

Pending home sales show steady trend

WASHINGTON – Jan. 5, 2007 – A stabilization trend in the housing market is likely to continue, according to the latest reading on pending home sales published by the National Association of Realtors® (NAR).

The Pending Home Sales Index, based on contracts signed in November, eased by 0.5 percent to 107.0 from an upwardly revised reading of 107.5 in October, and is 11.4 percent lower than November 2005. The decline from year-ago levels has been steadily narrowing since July, which was 16.0 percent lower than the same month in 2005.

David Lereah, NAR's chief economist, says the narrowing from year-ago levels is a significant factor. "Because there is a stronger parallel between changes in the index from a year ago and the actual pace of home sales in coming months, the index is pointing toward fairly stable home sales in the near future," he says. "That is another indicator that home sales likely bottomed-out in September."

The index is derived from pending sales of existing homes. A sale is listed as pending when the contract has been signed and the transaction has not closed; pending sales typically are 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 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.

"Although some monthly declines are possible, when we look at the forecast for existing-home sales in 2007 on a quarterly basis, we see gradual improvement over the course of the year," Lereah said. "That will support future price appreciation as inventories are drawn down."

Regionally, the PHSI in the Midwest rose 4.8 percent in November to 101.7 but was 11.6 percent below a year ago. The index in the South slipped 1.1 percent to 121.6 and was 8.9 percent below November 2005. The index in the West declined 2.6 percent to 106.6 and was 15.9 percent lower than a year earlier. In the Northeast, the index was down 2.8 percent in November to 85.5 and was 9.6 percent below November 2005.

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