Mortgage rate rise dents home resales

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Contracts to purchase previously owned U.S. homes unexpectedly decreased in November on a sudden pickup in mortgage rates and limited inventory, according to figures released Wednesday from the National Association of Realtors in Washington.

Key points:

» Pending home sales gauge declined 2.5 percent (forecast was for 0.5 percent gain) after rising 0.1 percent the prior month.

» Index increased 1.4 percent from November 2015 on an unadjusted basis.

» Pending sales decreased in three of four U.S. regions on a month-to-month basis.

Big picture:

The drop in contract signings was the first in three months and shows the impact of a surge in borrowing costs that began after the U.S. presidential election. While home-buying activity has been spurred by further labor-market improvement and promising gains in wages, the industry also has been challenged by limited inventory, particularly for lower-priced homes that could attract entry-level buyers. A further increase in mortgage costs risks reducing affordability as gains in property values have been outpacing income growth.

Economist takeaways:

"The budget of many prospective buyers last month was dealt an abrupt hit by the quick ascension of rates immediately after the election," Lawrence Yun, NAR's chief economist, said in a statement. "Already faced with climbing home prices and minimal listings in the affordable price range, fewer home shoppers in most of the country were successfully able to sign a contract."

Other details:

» Purchases decreased 6.7 percent in the West, the biggest decline since July 2013; index fell 2.5 percent in the Midwest to the lowest level since January.

» Measure of contract signings in the South, the largest U.S. region, declined 1.2 percent to the weakest level since September 2014.

» Seasonally adjusted pending-sales gauge fell in November to 107.3, the lowest since January.

» NAR economist Yun projects 5.42 million home sales this year, up from 5.25 million in 2015 and the best since 2006.