

2021

Real Estate Predictions





INTRODUCTION

Nobody will argue that 2020 was an unprecedented year across the globe, and life as we knew it shifted dramatically. In our industry this included many real estate agents no longer being able to meet face to face with clients, or to hold open houses or show homes. Using technology and finding virtual solutions to doing business in person took a giant step forward, and will continue to be used heavily in the course of real estate transactions. One thing that didn't change? The real estate salesperson's commitment to providing the best possible service to their clients and customers.

Even in the midst of so much upheaval and uncertainty, many sectors of the real estate industry held their own (or even improved) through the pandemic. Looking ahead into 2021 most indicators show that the real estate market will continue to hold strong, so let's dive in and see what we can expect.

2021 FORECAST

MARKET & SALES



"The biggest factors that will drive the housing market in 2021 are the 'age-old economic fundamentals of supply and demand'."

SVENJA GUDELL,
CHIEF ECONOMIST,
ZILLOW

- Sales growth will occur primarily in the first half of the year, while tapering off some in the second half as larger economic issues begin to surface.
- The cost of housing is expected to rise due to high buyer demand and still-lagging supply, though at a slower pace than 2020 due to affordability challenges. The rising prices will create a barrier to entry for many first-time homebuyers who lack existing home equity for a down payment.



"Sales are expected to grow by 7% and prices are expected to continue to rise by 5.7%."

DANIELLE HALE,
CHIEF ECONOMIST, REALTOR.COM



- Markets will remain seller-friendly, but buyers will continue to enjoy relatively low mortgage rates and should have an improving selection of homes as sellers grow more comfortable with the market environment.
- Due to less cross-border travel, vacation home purchases are expected to increase.
- The overall homeownership rate is expected to be above 69% by the end of 2021 for the first time since 2005.

"Strong year for home sales in 2021, even stronger than 2020, and low, double-digit home sale growth, close to 10%."

DARYL FAIRWEATHER,
CHIEF ECONOMIST,
REDFIN



“Millenials will continue forming households, keeping the demand robust.”

LAWRENCE YUN, CHIEF ECONOMIST,
NATIONAL ASSOCIATION OF REALTORS®

- Younger Millennials and Gen-Z are becoming two of the biggest players entering the housing market, many now in the position of having families and needing more space.





2021 FORECAST

MORTGAGE RATES & INTEREST



"Interest rates will be similar or modestly higher, maybe 3%, and mortgage rates will continue to be historically favorable."

LAWRENCE YUN,
CHIEF ECONOMIST,
NATIONAL ASSOCIATION
OF REALTORS®

- Mortgage rates are expected to gradually climb, but sales will remain strong due to the continued demand, the recovering economy, and the low mortgage rates.

2021 FORECAST

NEW CONSTRUCTION

- New home construction is predicted to increase this year, however, the costs are going to rise with it. The on-going issues with finding land to build on, and the labor shortage, as well as increased costs of building materials and transporting those materials is making the delivery of new homes to their owners slower than normal, and they also struggle with meeting the demand for new homes.



"Single-family housing starts will rise 12.8% to 1.1 million in 2021, from 981,000 in 2020."

FANNIE MAY



"Increased levels of new construction activity at the tail end of 2020 will carry over into at least the first few months of 2021"

SVENJA GUDALL, CHIEF
ECONOMIST, ZILLOW

2021 FORECAST

OTHER FACTORS

- Technology will be used even more to engage both buyers and sellers in the home purchasing transaction.
- Demand for homes will increase in the suburbs where housing prices tend to be cheaper than in the cities, where the demand will be less in the downtown and urban areas. The outbound migration from cities to suburban areas will continue due to the increase of remote work.
- Luxury real estate demands will continue the slowdown that began 2 years ago.
- Buyers' desires in a home have shifted - they are looking for homes that have more space and outdoor areas.
- The condo market is expected to pick up again in the second quarter of 2021
- **Rentals:** While new leases being signed is comparable to previous years, the non-renewal rate has skyrocketed, which is causing a vast increase in available inventory and putting pressure on landlords to fill all the vacancies, which means dropped prices and increasing flexibility.





TIPS FOR BUYERS AND SELLERS IN 2021

- 2021 will remain a seller friendly market, and with the housing prices continuing to rise through the year and the prevalence for multiple-offer scenarios on most listings, this is an excellent time to sell.
- Mortgage rates will remain low, so this could be a great time to buy, but be prepared for rising credit score requirements and larger down payment requirements which might make purchasing a home more difficult.
- Due to the shortage of homes on the market, you may pay more than market value for a home due to frequent multiple-offer scenarios, but because interest rates being what they are, buying a home in 2021 is still a smart move.
- It may take more time than expected to get into a home due to the lack of homes on the market.
- Don't be afraid of purchasing a fixer-upper, especially with housing inventory so low. You will have the opportunity to renovate the home to your personal liking, which can be an advantage for you.
- Finding a home in the suburbs will be even more difficult with the migration of people moving from cities to the outlying areas due to the rise in remote work and the lower cost of living in the outlying areas.





Be ready to move quickly once a new home comes on the market by getting preapproved for a mortgage. Know your absolute highest price you would be willing to offer, and understand how multiple offer scenarios work so there are no surprises.

POTENTIAL ISSUES IN 2021

- The Covid-19 pandemic is already a wild-card when it comes to predicting what's coming for 2021, but the gap between employed and unemployed is widening, and as a lot of the financial aid programs begin to reach their end, the economy could potentially take a massive hit.
- Interest rates could start climbing again once the economy begins to improve, and taxes could rise on both a state and federal level.





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