



Economics Group

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Pending Home Sales Falter in January

Pending home sales fell 2.8 percent in January, as low inventory and higher mortgage rates restrained potential homebuyers. The weaker reading suggests some downside risk to upcoming existing home sales.

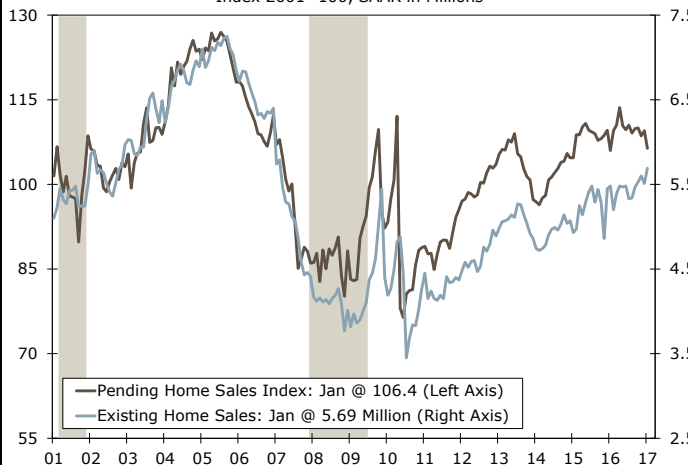
Tight Inventory Holds Back Sales

- Pending home sales, a forward-looking indicator based on contract signings, fell 2.8 percent in January. Sizable drops in the West and Midwest pulled the headline lower, while the Northeast and South reported modest increases.
- The West was particularly weak, with purchase contracts falling a staggering 9.8 percent in January. Inventory in the region is exceptionally tight, however, and the weather has been rough.

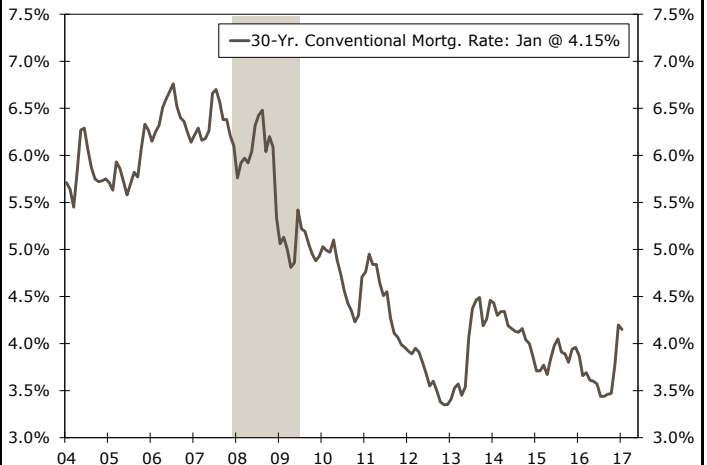
Weak Start to 2017 for Pending Home Sales

- Upward revisions to the prior month's data reveal a slightly stronger trend but also hint that higher interest rates may have taken a heavier toll on sales.
- The housing data are notoriously volatile during the winter and too much should not be made of this weak report. Mortgage rates have reversed part of their post-election spike recent and we expect sales to turn up this spring.

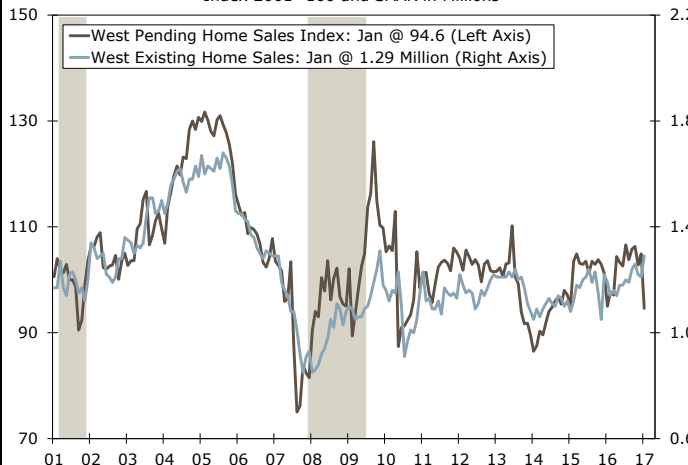
Pending vs. Existing Home Sales
 Index 2001=100, SAAR in Millions



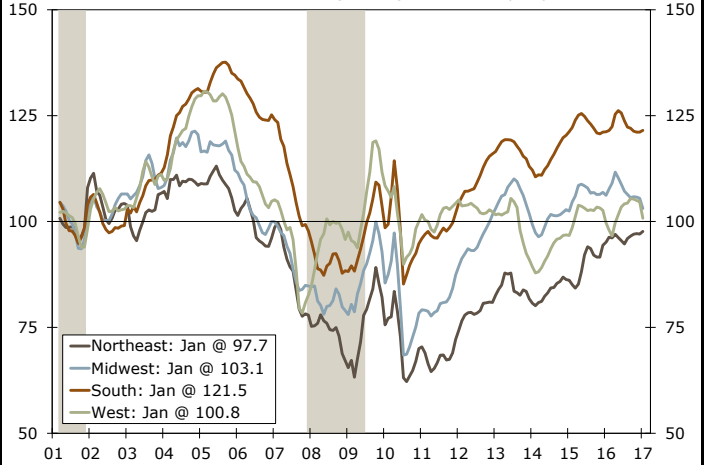
Mortgage Rate
 Average Conventional 30-Year Commitment Rate



Pending vs. Existing Home Sales - West
 Index 2001=100 and SAAR in Millions



Pending Home Sales Index - By Region
 Index 2001=100, 3-M Moving Averages, Seasonally Adjusted



Source: National Association of Realtors, FHLMC and Wells Fargo Securities

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