



Basis Points – August 10, 2021

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Above the Fold

Is a Buyer's Market Coming for Residential Real Estate?

In most parts of the country, 2021 has been an absolutely insane year in the real estate market. Much to the chagrin of buyers, limited inventories, low interest rates and a re-shuffling of the workforce has led to skyrocketing prices, multiple offers and, in turn, a frustrating experience for those looking to purchase. Sellers, on the other hand, have enjoyed all-time record home prices, with values logging an average 17% in gains over the last year alone (May data). But there may be a reprieve coming, albeit a moderate one.

For two months in a row, housing inventories are rising. Homes listed on Realtor.com were up 3% in May and 9% in June. Pending sales of existing homes fell nearly 2% in June, which isn't a major drop, but shows less of an inclination of buyers willing to step up and sign that contract. New home sales in June showed a seasonally-adjusted rate of 676,000 units, which was 19.4% less than the June 2020 reading. With a median average new home price of \$361,800 and an average of \$428,700, prices are at the upper edge of affordability for many buyers. As interest rates creep slowly higher and as sellers feel the price mania settling down, it is probable that more homes will hit the market and put modest pressure on prices.

The end of the mortgage forbearance program, bonus unemployment benefits and the moratorium on evictions should also add inventory as consumers realign their finances and assets. But don't get too excited for a price correction. Analysts still see prices climbing another 3.2% or so by June 2022, and millennials are now reaching their peak home-buying years.

Three Things

1. *Some Large Companies Reinstate Mask Requirements* – Depending on local infection and risk rates, companies like Walmart, Costco, Home Depot, Target, Starbucks and others are once again requiring masks for employees and even consumers in some cases. The heightened precautions come as Delta-variant infection rates leap across the states — the Delta strain accounted for nearly 94% of all new infections last week.
2. *Your Mail Is About to Get Slower...* – While the U.S. Postal Service isn't known for its expediency, the Postmaster General approved a plan to further slow first-class mail starting Oct. 1. The delays are necessary to curb the \$3 billion in quarterly losses the agency is currently experiencing. The Post Office relies heavily on air transportation, which, as we know, has been severely affected by the pandemic, weather and logistics. First-class mail will move to a one- to five-day service time, compared to the current one- to three-day window.
3. *Volkswagen Set to Take EV Title and Challenge Tesla's Battery Strategy* – Tesla is still the dominant brand when it comes to electric vehicles (EVs), but one legacy carmaker is about to topple its title. Volkswagen is expected to replace Elon Musk's brainchild as the world's biggest EV manufacturer as soon as next year. But part of the German company's long-term success will depend on whether it can produce its own batteries at a profit. Volkswagen, and many of its competitors, currently outsource battery production, but the "people's car" maker is set to begin construction on its first battery plant in Germany next year. Other automakers are expected to follow suit and bring power production in-house.

Did You Know?

The Life of a Car Battery

As most of us know, typical lead-acid batteries in our gas-powered cars tend to fail anywhere around two to six years, depending on temperature and how much we drive. The lithium-ion battery packs that power most EVs also have a [limited](#) lifespan of charges and energy capacity. They too are especially susceptible to heat (hotter equals shorter lifespan) and how you charge them. The good news is that Lion power packs won't just die on you. They simply lose their capacity over time, just like an iPhone or other rechargeable device might; and yes, they will have to be replaced at some point. In an effort to put consumers' minds at ease, some EV makers are offering long warranties, but be sure to read the fine print when buying a new or pre-owned EV.

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