

## 2021 Mortgage and Real Estate Forecast

Wondering what 2021 has in store for us?

I don't have a crystal ball, but I did gather predictions for 2021 from 3 major real estate sources: National Association of Realtors, Realtor.com, and Redfin.

While they all agree that interest rates will remain low in 2021, their outlooks vary on the strength of the economy and the housing market in 2021. Here's what they had to say:

### **National Association of Realtors**

#### **Lawrence Yun, Chief Economist for the National Association of Realtors:**

"2020 has been a year of surprises," Yun said about the strong housing market, despite the pandemic. "This winter may be one of the best winters for sales activity," Yun said. "It won't match summer or spring sales numbers, but on a winter-to-winter comparison, this could be one of the best breakout years just based on the fact that pending contracts are at such a higher level." Yun also said he believes that the economy will make a strong recovery- but that the recovery was dependent on the vaccine.

#### **Here are some more of Yun's predictions:**

- The U.S. rate for the 30-year fixed mortgage will average at 3.1%
- Sales of existing homes likely will increase by 9% (compared to 3% in 2020)
- New-home sales will increase by 23% (compared to 20% for 2020)
- Home prices will increase by 3% in 2021 (compared to 6% in 2020)
- We expect home sales in 2021 to come in 7.0% above 2020 levels, following a more normal seasonal trend and building momentum through the spring and sustaining the pace in the second half of the year.

### **Realtor.com**

- **The market will settle into a more predictable pattern.** Seasonal trends will begin to normalize in 2021 compared to the wild trends that were seen in 2020.
- **Home sales will increase by 7% in 2021, compared to 2020.** Sales will remain strong in the Spring, and as vaccines for the coronavirus become more broadly available to the public, and economic growth reflects the resumption of more normal patterns of consumer spending, home sales gain even more in the second half of the year.
- **Home prices will ease someone in 2021, compared to 2020.** Price gains to ease somewhat in 2021 and end 5.7% above 2020 levels, (we saw a roughly 7.6% increase in 2020, compared to 2019) decelerating steadily through the spring and summer, and then gradually reaccelerating toward the end of the year.
- **Inventory will remain constrained but could make slight improvements by the end of the year.** Inventories are expected to improve and, by the end of 2021, inventories could finally register an increase for the first-time since 2019.
- **Mortgage rates are likely to bump up to 3.4 percent by the end of the year.** With sales prices increasing as well, this could create an affordability issue for buyers.
- **Millennials will dominate the market.** Millennials will no longer just dominate the entry-level market, but they will also take over as "move up" buyers as they continue to have more children and need more space.

## **Redfin**

Redfin Chief Economist Daryl Fairweather had a number of predictions for the 2021 housing market. Here are just a few:

### **Mortgage rates will remain historically low at 3%.**

“Although the U.S. may be able to vaccinate most of its citizens by the end of 2021, many countries will struggle to distribute vaccines. Thus, the global economic recovery could take much longer, which would make U.S. mortgage-backed securities attractive to international investors, keeping mortgage rates low.”

### **There will be more home sales than in any year since 2006, but price growth will slow.**

“As Covid-19 cases hopefully decline due to vaccination, Redfin expects more new listings to make for a more balanced market and more home sales. New listings declined 3% in 2020 from the previous year, but in 2021, Redfin expects new listings to grow by over 5%. The increase in new listings combined with slowly rising mortgage rates will cause price growth to moderate to under 5% in 2021, down from 6% [in 2020.]”

### **The homeownership rate will reach 70% for the first time since 2005**

“The normalization of remote work has set off a domino effect of increased homeownership. People who lived in expensive cities only to be close to work are abandoning their apartments to buy their first home in more affordable places. As small-time landlords in urban areas lose tenants, they will sell their investment properties. This surge in condos for sale, which currently sell for a 17% discount relative to single-family homes, will give many city-dwellers the opportunity to become first-time homebuyers as well.”

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