HOUSING CONNECTION
Mortgage and Real Estate News That Matters

Realtor Survey Shows Promise: Post-Pandemic Recovery Will Continue

Twenty-three housing and economic experts have told the National Association of Realtors® (NAR) they **expect the post-pandemic economic rebound to continue**, with improving job conditions and stable interest rates in 2021. NAR's chief economist Lawrence Yun revealed the results of a 2- person survey last week at NAR's second annual Real Estate Forecast Summit.

The group of experts **predicted that the Gross Domestic Product (GDP) would grow by 3.5 percent** in 2021 and 3.0 percent the following year and unemployment would average 6.2 percent next year, declining to 5.0 percent in 2022. Low mortgage rates will persist over the next two years, although not at today's sub-3.0 percent level. They forecast an increase to 3.0 percent and 3.25 percent in 2021 and 2022, respectively. Ninety percent of those surveyed said they expect the federal funds rate to remain at zero next year with a 0.25 percent increase in 2022.

The housing market will remain a strong component of the recovery. In 2020, home sales will reach 5.52 million, the highest annual level since 2006 and housing prices will grow 8.0 percent next year, with the median home price setting a record high of $293,000. Appreciation will slow in 2022 to 5.5 percent. There will be 1.50 million and 1.59 million housing starts in 2021 and 2022, respectively.

There won't be quite as many people working from home, the share will decline from 21 percent this year to 18 then 12 percent over the next two years. Office and hotel vacancy rates will see small declines next year while retail vacancies will increase slightly

"It is an understatement to say the year 2020 has been filled with challenges and full of surprises," said Yun. "Yet, one **astonishing development has been the hot housing market** as consumers eyed record-low mortgage rates and reconsidered what a home should be in a new economy with flexible work-from-home schedules."

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NAR identified 10 markets that have shown resilience during this pandemic period and are expected to perform well in a post-COVID-19 environment. In naming these metro areas, NAR considered a variety of indicators that it views to be influential to an area's recovery and growth prospects, including the unemployment rate; net domestic migration which includes people moving from expensive West Coast areas; the share of workers in retail trade, leisure, and hospitality industries; mobility to retail and leisure places; and the fraction of the workforce working from home. The markets, in alphabetical order, are:

- Atlanta-Sandy Springs-Alpharetta, Georgia
- Boise City, Idaho
- Charleston, South Carolina
- Dallas-Fort Worth-Arlington, Texas
- Des Moines, Iowa
- Indianapolis, Indiana
- Madison, Wisconsin
- Phoenix-Mesa, Arizona
- Provo-Orem, Utah
- Spokane-Spokane Valley, Washington

"Some markets have been performing exceptionally well throughout the pandemic and they'll likely carry that momentum well into 2021 and beyond because of strong in-migration of new residents, faster local job market recoveries and environments conducive to work-from-home arrangements and other factors," Yun said.

"As we look towards 2021 and beyond, **expect these 10 markets to perform strongly** with potential buyers finding conditions particularly favorable to purchase a home," said NAR President Charlie Oppler. "Overall, residential real estate will continue to be an important driver of our nation's economic recovery and the activity in these markets will help lead the way."

Low unemployment rates compared to the national average signaled strong employment environments for residents of these areas. At 4.2 percent, Provo-Orem boasts the lowest unemployment rate among those listed. Madison, Charlestown, and Des Moines have rates of 5 percent or less.

Areas that are already attractive destinations to purchase a home, especially among movers from more expensive West Coast cities, may attract more technology workers, many of whom are from **organizations with very flexible, and in some cases permanent**, work-from-home policies. Overall, the Phoenix metro area attracted the largest number of movers from West Coast metro areas, with Dallas ranking second. Atlanta had the highest share of workers working from home at 8.8 percent, compared to the national share of 5.6 percent.