

2021

Weekly Real Estate Monitor

Residential and Commercial Markets
October 25-28

National Association of REALTORS® Research Group



**NATIONAL
ASSOCIATION OF
REALTORS®**

Weekly Real Estate Monitor

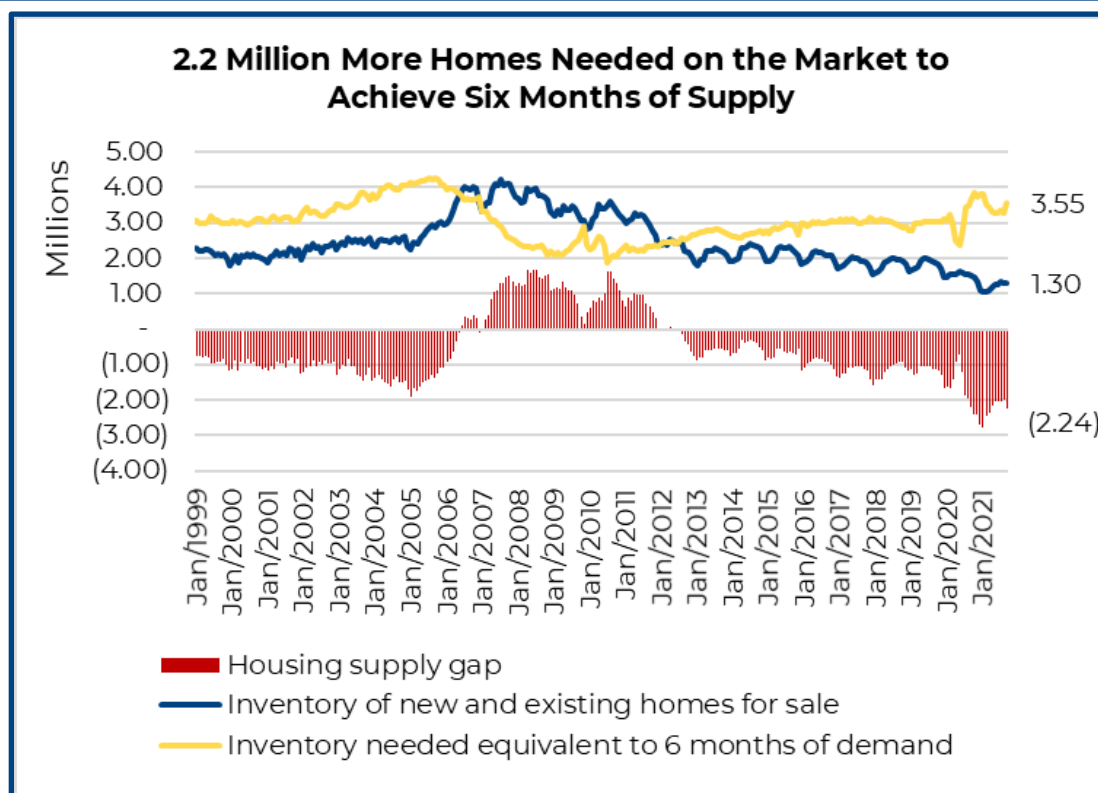
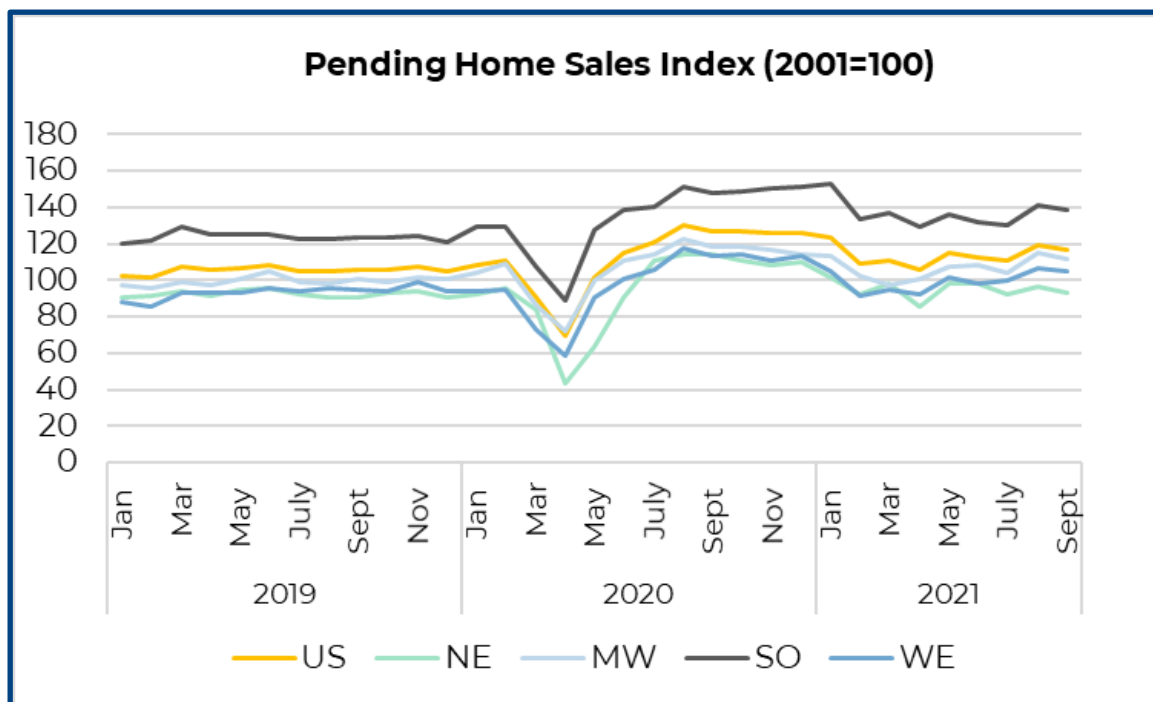
Pending Sales in September 2021 Decline 2.3% from Prior Month

Contract signings or pending sales in September fell 2.3% from August and 8% from one year ago.

In all regions, pending sales decreased from the prior month and from one year ago. Interested buyers continue face lack of supply of affordable homes, especially of homes priced at below \$250,000, strong price gains that outweigh wage gains, and tough competition for the limited properties on the market.

There were 1.3 million new and existing homes for sale on the market. Given the average monthly demand of 590,833 of new and existing homes, 3.55 million homes should be on the market to meet a level of inventory equal to six months of demand, implying a shortage of homes for sale of 2.24 million.

NAR Chief Economist Lawrence Yun expects existing home sales to hit 6 million in 2021, a 6.4% increase from the 2020 level. In 2022, sales will slightly fall to 5.9 million as the 30-year fixed rate mortgage rises to 3.5%



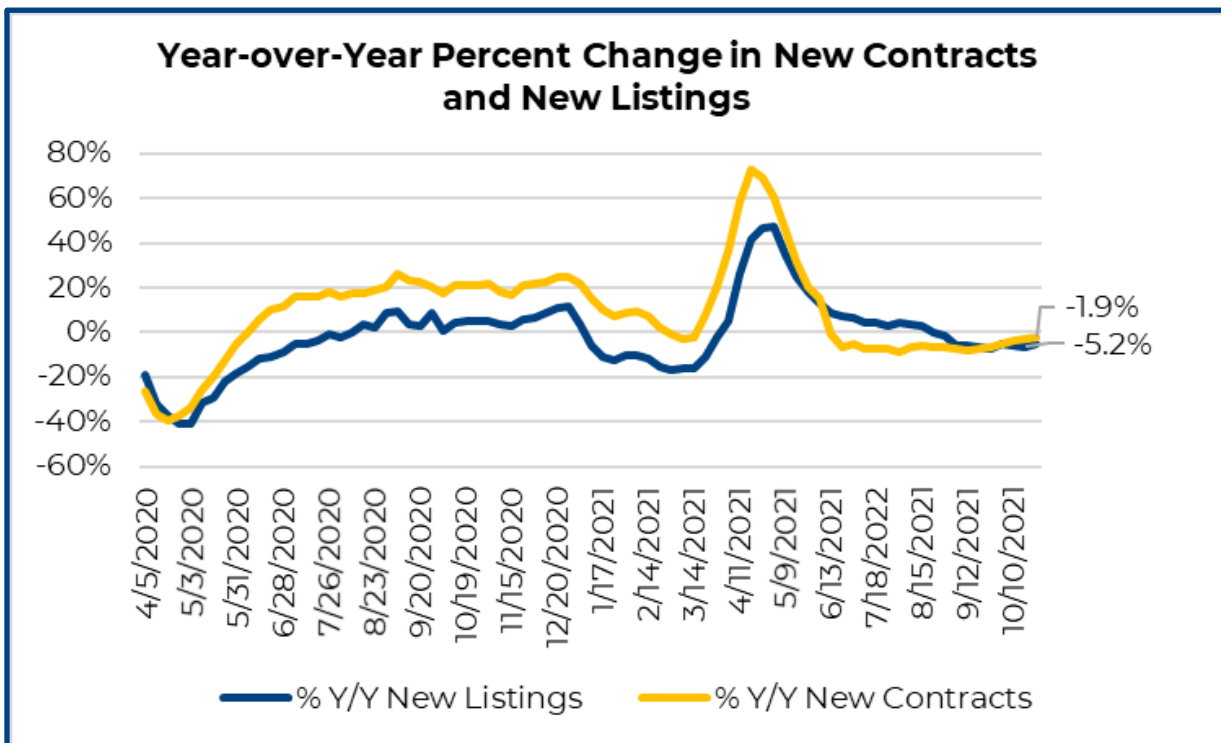
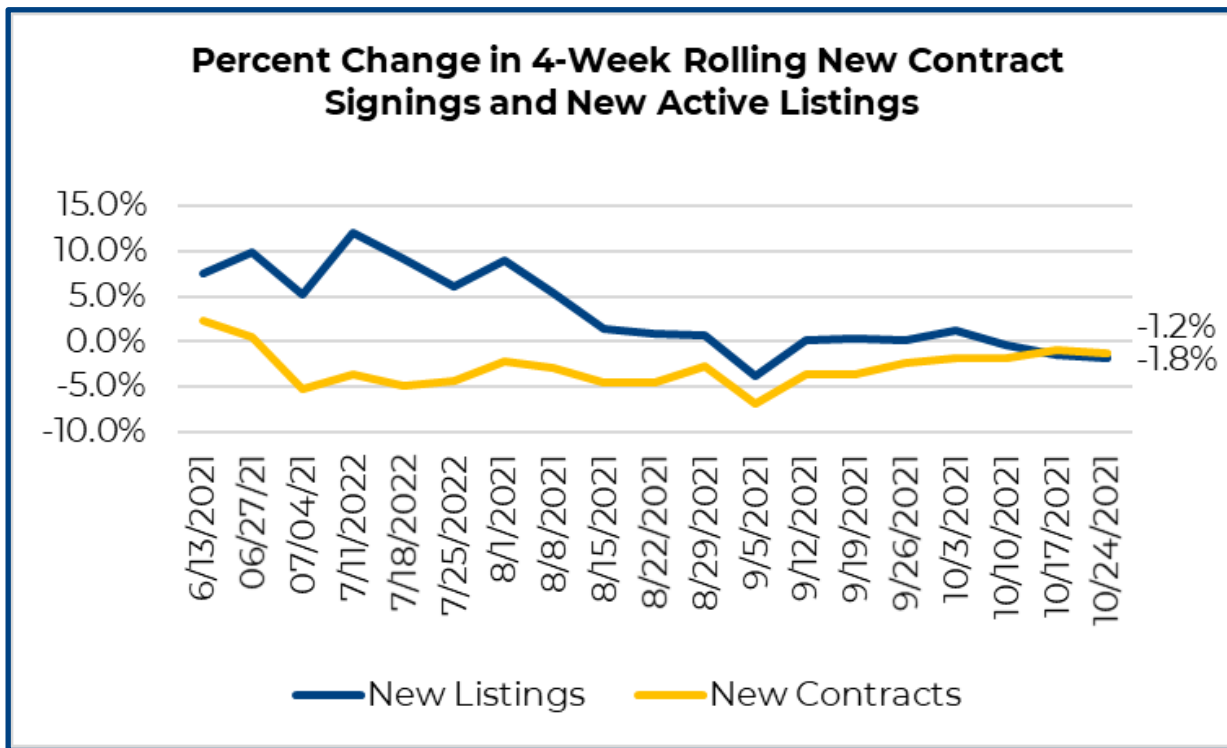
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Fewer Contract Signings

Preliminary data indicates that contracts signings (pending sales) in the 4-week period ended October 24 were down 1.2% compared to the rolling 4-week level of contract signings four weeks ago (prior month). *

New listings in the past 4-week period were also down about 2% compared to the prior month and lower by 5% from one year ago. The decline in pending sales reflects the seasonal decline in the fall months compared to the summer months and the normalization of sales from the surge in sales in the second half of 2020 that followed a pandemic-induced slump in April-June (home sales in October are 2% higher than the 12-month average compared to about 20% in July).

The inventory (stock) of pending listings was down 7% year-over-year while the inventory (stock) of active listings was down 19%.



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

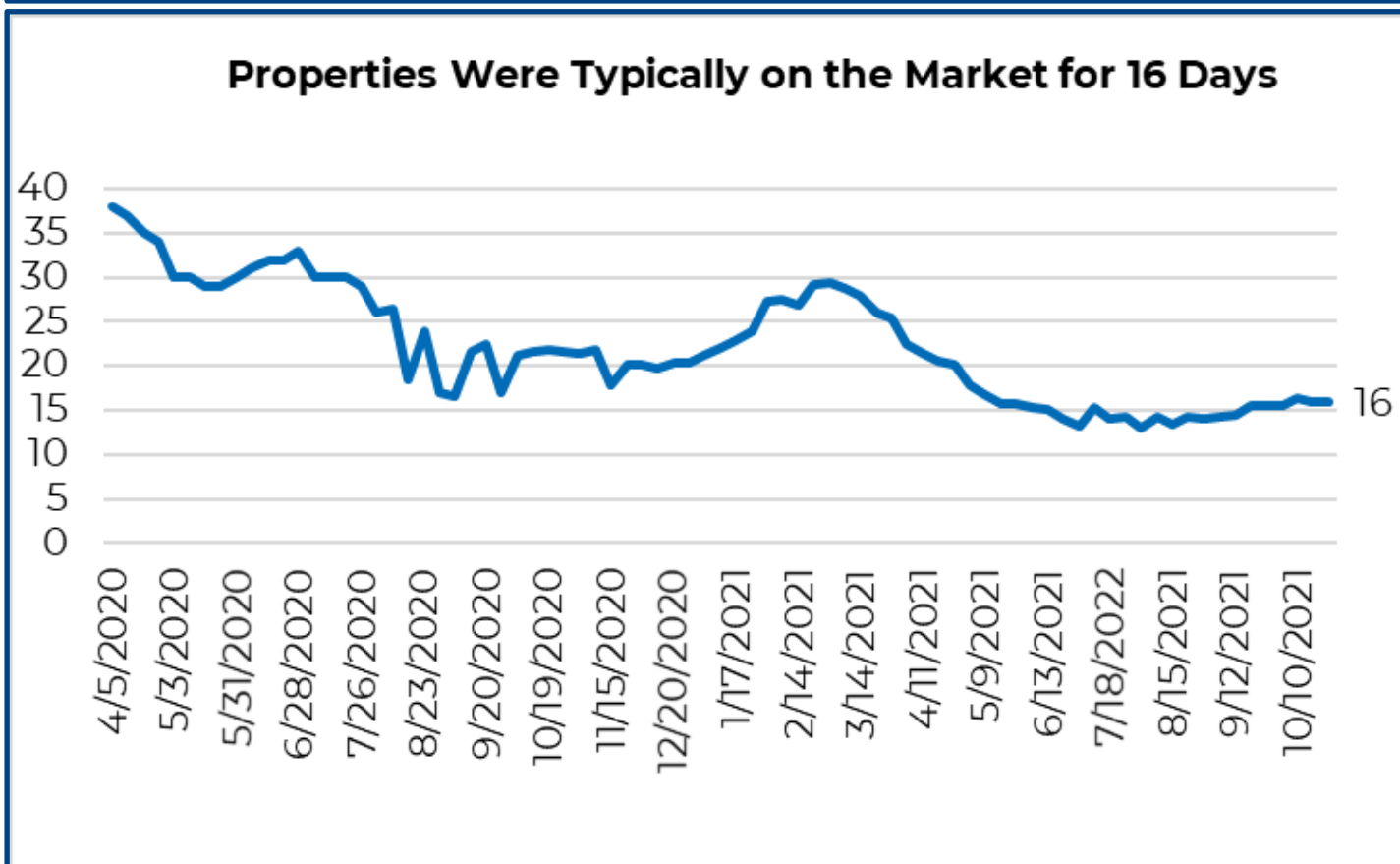
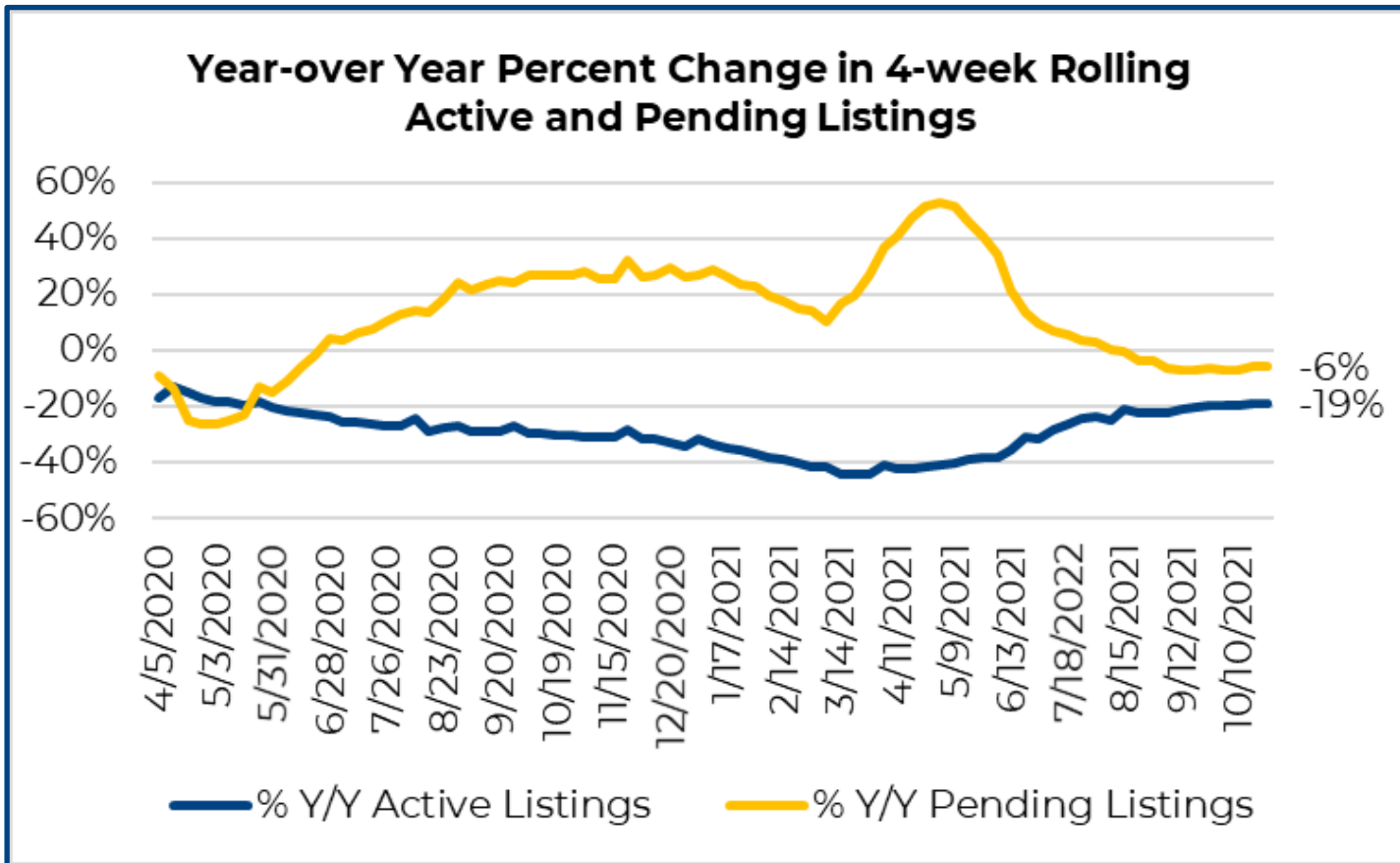
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Properties Continue to Sell Quickly Amid Tight Inventory Conditions

With demand still outpacing supply, properties continue to sell quickly.

Over the past four weeks ended October 24, properties typically sold faster than one year ago, with the median at 16 days (22 days one year ago).

According to the [Realtors® Confidence Index Survey](#), there were 3.7 offers on average for homes that sold in September.



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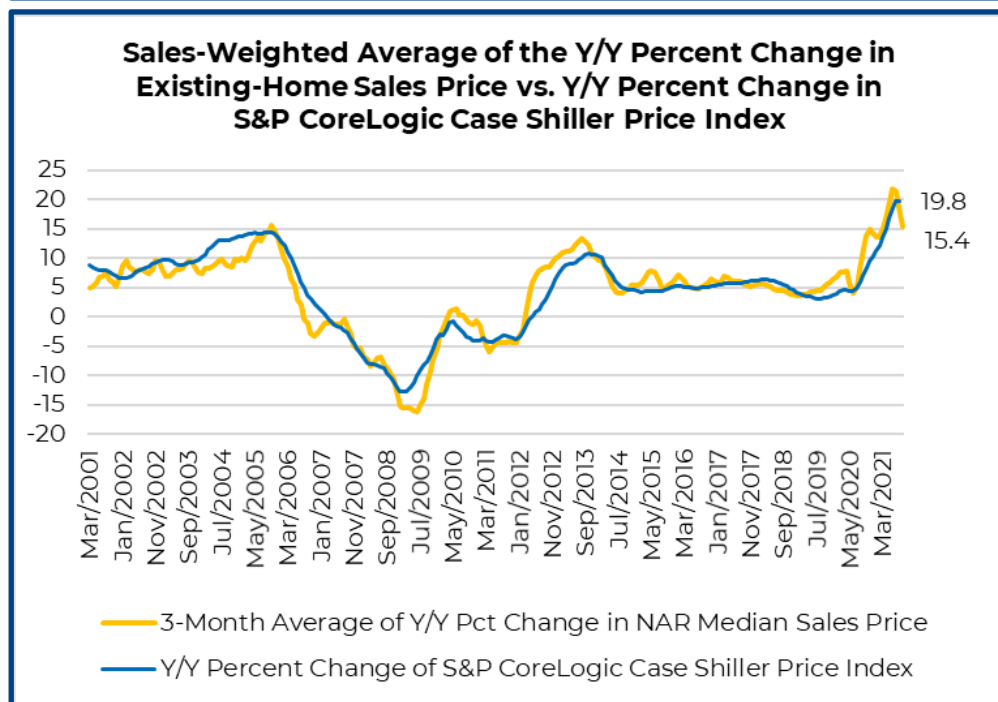
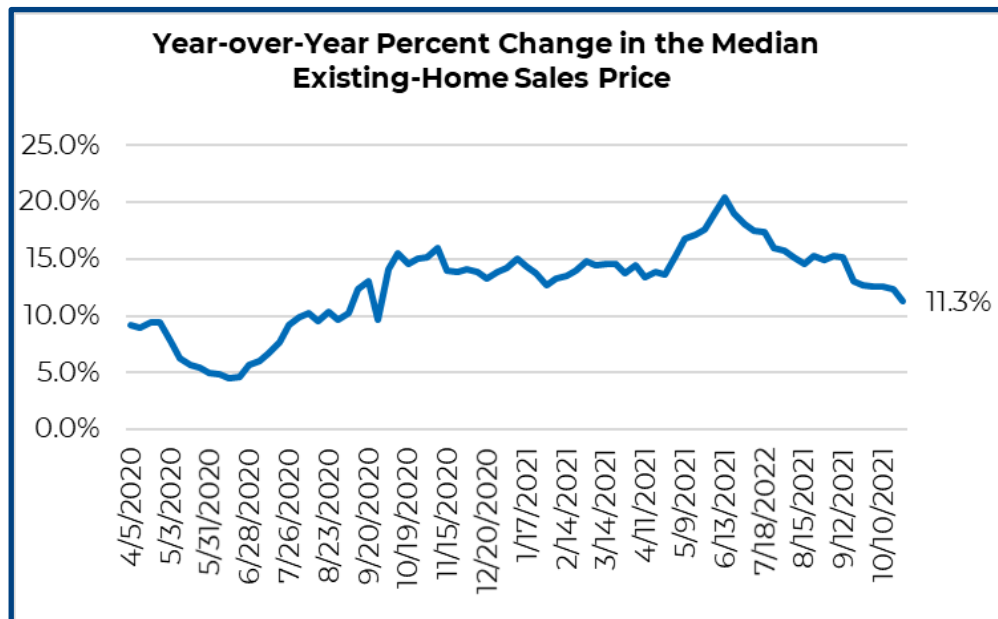
Existing-home Sales Prices Typically Rose at Slower Pace of 11%

Preliminary data indicates that the median existing-home sales price rose 11.3% 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.

According to the S&P CoreLogic Case-Shiller Price U.S. National Home Price Index, home prices rose 19.8% year-over-year during June-August (reported as an August index). NAR's sales-weighted average of the year-over-year percent change in the [median existing-home sales price](#) during the 3-month period was 18.8% (NAR median price is a leading indicator, with price changes moving in the same direction 94% of the time). *

Home prices are now rising at a slower pace, according to NAR median sales price data. In September, the median sales price rose 13.3% and to 11.3% year-over-year during the 4-week period ended October 24.

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.



*The S&P CoreLogic Case Shiller index tracks the price of single-family homes that sold during the 3-month period of June-August 2021 and that had been sold previously (so only repeat sales are considered in calculating the index). The NAR median existing home sales price is based the median sales price of single-family/townhomes and condominiums/coops on closed sales during the month.

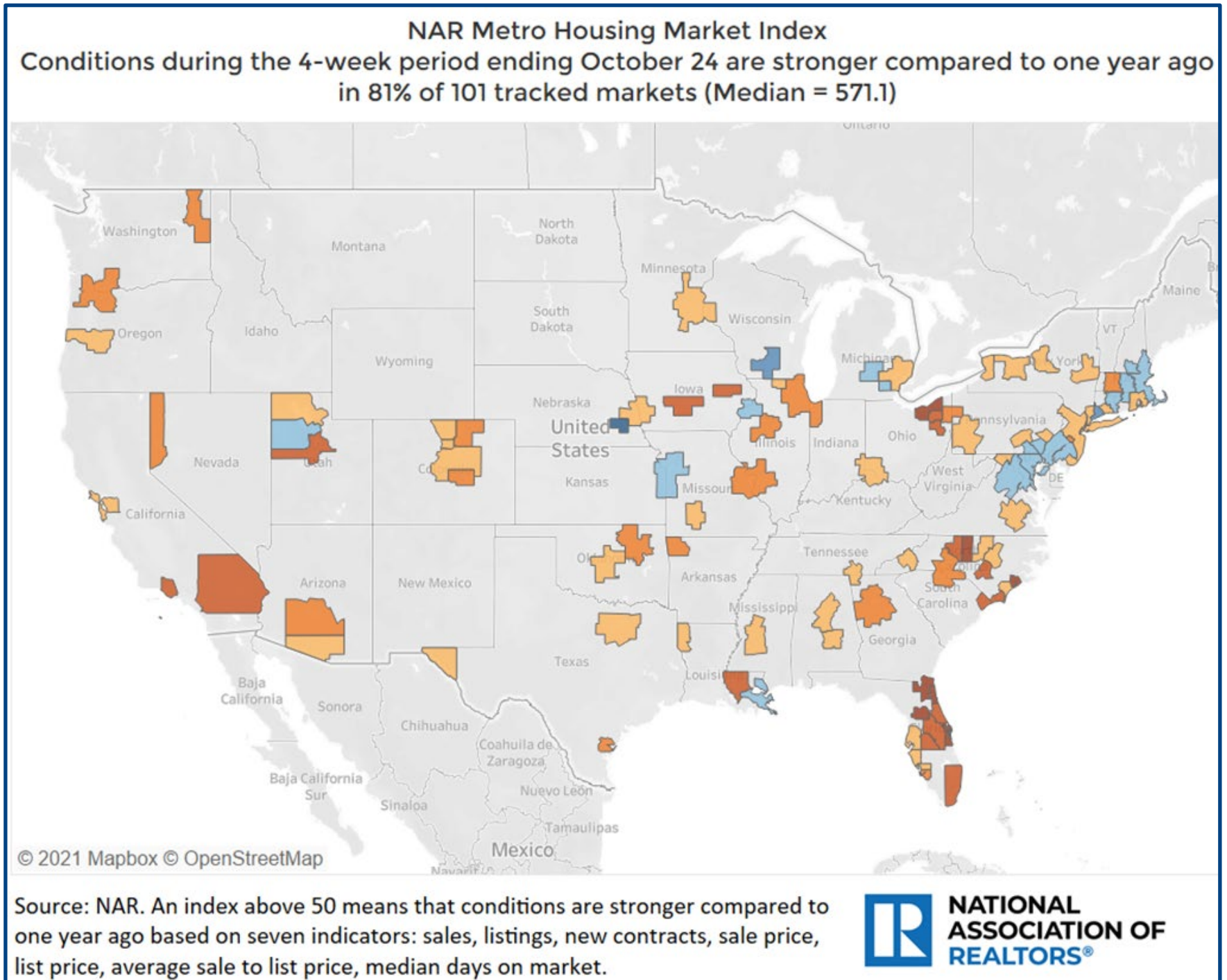
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81% of 101 Tracked Metros Have “Stronger” Conditions Compared to One Year Ago

81% of 101 tracked markets had stronger conditions compared to one year ago (83% in the prior 4-week period) based on the NAR Metro Housing Market Index. The median value of the indices was 57.1.

Six metro areas had an index of 100: Cleveland, Ohio; Greensboro, North Carolina; Jacksonville, Florida; Ocala, Florida; Palm-Bay, Florida; and Jacksonville, North Carolina.

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. An index of 100 which means all seven market indicators were higher compared to one year ago (only direction, not level of change is compared). The national index is the median of the metro-level indices.



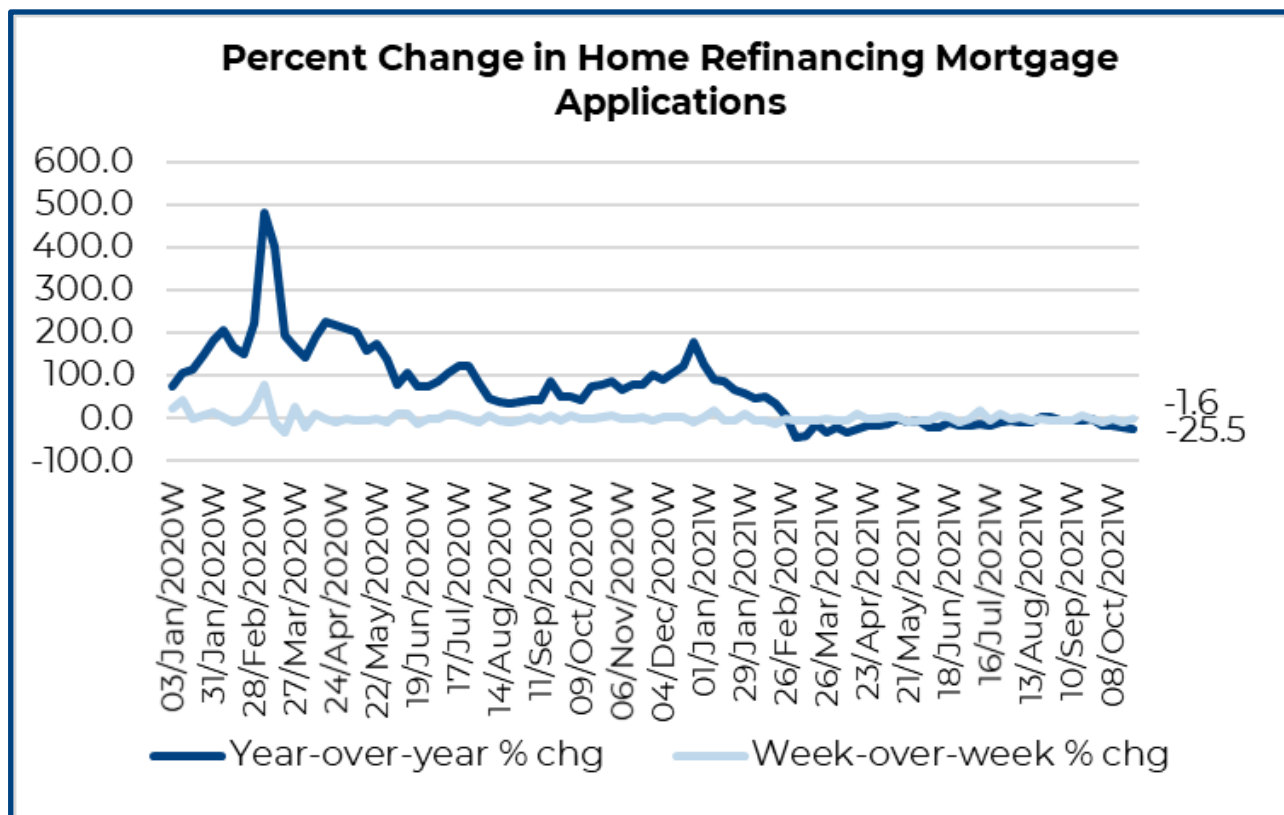
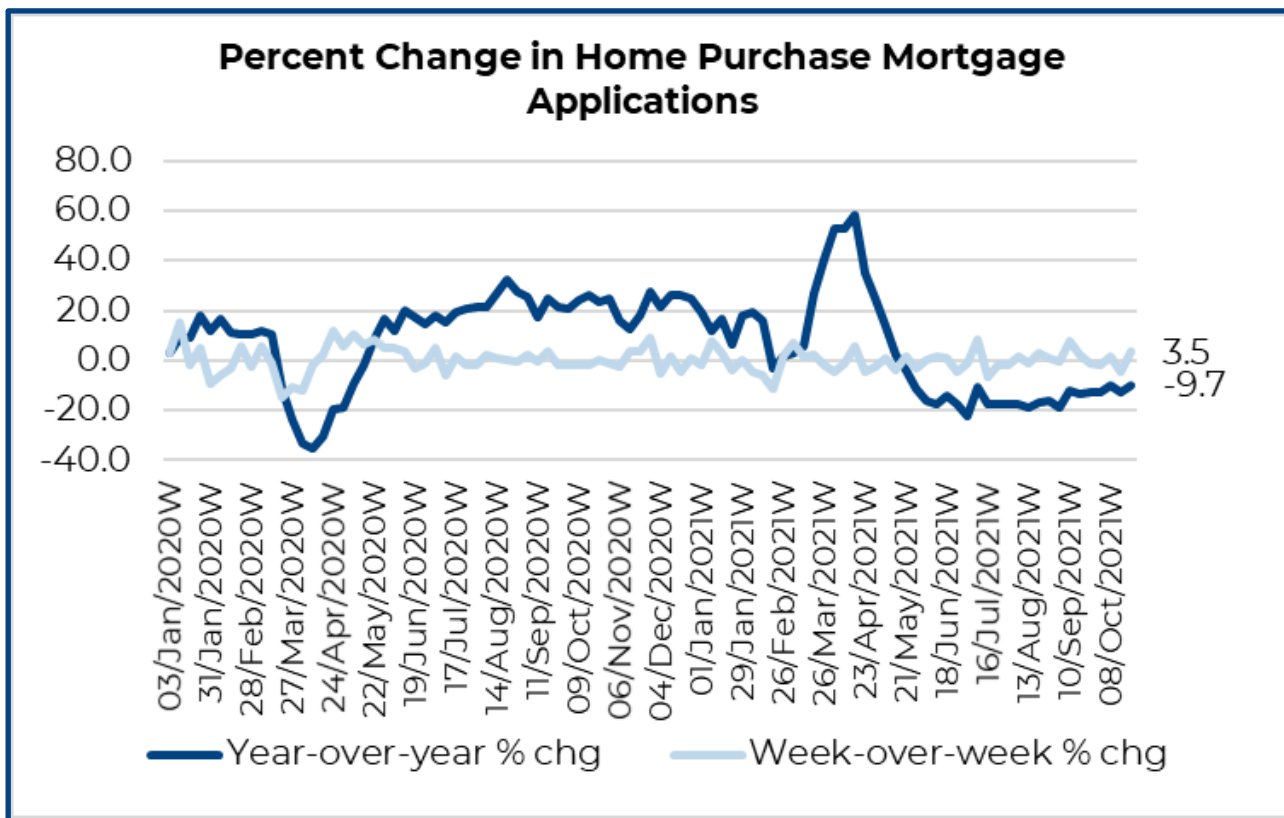
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Mortgage Applications Increase

Applications for a home purchase increased 3.5% from the prior week but are still 9.7% below the level one year ago, according to the MBA Weekly Mortgage Applications Survey. Anticipation of further increases in mortgage rates could be driving the rise in applications.

Applications rose 3.3% from the prior week by for government-insured financing (FHA, VA, USDA) and rose 4.5% for conventional financing (includes Fannie Mae/Freddie Mac conforming loans).

With mortgage rates trending up for the past two weeks, refinancing applications decreased by 1.6% from the prior week and decreased 25.5% from one year ago.



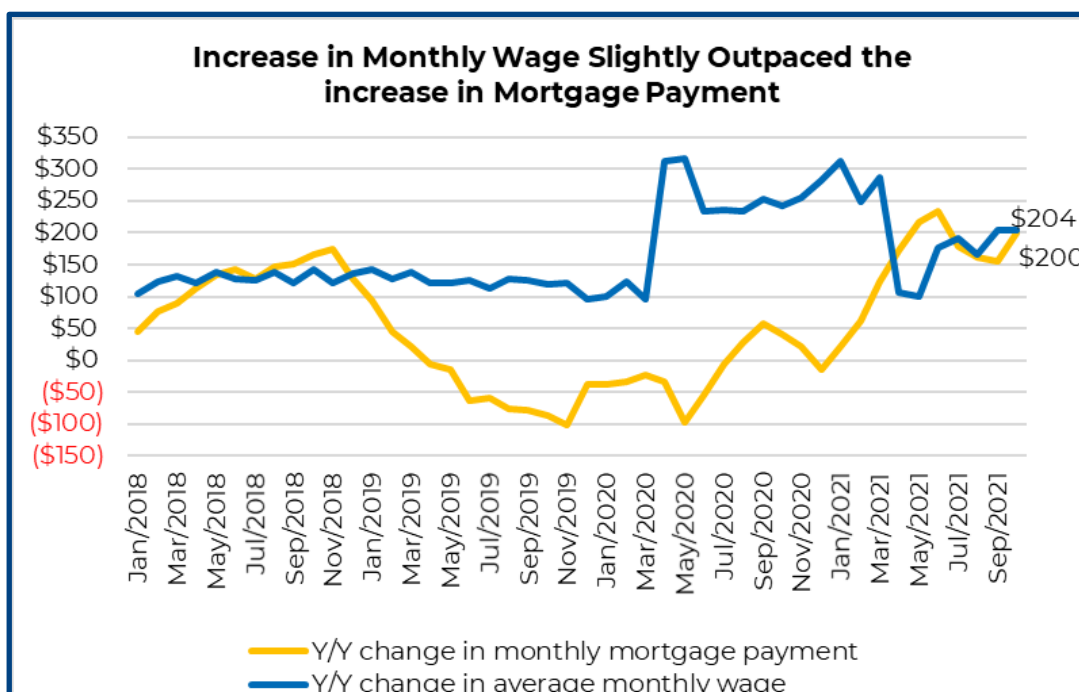
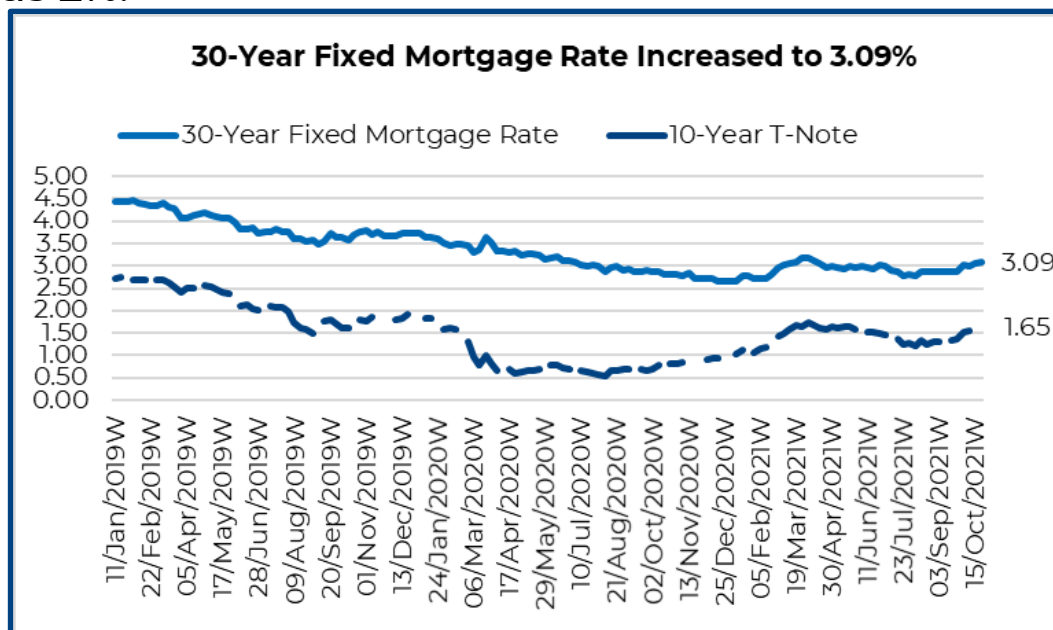
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Mortgage Rate Rose to 3.09% but Wage Gains Slightly Outpace Mortgage Payment

The 30-year fixed mortgage rate further rose to 3.09% following last week's rate increase. The uptick in mortgage rate followed the increase in the 10-year Treasury Note yield to 1.65% as investors factored in September's 5.4% inflation rate and indications that the Federal Reserve Board could start tapering its purchases of Treasuries and mortgage backed-securities in the fourth quarter of 2021.

The monthly mortgage payment on a 30-year fixed rate mortgage with 10% downpayment is estimated at \$1,370 during the week of October 22, a year-over-year increase of 17% (\$200 monthly). The average weekly wage is estimated to have increased to \$1,074, a year-over-year increase of 4.6% (\$204 monthly).

As the labor market continues to tighten and with inflations at 5.4%, NAR Chief Economist Lawrence Yun expects the 30-year fixed mortgage rate to increase to 3.5% in 2022 as the Federal Reserve Boards reduces its purchases of mortgage-backed securities and increases the federal funds rate by 0.25 basis points to bring down inflation towards 2%.



The estimated mortgage payment with 10% downpayment on a typical existing-home purchased at the estimated median price of \$354,499 as of October 22 is \$1,370. The estimated average monthly wage is \$56,018 based on a 4.6% year-over-year increase in the average weekly wage and 52.1429 weeks in a year.

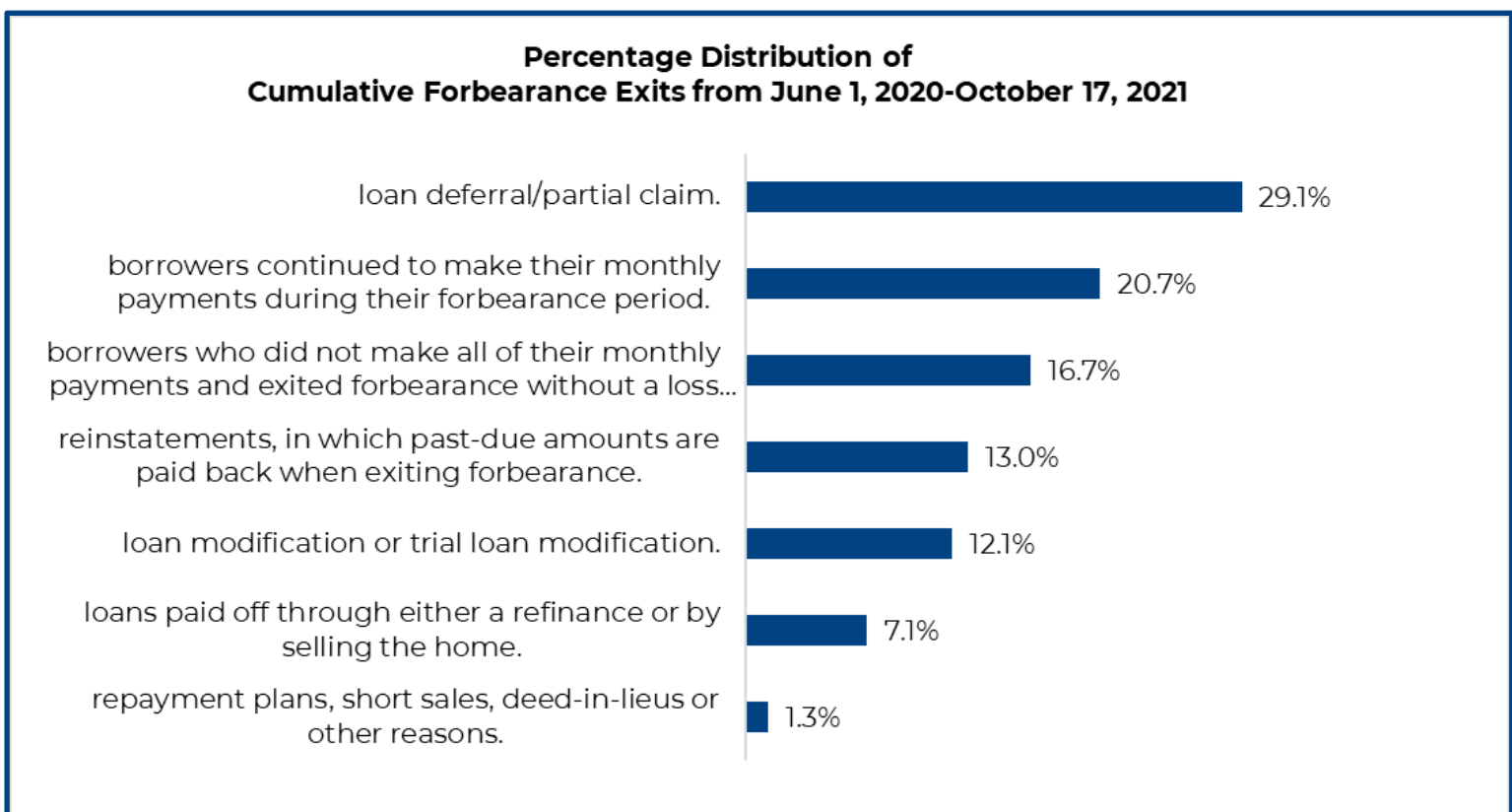
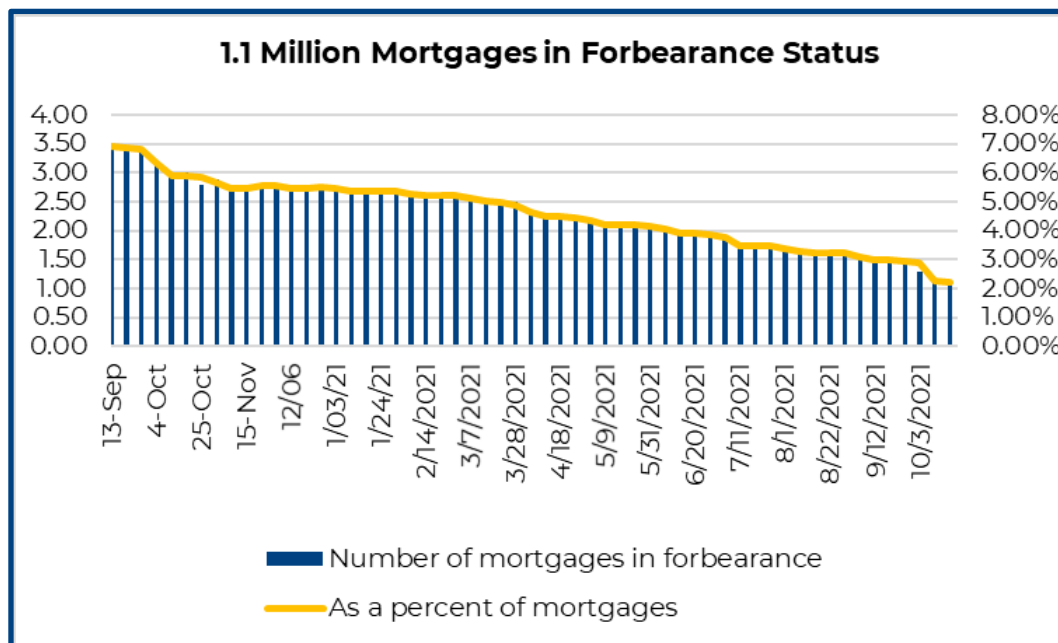
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Percent of Loans in Forbearance Declines to 2.21%

Loans in forbearance decreased to 2.21% of mortgages which is equivalent to 1.1 million mortgages from a peak of 4.3 million in June 2020, according to the MBA.

Most distressed borrowers are working out payment options with lenders to keep their homes, with 74.8% of homeowners in forbearance having a loss mitigation plan. Of the homeowners who exited forbearance during June 1, 2020—October 17, 2021, 7.1% exited forbearance by refinancing their home or selling their home and 1.3% ended in a short sale or deed-in-lieu (and other reasons).

Homeowners struggling to make payments can still request for forbearance for FHA/VA/USDA loans or GSE-backed loans, with the typical forbearance lasting for 3 to 6 months up, with extension for up to a maximum of 18 months for as long as an initial forbearance was requested on or before June 30, 2020 for FHA/VA/USDA loans and February 2021 for GSE-backed loans. *



* Read the latest and official guidelines from CFPB at <https://www.consumerfinance.gov/coronavirus/mortgage-and-housing-assistance/help-for-homeowners/learn-about-forbearance/>

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Occupancy Increases Across Commercial Real Estate Markets

The commercial real estate market continues to recover, marked by rising occupancy across all core commercial property markets.

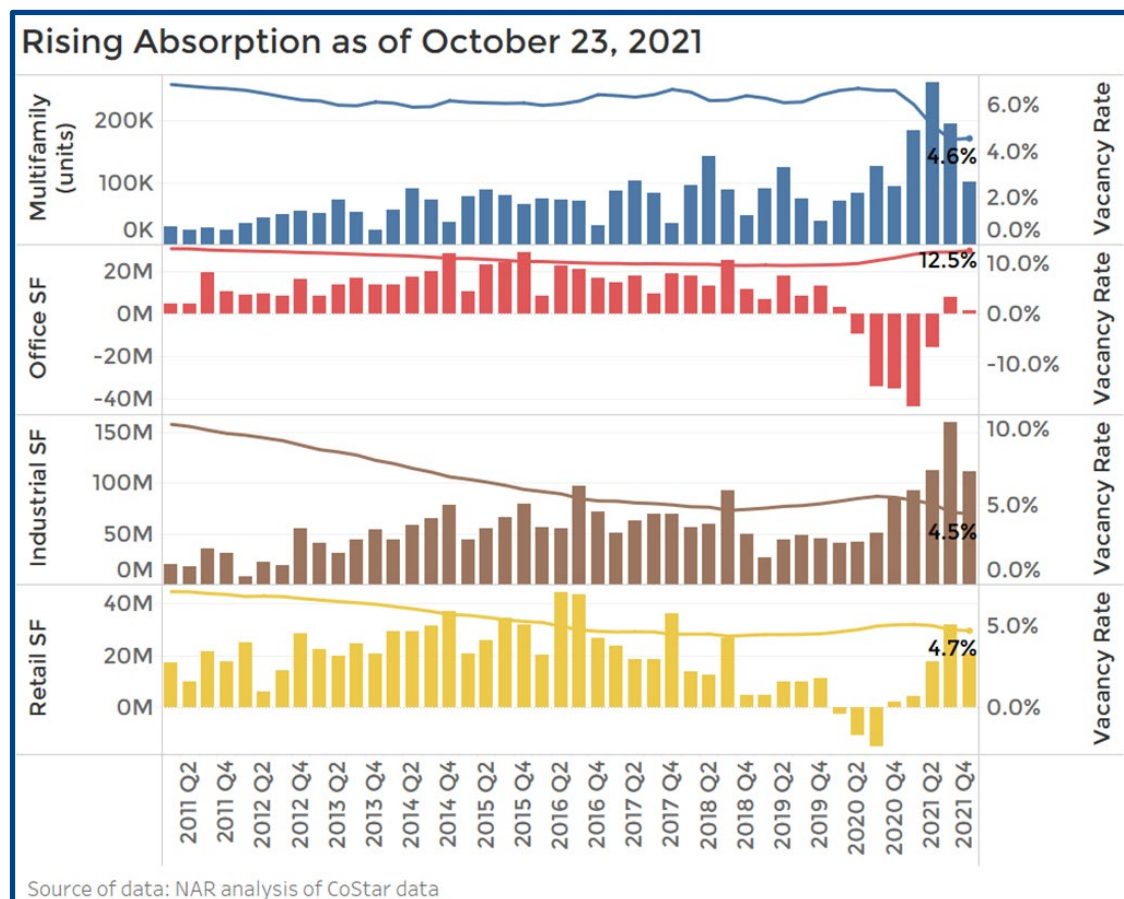
Office occupancy increased by 1.8 million square feet after a quarterly increase of 8 million square feet in September. However, compared to the pre-pandemic level, 128.4 million square feet has been given up (negative absorption) from 2020 Q2 to date. The vacancy rate is at 12.5% (9.8% in 2020 Q1). With substantial to high transmission of delta variant cases in 93% of counties, companies have pushed back return-to-the office plans, with 44% of computer/tech workers still working from home as of September. *

In the multifamily market, occupancy increased by 101 132 units compared to three months ago, with a total increase in units occupied by 1.05 million units since 2020 Q2. The vacancy rate is at 4.6% (6.7% in 2020 Q1).

In the industrial market, occupancy increased by 111.4 million square feet as of October 23 compared to three months ago, with a total of 654 million square feet of industrial space absorbed since 2020 Q2. The vacancy rate has fallen to 4.5% (5.3% in 2020 Q1), the lowest rate among the core commercial markets.

In the retail property market, 20.6 million square feet became occupied as of October 23 compared to three months ago, with 51.2 million square feet absorbed since 2020 Q2. The vacancy rate is at 4.7% (4.6% in 2020 Q1).

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



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Multifamily Rent Growth Soars to 11.4%

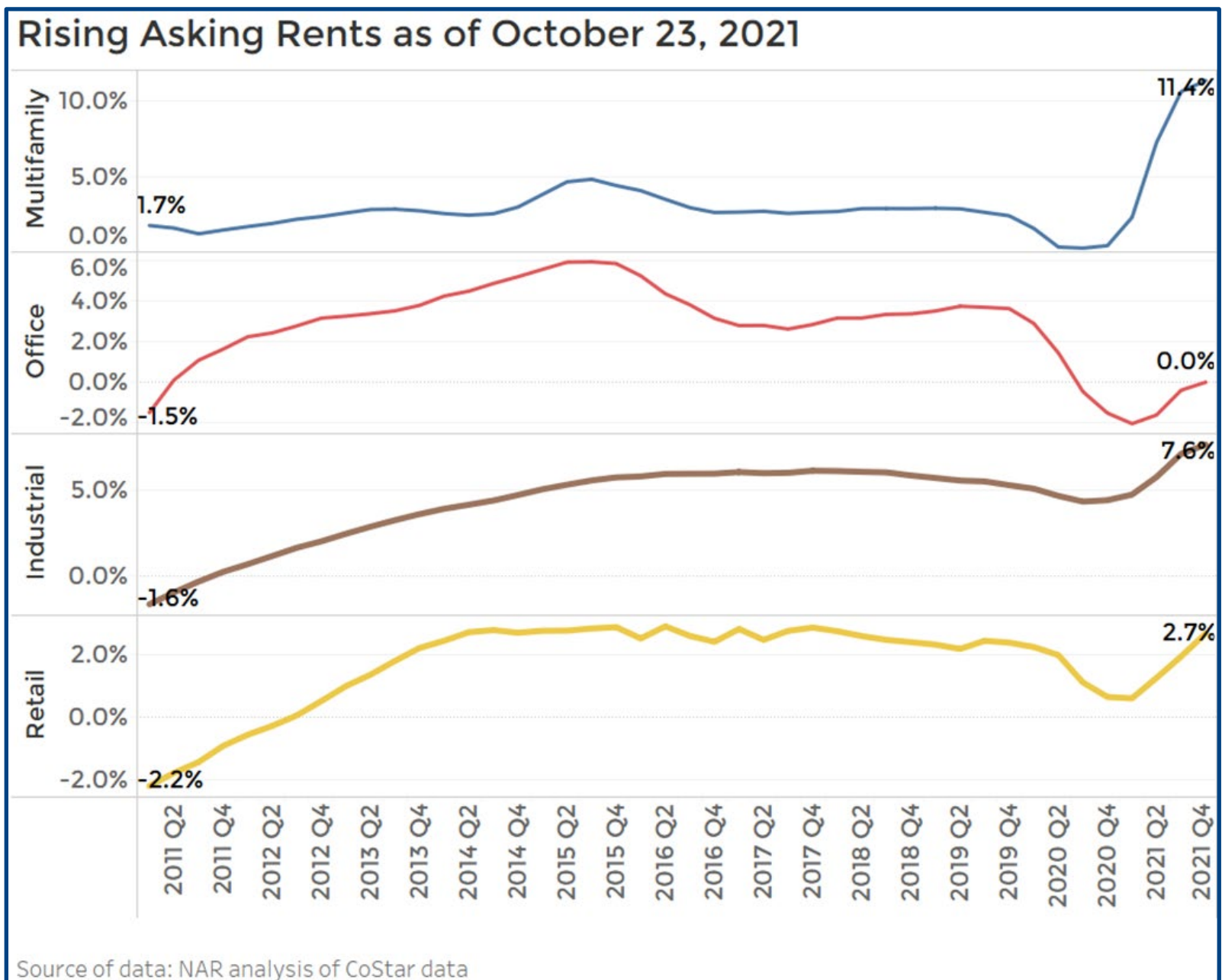
Multifamily asking rents continue to soar, rising to 11.4% year-over-year, a new high for rent growth. Prior to the pandemic in 2020 Q1, the average asking rent growth was just 1.6%. Higher demand due to rising mortgage rates and lower construction activity will likely keep rents elevated in 2022, according to the latest [Commercial Weekly](#) analysis.

In the industrial property market, the average asking rent per square foot rose to 7.6%, also higher than the 5.1% 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 also rose to 2.7%, which is higher than the 2.3% pre-pandemic rent growth.

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

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Industrial Market Posts Strongest Under Construction Activity as of 2021 Q3

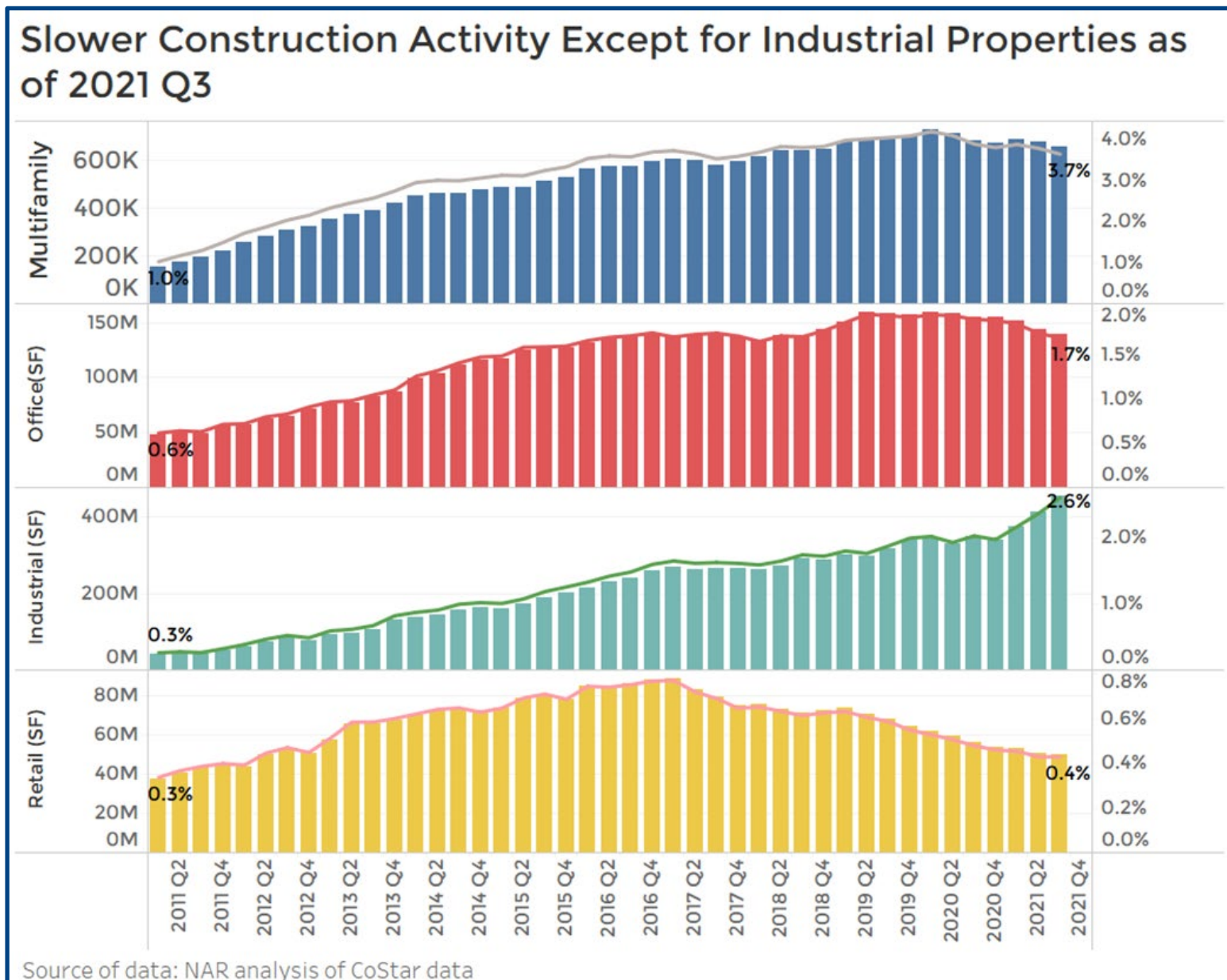
As of 2021 Q3, there were 652,229 apartment units under construction, equivalent to 3.7% of the current inventory of apartment units. However, the level of units under construction is down from 724,786 units in 2020 Q1 (pre-pandemic).

In the office sector, 139.7 million square feet is under construction, equivalent to 1.7% of the current office inventory. Some of the ongoing construction will add to vacant space so expect vacancy rates to remain over 10% in 2022.

In the industrial sector, 454.8 million square feet is under construction, equivalent to 2.6% of current inventory, the only property sector to see higher under construction activity compared to pre-pandemic level (344 million square feet in 2020 Q1). The increase in construction activity will help meet the strong demand for industrial space.

In the retail sector, 50.3 million sq. ft. is under construction, down from 61.7 million in 2020 Q1. This is just 0.4% of the inventory of retail space.

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Median Commercial Cap Rates

In the multifamily market, the median cap rate in the past months of October 23 as 5.2% (5.9% in 2020 Q1).

In the office market, the median cap rate was 7% (7.2% in 2020 Q1).

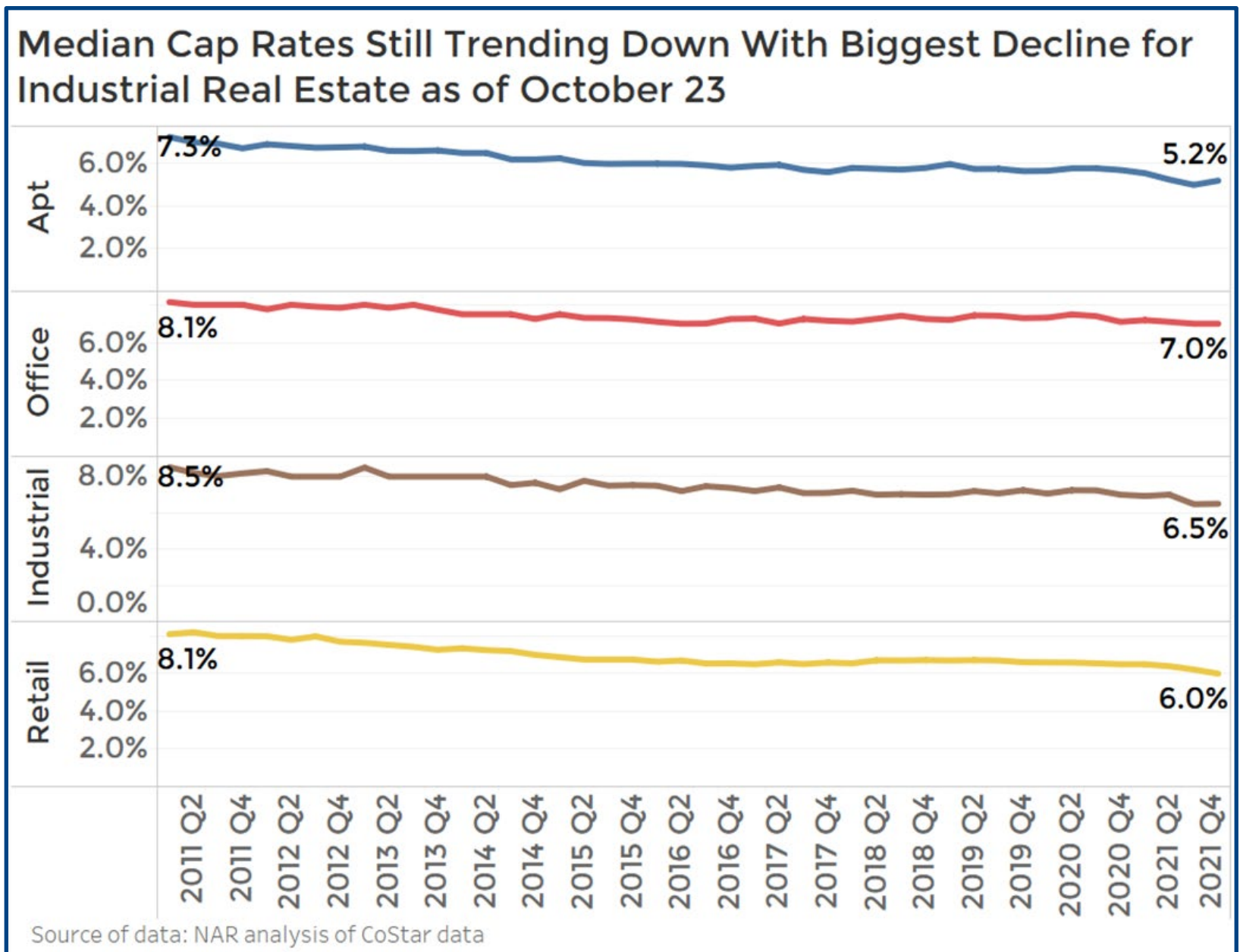
In the industrial market, the median cap rate was 6.5% (7.1% in 2020 Q1).

In the retail market, the median cap rate was 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 (1.65% as of October 22 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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