

Mortgage Corner

Home Sales Leveling Out

Pending home sales are showing signs of leveling out, indicating that the housing market is entering a period of stabilization, according to the National Association of Realtors.

The Pending Home Sales Index, based on contracts signed in February, slipped 0.8 percent to a level of 117.7 from an upwardly revised index of 118.6 in January, and is 5.2 percent below February 2005. January experienced a strong upward revision from a preliminarily reported index of 116.3 and was higher than the December reading of 117.6; additional data from the Northeast showed that region to be stronger than earlier believed.

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. An index of 100 is equal to the average level of contract activity during 2001, the first year to be examined, and was the first of five consecutive record years for existing-home sales.

David Lereah, NAR's chief economist, said most of the cooling in the housing market has already occurred. "We can expect a historically strong housing market moving forward, earmarked by generally balanced conditions across the country and fairly stable levels of home sales with some month-to-month fluctuations," he said. "This normalization is healthy because it is taking a lot of the pressure off of the decision process for both home buyers and sellers – pressure that was driving abnormal rates of price growth across much of the country over the last few years."

Regionally, the PHSI in the Northeast jumped 6.8 percent in February to 107.9 but was 1.2 percent below February 2005. In the Midwest, the index held even at 114.3 and was 6.0 percent below a year ago. The index in the South slipped 0.1 percent to 129.3 in February and was also 0.1 percent lower than February 2005. The index in the West fell 7.6 percent to a level of 110.9 in February and was 14.8 percent below a year ago.