

## Pending Home Sales Index shows market stabilizing

WASHINGTON -- Oct. 3, 2006 -- Pending home sales are up, indicating a stabilization is taking place in the housing market, according to the National Association of Realtors (NAR).

The Pending Home Sales Index, based on contracts signed in August, rose 4.3 percent to a level of 110.1 from a reading of 105.6 in July, but is 14.1 percent lower than August 2005.

David Lereah, NAR's chief economist, says the rise in the index is a hopeful sign. "Our sense is that home sales may have reached a low in August -- the Pending Home Sales Index shows home sales should be fairly stable over the next two months, although a minor decline is possible," he says. "With fewer new listings coming on the market, we should be able to draw down the inventory supply early next year to the point where home prices will rise, but at a slower pace than historic norms."

The index is a leading indicator for the housing sector, based on pending sales of existing homes. A sale is listed as pending when the contract has been signed and the transaction has not closed, but the sale usually is finalized within one or two months of signing.

An index of 100 is equal to the average level of contract activity during 2001, the first year to be examined, and was the first of five consecutive record years for existing-home sales. There is a closer relationship between annual changes in the index and actual market performance than with month-to-month comparisons; analysis shows a strong parallel between changes in the index from a year ago and the actual pace of home sales in coming months.

Regionally, the PHSI in the West rose 9.2 percent in August to 112.7 but was 16.9 percent below August 2005. The index in the South increased 4.0 percent to 126.8 in August but was 9.4 percent below a year ago. In the Northeast, the index rose 3.6 percent in August to 95.4 but was 12.4 percent below August 2005. The index in the Midwest was unchanged at 93.8 in August and was 20.4 percent lower than a year ago.