



Pending Home Sales Post 5th Straight Loss

January marked the fifth straight month that the National Association of Realtors® (NAR) has reported a decline in its Pending Home Sales Index (PHSI). The index, based on newly signed contracts for the purchase of existing homes, was **down 2.8 percent from its December level**.

The index in January was at 122.8 compared to 125.5 in December and has lost 10 points since August. Still, pending sales were up 13 percent compared to a year earlier. This January's PHSI was, in fact, the highest for any January on record.

Analysts had expected the index to be flat but individual estimates by those polled by Econoday all overshoot the actual results. They covered a range from a 1.5 percent downturn to 0.5 percent growth. The consensus was for zero change.

"Pending home sales fell in January because there are simply not enough homes to match the demand on the market," said Lawrence Yun, NAR's chief economist. "That said, there has been an increase in permits and requests to build new homes." Yun said that increase in single-family permits has been consistent for eight months and is a good sign that the supply and demand imbalance in the residential real estate market could be easing as soon as mid-2021.

"There will also be a **natural seasonal upswing in inventory in spring and summer** after few new listings during the winter months," he said. "These trends, along with an anticipated ramp-up in home construction will provide for much-needed supply."

Following a week where January's existing-home sales increased, Yun noted that pending contracts are a great early indicator for upcoming closed sales but stressed that the timing of the relationship between existing-home sales and pending home sales may not be in lockstep.

"The two measurements aren't always perfectly correlated due to varying amounts of time required to close a contract," Yun said. "This is because a number of fallouts can occur due to a variety of factors, including a buyer not obtaining mortgage financing, a problem with a home inspection, or an appraisal issue."

He noted that the economy is showing promising signs of improvement, and many millions of Americans are now receiving a COVID-19 vaccination. Still, he cautioned that the better economic outlook, rising inflation prospects and higher budget deficits will soon drive increases in interest rates. "I don't foresee mortgage rates jumping to an alarming level," he said, "but we should prepare for a rise of at least a decimal point or two."

The **Northeast** PHSI fell 7.4 percent to 101.6 in January, putting it 9.6 percent higher than a year earlier. In the **Midwest**, the index declined 0.9 percent to 113.2, up 8.6 percent from January 2020.

Pending home sales transactions in the **South** inched up 0.1 percent to an index of 151.3 in January and were 17.1 percent higher year-over-year. The index in the **West** was at 104.6, a 7.8 percent drop from December but up 11.5 percent from a year prior.



Jason Wood

Mortgage Advisor & VA
Loan Specialist, VA Loan
Guy

www.valoanguyusa.com

P: (760) 350-3989

M: (760) 217-0820

2714 Loker Ave. W.
Carlsbad CA 92010____
317293



The PHSI is based on a large national sample, typically representing about 20 percent of transactions for existing-home sales. In developing the model for the index, it was demonstrated that the level of monthly sales-contract activity parallels the level of closed existing-home sales in the following two months. Existing home sales numbers for February will be released on March 22.

An index of 100 is equal to the average level of contract activity during 2001, which was the first year to be examined. By coincidence, the volume of existing-home sales in 2001 fell within the range of 5.0 to 5.5 million, which is considered normal for the current U.S. population.

Pending Home Sales

