



Pending Numbers

Valuable Real Estate Tools For You

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With all the false hype in the media about a supposed “crashing market”, it’s more important than ever to understand the proper way to analyze what’s truly going on. One of the best ways to do so is to understand pending numbers. There is no better indicator of how the real estate market is doing right now than pending home sales for a specific period.

So what does “pending” mean? When a property is put up for sale, the real estate industry calls it “listed”. When a contract is signed, it’s labeled “pending”. This does not mean the property is sold—because there has been no closing yet. A legally binding contract has been signed, but all the conditions have not yet been met. Conditions could be loan approval, inspection, or the sale of the buyer’s current home.

Whatever the conditions are, the number of pending home sales is the most powerful indicator of how strong or weak the real estate market is. When a property is pending, the chance of that property going through to completion is very high. The number changes from area to area, but in some places the pending-to-closing percentage can be as high as 98%.

This is why looking at the pending numbers is important in predicting real estate trends. For example, the media who report on a “crashing” market are not fully versed in real estate fluctuations because they don’t work in the industry every day. Pending numbers aren’t part of their vocabulary. As a real estate professional, I always look at the

Pending Home Sales Index (a number based on contracts signed in a specific period).

In November 2006, the number of pending contracts eased only slightly—only 0.5% down from October’s level. Why is this important? A half percent drop in a month like November (with the Thanksgiving holiday and preparations for Christmas looming) tells me the market is very steady.

If you’re buying a house and the pending number is very high, this shows a lot of competition. You’re probably going to have to pay more money. But if you’re selling, a high pending number is good for you because you have a lot of buyers vying for your property.

If you’re buying a house and the pending numbers are low, this is good news for you. Less competition means you can negotiate for a lower price with a higher chance of success in doing so. But if you’re selling, a low pending number means you need to look at your list price, your conditions, and your offering. You may have to be more competitive with your pricing.

So the next time you hear “the market is crashing”, call me to find out the pending numbers in your area. I’ll help you weed through the false information with solid numbers.


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