

Wednesday, December 1, 2021

Good Afternoon,

The announcement of the Omicron variant of COVID last Friday has rocked investment markets sending stock prices on a roller coaster ride as investors contemplate another major economic disruption. It will be a few weeks until we know if current vaccines are effective against Omicron and to what extent it has permeated the US. What is clear is that one flavor or another of COVID is with us indefinitely. With many still refusing to be vaccinated, and many more in developing countries still waiting for vaccines, it will take years before global herd immunity is achieved. The delays provide the perfect environment for the virus to continue mutating and wreaking havoc as new strains spread – which they will, despite travel restrictions, masking and social distancing.

We've recently discussed inflationary supply chain disruptions caused by COVID. Now let's consider some of the disruptive trends in the US housing market:

- For the 12 months ending 6/30/21, US homes for sale were on the market for a median period of just 7 days before going under contract. That's the shortest period ever recorded (source: National Association of Realtors).
- The average home in the United States has appreciated +23.4% in the 17 months from 3/31/20 (as the pandemic was beginning) to 8/31/21. For the 8 "Mountain" states tracked (Montana, Idaho, Wyoming, Nevada, Utah, Colorado, Arizona and New Mexico), the average price increase over the 17 months has been +30.9% (source: Federal Housing Finance Agency). Folks are heading for the hills.
- 63% (i.e., 5 out of every 8) of home buyers in the United States and Canada during calendar year 2020 made at least 1 offer to buy a home based only on a "virtual" tour of the home. They never stepped foot in the home before making that offer! (source: NYT)

Despite all the uncertainty caused by COVID variants, we are in a much stronger position than we were 18 months ago. The economy has recovered, and science has come to the rescue, and will continue to. We will get through all this and come out stronger and smarter. Until then, keep your masks and Zoom handy, and stay Santa-sized for the Holidays!

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

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