

Thanks for reading the latest edition of The Hangover, my analysis of the Central Kentucky real estate market. Although our official monthly market report has not been released by the Lexington Bluegrass Association of Realtors, I have analyzed the numbers to provide a sneak preview.

When is a hangover no longer a hangover? Maybe after 6 straight months of the market experiencing a pounding headache? That's where we are...it seems we have some chronic issues to deal with. Monthly Pending Sales numbers still lag well behind the numbers of previous years, and in October, the year to date closings will finally drop below where we were one year ago, both in number of units and total sales volume in dollars. The cushion in sales provided by the tax credit in the first quarter has finally gone flat, as every month since May has lagged well behind previous year's numbers.

One bright spot is the inventory levels continue to drop. We should be around 6616 Active listings when the report is released. However, the inventory isn't dropping due to an uptick in sales. Rather, they are dropping mainly as a result of people taking their homes off the market. I would compare it to the employment numbers we receive, when we hear that unemployment is hovering around 10%, yet there are thousands of other employable people who have simply given up searching for a job, so the true number of unemployed would be higher than the stated percentage. I expect we will see the inventory numbers continue to decline through the end of this year as this is historically the time of year when people are reluctant to put their homes on the market. The bottom line is that our inventory is still around 15 months, which is way above where we would like to see it.

Moving forward, what will break us out of this slump? I wish I knew, but whatever it is, it doesn't appear that housing will lead the economic recovery this time. We seem to be in the "chicken and egg" phase of recovery, with each sector looking at the other saying "you go first". I think the single largest obstacle to the real estate recovery is the foreclosure situation. While in Kentucky it is still a small percentage of the total market when compared to other states, the impact of foreclosures on inventory levels and values has been significant. Looking at the calendar of upcoming sales through the Master Commissioner, it doesn't appear that it's getting better anytime soon.

Is there any good news out there when it comes to real estate?? Yes! Interest rates still are at historic lows, making this one of the greatest buying opportunities of all time. My friends in the rental business tell me their business is booming, with occupancy rates at all time highs. How long before those folks get tired of paying someone else's mortgage and get into home ownership? Also, new construction prices are still essentially at 2006-2007 levels, so even if you have a house to sell and aren't crazy about the price it will bring, you have to remember that you're also purchasing something at essentially the same price you could 4 or 5 years ago. Maybe you don't gain as much on your sale, but you're not paying more than you should on the new purchase either.

Here is the Pending Sale chart with my projected number for October 2010:

Pending Sales by Month												
	January	February	March	April	May	June	July	August	September	October	November	December
2010	555	610	909	1143	522	575	540	561	488	452		
2009	472	551	677	809	894	807	772	761	759	718	528	437
2008	713	743	804	860	863	800	732	754	650	525	429	437
2007	801	748	981	1091	1023	883	893	814	644	722	592	469
2006	718	742	1089	1029	1090	1100	932	980	746	799	689	544
2005	763	875	1044	1039	1023	1158	1028	986	925	775	687	554
2004	699	731	975	981	931	925	996	803	755	742	615	516
2003	440	632	850	936	963	990	971	804	660	677	542	519
2002	540	642	607	781	857	669	690	745	647	690	632	536

As always, my goal is to provide accurate, timely information on our local market. Feel free to call or email with any questions.

Mike Wheatley, REALTOR
 MWheatley@MilestoneKY.com
 859-533-2646