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Real estate market gets a boost in new listings, pending sales

Sales lag even as inventory closes gap

Lexington, KY (January 25, 2024) – The real estate market in the Bluegrass region experienced a notable upturn in December, marked by a year-over-year increase in new listings for the first time since June 2022. The total number of properties entering the market saw a 5% rise, reaching 843 compared to 804 in the previous year. While December's total remained relatively low, this uptick suggests a potential improvement in housing inventory, providing buyers with a broader selection throughout the year.

Another encouraging development for 2024 is the growth in pending sales during December, reaching 843. Although this figure represented a yearly low, normal for the end of the year, it marked a significant 13% increase from the previous year's 746. The recent decline in interest rates and anticipation of future rate cuts appear to be stimulating demand, enticing buyers back into the market.

Randy Newsome, president of Bluegrass Realtors®, commented, "With average interest rates reaching seven-month lows and the expectation of multiple rate cuts in 2024, the real estate market is poised to achieve a more balanced state. Lower rates will enhance housing affordability, potentially leading to an increase in demand."

Despite a lack of rebound in home sales through December, the market saw single-digit decreases from the previous year, maintaining an 8% decline with 902 sales compared to 982 in 2022. Single-family home sales stood at 851, marking a 9% drop, while townhouse/condo sales increased by 13% to 51.

For the year, homes sales dropped 17%, with 12,672 sales, compared to 12,347 for all of last year.

New construction sales continued their strong performance, with a remarkable 38% boost in December, following a 66% increase in November. December ended with 105 sales compared to 76 last year.

Although the months of inventory (MOI) remained above 3 for the second consecutive month, reaching 3.3 months, the third highest level of 2023. This represented a 7% increase from a year ago when it was 3.1 months. However, it was a decline of 6% from the previous month.

Newsome continued, "Inventory levels have the potential to improve in 2024 as rates drop and sellers regain confidence in listing their homes. It's easier to give up a 3% rate for a 5-6% rate than it is for an 8% rate. But if rates do fall considerably, prices may have the opposite response, especially in our region."

Despite limited movement in interest rates in December, home prices rose by 5%, reaching \$253,500 compared to \$242,000 in 2022. This increase marked the 58th consecutive month of year-over-year price appreciation. Single-family homes settled at \$255,000 in December, a 4% jump, while townhomes/condos experienced a 6% increase, reaching \$217,500.

The median home price reached an all-time monthly high in December, closing the year at \$255,000, up from \$240,000 in 2022.



The total volume of residential real estate sold in December experienced an 8% decrease to just over \$255 million, with the year-end total down 13% to \$3.7 billion from 2022's \$4.3 billion.

"The region experienced a softening of price appreciation in 2023 due to the surge in interest rates but has remained insulated from actual price declines for five years now," Newsome emphasized. "However, as we potentially enter a period of rate slowdown in 2024, price appreciation may ramp up again."

While housing inventory jumps could help mitigate price spikes, the market is yet to witness a significant change, with overall inventory levels falling from their highest point of the year. December saw a 4% decrease from the previous month and the same from the previous year. With 2,948 homes on the market compared to 3,066 last year, December became the ninth consecutive month of year-over-year declines. Current inventory levels remain approximately 65% below those of a decade ago and just over 40% lower than pre-pandemic levels.

December's days on market (DOM) remained consistent with November, averaging 39 days, a rise of 3% from last year's 38 days. December marked 17 consecutive months of year-over-year increases. The median DOM decreased by two days year-over-year, from 19 days in December 2022 to 17 days in 2023.

For the year, the average DOM came in at 38, a 41% increase over the 27 days last year. The year-end median DOM was up 71% with 12 days in 2023 compared to 7 days last year.

Newsome concluded, "As we navigate the housing market throughout 2024, we may see sales and prices rise with a return to multiple offer situations if rates take significant cuts. Any boost in inventory would be short-lived as homes could be scooped up by buyers capitalizing on the return to lower rates."

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