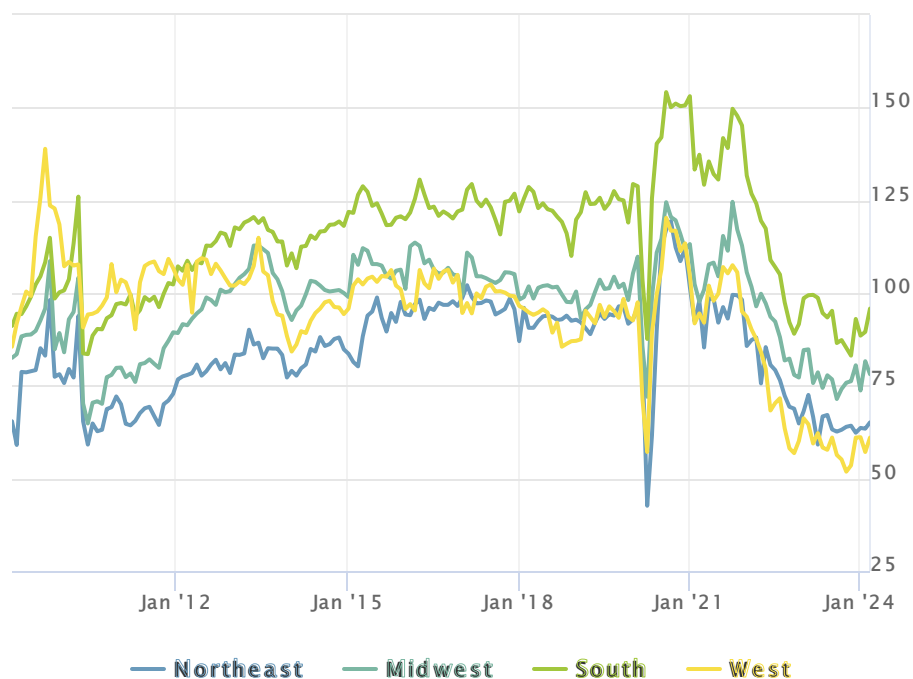




Persistent Inflation Hammered Pending Home Sales in September, Falling 10%

Inflation and the resulting increase in interest rates continued to dent home sales activity into the fall. The National Association of Realtors® (NAR) said on Friday that its **Pending Home Sales Index (PHSI)** which tracks purchase contracts for existing homes, dropped by another 10.2 percent in September, the fourth straight month that the index has declined. The month's reading, 79.5, is 31.0 percent below its level in September 2021.

Pending Home Sales



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The index was benchmarked at 100 in 2001. It is considered a leading indicators of existing home sales over the following one or two months.

"Persistent inflation has proven quite harmful to the housing market," said NAR Chief Economist Lawrence Yun. "The Federal Reserve has had to drastically raise interest rates to quell inflation, which has **resulted in far fewer buyers and even fewer sellers.**"

Yun noted that multiple years of rock-bottom interest rates have created a "lock-down" effect. Many homeowners are unwilling to list their homes and give up their current 3 to 4 percent mortgage interest rates. "The new normal for mortgage rates could be around 7 percent for a while," he said. "On a \$300,000 loan, that translates to a typical monthly mortgage payment of nearly \$2,000, compared to \$1,265 just one year ago – a difference of more than \$700 per month. Only when inflation is tamed will mortgage rates retreat and boost home purchasing power for buyers."

The **slowdown in pending sales was evident in all four regions.** The PHSI in the Northeast declined 16.2 percent from August to 64.2 and is 30.1 percent lower year-over-year. Contract signings in the Midwest fell by 8.8 percent for the month and 26.7 percent on an annual basis. The index reading for the region was 80.7

Results in the South retracted 8.1 percent to 97.0 in September, lagging September 2021 by 30 percent. The PHSI for the West was at 62.7, reflecting decreases of 11.7 percent and 38.7 percent from the two earlier periods.

NAR will release data on October's pending home sales on November 18.