



Tiny Increase Ends Three-Month Pending Sales Drought

Pending home sales pulled out of a three-month spiral in June but with only a fractional increase from May. The National Association of Realtors® (NAR) said its Pending Home Sales Index (PHSI) ticked up 0.3 percent thanks to increased activity in the Northeast and Midwest. When it posted its last increase in February, the PHSI stood at 83.2. In June the level was 76.8. The index has fallen 15.6 percent since May 2022.

The PHSI, a leading indicator for the housing sector, is based on contracts signed to purchase existing homes. Those sales are typically finalized within one or two months. The PHSI was benchmarked at 100 in 2001, a number equal to the average level of contract activity during that year.

The incremental increase led NAR Chief Economist Lawrence Yun to strike a positive note. “The recovery has not taken place, but the housing recession is over,” he said. “The presence of multiple offers implies that housing demand is not being satisfied due to lack of supply. Homebuilders are ramping up production and hiring workers.”

Yun expects the 30-year fixed-rate mortgage to average 6.5 percent this year and 6.0 percent in 2024. He added, “With consumer price inflation coming close to the Federal Reserve’s desired conditions, mortgage rates look to have topped out. Given the ongoing job additions, any meaningful decline in mortgage rates could lead to a rush of buyers later in the year and into the next.”

That expectation is reflected in a forecast of a 12.9 percent decline in existing home sales in 2023, to 4.38 million, but a 15.5 percent rebound to 5.06 million units next year. Compared to last year, national median existing-home prices will remain steady – declining 0.4 percent, to \$384,900, before rebounding by 2.6 percent, to \$395,000 in 2024. The West – the country’s most expensive region – will see reduced prices while the more affordable Midwest region is likely to see a small, positive increase. Housing starts will drop to 1.47 million units (-5.3 percent) from 2022 to 2023, before increasing 5.4 percent to 1.55 million in 2024.

“It is critical to expand supply as much as possible to widen access to homebuying for more Americans,” Yun said. “Home prices will be influenced by how much inventory is brought to market. Increased homebuilding will tame price growth, while limited construction will lead to home price appreciation outpacing income growth.”

He projects new home sales will rise 12.3 percent to 720,000 this year as inventory increases and will expand by another 100,000 units next year. The national median new home price will decrease by 1.9 percent to \$449,100, then rise 4.2 percent to \$468,000 in 2024.

The Northeast PHSI rose 0.6 percent from May to 67.1 and is 16.7 percent below the June 2022 level. The Midwest index jumped 4.3 percent 77.6 but remains 17.1 percent lower year-over-year.

The pending sales in the South decreased 1.4 percent to 93.3, a 14.3 percent annual decline. The West was down 1.0 percent and 15.5 percent from the two earlier periods at 57.7.



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