

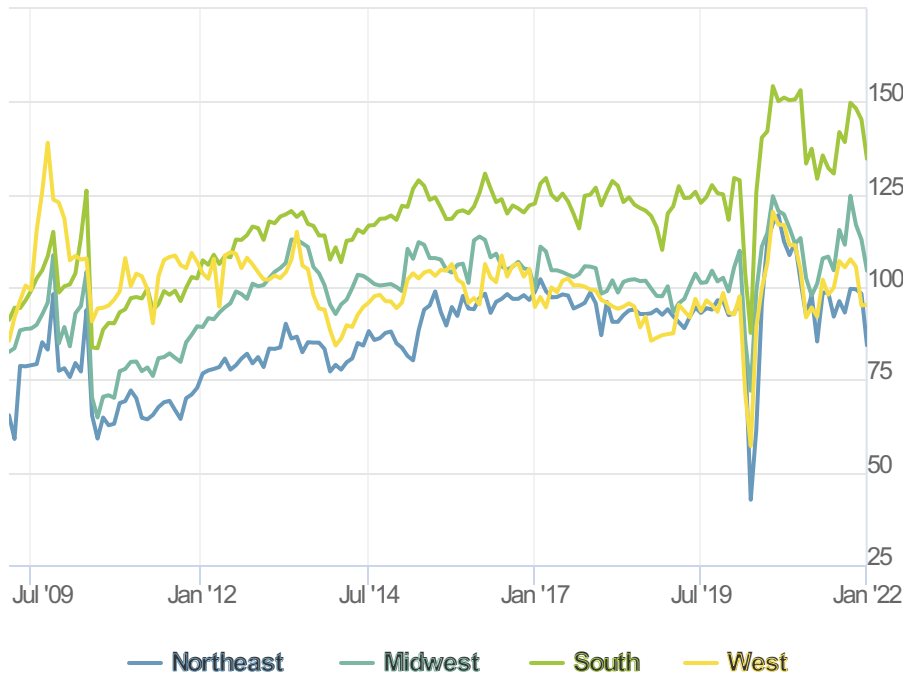


Pending Sales Take Fourth Monthly Hit

Friday's pending home sales report was the hat trick; **all three home sales measures declined last month**. While new and existing home sales have had their ups and downs in recent months, February was the fourth consecutive month that the National Association of Realtors'® (NAR's) Pending Home Sales Index (PHSI) has lost ground.

The Index, based on purchase contracts for existing single-family houses, townhomes, condos, and cooperative apartments, declined from 109.4 in January to 104.9, a -4.1 percent change. It is now 5.4 percent lower than in February 2021.

Pending Home Sales



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Analysts had expected a rebound after what Econoday called “three straight sharp and unexpected declines” that have taken the index down from last October’s 125.2 reading. The consensus of analysts polled by Econoday was an increase of 0.9 percent.

“Pending transactions diminished in February mainly due to the low number of homes for sale,” said Lawrence Yun, NAR’s chief economist. “Buyer demand is still intense, but it’s as simple as **‘one cannot buy what is not for sale.’** It is still an extremely competitive market, but fast-changing conditions regarding affordability are ahead,” Yun said, referring to prices that are still climbing and today’s rising interest rates. “Consequently, home sellers cannot simply bump up prices in the upcoming months but need to assess the changing market conditions to attract buyers,” he said.

As of February 2022, higher mortgage rates and sustained price appreciation has led to a year-over-year increase of 28 percent in mortgage payments which Yun notes can easily translate to another \$200 to \$300 in mortgage payments per month, “a major strain for many families already on tight budgets.”

The Northeast was the only major region to post a gain in its PHSI, it was up 1.9 percent but remained down 9.2 percent from a year earlier. The index in the Midwest fell 6.0 percent and 5.2 percent from the two earlier periods. Pending home sales fell 4.4 percent month-over month and 4.3 percent year-over year and the PHSI in the West declined 5.4 percent and 5.3 percent.

The NAR's 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 March will be reported April 20.