



Pending Sales Post a Surprising Surge

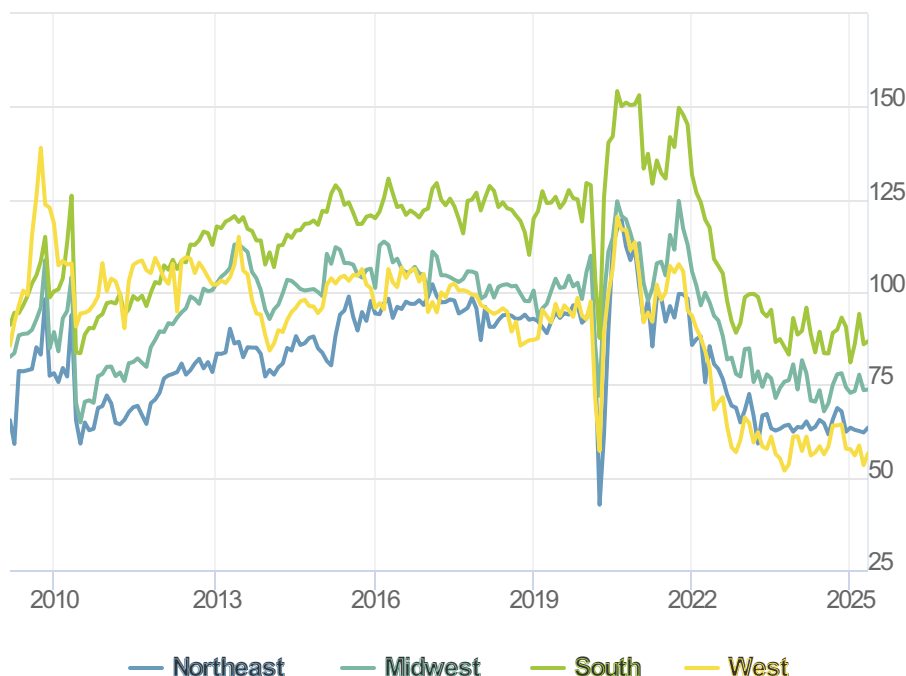
Pending home sales rebounded in August after falling in both June and July. The National Association of Realtors® (NAR) said its Pending Home Sales Index (PHSI), based on contracts signed for the purchase of existing homes, **rose 8.1 percent from the July level**. This put the PHSI at 119.5, still down 8.3 percent from its 130.3 reading in August 2020.

The surge was **not one analysts had expected**. Those polled by Econoday expected only an 0.9 percent improvement. Trading Economic's consensus was a 1.4 percent rise.

"Rising inventory and moderating price conditions are bringing buyers back to the market," said Lawrence Yun, NAR's chief economist. "Affordability, however, remains challenging as home price gains are roughly three times wage growth." He added that such an imbalance in the market is unsustainable over the long-term.

"The more moderately priced regions of the South and Midwest are experiencing stronger signing of contracts to buy, which is not surprising," Yun continued. "This can be attributed to some employees who have the flexibility to work from anywhere, as they choose to reside in more affordable places."

Pending Home Sales



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The PHSI improved on a month-over-month basis in each of the four major regions, while all remained lower than in August 2020. The Index in the **Northeast** was up 4.6 percent to 96.2 in August, a 15.8 percent drop from a year ago. A gain of 10.4 percent in the **Midwest** to 115.3 still left results 5.9 percent lower year-over-year.

Pending home sales transactions in the **South** increased 8.6 percent to an index of 141.8, a 6.3 percent annual decline while the **West** gained 7.2 percent for the month. The 107.0 reading, however, was still down 9.2 percent from a year earlier.

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 September will be released on October 28.