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Contract Signings Second Lowest in 17 Months

Pending home sales kicked off 2016 by declining nationally and in three of the country's four regions. The National Association of Realtors® (NAR) said that its Pending Home Sales Index (PHSI) **declined 2.5 percent** in January to 106.0. The indicator, based on signings for home purchase contracts was higher than the index in January 2015 by 1.4 percent.

The **unexpected** decline - the consensus of analysts was for a 0.5 percent increase - was **offset** a bit by an upward revision in the December index which went from the 106.8 originally estimated, a 0.1 percent increase, to 108.7, a 0.9 percent gain.

NAR said the index has increased year-over-year for **17 straight months** but the January gain was second only to that of September 2014 as the smallest over that period. The average for the index for all of 2015, 108.9, was the highest since it hit 111.7 in 2006 and it was 8.0 percent higher than the average in 2014.

Lawrence Yun, NAR chief economist, says a **myriad of reasons** likely contributed to January contract signings subsiding in most of the country. "While January's blizzard possibly caused some of the pullback in the Northeast, the recent acceleration in home prices and minimal inventory throughout the country appears to be the primary obstacle holding back would-be buyers," he said. "Additionally, some buyers could be waiting for a hike in listings come springtime."

NAR noted that existing-home sales in January measured by closed transactions were **11.0 higher** than the previous January, the largest year-over-year gain since July 2013, but price growth quickened to 8.2 percent - the largest annual gain since April 2015 (8.5 percent).

While the hope is that **appreciating home values** will start to entice more homeowners to sell, Yun says supply and affordability conditions won't meaningfully improve until homebuilders start ramping up production - especially of homes at lower price points.

"First-time buyers in high demand areas continue to encounter instances where their offer is trumped by cash buyers and investors," adds Yun. "Without a much-needed boost in new and existing-homes for sale in their price range, their path to homeownership will remain an uphill climb."

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.33%	-0.12	0.00
15YR Fixed	6.89%	-0.10	0.00
30YR FHA	6.95%	-0.10	0.00
30YR Jumbo	7.44%	-0.06	0.00
7/6 SOFR	6.81%	-0.19	0.00
30YR VA	6.97%	-0.10	0.00

Rates as of: 11/20

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.51	+0.41
10 YR Treasury	4.9403	-0.1033
30 YR Treasury	5.3324	-0.0738

Pricing as of: 11/20 5:59PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Nov 11	199.8	-2.35%
Building Permits	Oct	1.3M	-7.5%
Housing Starts	Oct	1.31M	+7.21%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Oct	63	-4.69%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Nov	25	-13.79%

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The **South** was the **only region** to post any increase in pending sales. The PHSI for the region inched up 0.3 percent to an index of 121.1 in January but remained 1.3 percent lower than last January.

Contract signings in the **Northeast** declined 3.2 percent to 94.5 but were still 10.9 percent above a year ago. The index fell 4.9 percent in the **Midwest** to 101.1 but remained 1.4 higher than the previous January. The index in the **West** decreased 4.5 percent to 96.5. It is still 0.4 percent higher on an annual basis.

Existing-homes sales this year are **forecast** to be around 5.38 million, an increase of 2.5 percent from 2015. The national median existing-home price for all of this year is expected to increase between 4 and 5 percent. In 2015, existing-home sales increased 6.3 percent and prices rose 6.8 percent.

The Pending Home Sales Index is based on a large national sample that typically represents about 20 percent of transactions for existing-home sales. 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. 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.

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