

The Mortgage Corner

PENDING HOME SALES DECLINE

Pending home sales, the leading indicator for the housing sector, are continuing to ease, according to the National Association of Realtors. The Pending Home Sales Index, based on contracts signed in April, fell 3.7 percent to a level of 111.8 from an index of 116.1 in March, and is 11.7 percent below April 2005. This marks the third consecutive monthly decline.

The index is based on pending sales of existing homes. A sale is listed as pending when the contract has been signed and the transaction has not closed, but the sale usually is finalized within one or two months of signing.

This followed NAR's April drop of 2 percent in existing-home sales to 6.76 million annualized units, which are based on actual closings. It is a sign this selling season that usually begins at Easter could disappoint.

Home sales are now moderating, especially in the most expensive markets. The National Association of Realtors recently reported that existing-home sales are down more than 15 percent year-over-year in the 5 hottest state markets. Sales have fallen 22.2 percent in Arizona, 19.2 percent in California, 18.2 percent in Washington, D.C., 15.7 and 15 percent in Florida and Nevada, respectively.

But the hottest real estate cities are still hot, like Phoenix, AZ up 38.4 in Q1 2006, vs. 48.9 percent in Q4 2005 and Orlando, Florida increasing 34 percent in Q1, vs. 42 percent in Q4 2005.

This is while sales in those states left behind in this boom are beginning to heat up. Year-over-year sales rose 15 percent in New Mexico, Louisiana, Montana and Mississippi in Q1, says NAR.

David Lereah, NAR's chief economist, said various housing and economic indicators have been moving in different directions. "When some measures are up and others are down, it tells us that we're in a period of transition. Pending homes sales probably give us the best measure for the overall direction of the housing market, which is falling from historical highs," he said. "I see this time of adjustment as being a trough in home sales that will more or less level out toward the end of the year. Over time, homeownership remains the best investment a family can make."

Regionally, the PHSI in the South rose 1.4 percent in April to 129.4 but was 5.7 percent below April 2005. In the Northeast, the index fell 5.5 percent in April to 106.7 and was 9.3 percent below a year ago. The index in the Midwest declined 5.6 percent to 100.3 in April and was 16.6 percent lower than April 2005. The index in the West dropped 9.8 percent to 100.2 in April and was 19.0 percent below a year ago.