



Real estate sales pause during spring season Buyer demand remains strong with rebound in foot traffic

Lexington, KY (May 26, 2020) – For the first time since June of 2019, real estate sales in the region experienced a decline year-over-year, with the current pandemic and the ongoing inventory issues creating a ripple in the market.

Total sales in April were down 18 percent over last year, with 968 transactions in 2020 compared to 1,180 in 2019. Single-family home sales dropped 19 percent, with 906 sales compared to 1,114 last year. Townhouses/condos saw a decline of 6 percent in April, bringing monthly sales to 62 versus 66 in 2019.

New construction sales continued to strengthen in April with 119 sales, a 33 percent increase over last year's 89 sales and pushing new construction to over 12 percent of the market for the month.

Year-to-date, due to a strong first quarter of the year, total real estate transactions remain up 2 percent compared to 2019. Transactions totaled 3,907 compared to 3,835, an increase of 72 homes sold. Fayette County has seen a drop of 6 percent in sales for the year while the next five largest counties – Madison, Scott, Jessamine, Franklin and Laurel – in total transactions have all experienced double digit increases year-to-date.

Nationally, overall sales dropped 17 percent year-over-year and NAR's chief economist Lawrence Yun said that "the economic lockdowns – occurring from mid-March through April in most states – have temporarily disrupted home sales, however, listings that are on the market are still attracting buyers and boosting home prices."

"We expected sales to wane for a few months as we entered into the spring market," said Greg Buchanan, president of the Lexington-Bluegrass Association of REALTORS® (LBAR). "Inventory issues were low before the crisis happened and have proven to be a challenge as we navigate through the pandemic. Compound this with the abrupt halt to the economy and the result has been a shock to the market."

Due to the sudden economic changes, levels of inventory took a hit of 25 percent for the month, dropping to 2,719 available residential properties, continuing a streak of three straight months of levels averaging less than 3,000 available residential properties for sale. With the drop in April, inventory levels have decreased year-over-year for 11 consecutive months and hit a new all-time low. In addition, new listings to the market fell 31 percent for the month, further contributing to lack of homes available in the region.

Months of inventory shrunk, hitting only 2.8 months in April 2020 compared to 3.1 months at the same time last year, a drop of 10 percent. Homes priced in categories from \$100,000 to under \$200,000, all had less than 2 months available while the categories generally considered in the range for many first-time buyers, \$140,000 to less than \$200,000, had less than 1.5 months available. A six-month supply of inventory is often considered a balanced market.

Days on market in April followed the trend for the year, with a 16 percent decline, hitting 48 days compared to 57 days in April 2019. Days on market dropped 19 percent in April from the previous month. Sixty-six percent of all home sales occurred in less than a month, 16 percent more than the total sold in that time last year when 57 percent sold in less than a month. Only 13 percent of homes took longer than 120 days to sell in April.

“The shortage of supply has put increased pressure on prices,” said Greg Buchanan, president of the Lexington-Bluegrass Association of REALTORS® (LBAR). “Real estate is still moving very quickly and the demand in this area is very strong. Some potential buyer, and even sellers, are putting a temporary hold on their decisions, however, we anticipate market activity on both sides to pick up quickly as the state, and country, start the opening process.”

Home prices were pushed upward, reaching a median of \$198,000 for the month, ending at an all-time high. This surpasses the previous high last month of \$191,500 and was a 13 percent increase over the \$175,000 median price from April 2019. Before consecutive months of record median prices, the next highest median price recorded was \$189,900 in June of last year.

Median prices for both single-family homes and townhouses/condos rose 14 percent year-over-year, coming in at \$199,900 and \$164,950 respectively. This marks 14 straight months of gains while on the national level, home prices have risen for 98 straight months, coming in at \$286,800 in April, an increase of over 7 percent from last year.

The spring housing market may be delayed at least another month as pending sales in April dropped for the second month in row, falling 16 percent, with 1,258 homes under contract, versus 1,497 last year. Pending sales serve as a good indicator of where total sales may be in the coming months.

And while a lower pending total in April is a likely signal to slower May transactions, data coming out now from the Mortgage Bankers Association has shown that mortgage applications for home purchases have increased for five consecutive weeks, ending the third week of May, and that purchase volume was almost even compared to being down 35 percent six weeks ago. In fact, government purchase applications, which include FHA, VA and USDA loans, are now 5 percent higher than the same time last year.

This tracks with information reported on real estate showings locally. Starting around mid-March, foot traffic decreased substantially in the Central Kentucky region. Around mid-April the spread between this year and last started to close and by the first week in May, foot traffic to available homes surpassed last year's total.

Buchanan added, “Demand in the area hasn't slowed down as ready and willing buyers have still been in the market. What we have seen has been a temporary hold on people listing their homes and some sitting out for a few weeks, waiting for the right time to resume their search. Because of the demand and tight inventory, prices have held steady, and in many cases accelerated. Good news is that mortgage forecasts have shown a downward rate trend so far this year and continue to project record-low rates for the foreseeable future.”

Fannie Mae projected recently the average rate in the second quarter of 2020 would be 3.2%, followed by 3.1% in the third quarter and 3% in the fourth quarter. For 2021, they are forecasting an average of 2.9% for every quarter of the year.

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