



THE Chairman's Report 2018

A Message from Lawrence F. Flick IV Chairman
Berkshire Hathaway HomeServices Fox & Roach, REALTORS® and The Trident Group

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A Seller's Market

It's a great time to buy a house. But it's an even better time to sell one! For the past several years, we've enjoyed a robust real estate market with the

number of sales rising every year. Yet so far this year, sales have been relatively flat. We have a strong market, limited by the shortage of homes for sale.

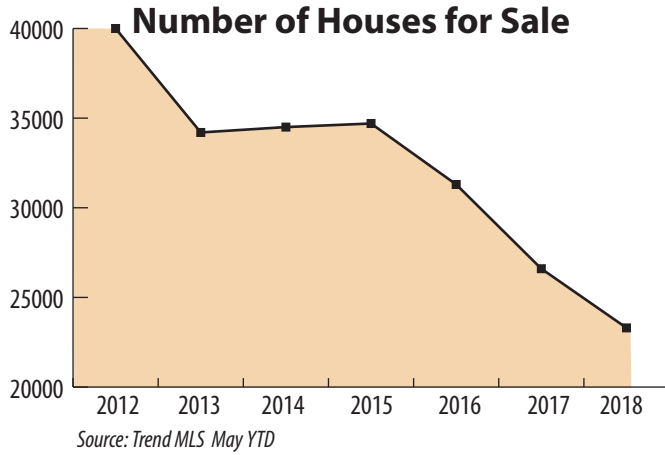
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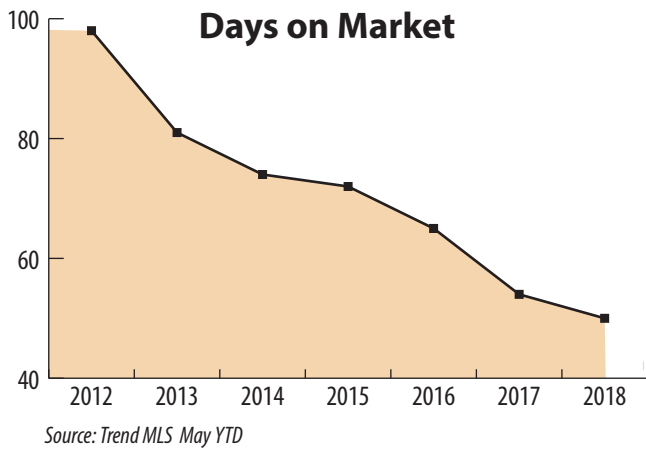
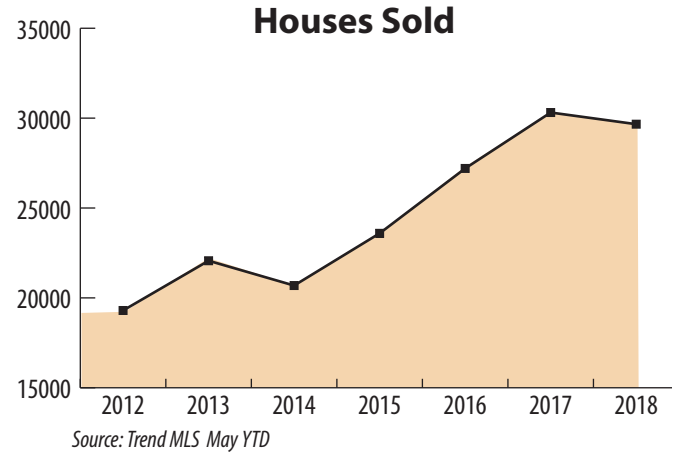


*With demand for homes so high, and supply so low,
this is the best opportunity for sellers
in over a decade.*

Since the bottom of the market in 2011, inventory and days on market have been decreasing:



While the **number of sales** has increased:



With demand for homes so high, and supply so low, this is the best opportunity for sellers in over a decade. Prices are finally rising, and if a property is priced right and looks good, there's a probability of multiple offers, and that gives you the chance to negotiate for the terms you want.

In addition to the shortage of houses for sale, there are other reasons why it's a seller's market.

- In many areas and price points, home prices are increasing. Many homeowners who were unable to sell their homes because they didn't have enough equity to sell are now in a position to move.
- Homes that are priced right and in great condition sell fast — many times with multiple offers. Multiple offers give sellers the advantage of obtaining the highest selling price, putting them in a position to negotiate for the best terms. For example, buyers might agree to a longer time to settlement, giving you time to look for a new home.
- Buyers and sellers can still take advantage of historically low interest rates. Rates are rising, but they are still at historic lows.



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Why The Wait?

Some potential sellers have told me that they would like to move, but they are not yet putting their home on the market because they are concerned about finding a new place to live. That's understandable. Tight inventory can also affect sellers looking for a new home. But if you really want to take advantage of this seller's market, here are possibilities to consider:

- Buy before you sell.
- Give yourself enough time to look for a new home when agreeing to a settlement date. The higher price ranges have more inventory, so there are more options for move-up buyers.
- Rent while you look. I've noticed that the newest trend in housing is luxury apartments. Builders have taken note, and are creating new product to meet this need.

It is a great time to sell, but buyers are *not* buying just anything at any price. There are many active buyers but they are maintaining perspective, not charging ahead with emotional purchases. They are still quite conscious of price, and are not willing to overpay — the market of 2008 is still fresh in their minds. And they expect properties to be in move-in condition. We repeatedly hear that the last thing buyers want is to purchase a remodeling project.

Advice for buyers in a seller's market

If you have been looking for a home, you are aware that you will be in competition with other buyers. But your new home is out there. When you find it, here's what you should do:

- Know the market. Look at a number of potential houses so you know when it's time to seize an opportunity. Your BHHS Fox & Roach sales associate can help you with this.
- Be pre-approved for a mortgage. Trident LoanSuite, our new online application process, makes this easy. Your Trident mortgage consultant is a valuable resource.
- Be flexible with your terms: settle when the seller wants to settle; don't have too many contingencies.

The exception to the rule

There is one exception to this seller's market, and that is the high-end market. But even this market is improving, just not as quickly as the rest of the market.

Months Supply of Inventory

YTD 2018 over 2017	Supply	Change
All price ranges	2.7	-15%
\$1 million +	10.5	-5%

If your life circumstances are such that you want to sell or buy a new home, now is the time. Waiting has a financial price in higher prices and interest rates. Contact your BHHS Fox & Roach/Trident representative to help you as you begin the journey.



Lawrence F. Flick IV
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AN INDEPENDENT VIEW



Joel L. Naroff, Ph.D. is the President and founder of Naroff Economic Advisors. A nationally recognized economic forecasting expert, Joel was awarded the Lawrence Klein Award for Blue Chip forecasting excellence and was the Bloomberg Business News top economic forecaster in 2008. In 2007, he received the National Association of Business Economists Outlook Award and was named the top economic forecaster by MSNBC in 2006.

National Economic Outlook: Economic growth, which slowed in the early part of the year, appears to have re-accelerated as we moved through the spring. Importantly, the tax cuts are starting to have the positive impacts on both household and business spending that were predicted early in the year.

Consumption was weak in the winter, especially for big-ticket items. Vehicle sales moderated and demand for things such as electronics and appliances went largely nowhere. That turned around in the second quarter. Indeed, retail sales were solid across the board in April and May. Rising after-tax income, strong employment gains and an unemployment rate below 4% should help push up wages and propel spending going forward.

In addition, business investment has picked up. Firms are building new plants and investing in machinery and especially technology and software. We should see productivity begin to rise over the next year as a result.

As expected, the stronger growth has led to higher inflation and the Fed hiking interest rates. The Fed has hinted, fairly clearly, that the strong growth, coupled with inflation reaching its target of 2%, will allow it to increase rates twice more this year. We have also seen longer-term rates increase.

The outlook is for strong, if not robust, growth during the second half of 2018. The full impacts of the tax cuts and the effects of the massive government spending bill should be felt the most over the next year. But that will also mean wages and inflation should rise faster, triggering rate increases that could mirror what we saw in the first half of this year.

Interest Rates and the Housing Market: Over the next year, short-term rates could rise as much as one percentage point, while longer-term rates increase as well, though by a little less. Mortgage rates, both fixed and variable, will follow those increases closely.

Will the rise in rates slow the housing market sharply? Not necessarily, at least in the region. Nationally, the problem is not simply higher rates but a lack of supply, which is driving up prices. Rising rates and soaring prices are not a good combination, and affordability is deteriorating.

In our area, the problems are not as great because price increases have generally been less extensive. The region is not considered to be “over-priced.” The lack of supply, while an issue, is also not as restraining as in many other regional markets. And economic growth, while decent, is not robust. Thus, while we could see a deceleration in housing activity, it should not be as pronounced as in many areas that have seen much faster property value increases and a greater dearth of homes for sale.

Center City Philadelphia: Philadelphia’s economy has gone through a series of ebbs and flows recently, but there is every reason to think that stronger growth is coming, if not already here. Comcast’s new building is about to open and Penn Medicine is creating an incubator for new firms that are willing to locate in the city. Those developments tap into the key technology sector, which should be the big growth segment over the next decade. Look for growth to be solid over the next year, and that should translate into strong housing sales and solidly rising prices.

Central New Jersey: The economy is looking more like a yo-yo than a consistent generator of business activity and jobs. Right now, it is on an upswing. The change in the governor’s mansion may have helped, as government employment is rising rather than falling. Critically, the recent payroll gains have been widespread. That has led to a turnaround in the housing market with prices rising a little faster. Don’t expect rapid growth in this market, but it should be better than in the past few years.

New Castle County: Delaware’s economy is picking up steam, but it is still the little engine that maybe can. The Wilmington and Dover metro areas are growing, but problems, especially in Wilmington, are restraining the ability of the region to create sustained growth. Housing prices are rising modestly, and there is little reason to expect any major improvement in either economic or housing growth over the next six to twelve months.

Pennsylvania Suburbs: The area’s growth rate continues to lag, despite the unemployment rate falling to one of the lowest ever seen. The “compaction” of the metro area continues, and while that hurts the outer communities, it is driving growth in the close-in rings around Philadelphia. In addition, rapidly rising housing and commercial real estate costs are starting to force some firms to locate, once again, in the suburbs. Economic and housing activity will be determined by proximity to the city, with close-in communities doing better than those on the outskirts of the metro area.

Southern New Jersey Suburbs: The Camden Renaissance continues to gain speed. The state’s subsidization of corporate relocations into the city is starting to have an impact, while private sector developing is finally taking hold. Job growth has accelerated and is now matching and even exceeding national levels. Expect housing demand here to be strong for quite a while, including inside the City of Camden. Camden should rival Philadelphia in both economic and housing growth.



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