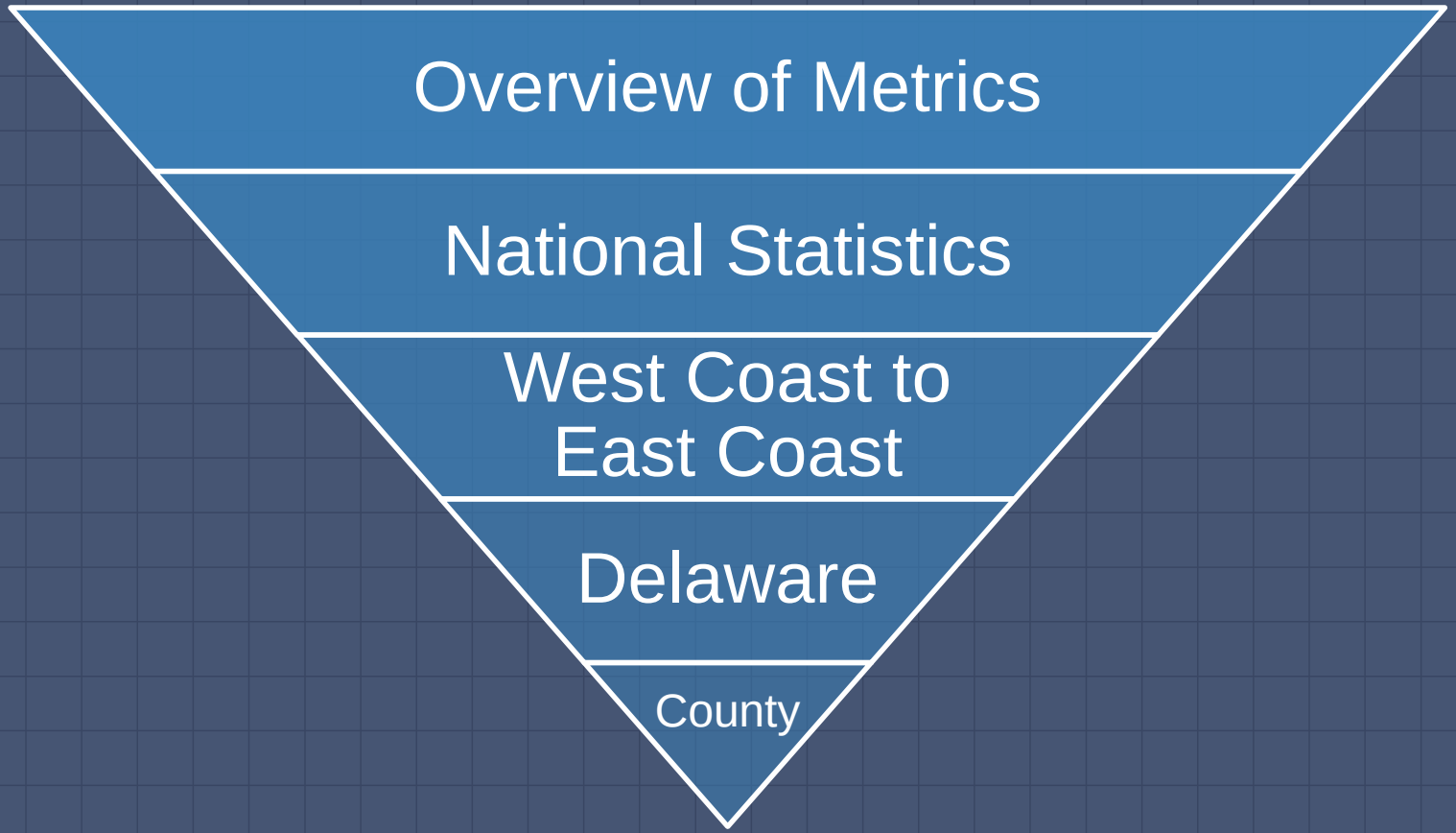
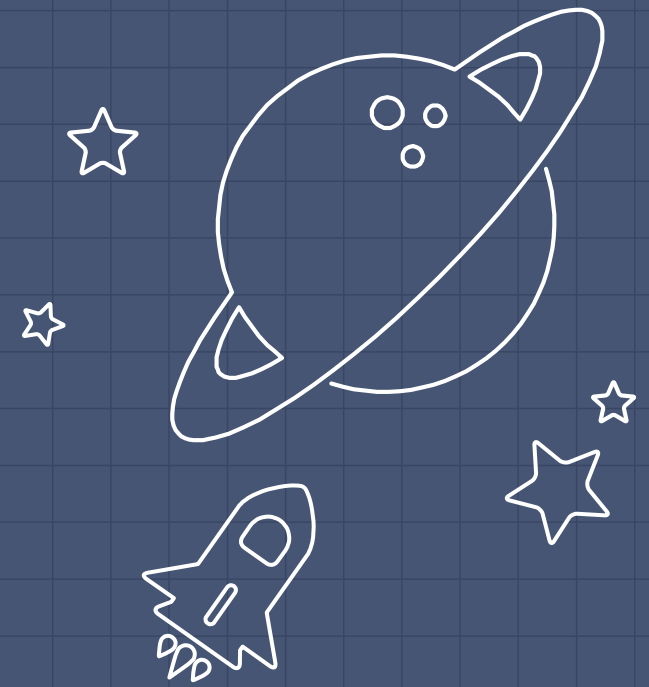
2019 DELAWARE STATE OF THE MARKET

You've Come to the Right Place If You Want to:

- Be in the HOTTEST SEAT IN TOWN!
- Understand how to evaluate real estate market trends
- Learn data-driven ideas for identifying real estate investing tactics and opportunities
- Make profitable decisions on marketing strategies
- Identify key drivers and sweet spots in the Delaware market
- Determine where you want to focus your investing efforts


Overview of Metrics
National Statistics
West Coast to East Coast
Delaware
County

THE JOBS REPORT



Why should these numbers matter?

Released 3 May 2019

3.6%

Unemployment Rate..Lowest in 50 years!

+3.2%

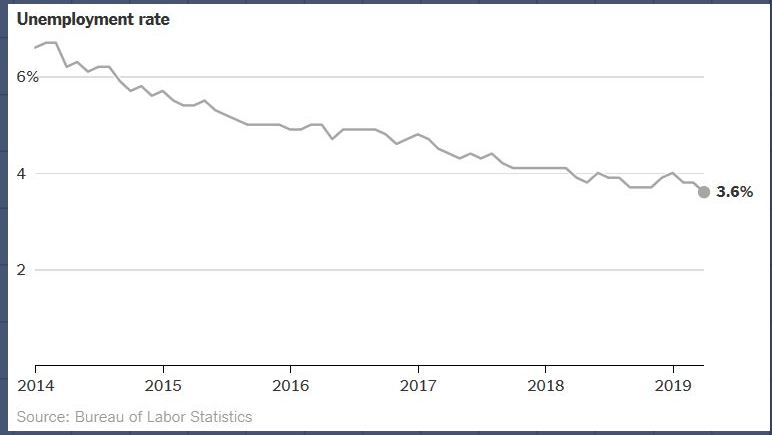
Year-over-year wage growth

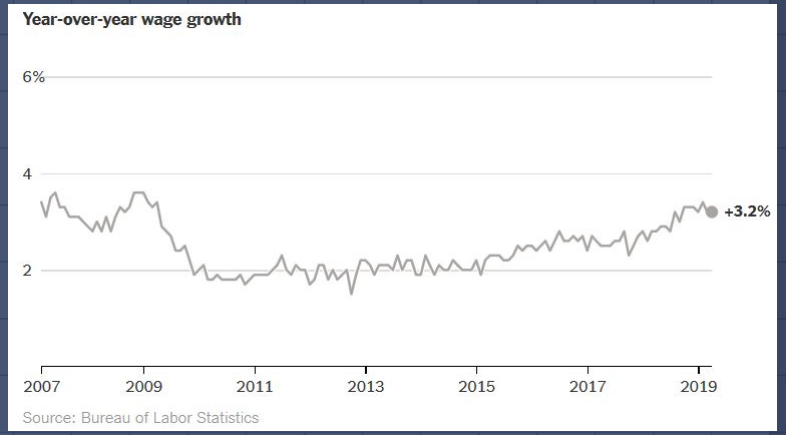
33K

New Construction jobs over the past year

+3.8%

Pending home sales rose in March





https://www.bls.gov/news.release/pdf/empsit.pdf

Three Indicators of a Strong Economy

Growth

Measured using **Growth Domestic Product (GDP).** The market value of all goods and services produced by the economy in a given year. *Important to watch CHANGE in GDP.

High Employment

Measured by the amount of people that are unemployed. Full employment occurs when everyone who wants to work has a job. If people have jobs, they have money to spend.

Price Stability

Occurs when the average prices for goods and services doesn't change or changes very little. Measured by **Consumer Price Index,** and it is the inflation (or deflation) rate- the %of change in a price index.

The pillars of a strong economy

Opendoor

Low unemployment

Employment drives production and spending.

Civilian unemployment rate in percent since 2000

Wages rising

Higher wages means people have more money to spend or save.

Compensation of employees received: wage and salaries

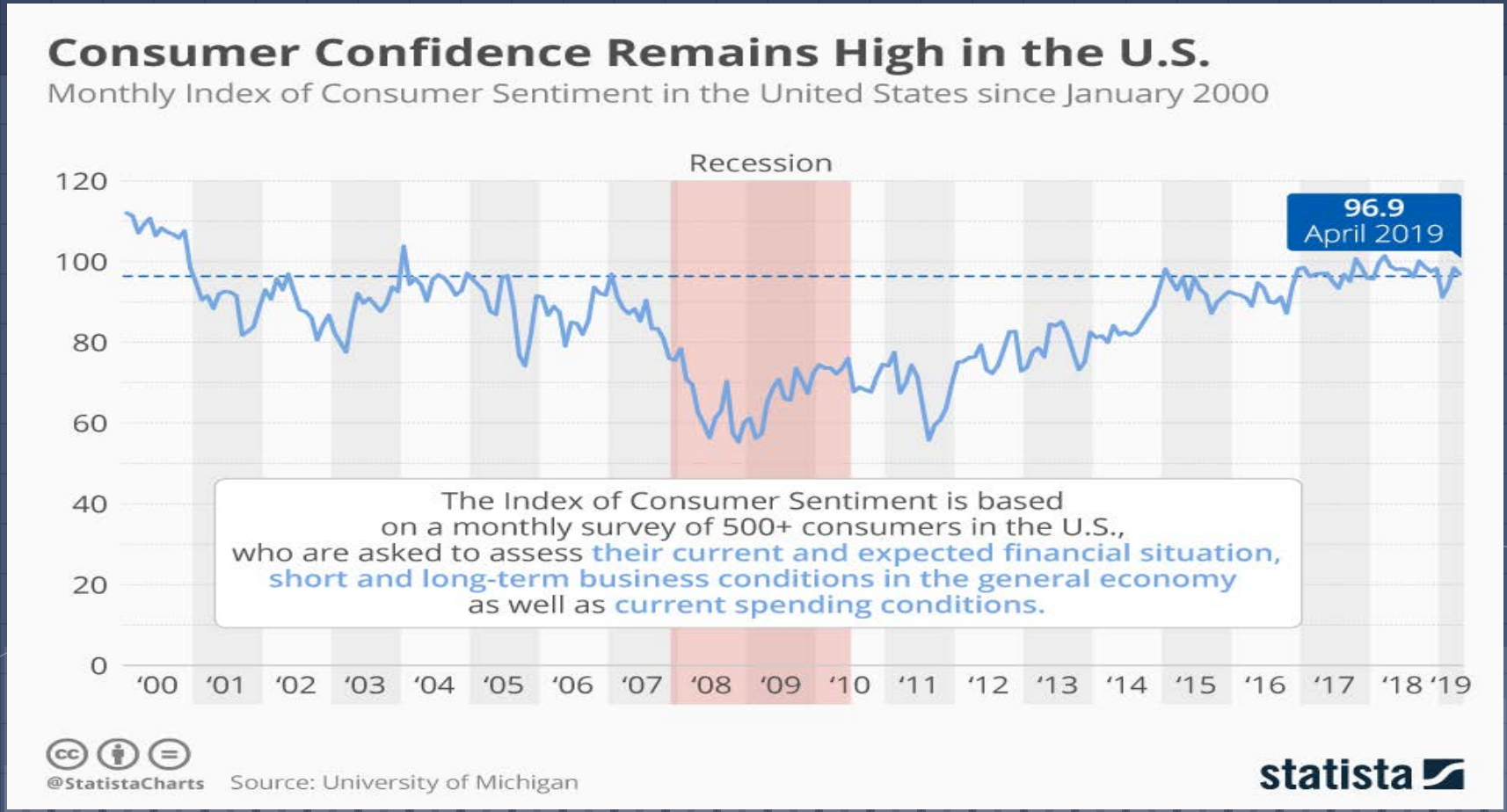
Consumers spending more

Spending money generates income for businesses and tax for the government.

Real personal consumption expeditures

Data sources: Federal Reserve

Consumer Confidence Remains High in the US



BUT WHAT DOES THIS HAVE TO DO WITH REAL ESTATE INVESTING

So let’s dive in!

HELLO!

Michele Williams

I am here to tonight because I study market trends to make sure I'm working the right exit strategies with the right marketing at the right time!

michele@DelmarvaWealthBuilders.com

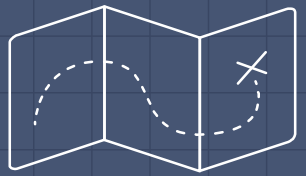
https://www.facebook.com/houseflippingdelaware/

I'm an investor…just like you
So why data is important…

- Have your old strategies lost their effectiveness, AKA fewer deals?
- Have your deals been less profitable, AKA smaller paydays?
- Are you working harder (more hours) with less profitability, AKA an employee vs a solopreneur?
- It might not be your fault!

CRITICAL METRICS FOR REAL ESTATE INVESTORS

Watch what happens on the west coast!



REAL ESTATE'S IMPACT ON THE US ECONOMY

- 2018, construction contributed $1.15T, 6.2% of GDP
  - 2017, $1.13T
  - 2006, $1.19T (8.9% GDP)
- ↓ in construction contributes to ↑ unemployment
- ↓ in unemployment can spiral into ↓ consumer spending, including real estate and lower housing prices
- Fed steps in and lowers interests rates to stabilize the economy so it doesn't fall into recession and minimizes inflation.

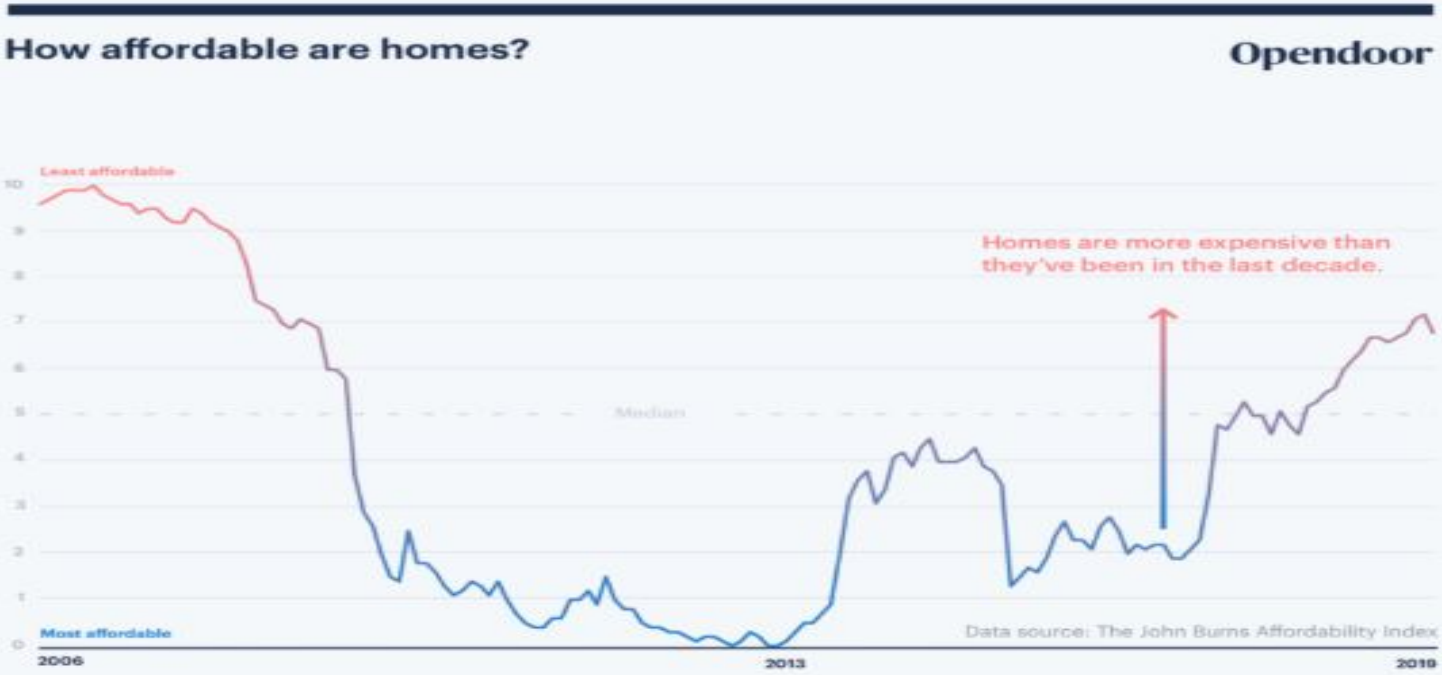
WHY HAS MARKET SLOWED?

- Nov 17 – Sept 18
  - New home sales decreased 22%
  - Resales decreased 10%
- Same happened in 2005 but home prices have not fallen, but gradually slowed their increases. So sales have slowed:
  - 2011-2018: Average incomes haven't kept up with home prices
    - Income rose 25%, home prices rose 48%
- Interest rates have risen

SOME WARNING SIGNS OF A BUBBLE

- Home prices have escalated
  - National median SFH prices are 32% higher than inflation (In 2005, they were 35% overvalued)
- Affordable housing has decreased
  - 2010: 11% of rentals were affordable to low income households
  - 2016: 4%
- Bought for quick resale
  - 2016: 5.7% flips; highest since 2006

How affordable are homes?



WHY A CRASH IS NOT IMMINENT

- Banks have raised lending standards
  - Bank loans for rehabbers 55% LTV
- Home sales is 20% below pre-crash peak
  - Only a 4 month inventory of homes for sales
  - 64% of Americans own homes (2007 was 68%)
- Home sales lower
  - Younger folks haven't bought/can't afford; they have student loan debt, keeping demand low

WHY A CRASH IS NOT IMMINENT

- Home prices have outpaced income
  - Younger people pay more for rent because home prices near their jobs are too high
- Home equity loans are down
- BKs are down
- Newer homes are larger and more expensive

Five Conditions That Could Cause a Collapse

1. Higher interest rates

2. Risky financial products

3. Trump tax reform plan

4. Rising sea levels

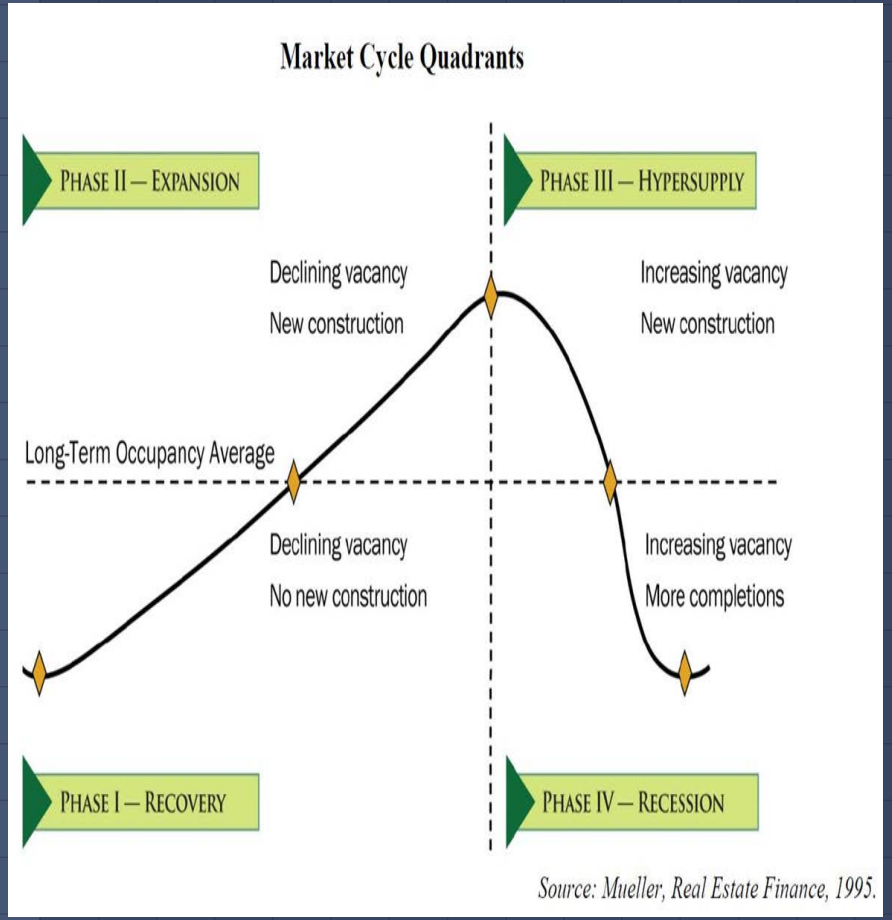
5. Yield curve on U.S. Treasury notes becomes inverted

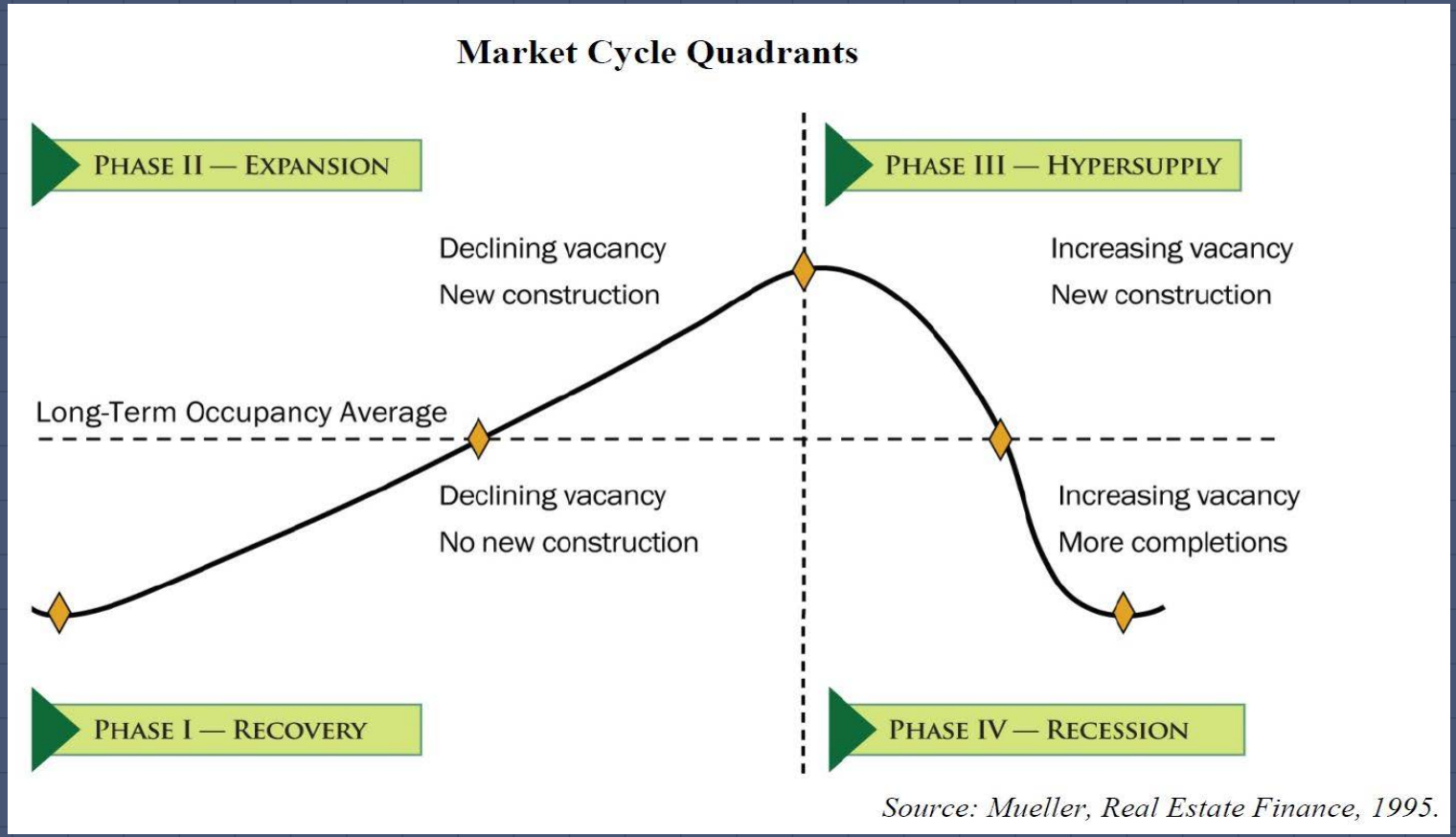
the balance

https://www.thebalance.com/is-the-real-estate-market-going-to-crash-4153139

WHEN WILL A CRASH OCCUR AGAIN?

- 2026 (Harvard professor Teo Nicholas & study by economist Homer Hoyt)
  - Followed an 18 years cycle since 1800
    - https://www.cato.org/publications/commentary/great-18year-real-estate-cycle
- 2017: expansion phase. Rental occupancies strong, unoccupied buildings scarce, rent rates increase.

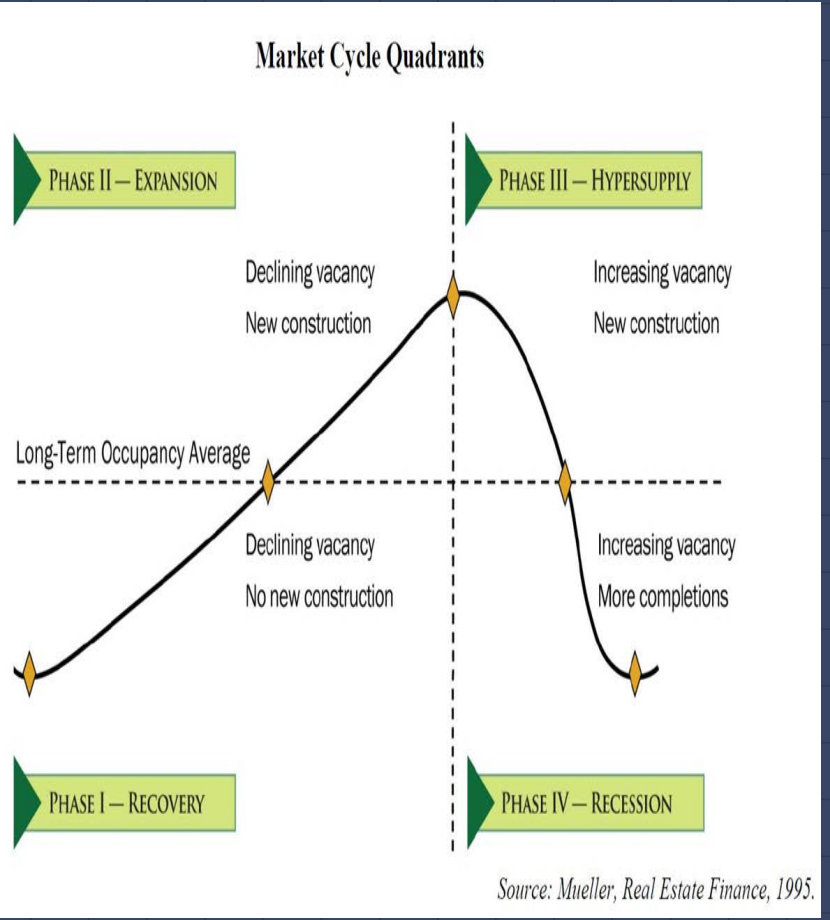




https://www.extension.harvard.edu/inside-extension/how-use-real-estate-trends-predict-next-housing-bubble

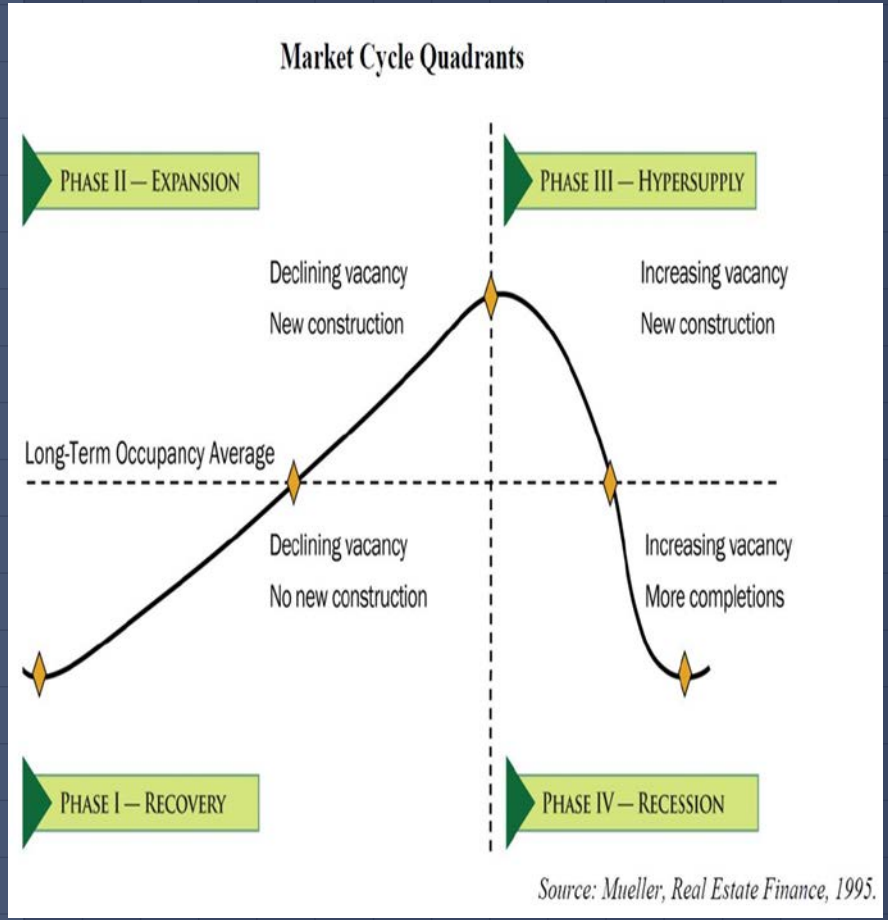
WHEN WILL A CRASH OCCUR AGAIN?

- First indicator of trouble: Hypersupply
  - Wouldn't occur unless rental vacancy rates begin to increase. Then Fed would increase interest rates and cause a crash.
  - Increase in unsold inventory/vacancy
  - **FINISH BUILDING and STOP BUILDING NEW*



WHEN WILL A CRASH OCCUR AGAIN?

- Second indicator of trouble: Recession
  - Occupancy falls below the long term average
  - Surplus inventory…lower occupancy and lower rents
- Third indicator of trouble: Interest rate increase
  - Feds do this to fight inflation
  - Borrowing costs are financially not feasible
  - New development not finished may be SOL

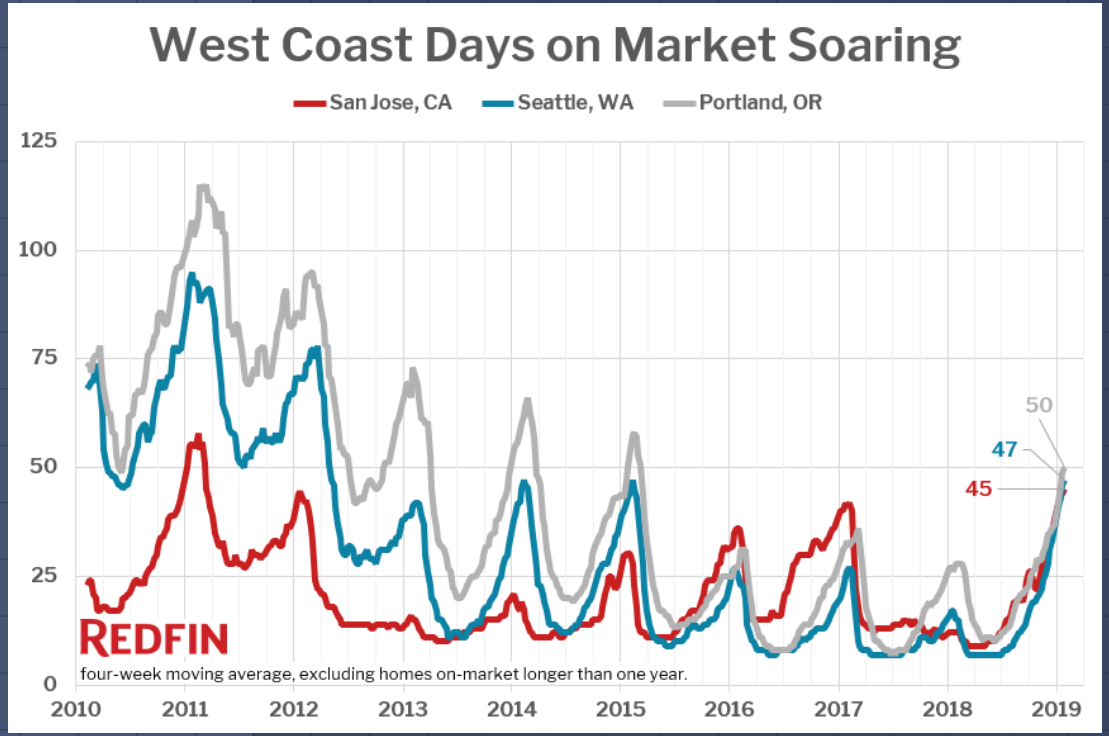


WEST COAST TO EAST COAST… WATCH WHAT HAPPENS

Let’s look at DoM, New home sales, Existing home sales

West Coast DoM

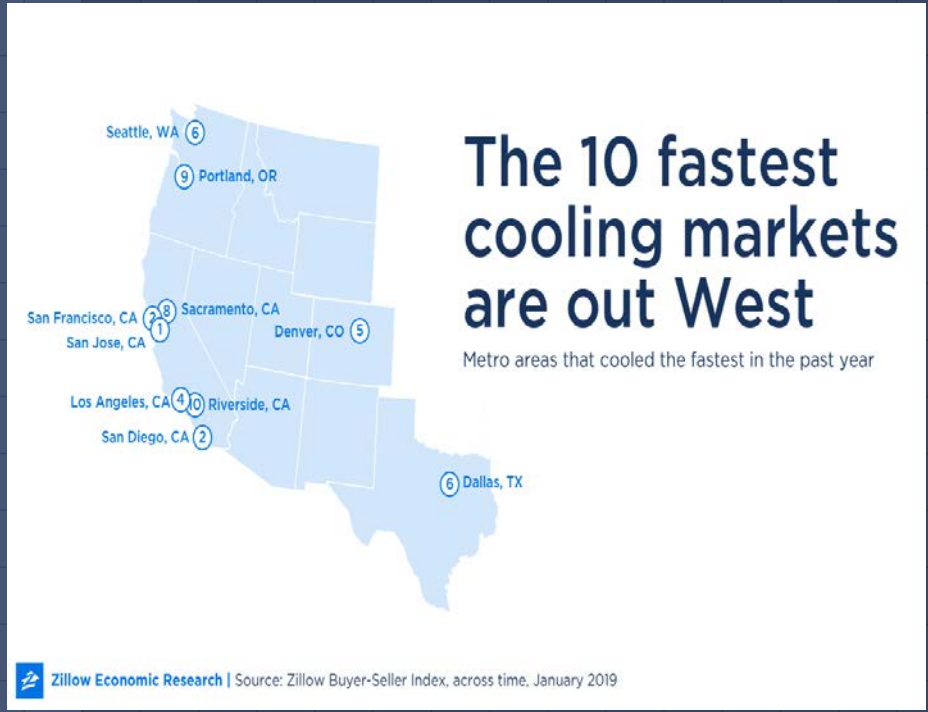
- Buyers are now waiting until prices come down, increasing DoM (AKA Buyers Market)



https://www.housingwire.com/articles/48106-redfin-west-coast-shifting-to-a-buyers-market

West Coast Home Sales

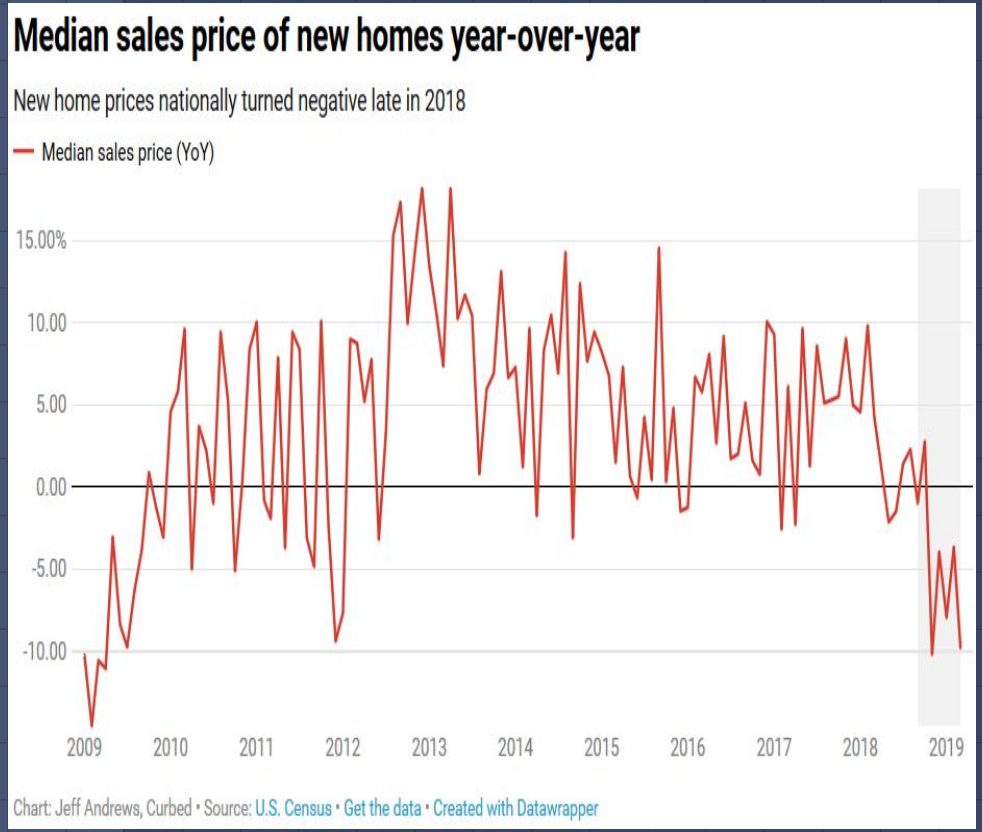
- 15% of US listing are experiencing a price cut (realtor.com), lower appreciation
- Declining home sales
- Decrease new construction
- Inventory in West Coast markets drives home prices up



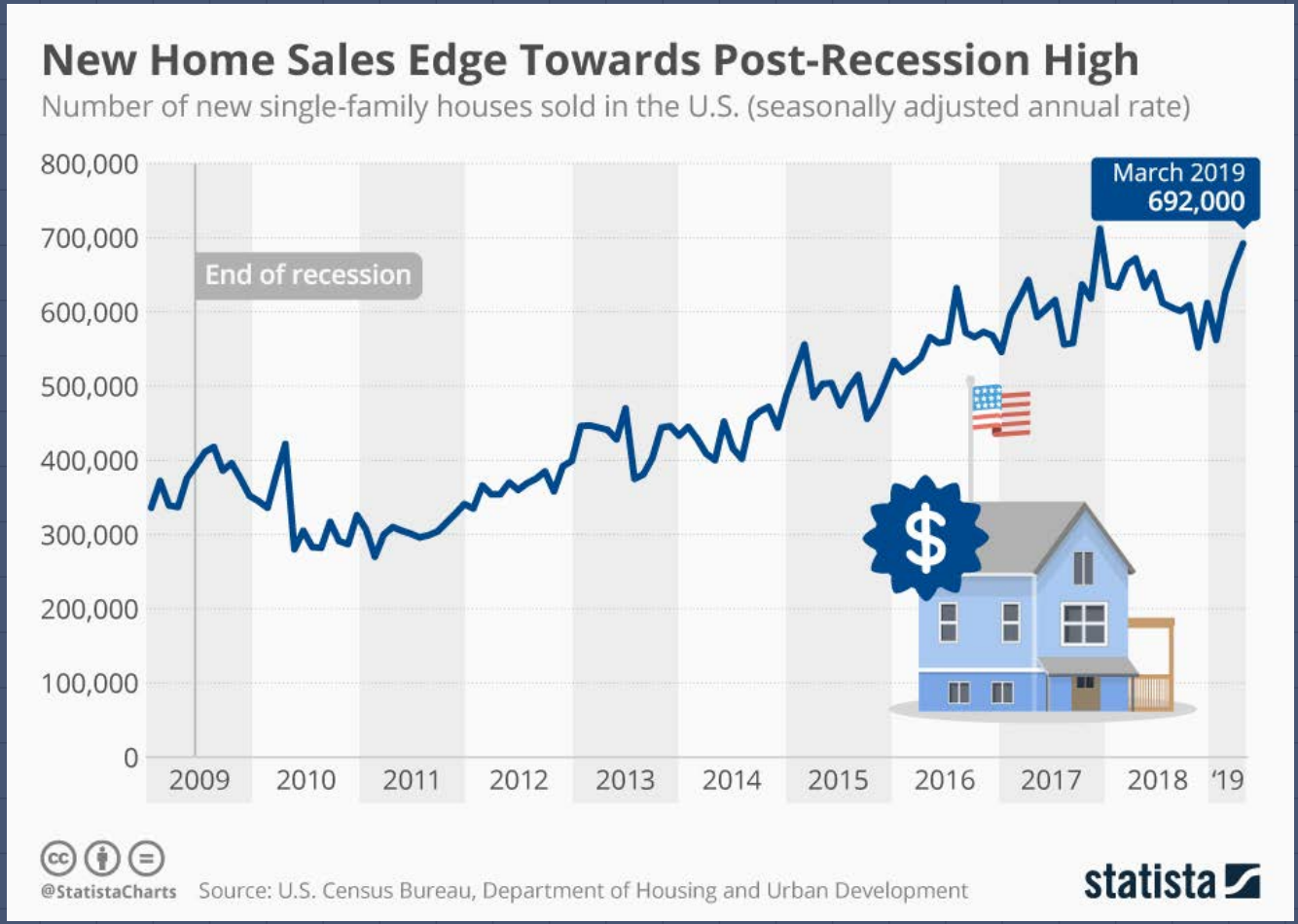
https://www.housingwire.com/articles/48382-zillow-west-coast-buyers-market-heats-up-as-housing-market-cools-off

New Home Sales

- Median sales prices are declining
- Home builders are cutting prices and adding inventory to the lower end of the spectrum, intending to cater to first time home buyers and middle income buyers



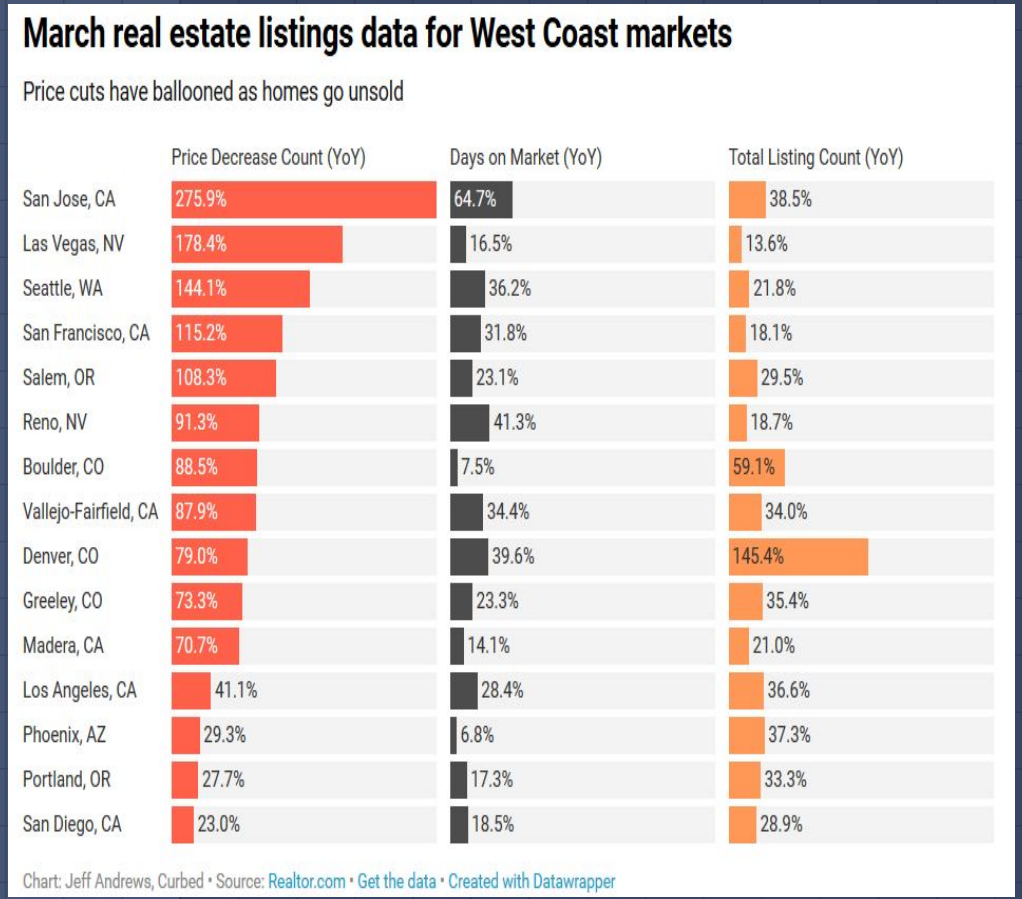
https://www.curbed.com/2019/4/25/18515951/housing-market-2019-west-coast



https://www.statista.com/chart/17787/new-single-family-houses-sold-in-the-us/

Overall West Coast

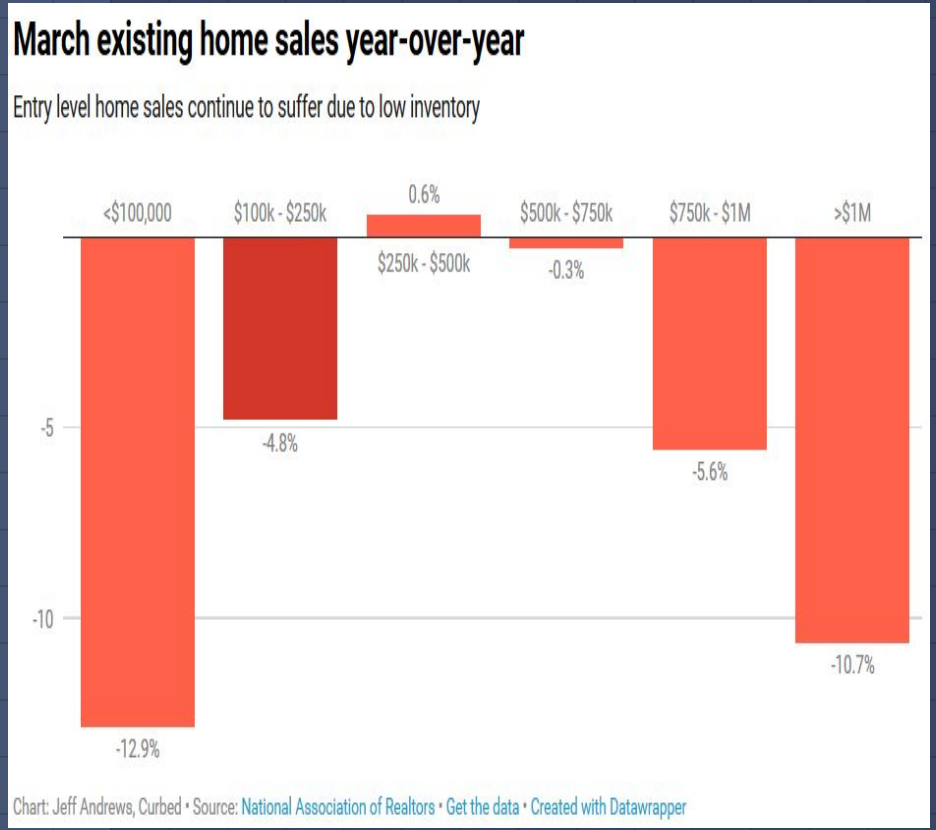
- Price cuts have increased as homes go unsold
- Triple digit %price decreases!
- Inventory spikes (mixed data)
- DoM increases



https://www.curbed.com/2019/4/25/18515951/housing-market-2019-west-coast

Existing Home Sales

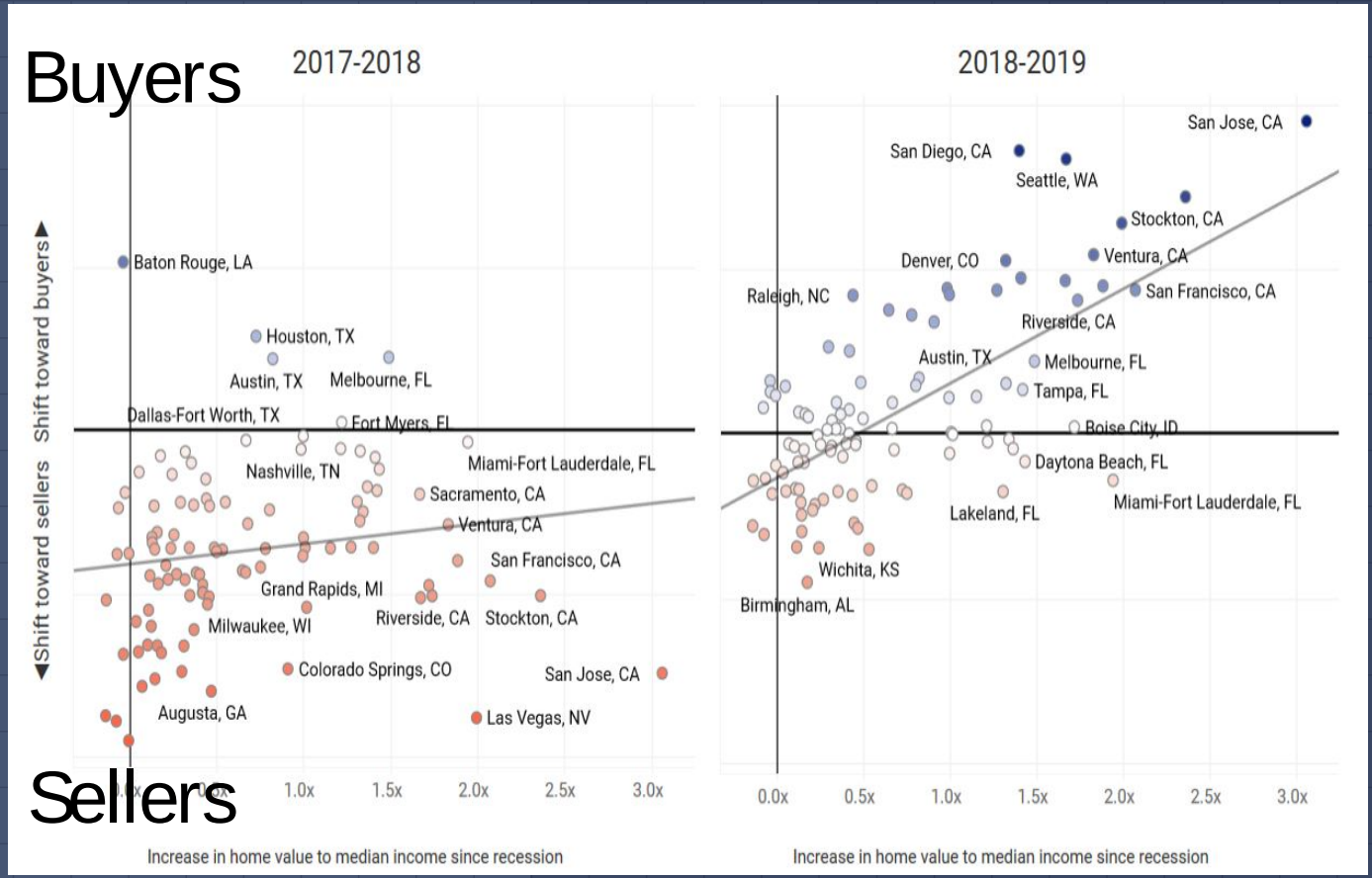
- Median price has steadily risen YOY by 4%(NAR)
- Home sales have dropped
- Inventory continues to drop, especially with entry level homes (those that are less than 1800 sq ft)



https://www.curbed.com/2019/4/25/18515951/housing-market-2019-west-coast

Summary:

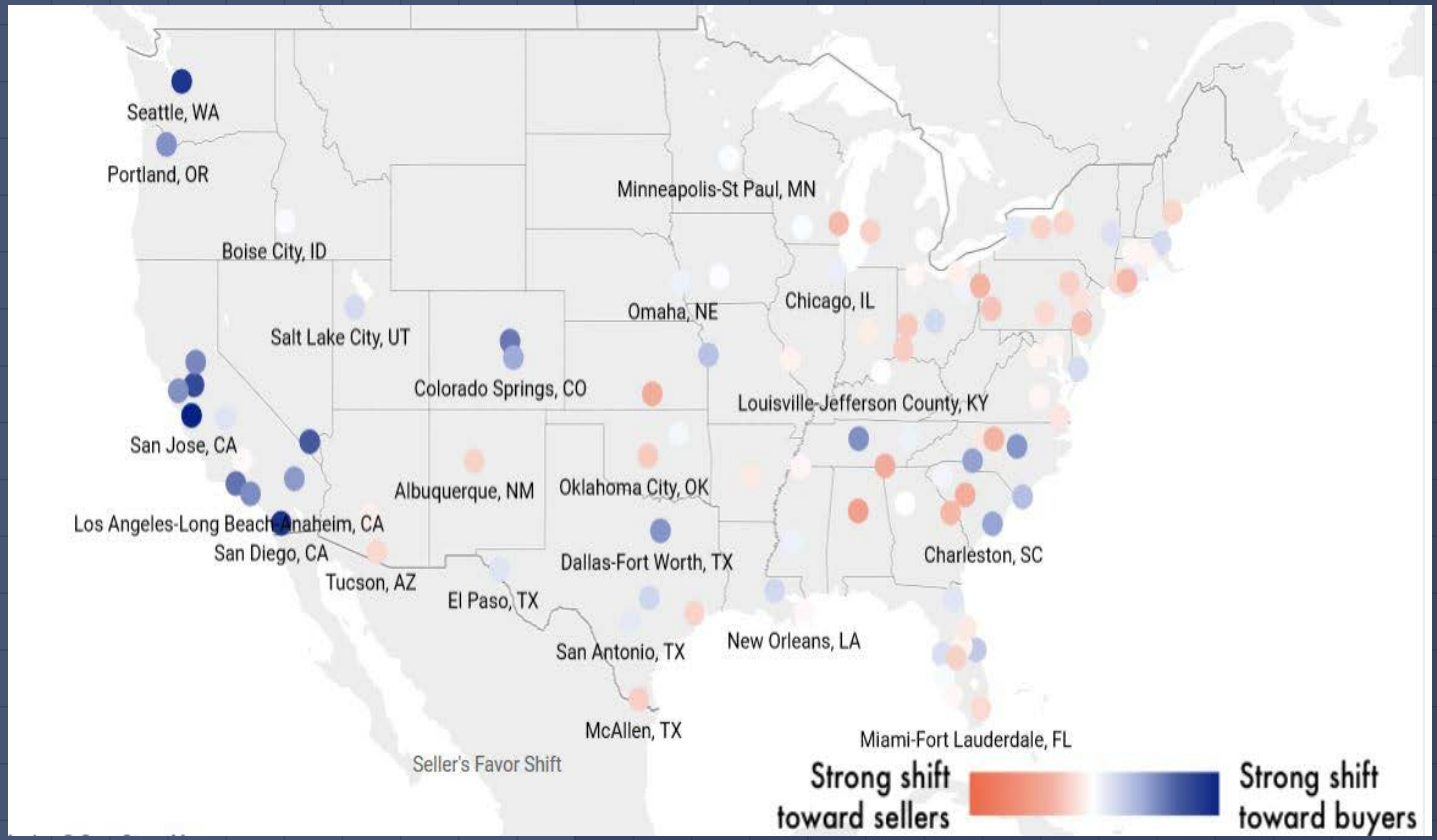
- West Coast hits affordability ceiling and leads housing market's shift



https://www.trulia.com/research/buyer-seller-shift/

Summary:

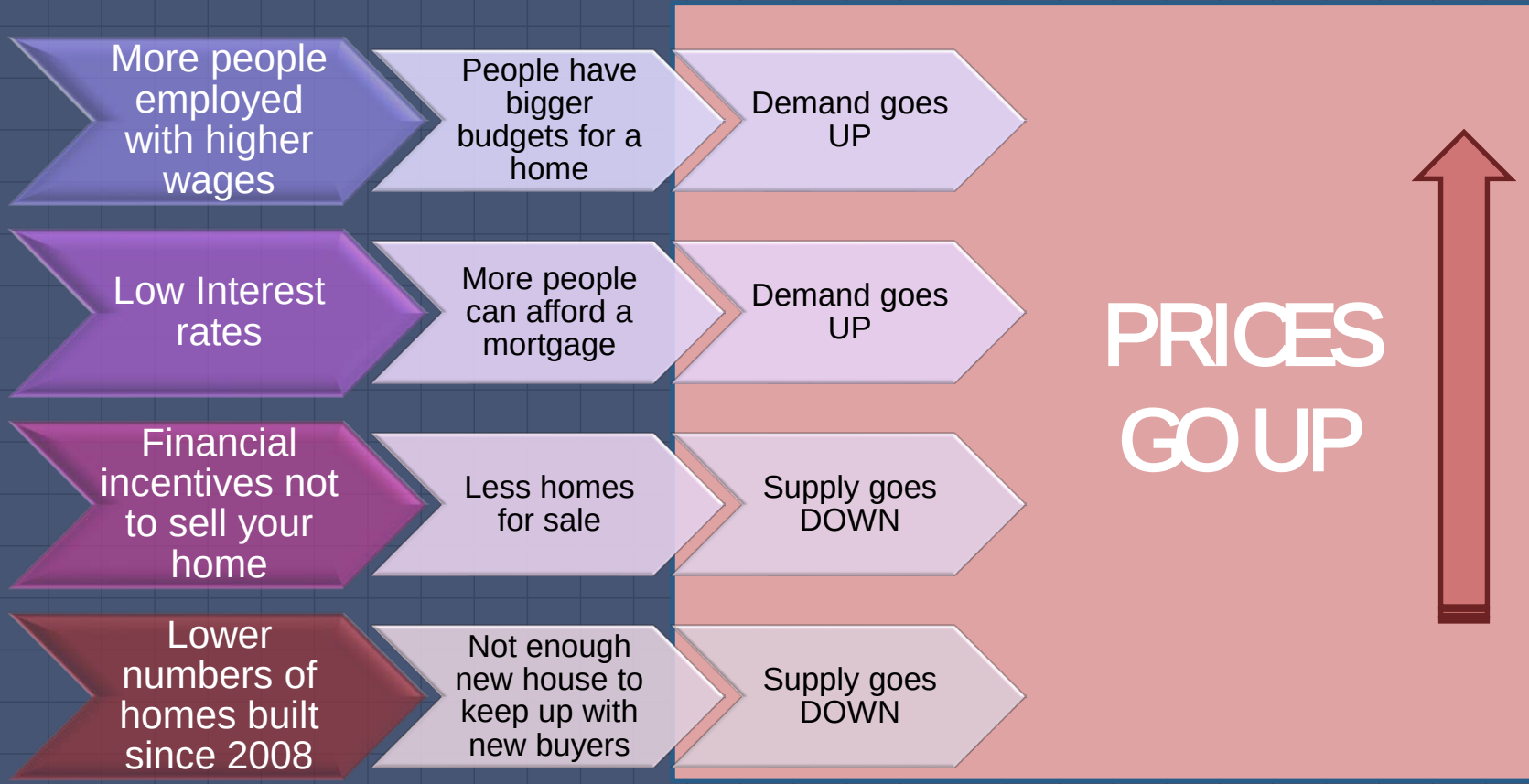
- Shifting in favor of buyers, especially the more expensive neighborhoods
- ↑ DoM



https://www.trulia.com/research/buyer-seller-shift/

Home prices are a result of supply vs demand

Trends affecting home prices since 2008



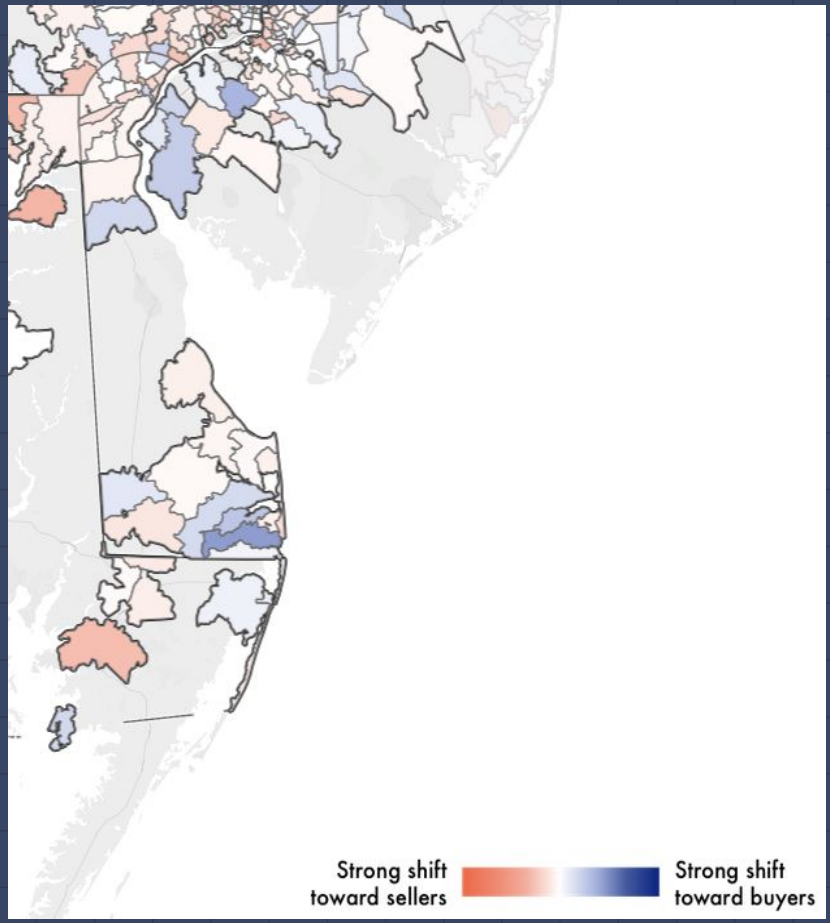
DELAWARE

Let’s bring it home

2

Delaware:

- Still a mix of markets: Both buyers and sellers
- Check out the interactive website. Hover over the area and it will provide:
  - Median home value
  - DoM
  - YOY %Change
  - Share of price reductions
  - YOY %point change in price reductions
  - Sale to list price ratio
  - YOY in change of sale to list price ratio
- Having an idea of trends can leverage your negotiations



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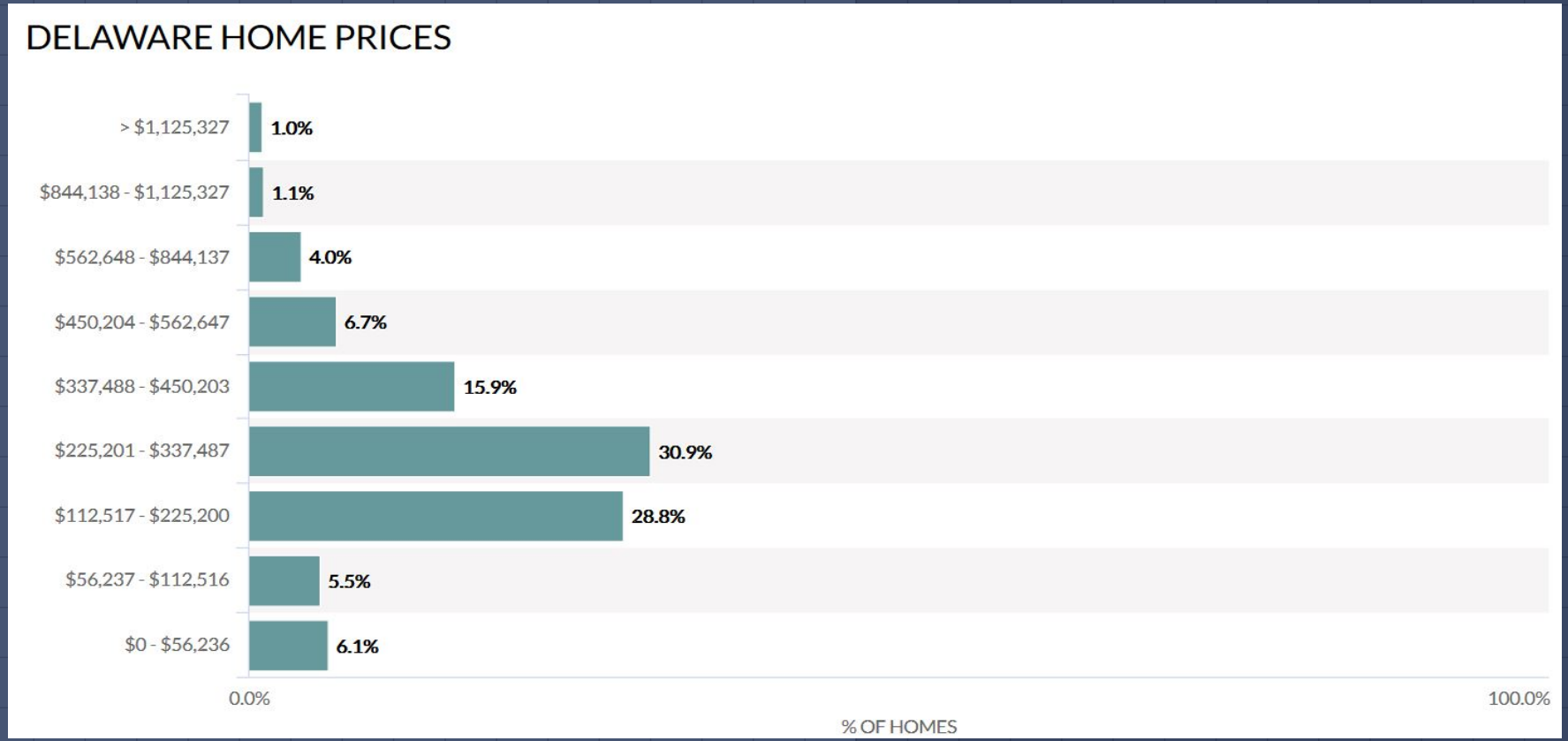
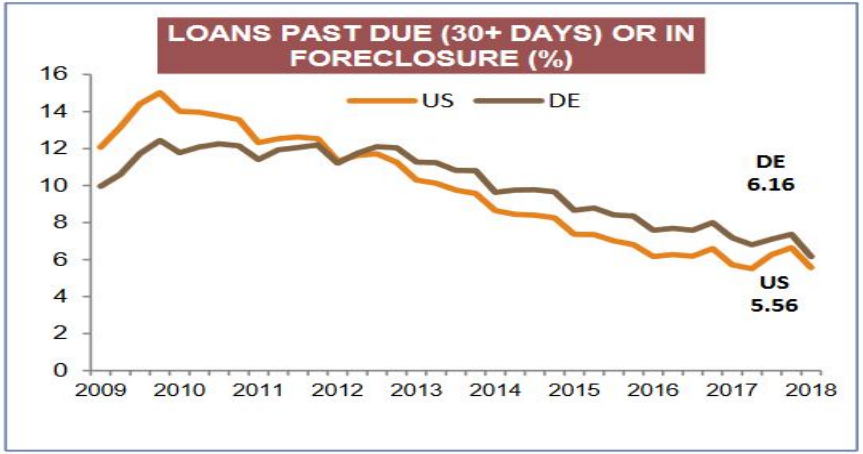
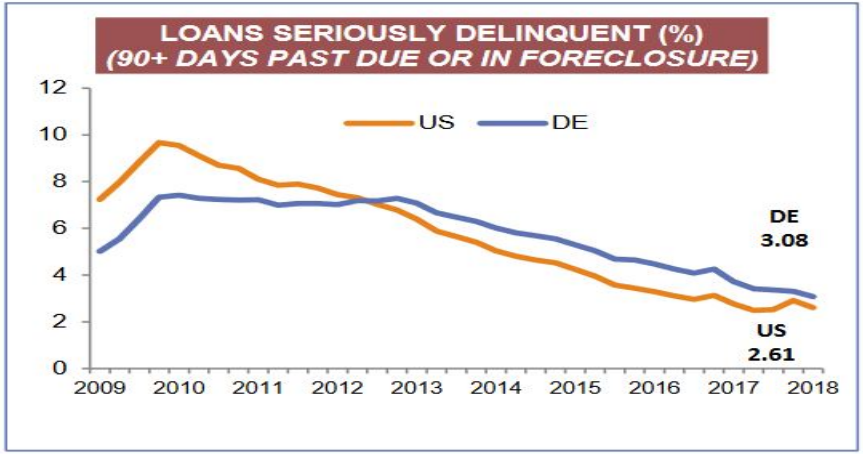
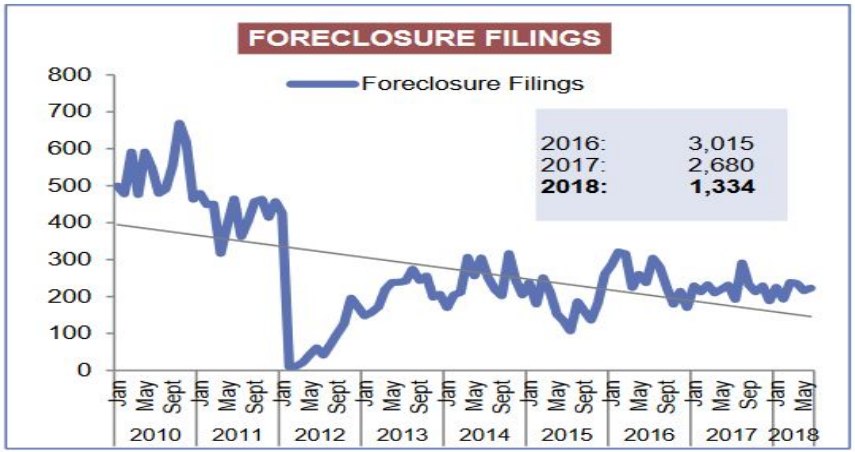
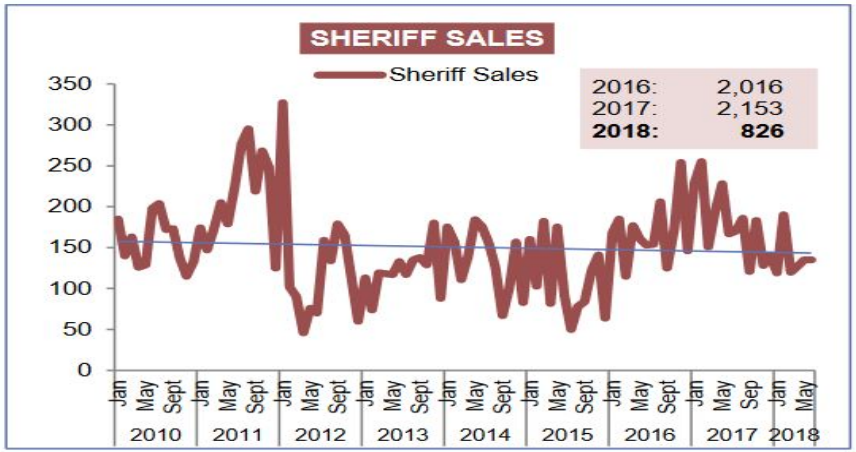
Delaware:


DELAWARE HOME PRICES
> $1,125,327
1.0%
$844,138 - $1,125,327
1.1%
$562,648 - $844,137
4.0%
$450,204 - $562,647
6.7%
$337,488 - $450,203
15.9%
$225,201 - $337,487
30.9%
$112,517 - $225,200
28.8%
$56,237 - $112,516
5.5%
$0 - $56,236
6.1%
0.0%
100.0%
% OF HOMES



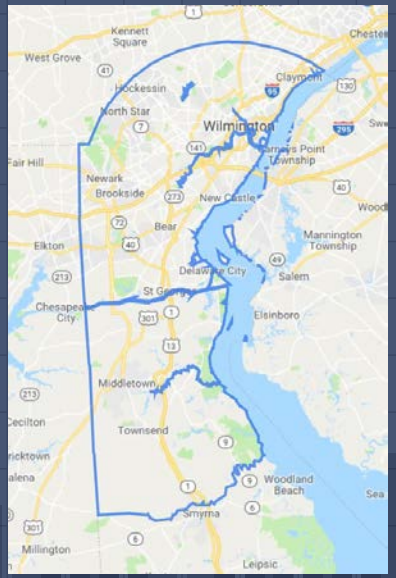






http://destatehousing.com/FormsAndInformation/datastatmedia/real_estate_report.pdf

NEW CASTLE COUNTY



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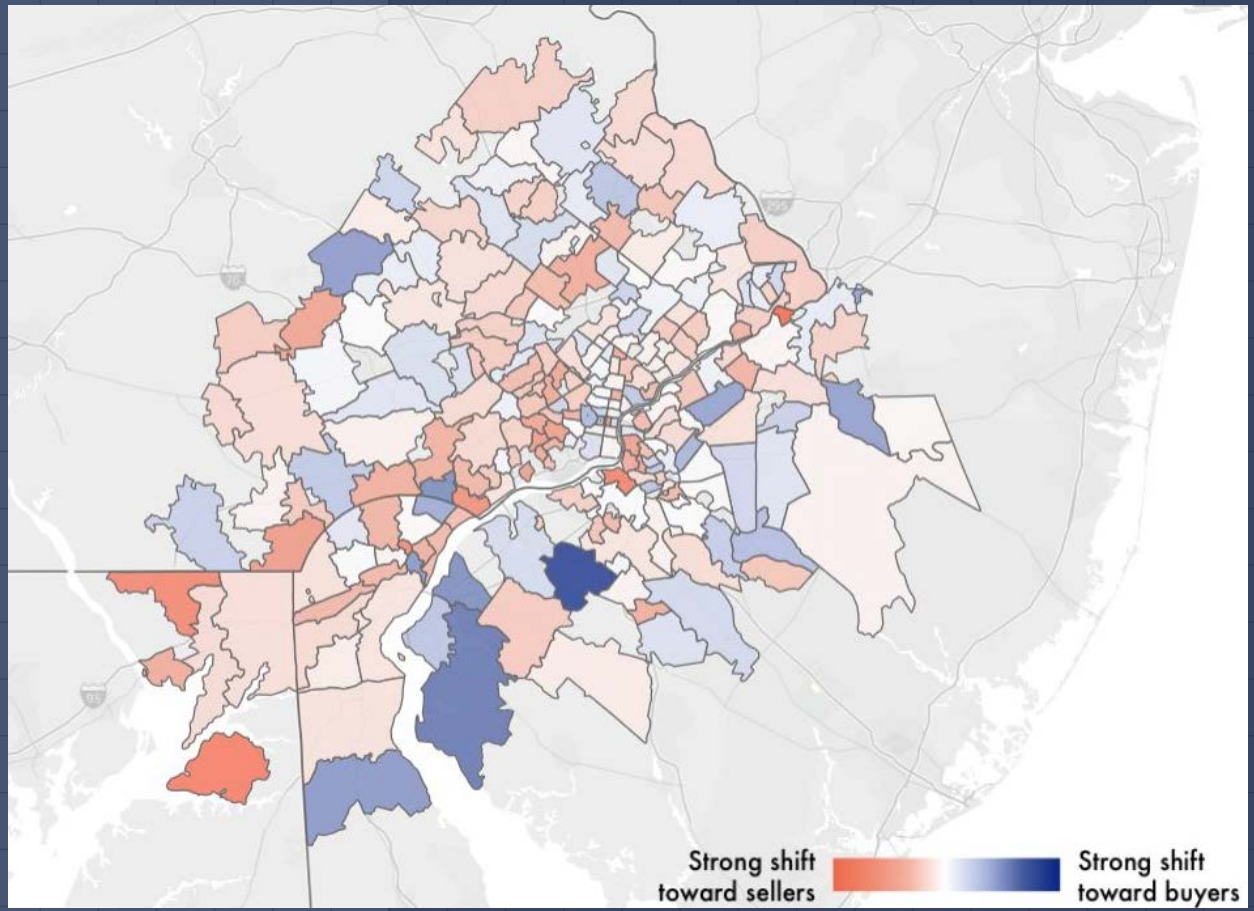
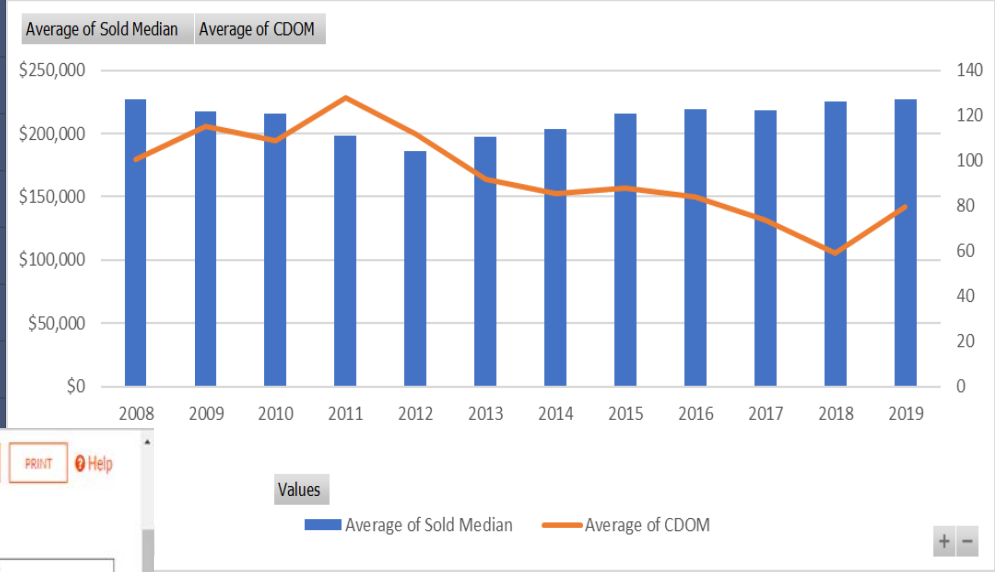
Philadelphia/ NCC:

- Select expensive neighborhoods favor buyers
  - 19810 (Wilmington)
  - 19707 (Hockessin)
  - 19801 (Wilmington)
  - 19734 (Townsend)



https://www.trulia.com/research/buyer-seller-shift/

NCC MLS Data



Market Statistics

REVISE PRINT Help

Monthly Statistics for the Date Range Selected

Date	Units Listed	Listed Volume	Listed Median	EOM Inv	MSI	Pended	Units Sold	Sold Volume	Sold Median	CDOM
Dec 2018	402	$96,202,870	$213,950	2,722	4.9	359	482	$117,784,702	$229,950	71
Nov 2018	687	$181,386,547	$239,900	3,100	5.2	461	554	$136,336,934	$230,000	81
Oct 2018	829	$222,229,591	$239,000	3,278	5.9	558	600	$150,593,459	$225,000	90
Sep 2018	738	$204,206,746	$249,000	3,273	4.2	537	558	$137,700,918	$228,483	83
Aug 2018	784	$223,070,849	$244,900	3,565	4.8	653	785	$204,731,396	$238,000	72
Jul 2018	875	$231,948,589	$239,900	3,767	4.5	756	741	$188,480,896	$229,000	69
Jun 2018	957	$256,615,134	$239,900	4,009	5.7	822	844	$228,088,118	$238,272	66
May 2018	1,084	$310,423,111	$249,900	3,979	7.1	874	708	$182,122,508	$234,950	80
Apr 2018	995	$297,785,838	$256,900	3,680	6.7	886	564	$130,865,785	$212,000	97
Mar 2018	824	$223,902,809	$239,900	3,382	8	771	551	$134,634,585	$219,900	81
Feb 2018	733	$196,391,510	$234,900	3,167	7.6	553	422	$92,772,567	$208,125	98
Jan 2018	576	$146,518,671	$209,900	3,024	5.2	578	414	$95,169,530	$215,000	86
Totals:	9,484	$2,590,682,265	$239,900				7,223	$1,799,281,398	$227,000	80

Report Summary*	Average Sold	Average Sold Price	Average Pended	Median Sold Price	Median Sold
January 2018 - December 2018	601.9	$249,104	606	$227,000	561

*Full Months Only

2019	*Avg Sold Median*	*DOM*
Jan	$222,950	76
Feb	$224,900	85
Mar	$225,000	82
Apr	$237,000	75

NCC Zillow Data

New Castle County Market Overview

Data through Mar 31, 2019

$238,300 ZHVI

2.3% 1-yr forecast (Mar 31, 2020)

$249,900 Median listing price

ZILLOW HOME VALUE INDEX

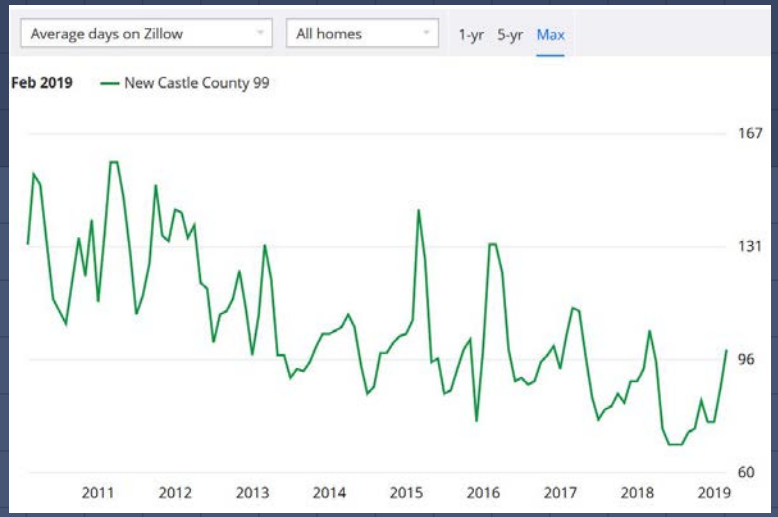
$238,300

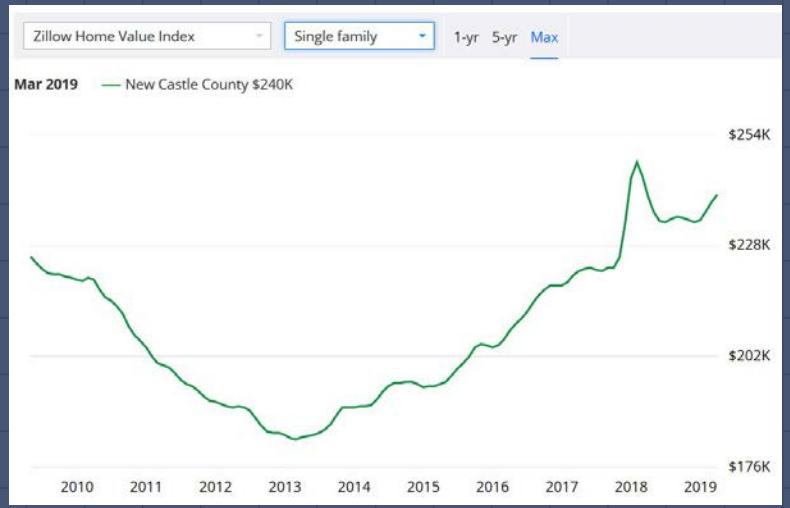
0.0% 1-year change | 2.3% 1-year forecast

MARKET TEMPERATURE

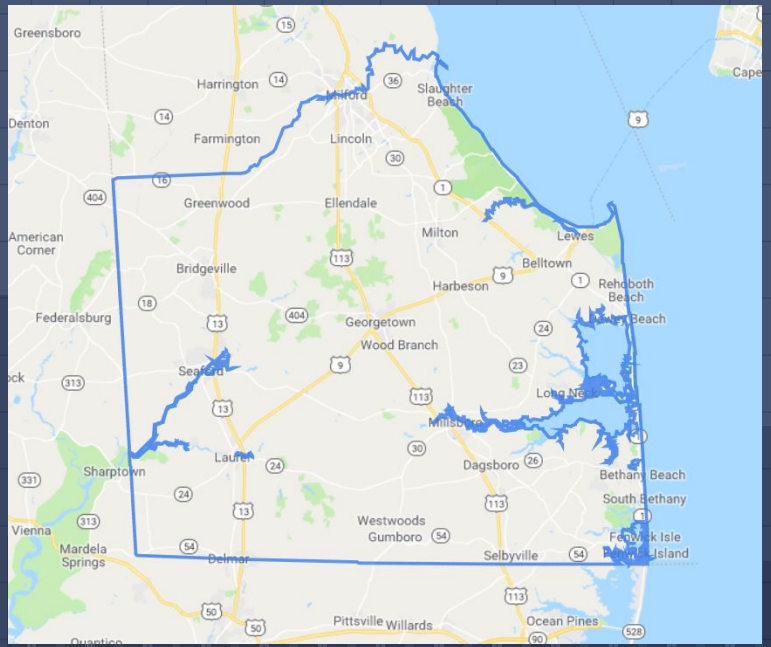
Very Hot

Buyers' Market — Sellers' Market





SUSSEX COUNTY



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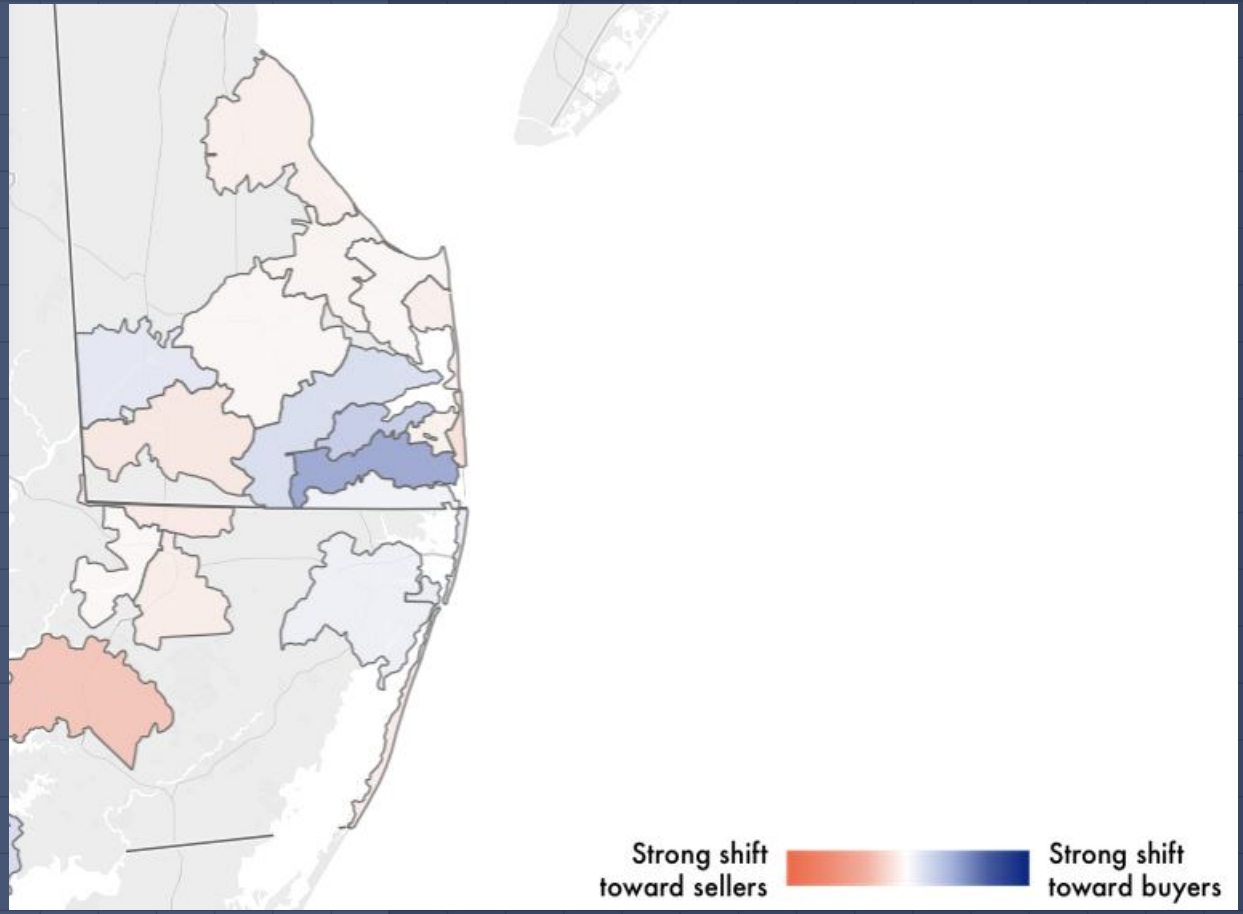
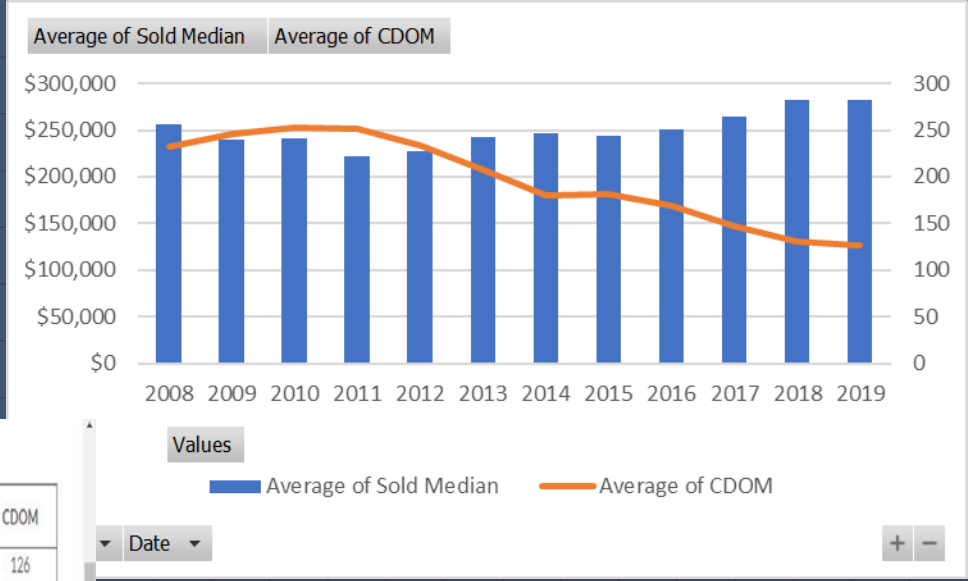
Sussex County:

- Select neighborhoods favor buyers
  - 19945 (Frankford)
  - 19939 (Dagsboro)
  - 19947 (Georgetown)
  - 19973 (Seaford)
  - 19975 (Selbyville)



https://www.trulia.com/research/buyer-seller-shift/

Sussex County MLS Data



Monthly Statistics for the Date Range Selected

Date	Units Listed	Listed Volume	Listed Median	EOM Inv	MSI	Pended	Units Sold	Sold Volume	Sold Median	CDOM
Dec 2018	328	$102,547,698	$274,950	3,726	8.1	307	356	$123,684,094	$295,000	126
Nov 2018	414	$155,862,868	$316,500	4,130	8.6	350	460	$163,595,479	$288,450	119
Oct 2018	630	$268,301,197	$316,950	4,420	10.4	486	482	$176,688,099	$274,470	129
Sep 2018	609	$260,446,228	$319,900	4,493	8.9	455	426	$149,025,974	$279,500	113
Aug 2018	739	$289,487,288	$299,000	4,584	8.6	494	503	$164,937,162	$272,500	141
Jul 2018	642	$265,105,200	$319,000	4,584	8.5	551	535	$170,219,990	$250,000	136
Jun 2018	700	$282,433,657	$305,000	7,415	14.5	481	541	$199,830,081	$290,500	137
May 2018	815	$358,356,076	$329,000	7,451	14.7	646	513	$185,963,749	$285,000	143
Apr 2018	842	$346,339,097	$315,000	7,395	15.6	630	507	$181,516,201	$295,000	154
Mar 2018	872	$375,096,985	$316,900	7,268	26.4	658	475	$179,810,311	$294,900	171
Feb 2018	751	$309,734,209	$309,990	6,843	20.9	543	275	$91,989,685	$275,000	169
Totals:	7,968	$3,267,122,445	$312,000				5,400	$1,903,564,774	$280,900	140

Report Summary*	Average Sold	Average Sold Price	Average Pended	Median Sold Price	Median Sold
January 2018 - December 2018	450	$352,316	466	$280,900	479

*Full Month(s) Only

2019	*Avg Sold Median*	*DOM*
Jan	$290,000	136
Feb	$274,500	119
Mar	$285,000	128
Apr	$279,000	124

Sussex County Zillow Data

Sussex County Market Overview

Data through Mar 31, 2019

$279,000 ZHVI

1.7% 1-yr forecast (Mar 31, 2020)

$339,990 Median listing price

ZILLOW HOME VALUE INDEX

$279,000

2.9% 1-year change | 1.7% 1-year forecast

MARKET TEMPERATURE

Neutral

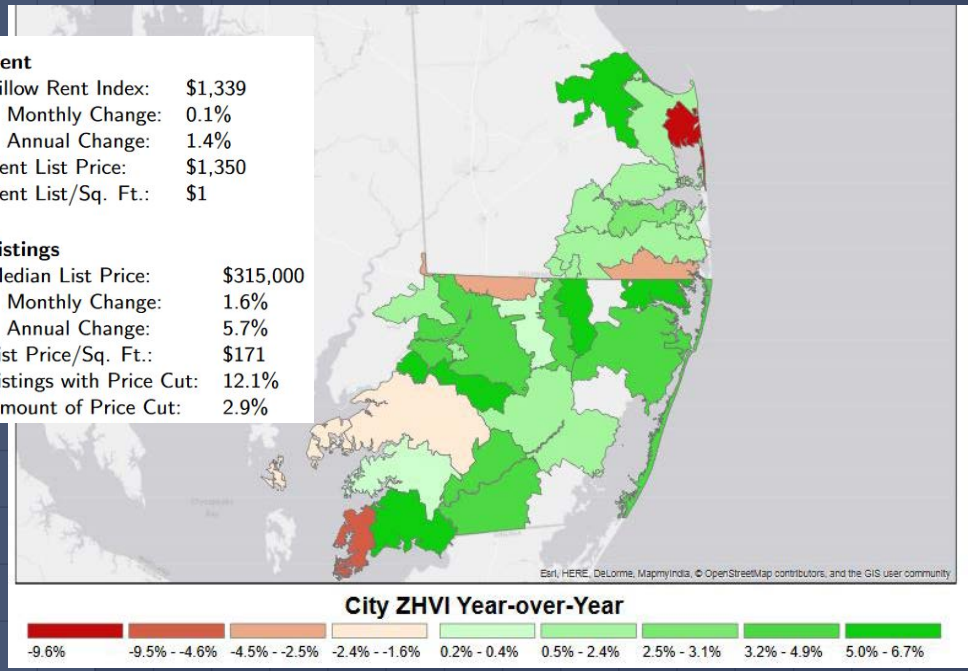
Buyers' Market — Sellers' Market

Salisbury Metro

Major Cities - Home Values

Salisbury	
Current:	$149,000
Monthly Change:	-0.5%
Annual Change:	4.9%
Millsboro	
Current:	$232,900
Monthly Change:	-0.4%
Annual Change:	2.2%
Berlin	
Current:	$252,200
Monthly Change:	-0.1%
Annual Change:	3.7%
Lewes	
Current:	$353,600
Monthly Change:	0.1%
Annual Change:	2.3%
Rehoboth Beach	
Current:	$588,400
Monthly Change:	1%
Annual Change:	-9.6%

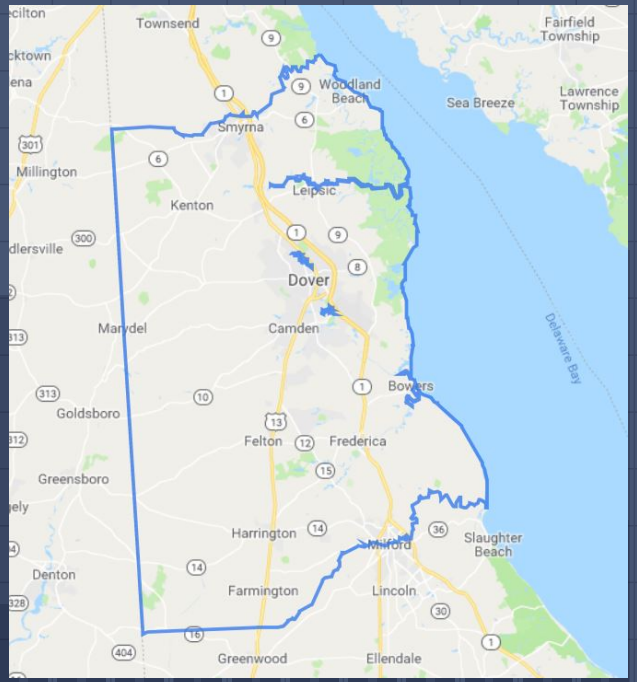
Home Values (ZHVI)		**Rent**	
Increasing Values:	52.8%	Zillow Rent Index:	$1,339
Decreasing Values:	39.4%	Monthly Change:	0.1%
Fall From Peak:	-15.7%	Annual Change:	1.4%
Peak ZHVI Date:	2006-10	Rent List Price:	$1,350
Peak ZHVI:	$278,400	Rent List/Sq. Ft.:	$1
Sales		**Listings**	
Median Sale Price:	$–	Median List Price:	$315,000
Monthly Change:	–%	Monthly Change:	1.6%
Annual Change:	–%	Annual Change:	5.7%
Sale Price/Sq. Ft.:	$–	List Price/Sq. Ft.:	$171
Sale-to-list Price Ratio:	–	Listings with Price Cut:	12.1%
Sold for a Loss/Gain:	–%/–%	Amount of Price Cut:	2.9%



ZHVI: Zillow Home Value Index-the midpoint of estimated home values for the area

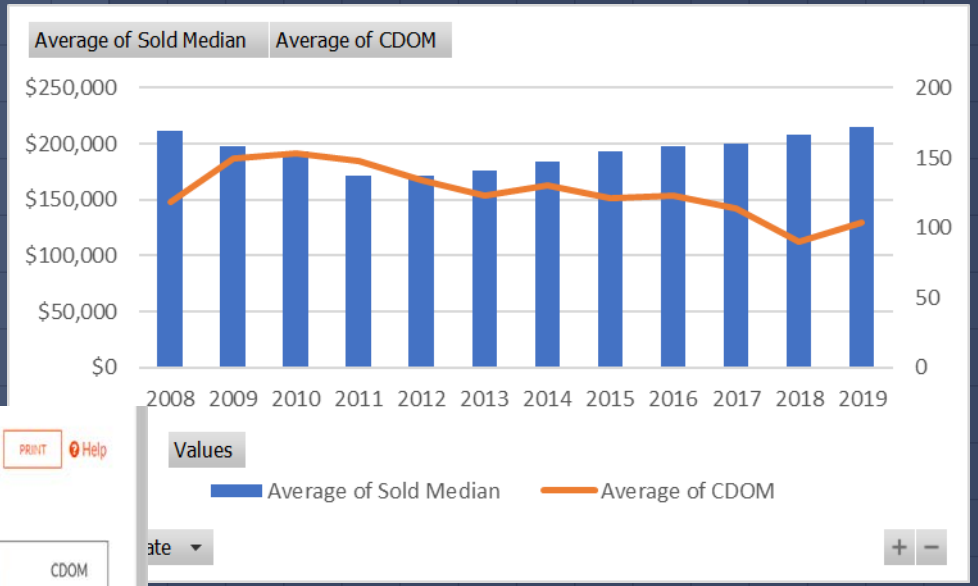
https://files.zillowstatic.com/research/public/realestate/ZHVI.Salisbury.395051.pdf

KENT COUNTY



3

Kent County MLS Data



Market Statistics

REVISE PRINT Help

Monthly Statistics for the Date Range Selected

Date	Units Listed	Listed Volume	Listed Median	EOM Inv	MSI	Pended	Units Sold	Sold Volume	Sold Median	CDOM
Dec 2018	153	$37,000,931	$229,900	1,290	5.9	131	195	$41,216,249	$210,000	105
Nov 2018	174	$39,760,905	$219,000	1,462	6.3	170	219	$48,583,275	$213,000	154
Oct 2018	316	$78,397,230	$230,000	1,645	7.4	224	231	$50,128,427	$212,000	108
Sep 2018	238	$56,187,485	$226,750	1,646	6.2	211	223	$48,792,481	$220,000	103
Aug 2018	349	$80,907,939	$234,000	1,754	7.5	243	264	$57,378,028	$214,950	87
Jul 2018	333	$76,665,468	$230,000	1,774	7.3	250	235	$49,219,990	$209,900	90
Jun 2018	317	$79,695,437	$235,000	1,782	8.2	271	243	$54,437,472	$222,900	90
May 2018	397	$96,145,780	$230,000	1,766	8.7	275	218	$48,826,588	$218,318	128
Apr 2018	326	$79,695,309	$239,000	1,666	8	270	204	$41,129,536	$199,950	110
Mar 2018	351	$85,272,475	$234,900	1,638	11.1	262	208	$42,510,603	$196,500	126
Feb 2018	282	$60,587,142	$209,950	1,524	10	233	147	$28,931,949	$194,000	141
Totals:	3,538	$846,546,922	$229,900				2,539	$540,045,562	$210,000	112

Report Summary*	Average Sold	Average Sold Price	Average Pended	Median Sold Price	Median Sold
January 2018 - December 2018	211.6	$212,700	214	$210,000	219

*Full Month(s) Only

2019	*Avg Sold Median*	*DOM*
Jan	$220,000	100
Feb	$225,000	109
Mar	$220,000	116
Apr	$194,750	91

Kent County Zillow Data

Kent County Market Overview

Data through Mar 31, 2019

$208,300 ZHVI

1.1% 1-yr forecast (Mar 31, 2020)

$251,945 Median listing price

ZILLOW HOME VALUE INDEX

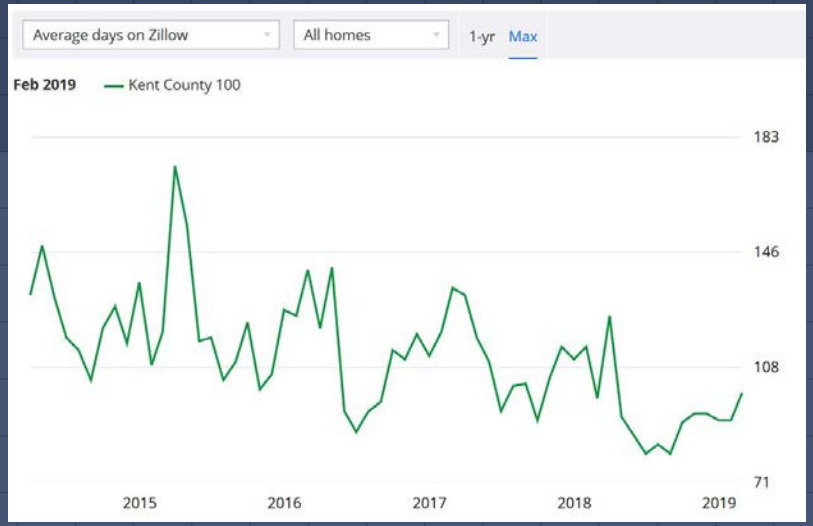
$208,300

4.7% 1-year change | 1.1% 1-year forecast

MARKET TEMPERATURE

Very Hot

Buyers' Market — Sellers' Market

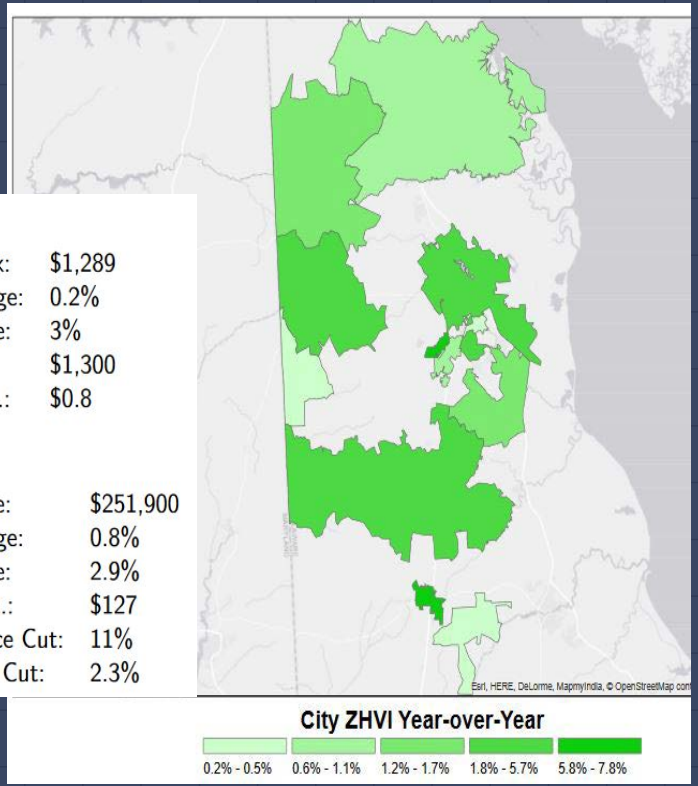


Dover Metro

Major Cities - Home Values

Dover	
Current:	$172,700
Monthly Change:	-0.1%
Annual Change:	5.4%
Smyrna	
Current:	$246,400
Monthly Change:	-0.3%
Annual Change:	1.1%
Felton	
Current:	$209,000
Monthly Change:	-0.6%
Annual Change:	5.7%
Magnolia	
Current:	$264,300
Monthly Change:	-0.4%
Annual Change:	1.7%
Clayton	
Current:	$224,400
Monthly Change:	-0.4%
Annual Change:	1.4%

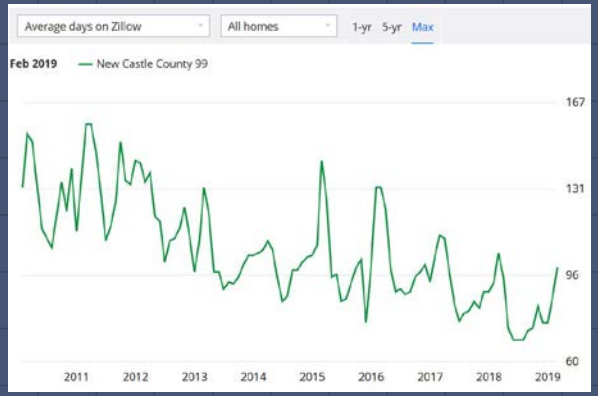
Home Values (ZHVI)		**Rent**	
Increasing Values:	–%	Zillow Rent Index:	$1,289
Decreasing Values:	–%	Monthly Change:	0.2%
Fall From Peak:	-0.6%	Annual Change:	3%
Peak ZHVI Date:	2019-01	Rent List Price:	$1,300
Peak ZHVI:	$209,600	Rent List/Sq. Ft.:	$0.8
Sales		**Listings**	
Median Sale Price:	$–	Median List Price:	$251,900
Monthly Change:	–%	Monthly Change:	0.8%
Annual Change:	–%	Annual Change:	2.9%
Sale Price/Sq. Ft.:	$–	List Price/Sq. Ft.:	$127
Sale-to-list Price Ratio:	–	Listings with Price Cut:	11%
Sold for a Loss/Gain:	–%/–%	Amount of Price Cut:	2.3%

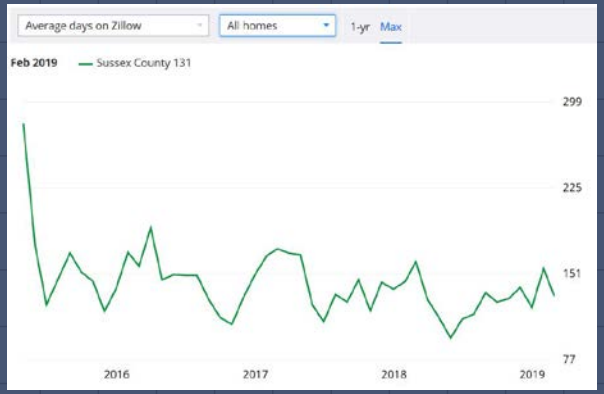


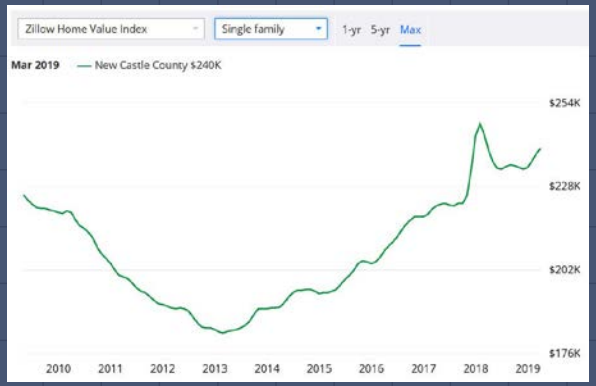
ZHVI: Zillow Home Value Index-the midpoint of estimated home values for the area

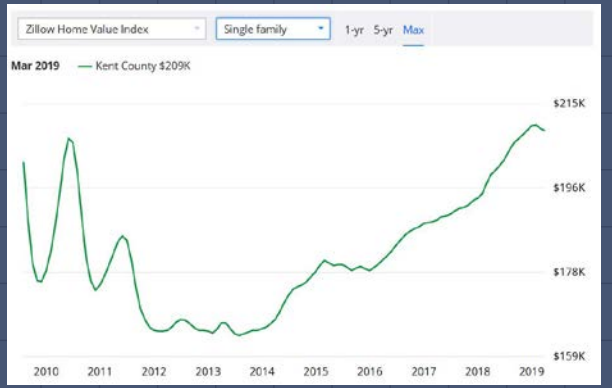
https://files.zillowstatic.com/research/public/realestate/ZHVI.Dover.394539.pdf

County Comparisons: Avg DOM and ZHVI









Market Overview Comparisons

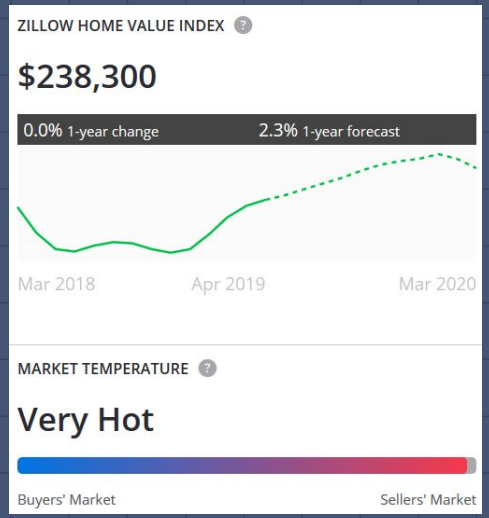
New Castle County Market Overview

Data through Mar 31, 2019

$238,300 ZHVI

2.3% 1-yr forecast (Mar 31, 2020)

$249,900 Median listing price



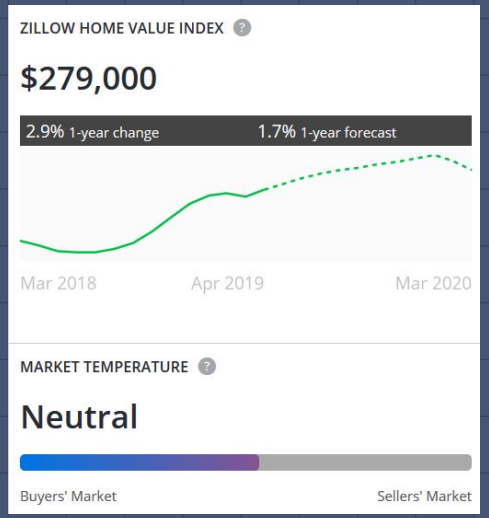
Sussex County Market Overview

Data through Mar 31, 2019

$279,000 ZHVI

1.7% 1-yr forecast (Mar 31, 2020)

$339,990 Median listing price



Kent County Market Overview

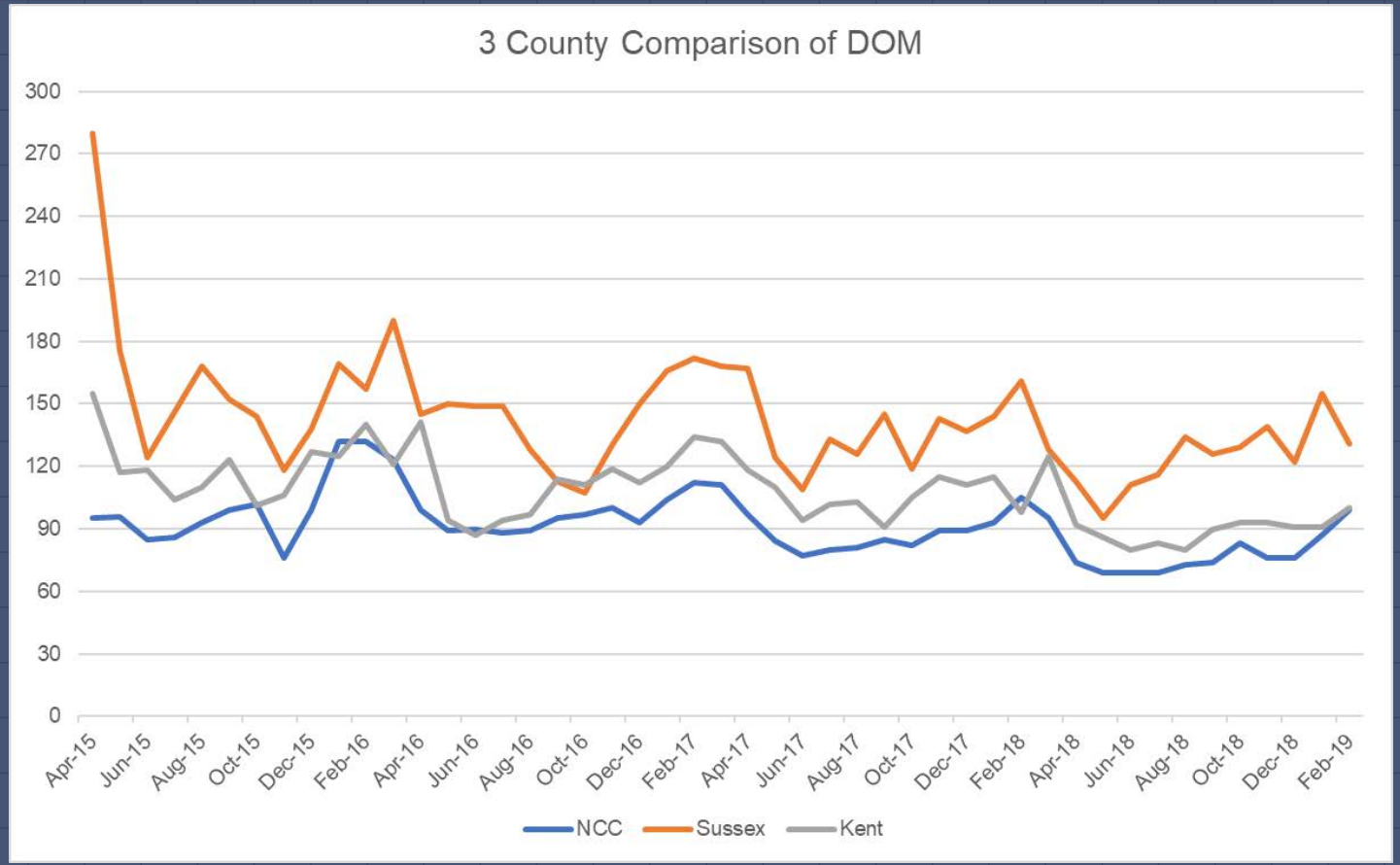
Data through Mar 31, 2019

$208,300 ZHVI

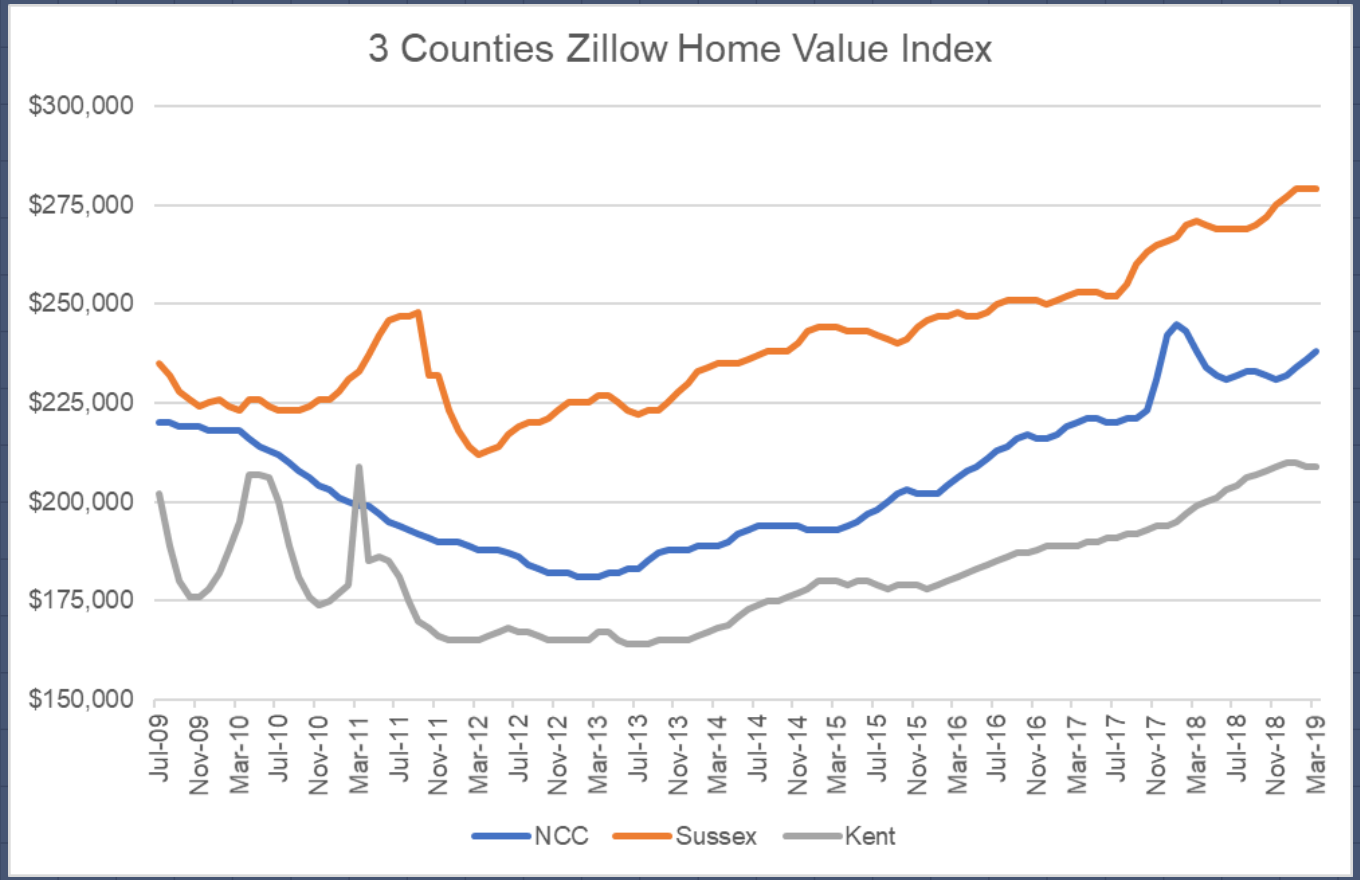
1.1% 1-yr forecast (Mar 31, 2020)

$251,945 Median listing price

3 County Comparison DOM



3 County Comparison Zillow Home Value Index



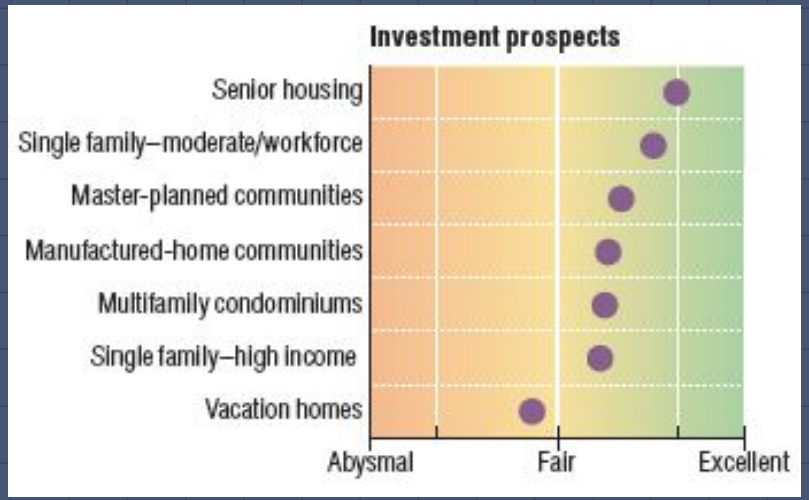
“Real estate as an asset class has matured. Market participants need to realize this and make the appropriate adjustments.”

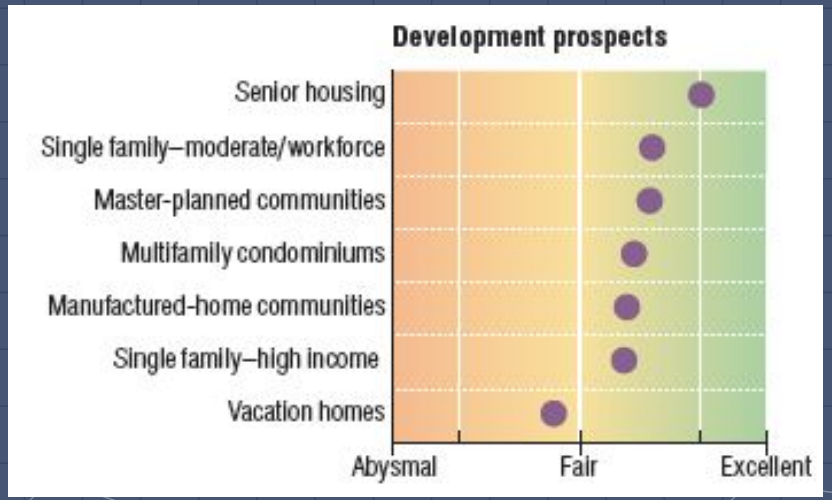
Urban Land Institute, Emerging Trends in Real Estate 2019

NEW CONSTRUCTION

- Despite slow sales, home permits are 6.2%higher in 2017 than in 2016 (higher than the years preceding the crisis)
- The rise in new home sales, About 10%of total housing market, coincides with a decline in the median sales price
- Materials prices keep rising faster than inflation and rents, and prices for individual construction materials are unpredictable from month to month.

Prospects for Residential Property Types in 2019





Urban Land Institute, Emerging Trends in Real Estate 2019

Wildcards

- Millennials
  - 2017: 26% are still living with parents or another relative
  - Home ownership was 37% in 2015 (8% lower than Gen Xers & Boomers)
  - Get married later
  - Affordability
  - Student debt
  - Affordable houses in suburban areas and smaller towns; want a short commute

Brobert, B. (2019). The State of Housing Supply and Demand. On Common Ground.

Wildcards

- Baby Boomers
  - Want similar size but more affordable homes in suburbs farther from city center
- Gen Xers
  - Seeking larger homes for aging parents or their kids over 18
- Construction costs
  - Rose 4%for, 2016 to 2017, making affordable housing (low end) difficult

Brobert, B. (2019). The State of Housing Supply and Demand. On Common Ground.

WANT PROFITABILITY? KEEP INFORMED!

What to keep an eye on in Delaware

- Entry level homes (<1800 sq ft)…still in short supply
- Affordable housing
- Multiunit (apartments)
- Opportunity zones
- Innovative solutions:
  - Adaptive housing (cohousing models)
  - Micro apartments
  - Accessory Dwelling Units (ADUs)

GOOD RESOURCES

- http://marketminute.longandfoster.com/Market-Minute/DE/Delaware.htm
- http://destatehousing.com/FormsAndInformation/datastatmedia/real_estate_report.pdf
- https://www.zillow.com/research
- www.nreionline.com
- https://www.movoto.com/de/market-trends/
- https://www.neighborhoodscout.com/de

IN CLOSING

- How to evaluate real estate market trends
- Data-driven ideas for identifying RE investing tactics and opportunities
- Make profitable decisions on marketing strategies
- Key drivers and sweet spots in the Delaware market
- Where do you want to focus your investing efforts?

THANKS!

Any questions?

You can find me at

- https://www.facebook.com/houseflippingdelaware/
- michele@DelmarvaWealthBuilders.com