

## Nine Consecutive Gains for Pending Home Sales

Washington, December 01, 2009

Pending home sales have risen for nine months in a row, a first for the series of the index since its inception in 2001, according to the National Association of Realtors®.

The [Pending Home Sales Index](#),\* a forward-looking indicator based on contracts signed in October, increased 3.7 percent to 114.1 from 110.0 in September, and is 31.8 percent above October 2008 when it was 86.6. The rise from a year ago is the biggest annual increase ever recorded for the index, which is at the highest level since March 2006 when it was 115.2.

[Lawrence Yun](#), NAR chief economist, said home sales are experiencing a pendulum swing. "Keep in mind that housing had been underperforming over most of the past year. Based on the demographics of our growing population, existing-home sales should be in the range of 5.5 million to 6.0 million annually, but we were well below the 5-million mark before the home buyer tax credit stimulus," he said. "This means the tax credit is helping unleash a pent-up demand from a large pool of financially qualified renters, much more than borrowing sales from the future.

The PHSI in the Northeast surged 19.9 percent to 100.2 in October and is 44.2 percent above a year ago. In the Midwest the index rose 11.6 percent to 109.6 and is 36.6 percent higher than October 2008. Pending home sales in the South increased 5.4 percent to an index of 115.4, which is 31.6 percent above a year ago. In the West the index fell 11.2 percent to 127.7 but is 21.9 percent above October 2008.

Yun cautioned that home sales could dip in the months ahead. "The expanded tax credit has only been available for the past three weeks, but the time between when buyers start looking at homes until they close on a sale can take anywhere from three to five months. Given the lag time, we could see a temporary decline in closed existing-home sales from December until early spring when we get another surge, but the weak job market remains a major concern and could slow the recovery process.

"Still, as inventories continue to decline and balance is gradually restored between buyers and sellers, we should reach self-sustaining housing conditions and firming home prices in most areas around the middle of 2010. That would mean broad wealth stabilization for the vast number of middle-class families," Yun said.

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 from 2001 through 2004 parallels the level of closed existing-home sales in the following two months. There is a closer relationship between annual index changes (from the same month a year earlier) and year-ago changes in sales performance than with month-to-month comparisons.

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.

Existing-home sales for November will be reported December 22 and the next Pending Home Sales Index will be on January 5; release times are 10 a.m. EST.

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