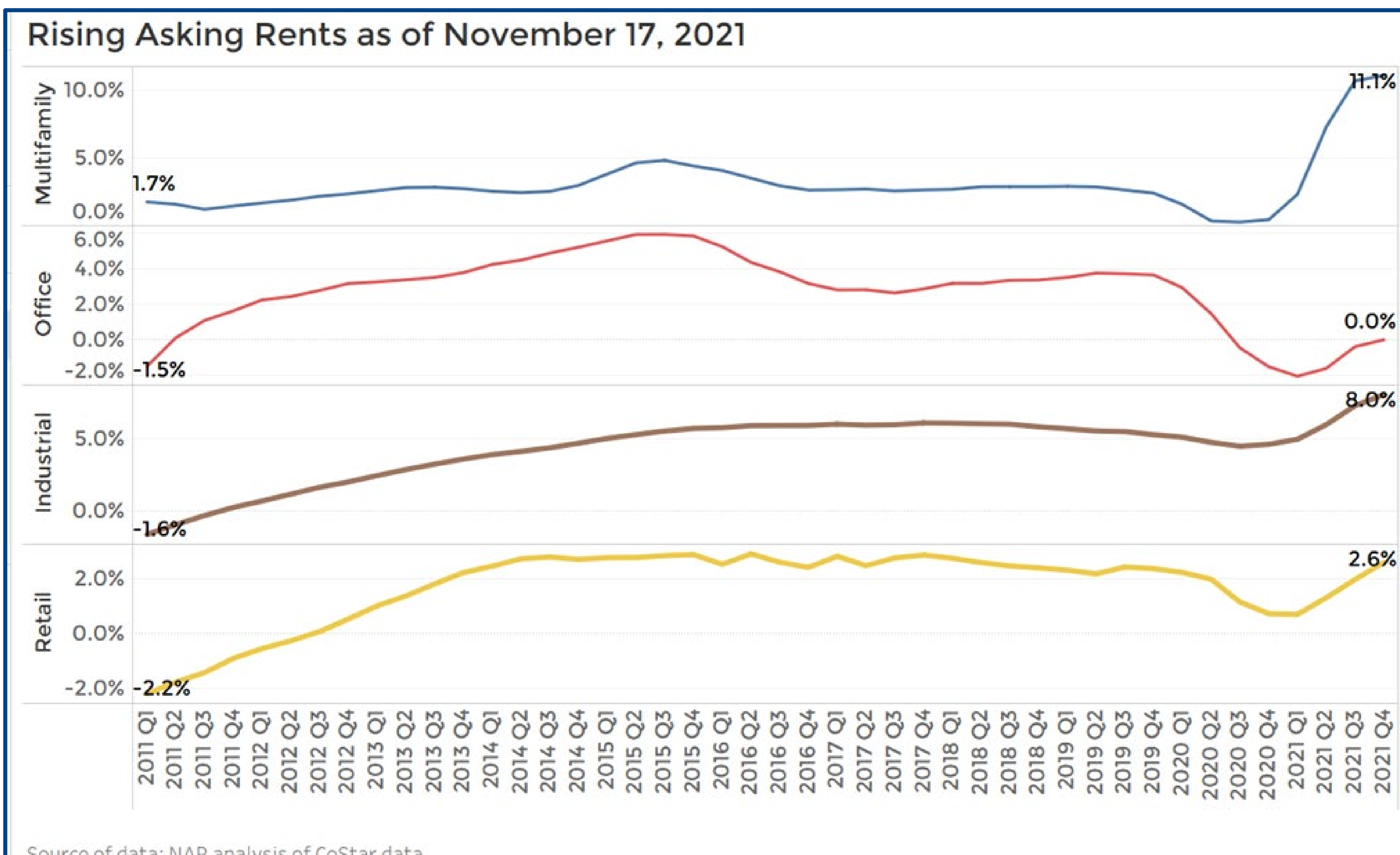

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Median Commercial Cap Rates Decline

Median cap rates (net operating income/price) declined or stayed stable across commercial markets despite rising 10-year T-note yields. Lower cap rates mean higher price valuations for the property.

In the multifamily market, the median cap rate in the past three months held at 5% (5.9% in 2020 Q1).

In the office market, the median cap rate slightly increased to 7% (7.2% in 2020 Q1). In the industrial market, the median cap rate slightly rose to 6.7% (7.1% in 2020 Q1). In the retail market, the median cap rate held at 6.0% (6.7% in 2020 Q1).

The median cap rates have trended downwards even as the 10-year T-note has been trending up since January 2021 (1.54% from 1.03% as of January 3), which indicates that investors are buying quality assets and that commercial sales transactions prices are rising.

NAR Chief Economist Lawrence Yun expects the 10-year T-note to increase by 0.5 percentage points from 1.5% in 2021 to 2.0% in 2022.

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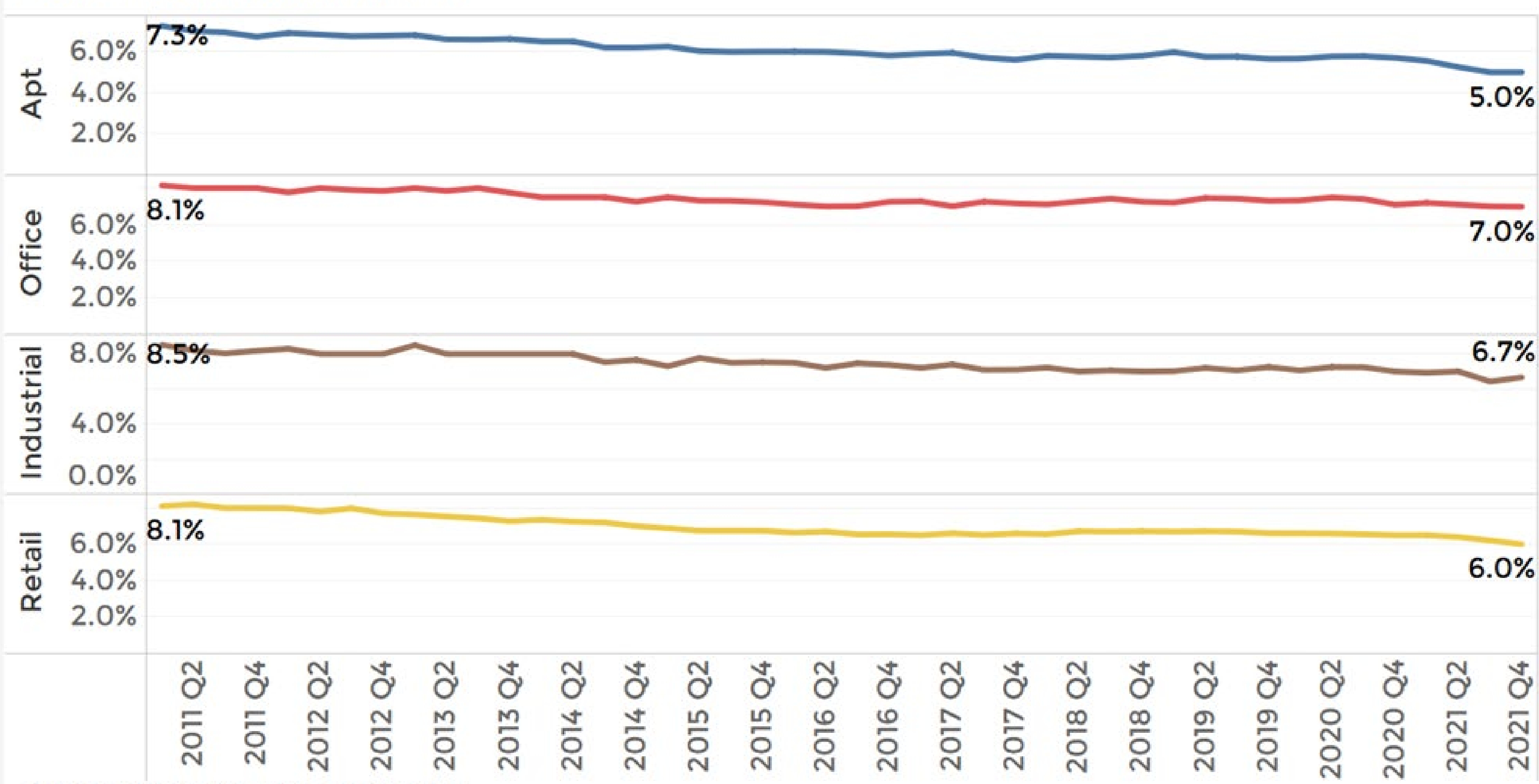
Median Cap Rates Still Trending Down With Biggest Decline for Industrial Real Estate as of November 17



Source of data: NAR analysis of CoStar data

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Investor Acquisitions of Multifamily Properties Up 12% in Past Four Quarters Ended 2021 Q3

Investors are zooming in on acquisitions of multifamily properties compared to other assets. Apartments deals over the past four quarters ended 2021 Q3 rose 12% compared to the year-ago level.

Acquisitions for office properties were down 13%. Acquisitions of industrial properties was essentially unchanged from one year ago. Acquisitions of retail properties was slightly down 1% from one year ago.

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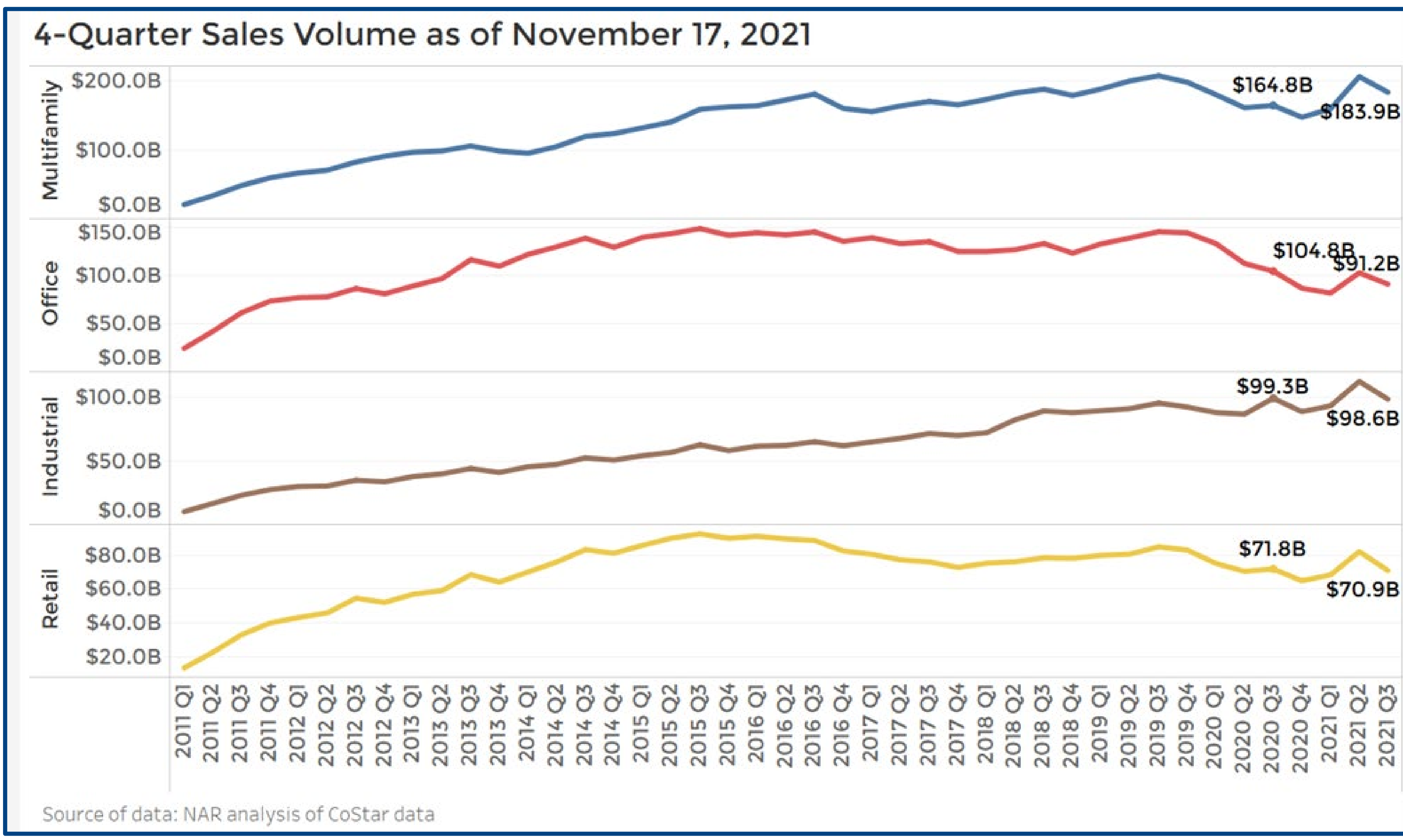

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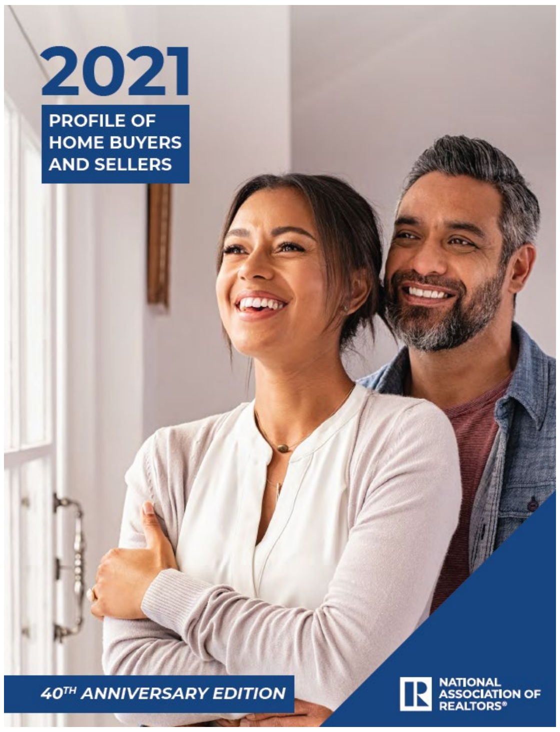
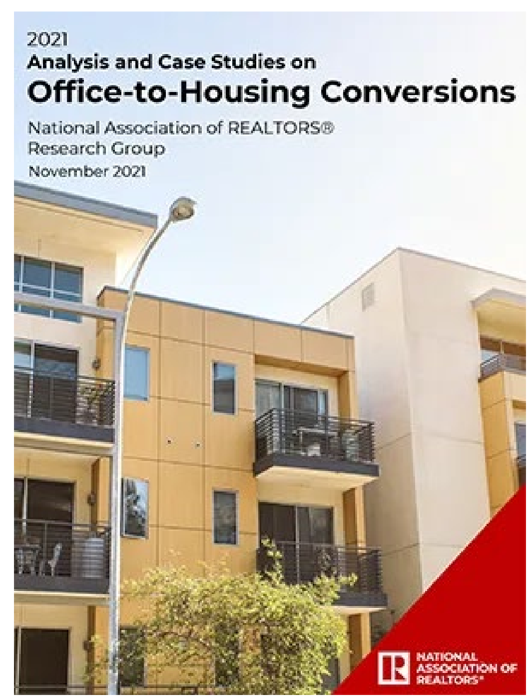


It is the 40th Anniversary of the Profile of Home Buyers and Sellers. The 2021 Profile was released earlier this month.

The Analysis and Case Studies on Office-to-Housing Conversions report looks at office-to-housing conversions in 27 markets with the largest decline in occupancy since the pandemic and analyzes the market conditions and the factors that led to the success of 8 office-to-housing conversions.



To access the slides that accompanied Research forums and presentations at the 2021 REALTORS® Conference & Expo, click here.

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