

High Demand, Inadequate Supply

Greta Huegel

As a mortgage lender in Delaware that ranks as the second largest volume lender and enjoys a purchase market share of over 8% and is the leading lender in the affordable housing arena, we are acutely aware of the challenge that purchasers of affordable housing face in Delaware.

New Castle County has almost no properties available priced below \$150,000. Kent County as of late May has 67 units available priced below \$150,000. Sussex County data in zip codes excluding the beach areas in early Spring reflected 104 units available priced below \$150,000. As of the end of May, our Chase Home Finance pipeline report of loan applications in process reflected 821 loans in process. 189 applicants or 22% are pursuing affordable units priced below \$150,000. 80 of the 189 applicants or 10% of our total applicants are credit approved and are house hunting. Keep in mind that Chase Home Finance's 80 purchasers competing for the few affordable properties that are available are clients of just one lender of approximately 12 lenders who are the most active in affordable housing lending in Delaware.

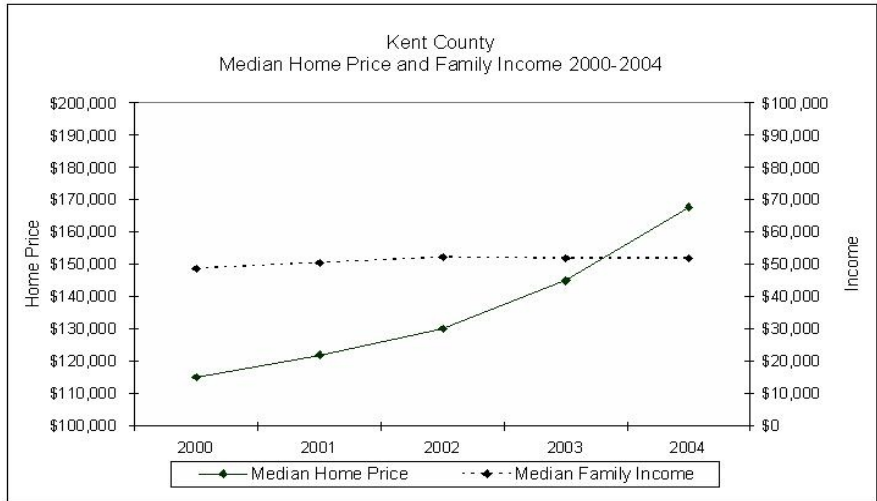
Of the 80 active qualified Chase clients, 2 began their search last October, 1 in November, 3 in December, 7 in January, 16 in February, 23 in March, 19 in April, and 9 in May. Contrast this time spent house hunting with the TREND MLS statistics for 2004 and YTD 2005, which show median days on the market for homes in New Castle County are 15 days and Kent County are 12 days. We can only begin to imagine the frustration and concern the home buying workforce of Delaware is experiencing.

Some purchasers of affordable homes search for a year before making a successful bid on a home. We had one client make 8 unsuccessful offers, where other competing offers were accepted, and

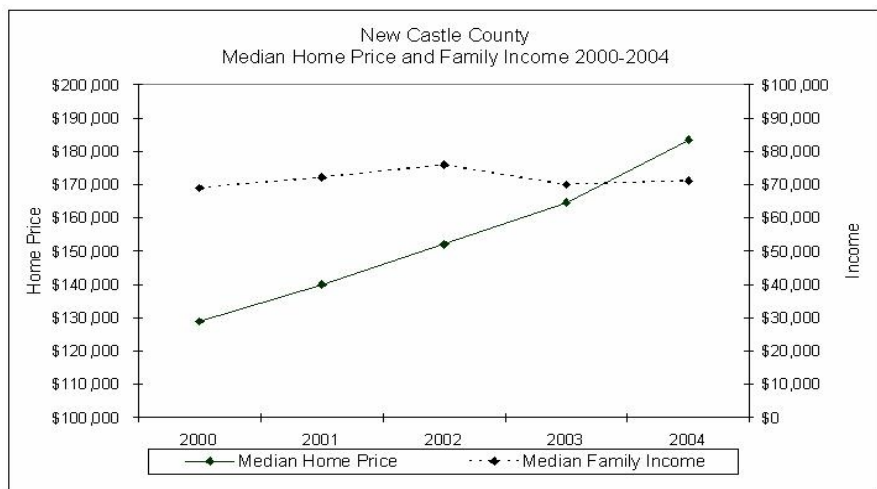
finally, after a year of the emotional ups and downs of house hunting, writing offers, having offers rejected.... the 9th one was finally accepted.

These challenges increase as home prices are rapidly rising. In the past month, I spoke with a real estate agent who related her recent experience with a property seller. She was the second agent to meet with the seller to discuss listing their property. The first agent told the seller he was comfortable listing the

property at \$275,000. The second agent said she was comfortable listing the property for \$295,000. The seller said, "But - I am asking \$305,000". The agent responded.... "I will list it at your asking price on one condition. If the property is not sold in 10 days, you agree to drop the price to \$295,000." The seller replied, "OK, if we are going to do that, I want to put it on the market at \$310,000". They agreed and put the property on the market. Within 4 days, they had multiple offers and the seller accepted

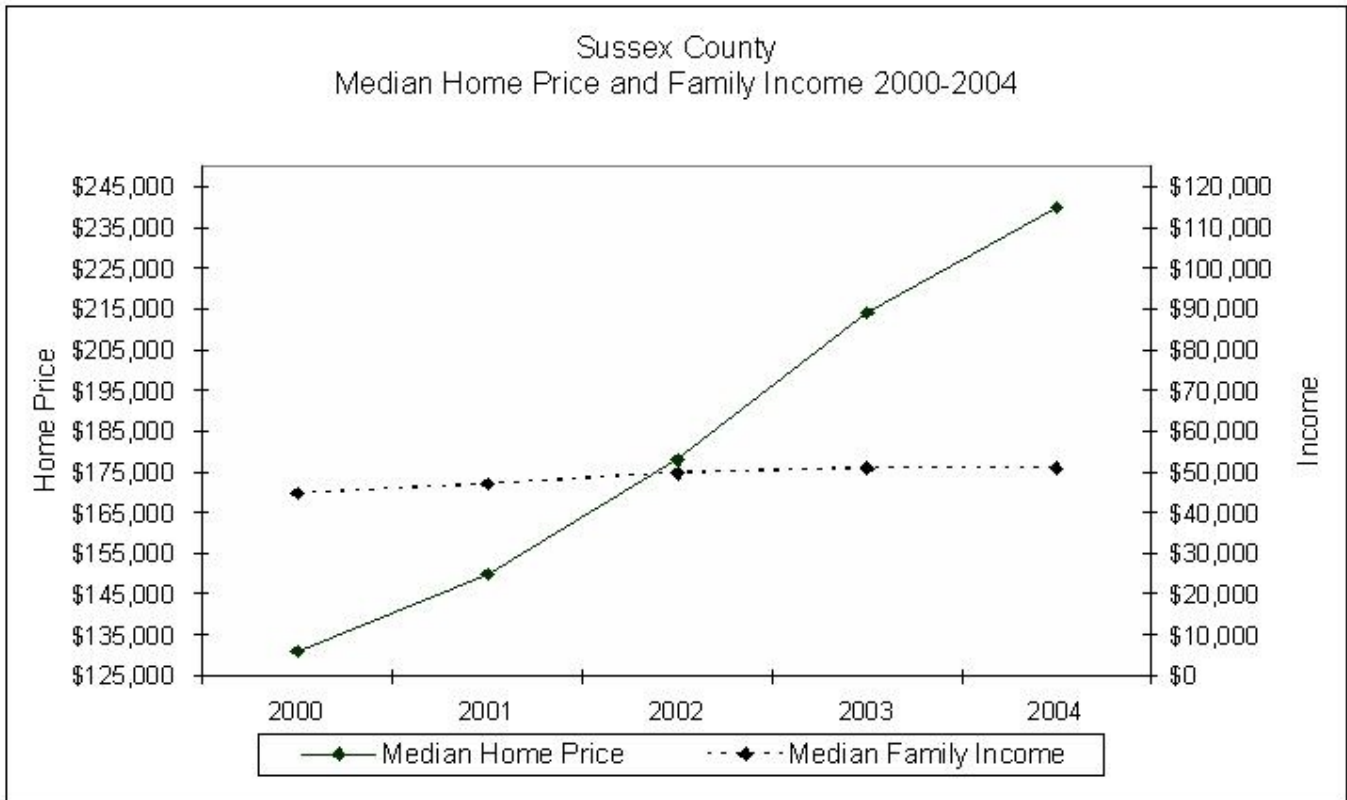


Sources: County Boards of Realtors, U.S. Dept. Of Housing and Urban Development.



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the best offer, which was \$315,000. It is all over the news and we have observed this first hand in Delaware, the fact that investors are very active in today’s market, buying and selling affordable properties, reaping profits, as property values climb. Recently a Delaware builder opened a new townhome community with starting prices of \$190,000. On the first weekend, 30 units went

under contract. Half of them were investors, with plans to immediately re-sell the unit following closing, at an increased price. My last point is regarding a school teacher that was recently prequalified by my sales manager. The teacher lives with 2 other teachers and together they rent a townhome. Their landlord talked about selling this

townhome last year and wanted \$132,500. A year later, the landlord is now asking \$150,000 for the unit. Individually, none of the three teachers can qualify to purchase this townhome. Together they would qualify, however, they do not want to purchase together. Bottom line is our teacher customer cannot qualify to buy the unit she presently rents.

Greta Huegel is Vice President and Delaware Manager of Chase Home Finance. This article is taken from remarks made at a luncheon workshop at Legislative Hall in Dover on June 8, 2005. The luncheon was sponsored by the Delaware Housing Policy Round Table, a committee of the board of DHC, and the Delaware Bankers Association.