



# Analytics

Published by the Caesar Rodney Institute

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**RELEASE:** CRI - Center for Economic Policy and Analysis

**RE:** Delaware's housing market remains grim

**DATE:** April 15, 2011

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**Demand is still weak in Delaware's housing market. After sliding for almost three years, the median price of purchased homes is modestly turning upward. Yet inflation adjusted state realty transfer tax revenue through the first eight months of fiscal year 2011 continues it slide from the 2005 peak.**

**While mortgage rates remain low, other determinants of demand are still weak. Delaware personal income is growing again, but at a rate well below the historic average. And the primary growth component of personal income is not earnings but transfer payments (i.e., Social Security, Medicare, Medicaid, unemployment insurance).**

**Net in-migration into Delaware has tailed off and population growth is down by more than one-third compared to before the recession. And the number of bodies is declining among the age cohorts entering the housing market. Also, lenders have raised the bar with regard to mortgage qualifications and rollover equity is harder to come by.**

**The obstacle is not over supply. Residential permits in Delaware remain two-thirds below the pre-recession peak, with most of the construction activity concentrated in Sussex county. Foreclosure inventory and new foreclosure starts in Delaware are below the national average.**

**Except at the beaches, there is little expectation that single-family permits are going to accelerate in the near term. Multi-family demand is active as owners become renters and potential owners stay put in rental units. Since 2007, according to HUD, fair market rents in Delaware have jumped 15%.**

**Delaware residential construction will never return to its financial bubble driven peak of 2005, and just returning to historic averages will take three years. This is a grim prospect for the state's construction industry that has been so devastated by the recession.**

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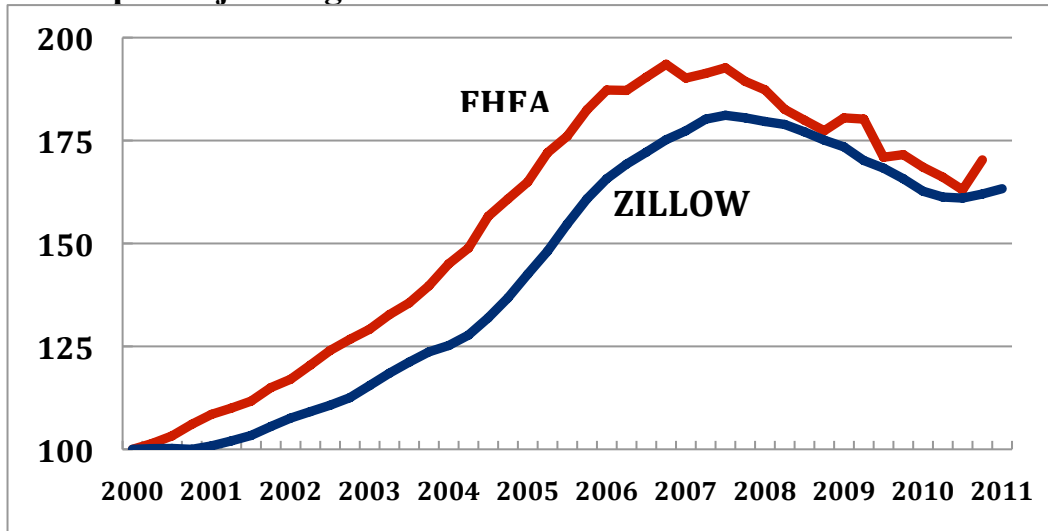
**See charts below**



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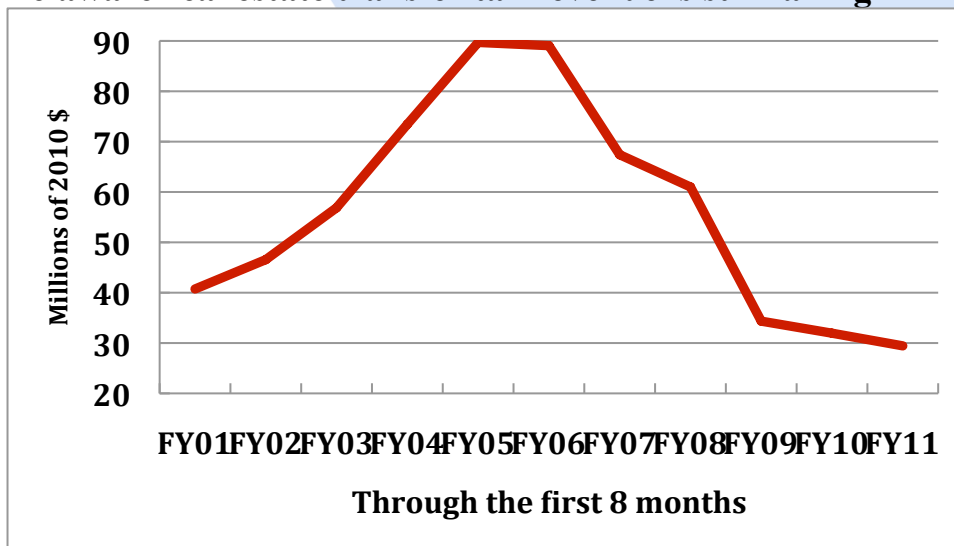
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## House prices just begin to turn the corner



Source: Federal Housing Finance Agency; Zillow

## Delaware real estate transfer tax revenue is still falling



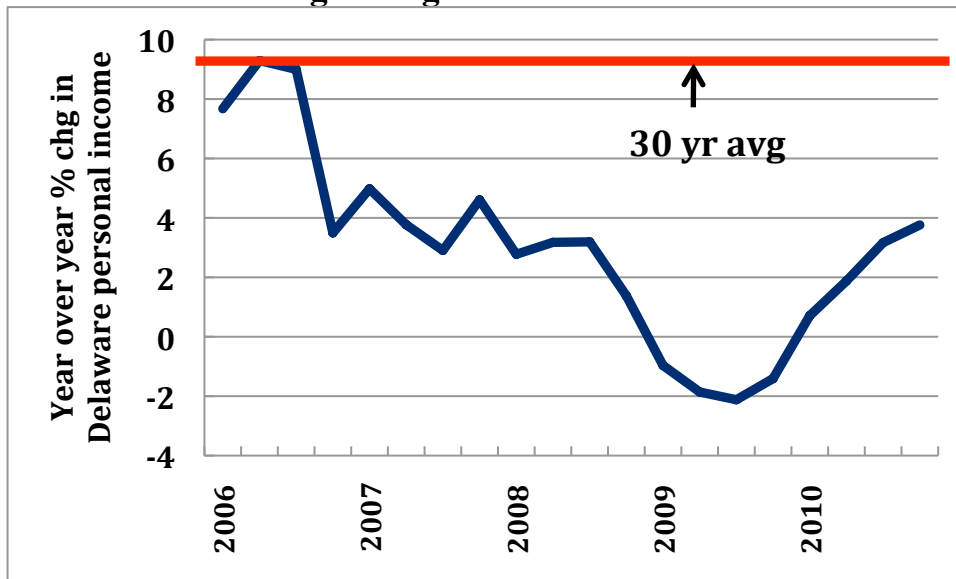
Source: Delaware Department of Finance



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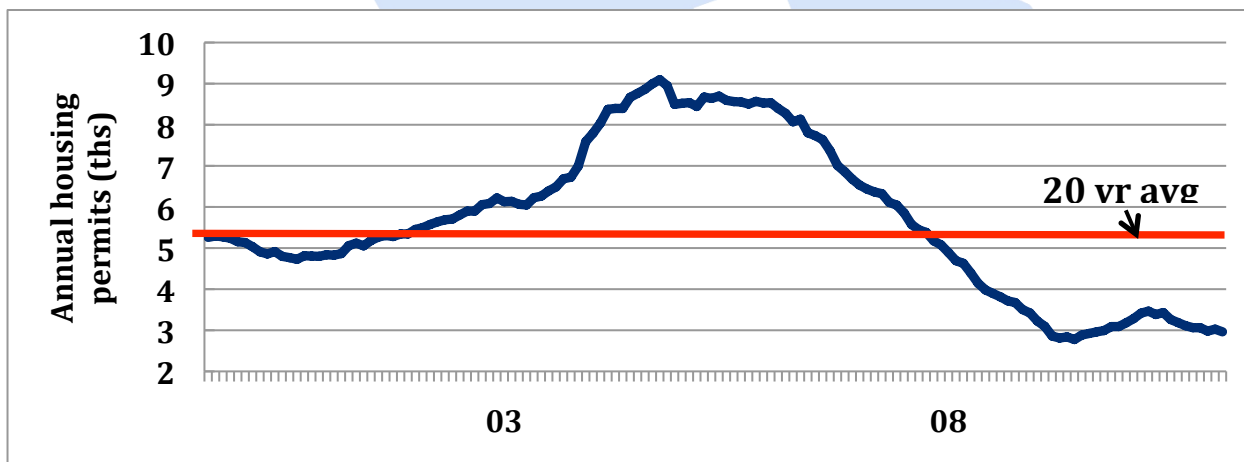
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## Personal income is growing at well below historic rate



Source: U.S. Bureau of Economic Analysis

## Delaware residential permits show that developers are still wary



Source: U.S. Bureau of the Census