## Pending home sales down, housing affordability at record

by Bend\_Weekly\_News\_Sources

Pending home sales declined on the heels of a weakening economy and with some buyers waiting for clarity on housing stimulus provisions, according to the National Association of Realtors.

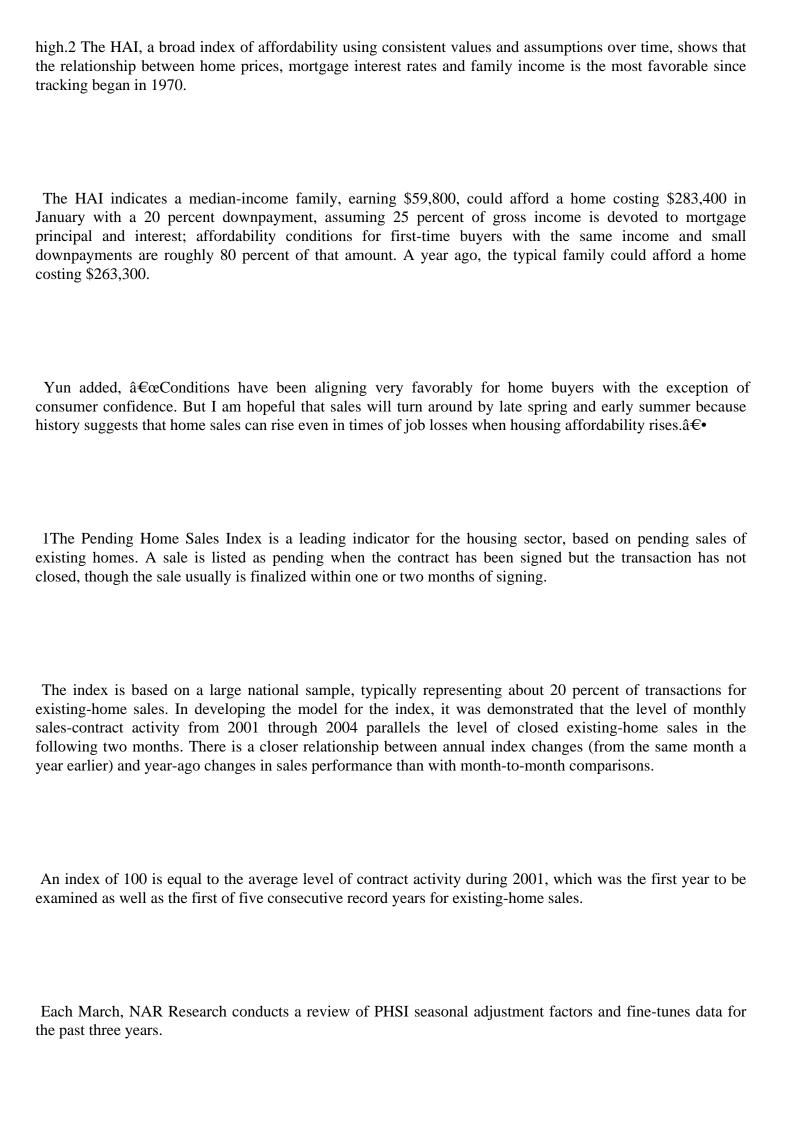
The Pending Home Sales Index,1 a forward-looking indicator based on contracts signed in January, fell 7.7 percent to 80.4 from a downwardly revised reading of 87.1 in December, and is 6.4 percent below January 2008 when it was 85.9. The index is at the lowest level since tracking began in 2001, when the index value was set at 100.

Lawrence Yun, NAR chief economist, said the downturn in the economy also weighed heavily on the data. "Even with many serious potential home buyers on the sidelines waiting for passage of the stimulus bill, job losses and weak consumer confidence were a natural drag on home sales,― he said. "We expect similarly soft home sales in the near term, but buyers are expected to respond to much improved affordability conditions and from the \$8,000 first-time buyer tax credit.―

The PHSI in the Northeast dropped 12.7 percent to 57.8 in January and is 19.7 percent below a year ago. In the Midwest the index declined 9.2 percent to 72.6 and is 13.8 percent below January 2008. The index in the South fell 11.9 percent to 82.2 in January and is 9.1 percent below a year ago. In the West the index rose 2.4 percent to 103.6 and is 13.5 percent higher than January 2008.

NAR President Charles McMillan, a broker with Coldwell Banker Residential Brokerage in Dallas-Fort Worth, said it's ironic with the weak housing market that affordability conditions have improved dramatically. "Housing affordability is at a record high – the buying power of a typical family has risen significantly,― he said. "With the drop in interest rates, a median-income family can afford a home costing \$20,000 more than a year ago for the same monthly mortgage payment. With the strong housing stimulus, we are hopeful inventory will get trimmed and which will help prices stabilize in many areas by the end of this year.―

NAR's Housing Affordability Index rose 13.6 percentage points in January to 166.8, a new record



2The Housing Affordability Index is a relative index where a value of 100 means that a family with the median income has exactly enough income to qualify for a mortgage on a median-priced existing single-family home, taking into account the relationship between median home price, average effective interest rate for loans closed on existing homes, and median family income. The higher the index, the better housing affordability is for buyers.
The calculation assumes a downpayment of 20 percent and a qualifying ratio of 25 percent of gross income for mortgage principle and interest payments. The index is a general gauge with conditions varying widely around the country. Affordability conditions are lower for first-time buyers with smaller downpayments and less income.

Monthly publication of the index began in 1981 with annual data calculated back to 1970.

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