

Pending US home sales increase in March

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More Americans signed contracts to buy homes in March, the third straight month of gains as housing heats up with the start of the spring buying season.

The National Association of Realtors said Wednesday that its seasonally adjusted pending home sales index rose 1.1 percent to 108.6 last month. The index has climbed 11.1 percent over the past 12 months after having dipped in 2014. The number of signed contracts are at their highest level since June 2013.

Pending sales improved in the South and West. But the number of signed contracts fell in the Northeast and Midwest, two areas that many economists expected to show rebounds after a harsh winter hurt sales at the beginning of 2015. The overall figures suggest strengthening demand from would-be buyers, even though there are relatively few new listings on the market and sales prices are rising at a faster rate than wages.

The increase in signed contracts also indicate that robust hiring and low mortgage rates are encouraging more Americans to buy houses, after years of waiting to save for down payments and rebuild their credit in the wake of the housing bust and 2008 financial crisis.

"The fundamentals are better, with a much stronger labor market and rising mortgage applications, so we think the upward trend has a better chance of being sustained," said Ian Shepherdson, chief economist at Pantheon Macroeconomics.

Pending sales are a barometer of future purchases. A one- to two-month lag usually exists between a contract and a completed sale, meaning that the gains should appear in April and May sales numbers.

Existing homes sold at an annual pace of 5.19 million in March, a solid upturn after annual sales tracking below 5 million in February and January, the Realtors reported last week. Still, economists say that sales should average about 5.5 million annually in a healthy market.

But greater buying activity has yet to bring more sellers into the market. A mere 4.6 months of supply are available, compared to six months in what economists consider to be standard.

The tight supplies have caused prices to climb at averages that damage affordability. Median home prices increased 7.8 percent over the past 12 months to \$212,100. That increase is nearly four-times greater than the average wage growth tracked by the Labor Department.

Still, other affordability pressures have eased.

Solid hiring over the past year has added 3.1 million people working with paychecks to spend, as the unemployment rate has fallen to 5.5 percent from 6.6 percent a year ago. The influx of paychecks should boost home sales, economists say.

Historically low mortgage rates should also help buyers. The average 30-year fixed rate was 3.65 percent last week, according to the mortgage giant Freddie Mac. The average has plummeted from a 52-week high of 4.33 percent.