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Pending Sales End Year on High Note

Pending home sales recovered from the reported 2.5 percent downturn they took in November, posting an increase of 1.6 percent in December. The National Association of Realtors® (NAR) said its Pending Home Sales Index (PHSI) which is based on contracts to purchase existing homes, **increased to 109.0 in December from 107.3 t**he previous month.

The uptick puts the index **0.3 percent higher than in December 2015** after it trailed the year-earlier figure by 0.4 percent in November. NAR had blamed last month's poor showing on buyers "dispirited" by rising rates and tight inventory.

Analysts polled by Econoday had not been optimistic about the pending sales number. A consensus was for an 0.6 percent gain but estimates ranged from a negative 1.8 percent to a 1.5 percent increase.

Lawrence Yun, NAR chief economist, said contract activity was mixed throughout the country in December but ultimately ended on a high note to close out 2016. "Pending sales rebounded last month as enough buyers fended off rising mortgage rates and **alarmingly low inventory levels** to sign a contract," he said. "The main storyline in the early months of 2017 will be if supply can meaningfully increase to keep price growth at a moderate enough level for households to absorb higher borrowing costs. Sales will struggle to build on last year's strong pace if inventory conditions don't improve."

Earlier this month, in its existing home sales report, NAR said total housing inventory at the end of December was at 1.65 million existing homes for sale. This is the lowest level since the association began tracking the supply of all housing types in 1999.

Yun said the inventory situation is **especially hard** on entry level buyers as a large portion of overall supply right now is at the upper end of the market. He pointed to December data on the year-over-year change in single-family sales by price range. Sales were up around 10 percent compared to December 2015 for homes sold at or above $250,000, while homes sold between $100,000 and $250,000 only increased 2.3 percent. Meanwhile, sales of homes under $100,000 were down 11.6 percent compared to December 2015.

"The dismal number of listings in the affordable price range is **squeezing prospective first-time buyers** the most," he said. "As a result, young households are missing out on the wealth gains most homeowners have accrued from the 41 percent cumulative rise in existing home prices since

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.51%	+0.01	0.00
15YR Fixed	7.04%	+0.01	0.00
30YR FHA	7.08%	+0.03	0.00
30YR Jumbo	7.52%	+0.02	0.00
7/6 SOFR	7.12%	-0.01	0.00
30YR VA	7.10%	+0.03	0.00

Rates as of: 11/16

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	98.71	+0.01
10 YR Treasury	5.1306	-0.0036
30 YR Treasury	5.4779	+0.0021

Pricing as of: 11/16 7:43PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Nov 4	204.6	+6.23%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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2011."

NAR is **forecasting an increase** in existing-home sales to 5.54 million units in 2017, up 1.7 percent from 2016 which posted the best sales since 2006. The national median existing-home price in 2017 is expected to increase around 4 percent. In 2016, existing sales increased 3.8 percent and prices rose 5.2 percent compared to 2015.

Housing starts, which lagged demand in 2016, are expected to jump by 7.9 percent, from 1.16 million starts in 2016 to around 1.26 million units. "Especially if construction-related regulations are relaxed, all eyes will be on the homebuilding industry this year to see if they can finally start making up lost ground on the severe housing shortages impacting much of the country," added Yun.

On a regional basis, solid increases in the **South** and **West** offset weakening activity in the **Northeast** and **Midwest**. The PHSI in the Northeast declined 1.6 percent to 96.4 in December, and is now 1.2 percent below a year ago. In the Midwest, the index decreased 0.8 percent to 102.7, and is now 3.4 percent lower than December 2015.

Pending home sales in the South rose 2.4 percent to an index of 121.3, up 0.5 percent year-over-year. The index in the West jumped 5.0 to 106.1, and is now 5.0 percent higher than both November and a year earlier.

The PHSI is a leading indicator for the housing sector. 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.

The index is based on a large national sample, typically representing about 20 percent of transactions for existing-home sales. An index of 100 is equal to the average level of contract activity during 2001, which was the first year to be examined. By coincidence, the volume of existing-home sales in 2001 fell within the range of 5.0 to 5.5 million, which is considered normal for the current U.S. population.

Responsive service, experienced expertise

I've dedicated my 26 year mortgage career to client education, superior service, and honest answers. The lending landscape has changed dramatically the past few years, and continues to do so. My job is to ensure client partners' loans close quickly, without surprises, and I take that responsibility very seriously. Referrals are a responsibility I appreciate; they're a measure of trust, and that trust must be earned every day, on every referral.

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