

Pending Sales Trending Downward, With a Possible Silver Lining

By: Jann Swanson | Wed, Jul 27 2022, 1:47 PM

Pending home sales broke out of a seven-month slump in May, gaining 0.7 percent. If this were baseball, we might now call it a “balk.” The National Association of Realtors® (NAR) announced this morning that its June Pending Home Sales Index (PHSI) plunged 8.6 percent. The index fell from 99.9 in May to 91.0, **leaving it 20 percent lower than in June 2021**. NAR said the reversal came “as escalating [mortgage rates](#) and housing prices impacted potential buyers.”

The PHSI, based on new contracts for the purchase of existing residential units, is a leading indicator of closed sales of single-family houses, condominiums, and cooperative apartments over the following one to two months. An index of 100 is equal to the level of contract activity in 2001.

“Contract signings to buy a home will keep tumbling down as long as [mortgage rates](#) keep climbing, as has happened this year to date,” said NAR Chief Economist Lawrence Yun. “There are **indications that mortgage rates may be topping or very close to a cyclical high in July**. If so, pending contracts should also begin to stabilize.”

Analysts may have thought the May PHSI was already signaling such stabilization. Those polled by *Econoday* had expected the index to decline by only 1.0 percent. *Trading Economics* had been slightly closer to the mark with a forecast of -2.1 percent.

According to NAR, **buying a home in June was about 80 percent more expensive than in June 2019**. Nearly a quarter of buyers who purchased a home three years ago would be unable to do so now because they no longer earn the qualifying income to buy a median-priced home today.

Yun predicted a 13 percent decrease in home sales this year. “With [mortgage rates](#) expected to stabilize near 6 percent and steady job creation, home sales should start to rise by early 2023,” he said.

Pending sales slipped in all four major regions in June and all were down by double digits from a year earlier. They were especially soft in the West.

The **Northeast** PHSI read 80.9, down 6.7 percent for the month and 17.6 percent on an annual basis. The **Midwest** index dropped 3.8 percent to 93.7 in June, a 13.4 percent decline from a year ago.

The PHSI was 8.9 percent lower in the **South** than in **May** and at 108.3 was down 19.2 compared to June 2021. The **West's** index slumped 15.9 percent and 30.9 percent from the two earlier periods to 68.7.

NAR will release its report on existing home sales for July on August 18.

View this Article: <https://www.mortgagenewsdaily.com/news/07272022-pending-home-sales>