2020 Weekly Housing Market Monitor

October 19-22

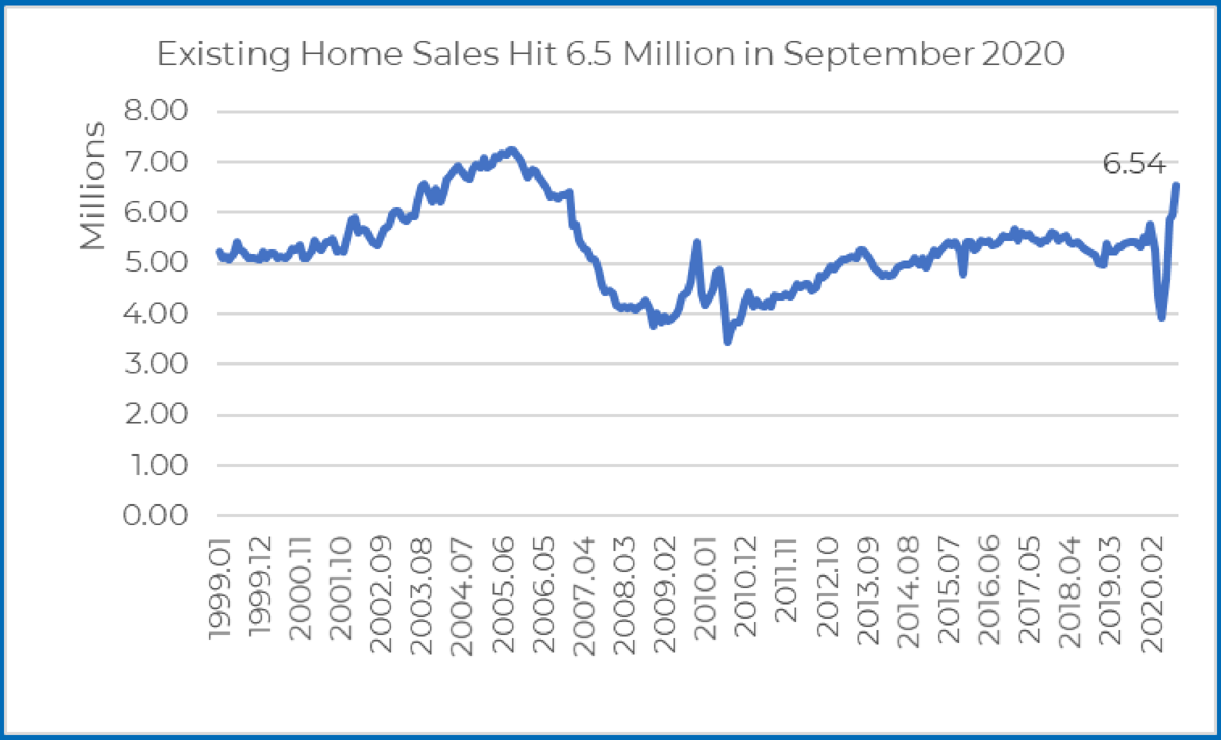
National Association of REALTORS®
Research Group

NATIONAL ASSOCIATION OF REALTORS®

Weekly Housing Market Monitor

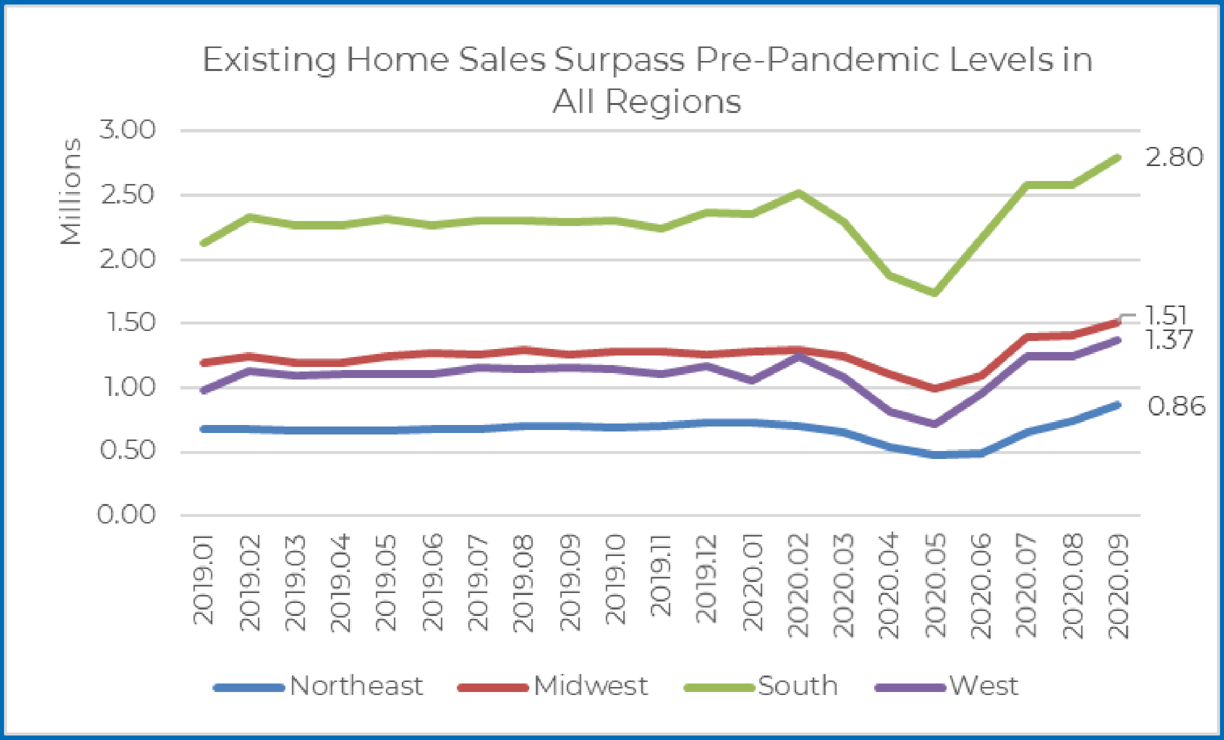
Existing-Home Sales Hit 6.54 Million in September 2020, a Record High Since December 2006

September existing-home sales hit 6.54 million, the highest level since December 2006 (6.42 million). Sales are up 9.4% from the prior month and 20.9% from one year ago.



Year-to-date, sales are now just 0.2% off or 7,000 sales from last year's sales, with full-year sales now likely to at least hit the same level in 2019.

Sales rose in all regions on a month-over-month and year-over-year basis, with the Northeast showing the highest m/m and y/y sales gains. Sales are higher than the pre-pandemic levels and from one year ago: Northeast (22.9%), Midwest (19.8%), South (22.3%), West (18.1%).



Single-family sales rose at a higher pace than condos compared to one year ago (21.8% vs. 13.6%) and from one month ago (9.7% vs. 6.3%).

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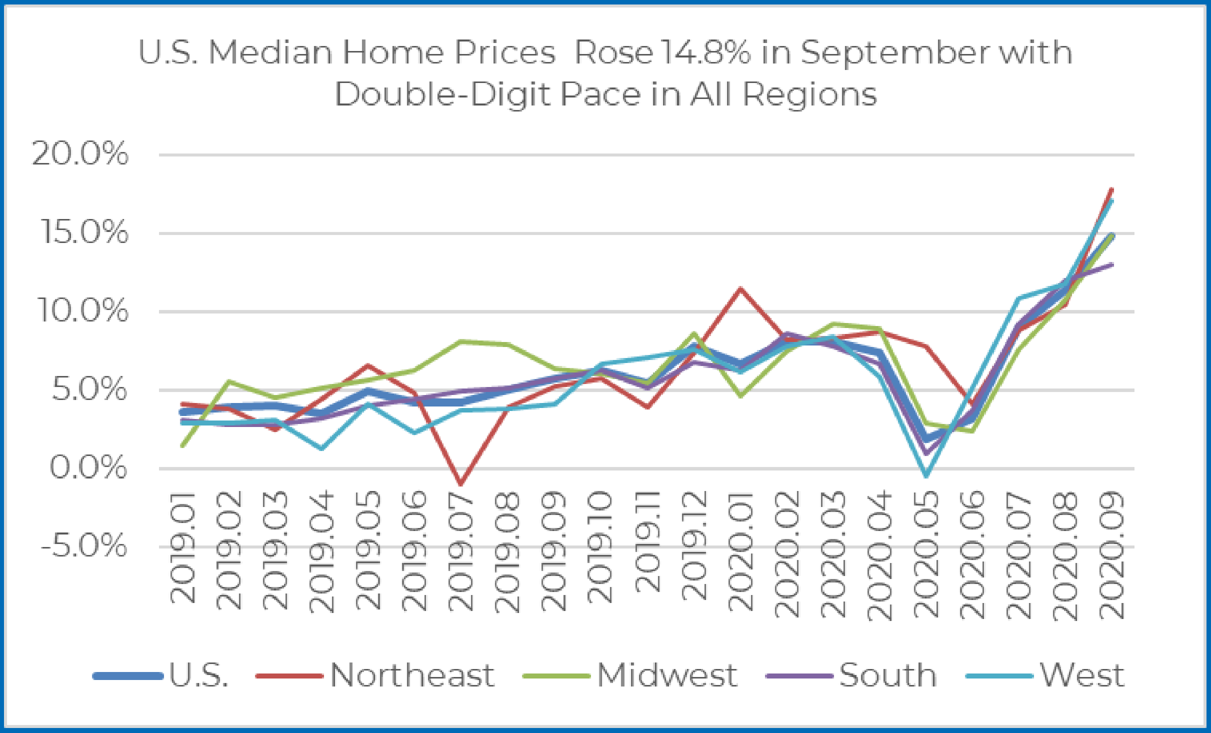
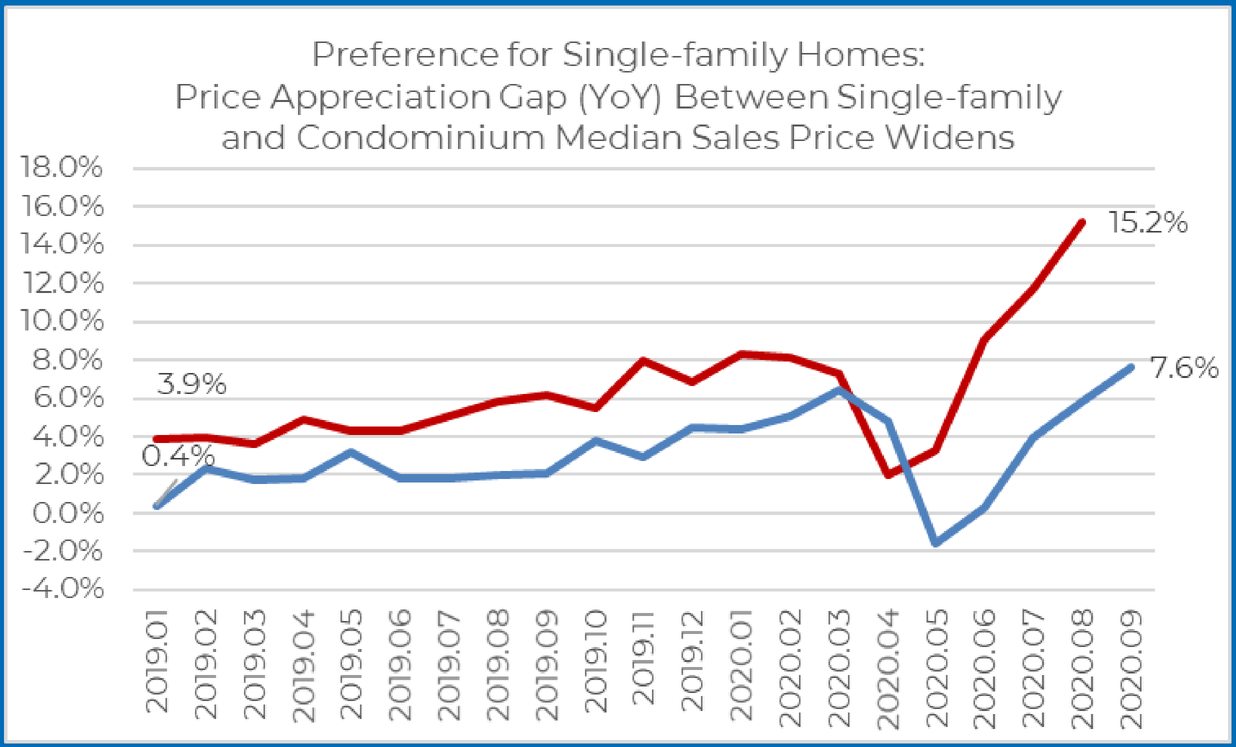
Median EHS Prices Rose 14.8% in September; Prices Rose at Double-Digit Rates in All Regions

With demand outpacing supply, the median existing-home sales price rose to $311,800, up 14.8% y/y; the strongest pace since October 2005 (16.6%).



All regions had double-digit price growths, led by the Northeast (17.8%), then the West (17.1%), Midwest (14.8%), and the South (13%).

Single-family homes are appreciating faster than condominiums/coops. The median single-family existing-home sales price rose 15.2% year-over-year in September, outpacing the condo price appreciation of 7.6%. The price appreciation gap has widened relative to pre-pandemic levels.



This suggests an increasing preference for single-family homes that allow for more space for social distancing and more space for both working from and school at home.

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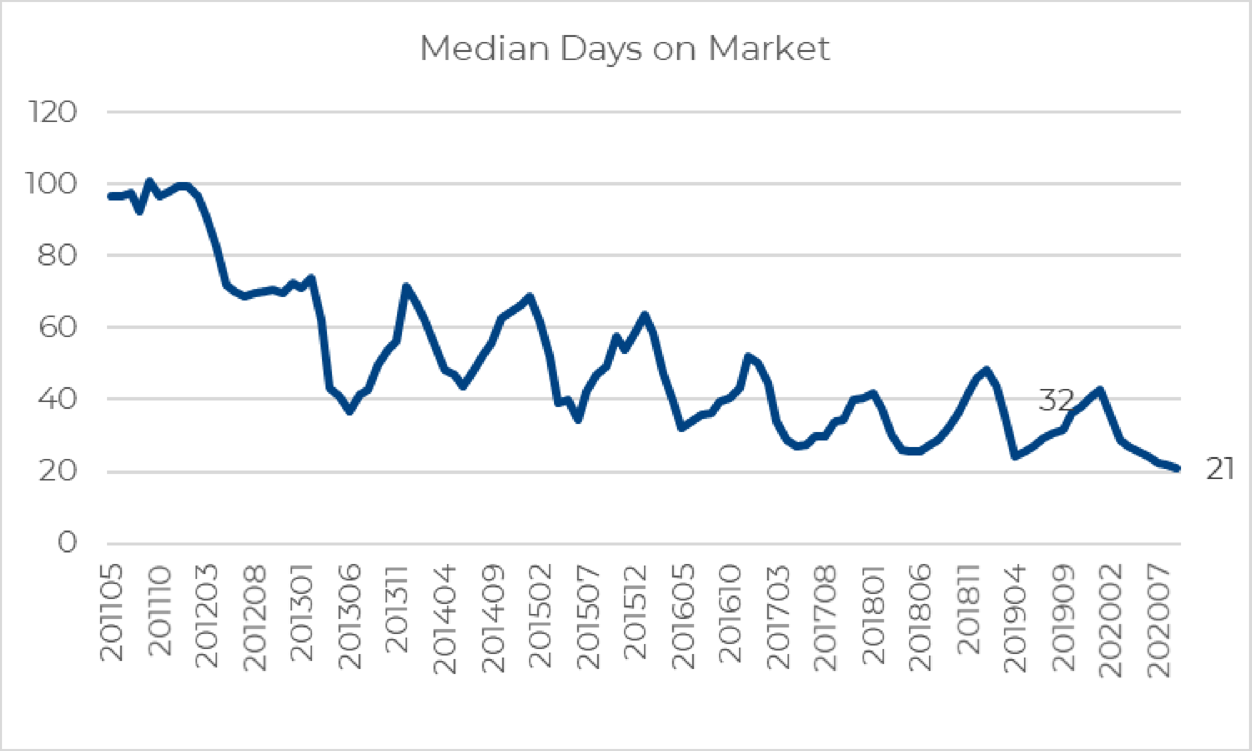
End-of-the-Month Inventory: 2.7 Months' Supply, A Historic Low

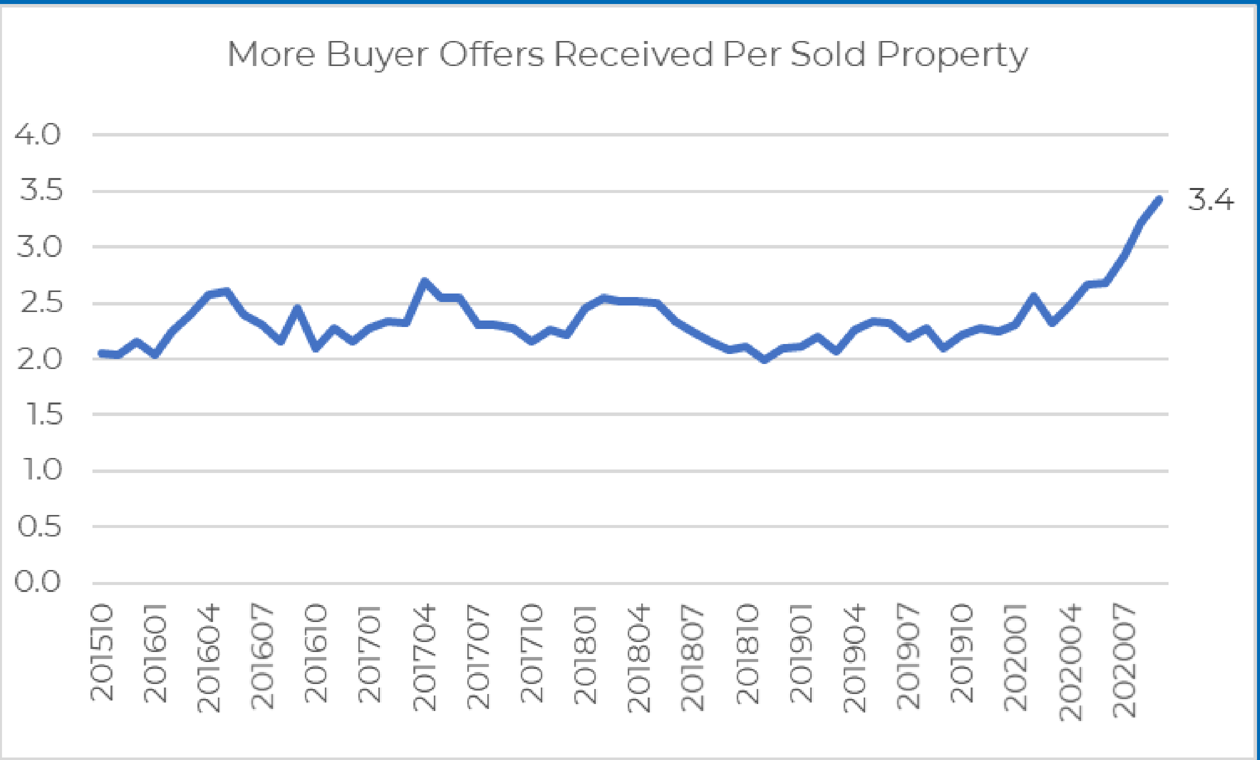
With demand outpacing supply, properties typically sold within 21 days, the lowest record since NAR tracked this data in 2011, according to REALTORS® who responded to a monthly survey.



One year ago, properties typically stayed on the market for 32 days.

For properties that sold in August, sellers had, on average, slightly more than three offers (3.4 offers), up from slightly two offers one year ago.

Download the September REALTORS® Confidence Survey Report



Seventy-one percent of properties sold within one month.

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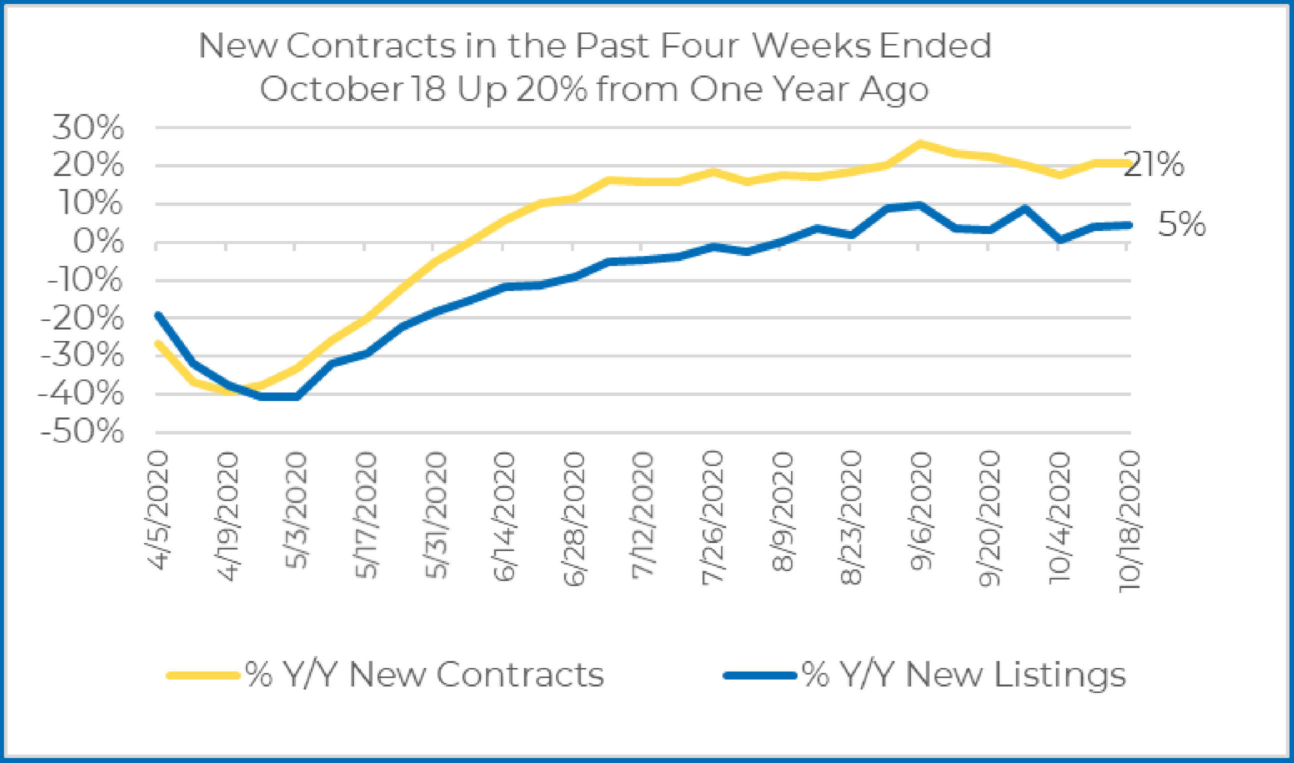
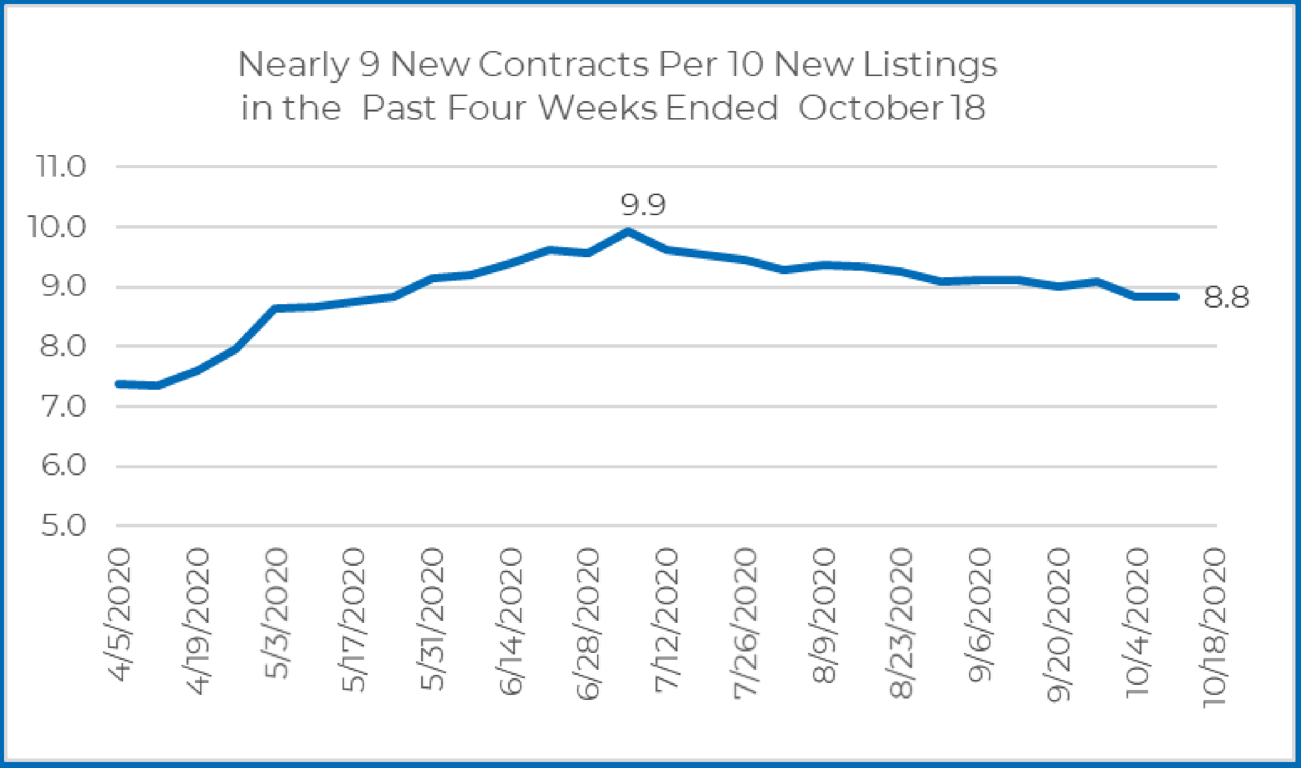
Contract Signings Rose 21% in the Past Four Weeks *

Amid low mortgage rates and continuing job growth, contract signings for existing homes increased 21% year-over-year during the past four weeks ending October 18 (21% in the prior 4-week period).



New listings rose 5% year-over-year (4% in the prior 4-week period).

Contract signings continue to outpace new listings, with nearly 9 new contract signings per 10 new listings.



The peak ratio was 9.9 in July, partly reflecting the seasonal uptick in demand as well as the boost from the homebuying after sheltering in place orders started to be lifted in May.

* Preliminary data based on a limited number of MLS

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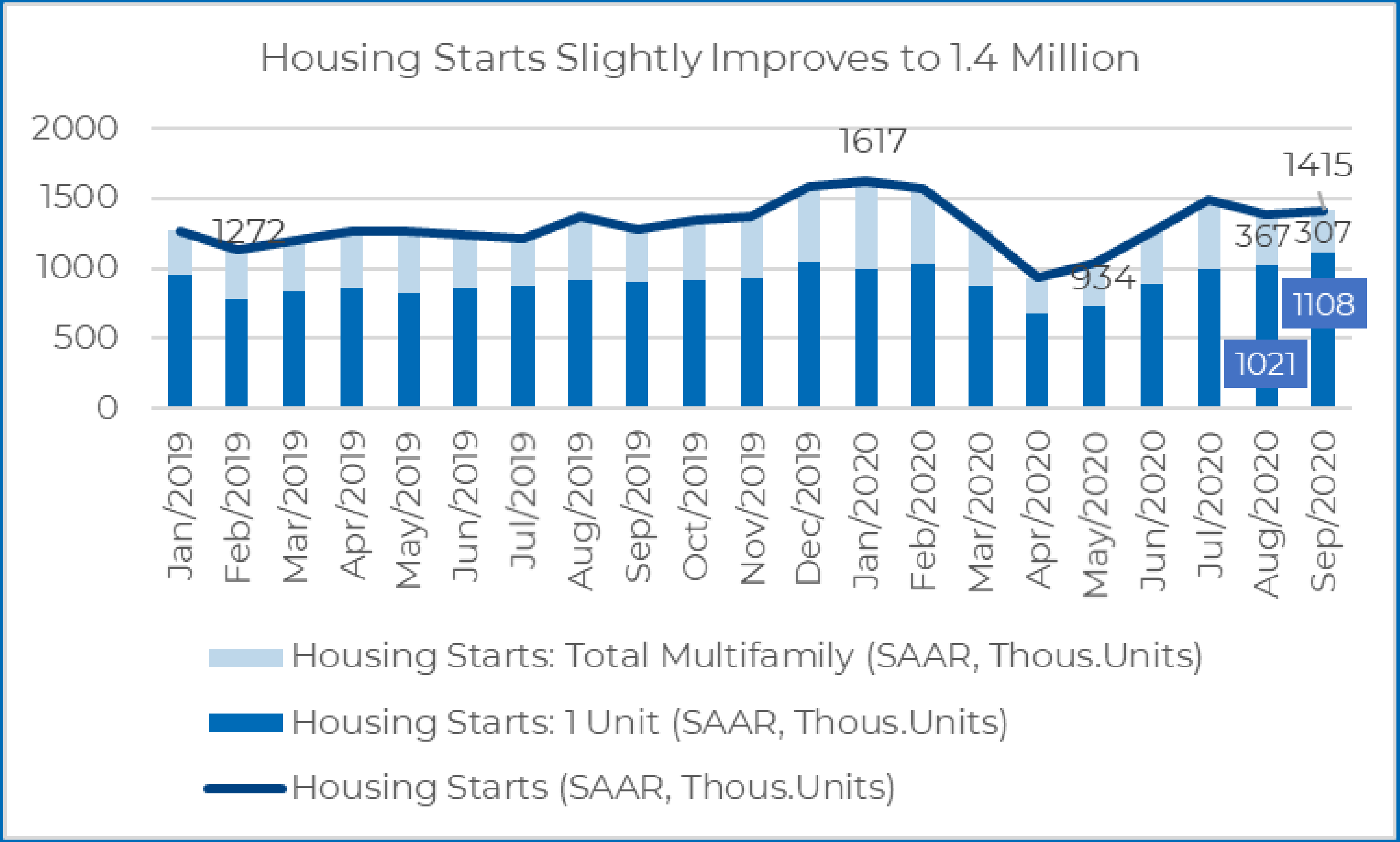
Housing Starts Rose to 1.42 Million in September as Lumber Prices Continue to Surge

The annualized level of housing starts ticked up to 1.415 million in September, a modest 2% gain from 1.388 million in August. Housing starts had hit 1.617 million in January and fell to 934,000 in May. Housing starts are slowly recovering but have not recovered to the pre-pandemic level in January.

The recovery in housing starts hit a snag due to the shortage and rising cost of lumber, with the price of softwood lumber up 81% year-over-year as of September.



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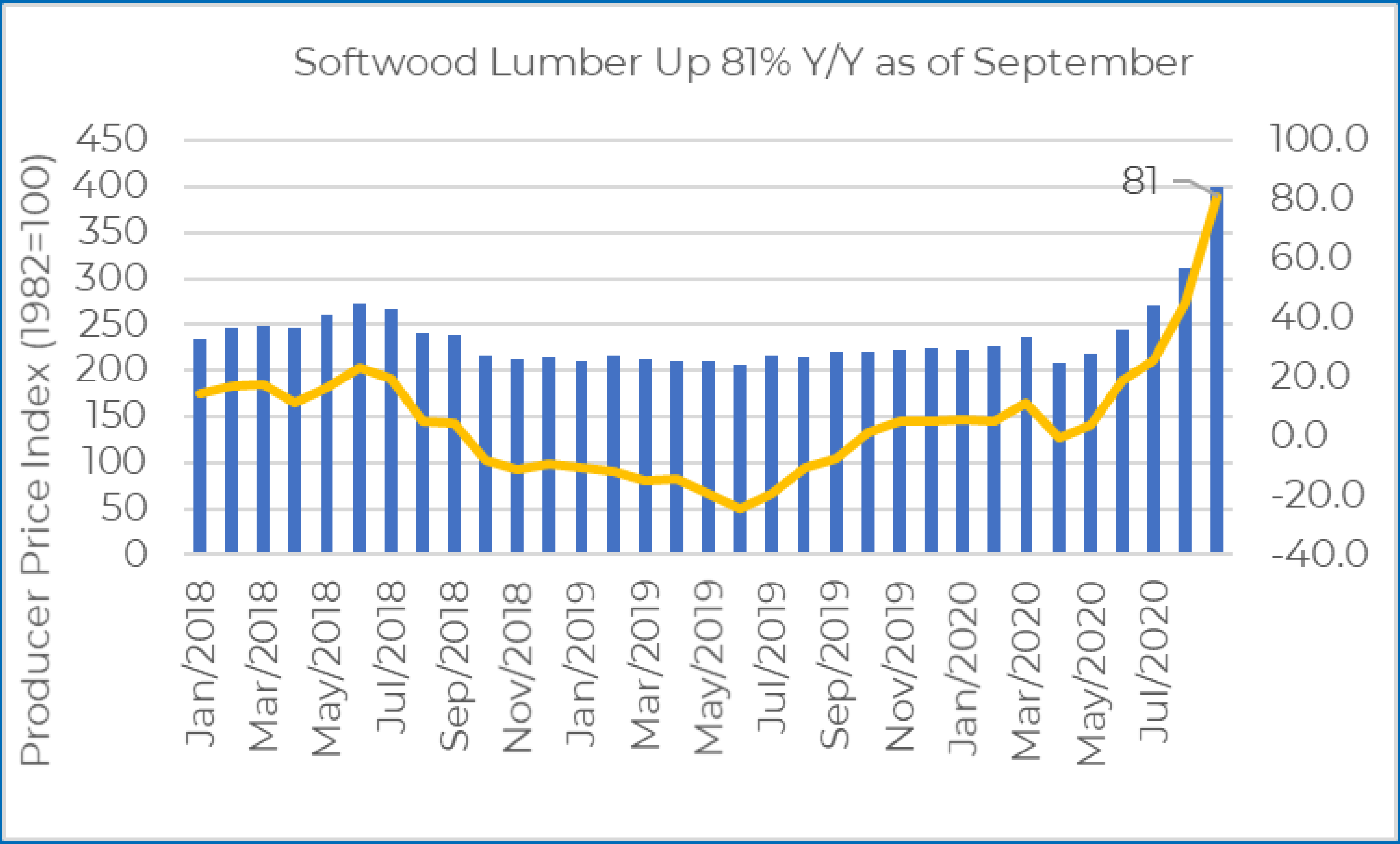
Housing Starts Rose to 1.42 Million in September as Lumber Prices Continue to Surge

Single-family housing construction rose from 1.02 million to 1.108 million, which is housing that is typically for owner occupancy. Meanwhile, the construction of multi-family housing decreased from 367,000 to 307,000, with developers likely anticipating strong demand for housing due to low mortgage rates and also pulling back on multifamily housing due to concerns about renters' ability to pay rent. Nearly half of the unemployed are in retail trade, accommodation, food services and these workers and tend to be renters than homeowners.

More single-family construction will ease the inventory shortage for owner-occupied homes, while the decrease in multifamily housing construction will tend to push rents up.



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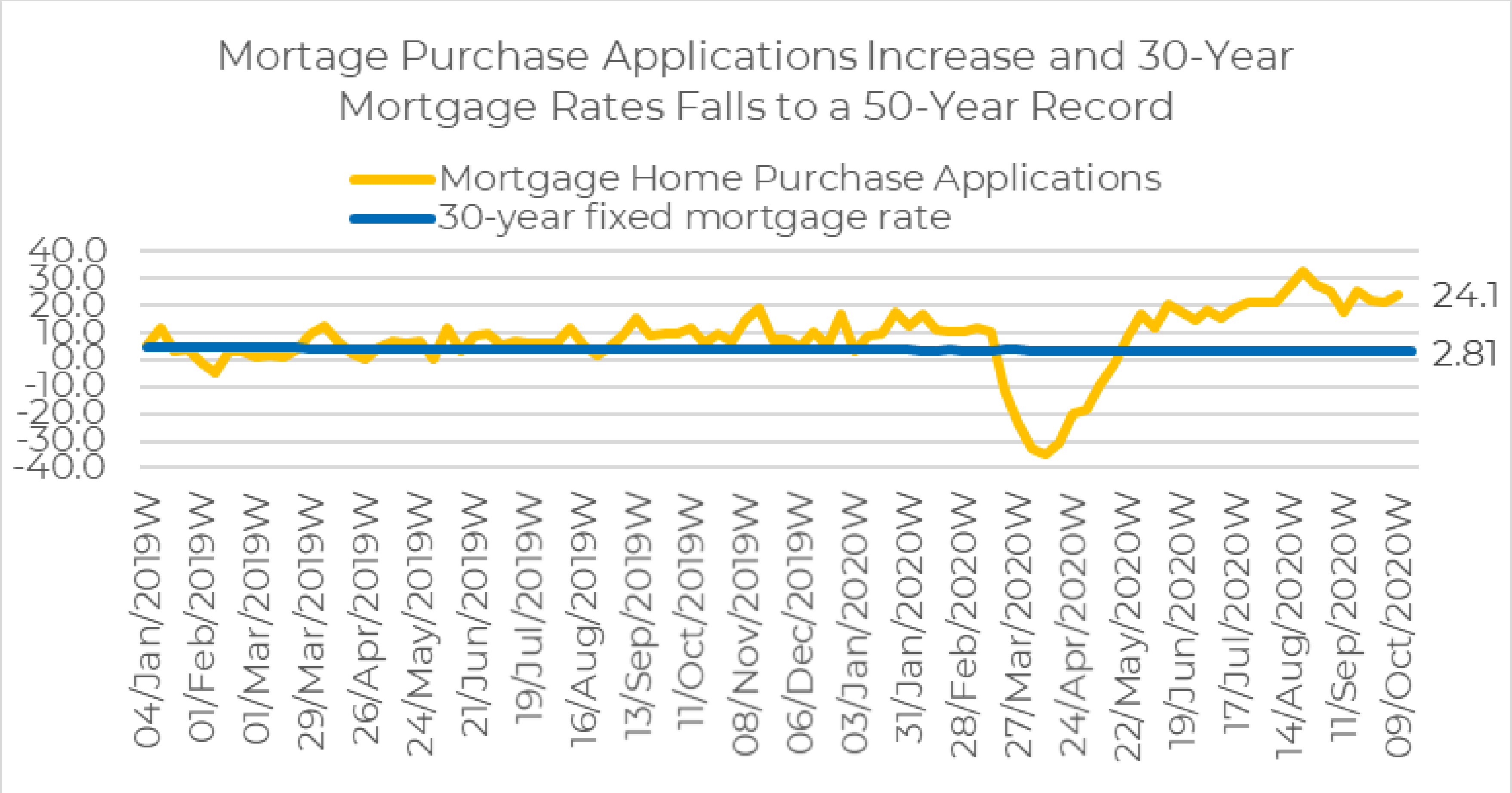
Mortgage Applications Rose 24% Y/Y; Mortgage Rates Fell to Historic Low of 2.81%*

Mortgage purchase applications fell for the 4th straight week in the week ending October 9 from the prior week, by 2.1%. However, from one year ago, applications were still up by 24.1%. They are also up by 15% compared to the pre-pandemic level as of February 28.

The 30-year year fixed rate mortgage fell to a new 50-year record low of 2.81% during the week ending October 16, holding below 3% since the week ended July 31.



Sources of data: MBA (week of Oct 9); Freddie Mac (week of Oct 16)

* This calculation is for analytical purpose and is intended to show broadly how mortgage payments are changing relative to rent. Consult your lender for an estimate of your mortgage payment that will depend on other factors such as income, debt, downpayment, and credit score.

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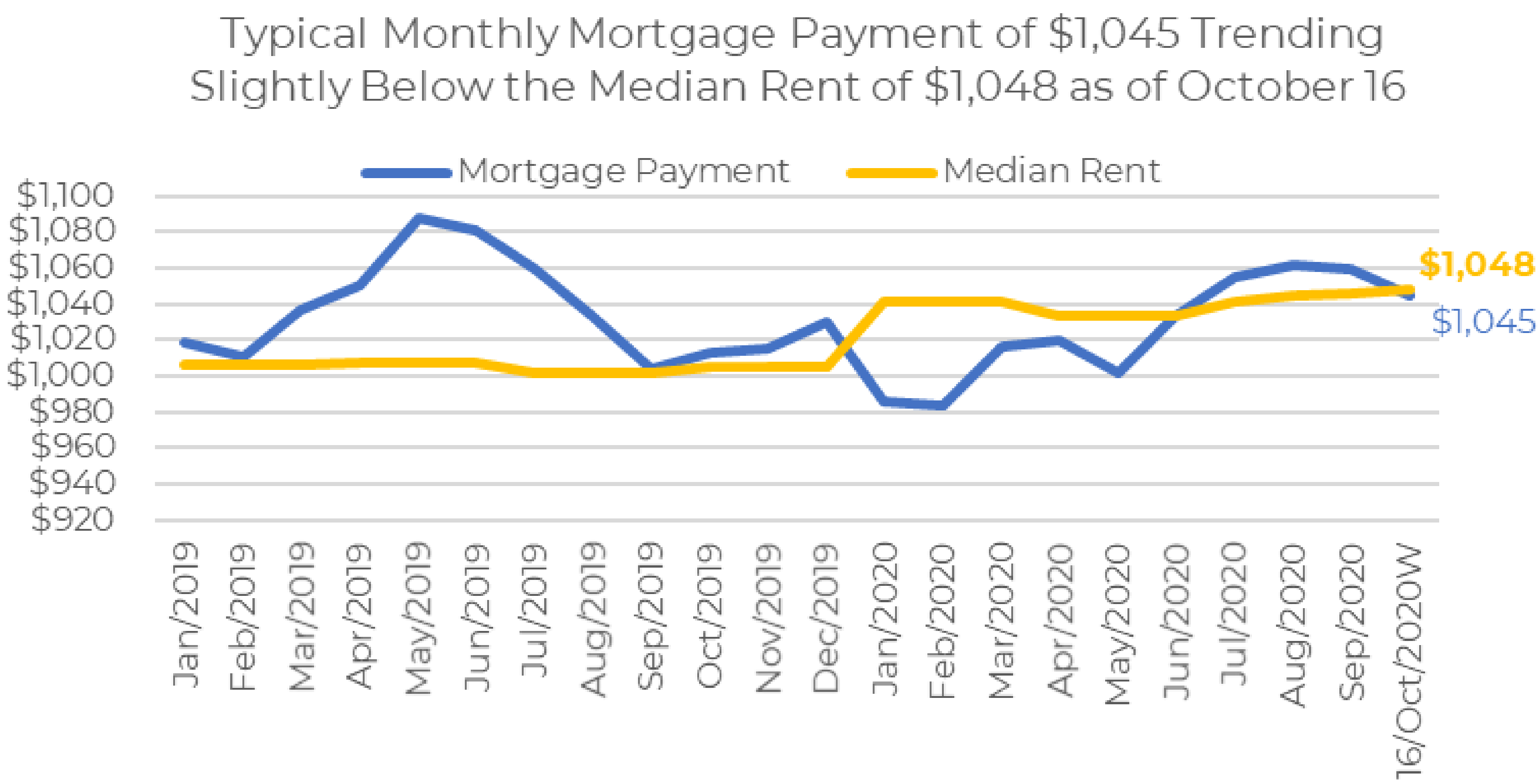
Even as home prices have increased, the decline in mortgage rates has lowered the monthly mortgage payment. The estimated monthly mortgage payment on a typical single-family home of $1,048 is again slightly below the estimated median rent of $1,048 as of the week of October 16.

Mortgage rates are expected to remain low for quite some time, as the Federal Open Market Committee reiterated on August 27 its long-run policy of anchoring monetary policy to achieving an average long-run inflation of 2% and promoting maximum employment. In September, inflation slightly rose to 1.4%. The unemployment rate has further fallen to 7.9% in September but it remains elevated compared to pre-pandemic levels (3.5% in February 2020).



Calculations based on average rate of 2.81% 30 year fixed rate + 0.6% points as of Oct 16 and 20% downpayment; estimated median single-family sales price based on September median price and y/y price growth; estimated median rent by applying m/m CPI-Shelter inflation to US Census Bureau median rent.

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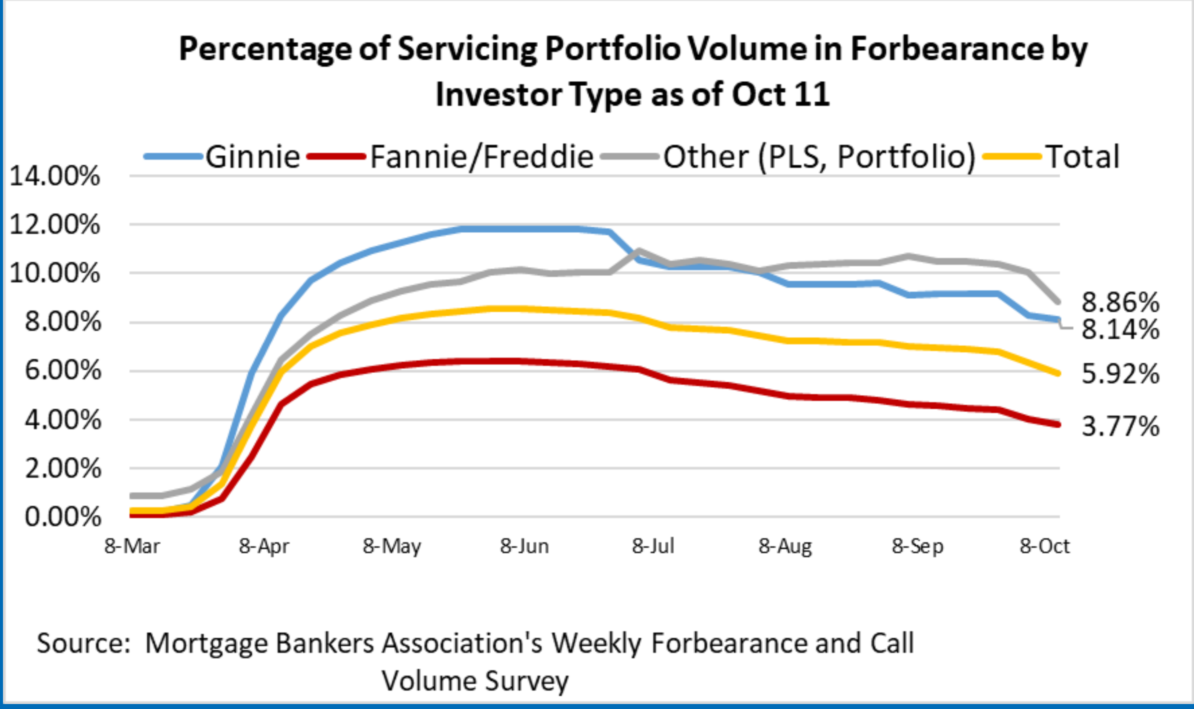
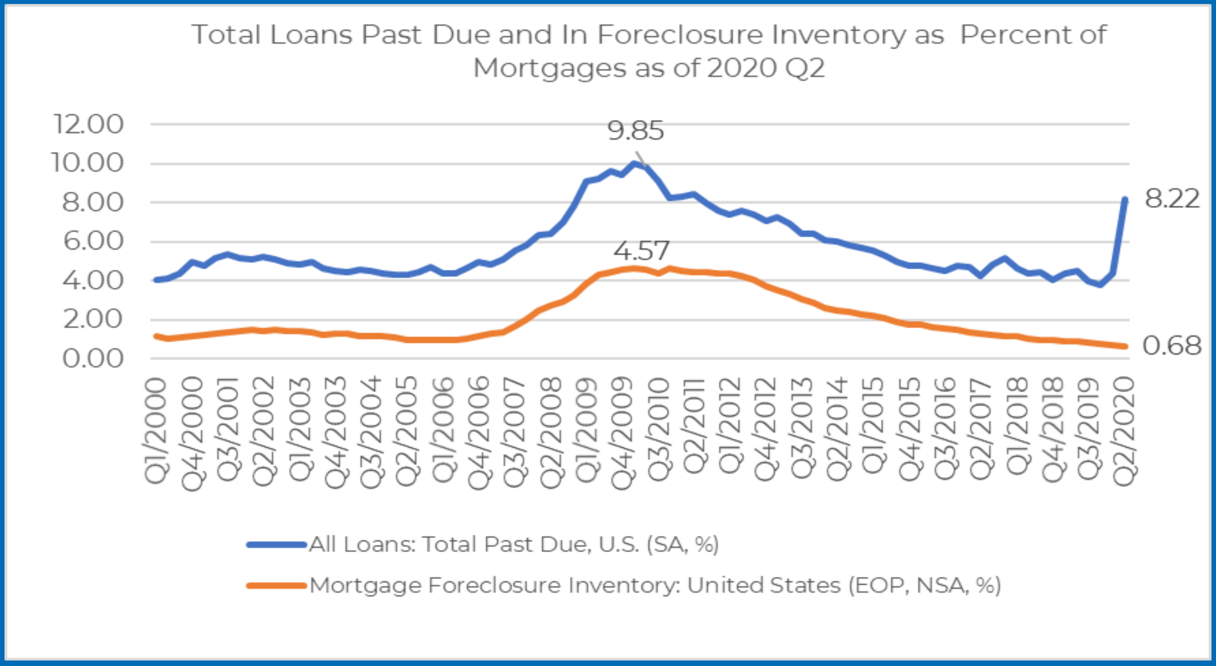
Fraction of Loans in Forbearance Continues to Decline to 5.92%

As the number of unemployed continues to decline, the fraction of loans in forbearance continued to decline to 5.92% for the 17th week in a row during the week of October 11. The Mortgage Bankers Association estimates that 3.0 million homeowners are in forbearance plans (3.2 million during the prior week).



Loans insured or backed by Fannie Mae and Freddie Mac have the lowest share of their loans in forbearance, at 3.77%, while loans held in portfolio by private lenders or that are backing private label securities have the highest share of their loans in forbearance plans, at 8.86%.

As of 2020 Q2, 8.2% of loans are past due, but due to the foreclosure moratorium on federally backed mortgages, less than 1% of mortgages are in some stage of foreclosure. The declining share of loans in forbearance means less likelihood of loans going into foreclosure which can bring down prices and property values as occurred during the Great Recession.



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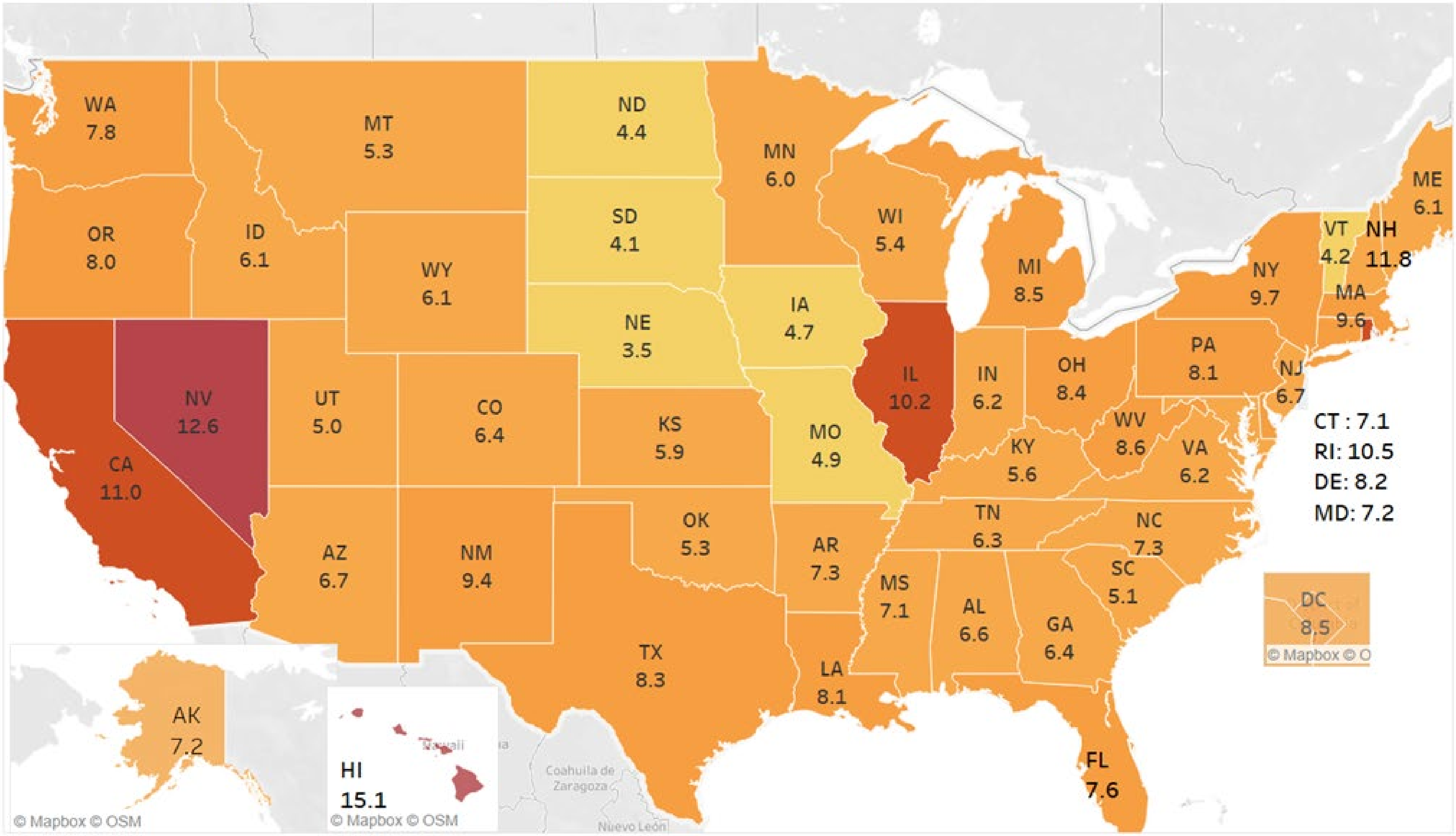
Unemployment Rate Declines in 39 States and Payroll Employment Improves in 42 States in September 2020

The unemployment rate declined in 39 states in September 2020 compared to the rates in August.

The states with the lowest unemployment rates of no more than 5% are Nebraska (3.5%), South Dakota (4.1%), Vermont (4.2%), North Dakota (4.4%), Iowa (4.7%), and Missouri (4.9%).

The highest double-digit unemployment rates are in Hawaii (15%), Nevada (12.6%), California (11%), and Illinois (10.2%).

State Unemployment Rate in September 2020



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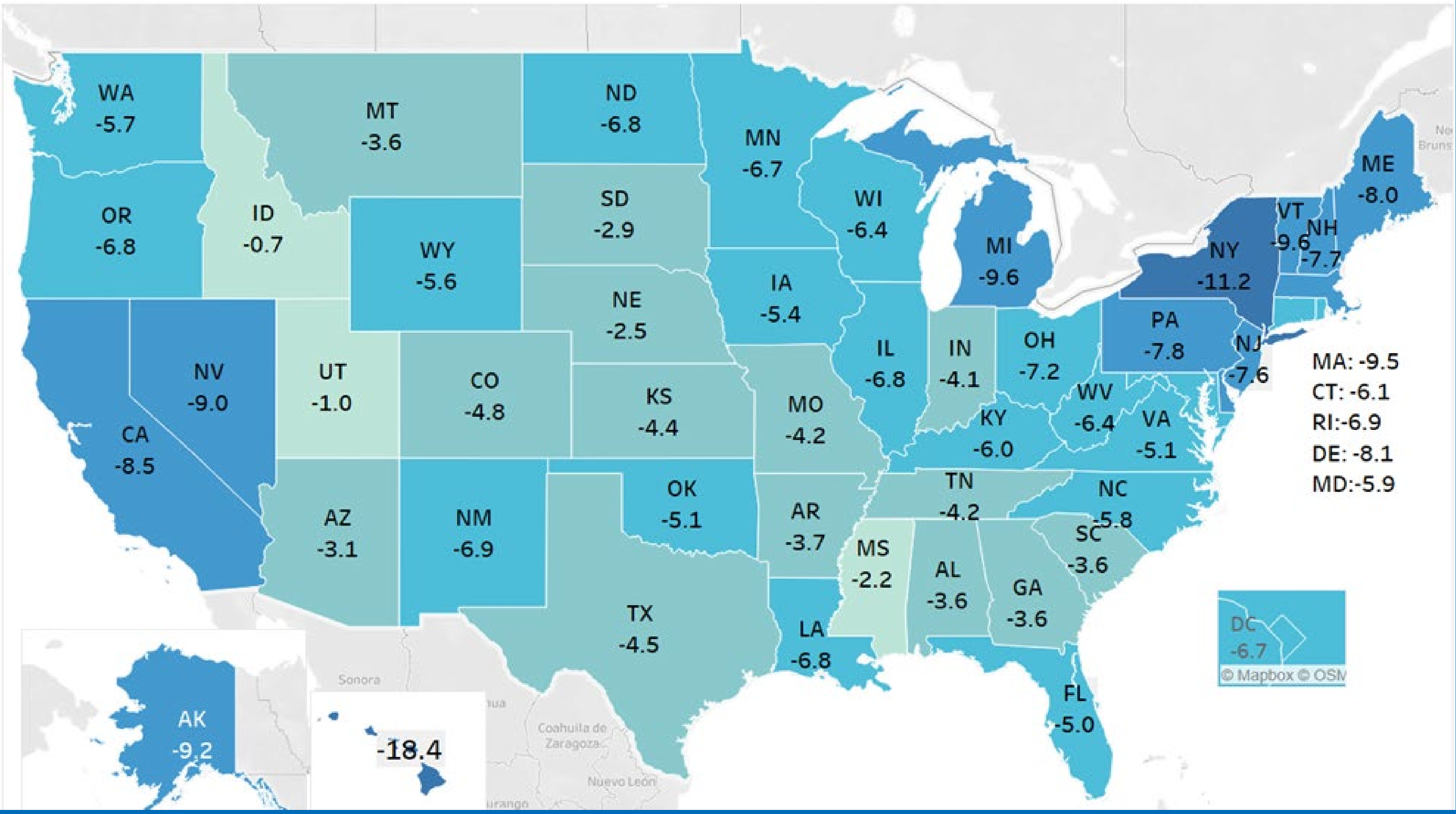
Unemployment Rate Declines in 39 States and Payroll Employment Improves in 42 States in September 2020

Non-farm employment remains below last year's level in the all states and the District of Columbia, but 42 states show lower year-over-year declines in September than in August. New York and the Hawaii have the deepest declines in payroll employment compared to one year ago, of more than 10%.

Year-over-year Percent Change in Nonfarm Payroll Employment in September 2020



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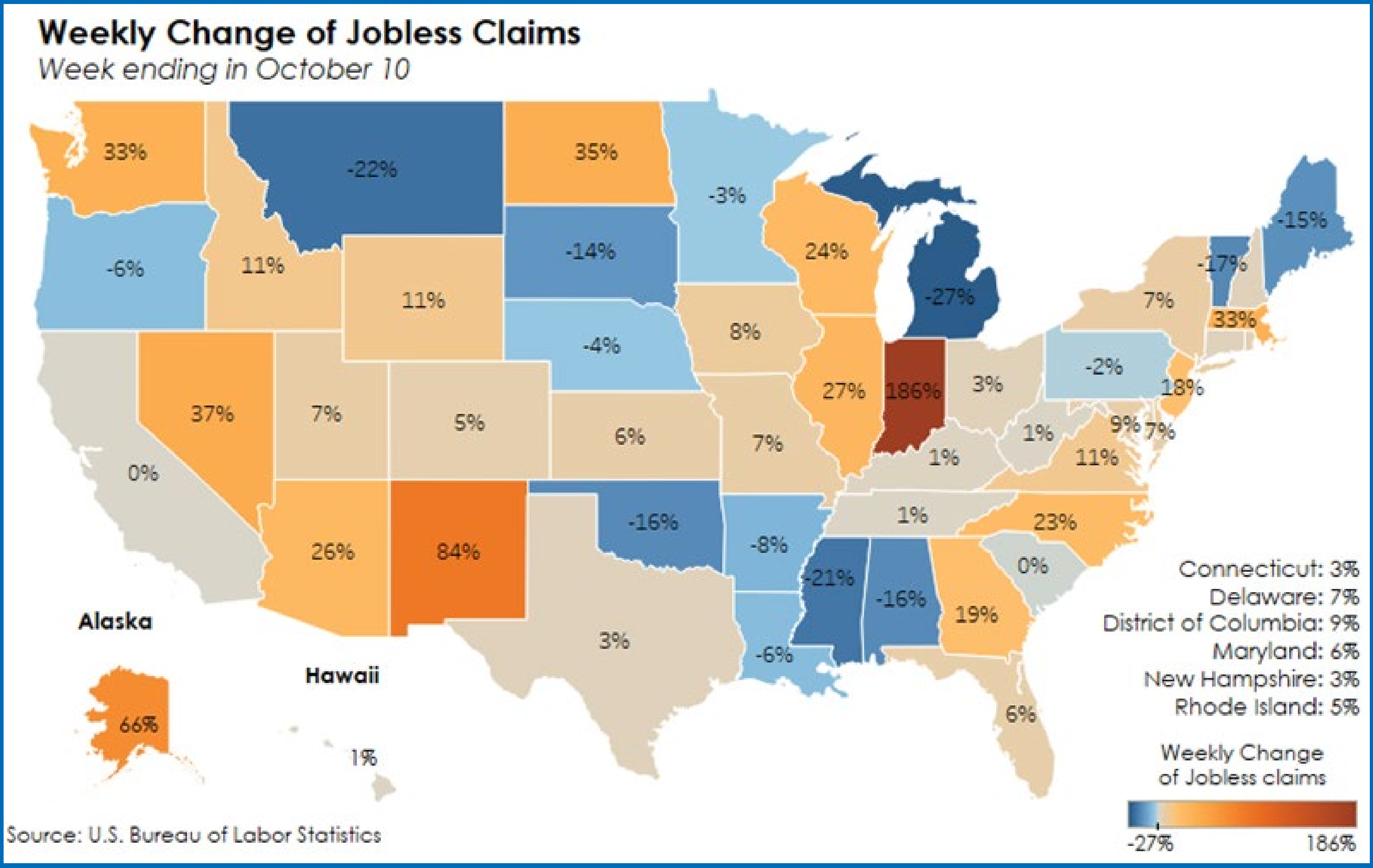
Jobless Claims

More people filed for regular and longer-term jobless aid last week. Specifically, the unadjusted new jobless claims totaled 885,885 in the week ending October 10, an increase of 9% from the previous week. However, continued claims, which measure the number of people receiving unemployment checks, fell once again to nearly 10 million by more than 1 million fewer applicants within a week. With continued claims declining for the last 5 weeks, the number of people receiving unemployment checks decreased by nearly 3.2 million during this period.

At the local level, 15 states reported a decrease in new claims. Compared to the previous week, Michigan (-27%) had the largest drop in layoffs followed by Montana (-22%) and Mississippi (-21%). In contrast, unadjusted advance claims increased in Indiana (186%), New Mexico (84%) and Alaska (66%).



Click here to read the full analysis.

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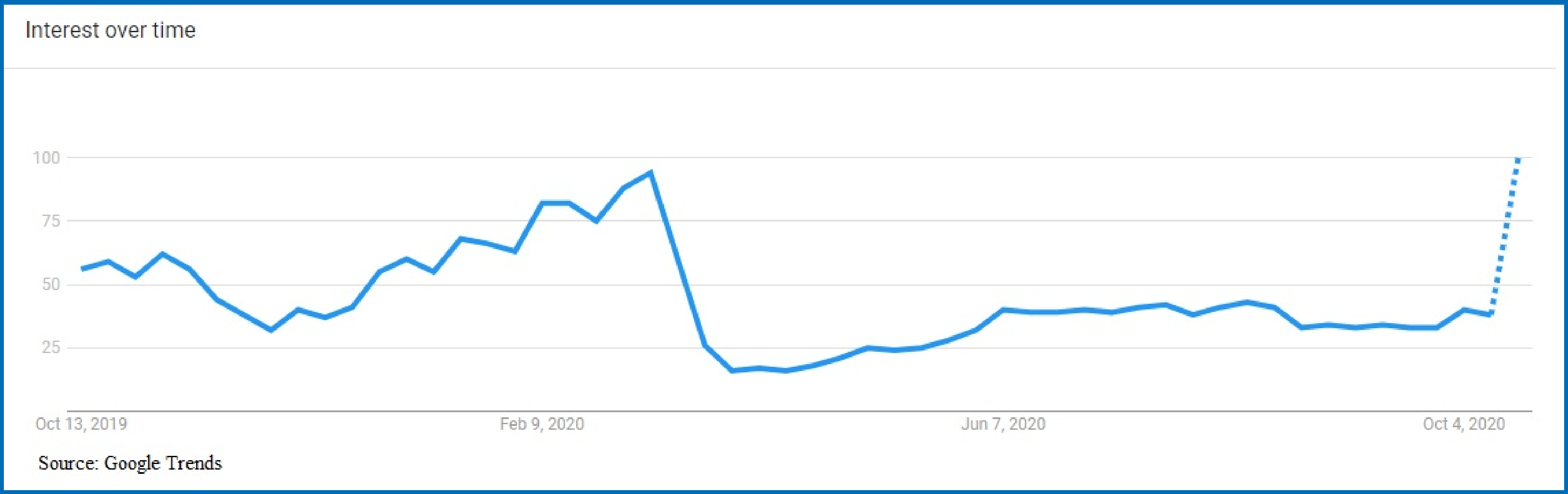
Open Houses

Public interest in open houses dropped 32% last week compared to a year earlier. However, interest for open houses is nearly 2.5 times the interest back in April. At local level, interest remains strong in Connecticut, Montana and Wyoming.



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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

Michael Hyman
Research Data Specialist

Hua Zhong
Data Scientist

August 2020

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500 New Jersey Avenue, NW
Washington, DC 20001
202.383.1000