

Rising Mortgage Rates May be Forcing Home Buyers off the Fence: NAR

By: Jann Swanson | Thu, Jun 27 2013, 11:09 AM

The National Association of Realtors® (NAR) said today that [rising interest rates](#) may finally be **forcing many hesitant buyers** into the market. NAR's Pending Home Sales Index (PHSI) which is based on home purchase contracts, reached the highest in May that it has achieved since late 2006. NAR also announced it was upgrading its price forecast for 2013.

The PHSI **increased 6.7 percent** to 112.3 in May from April's level of 105.2 (revised down from an original estimate of 106.0.) The May number was 12.1 percent above the PHSI in May 2012 when it was 100.2. The index has been higher than in the corresponding month a year earlier for each of the last 25 months and the May number was the highest for the Index since December 2006 when it was 112.8.

The Index is a forward looking indicator based which has proven to be predictive of home sales. Transactions under contract are generally expected to close within 60 days. An index of 100 is equal to the average level of contract activity during 2001, which was the first year to be examined.

NAR's chief economist **Lawrence Yun** said the recent rising interest rates may be creating a fence-jumping effect. "Even with limited choices, it appears some of the rise in contract signings could be from buyers wanting to **take advantage of current affordability conditions** before mortgage interest rates move higher," he said. "This implies a continuation of double-digit price increases from a year earlier, with a strong push from pent-up demand."

Yun said he expected the national median existing-home price to rise more than 10 percent to nearly \$195,000 by year end. This would be the strongest increase since 2005 when the median increased 12.4 percent.

Existing-home sales are projected to increase 8.5 to 9.0 percent, reaching about 5.07 million in 2013, the highest in seven years; it would be slightly above the 5.03 million total recorded in 2007.

The PHSI in the Northeast was unchanged at 92.3 in May but is 14.3 percent above a year ago. In the Midwest the index jumped 10.2 percent to 115.5 in May and is 22.2 percent higher than May 2012. Pending home sales in the South rose 2.8 percent to an index of 121.8 in May and are 12.3 percent above a year ago. The index in the West jumped 16.0 percent in May to 109.7, but with limited inventory is only 1.1 percent above May 2012.

View this Article: <https://www.mortgagenewsdaily.com/news/06272013-pending-home-sales>