

Pending Home Sales Stable but Promising

By: Jann Swanson | Wed, Dec 31 2014, 11:32 AM

November's pending home sales **improved** from October levels and posted the third consecutive year-over-year gain and the largest one in over a year. The National Association of Realtors® (NAR) said the increase, while not large, was felt in every region but the Midwest.

The NAR's November Pending Home Sales Index (PHSI) was up 0.8 percent from October's slightly down-graded level of 104.0 to 104.8. That was a 4.1 percent gain from the PHSI of 100.7 in November 2013, the largest such improvement since August 2013 when the index jumped 5.6 percent.

The PHSI is a forward looking indicator based on contract signings for home purchases. These are generally expected to convert to closed sales in 60 or so days.

Lawrence Yun, NAR's chief economist, says signed contracts, though up slightly in November, **haven't broken out** of their more or less stable performance even as the economy picked up steam this spring. "The consistent economic growth and steady hiring we've seen the second half of this year is giving buyers enough assurance to consider purchasing a home before year's end," he said. "With rents now rising at a seven-year high, historically low rates and moderating price growth are likely to entice more buyers to enter the market in upcoming months."

Yun also notes that **falling gas prices** will likely boost consumer confidence and allow prospective buyers the opportunity to save additional money for a downpayment. NAR's 2014 Profile of Home Buyers and Sellers found that the median downpayment ranged from 6 percent for first-time buyers to 13 percent for repeat buyers.

"There's still **misperception** out there that a much higher **downpayment** is needed, while that's not the reality," adds Yun.

NAR is forecasting total existing home sales to finish out the year at around 4.94 million units, down from 5.09 million in 2013 (-3.0 percent). Sales in 2015 are projected to rise to 5.30 million. The 5.6 percent annual increase in the median price of a home, to \$208,000 expected as 2014 figures come in, is **projected to moderate** to a 4 to 5 percent increase next year, a substantial deceleration from the 11.4 percent increase experienced in 2013.

The PHSI in the **Northeast** rose 1.4 percent to 89.1 in November to a level 7.0 percent above a year ago. In the **Midwest** the index decreased 0.4 percent to 100.0 in November and is 0.5 lower than in November 2013.

Pending home sales in the **South** rose 1.3 percent to 119.7, a 5.1 percent year-over-year increase and in the **West** the November PHSI reading of 98.5 is up 0.4 percent and 4.9 percent from the respective earlier levels.

The PHSI is based on a large national sample, typically representing about 20 percent of transactions for existing-home sales. An index of 100 is equal to the average level of contract activity during 2001, which was the first year to be examined and was coincidentally a year where the volume of existing-home sales fell within the range of 5.0 to 5.5 million, considered normal for the current U.S. population.

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