

January pending home sales down

by Bend_Weekly_News_Sources

Economist says that despite January's downturn due to weather disruptions, there is an underlying pattern of stabilization in the housing market; a modest recovery is likely.

Pending home sales declined in January from a strong upturn in December due to unusual weather patterns, according to the National Association of Realtors.

While the home price index fell 4.1% in January, economists say a modest recovery is likely. The Pending Home Sales Index (PHSI), a leading indicator for the housing sector based on contracts signed in January, fell 4.1 percent to an index of 108.7 from an upwardly revised reading of 113.3 in December, and is 8.9 percent lower than January 2006.

Aside from December, which got a lift from mild weather, the January index was the highest since last August. More importantly, there has been a narrowing trend from year-ago levels since last July when the index was 14.7 percent lower than a year earlier.

David Lereah, NAR's chief economist, said the index has recovered from a low in October. "We are seeing temporary near-term weather disruptions in much of the country, but there is an underlying pattern of stabilization in the housing market," he said. "As a result of these weather disruptions, it may take a couple months for the picture to fully clarify, but a modest recovery is likely. Housing remains a great long-term investment."

As reported last month, the PHSI for December got a boost from mild weather and showed the largest monthly gain in nearly three years. December's index rose 4.5 percent, the largest increase since a 6.1 percent jump in March 2004.

"The rapid shift in January to frigid air in much of the country had a cooling effect on home shopping that went beyond normal seasonal factors," Lereah explained. "Weather disruptions have continued since."

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.

The PHSI in the Northeast jumped 9.3 percent in January to 101.8 but was 1.3 percent below a year ago. The index in the West rose 0.2 percent to 110.8 but was 7.0 percent below January 2006. In the Midwest, the index was down 2.4 percent in January to 100.1 and was 10.8 percent lower than a year earlier. The index in the South fell 11.7 percent to 116.7 and was 11.8 percent below January 2006.

The National Association of Realtors, "The Voice for Real Estate," is America's largest trade association, representing more than 1.3 million members involved in all aspects of the residential and commercial real estate industries.

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