



## Top 10 Things to Look Out for in 2021

### 1 Economic growth will pick up – but not until the summer.

I am expecting solid employment gains in 2021, but growth is likely to start in earnest in the second half of the year once the vaccine has been more widely distributed.

I believe job growth will increase as spending rises. Once people feel more comfortable going out again it will give a much-needed boost to the economy and job market.

### 2 The move to the suburbs is real – but don't get carried away!

There has been a lot of talk about a COVID-19 induced flight away from cities and into the suburbs and outlying areas. While I do believe there will be a migration away from some of our core cities this year, most people won't move far, as working from home will not be a full-time situation for many workers who will split their time between home and office.

### 3 Not all apartment markets are created equal.

Apartment owners in pricey markets across the country will continue to suffer in 2021, but after many years of being overlooked, smaller cities will perform rather well. It is my prediction that apartment developers will start to turn their attention toward suburban markets and away from many of these larger cities. We haven't seen that in over a decade.

### 4 The luxury housing market will continue to perform very well.

The luxury housing market, which performed far better than anyone expected in 2020, will continue to be robust in 2021. The primary reason for this will be interest rates. Jumbo mortgage rates saw a spike at the start of the pandemic but have since dropped significantly which is benefitting luxury home buyers. Furthermore, as the country starts to reopen post-COVID, I believe we will see a rebound in foreign buyers.

### 5 Cities will start to pay more attention to zoning (at long last!).

Although it won't happen overnight, I am hopeful that discussions around zoning changes will start to pick up steam this year. I believe there will be more attention by legislators on increasing the supply of land for residential construction and many will do this by adjusting current zoning policies to free up more land on which to build.

### 6 Adaptive reuse will gain more traction.

Developers will pay more attention to the potential for repositioning existing buildings, as well as ground-up construction. Although I don't see developers looking to convert office buildings into residential uses, I am watching hotels (mainly motels and inns), which are likely going to continue to be hard hit for years, and alternative uses may make sense.

Additionally, strip malls and regional malls may become of interest to developers. I believe there is the potential for some regional malls to be converted into mixed-use projects, while strip malls may get rezoned into single residential use.



### 7 What's important in a post-COVID-19 home?

Due to COVID-19, homeowners want more space and builders have taken note. After several years of building smaller homes, the average new home size is actually starting to increase.

I also expect to see buyers listing high-speed internet access as a requirement rather than an option (mainly in rural areas), and open floor plans that were once a must, will be replaced with more room separation.

### 8 Worries about forbearance are overblown.

I do not anticipate a wave of foreclosures following the end of forbearance, and foreclosures that do occur will have a limited impact on the broader housing market.

A lot of people fear that when forbearance expires, we will see a tsunami of foreclosed homes and that this increase in supply will lead to homes values dropping.

I say it won't happen, and here's why.

Firstly, the number of homes in forbearance is already down by 43% from its May peak. The trend is headed in the right direction.

Secondly, I believe as owners start to get back to work again, many will be able to either refinance their loans, or work with their lenders to extend the term of their mortgages in order to make up missed payments and avoid foreclosure.

I would also add that if there are homeowners who can't get back on track, they will sell their homes to keep the equity they have built. In most markets across the country, there will be enough buyer demand that they will be able to get out from under forbearance by selling and paying off the mortgage and missed payments.

All that said, I am a little worried about urban condominium owners who are in forbearance, as the supply of these properties is already on the rise, causing price growth to soften relative to single-family homes. This may be an obstacle to some condo owners who want to get out from under forbearance by selling.

### 9 Mortgage rates will rise – but don't worry.

Rates for 30-year conforming mortgages have broken below all-time lows 16 times since the pandemic started; however, they are unlikely to drop much more. That said, I don't anticipate them rising too much this year, averaging around 3.2%.

### 10 U.S. home sales will rise significantly, but price growth will moderate.

There will be even more demand from buyers this year, and the good news is that I expect listings to increase as people look to relocate. This will allow 2021 home sales to rise to a level we haven't seen since 2006!

Big players in the market to buy this year will be renters who will choose to move out of expensive cities because they are working from home and no longer need to live close to their office.

My forecast is for existing home sales to rise by 7.7% in 2021 to around 6.2 million units.

I also predict that home prices will increase in 2021 but slowly rising mortgage rates, combined with affordability constraints in many markets, will act as a headwind and slow appreciation.

Average prices will rise by a relatively modest 4.1% in 2021.