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Pending Sales Dip 20% but Realtors See Dislocation as Temporary

Everyone knew that the March pending home sales report, the first real measure of the impact of the COVID-19 impact on the residential real estate markets, was going to be bad. It was that and more. The National Association of Realtors® (NAR) said its Pending Home Sales Index (PHSI) dropped 20.8 percent compared to February, landing at 88.2. This was 16.3 percent below its level in March 2019. The PHSI, a forward-looking indicator based on signed contracts for purchase of existing single-family homes, townhomes, condos, and cooperative apartments, was at 111.5 in February.

Analysts had **projected a significant decline** in the index as many states has issued orders at various points during the month for non-essential businesses to close and residents to shelter at home. The consensus of analysts polled by Econoday was for the PHSI to fall 10 percent.

[pendinghomesdata]

Lawrence Yun, NAR's chief economist, tried to position the month's results in the best possible light. He said, "The housing market is temporarily grappling with the coronavirus-induced shutdown, which pulled down new listing and new contracts. As consumers become more accustomed to social distancing protocols, **and with the economy slowly and safely reopening, listings and buying activity will resume**, especially given the record low mortgage rates."

"The **usual Spring buying season will be missed**, however, so a bounce-back later in the year will be insufficient to make up for the loss of sales in the second quarter," he said. "Overall, home sales are projected to decline 14 percent for the year."

Citing results from one of NAR's recent Flash Surveys, Yun says technology tools such as virtual tours and e-signings are helping connect buyers and sellers. Fifty-eight percent of Realtors reported that buyers are using virtual tours and 43 percent said buyers have taken advantage of e-closings.

"Although the pandemic continues to be a major disruption in regards to the timing of home sales, home prices have been holding up well," Yun said. "In fact, due to the ongoing housing shortage, home prices are likely to squeeze out a gain in 2020 to a new record high. I project the national median home price to increase 1.3 percent for the year, though there will be local market variations and the upper-end market will likely experience a reduction in home price."

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.30%	+0.12	0.00
15YR Fixed	6.92%	+0.09	0.00
30YR FHA	6.89%	+0.07	0.00
30YR Jumbo	7.40%	+0.03	0.00
7/6 SOFR	6.80%	+0.31	0.00
30YR VA	6.90%	+0.07	0.00

Rates as of: 11/10

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.43	-0.62
10 YR Treasury	4.9860	+0.0952
30 YR Treasury	5.3557	+0.0737

Pricing as of: 11/10 5:59PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Oct 28	192.6	-1.23%
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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All four regions had significant downturns in their sales activity. The PHSI in the **Northeast** fell 14.5 percent to 82.3, 11.0 percent below its level in March 2019. The decline in the **Midwest** from the two earlier periods was 22.0 percent and 12.4 percent to 85.6

Pending home sales in the **South** sank 19.5 percent to an index of 103.7 in March, a 17.8 percent year-over-year decline. The index in the **West** dropped 26.8 percent to 71.4, down 21.5 percent from a year ago.

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. NAR will release existing home sales results for March on April 21.

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.

Expert Advice | Exceptional Service | Flawless Execution

With 27+ years of expertise in mortgage banking you can be confident in my knowledge and abilities to deliver a seamless loan transaction while providing personalized service.

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