



Patterson-Schwartz Real Estate Real Estate Market Update – New Castle County, DE 2007 Mid-Year Report

A quick glance at the year to date numbers for our local real estate markets confirms the fact that the housing industry is indeed local, not just by state but even within the various counties of a state. In addition, general statements about *overall* market activity may not be appropriate at different price points within the particular housing market. It's all in the details! Let's see how this plays out in New Castle County.

As expected, the **number of available homes on the market** continues to increase. Overall, 31% (857 properties) since this time last year, and 23% (691 properties) since the end of the year 2006. Looking at the detail of available homes by price range (see chart 1) provides us with further insight into the market. As we have seen in prior updates, the downward trend in the availability of homes priced under \$150,000 continues – there is a 10% decline here. Conversely, the 54% increase (462 properties) in the supply of homes priced between \$250,000 and \$399,999 tells us that buyers have a lot from which to choose. Motivated sellers are more closely in tune with proper pricing and staging of the home to sell than ever.

Year to date at June 30, 2007, the **number of new contracts** written has declined by 10% or 431 properties in comparison to the same period in 2006. Looking at the detail of market activity by price range (see chart 2) shows us the impact of both tighter lending practices and the decrease in supply of lower priced properties, with a 22% (172 units) decline in the number of homes sold below \$150,000 and the 11% decline (194 units) in homes sold between \$250,000 and \$399,999. The price points \$400,000 and above show very modest declines in the number of homes sold in comparison to prior year.

So what about **home prices**? Year to date median sale price is up 4.3% (\$230,000 vs. \$220,400) and average sales price is up 2.7% (\$263,000 vs. \$256,000) compared to the same time period last year. It is important to note that these statistics are impacted by the “mix” of what is selling in a market. Looking back at the preceding paragraph, the sale of properties priced at \$400,000 and above is showing less of a decrease than the sale of properties priced below \$400,000. The direction of this statistic overall may make us “feel good,” but it's one that we use with caution. In today's market, the value of an individual property has more to do with its condition and location relative to recently sold homes, and perhaps more importantly, how it compares to similar properties that are for sale.

What do we see for the remainder of the year? For a clearer picture of where the market is trending we have updated the **supply and demand graph**. The direction of the market over the past few years is shown by the number of new property listings, the number of properties that went under contract and the number of properties for sale by month (see chart 3). The “new contracts” line (red) and the “new listings” line (blue) ran almost parallel to each other from January 2003 through July 2005. This means that the supply of properties ‘entering’ the market (new listings) barely kept up with the number of properties ‘exiting’ the market (properties under contract). Hence the very low supply of homes available for sale (yellow line) during that time period. The market shift (increasing supply relative to demand) began in August 2005, continued throughout 2006 and now into 2007 as indicated by the first 6 months of data. This is



illustrated in our chart by the widening of the gap between supply and demand (the red line and blue line) over this time period.

Based on market activity for the first six months of 2007 in New Castle County, we believe that the number of units sold will decline nearly 20%, with median home prices showing slight appreciation over last year. The good news: unlike some areas, our local economy is experiencing moderate expansion, with new job creation and lower unemployment. Similar to other parts of the country though, consumer confidence has further declined due to higher energy costs, a negative national political atmosphere and the ongoing issues with the sub-prime mortgage industry. As we see more signs of stability, buyers will return with restored confidence. Buyers who choose to purchase today, however, will be the ones smiling at this time next year.

(All reports presented are based on data supplied by TReND MLS. TReND MLS does not guarantee nor is it responsible for its accuracy. Data maintained by the MLS may not reflect all real estate activities in the market. Information is deemed reliable but not guaranteed. Data is as of 7/20/2007)

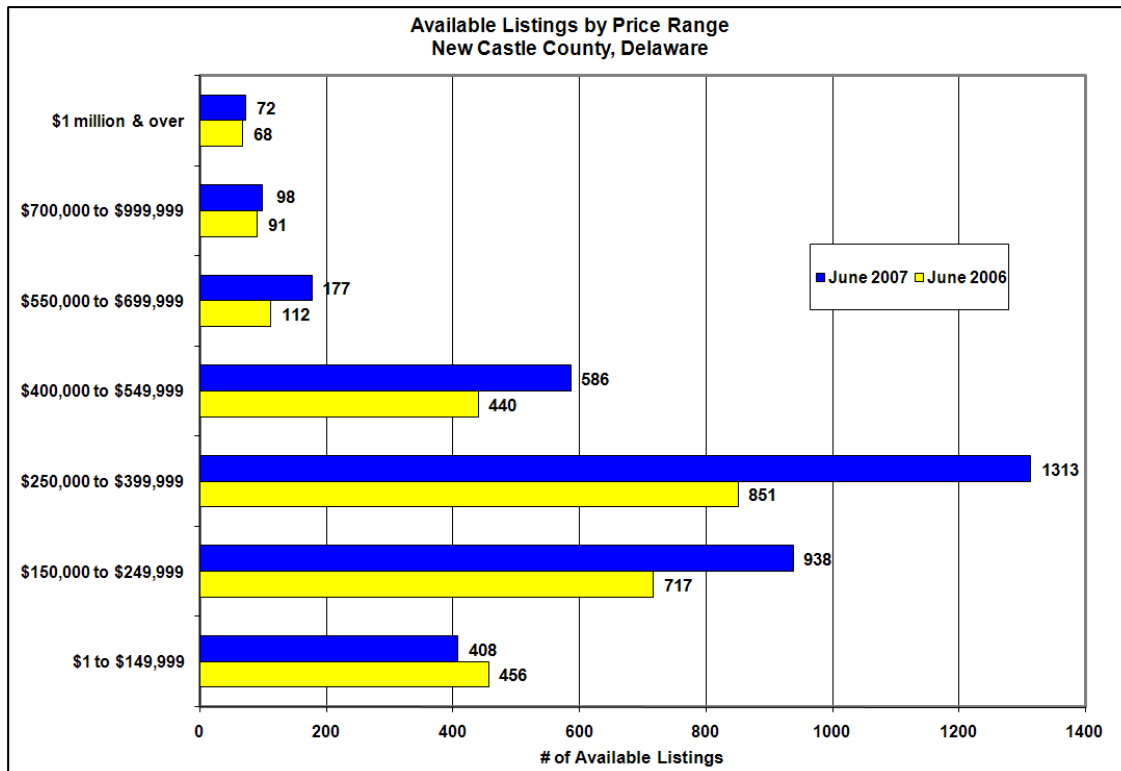


Chart 1

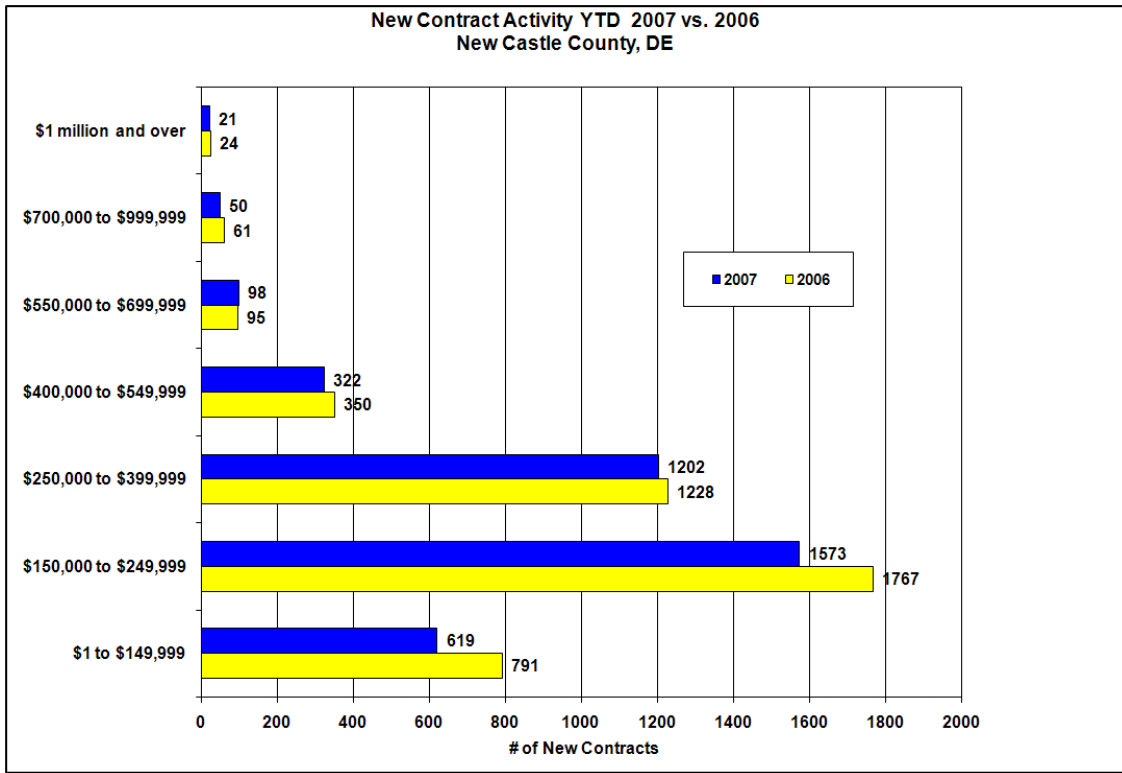


Chart 2

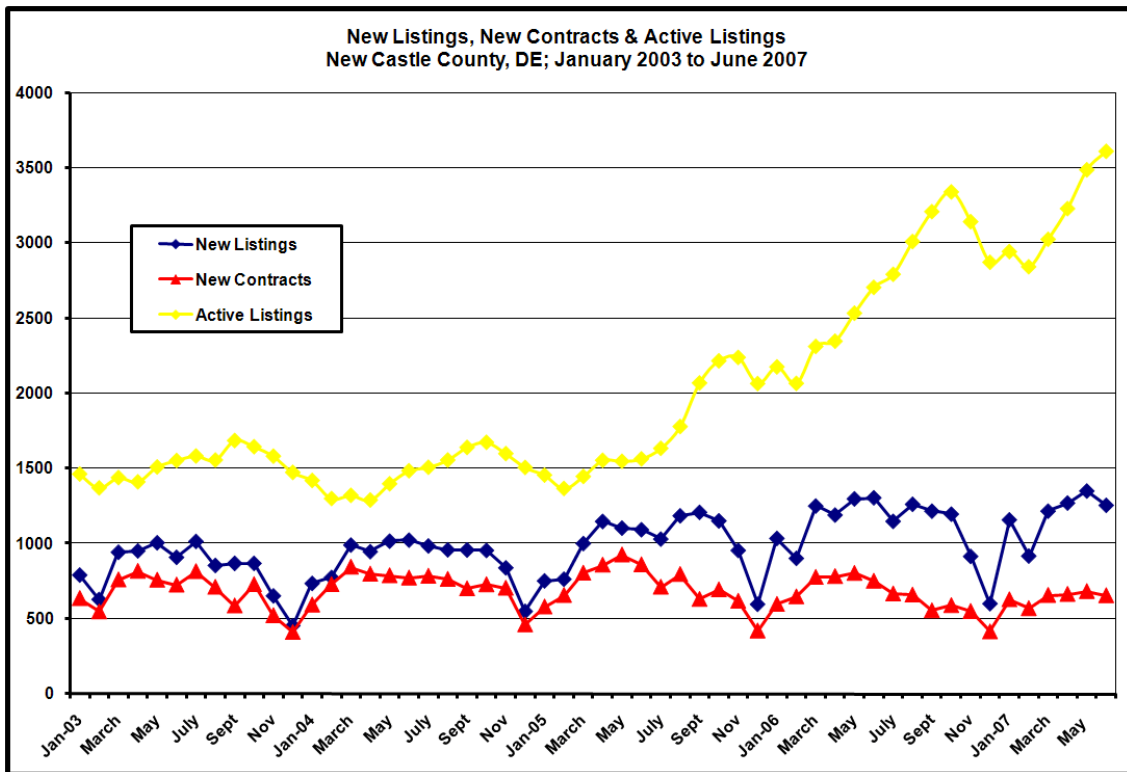


Chart 3