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Housing inventory is limiting options for buyers

New listings not keeping pace with demand

Lexington, KY (July 24, 2023) – Inventory levels have declined, year-over-year, for the third consecutive month. In June, available homes on the market hit 2,454, down 14% from last year's 2,851. Despite the decline, available homes are up 7% from the previous month and the second highest level of the year behind January's total. However, inventory levels are currently running 25% below where they were at the start of the pandemic in early 2020.

New real estate listings fell 26% in June when compared to last year and was the fourth consecutive month that hit all-time monthly lows. This year, there were 1,590 residential properties while last year 2,148 properties came to market. The drop in new properties marked six of the last seven months that saw record lows. On a positive note, June's new listings were up 5% from May and continues the stretch of month-over-month increases throughout 2023. For the year, new listings are down 19% year-over-year.

Months of inventory was at the second lowest level of the year, hitting 2 months in June, up 11% from a year ago and from the previous month. A bright spot for housing supply is that MOI has risen for 14 consecutive months. Over the past few years, inventory levels have trended at historic lows – a six-month supply is considered a balanced market.

"According to NAR's Chief Economist, the national market could easily absorb a doubling of inventory," said Kelley Nisbet, president of Bluegrass Realtors®. "Locally, that holds true as inventory continues to be the toughest challenge in the market right now."

Because of the tight inventory, June saw the highest monthly median home price recorded, hitting $262,500, up 3% over the $255,000 from last year, and just over 1% from May, the previous all-time high. Single family homes peaked at $264,900 while townhomes/condos hit $247,500.

June marked the 52nd consecutive month of year-over-year price appreciation. However, for nine months in a row, starting in the last quarter of 2022, year-over-year price appreciation has remained in the single-digits. Year-to-date, median prices are up 4% in 2023 ($250,000) compared to 2022 ($240,000).

Total volume in residential real estate sold landed at just under $400 million, a 15% decline over last year's total of $466 million. On the year, total sales volume hit $1.8 billion through the first half of the year, down 18% from the 2022 total of $2.2 billion.

"Price appreciation, which accelerated over the last several years, has leveled off throughout the year," said Nisbet. "We are starting to settle back into a level of price growth that is normal for the housing market. Whether or not that trend continues for long is the great unknown."

June saw a 21% decline in residential home sales, year-over-year, with 1,252 compared to last year when there were 1,583 sales. June's total sales did get a slight bump from the previous month with a 2% rise from May.

Single-family home sales for the month stood at 1,177, a drop of 21%, while townhouse/condo sales were 75, a decline of 26% year-over-year.

New construction sales dropped to 91 in June, a decrease of 20% over last year and down 30% from May.

Pending sales in June fell 5% from the previous month with 1,215 homes under contract and were down 17% from last year's 1,465 homes.

Homes are staying on the market longer with days on market (DOM) continuing to rise, hitting 11 consecutive months with year-over-year increases. The 32 days in June were the lowest in 2023 but remained up 68% from last year when homes on the market remained for 19 days. The median DOM rose 75% year-over-year, from 4 days in June 2022 to 7 days this year.

"With 4 out of 5 households sitting on interest rates under 5%, it's a challenge to get homes on the market with fewer people on the move," stated Nisbet. "Rates have somewhat stabilized but have seen slight increases over the past few months. Until the government decides to pull back on rate increases or inflation cools, housing may continue to be a challenge for those in the market."

Interest rates ended June slightly higher than May at an average of 6.7%, compared to 6.4%, an increase of just 5%, but were up from around 5.5% last year.

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