

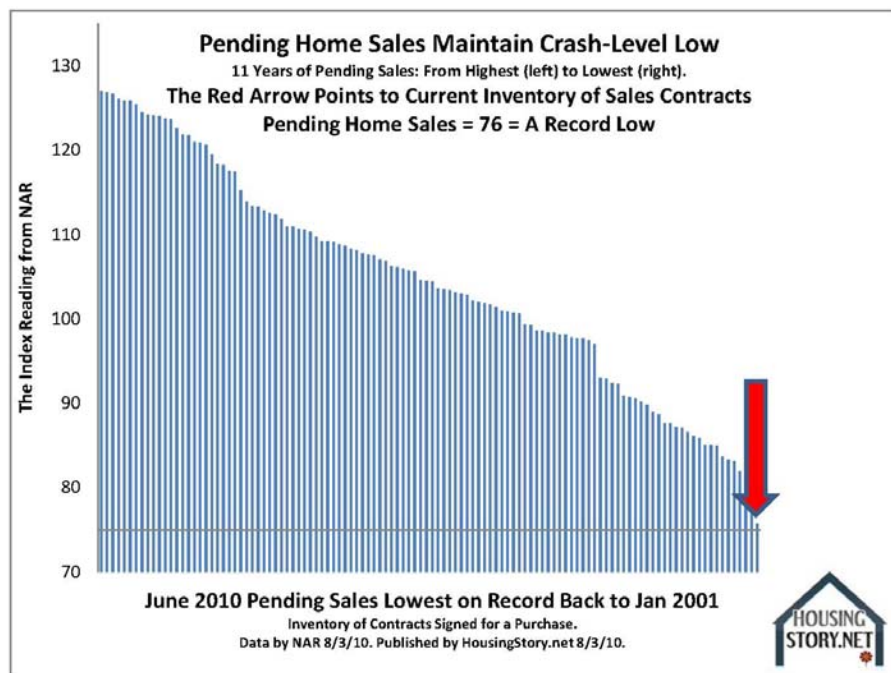
Pending Homes Sales Hit New Record Low Again

Major News Media Out to Lunch on Critical News of Demand Failure in Housing
All They Miss Is the Best Indicator of Price For the Most Important Asset
Is Anybody Home?

By Michael David White

The Index of pending home sales fell to a new record low and replaced last month's reading of a new record low.

Pending-home sales have fallen below the worst numbers seen in the housing crash and going back to the inception of this measurement.

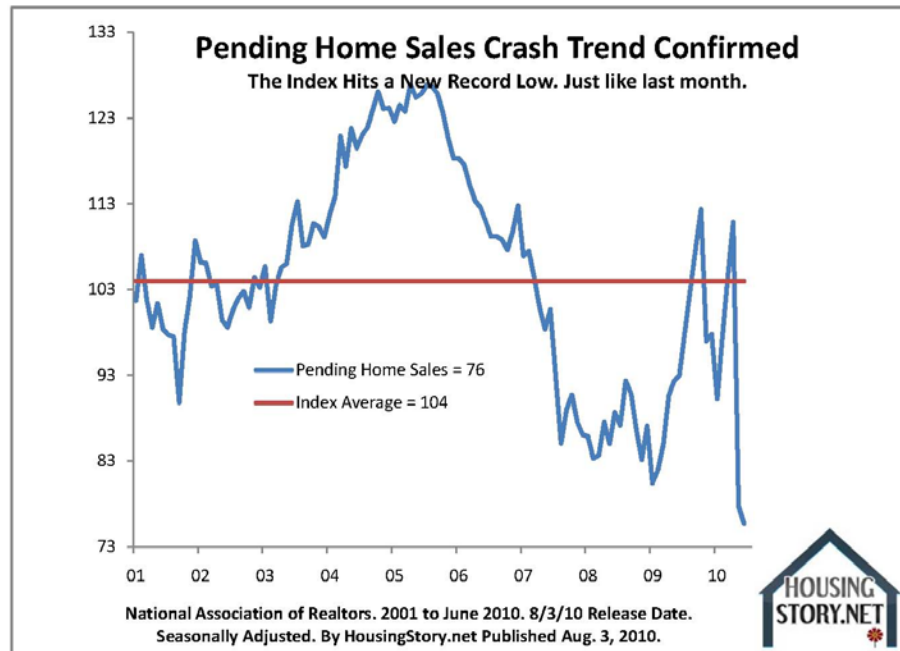


The chart above shows a veritable death march in the state of American residential property. It clearly proves shallow demand. The inventory of signed contracts cannot sustain current price levels. That means prices are falling unless we experience divine intervention.

The National Association of Realtors (NAR) announced the figures today, but made no mention of the record low in its press release. This is exactly the same method the NAR followed in last month's release when they made no mention of a record fall or a new record low. They did report the raw data.

We also find again this month that major news outlets are dumb and incapable of understanding this most obvious of indicators (headlines from the big sites follow at the end of this post). Last month was also a record low and the first report on pending sales following the April 30th expiration of the free-down-payment program.

The pending-home-sales stat gives us our best view of buyer demand without the hugely popular down-payment prop from the federal government. The news is not good and it flew right over the head of our correspondents at 15 major mainstream publications including Bloomberg, Associated Press, Reuters, and Marketwatch.



The chart of pending contracts above is literally a fall into the abyss. The May and June pending-sale figures are as bad as it gets; at least so far. HousingStory.net estimates current inventory for sale of 4 million units is 1.3 million units higher than it should be, and not too far away from the record high 4.5 million for sale.

Two months in a row of pathetic pending-home sales inventory figures will surely change months of units for sale. They are currently at 8.9 months and far above the average 5.8 months. The record high inventory is 11.3 months in April 2008.

Prices for residential real estate have been flat since August 2009, but are down 30% from their peak. Pending home sales suggest a new fall – for those with eyes to see and ears to hear.

Lawren Yun, NAR chief economist, has a different take on it. “Since home prices have come down to fundamentally justifiable levels” Dr. Yun said today, “there isn’t likely to be any meaningful change to national home values.” That’s a brave forecast. I wonder if Dr. Yun is a renter or an owner?