



Real estate market remains optimistic amid onset of coronavirus Spring housing market may be delayed

Lexington, KY (April 29, 2020) – The impact on Central Kentucky real estate through March was minimal, however, the region may see a delayed spring market as the crisis takes its toll on the economy.

In March, real estate sales posted a 4 percent increase in total sales over last year, with 1,133 transactions in 2020 compared to 1,088 in 2019. For the first quarter of the year, total sales ended up 10 percent over the same period last year as both January and February in 2020 were record months for total activity.

Single-family home sales saw an increase of 3 percent, with 1,048 total sales compared to 1,015 last year. Townhouses/condos saw a surge of 16 percent in March, bringing monthly sales to 85 versus 73 in 2019.

New construction sales also saw a significant increase in March with 117 sales, a 17 percent increase over last year and pushing new construction to just over 10 percent of the market for the month.

Nationally, overall sales increased 0.8 percent year-over-year and NAR's chief economist Lawrence Yun said that "home sales would wane in March due to the coronavirus outbreak and more temporary interruptions to home sales should be expected in the next couple of months, though home prices will still likely rise."

Home prices locally did climb in March, reaching a median of \$191,500 for the month. This was a 13 percent increase over the \$169,900 median price from March 2019 and ended as the highest median price ever recorded for the Association. The next highest median price recorded was \$189,900 in June of last year.

Median prices for single-family homes rose 14 percent to \$194,500 while townhouses/condos jumped 27 percent to \$180,000. On the national level, home prices jumped 8 percent, year-over-year, to a median of \$280,600, marking 97 straight months of gains.

"Prices in our area have remained strong over several years due to the lack of inventory and strong demand," said Greg Buchanan, president of the Lexington-Bluegrass Association of REALTORS® (LBAR). "With this crisis, we predicted inventory levels would be affected even more than in previous months as people contemplated whether or not to buy or sell and that seems to have occurred."

Levels of inventory saw a decline of 15 percent for the month, averaging less than 3,000 available residential properties for sale for the second month in a row. With the drop in March, inventory levels have decreased year-over-year for 10 consecutive months and hit record monthly lows in every month this year. In addition, new listings to the market fell 8 percent for the month, contributing to lack of homes available in the region.

To further the impact on the real estate market, after 14 consecutive months of increases, pending sales took a hit in March, dropping 7 percent, with 1,316 homes under contract. Pending sales serve as a good indicator of where total sales may be in the coming months.

“People are being cautious right now with the pandemic,” stated Buchanan. “Some will hold off entering the market until the stay at home guidelines are lifted. Once businesses are able to reopen in the weeks ahead, however, we expect a robust housing market to follow. The autumn months should also give the market a lift with the increase in demand and, hopefully, an influx of inventory for buyers who have been sidelined.”

Months of inventory tumbled, hitting only 2.6 months in March 2020 compared to 3.2 months at the same time last year, a drop of 19 percent. Homes priced in categories from \$100,000 to under \$250,000, 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 is often considered a balanced market.

Days on market in March followed the trend for the year, with a 6 percent decline, hitting 59 days compared to 63 days in March 2019. Fifty-six percent of all home sales occurred in less than a month, 10 percent more than the total sold in that time last year when 51 percent sold in less than a month.

Buchanan added, “Real estate is considered essential so REALTORS® are able to work with buyers and sellers but you will see changes in the process. With the distancing guidelines in place, we are using PPE, showings are utilizing more technology and limits are being placed on in-person tours and walk-throughs. But demand is still there – people need to buy and sell for many reasons and many want to come to this area. That has not changed through all of this.”

If pent-up demand wasn’t enough to forecast a strong rebound when the crisis was over, Fannie Mae has predicted, in response to the toll on the economy, that interest rates for 2020 could drop to 3 percent before falling to 2.9 percent next year. Further predictions say that consumers with strong credit could see rates in the mid- to low- 2 percent range. This coming on the heels of already record low rates currently in the market. This could be a huge boon to refinances and prospective home buyers would be able to afford a house sooner than they thought or give some the opportunity to afford a more expensive home than they were able to before.

“Lower rates would certainly be good news for buyers once the crisis is behind us,” said Buchanan. “A solid real estate market is fundamental to a strong economy so that would be a step in the right direction to help the country rebound.”

As the region’s leading advocate for homeownership, Lexington-Bluegrass Association of REALTORS® (LBAR) understands the value and joy of owning a home. LBAR represents more than 3,500 REALTORS® located in 26 counties: Anderson, Bath, Bell, Bourbon, Clark, Clay, Elliott, Estill, Fayette, Franklin, Harrison, Jackson, Jessamine, Knox, Laurel, Lee, Madison, Menifee, Montgomery, Nicholas, Owsley, Powell, Rowan, Scott, Whitley and Woodford Counties. Visit www.lbar.com for up to the minute real estate listings and buying and selling resources.

###

Contact: Hunt Cooper, Communications Director
hunt@lbar.com
859.276.3503