

# Pending Home Sales Rise Less Than Expected as Inventory Remains Ultra Tight

By: Jann Swanson | Thu, Apr 29 2021, 10:55 AM

While the degree to which is happened was somewhat disappointing, **pending home sales did snap out of a two-month slump in March**. The National Association of Realtors® (NAR's) Pending Home Sales Index (PHSI) rose 1.9 percent to 111.3 in March and is now up 23.3 percent compared to March 2020. However, NAR points out that the annual increase was largely due to the country-wide pandemic related shutdown a year ago.

The PHSI, which is based on contracts signed to purchase existing homes, had fallen 10.6 percent in February on top of a 2.8 percent loss the previous month. Analysts polled by Econoday had expected a stronger rebound in March, looking for an increase of 2 to 6 percent. Their consensus was a 3.8 percent gain.

"The increase in pending sales transactions for the month of March is **indicative of high housing demand**," said Lawrence Yun, NAR's chief economist. With mortgage rates still very close to record lows and a solid job recovery underway, **demand will likely remain high**."

"Low inventory has been a consistent problem," Yun continued, "but more inventory will show up as new home construction intensifies in the coming months, as well as from a steady wind-down of the mortgage forbearance program. Although these moves won't immediately replenish low supply, they will be a step forward."

NAR has forecast an increase in existing-home sales this year of 10 percent compared to 2020. This would mean sales reaching 6.2 million. **The median home price is anticipated to increase by 9 percent** to \$323,900. An improvement in housing starts is also expected; they will reach 1.6 million this year and 1.7 million in 2022 which should provide some relief to the tight inventories. Mortgage rates will rise modestly to 3.2 percent this year and 3.5 percent next year.

Pending sales increased in the **Northeast** where the PHSI rose 6.1 percent to 97.9, putting it 16.7 percent above its March 2020 level. The Index fell in the **Midwest** by 3.7 percent to 98.6 but remains 14.1 percent higher year-over-year.

Pending home sales transactions in the **South** rose 2.9 percent to an index of 137.2 in March and is 27.9 higher on an annual basis. The index in the **West** also rose 2.9 percent, putting it at 94.5, up 29.8 percent from a year prior.

The PHSI 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. Existing home sales numbers for April will be released on May 21.

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