



SCHWARTZ *Report*

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DOUBLE, DOUBLE TOIL AND TROUBLE

It is an old adage in real estate brokerage that buyers buy by comparison. Therefore, it is most unusual to show someone only one property and expect them to buy it. Even more unusual is to NOT show someone through a property and end up having them buy it. Yet from a physical standpoint that is exactly what was happening in 2020. In December 2020, for example, I saw one report which indicated that 63% of homes sold that month were sight unseen. Only virtual touring makes this possible. That is just one of the anomalies of the market in 2020 which makes any analysis of 2020 and 2021 so far, an unlikely apples-to-apples comparison. So I thought an expanded horizon might be more beneficial for this mid-year report.

Far from a market collapse, which many pundits feared this time last year, the nation is experiencing a housing market that, according to mortgage giant Freddie Mac, is nearly 4 million homes short of what is needed to meet buyer demand. This is nearly a whole year of sales. The median existing home sale price nationally jumped to \$341,600 in April, 2021. This is the highest level for that number which the National Association of Realtors (NAR) has on record. New home construction has traditionally been the pressure relief valve for excess housing demand. It is, therefore, not surprising that 2020 was the highest housing start year since 2003. Material costs, labor shortages and varying land use restrictions will continue to hamper new home building. Nonetheless, demand continues unsated.



Fueling the demand is a veritable witches' brew of ingredients which keeps the pot bubbling. The national homeownership rate continues at a high rate, at 65.3% as of the end of April, 2021. Not only are first time home buyers buying (36% of our home sales were to first time buyers in 2020), but existing homeowners are staying put content to fix up rather than move up. So, the normal 7 year cycle from old owners to new ones is now more like a 13 year one. The government's mortgage forbearance programs have sharply reduced foreclosure inventory. Less turn over in all cases means a slower restocking of the shelves, you might say.

While we are stirring the pot let's throw in a few more ingredients. Mortgage rates are hovering around 3% which is less than half of the 50 year average for a 30 year fixed rate loan (6.3%) going back to 1970. Savings rates are much higher than anticipated. This has partially contributed to all cash transactions which are approaching 25%. It must be admitted that some of those so called cash buyers were only making their offers on that basis as a competitive tool. They were merely using that ploy to try to beat the competition. Undoubtedly, many will finance their purchase either during or after the sale to take advantage of the historically low rates.

Demographics matter too. The Millennial generation is now reaching its peak home buying age of 34 to 36 years and has never experienced a 1970's like era of inflation. They also represent the largest demographic group since our beloved Baby Boomers.

Here locally all five of our markets experienced record years in 2020. In New Castle County, last year was the fifth most active real estate year since 1998 with 7,418 properties sold and a median sale price high of \$262,500. Kent County had its best year ever with 2,875 sold properties and a median sale price high of \$250,000. Sussex County and New Castle County were in a virtual tie in terms of the number of transactions, each having 42% of the state's total. It was also Sussex County's best year ever at 7,322 sold properties and a median sale price high of \$322,000.

Cecil County, Maryland had its best year since 2004 with 1,625 properties sold and a median sale price

high of \$275,000. In Pennsylvania, the Southern Chester County market also had a banner year. It came in with its best year since 2005 with 1,319 sold properties and a median sale price of \$420,000.

Given these historic increases in median sale prices it was almost inevitable that the discount from original list price to eventual sale price would narrow and in most cases disappear entirely. In those markets the discount was either zero or fractions above one hundred percent. This is a testimony to the ongoing bidding wars in the most active price ranges where properties have actually been selling well above the price at which they originally came on the market. Bubblicious!



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for a detailed overview of the current real estate markets in New Castle,
Kent & Sussex Counties, DE, S. Chester County, PA and Cecil County, MD.

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