2021

Weekly Real Estate Monitor

Residential and Commercial Markets

December 6-9

National Association of REALTORS® Research Group

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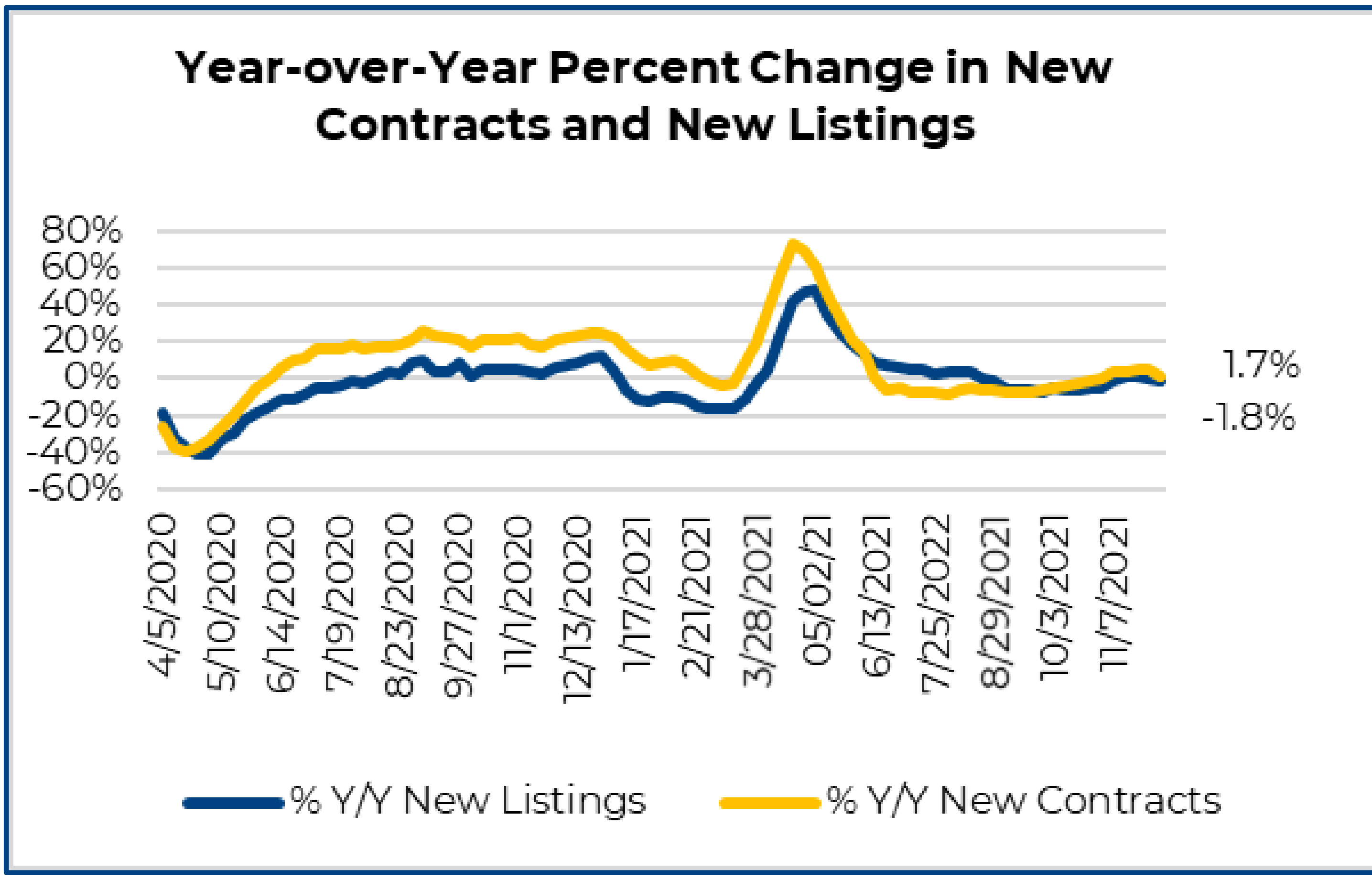
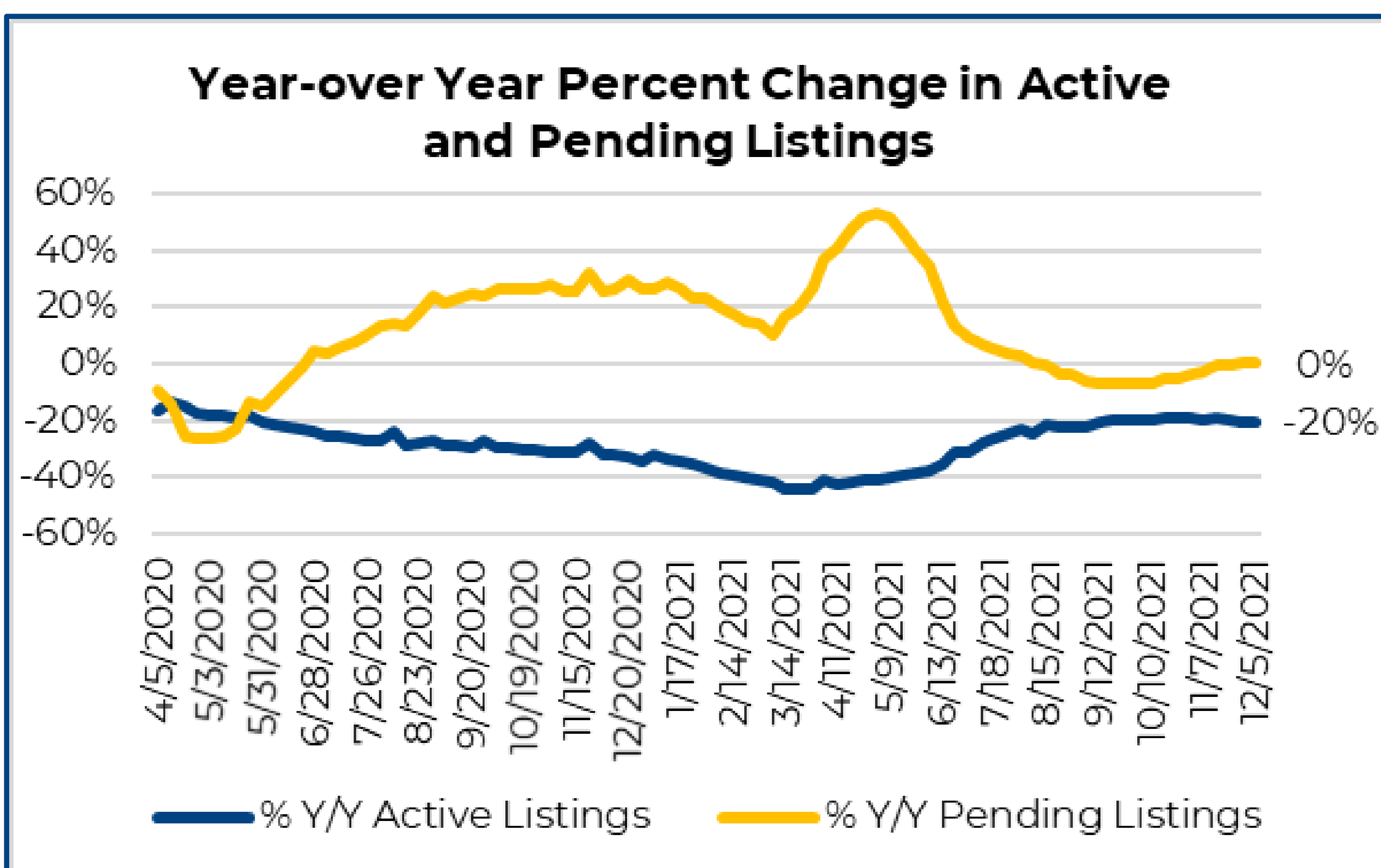
Weekly Real Estate Monitor

Contract Signings Increased 2%

Housing demand continues to outpace the supply of homes for sale. Based on preliminary data, contracts signed (pending sales) were slightly up 1.7% compared to the rolling 4-week level one year ago* while new listings during the same period fell 1.8%. New listings had been up year-over-year in the past three weeks.

Inventory (stock) of pending listings which represent signed contracts was about the same as last year while the inventory (stock) of active listings was down 20%.





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

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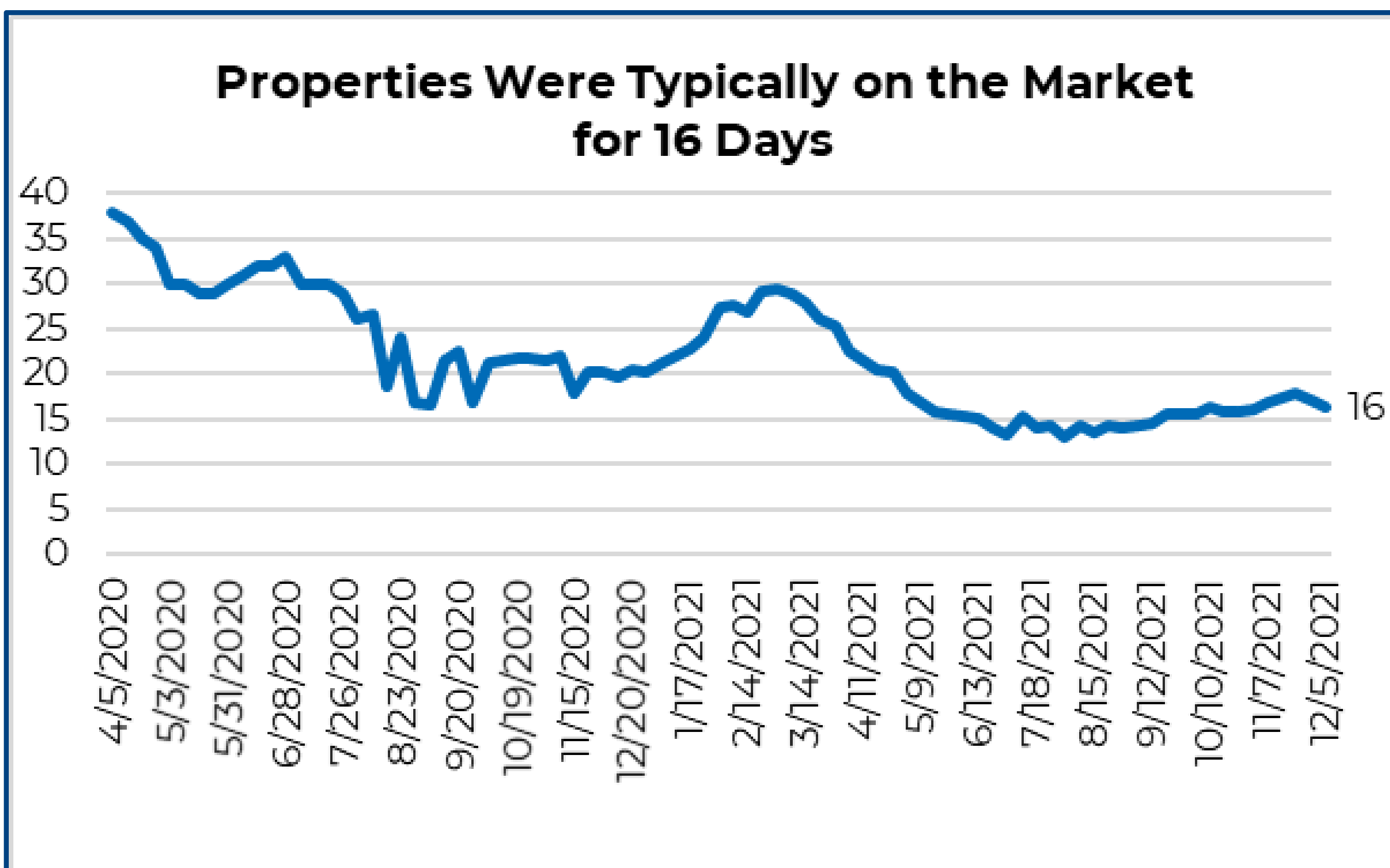
Properties Typically on the Market for 16 Days

With demand outpacing supply, there were about 11 new pending sales for every 10 new listings, up from about 8 new sales per 10 new listings in June-July 2021.

Properties typically sold faster in 16 days compared to one year ago (20 days).



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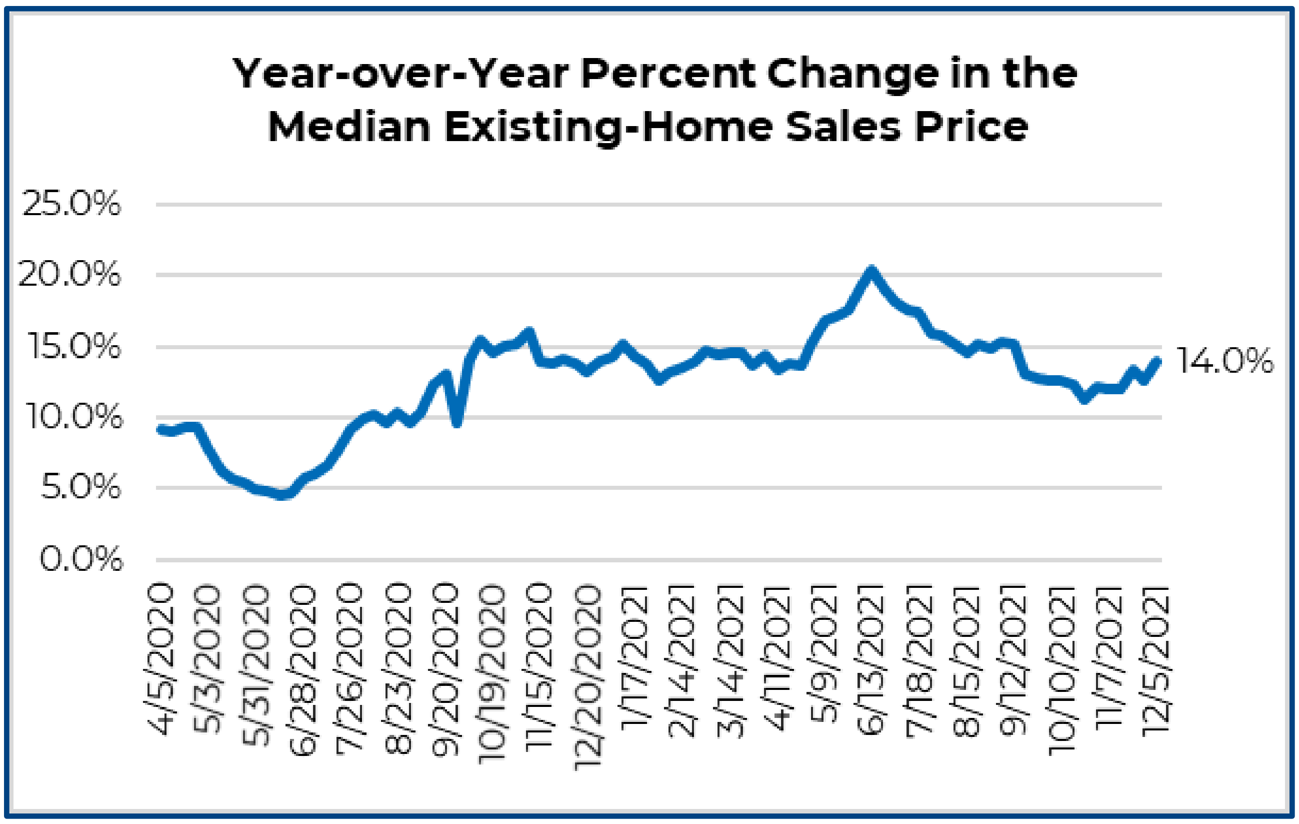
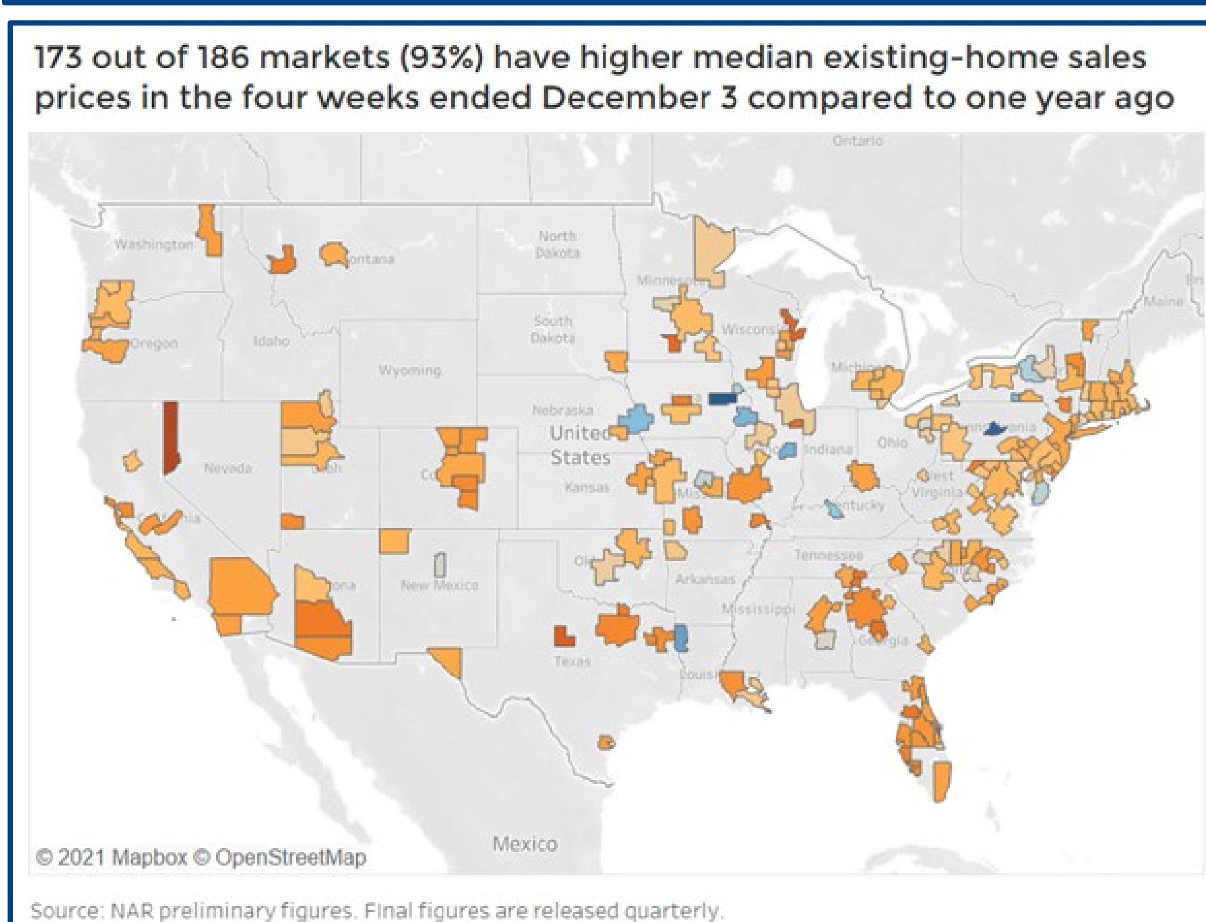
Home Price Appreciation Rises to 14%

With demand rising faster than supply, the median existing-home sales increased at a higher pace of 14% year-over-year. Last week, the 4-week pace was 12.6% year-over-year.

In 173 out of 186 markets (93%), the median existing-home sales price was higher compared to the levels one year ago. In 64% of markets, prices were up at a double-digit pace, based on preliminary market data. [Official figures]are released quarterly.

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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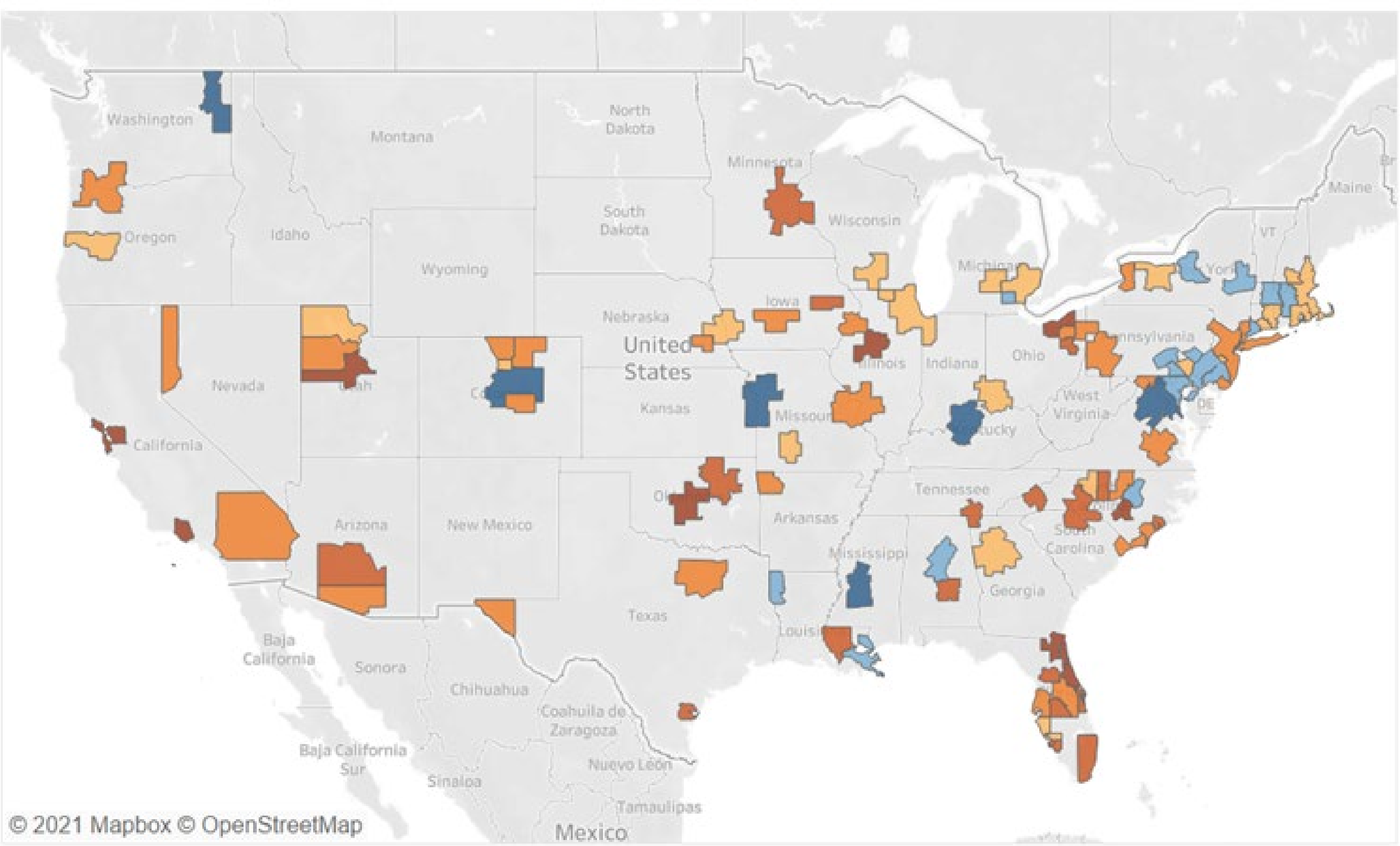
80% of 101 Tracked Metros Have "Stronger" Conditions Compared to One Year Ago

80% of 101 tracked markets had stronger conditions compared to one year ago (86% in the prior 4-week period) based on the NAR Metro Housing Market Index. The median value of the metro-level indices was 71.4 (same as in the prior 4-week period).

Nine metro areas had an index of 100 which means all seven housing indicators were higher from one year ago: Cleveland-Elyria, Deltona-Ormond, Fayetteville (North Carolina), Jacksonville (Florida), Oxnard-Thousand Oaks-Ventura, Oklahoma City, Peoria, Provo-Orem, and San Francisco-Oakland-Hayward.

Overall market conditions were weaker in the past four weeks compared to one year ago in 20% of markets, led by Spokane-Spokane Valley, Denver-Aurora, Louisville-Jefferson County, Kansas City, Jackson (Mississippi), and Washington-Alexandria-Arlington.

NAR Metro Housing Market Index
Conditions during the 4-week period ended December 5 are stronger in 80% of 101 metro areas



Source: NAR. An index above 50 (orange areas) 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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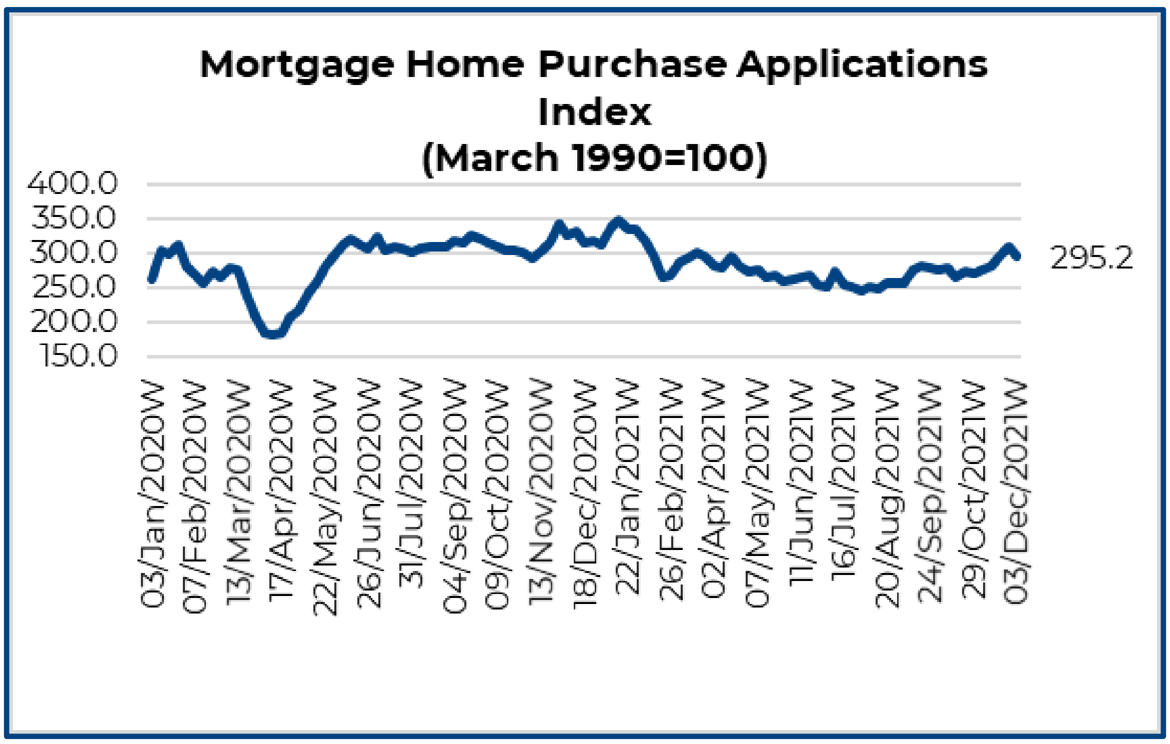
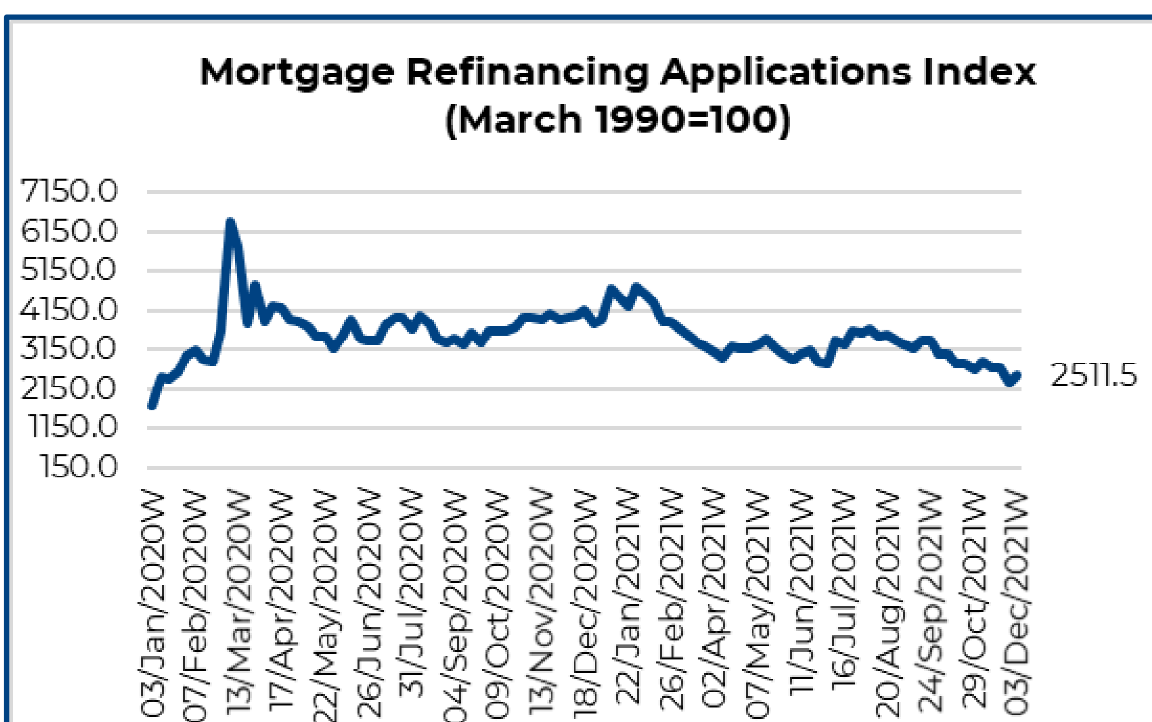
Mortgage Home Purchase Applications Decreased but Refinancing Rose

Mortgage applications for a home purchase decreased 5% from the prior week after trending upwards in the past four weeks, according to MBA Weekly Mortgage Applications Survey.

Conventional financing (includes Fannie Mae/Freddie Mac conforming loans) purchase applications decreased 7.3% from the prior week and government-insured financing (FHA, VA, USDA) increased 3.4%.

Refinancing applications increased 9% from the prior week, although refinancing applications have generally trended down since the second half of 2020 after an uptick in the first half. 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.





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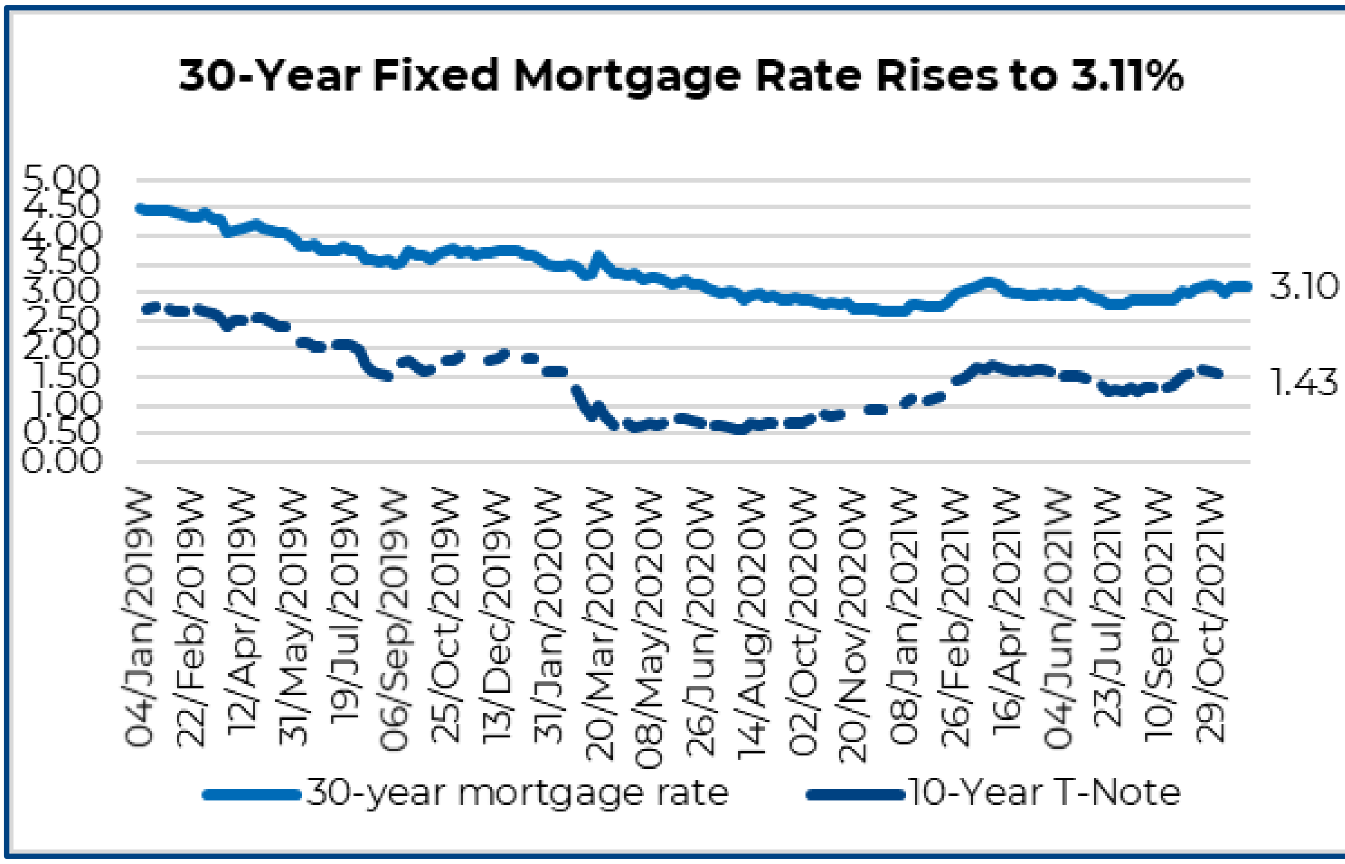
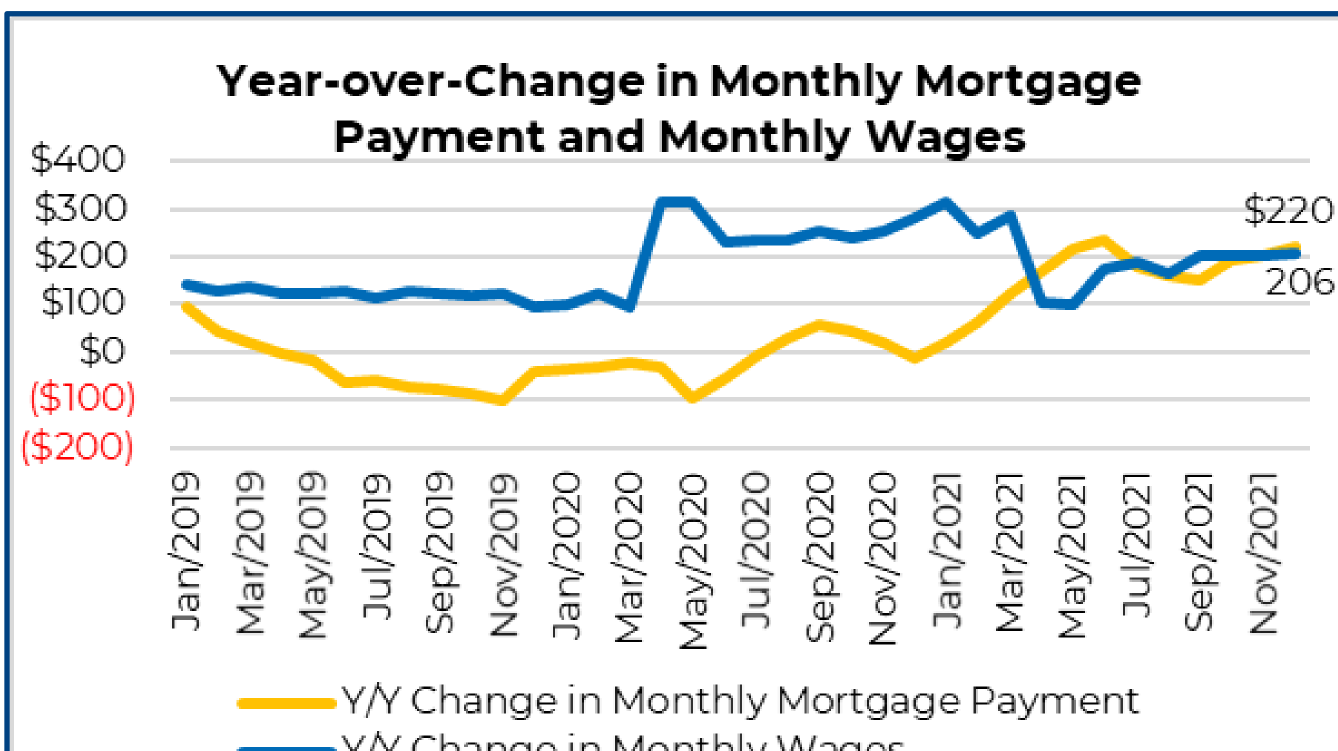
Mortgage Rate Holds at Over 3% for Third Week

The 30-year fixed mortgage rate held at over 3% for the third straight week, at 3.11% even as the 10-year T-note slightly fell to 1.43%.

Compared to one year ago, the monthly mortgage payment increased by $220 dollars which is slightly higher than the $206 increase in the average monthly wage.

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 to control inflation which hit 6.2% in October 2021. Nonetheless, this is still a low level and below the average of 4% in 2019.





Source: NAR estimate based on a 10% downpayment 30-year fixed rate mortgage on an existing-home purchased at the median sales price

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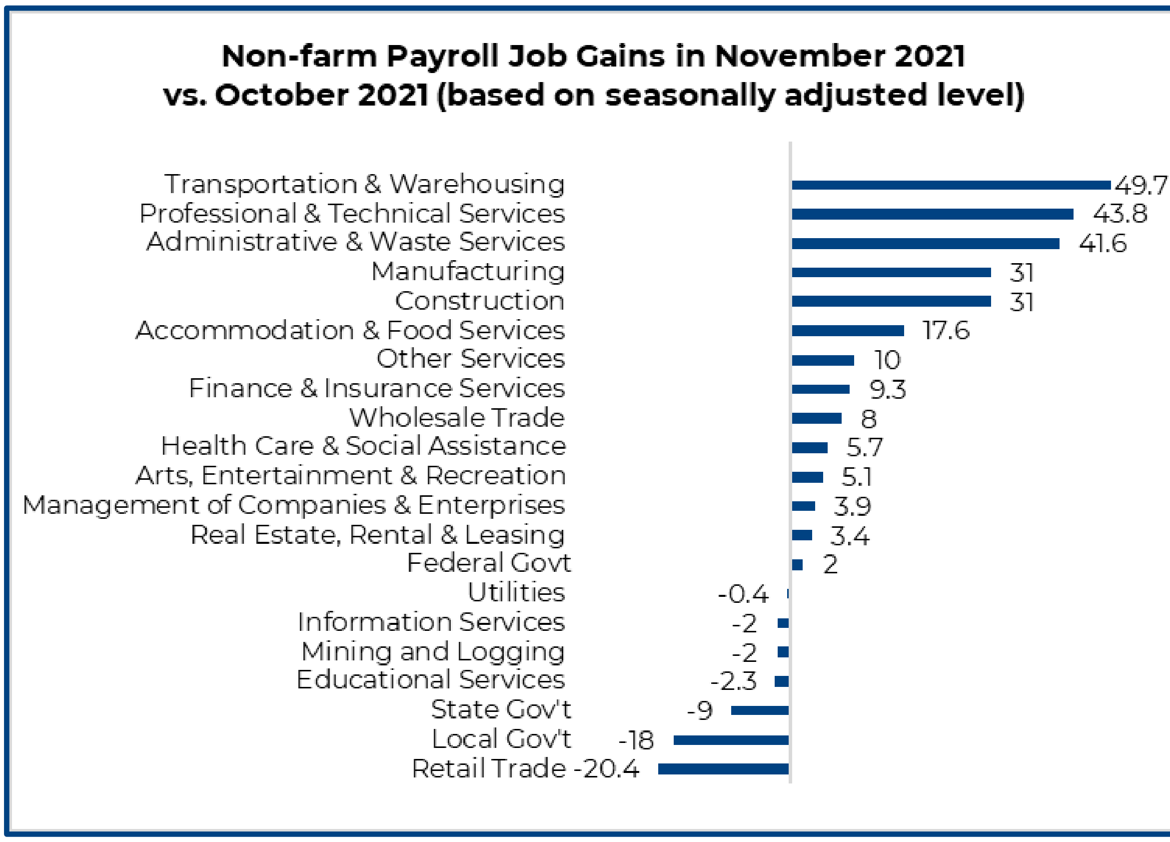
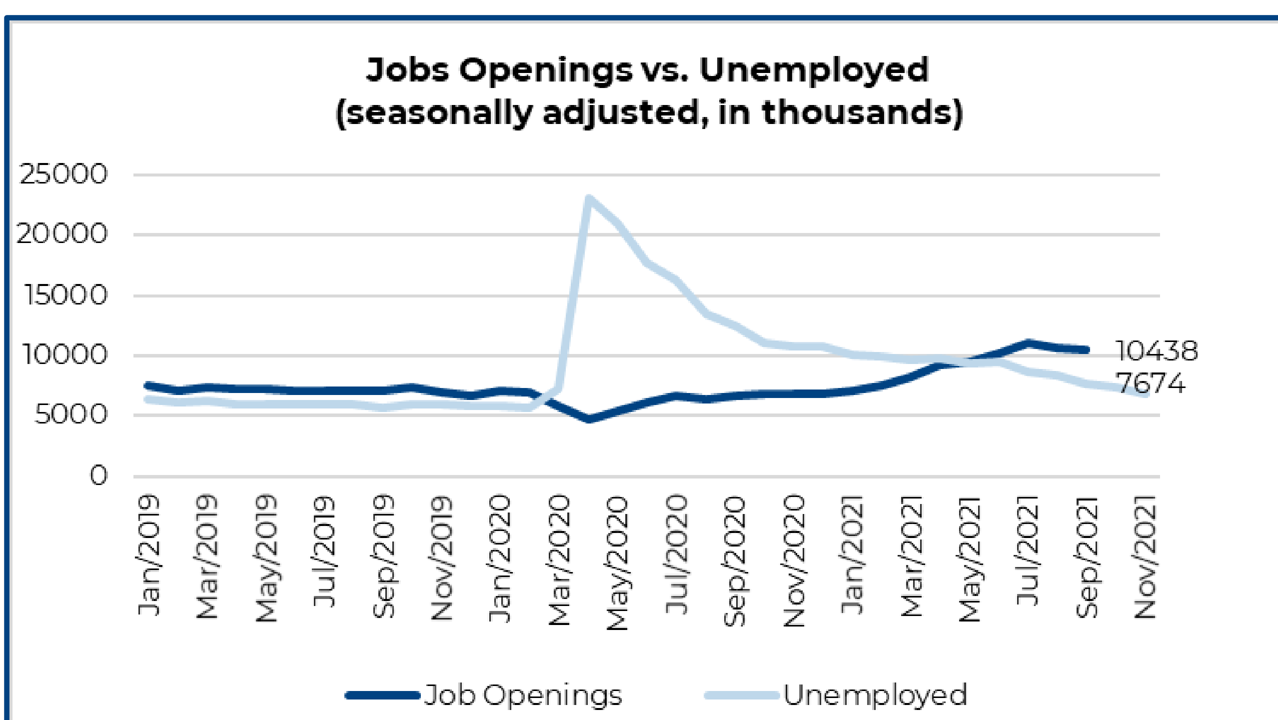
Economy created 210,000 nonfarm payroll jobs in November

Non-farm payroll employment increased 210,000 jobs in November. Compared to the peak employment in February 2020, the economy has now created 18.5 million jobs out of the 22.4 million non-farm payroll jobs lost in March and April 2020.

The highest job gains were in transportation and warehousing industry (49,700) , professional and technical services (43,800), administrative and waste services (41,600), manufacturing (41,600), and construction (31,000). The real estate, rental, and leasing saw job gains (3,400).

The labor market has tightened, with nearly 3 million more job openings (10.4 million) than job-seekers (7.7 million). Tight market has pushed up wage growth to 4.8% , contributing to inflationary pressure. However, home price are still outpacing wage gains.





Source: Bureau of Labor Statistics

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Rising Occupancy Except in Office Real Estate

Occupancy rose across the multifamily, industrial, and retail trade sector, but fell in the office real estate market, based on data reported by CoStar®.

Office occupancy fell 12.6 million square feet in the past three months after occupancy rose in the third quarter. Since 2020 Q2, 145.3 million square feet of office space has been given back. The vacancy rate has increased to 12.5% from 9.8% in 2020 Q1.

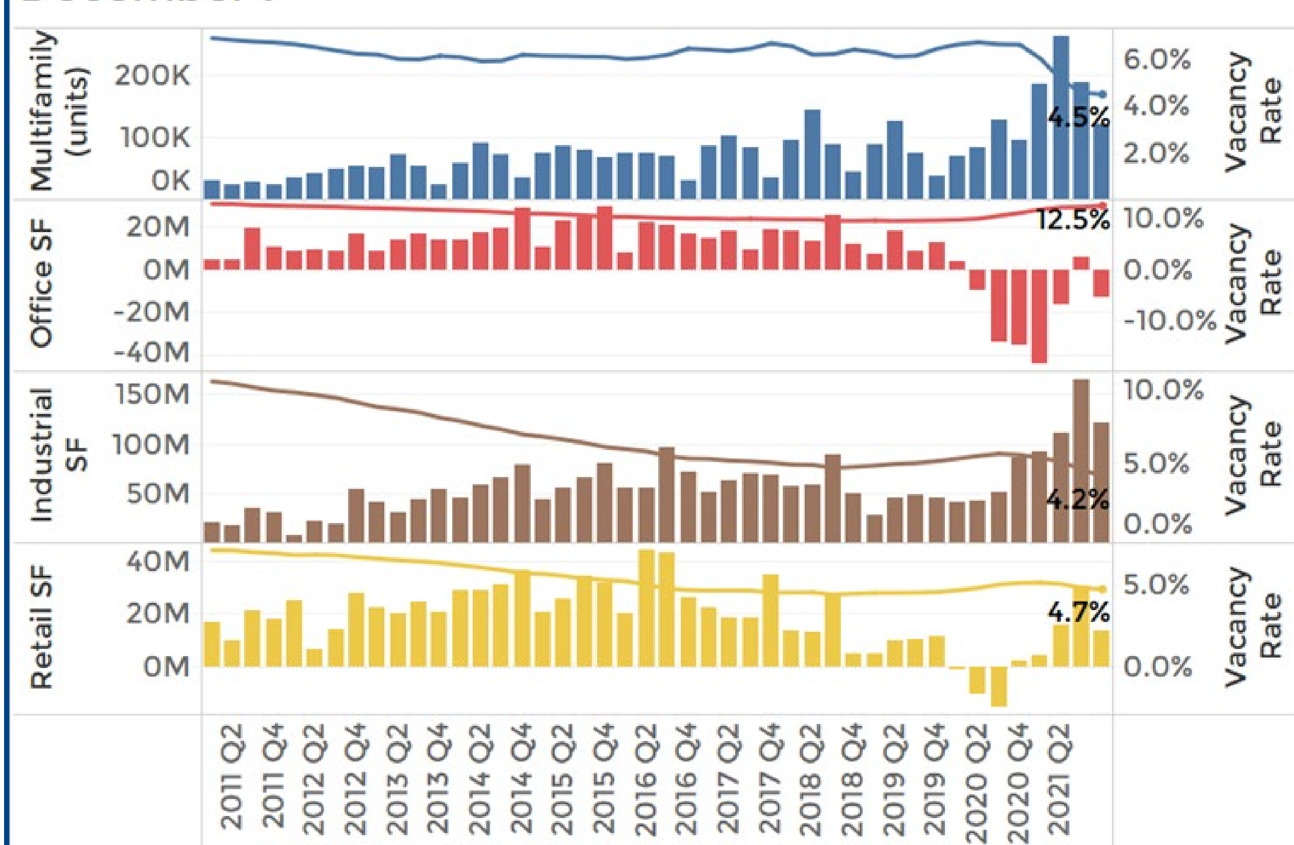
In the apartment market, 122,241 apartment units were absorbed in the past three months. Absorption remains positive although the pace appears to be decelerating. Since 2020 Q2, occupancy has increased on a net basis by 1.07 million apartment units and the vacancy rate has declined to 4.5% from 6.7% in 2020 Q1.

In the industrial market, 120.8 million square feet of office space was absorbed in the past three months, with 669 million square feet of space absorbed from 2020 Q2. This industrial property market 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 rose 13.7 million square feet in the past three months, with a net increase of 39.8 million square feet since 2020 Q2. The vacancy rate is at just slightly up at 4.7% from 4.6% in 2020 Q1.

Download the [November Commercial Market Insights Report] and [Commercial Metro Market Reports].

Higher Occupancy Except in Office Real Estate as of December 7



Source of data: NAR analysis of CoStar data

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Rising Rents Except for Office Real Estate

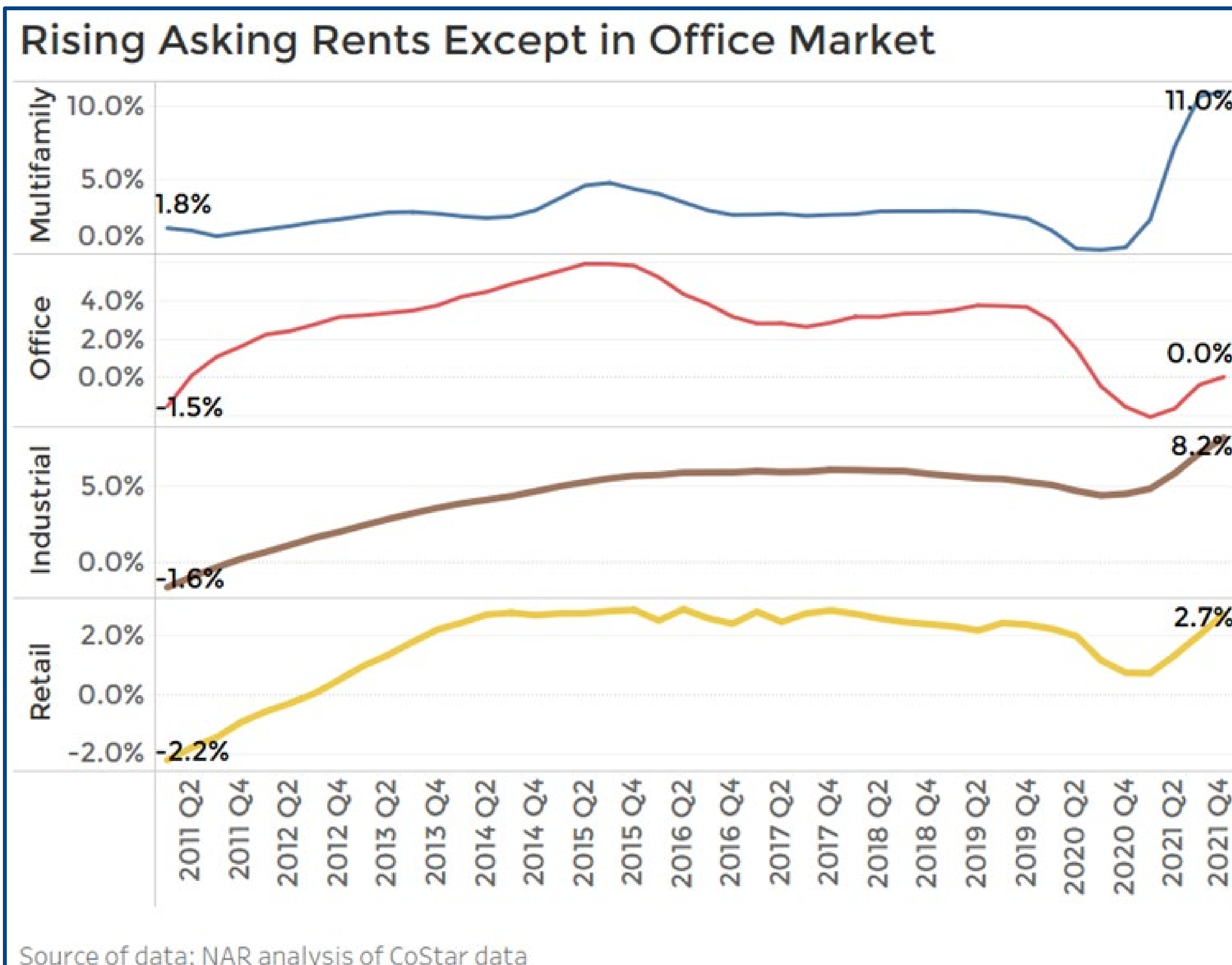
Multifamily asking rents continue to increase at a double-digit pace of 11% year-over-year. Prior to the pandemic in 2020 Q1, the average asking rent growth was just 1.6%. The strong demand for rentals is likely associated with rising home prices.

In the office market, rents stayed stable after declining 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 8.2%. 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 2.7%, which is higher than the 2.3% pre-pandemic rent growth.

Download the November 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, 1.4% as of December 3). Lower cap rates mean higher price valuations for the property and that investors are buying quality assets.

The multifamily market has the lowest cap rate among the core property markets, with a median cap rate in the past three months at 5% (5.7% in 2020 Q1). The office market has the highest median cap rate at 7% (7.3% in 2020 Q1). In the industrial market, the median cap rate was 6.3% (7.1% in 2020 Q1). In the retail market, the median cap rate was 6.1% (6.6% in 2020 Q1).

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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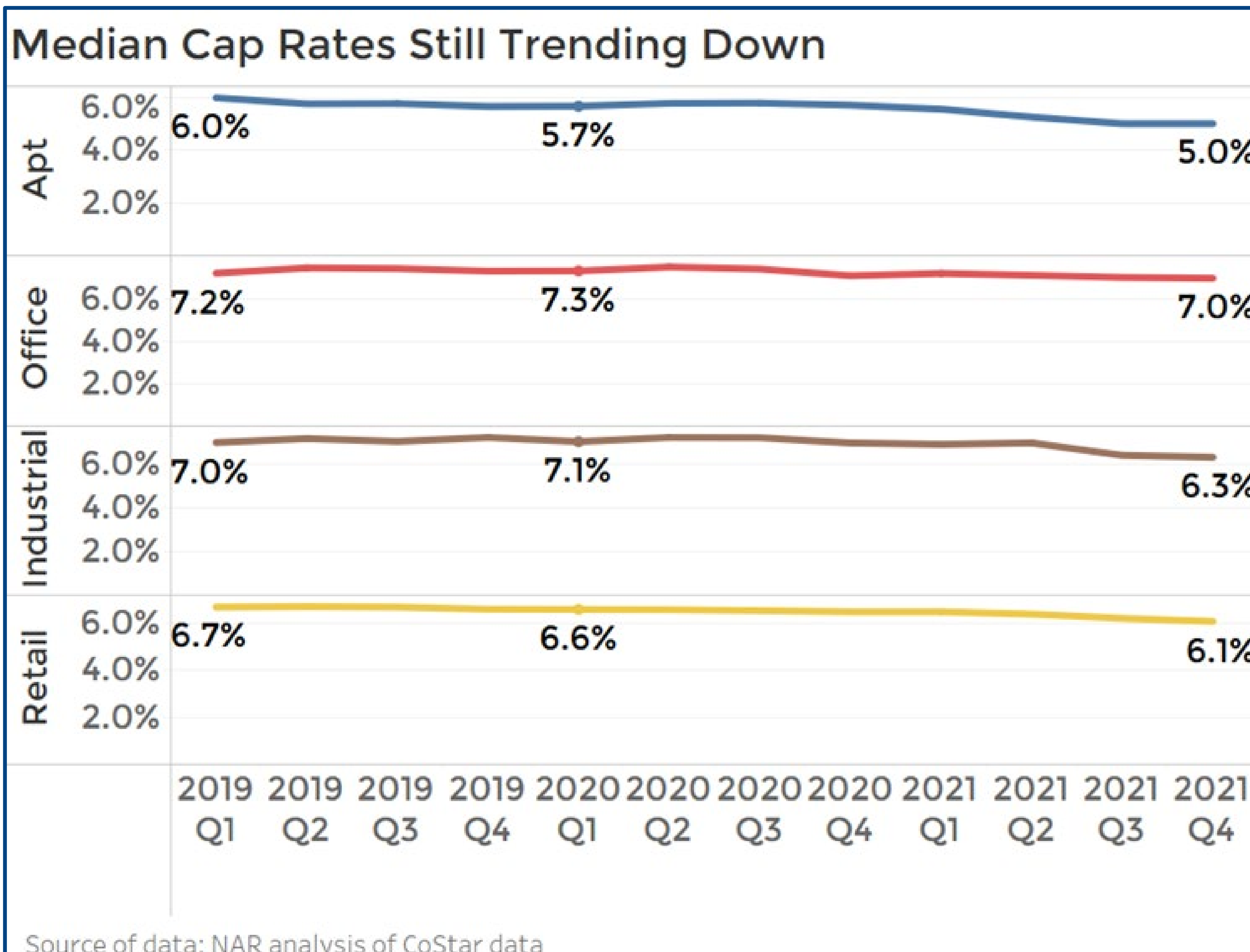

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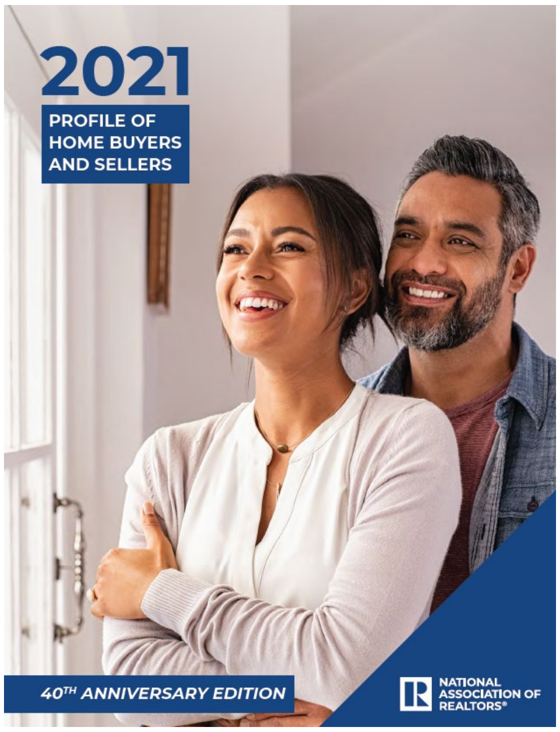
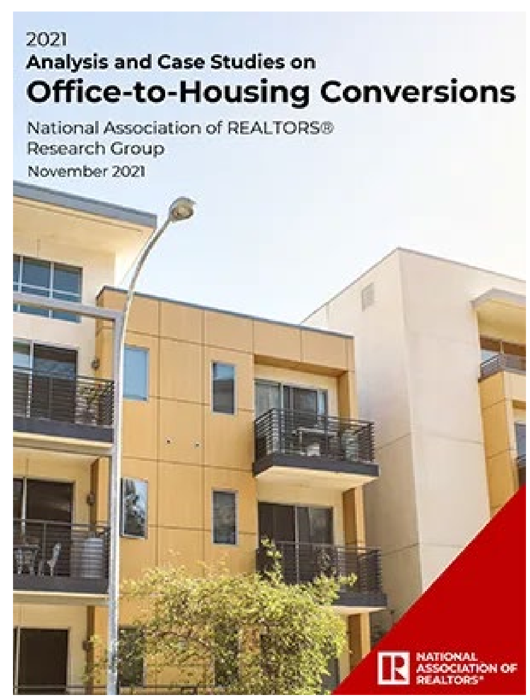
More of the Latest from NAR Research



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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RESEARCH GROUP

Lawrence Yun, PhD
Chief Economist & Senior Vice President

Jessica Lautz, Doctor of Real Estate
Vice President, Demographics and Behavioral Insights

Gay Cororaton
Senior Economist and Director of Housing and Commercial Research

Nadia Evangelou
Senior Economist and Director of Forecasting

Meredith Dunn
Research Manager

Brandon Hardin
Research Economist

Michael Hyman
Research Data Specialist

Hua Zhong
Data Scientist

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RESEARCH GROUP
500 New Jersey Avenue, NW
Washington, DC 20001
202.383.1000