



Patterson-Schwartz Real Estate Real Estate Market Update Southern Chester County, PA 2007 Mid-Year Report

Looking at the overall data for the Southern Chester County, PA real estate market, one may reach incorrect conclusions about buying or selling in this market. Most of us realize that our housing industry is local and we rely less and less on national housing reports, but perhaps just as important to understanding the local market is the need to look at the details – the mix of housing, new construction vs. resale and the various price ranges.

As expected, the **number of homes available for sale** (see chart 1) has increased by 27% or 226 units in comparison to the same period in 2006, with 89% of this increase in homes priced between \$250,000 and \$550,000 (201 units). Resale properties represent the majority of the increase in this price point – *not* new construction. There is actually a slight decline in supply of homes priced between \$550,000 and \$999,999. The supply of homes priced \$1 million and up has increased by 33% (24 units) – all new construction. At the other end of the market, the availability of homes priced below \$250,000 has shrunk to just 6% of the total number available.

The **number of new contracts** written year to date in 2007 has declined by 15% or 90 units in comparison to the same period in 2006. Looking at the detail of market activity by price range (see chart 2), it is evident that properties priced \$400,000 and above are less affected by the market change, with a decline of just 11 units (5%). And two price points within this range actually show an increase over last year. Most of the decline is in homes priced below \$400,000, where there is a 20% decrease. It seems that buyers at the upper end in this market are less concerned with the market change, and may be taking advantage of its opportunities; builder concessions, sellers more negotiable, favorable mortgage rates.

So what about **home prices**? As we have said in the past, we emphasize using caution when applying a broad statistical measure to determine the effect of market conditions on the value of a specific home. 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. It is important to mention too that the area that we define as Southern Chester County (see disclosure below) includes less than 500 transactions for our analysis. With this in mind, for Southern Chester County, both average and median price of settled properties have increased from this time last year. The median price is \$398,000, up 5.8%, and the average sales price is \$477,000, up 8% since June 2006.

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 for a short time – early 2003 through early 2004. 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 mid 2004, continued moderately into 2005 and more notably in 2006. Based on the 6 months of data



for 2007, there does not appear to be a change in direction. This is depicted in our chart by the widening of the gap between supply and demand (the red line and blue line) over this time period.

In conclusion, the market has continued to cool, fueled in part by the decline in new construction units that were mostly responsible for the growth spurt felt in this area. Today there are opportunities for buyers with long term objectives who are confident in the underlying values that this area has to offer.

(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 7/25/2007. For analysis purposes, Southern Chester County includes Avondale Borough, Birmingham Twp, E. Marlborough Twp, E. Nottingham Twp, Elk Twp, Franklin Twp, Kennett Square Borough, Kennett Twp, L. Oxford Twp, London Britain Twp, London Grove Twp, New Garden Twp, New London Twp, Newlin Twp, Penn Twp, Pennsbury Twp, Pocopson Twp, U. Oxford Twp, W. Marlborough Twp, W. Nottingham Twp)

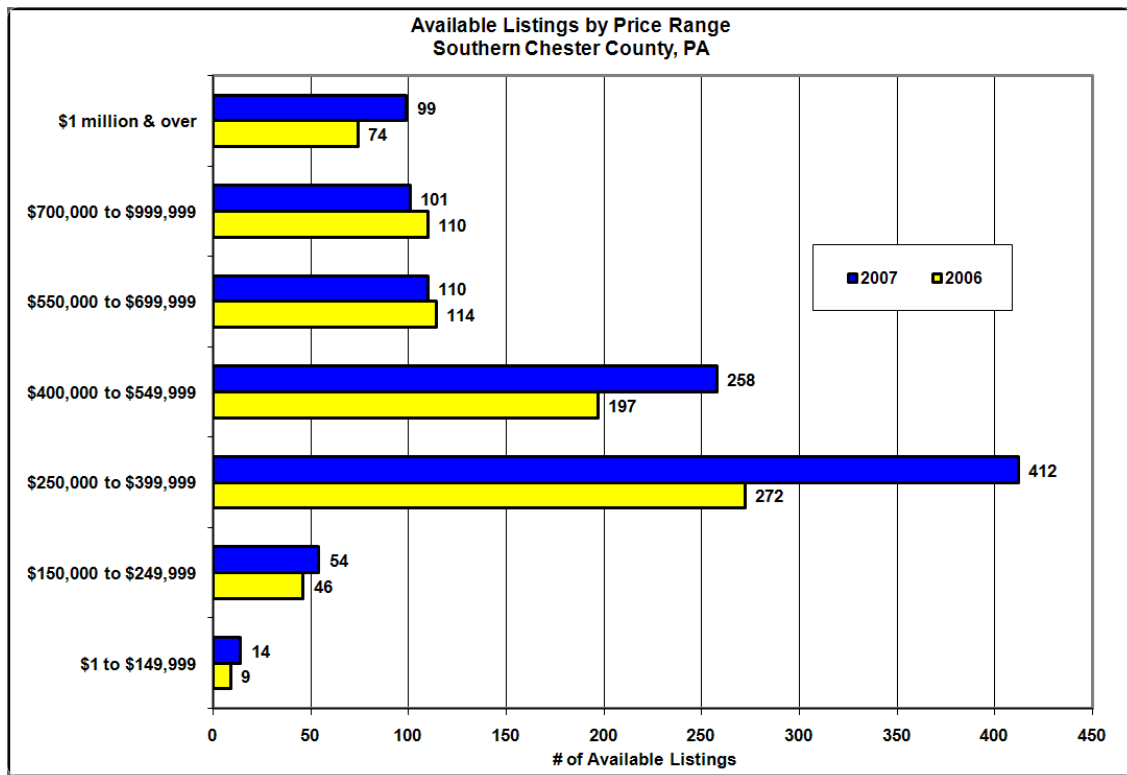


Chart 1

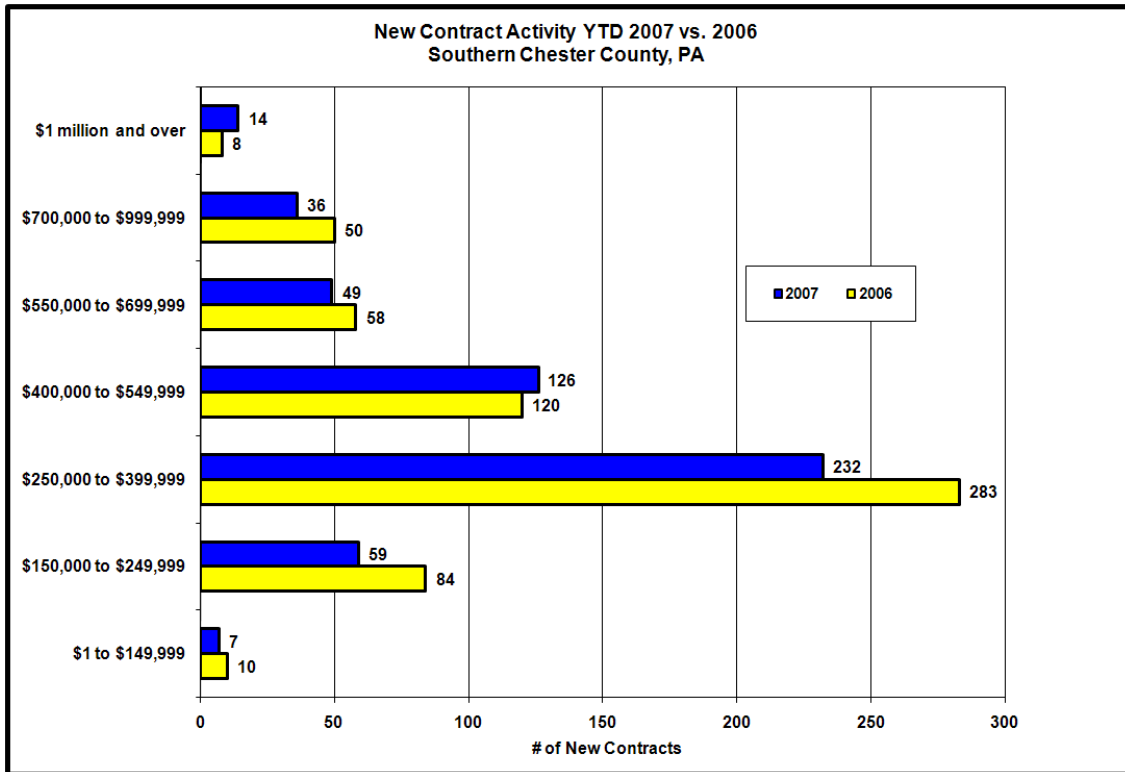


Chart 2

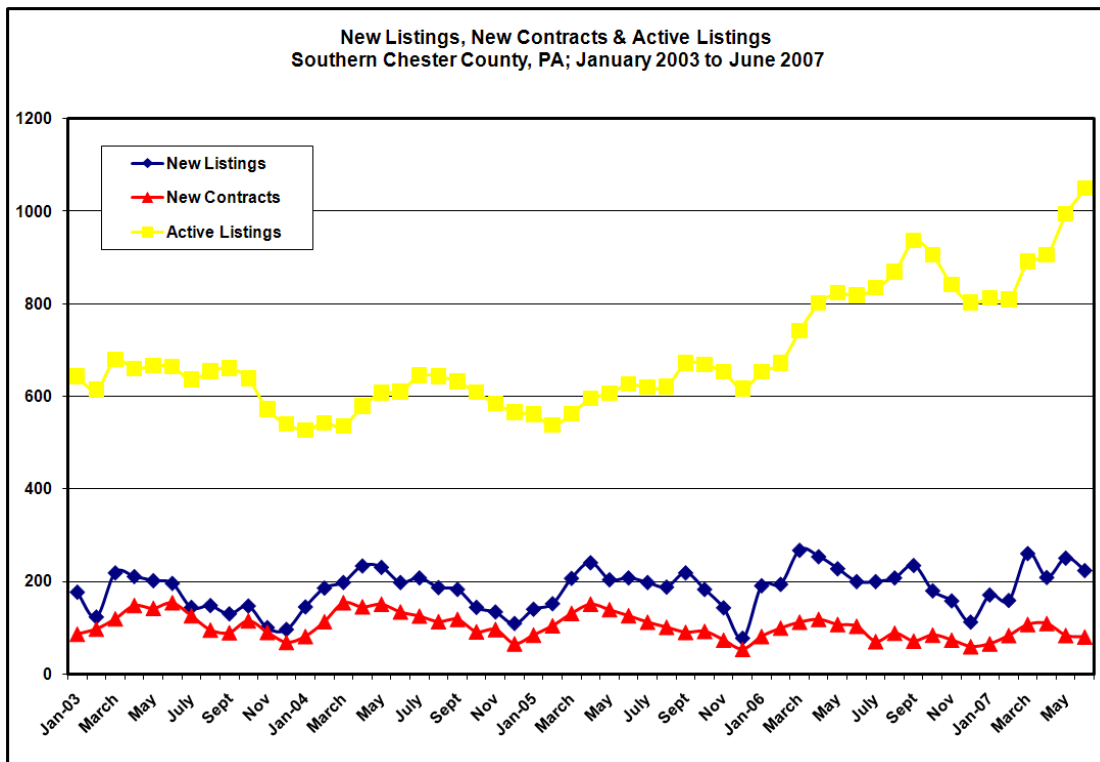


Chart 3