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Home sales edge closer to previous year's numbers

Major stat categories see improvements with prices still rising

Lexington, KY (December 22, 2023) – Home sales in November showed an 8% decrease from last year, the strongest year-over-year comparison of 2023, with 894 sales compared to 975 in 2022. Single-family home sales for the month stood at 839 while townhouse/condo sales hit 55, both decreasing by 8% year-over-year.

A bright spot in November was the surge in new construction sales, reaching the second-highest total for the year at 131, a substantial 66% increase from the 79 sales recorded in the same month last year.

Kelley Nisbet, president of Bluegrass Realtors®, offered insights, “Seeing year-over-year sales figures getting closer each month is a positive trend. Recent reductions in interest rates, coupled with indications of the Federal Reserve pausing or potentially lowering rates into 2024, are anticipated to influence the market dynamics as we approach the new year.”

November's pending sales narrowed the gap to a mere 3% decrease from the previous year, with 877 compared to 907 in November 2022. This signals a strengthening demand for housing in the Bluegrass region, despite the higher interest rates experienced throughout the third quarter of this year.

The average interest rates for November reached 7.44%, a slight decrease from the previous month's 7.62%, yet an increase from 6.81% a year ago. However, with the Federal Reserve's decision to halt rate increases, rates have already dipped below 7%, with projections suggesting three rate cuts in 2024. Leading mortgage experts and lenders anticipate rates to stabilize around 6% by the end of the next year.

Commenting on potential rate adjustments, Nisbet remarked, “If rates continue to decline, we should expect a surge in demand. More buyers looking at the region’s limited supply of homes could lead to more rapid price appreciation. The Fed seems to be of a mind to decrease rates slowly, which from our perspective, is ideal to give the market time to adjust.”

November maintained the upward trajectory in prices, marking the 57th consecutive month of year-over-year price appreciation, with an 11% increase. This marks the first time this year with consecutive double-digit increases.

The median home price in November reached an all-time monthly high of \$257,000, reflecting an 11% increase over the previous year's \$232,500, albeit a slight decrease from October's median of \$257,500. Single-family homes peaked at \$256,250, while townhomes/condos experienced a remarkable 34% increase, reaching \$275,000. Year-to-date, median prices have risen by 6%, reaching \$255,000 compared to \$240,000 in 2022.

Due to price increases and a narrowing of sales, the total volume of residential real estate sold in November rose by 1% to just under \$273 million, up from last year's total of \$269 million. However, on an annual basis, total sales volume reached almost \$3.5 billion through 11 months, down 14% from the 2022 total of \$4 billion.



Nisbet emphasized, "The market may experience a shift if current trends persist into the new year. National forecasts indicate a substantial rise in housing inventory as more sellers enter the market after delaying sales over the past two years. Falling mortgage rates and economic improvements are expected to boost the demand for housing."

While new listings have not yet rebounded, they did narrow the year-over-year gap. November marked a monthly low in listings coming on the market at 1,097, a marginal 3% decrease from 1,131 last year.

Conversely, the region's overall inventory levels reached their highest point for the year, surpassing the 3,000 threshold for the first time since last November. With 3,073 homes available in November, representing a 5% increase from the previous month and a 7% decrease from last year, this continues the eighth 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.

Months of inventory (MOI) in November rose to the highest level since January, reaching 3.5 months, a 3% increase from a year ago and a 21% increase from the previous month when it was 2.9 months. Aside from January, November's MOI is the highest since late 2019.

Days on market (DOM) also experienced an uptick in November, rising by 18% over the previous year, with properties remaining on the market for an average of 39 days. Last year's average was 33 days, and October's was 36 days. November marked 16 consecutive months of year-over-year increases. The median DOM increased by three days year-over-year, from 13 days in October 2022 to 16 days this year. For the year, the average DOM increased from 26 last year to 38 through November.

Nisbet concluded, "Buyers and sellers entering the market now should strategically plan their approach. Buyers need to secure preapproval through a lender and collaborate with a real estate professional to set goals. As competition is likely to intensify in the spring, buyers must be agile, as the market is anticipated to pick up speed. Sellers, too, need to have a clear understanding of their destination and what they are willing to accept."

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