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July Pending Home Sales Slip

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Pending home sales were down in July, with higher mortgage interest rates slowing the market, according to the [National Association of Realtors®](#).

The [Pending Home Sales Index](#),* a forward-looking indicator based on contract signings, declined 1.3 percent to 109.5 in July from 110.9 in June, but is 6.7 percent above July 2012 when it was 102.6; the data reflect contracts but not closings. Pending sales have stayed above year-ago levels for the past 27 months.

[Lawrence Yun](#), NAR chief economist, said there is an uneven pattern around the country. “The modest decline in sales is not yet concerning, and contract activity remains elevated, with the South and Midwest showing no measurable slowdown. However, higher mortgage interest rates and rising home prices are impacting monthly contract activity in the high-cost regions of the Northeast and the West,” he said. “More homes clearly need to be built in the West to relieve price pressure, or the region could soon face pronounced affordability problems.”

The PHSI in the Northeast fell 6.5 percent to 81.5 in July but is 3.3 percent higher than a year ago. In the Midwest the index slipped 1.0 percent to 113.2 in July but is 14.5 percent above July 2012. Pending home sales in the South rose 2.6 percent to an index of 121.5 in July and are 7.7 percent higher than a year ago. The index in the West fell 4.9 percent in July to 108.6, and is 0.4 percent below July 2012. NAR projects existing-home sales to increase 10 percent for all of 2013, totaling about 5.1 million, and reach approximately 5.2 million next year. With ongoing supply imbalances, the national median existing-home price is expected to grow nearly 11 percent this year, and moderate to a gain of 5 to 6 percent in 2014, with rising construction taking some of the pressure off of home prices.

The National Association of Realtors®, “The Voice for Real Estate,” is America’s largest trade association, representing 1 million members involved in all aspects of the residential and commercial real estate industries. For additional commentary and consumer information, visit www.houselogic.com and <http://retradio.com>.

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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. NOTE: Existing-home sales for August will be reported September 19 and the next Pending Home Sales Index will be on September 26; release times are 10:00 a.m. EDT.

