

# REDFIN: PENDING HOME SALES IMPROVE IN JANUARY



MAR 2023 — Pending sales posted their smallest year-over-year decline in three months as mortgage rates ticked down, according to Redfin. Early indicators of homebuyer demand, including tour requests and mortgage applications, are increasing from their low point.

Pending home sales fell 26 percent year-over-year during the four weeks ending Jan. 22, the smallest drop in more than three months, according to a new report from Redfin.

**Pending sales began rising on a month-over-month basis in December as buyers started returning to the market, encouraged by increased negotiating power and mortgage rates that have declined to 6.1 percent from their 7 percent peak.**

Redfin said newest figures align with a recent increase in early-stage homebuyer demand, with mortgage-purchase applications up 28 percent since

November and Redfin home-tour requests on the rise.

New listings of homes for sale were down 18 percent from a year ago, though that's a smaller drop than recent weeks. The median home-sale price rose 1.1 percent year-over-year to \$350,000, the biggest increase in over a month.

On a local level, the number of metros where prices are falling from a year earlier is shrinking. Home prices declined in 17 of the 50 most populous U.S. metros, with the biggest drops in the Bay Area, down from 20 at the beginning of January.

**Redfin agents are reporting that mortgage rates dipping nearly a full percentage point over the last two months is bringing back some sidelined buyers and attracting new ones.** They're noticing an increase in interest from clients, including requests for tours, and reporting that some homes that have been on the market for months are finally going under contract.

"Homebuyers are starting to feel more confident as mortgage rates tick down closer to 6 percent than 7 percent and the overall economy chugs along with surprising resilience, especially in the labor market. Steadily cooling inflation is likely to prevent mortgage rates from jumping back up," Redfin Economics Research Lead Chen Zhao said in a release. **"When rates were seesawing up and down in the fall, many buyers dropped out because they could wake up the day after finding their dream home to a three-digit increase in their potential monthly payment. Now they have a better sense of how far their budget will go in which neighborhoods and which homes they can afford."**

## LEADING INDICATORS OF HOMEBUYING ACTIVITY:

- For the week ending Jan. 26, **30-year mortgage rates dropped to 6.13 percent**, hitting their lowest level since September. The daily average was 6.18 percent on Jan. 25.
- **Mortgage-purchase applications during the week ending Jan. 20 increased 3 percent** from a week earlier and 28 percent from their early-November trough, seasonally adjusted. Purchase applications were down 39 percent from a year earlier.
- The seasonally adjusted **Redfin Homebuyer Demand Index was up 6 percent** from a month earlier during the four weeks ending Jan. 22. It was down 29 percent from a year earlier.