

The National Association of Realtors reported Wednesday that the pending homes sales index fell in July from June. GENE J. PUSKAR/AP

Pending home sales slip but remain solid

Mortgage rates begin to affect pace

By Julie Schmit
USA Today

Signed contracts to buy homes fell in July as higher mortgage interest rates slowed the market, according to the National Association of Realtors.

The pending home sales index declined 1.3 percent in July from June, but was 6.7 percent above year earlier levels, the association said Wednesday.

"The modest decline in sales is not yet concerning," says Lawrence Yun, NAR chief economist.

» Regional differences appear. He noted an uneven pattern around the country. The South and Midwest show no measurable slowdown. Higher mortgage interest rates and rising home prices are affecting activity in the Northeast and the West, he said.

"More homes clearly need to built in the West to relieve price pressure, or the region could soon face pronounced affordability problems," he says.

Pending home sales, which foretell the rate of closings a month or two later, dipped in June as higher interest rates began to weigh on buyers.

» Data indicate slowdown. The pending sales data follows other reports showing a slowdown in the pace of the housing recovery.

The Standard & Poor's/Case-Shiller data for June, released Tuesday, showed home prices up a robust 12.1 percent year over year but price gains slowed in recent months.

From May, they were up 0.9 percent on a seasonally adjusted basis, about half as much as in March, for the 20-city index.

Still, an almost 1 percent monthly gain is larger than historical norms.

New home sales, meanwhile, fell 13.5 percent in July from June to a nine month slow.

Single family housing starts in July were down 2.2 percent from June.