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Pending Sales Slide on "Staggering" Lack of Inventory

Last month's **resurgence in pending home sales didn't last long**. Sales ended a three-month fad in June with a 1.5 percent increase in the Pending Home Sales Index (PHSI), but it dropped back by 0.8 percent in July. The National Association of Realtors®(NAR) says its PHSI registered 109.1 percent from a downwardly revised 110.0 in June. The June index was originally reported at 110.2.

The July number was 1.3 percent lower than the PHSI a year earlier and has now fallen year-over-year in three of the last four months. NAR said the **West was the only region** so show a slight gain.

The PHSI was at the mid-range of analysts' predictions. Econoday's poll had a consensus of a 0.4 percent gain, but estimates ranged from -2.0 percent to +0.8 percent.

Lawrence Yun, NAR chief economist, continues to blame the weak market on the lack of homes for sale and called the **inventory woes** throughout the country "staggering." "With the exception of a minimal gain in the West, pending sales were weaker in most areas in July as house hunters saw limited options for sale and highly competitive market conditions. The housing market remains stuck in a holding pattern with little signs of breaking through. The pace of new listings is not catching up with what's being sold at an astonishingly fast pace."

According to Yun, in the past five years, the national median **sales price has risen 38 percent**, while hourly earnings have increased less than a third of that (12 percent). This unsustainable trend is putting considerable **pressure on affordability** in some markets - especially for prospective first-time buyers - and is pricing out some households who would otherwise be looking to buy a home. Despite this growing obstacle, Yun says data and feedback from Realtors® continues to confirm that the slowdown in existing sales since spring is the result of a supply problem and not one of diminished demand.

Yun said that, since April, the typical listing has gone under contract in less than a month and, while buyer traffic continues higher than a year ago, the inventory at the end of July was down 9.0 percent. "The reality, therefore, is that sales in coming months will not break out unless supply miraculously improves. This seems unlikely given the inadequate pace of housing starts in recent months and the lack of interest from real estate investors looking to sell," he said.

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.45%	-0.01	0.00
15YR Fixed	6.99%	+0.01	0.00
30YR FHA	7.05%	+0.01	0.00
30YR Jumbo	7.50%	0.00	0.00
7/6 SOFR	7.00%	-0.07	0.00
30YR VA	7.07%	+0.01	0.00

Rates as of: 11/19

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.32	+0.22
10 YR Treasury	4.9873	-0.0563
30 YR Treasury	5.3686	-0.0376

Pricing as of: 11/20 9:29AM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Nov 4	204.6	+6.23%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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Yun expects existing-home sales to close out the year at around 5.49 million, which is an increase of only 0.7 percent from the 5.45 million sales in 2016. The national median existing-home price this year is expected to increase around 5 percent. In 2016, existing sales increased 3.8 percent and prices rose 5.1 percent.

He predicts the **impact of Hurricane Harvey** on the Houston market, along with the weakness in pending sales activity, will likely show up as slow overall sales growth in the coming months.

The PHSI in the **Northeast inched down** 0.3 percent to 97.7 in July but is still 2.4 percent above a year ago. In the **Midwest, the index decreased** 0.7 percent to 103.3 and is down 2.8 percent year-over-year.

Pending home sales in the **South declined** 1.7 percent to an index of 123.1 in July, putting it 0.2 percent below last July. The only gain, a **0.6 percent increase in the West**, still left the index down 4.0 percent from a year earlier.

The PHSI is a leading indicator for housing sales. A sale is listed as pending when the contract has been signed; the transaction is usually expected to close within one or two months.

The index 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. 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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