

Pending Home Sales Index shows market may be stabilizing

by Bend_Weekly_News_Sources

WASHINGTON - A forward-looking indicator based on pending home sales shows the housing market could edge down but appears to be in the process of leveling out, according to the National Association of Realtors.

The Pending Home Sales Index, based on contracts signed in April, stood at 101.4, down 3.2 percent from an upwardly revised March reading of 104.8, and is 10.2 percent lower than April 2006 when it registered 112.9. The revised March index was 10.0 percent below a year earlier.

Lawrence Yun, NAR senior economist, said the current index appears to be a fair representation of overall housing market conditions. "It looks like we may be leaving a period of market disruptions, and for the past two months the pending home sales index has been similar in year-ago comparisons, which means home sales might ease but should be fairly stable in the months ahead," he said.

"In April, existing-home sales declined in part because some sub prime lenders went out of business and disrupted the market, but the impact appears to be diminishing and mortgage applications have risen in the last month," Yun said. "This tells us that some borrowers who originally planned to finance with sub prime mortgages are finding suitable loans in the conventional market, which will help to stabilize home sales."

"On the other hand, psychological factors seem to be holding buyers back as they look for clear signs that the market has bottomed -- that varies from one area to another."

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 but the transaction has not closed, though 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, which was the first year to be examined as well as the first of five consecutive record years for existing-home sales.

Annual changes in the index are more closely related to actual market performance than are month-to-month comparisons. As the relatively new index matures and seasonal adjustment factors are refined, the month-to-month comparisons will become more meaningful.

The PHSI in the Midwest rose 2.3 percent in April to 98.1 but was 4.4 percent below a year ago. The index in

the South increased 0.7 percent from March to 116.0, but was 10.4 percent below April 2006. The index in the West fell 10.2 percent in April to 91.4 and was 11.7 percent lower than a year ago. In the Northeast, the index dropped 10.4 percent from March to 89.3 and was 15.4 percent below April 2006.

The forecast will be revised June 6, and existing-home sales for May will be released June 25. The next Pending Home Sales Index will be on July 3.

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