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The Voice for Real Estate®

Pending Home Sales Leap 5.5% in February

WASHINGTON (March 29, 2017) — Pending home sales rebounded sharply in February to their highest level in nearly a year and second-highest level in over a decade, according to the National Association of Realtors®. All major regions saw a notable hike in contract activity last month.

The **Pending Home Sales Index**,* www.nar.realtor/topics/pending-home-sales, a forward-looking indicator based on contract signings, jumped 5.5 percent to 112.3 in February from 106.4 in January. Last month's index reading is 2.6 percent above a year ago, is the highest since last April (113.6) and the second highest since May 2006 (112.5).

[Lawrence Yun](#), NAR chief economist, says February's convincing bump in pending sales is proof that demand is rising with spring on the doorstep. "Buyers came back in force last month as a modest, seasonal uptick in listings were enough to fuel an increase in contract signings throughout the country," he said. "The stock market's continued rise and steady hiring in most markets is spurring significant interest in buying, as well as the expectation from some households that delaying their home search may mean paying higher interest rates later this year."

Added Yun, "Last month being the warmest February in decades also played a role in kick-starting prospective buyers' house hunt."

Looking ahead to the busy spring months, Yun expects to see continued ebbs and flows in activity as new supply struggles to replace listings that are going under contract at a very quick pace. This is especially the case at the lower- and mid-market price ranges, where choices are minimal and prices are being bid higher by multiple offers.

"The homes most buyers are in the market for are unfortunately the most difficult to find and ultimately buy," said Yun. "The country's healthy labor market is translating to greater job security, but affordability is not improving because home prices in some areas are still outpacing incomes by three times or more because of tight supply. How much new and existing inventory there is on the market this spring will determine if sales can reach their full potential and finally start reversing the nation's low homeownership rate."

Existing-home sales are forecast to be around 5.57 million this year, an increase of 2.3 percent from 2016 (5.45 million). The national median existing-home price this year is expected to increase around 4 percent. In 2016, existing sales increased 3.8 percent and prices rose 5.1 percent.



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The PHSI in the Northeast rose 3.4 percent to 102.1 in February, and is now 6.6 percent above a year ago. In the Midwest the index jumped 11.4 percent to 110.8 in February, but is still 0.6 percent lower than February 2016.

Pending home sales in the South climbed 4.3 percent to an index of 127.8 in February and are now 4.2 percent above last February. The index in the West increased 3.1 percent in February to 97.5, but is still 0.2 percent higher than a year ago.

The National Association of Realtors®, "The Voice for Real Estate," is America's largest trade association, representing 1.2 million members involved in all aspects of the residential and commercial real estate industries.

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* The Pending Home Sales 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.

The index is based on a large national sample, typically representing about 20 percent of transactions for existing-home sales. In developing the model for the index, it was demonstrated that the level of monthly sales-contract activity parallels the level of closed existing-home sales in the following two months.

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.