

2020

Weekly Housing Market Monitor

November 2-5

National Association of REALTORS®
Research Group

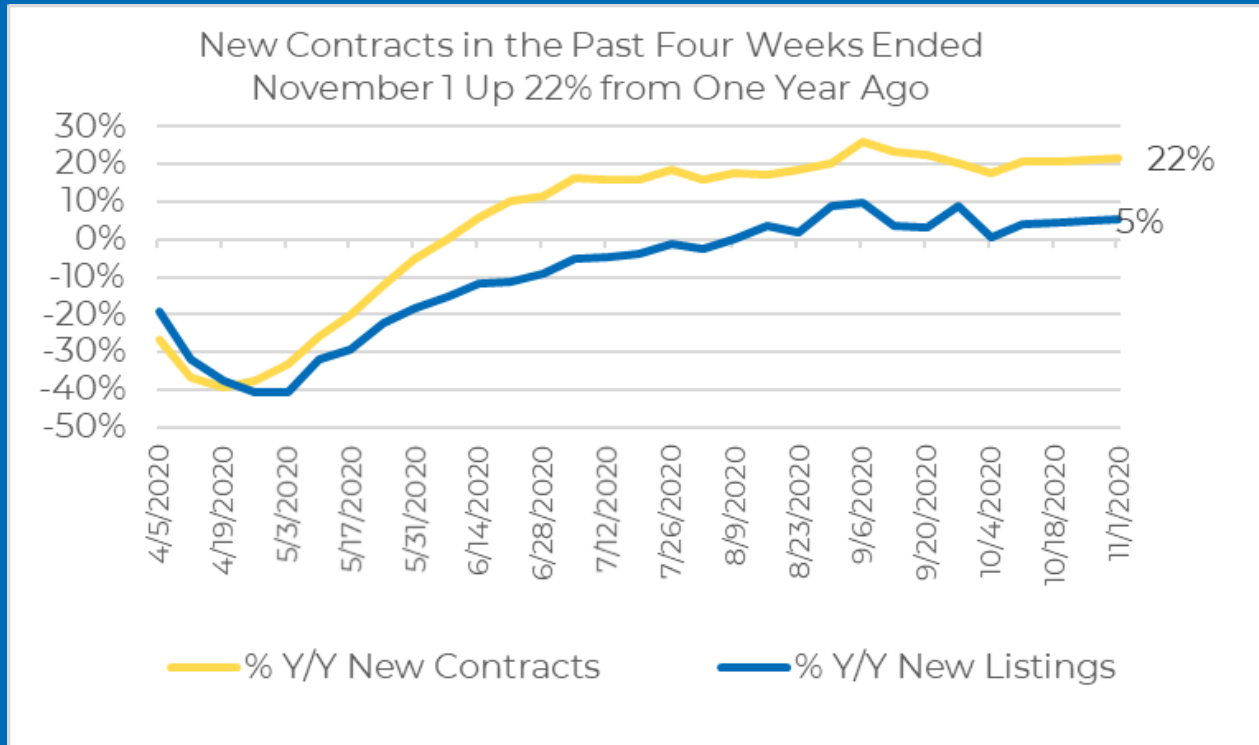


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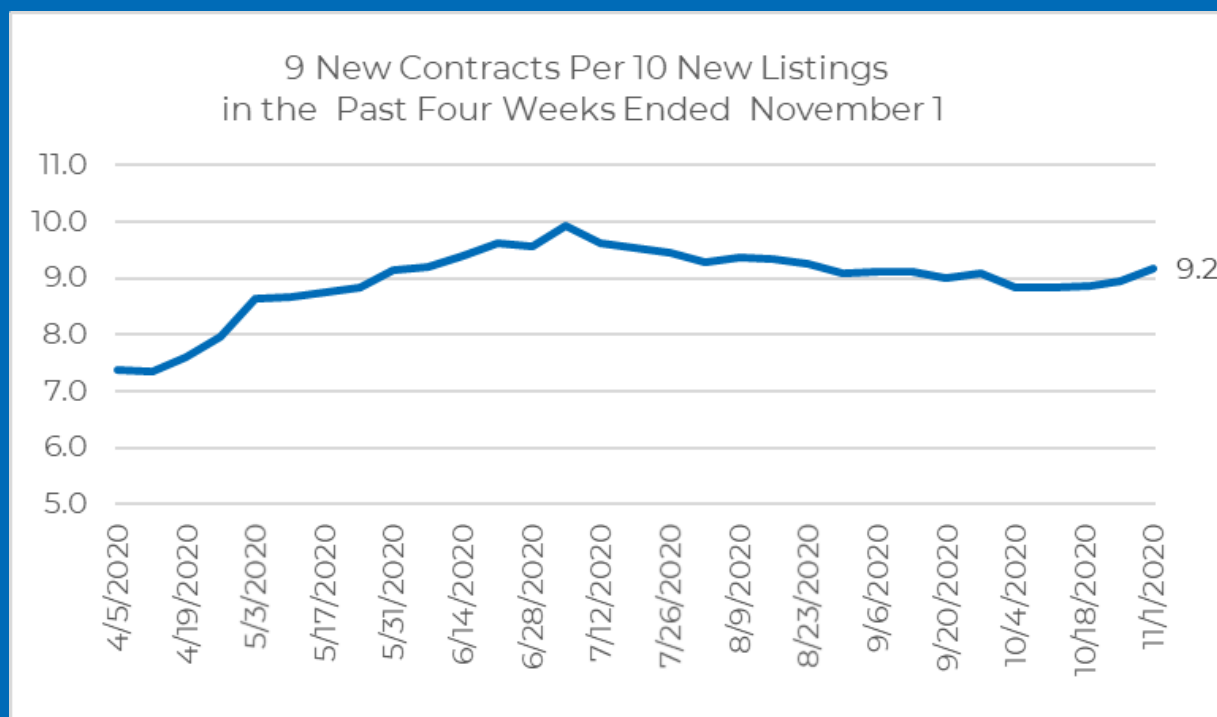
Contract Signings Rose 22% in the Past Four Weeks *

Contract signings for existing homes increased 22% year-over-year during the past four weeks ending November 1 (21% in the prior 4-week period).



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

Last week, NAR reported that pending home sales contracts in September were up 20.5% year-over-year (adjusted for seasonal effects).



At the current pace, there are 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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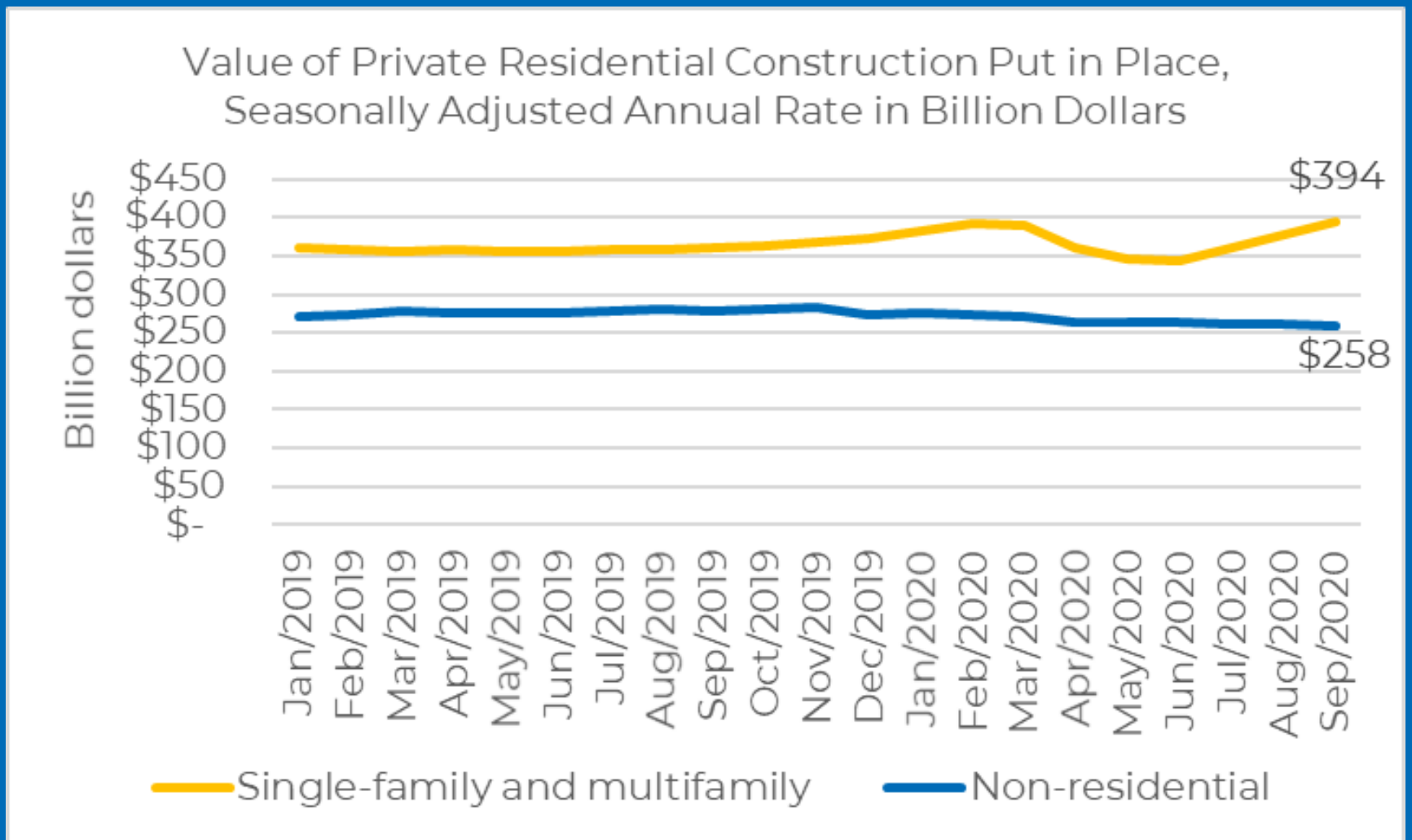
Residential Construction Spending Up by 9% from One Year Ago

In September, the value of private residential construction put in place rose 4.7% from August and 8.8% from one year ago. Construction spending has been trending upwards since July.

In comparison, the value of private construction put in place for non-residential structures (lodging, office, retail/ commercial, amusement/recreation, and manufacturing) continued its decline since July, down by 1.4% from the prior month and 8% from one year ago.

Residential construction is needed to increase housing supply and cool down price growth.

In September, inventory fell to a level equivalent to last 2.7 months at the current monthly sales' pace and the median existing home sales price rose 15% year-over-year amid tight inventory conditions.



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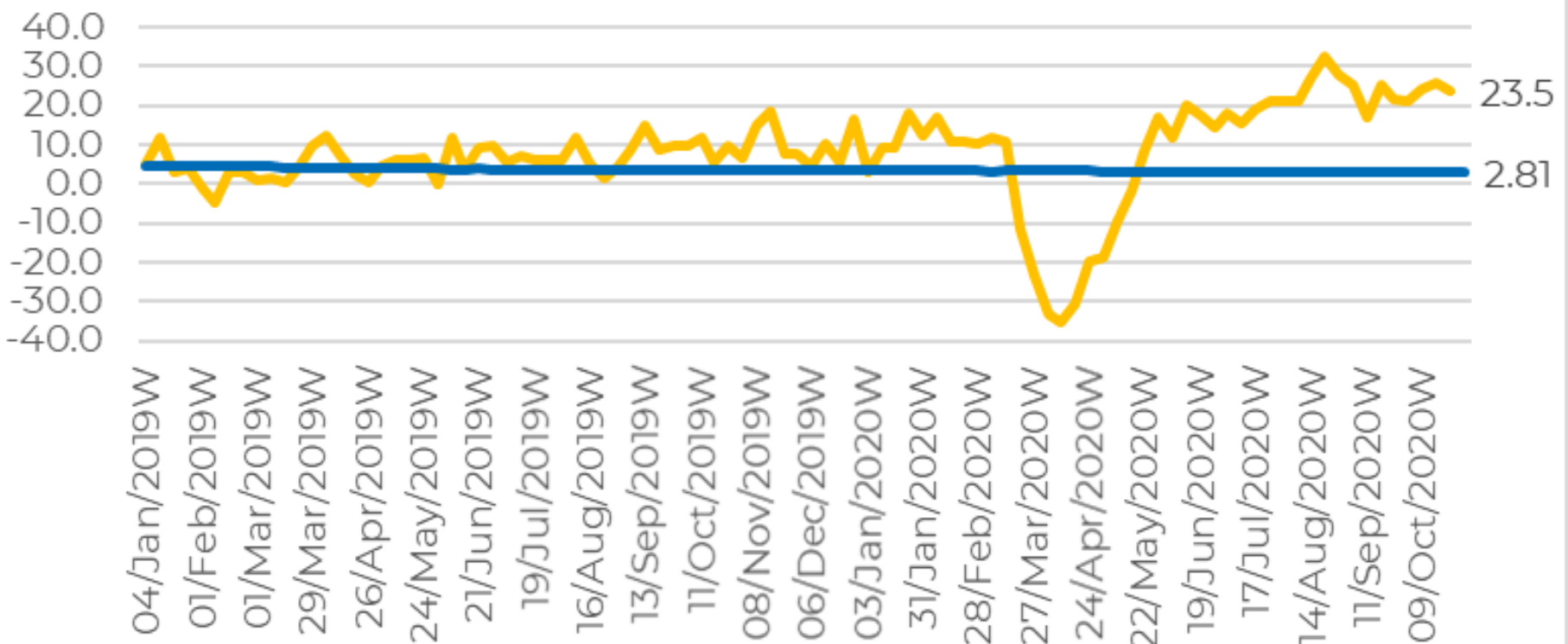
30-Year Fixed Mortgage Rate Slightly Rose to 2.81%; Mortgage Applications Up 24% Y/Y *

The 30-year year fixed rate mortgage marginally rose to 2.81% as of the week ending October 30 (2.8% in week of October 23), but rates practically are at historic 50-year lows, holding at below 3% since the week ending July 31.

In the week ending October 23, mortgage purchase applications slightly increased by 0.2% from the prior week and are 23.5% higher compared to one year ago.

Y/Y Percent Change in Mortgage Purchase Applications as of Oct 23 and 30-Year Fixed Rate Mortgage as of Oct 30

— Mortgage Home Purchase Applications
— 30-year fixed mortgage rate



* 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.

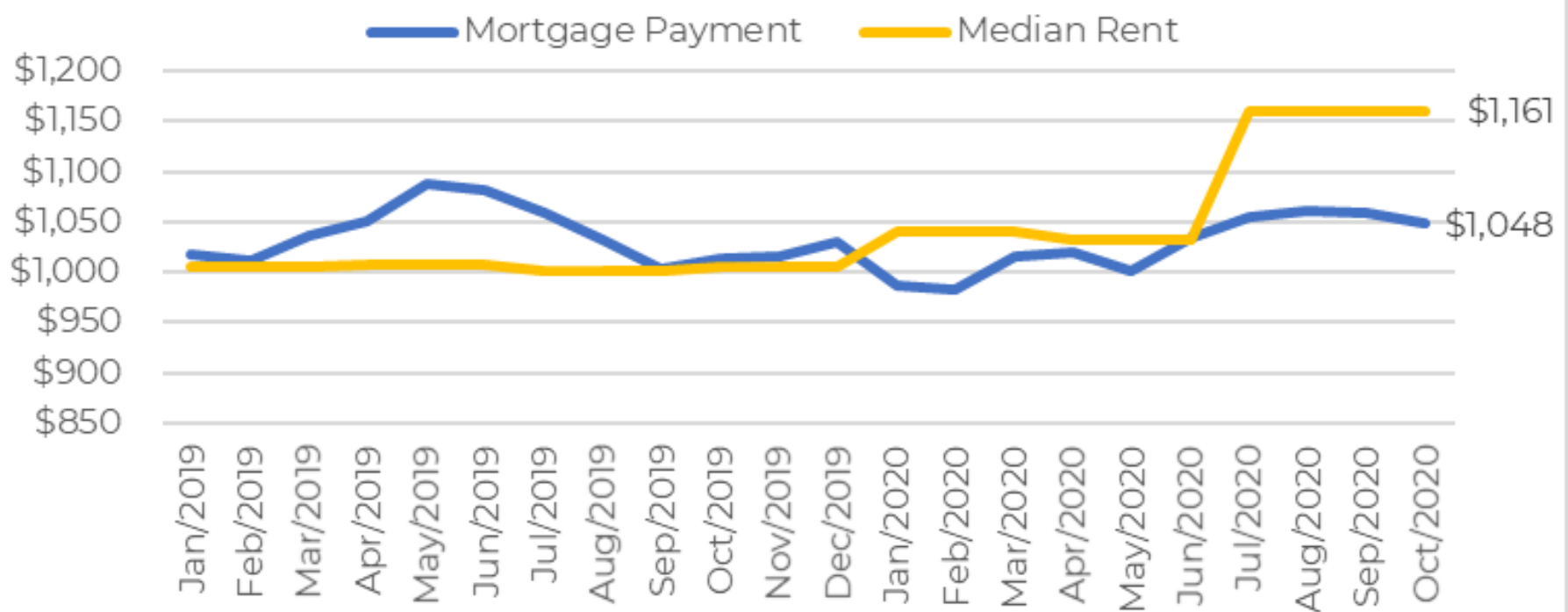
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30-Year Fixed Mortgage Rate Slightly Rose to 2.81%; Mortgage Applications Up 24% Y/Y *

Even as home prices have increased, the decline in mortgage rates has lowered the monthly mortgage payment on a typical single-family home to \$1,048, which is below the estimated median rent in October of \$1,161.

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).

Typical Monthly Mortgage Payment of \$1,048 Trending Below the Median Rent of \$1,161 as of October



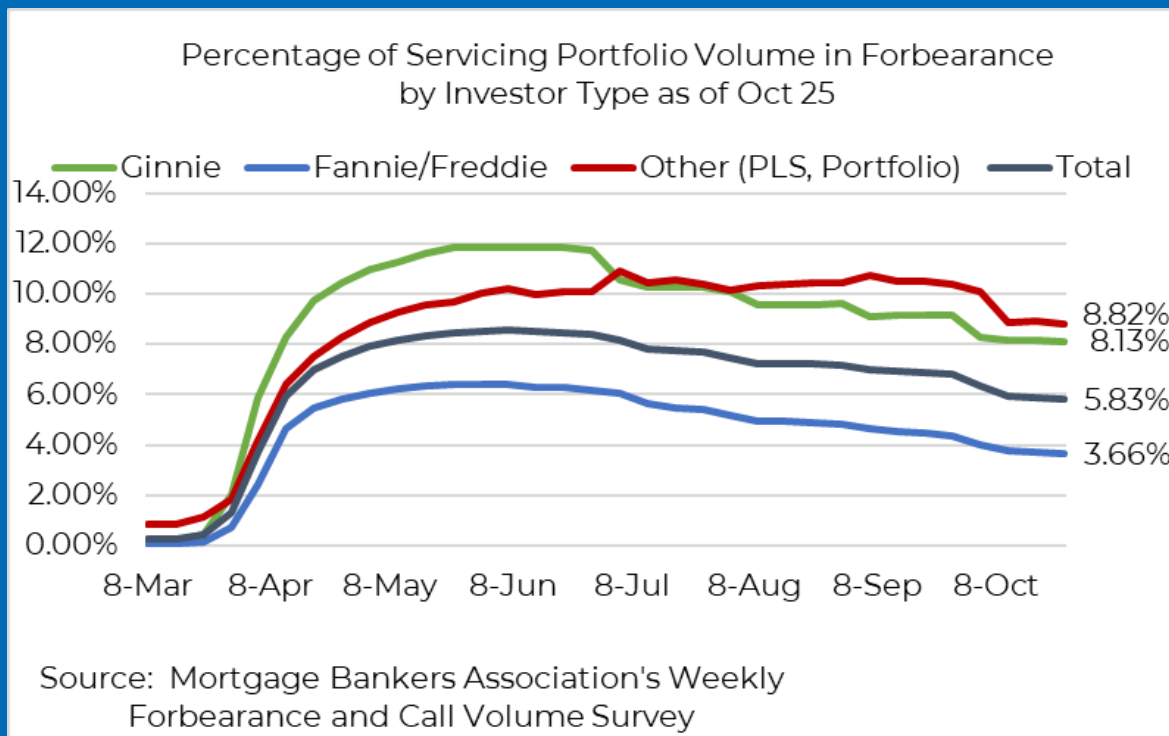
Calculations based on average rate of 2.83% 30 year fixed rate + 0.7% points as of Oct 23 and 20% downpayment; estimated median single-family sales price based on September y/y price growth applied to October 2019 prices; estimated median rent by applying m/m CPI-Shelter inflation to US Census Bureau median rent.

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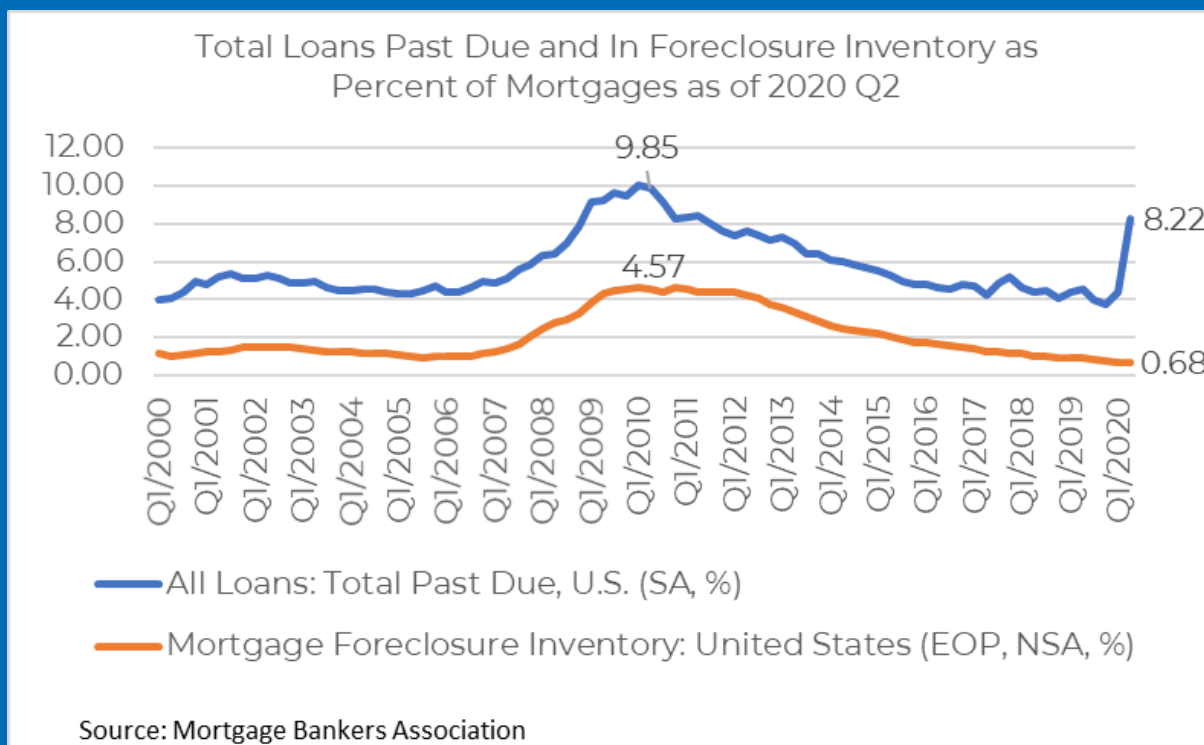
Fraction of Loans in Forbearance Continues to Decline to 5.8%

The fraction of loans in forbearance continued to decline to 5.83% for the 19th week in a row during the week of October 25. The Mortgage Bankers Association estimates that 2.9 million homeowners are in forbearance plans (3.0 million during the prior week).



The fraction of loans insured or backed by Fannie Mae and Freddie Mac that are in forbearance declined to 3.66%. The share of Ginnie Mae loans held in forbearance also decreased to 8.13%. Loans held in portfolio by private lenders or that are backing private label securities also decreased to 8.82%.

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.

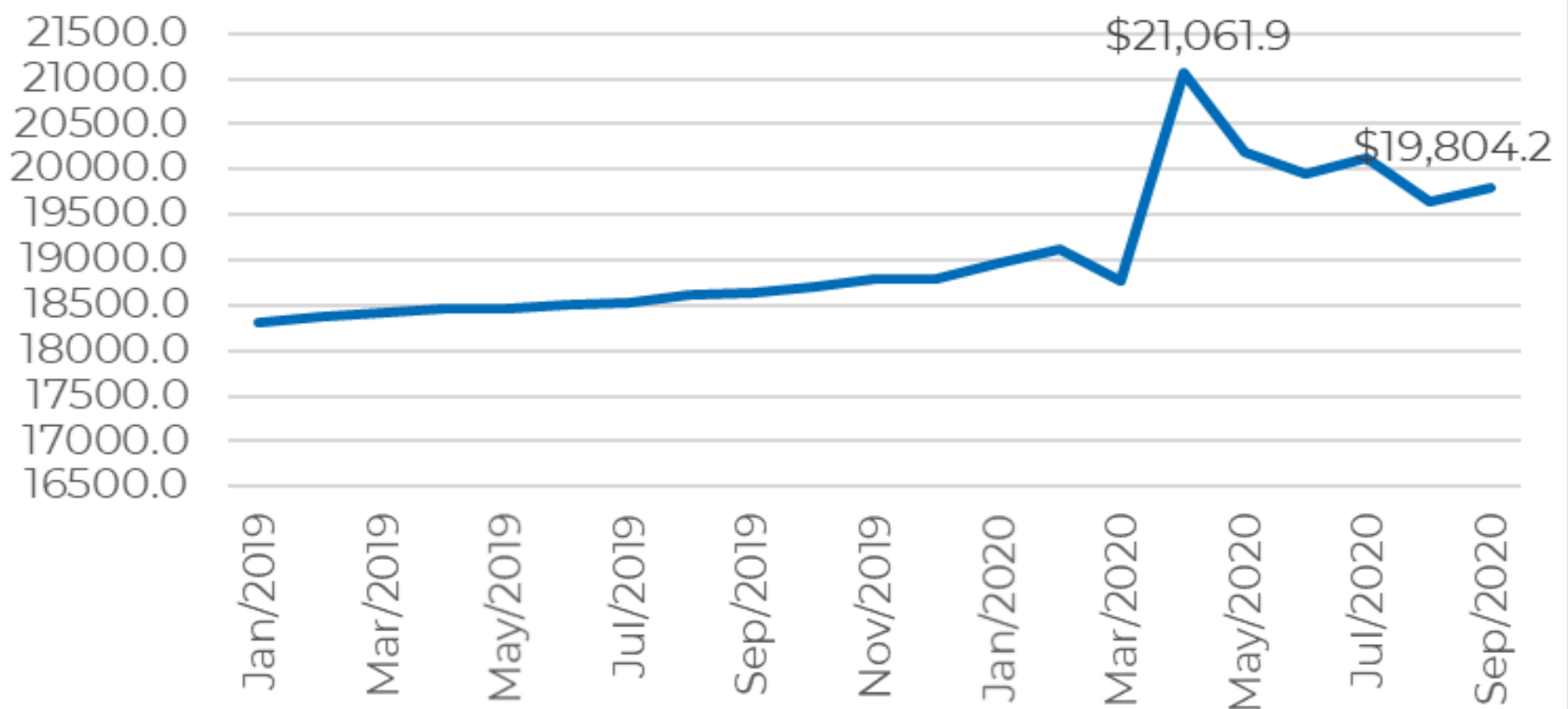
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Personal Income Rose 6.2% Year-over-Year in September*

Personal income rose 6.2% in September compared to one year ago as income from compensation, business, and rental income rose, offsetting the decline in income from financial assets and unemployment insurance. Compensation income was up 0.5% as the economy continued to create more jobs. The average weekly wage in September was \$29.5, up from 4.7% from one year ago, in part reflecting the loss of lower wage workers (e.g. retail trade, hospitality). Compared to April, personal income is down by \$2Tr dollars.

Spending also increased. The savings rate (personal income less outlays and taxes as a percent of income) fell to 14% down from 34% in April.

Personal income, Seasonally Adjusted Annual Rate in Billion Dollars



* Personal income is the income received by, or on behalf of, all persons from compensation, ownership of a business or a home (rental) or financial assets (interest and dividends), or transfer income from businesses or government (e.g. unemployment insurance).



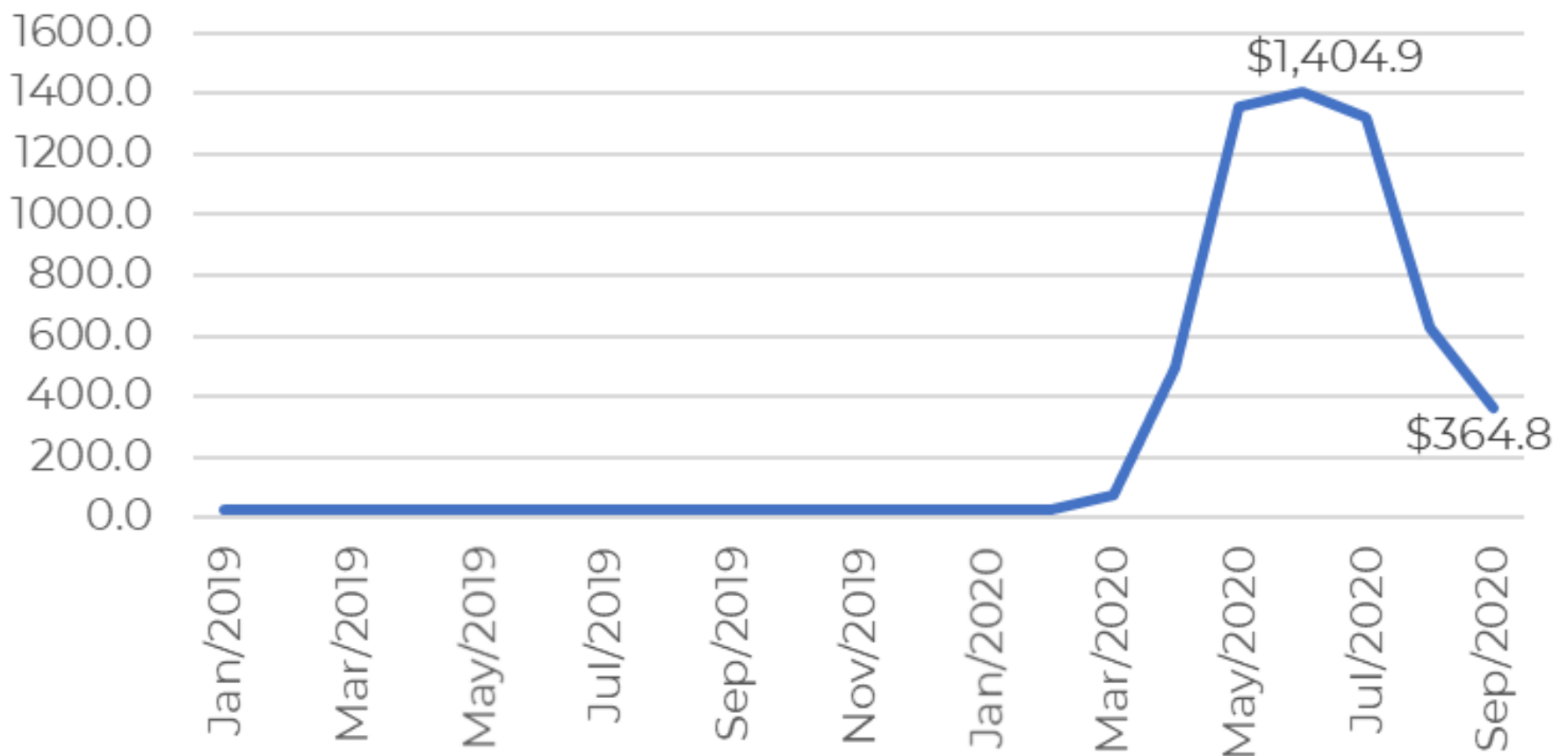
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Personal Income Rose 6.2% Year-over-Year in September*

In the third quarter, personal consumer spending rose 16% or an annualized rate of 40.7%. With consumer spending accounting for about a 70% of GDP, the economy expanded by 7.4%, or an annualized rate of 33.1%.

With fewer people claiming unemployment insurance (22.4M during week of October 10 from 32M during week of June 20) and with the expiration of the \$600 weekly pandemic unemployment assistance on July 31, the payment of government unemployment insurance continued to decline from \$1.4Tr in June to \$364.8B in September.

Government Unemployment Insurance Benefits, Seasonally Adjusted Annual Rate in Billion Dollars



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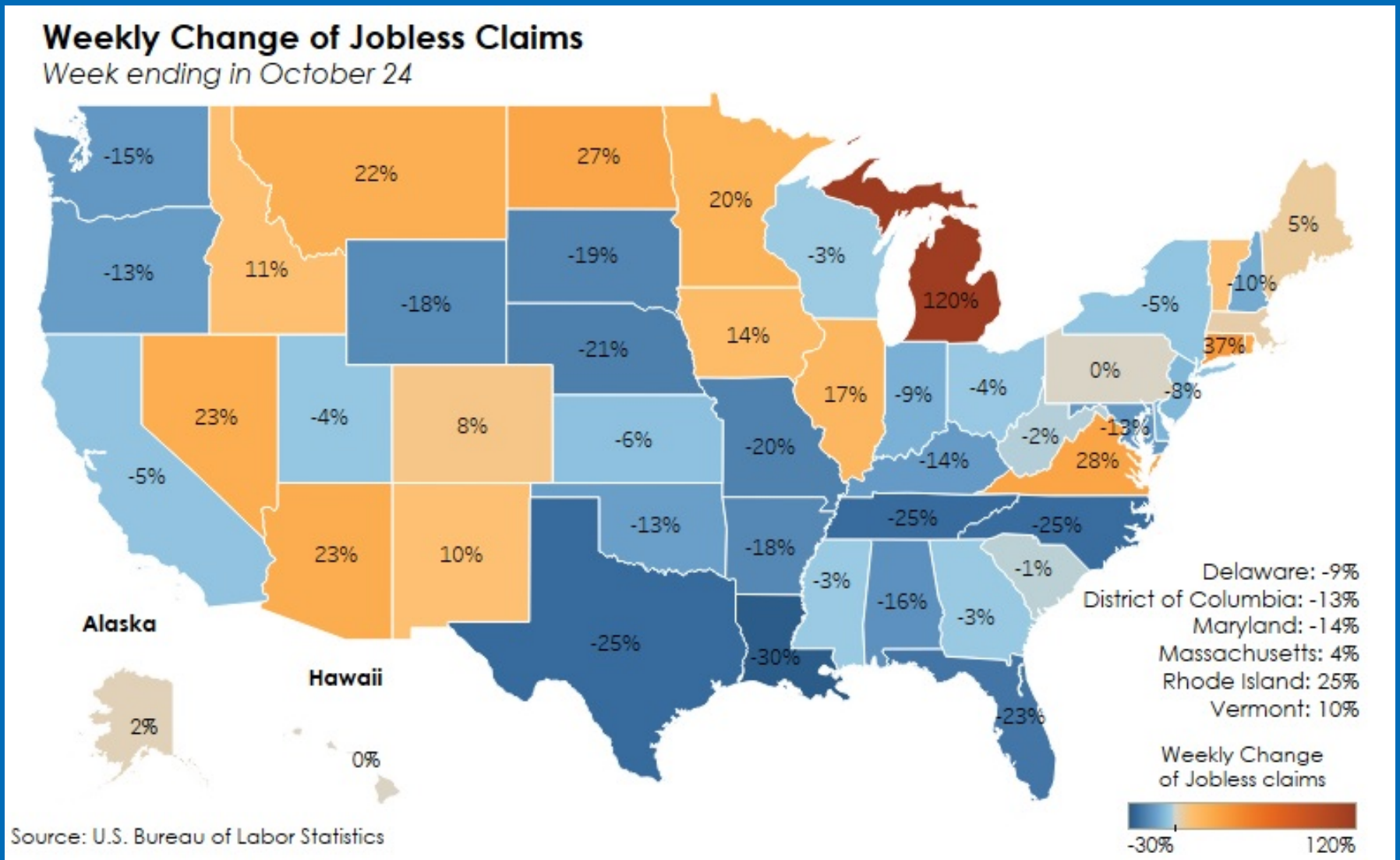


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Jobless Claims

Fewer people applied for unemployment benefits last week. Both new and total claims continue to drop, implying that more people are able to find jobs again. Specifically, the unadjusted new jobless claims totaled 732,223 in the week ending October 24, a decrease of 4% from the previous week. In the meantime, continued claims, which measure the number of people receiving unemployment checks, fell once again to nearly 7 million by more than 600,000 fewer applicants within a week. With continued claims declining for the last 7 weeks, the number of people receiving unemployment checks decreased by nearly 6 million during this period.

At the local level, 31 states reported a decrease in new claims. Compared to the previous week, Louisiana (-30%) had the largest drop in layoffs followed by Texas (-25%) and Tennessee (-25%). In contrast, unadjusted advance claims increased in Michigan (120%), Connecticut (37%) and Virginia (28%).



[Click here to read the full analysis.](#)

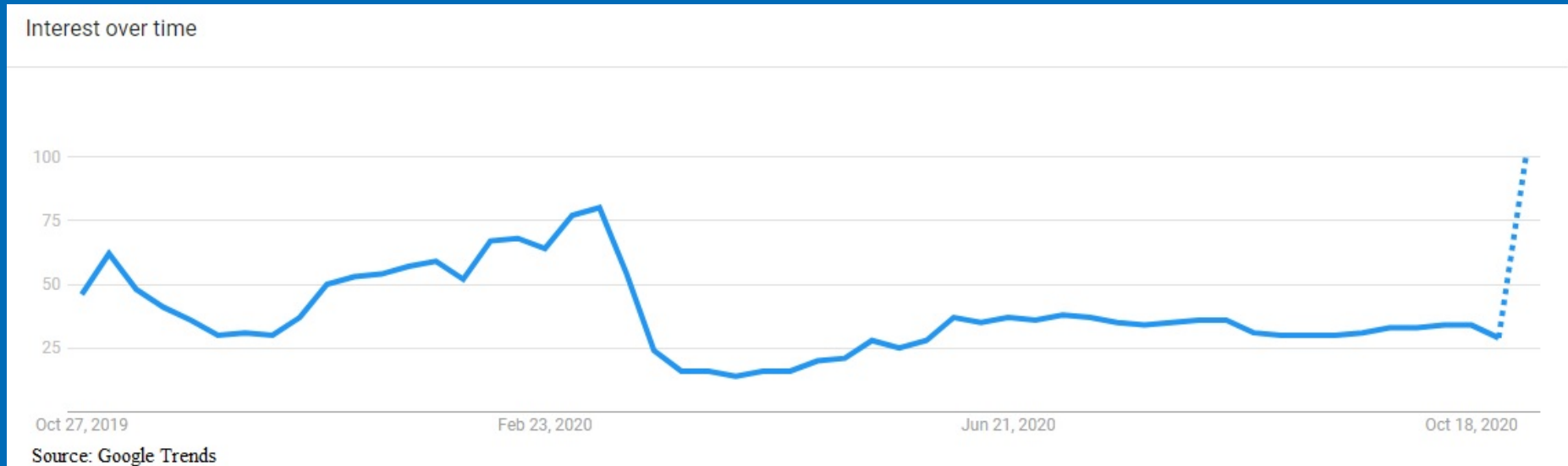


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Open Houses

Public interest in open houses dropped 37% last week compared to a year earlier. However, interest for open houses is twice the interest back in April. At local level, interest remains strong in Montana, Connecticut and Kansas.



[For more information on the latest residential, commercial, and market trends, read the Economists' Outlook Blog.](#)

**NATIONAL ASSOCIATION OF REALTORS®
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

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NATIONAL ASSOCIATION OF REALTORS®
RESEARCH GROUP
500 New Jersey Avenue, NW
Washington, DC 20001
202.383.1000