

Pending Sales Beat Estimates, Resume Climb

By: Jann Swanson | Tue, Apr 30 2019, 10:10 AM

Pending home sales **posted a second solid performance in 2019**, with home purchase contract signings in March recovering from their slight dip in February. However, the National Association of Realtors® (NAR's) Pending Home Sales Index (PHSI) continues to lag in its year-over-year numbers.

The PHSI posted a 3.8 percent increase in March to a reading of 105.8 compared to 101.9 in February. January had kicked off the year with a 4.3 percent increase, but February countered that with a 1.0 percent decline. The index is 1.2 percent lower than in March 2018, marking the 15th straight month of annual decreases. **Three of the four major regions saw growth during the month**; the Northeast reported a minor slip in contract activity.

The NAR report is far better than analysts polled by *Econoday* had predicted. Their consensus was for an increase of 0.7 percent from a wide range of -2.1 percent to 2.5 percent.

Lawrence Yun, NAR chief economist, noted that pending home sales data has been exceptionally fluid over the past several months but predicted that numbers will begin to climb more consistently. "We are seeing a positive sentiment from consumers about home buying, as mortgage applications have been steadily increasing and mortgage rates are extremely favorable."

He noted that sales **activity in the West had increased at a relatively stable rate** for five consecutive months and they saw a significant spike in activity in March. "Despite some affordability issues in the West, the numbers indicate that there is a reason for optimism. Inventory has increased, too. These are great conditions for the region."

The inventory situation that has dampened sales for several years does seem to be easing, at least in some areas. Yun noted increases in the number of available homes for sale in major markets including Denver, Seattle, the San Francisco Bay area, Portland, and Nashville.

Despite the upswing in sales contacts so far this year, Yun says the market is still underperforming. "In the year 2000, we had 5 million home sales. Today, we are close to that same number, but there are 50 million more people in the country," he said. "There is a pent-up demand in the market, and we should see a better performing market in the coming quarters and years."

As noted above, the **Northeast's** PHSI declined 1.7 percent to 90.5 in March and is now 0.4 percent below a year ago. In the **Midwest**, the index grew 2.3 percent to 95.3 but remains down 5.0 percent on an annual basis.

Pending home sales in the **South** jumped up 4.4 percent to 127.2. This is 0.7 percent higher than last March. The **West**, as Yun said, spiked 8.7 percent to 95.1 and inched within 1.6 percent of the year-earlier number.

The PHSI is a leading indicator of existing home sales and is based on a large national sample, typically representing about 20 percent of transactions for existing-home sales. In developing the model for the Index, it was demonstrated that the level of monthly sales-contract activity parallels the level of closed existing-home sales in the following two months.

An index of 100 is equal to the average level of contract activity during 2001, which was the first year to be examined. By coincidence, the volume of existing-home sales in 2001 fell within the range of 5.0 to 5.5 million, which is considered normal for the current U.S. population.

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