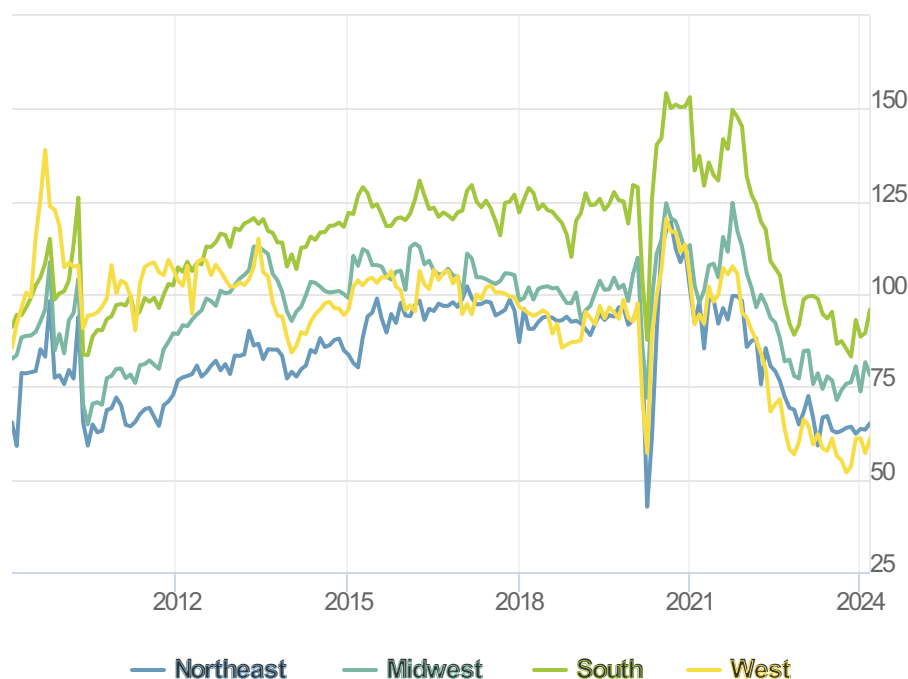




Pending Home Sales Rose Sharply in January

Not only did pending home sales increase for the second month in a row in January, but the increase was the largest since the June 2020 rebound from the pandemic plunge. The National Association of Realtors® (NAR) said its **Pending Home Sales Index (PHSI)** rose 8.1 percent in January to a reading of 82.5. This was on top of a 2.5 percent gain in December.

Pending Home Sales



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The PHSI is based on contracts to purchase existing single-family homes, townhouses, condominiums, and cooperative apartments. It is a leading indicator of existing home sales over the following one to two months.

Prior to the December uptick, pending home sales had fallen for 13 straight months. Last month's PHSI reading was down 24.1 percent compared to the January 2022 level of 108.7. The Index was benchmarked at 100 in 2001.

Analysts polled by both Econoday and Trading Economics had been expecting only a 1.0 percent increase in pending sales.

NAR Chief Economist Lawrence Yun said, "Buyers responded to better affordability from falling mortgage rates in December and January. Home sales activity looks to be bottoming out in the first quarter of this year, before incremental improvements will occur," **He expects that we will not see an annual gain in home sales until 2024.** "Meanwhile, home prices will be steady in most parts of the country with a minor change in the national median home price," he said.

NAR anticipates that the economy will continue to add jobs throughout 2023 and 2024, with the 30-year fixed mortgage rate steadily dropping to an average of 6.1 percent in 2023 and 5.4 percent in 2024.

Despite an improving interest rate environment and job gains, annual existing-home sales are forecasted to drop 11.1 percent this year to a total of 4.47 million units before jumping 17.7 percent in 2024 to 5.26 million units. New home sales are expected to be slightly more robust, falling 3.7 percent year-over-year in 2023 before growing 19.4 percent in 2024.

Median existing home prices will be stable compared to the previous year for most markets. The national median will decline by 1.6 percent to \$380,100 this year, before regaining positive traction, rising 3.1 percent to \$391,800 in 2024. New-home prices are expected to gain 1.3 percent this year and 2.8 percent next year to a 2024 median of \$474,000, due to higher costs of land and construction materials.

All four U.S. regions posted monthly gains but saw year-over-year drops in transactions. The PHSI in the Northeast was up 6.0 percent in January to 68.7 but was 19.8 percent below the prior January's level. The Midwest index grew 7.9 percent to 83.3 in January, lagging the prior January by 21.1 percent.

Pending sales rose 8.3 percent in the South, but at 99.2 the Index was 24.7 percent lower year-over-year. Contract signings in the West gained by 10.1 percent to 66.2, but was down 29.3 percent on an annual basis.

NAR will release data on existing home sales in February on March 21.