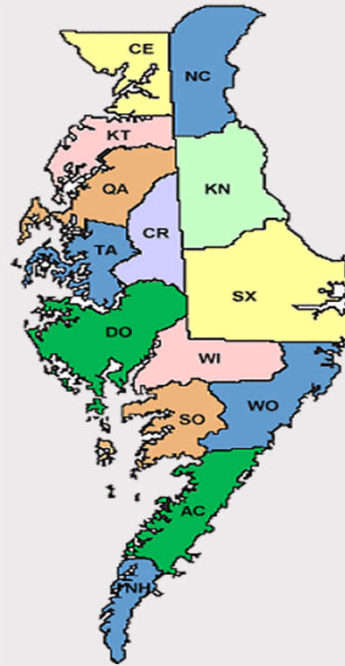


# THANK YOU TO OUR 2023 SPONSORS!



# Delmarva Outlook 2023



William R. McCain, MBA, MAI  
205 Executive Plaza, Salisbury, MD, 21804  
[www.wrmccain.com](http://www.wrmccain.com)

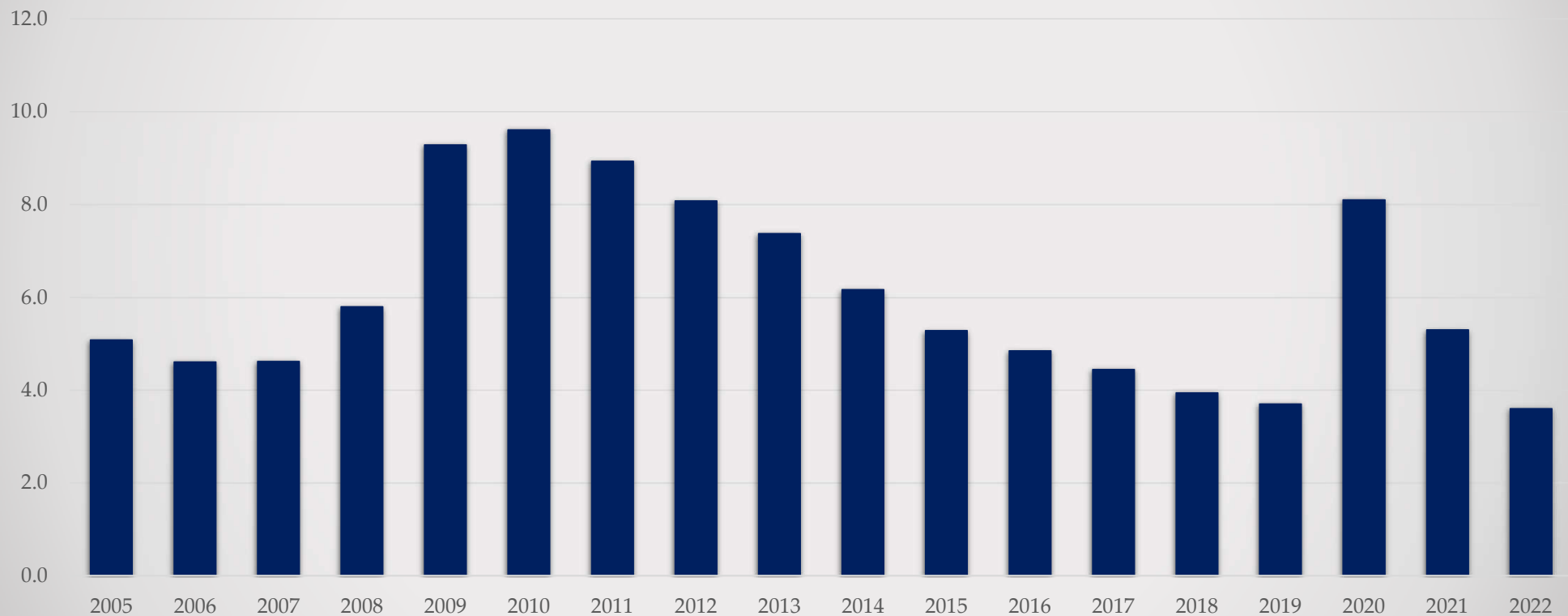


# W.R. McCain & Associates, Inc.

- 35 Years in Business
- 20 Person Staff with an average of 14 years of appraisal experience
- Over 14,000 Commercial Assignments
- Over 60,000 Residential Assignments
- Valued over \$13 Billion of Real Estate
- Ranked in top 5% of real estate appraisal firms for size in U.S.
- Provide comprehensive valuation services and consultation
- Outlook 2023 – Available online



# National Unemployment Rate Annual Averages



● Source: Bureau of Labor Statistics website (data seasonally adjusted)

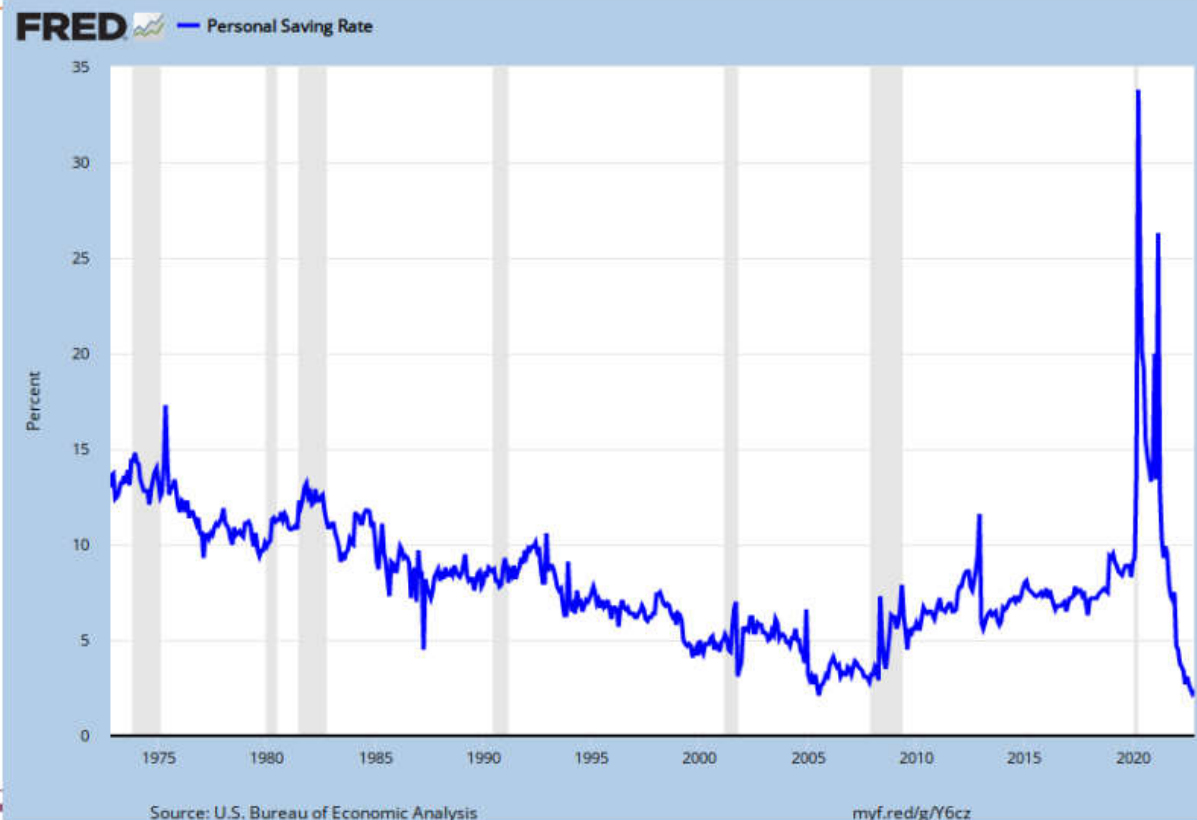
# Labor Statistics

Labor Market	Labor Force			Employment			Unemployment Rate		
	Dec-22	Dec-21	% Chg	Dec-22	Dec-21	% Chg	Dec-22	Prev. Mo.	Dec-21
Wicomico	49,239	48,712	1.1%	47,069	46,377	1.5%	4.4%	4.4%	4.8%
Cecil	52,884	52,310	1.1%	51,174	50,368	1.6%	3.2%	3.6%	3.7%
Worcester	24,716	24,247	1.9%	22,966	22,548	1.9%	7.1%	6.8%	7.0%
Q. Annes	28,615	27,014	5.9%	27,874	26,179	6.5%	2.6%	2.9%	3.1%
Talbot	17,772	18,024	-1.4%	17,179	17,339	-0.9%	3.3%	3.7%	3.8%
Dorchester	16,238	15,002	8.2%	15,661	14,343	9.2%	3.6%	3.9%	4.4%
Caroline	18,044	17,207	4.9%	17,529	16,626	5.4%	2.9%	3.2%	3.4%
Somerset	8,916	8,706	2.4%	8,460	8,201	3.2%	5.1%	5.3%	5.8%
Kent (Md.)	10,243	9,741	5.2%	9,880	9,357	5.6%	3.5%	3.7%	3.9%
Sussex	109,644	107,293	2.2%	104,925	102,782	2.1%	4.3%	4.3%	4.2%
Accomack	15,735	16,026	-1.8%	15,195	15,594	-2.6%	3.4%	3.3%	2.7%
Maryland (000)	3,194	3,121	2.3%	3,092	2,996	3.2%	3.2%	3.5%	4.0%
U.S. (000)	164,966	163,687	0.8%	159,244	149,629	6.4%	3.5%	3.7%	4.0%
MD Lower Shore	82,871	81,665	1.5%	78,495	77,126	1.8%	5.3%	5.2%	5.6%
MD Mid Shore	52,054	50,233	3.6%	50,369	48,308	4.3%	3.2%	3.6%	3.8%
MD Upper Shore	91,742	89,065	3.0%	88,928	85,904	3.5%	3.1%	3.4%	3.5%

Source: Md. Labor Licensing & Regulation; State of De.-Employment Research Division; Va. Workforce Connection; count is of people by place of residence. Note: MD and US Data is Seasonally Adjusted, Lower Shore = Wicomico, Somerset, Worcester, Mid Shore = Dorchester, Talbot, Caroline, Upper Shore = Queen Anne's, Kent, Cecil

# Household Savings Rates

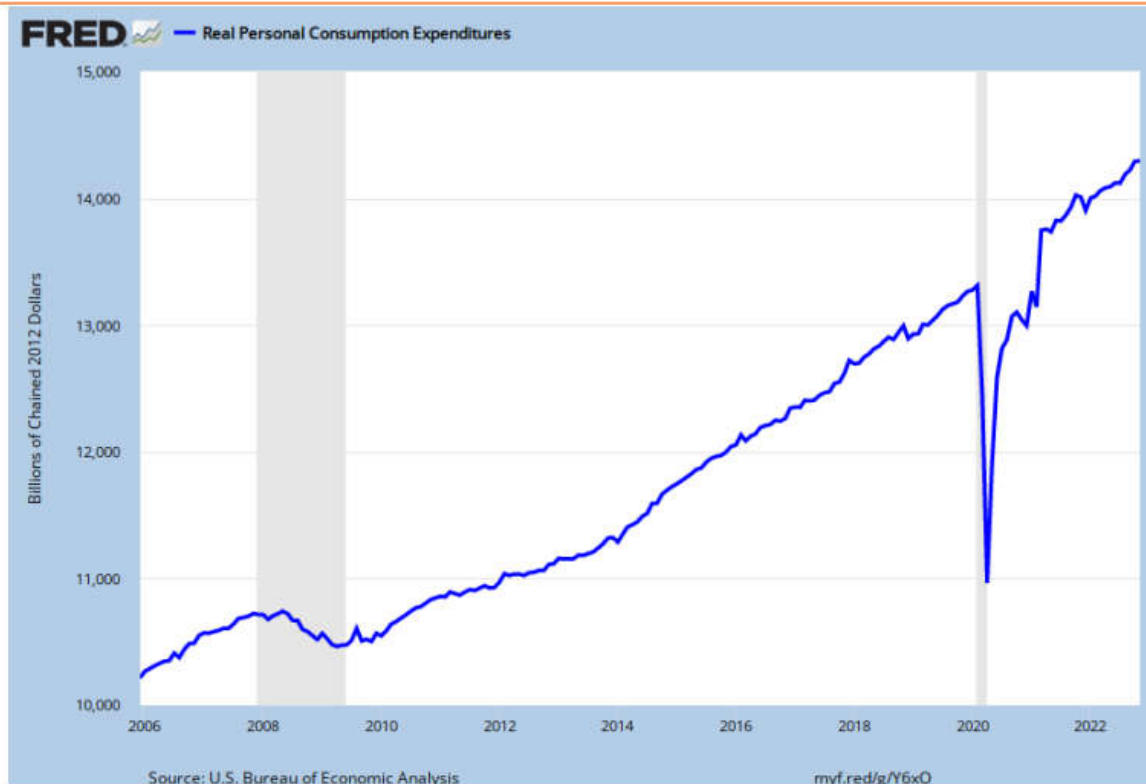
Sinking – Real Income Declines





# Real Personal Consumption Expenditures

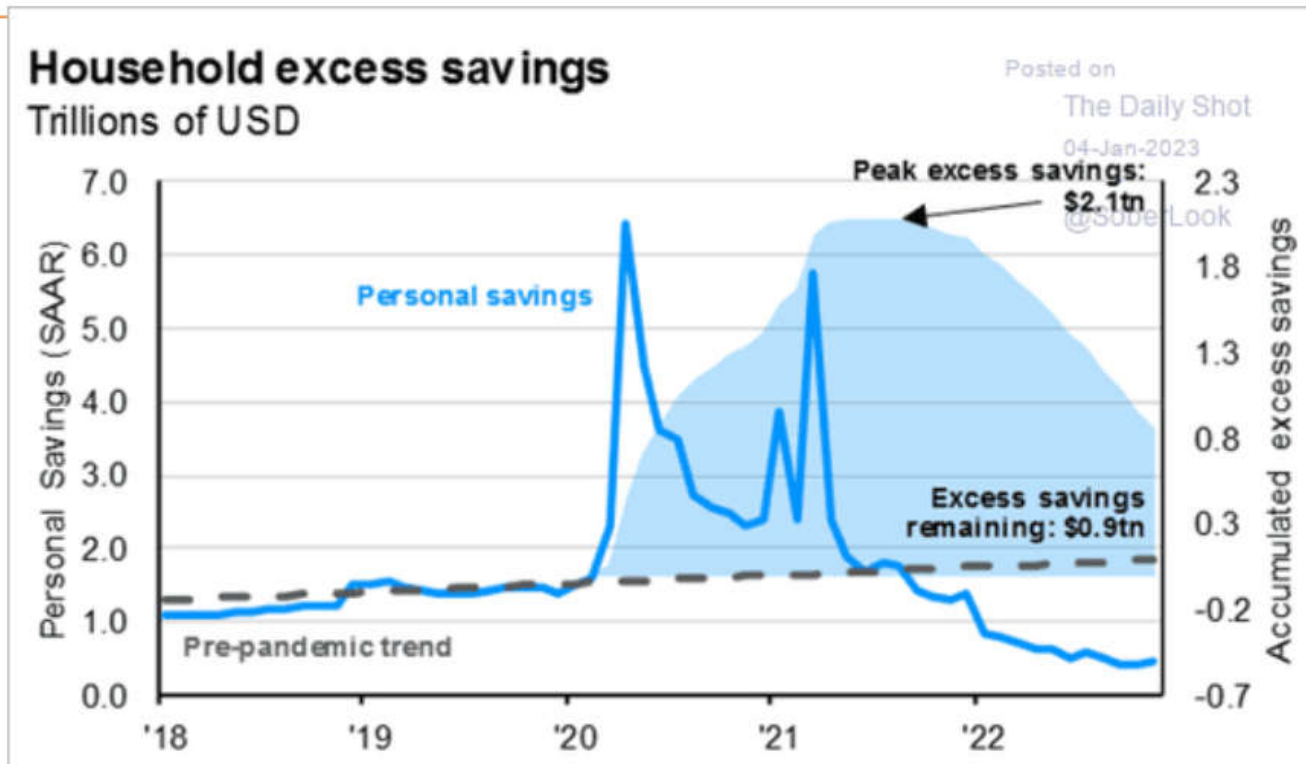
On Trend but will this remain?





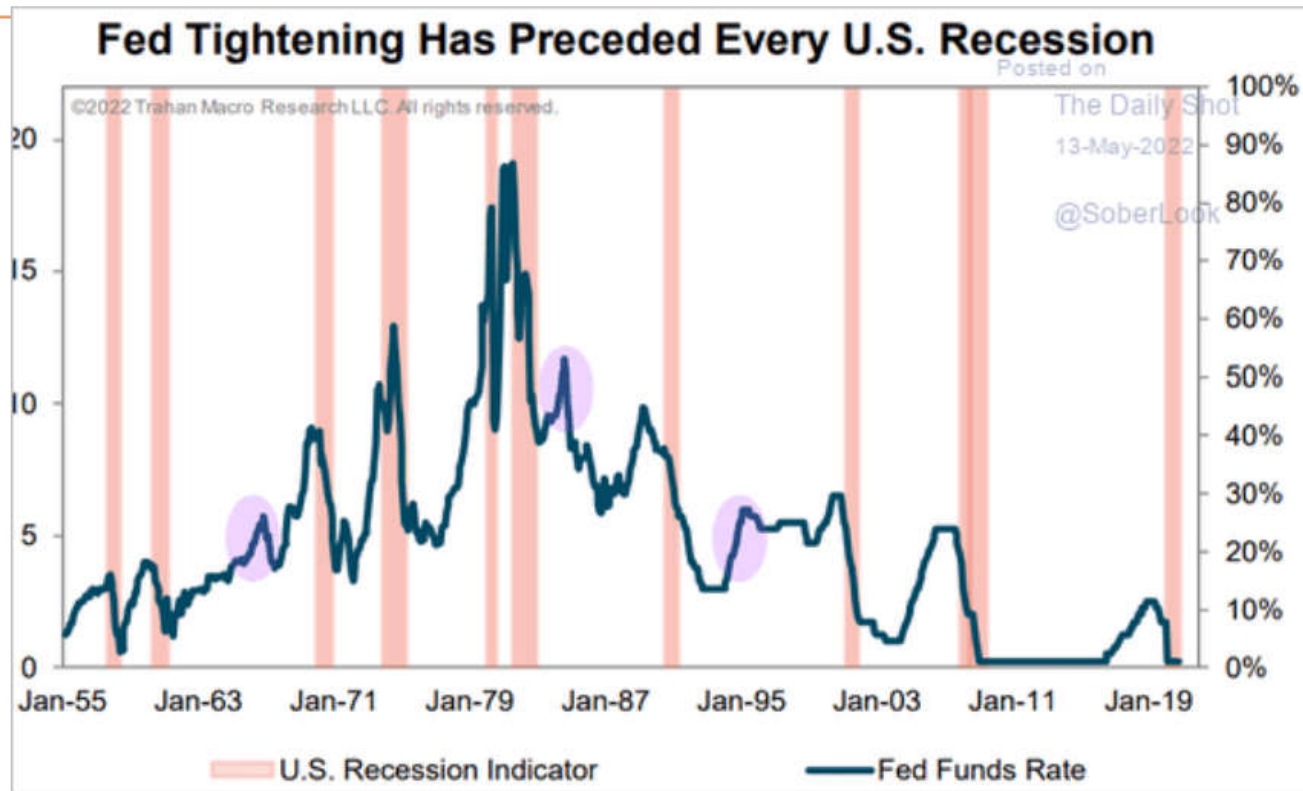
# Household Covid Savings

It is quickly being dissipated



## Fed Rate Hikes and Recession

(Typically positively correlated)



# Fed Rate Hikes & Recessions

Positive Correlation

## Fed hiking cycles and recessions

Start of hiking cycle	Start of recession	Gap from start of hiking (# months)
Aug-58	Apr-60	20
Nov-67	Dec-69	25
Mar-72	Nov-73	20
Dec-76	Jan-80	37
Aug-80	Jul-81	11
Mar-83	Jul-90	87
Jan-87	Jul-90	42
Feb-94	Mar-01	85
Jun-99	Mar-01	20
Jun-04	Dec-07	41
Dec-16	Feb-20	38

Shortest gap was 11 months

Average in hard landings

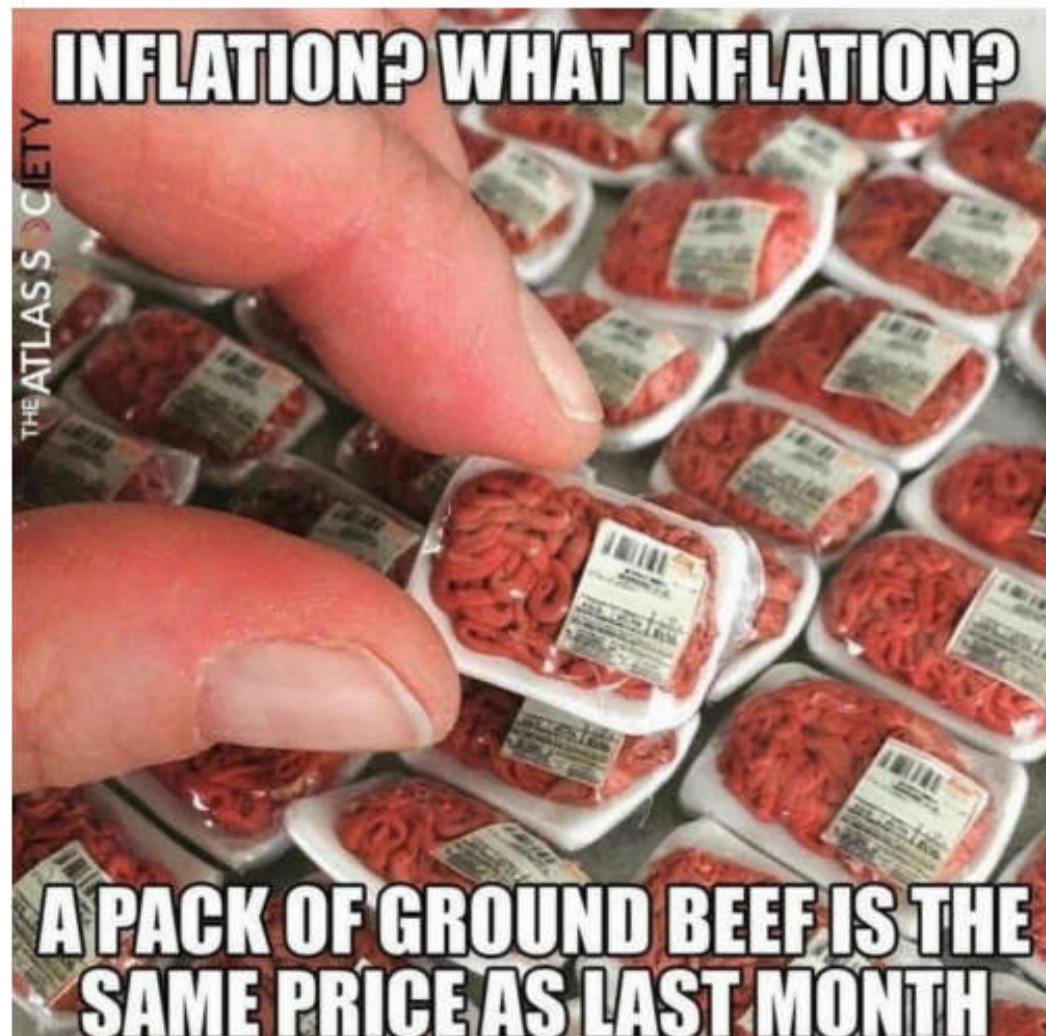
27

Typical gap was 2 years

Median in hard landings

23

\* Shaded episodes are soft landing cycles that avoided a recession



# Demographic Tsunami

- U.S. population will grow older and more diverse over next four decades
- Fewer workers to fund social security
- In 12 years, number of people over 65 will be larger than the number of children for the first time in U.S. history

# Economic Forecast



Fannie Mae™

## Economic Forecast: January 2023

	----- 2022 -----				----- 2023 -----				----- 2024 -----				2021	2022	2023	2024
<b>Percent Change: Quarterly SAAR, Annual Q4/Q4</b>	22.1	22.2	22.3	22.4	23.1	23.2	23.3	23.4	24.1	24.2	24.3	24.4				
Gross Domestic Product	-1.6	-0.6	3.2	2.3	-0.8	-1.8	-0.5	0.8	1.6	1.9	2.0	2.0	5.7	0.8	-0.6	1.9
<b>Percent Change: Quarterly YoY, Annual Q4/Q4</b>																
Consumer Price Index	8.0	8.6	8.3	7.1	5.2	3.1	2.5	2.6	2.8	2.9	2.7	2.3	6.7	7.1	2.6	2.3
<b>Percent: Quarterly Avg, Annual Avg</b>																
Unemployment Rate	3.8	3.6	3.5	3.6	3.7	4.4	4.9	5.4	5.6	5.7	5.8	5.8	5.4	3.6	4.6	5.7

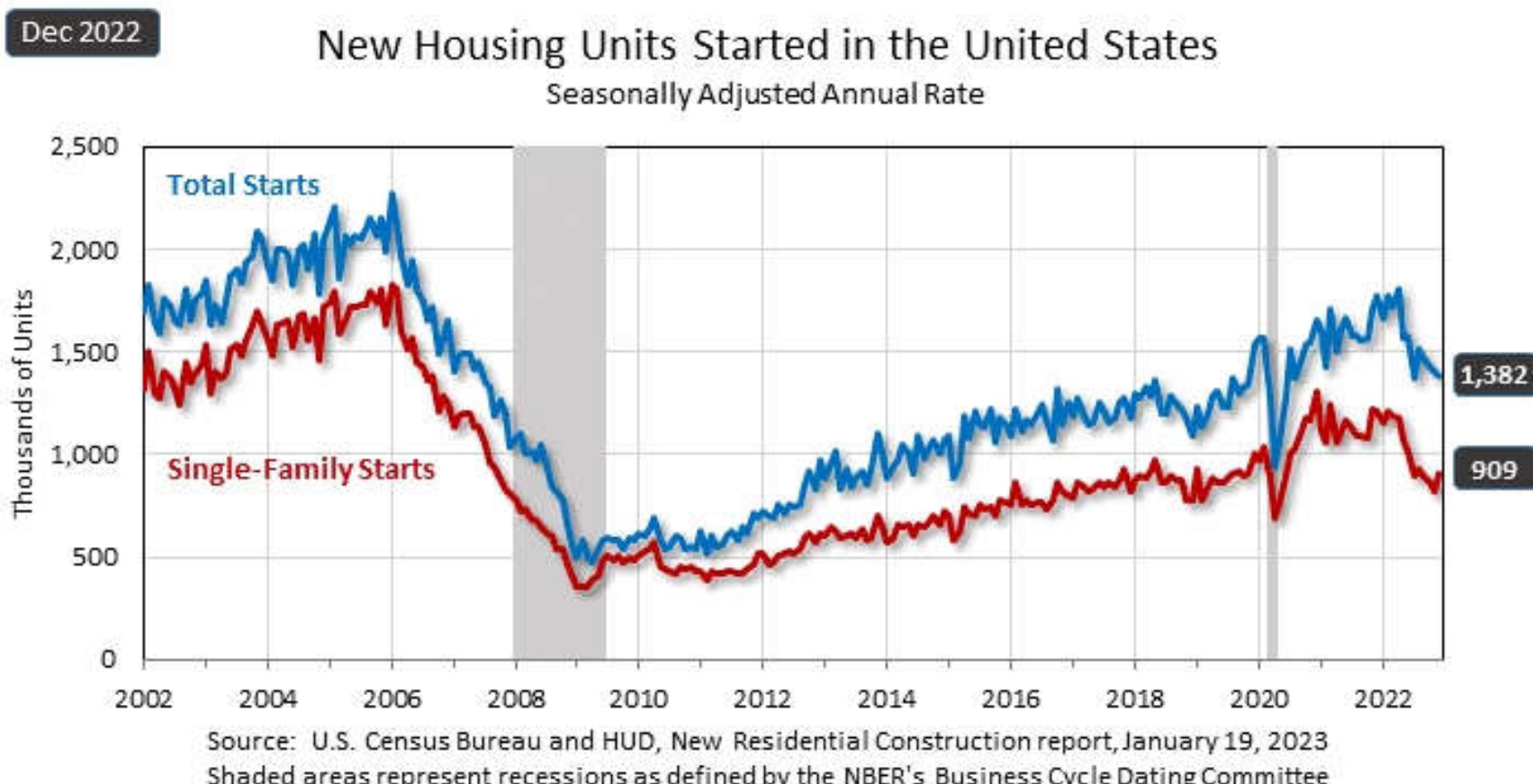


# 2023 Economic Forecast

- Flat GDP growth
- Supply chain issues will be largely resolved
- Unemployment remains low. Tight labor market
- 7 rate increases in '22. Fed is not done. Likely another .50%-.75%.
- Inflation slows but likely to remain above 4 or 5%
- 50/50 chance of a weak/moderate recession by year end
- Fed rate hikes, inverted bond yield curve – Basically always precede recessions

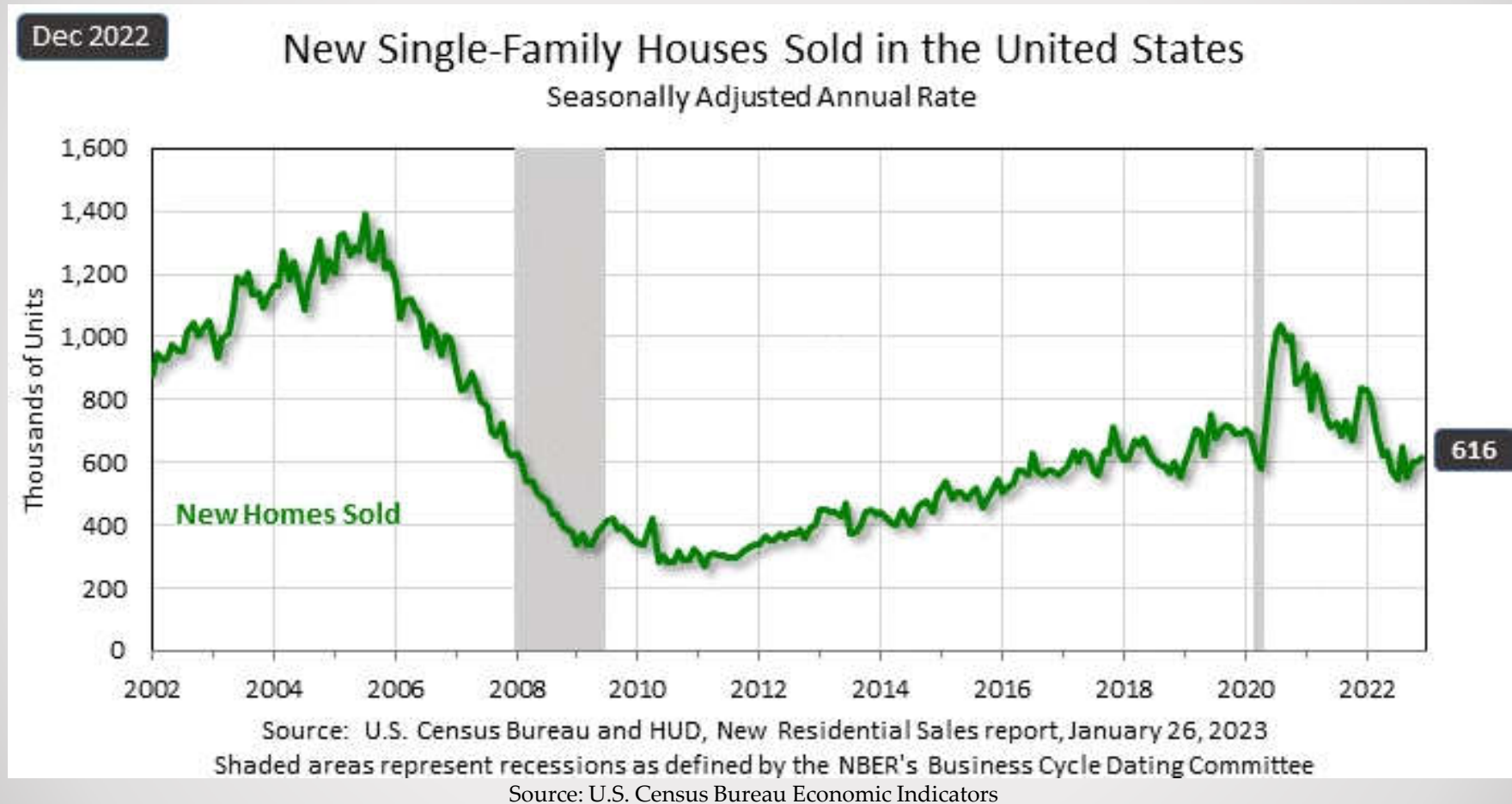


# New Residential Construction



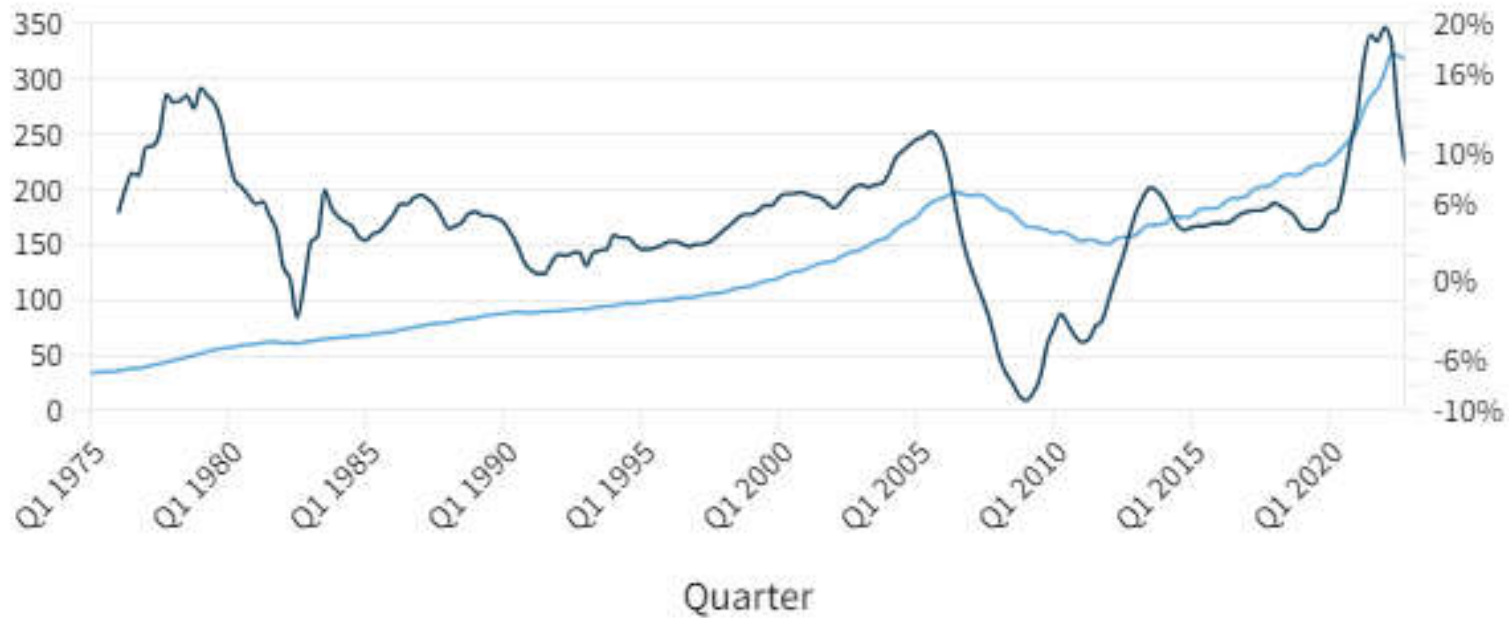
Source: U.S. Census Bureau Economic Indicators

## New Residential Sales



## Home price growth decelerated further in the fourth quarter

■ YoY % change (NSA, Right axis) ■ HPI\_NSA

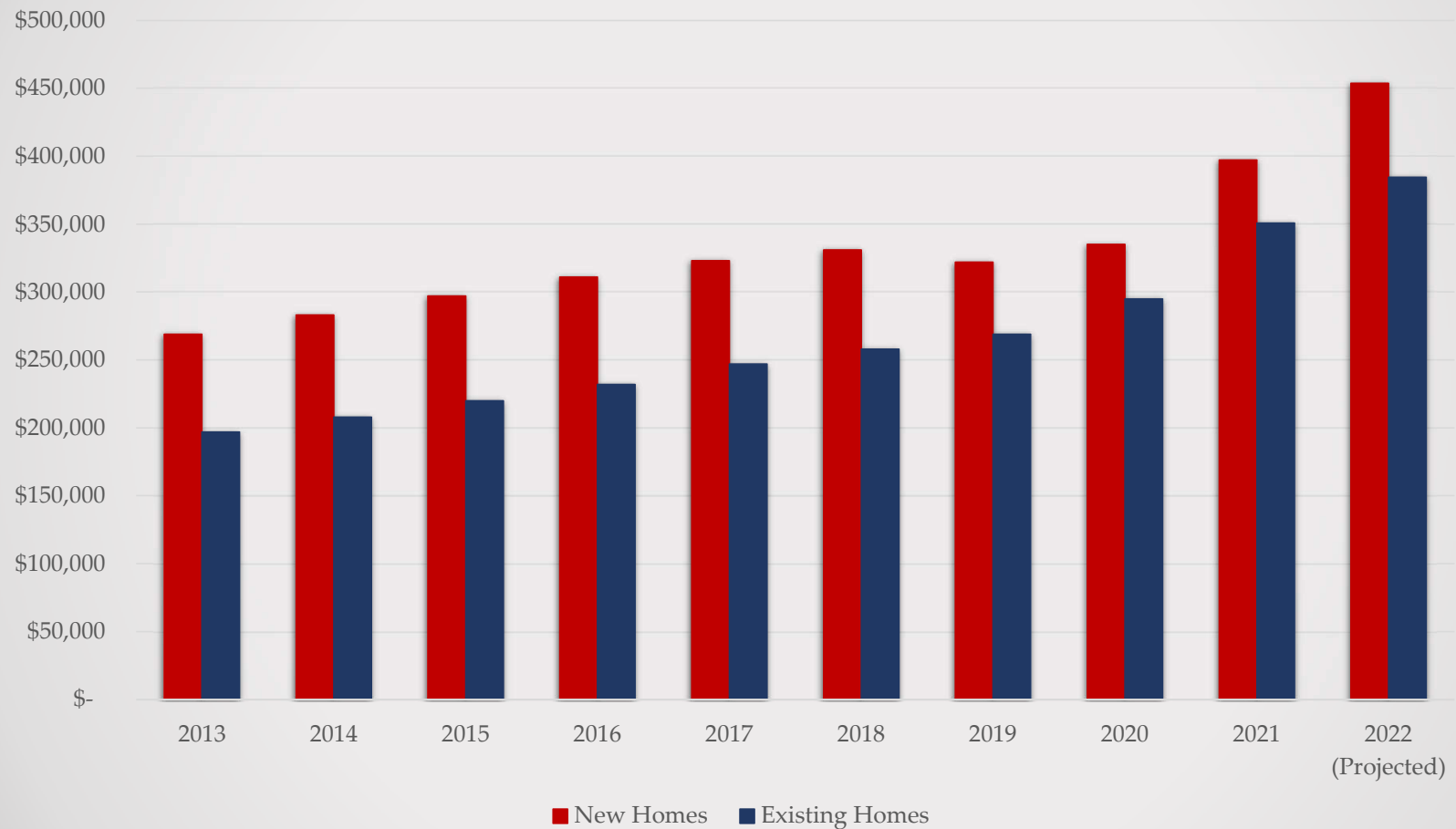


Source: Q4 2022 Fannie Mae Home Price Index (FNM-HPI)



Fannie Mae®

# Median Price of New vs. Existing Homes



# Resort and Second Home Market

## Vacation home counties with the largest domestic net in-migration in 2020

Lee County, Florida	18,519
Horry County, South Carolina	11,943
<b>Sussex County, Delaware</b>	<b>7,172</b>
Brunswick County, North Carolina	6,875
Osceola County, Florida	6,807
Collier County, Florida	6,617
Beaufort County, South Carolina	2,773
Walton County, Florida	2,418
Barnstable County, Massachusetts	1,593
Burnet County, Texas	1,445
Mason County, Washington	1,282
Bonner County, Idaho	1,130
Currituck County, North Carolina	1,075
Union County, Georgia	905

**Sussex #6**  
**Worcester #8**



## Top 30 largest vacation home counties by number of homes for seasonal/recreational use as of 2019

Lee County, Florida	90,792
Barnstable County, Massachusetts	62,643
Collier County, Florida	58,406
Cape May County, New Jersey	50,452
Horry County, South Carolina	47,023
<b>Sussex County, Delaware</b>	<b>38,187</b>
Osceola County, Florida	35,591
<b>Worcester County, Maryland</b>	<b>31,587</b>
Brunswick County, North Carolina	27,545
Camden County, Missouri	23,245
Beaufort County, South Carolina	21,296

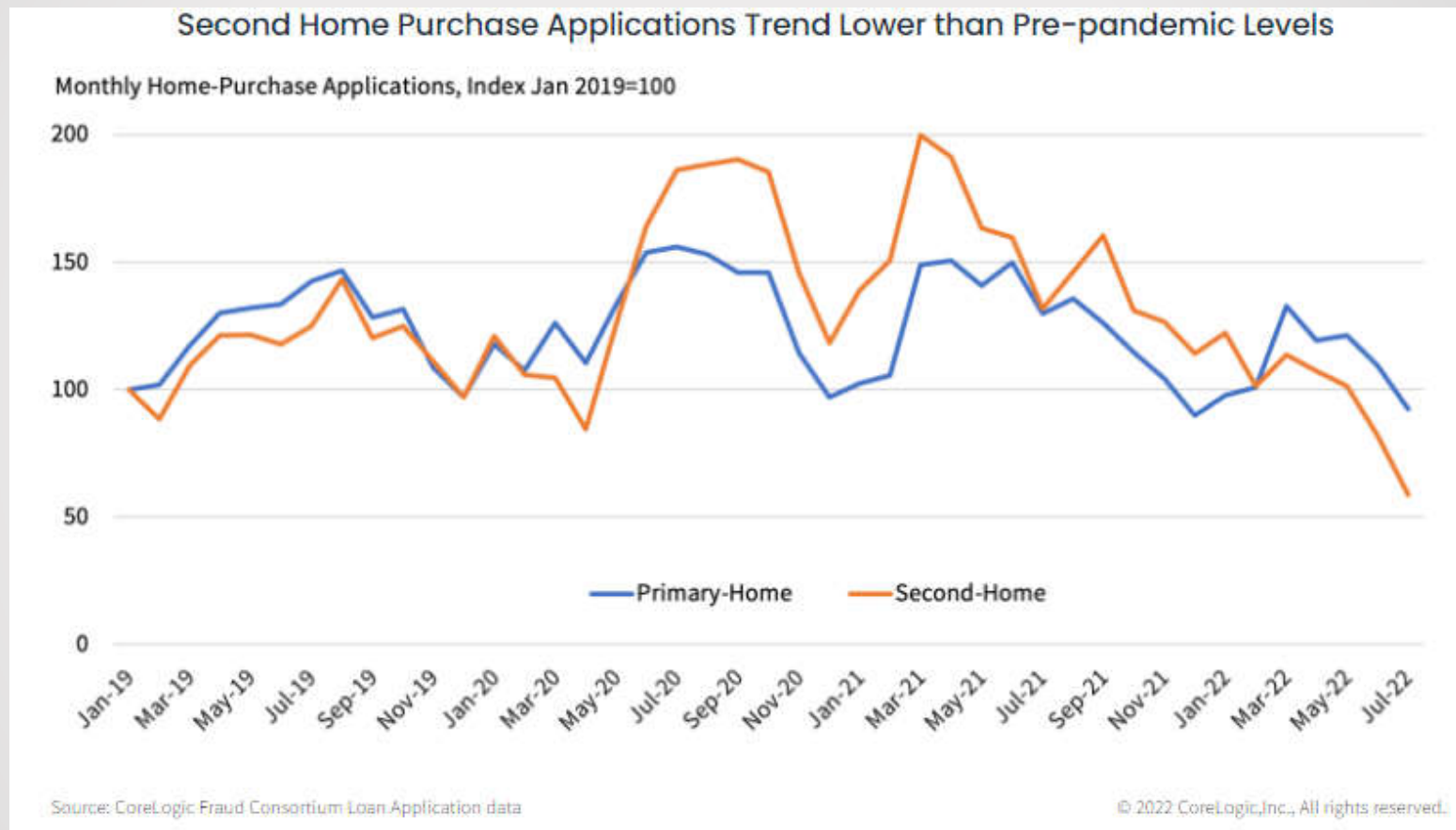
**Sussex #3**

## Market comparison of vacation and non-vacation home counties in 2020

	Vacation home county	Not a vacation home county
Y/Y Percent Change in Home Sales	24.2%	11.2%
Y/Y Percent Change in Median Sales Price	14.2%	10.1%
Median Days on Market	59	30
Y/Y Change in Days on Market	-13	-8
Sample of counties	145	1,060

Source: NAR analysis based on MLS data on 1,205 counties and the American Community Survey, 5-year Table B25004. Only counties with at least 10 home sales each year from 2017 through 2020 are considered in the analysis.

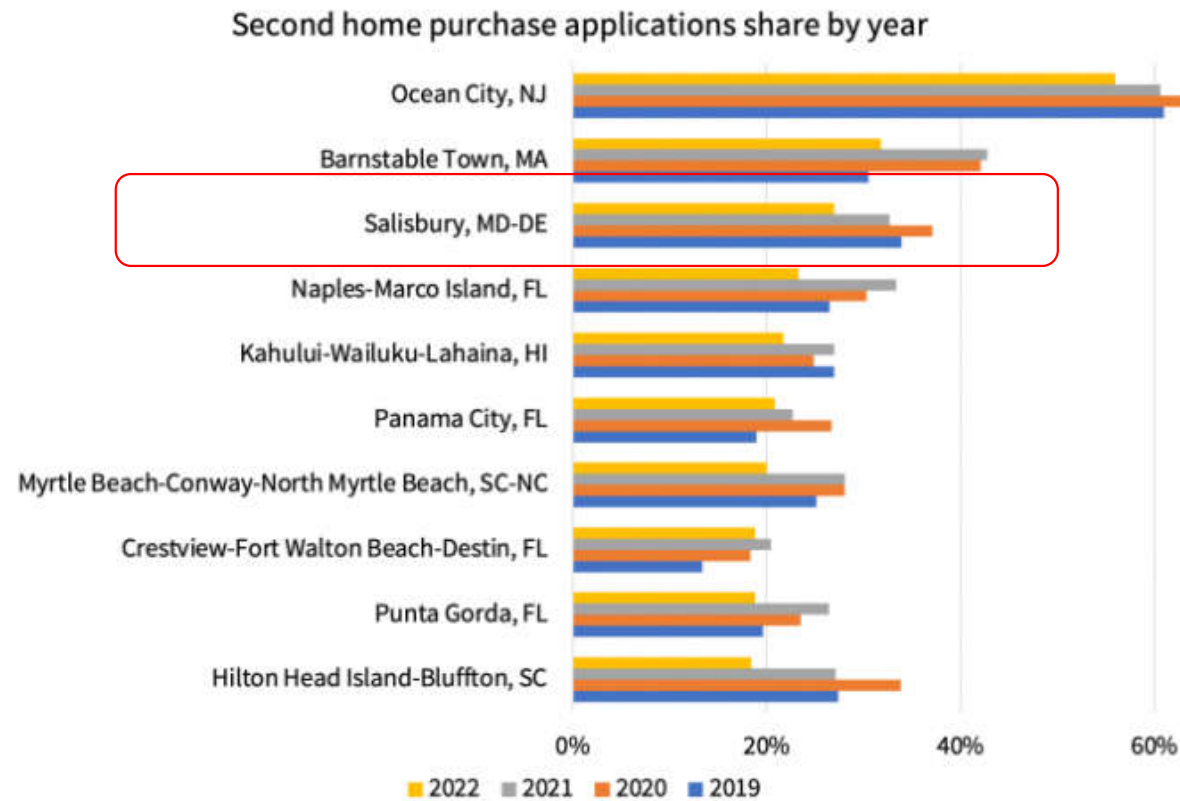
# Resort and Second Home Market





# Resort and Second Home Market

Figure 2: Top 10 metros with highest share of second home purchase applications



Source: CoreLogic Fraud Consortium Loan Application data

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# Existing Home Sales are Softening

Late 2020 through early 2022 was peak



# Housing Forecast

	2018	2019	2020	2021	2022 (Forecast)	2023 (Forecast)	2024 (Forecast)
<b>New Single Family Home Sales</b>	617,000	683,000	822,000	771,000	653,000	570,000	615,000
<b>Total Existing Home Sales</b>	5,340,000	5,340,000	5,640,000	6,120,000	5,088,000	3,950,000	4,481,000
<b>Single Family Housing Starts</b>	876,000	888,000	991,000	1,127,000	1,002,000	749,000	844,000
<b>Multi-Family Housing Starts</b>	374,000	402,000	389,000	474,000	553,000	391,000	320,000
<b>Median Price of New Homes</b>	\$326,000	\$322,000	\$335,000	\$397,100	\$453,700	\$459,500	Not available
<b>Median Price of Total Existing Homes</b>	\$259,000	\$272,000	\$295,000	\$350,700	\$384,500	\$385,800	Not available
<b>30-year Fixed Mortgage Rate</b>	4.5%	3.9%	3.1%	3.0%	5.3%	6.3%	5.7%

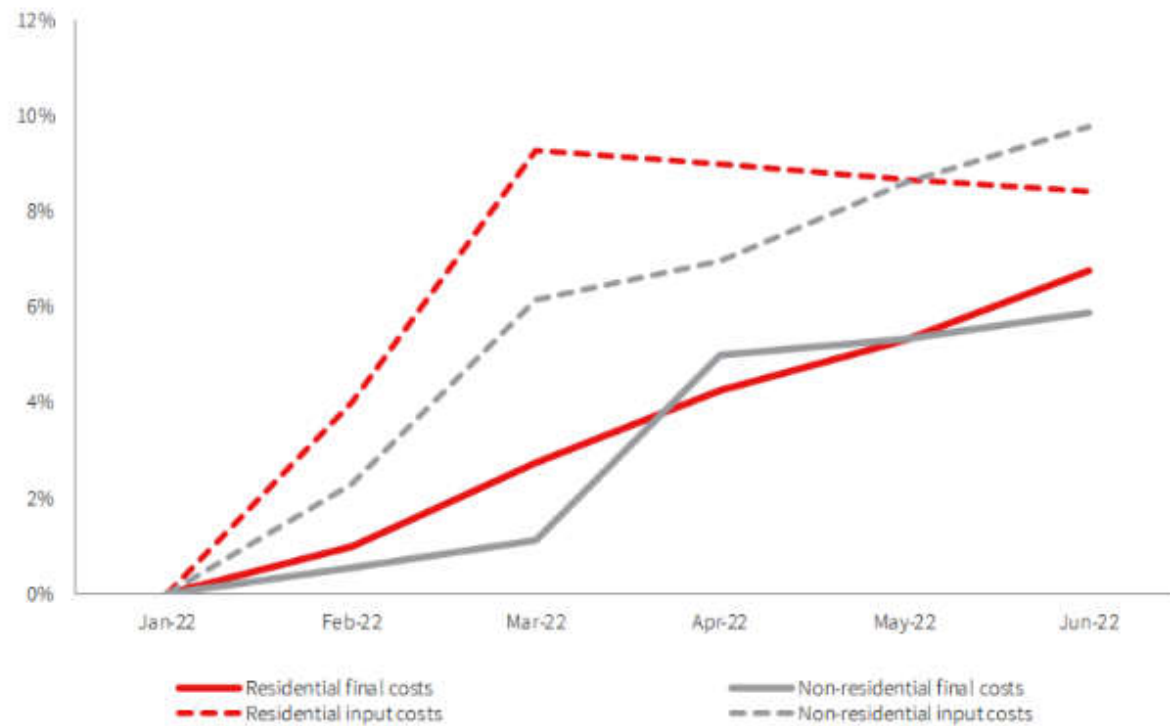
● Source: "Housing Forecast: January 2023," Fannie Mae & National Association of Realtors Housing Statistics ●

# Construction Costs

Material	Volatility	Price index YOY % change	Lead times
Flat glass	Low	8.2%	Increased
Lumber and plywood	Low	-26.9%	Stabilizing
Aluminum mill shapes	Low	20.3%	Increased
Insulation materials	Low	16.0%	Increased
Plastic construction products	Moderate	27.0%	Increased
Steel mill products	Moderate	22.4%	Stabilizing
Concrete products	Moderate	13.5%	Increased
Gypsum products	High	18.9%	Increased
#2 diesel fuel	High	111.1%	N/A
Copper and brass mill shapes	High	0%	Increased

# Construction Costs

## Construction input costs rise



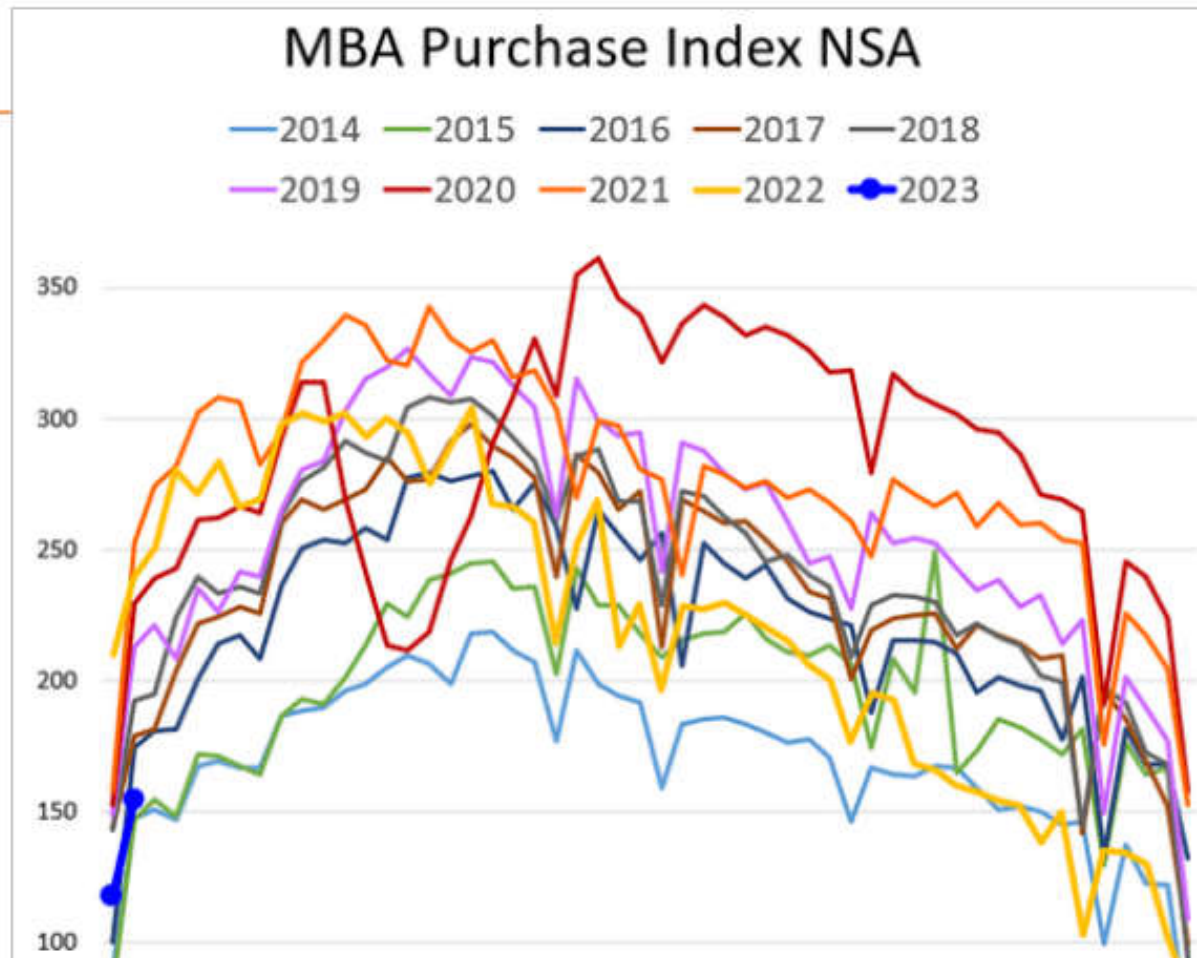
Retrieved from [JLL](#) on December 06, 2022

# Construction Costs Rise

The increases are slowing, but prices are up 40% since Covid



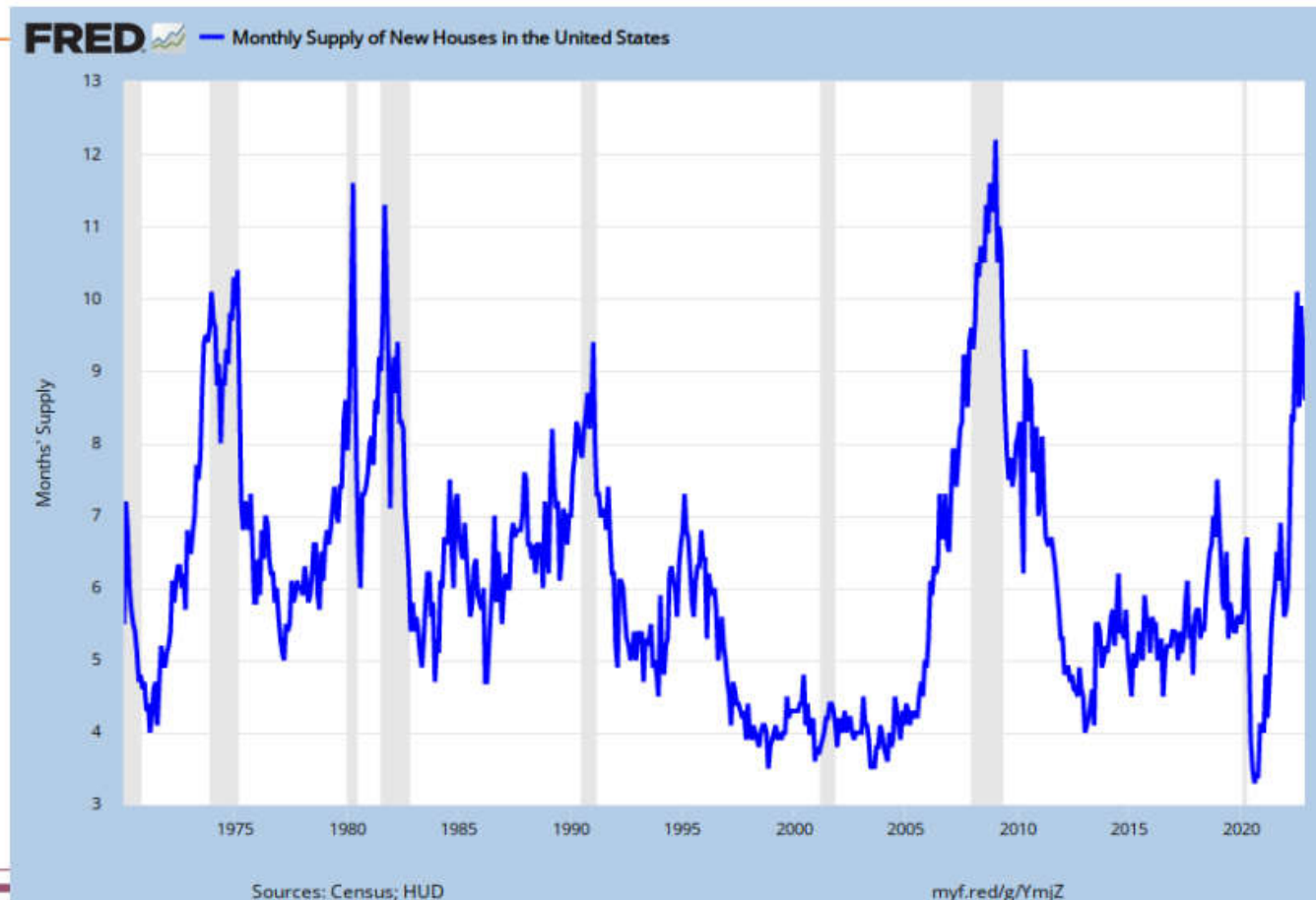
### Purchase Volume at 2014 levels





# Inventory of New Homes is Sky High

## Six months supply is healthy (currently 8.6)



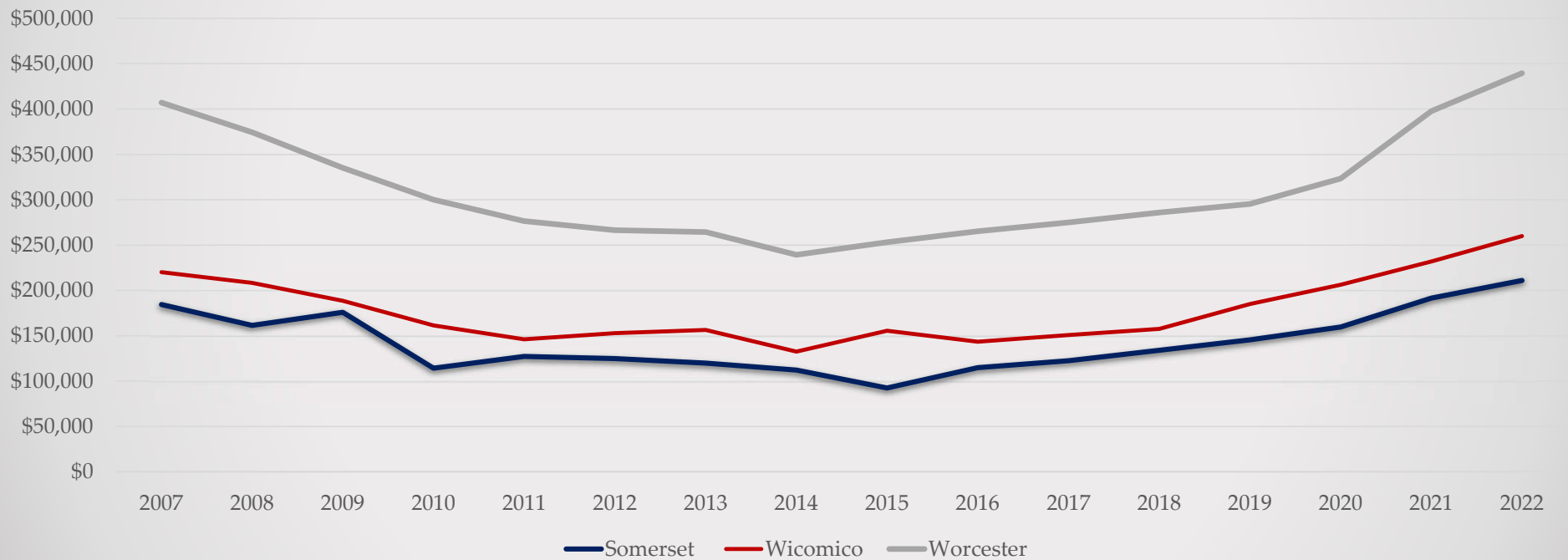


# Current National Residential Market

- Cooling down, has peaked in most parts of US.
- Low existing home inventories. Will take a couple years to catch up.
- 64% of U.S. homes have mortgage rate below 4%. 32% below 3%.
- New construction will help replenish inventories some.
- New housing and existing homes sales are chilly.
- Existing home values showing increases at a slower rate. Have plateaued.
- New home prices continue to be increase but at a slightly slower clip.
- Increased cost of construction improves as supply chain improves. However, inflation current issue.
- Housing market out of balance, demand still exceeds supply for now.
- Mortgage rates have doubled in past year. Applications at a decade low.
- Haves and Have Nots. Countries within a Country.

# Lower Shore Housing Average Sale Price

Somerset, Wicomico, Worcester Counties, MD

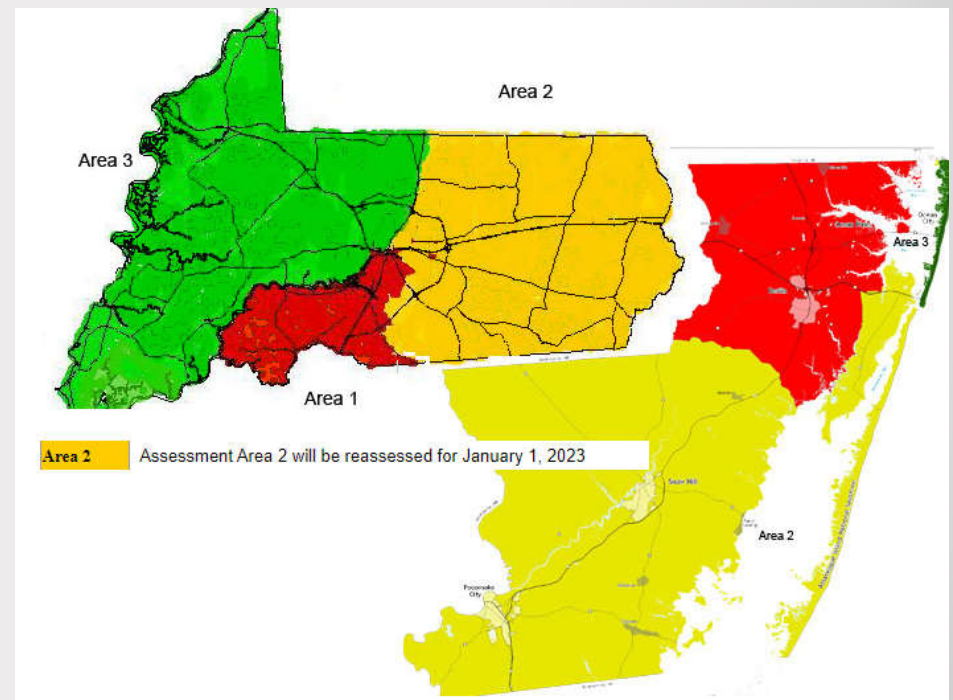


# Lower Shore Housing Average Sale Price

Year	Somerset		Wicomico		Worcester	
	Price	% Change	Price	% Change	Price	% Change
2007	\$ 184,352		\$ 220,029		\$ 407,154	
2008	\$ 161,335	-12.49%	\$ 208,400	-5.29%	\$ 374,456	-8.03%
2009	\$ 175,780	8.95%	\$ 188,685	-9.46%	\$ 335,026	-10.53%
2010	\$ 114,217	-35.02%	\$ 161,527	-14.39%	\$ 300,625	-10.27%
2011	\$ 127,540	11.66%	\$ 147,669	-8.58%	\$ 276,477	-8.03%
2012	\$ 124,750	-2.19%	\$ 152,816	3.49%	\$ 266,266	-3.69%
2013	\$ 129,325	3.67%	\$ 156,517	2.42%	\$ 264,249	-0.76%
2014	\$ 112,085	-13.33%	\$ 147,874	-5.52%	\$ 248,886	-5.81%
2015	\$ 135,293	20.71%	\$ 155,670	5.27%	\$ 253,010	1.66%
2016	\$ 114,974	-15.02%	\$ 143,343	-7.92%	\$ 265,190	4.81%
2017	\$ 122,552	6.59%	\$ 148,210	3.40%	\$ 275,851	4.02%
2018	\$ 139,983	14.22%	\$ 157,531	6.29%	\$ 285,980	3.67%
2019	\$ 145,486	3.93%	\$ 185,212	17.57%	\$ 295,403	3.29%
2020	\$ 159,614	9.71%	\$ 206,345	11.41%	\$ 323,283	9.44%
2021	\$ 191,428	19.93%	\$ 231,857	12.36%	\$ 397,767	23.04%
2022	\$ 211,150	10.30%	\$ 260,091	12.18%	\$ 439,711	10.54%

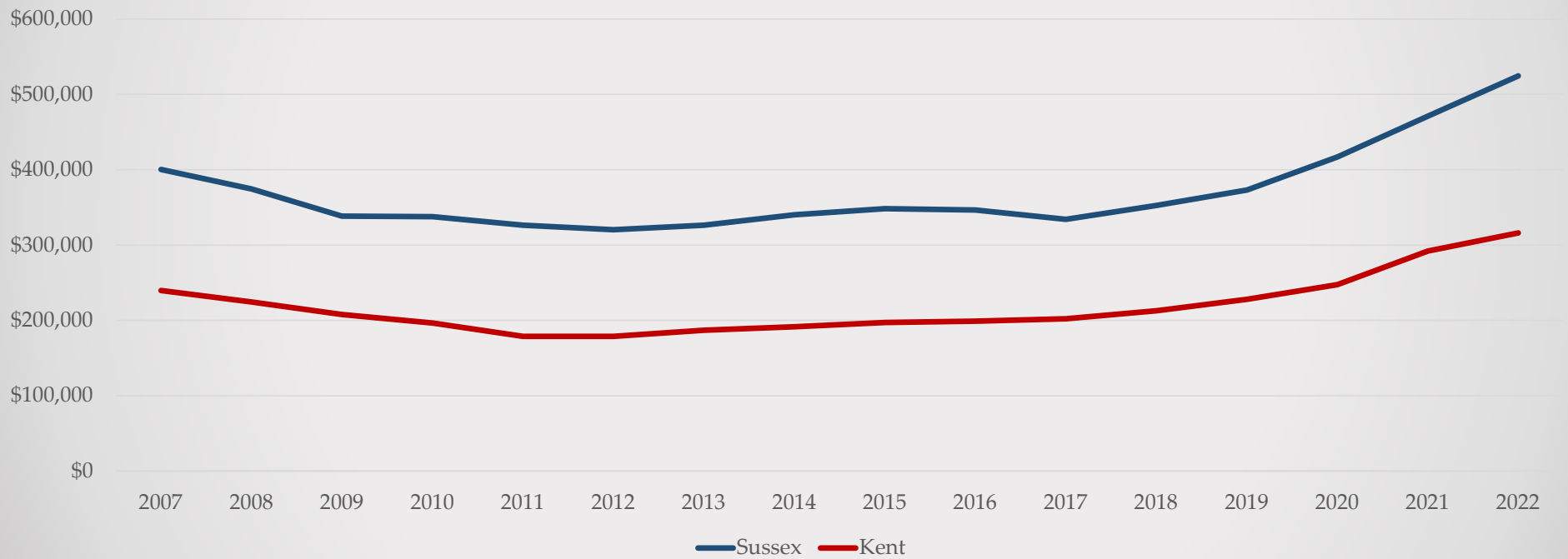
# ASSESSMENTS

- Maryland latest assessment 2020-2023 for Group 2 properties (MD 3 yr. cycle) up 20.6% statewide
  - Up from 2022 statewide increase of 12%
- Wicomico residential increased 30.7%
  - Up from 2022 Wicomico residential increase of 22.6%
- Wicomico commercial increased 14.6%
  - Up from 2022 Wicomico commercial increase of 5.9%
- Worcester residential increased 35.3%
- Worcester commercial increased 14.2%
- Sussex County court ordered reassessment
  - 2021-2023 data collection
  - New assessed values effective for 2024 tax year



# Lower Shore Housing Average Sale Price

Sussex & Kent Counties, DE

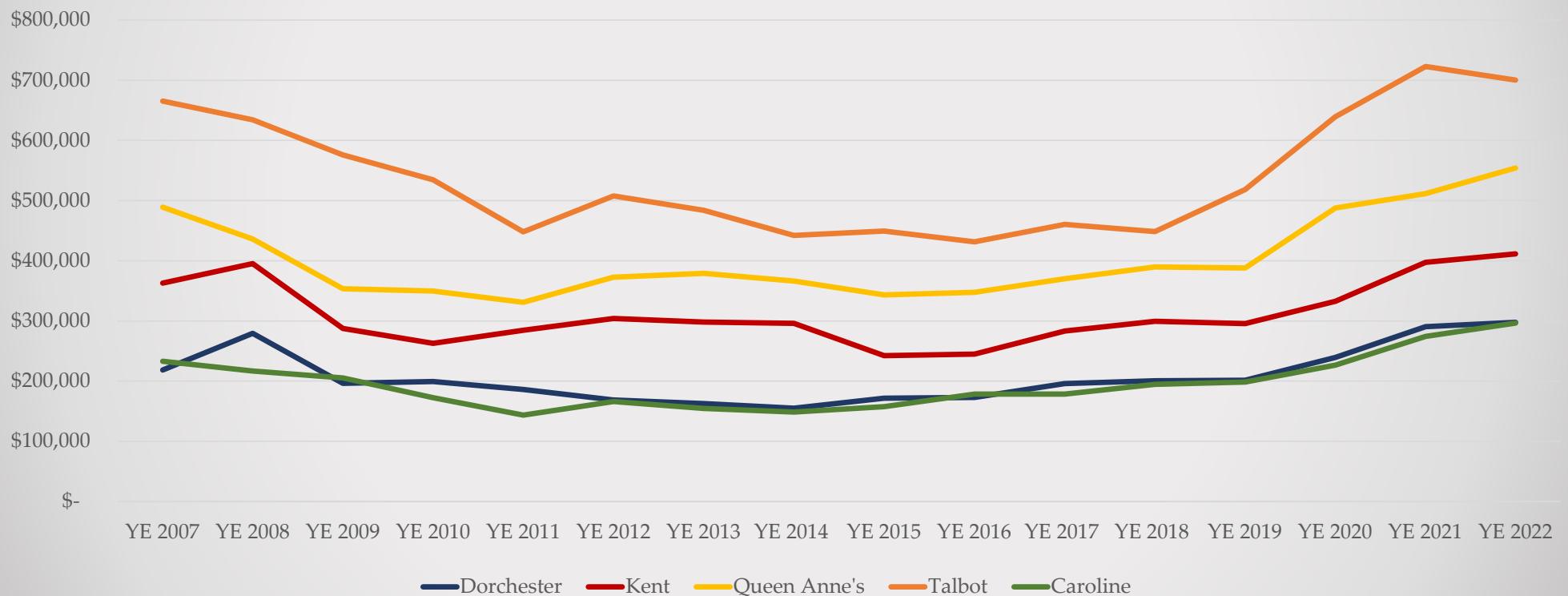


# Lower Shore Housing Average Sale Price

Year	Sussex County		Kent County	
	Price	% Change	Price	% Change
2007	\$ 402,426		\$ 239,666	
2008	\$ 374,844	-6.85%	\$ 224,500	-6.33%
2009	\$ 339,785	-9.35%	\$ 207,750	-7.46%
2010	\$ 341,329	0.45%	\$ 196,583	-5.38%
2011	\$ 331,668	-2.83%	\$ 178,916	-8.99%
2012	\$ 320,396	-3.40%	\$ 179,000	0.05%
2013	\$ 326,382	1.87%	\$ 187,091	4.52%
2014	\$ 340,288	4.26%	\$ 191,584	2.40%
2015	\$ 348,206	2.33%	\$ 198,417	3.57%
2016	\$ 346,398	-0.52%	\$ 198,931	0.26%
2017	\$ 334,232	-3.51%	\$ 202,192	1.64%
2018	\$ 352,469	5.46%	\$ 212,774	5.23%
2019	\$ 373,068	5.84%	\$ 228,317	7.30%
2020	\$ 417,179	11.82%	\$ 247,426	8.37%
2021	\$ 471,266	12.96%	\$ 292,199	18.10%
2022	\$ 524,544	11.31%	\$ 316,125	8.19%

# Mid/Upper Shore Housing Average Sale Price

Dorchester, Kent, Queen Anne's, Talbot, Caroline Counties, MD





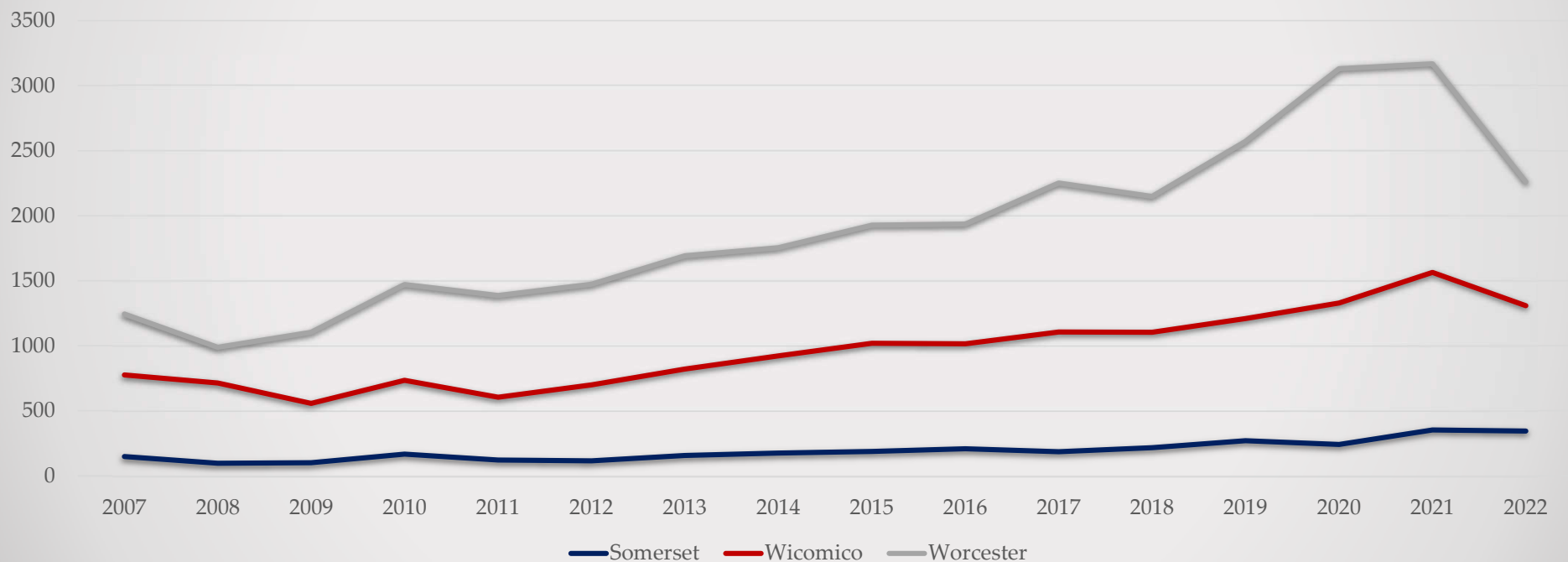
# Mid/Upper Shore Housing Average Sale Price

Year	Dorchester		Kent		Queen Anne's		Talbot		Caroline	
	Price	% Change	Price	% Change	Price	% Change	Price	% Change	Price	% Change
2007	\$ 218,662		\$ 362,777		\$ 489,132		\$ 665,137		\$ 232,821	
2008	\$ 279,622	27.88%	\$ 395,334	8.97%	\$ 436,219	-10.82%	\$ 634,377	-4.62%	\$ 216,810	-6.88%
2009	\$ 196,233	-29.82%	\$ 287,507	-27.27%	\$ 353,331	-19.00%	\$ 576,079	-9.19%	\$ 205,506	-5.21%
2010	\$ 199,132	1.48%	\$ 262,757	-8.61%	\$ 349,884	-0.98%	\$ 534,367	-7.24%	\$ 172,576	-16.02%
2011	\$ 186,321	-6.43%	\$ 284,641	8.33%	\$ 330,955	-5.41%	\$ 448,077	-16.15%	\$ 143,418	-16.90%
2012	\$ 168,843	-9.38%	\$ 304,089	6.83%	\$ 372,692	12.61%	\$ 507,775	13.32%	\$ 166,217	15.90%
2013	\$ 162,874	-3.54%	\$ 298,291	-1.91%	\$ 379,122	1.73%	\$ 484,077	-4.67%	\$ 154,584	-7.00%
2014	\$ 154,923	-4.88%	\$ 296,050	-0.75%	\$ 366,134	-3.43%	\$ 442,193	-8.65%	\$ 148,506	-3.93%
2015	\$ 171,771	10.88%	\$ 242,412	-18.12%	\$ 343,484	-6.19%	\$ 449,225	1.59%	\$ 157,434	6.01%
2016	\$ 172,845	0.63%	\$ 245,070	1.10%	\$ 347,439	1.15%	\$ 431,607	-3.92%	\$ 178,588	13.44%
2017	\$ 195,763	13.26%	\$ 283,143	15.54%	\$ 370,326	6.59%	\$ 460,588	6.71%	\$ 178,606	0.01%
2018	\$ 200,535	2.44%	\$ 299,504	5.78%	\$ 389,875	5.28%	\$ 448,590	-2.60%	\$ 194,819	9.08%
2019	\$ 201,338	0.40%	\$ 295,423	-1.36%	\$ 388,038	-0.47%	\$ 518,346	15.55%	\$ 198,293	1.78%
2020	\$ 239,205	18.81%	\$ 332,783	12.65%	\$ 487,701	25.68%	\$ 639,448	23.36%	\$ 226,467	14.21%
2021	\$ 290,559	21.47%	\$ 397,275	19.38%	\$ 511,764	4.93%	\$ 723,128	13.09%	\$ 274,152	21.06%
2022	\$ 297,882	2.52%	\$ 411,738	3.64%	\$ 554,426	8.34%	\$ 700,063	-3.19%	\$ 296,450	8.13%

# Lower Shore Housing Unit Sales

Single Family, Condos, Town Homes Sales

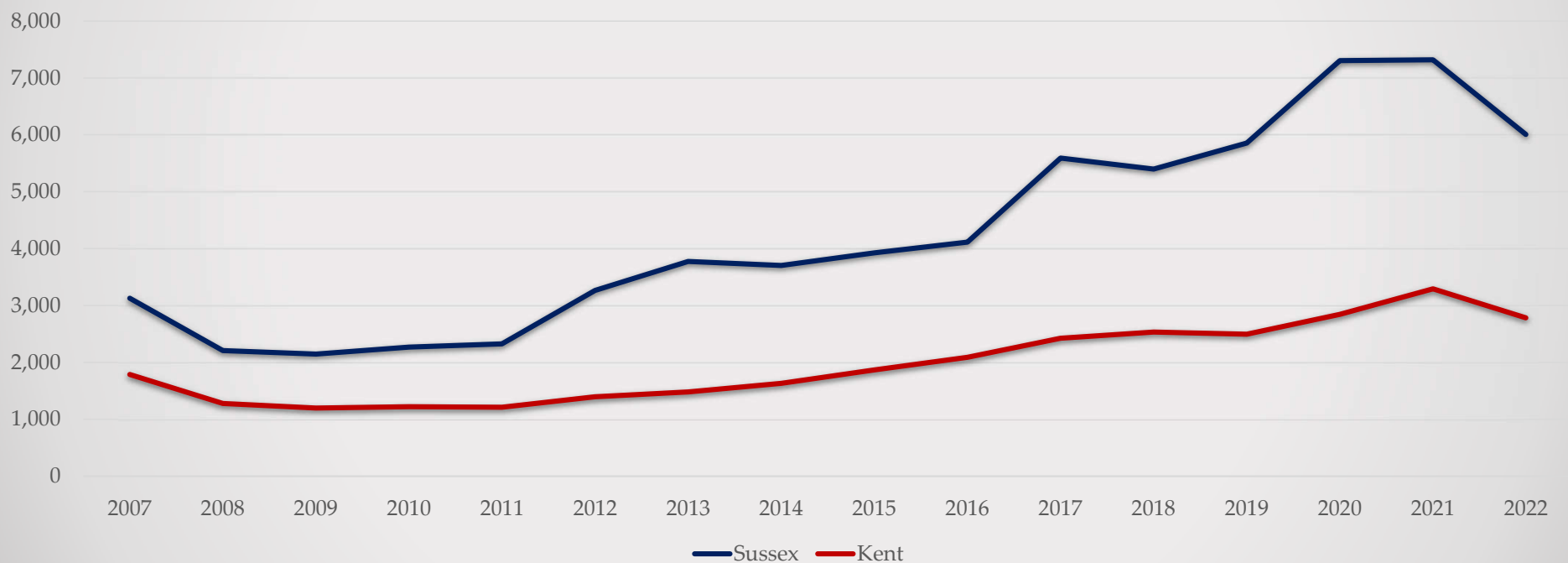
Somerset, Wicomico, Worcester Counties, MD



# Lower DE Housing Unit Sales

Single Family, Condos, Town Homes Sales

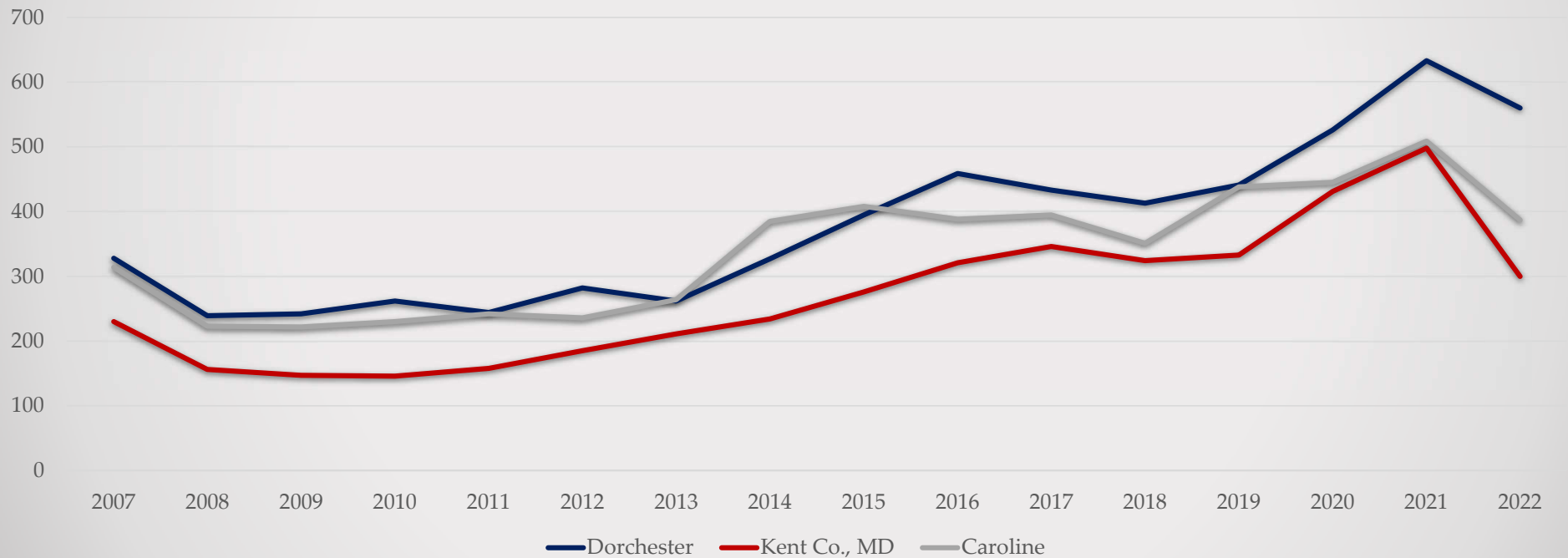
Sussex & Kent Counties, DE



# Mid/Upper Shore Housing Unit Sales

Single Family, Condos, Town Homes Sales

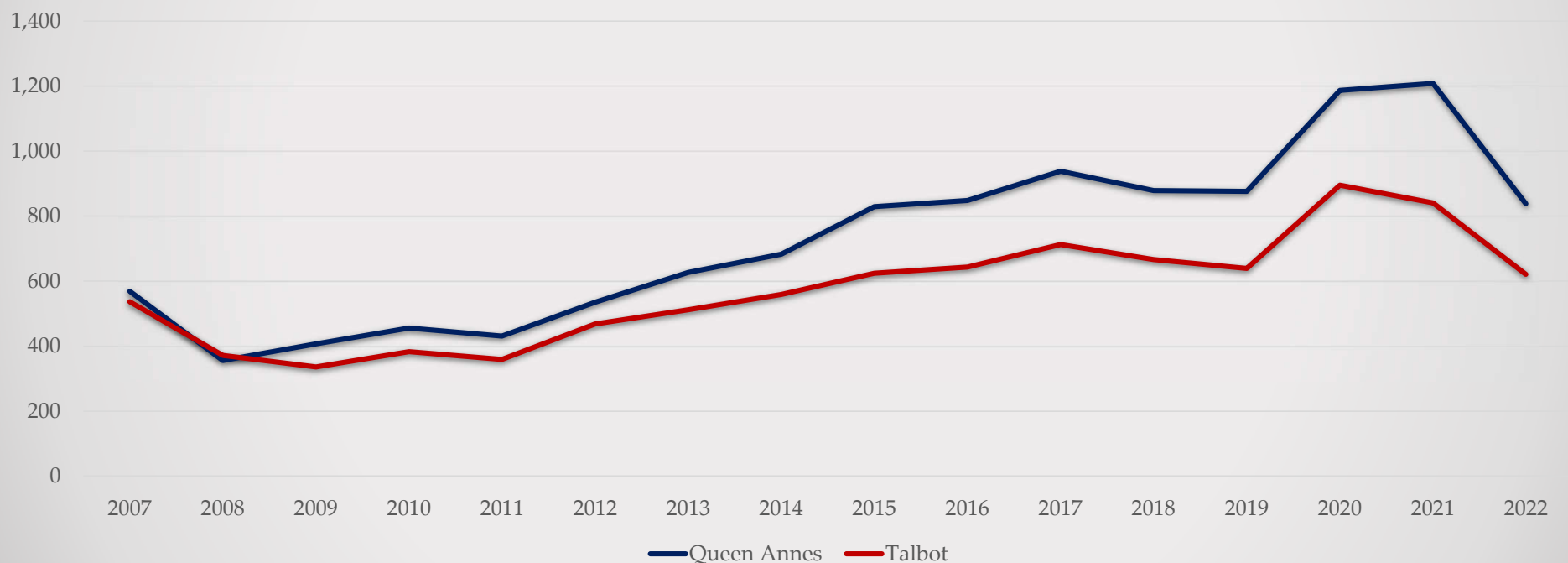
Dorchester Co., MD, Kent Co., MD, & Caroline Co., MD



# Mid/Upper Shore Housing Unit Sales

Single Family, Condos, Town Homes Sales

Queen Anne's County, MD & Talbot County, MD



# Local Residential Data

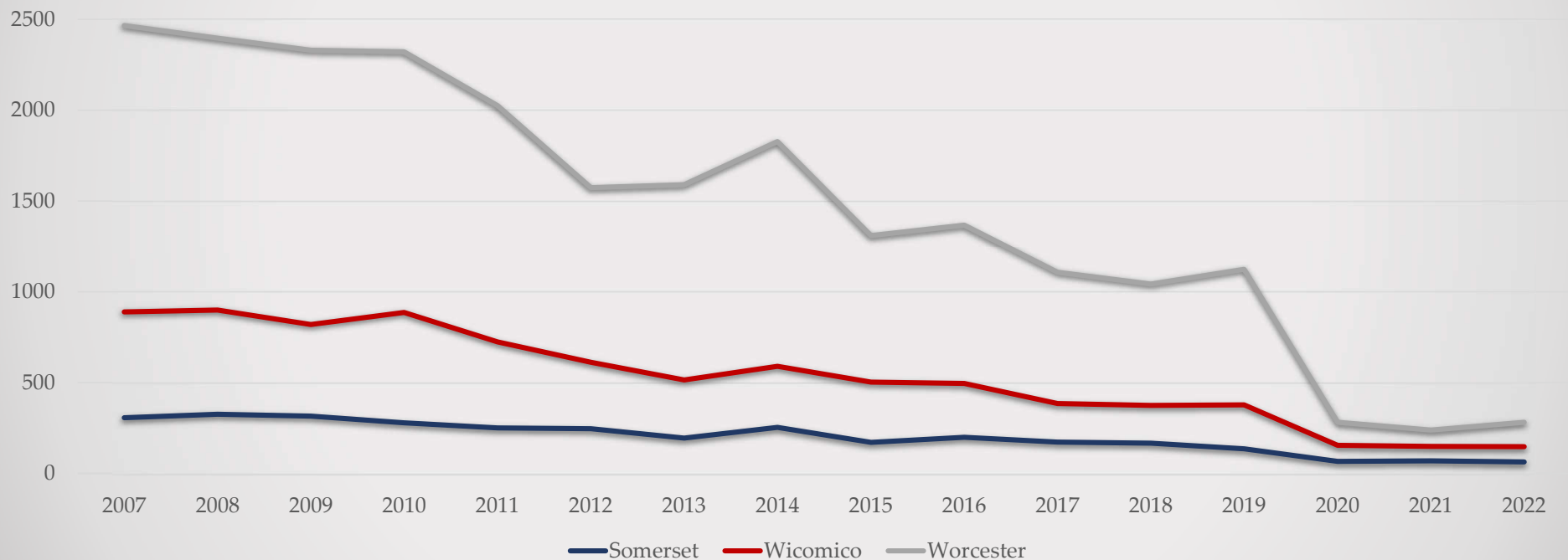
Year End	Units Sold			Average Price			Median Price		
	2022	2021	% Change	2022	2021	% Change	2022	2021	% Change
Worcester	2,259	3,169	-28.7%	\$439,711	\$397,767	10.5%	\$384,900	\$339,948	13.2%
Somerset	345	352	-2.0%	\$211,150	\$191,428	10.3%	\$191,000	\$179,000	6.7%
Wicomico	1,307	1,565	-16.5%	\$260,091	\$231,857	12.2%	\$245,000	\$215,500	13.7%
Dorchester	560	633	-11.5%	\$297,882	\$290,559	2.5%	\$250,073	\$235,000	6.4%
Caroline	387	509	-24.0%	\$296,450	\$274,152	8.1%	\$289,000	\$255,000	13.3%
Talbot	621	841	-26.2%	\$700,063	\$723,128	-3.2%	\$420,000	\$415,000	1.2%
Queen Anne's	838	1,208	-30.6%	\$554,426	\$511,764	8.3%	\$449,950	\$410,000	9.7%
Kent, MD	300	498	-39.8%	\$411,738	\$397,275	3.6%	\$308,950	\$269,000	14.9%
Cecil	1,350	1,697	-20.4%	\$332,552	\$306,854	8.4%	\$300,000	\$287,000	4.5%
Sussex, DE	6,007	7,322	-18.0%	\$524,544	\$471,266	11.3%	\$428,000	\$374,221	14.4%
Kent, DE	2,784	3,292	-15.4%	\$316,125	\$292,199	8.2%	\$305,000	\$282,250	8.1%



# Lower Shore Active Listings

New & Existing Single Family Homes, Condos, Town Homes

Somerset, Wicomico, Worcester County, MD



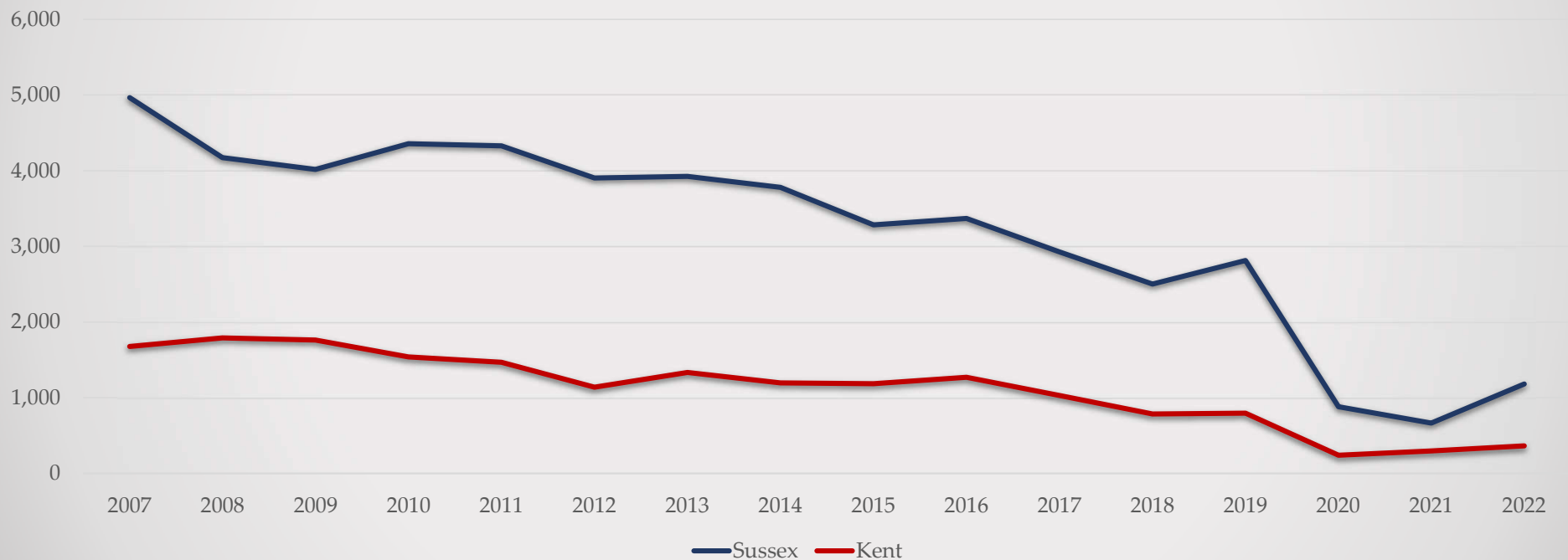
Source: Bright MLS

Data reveals inventory available at year-end 43

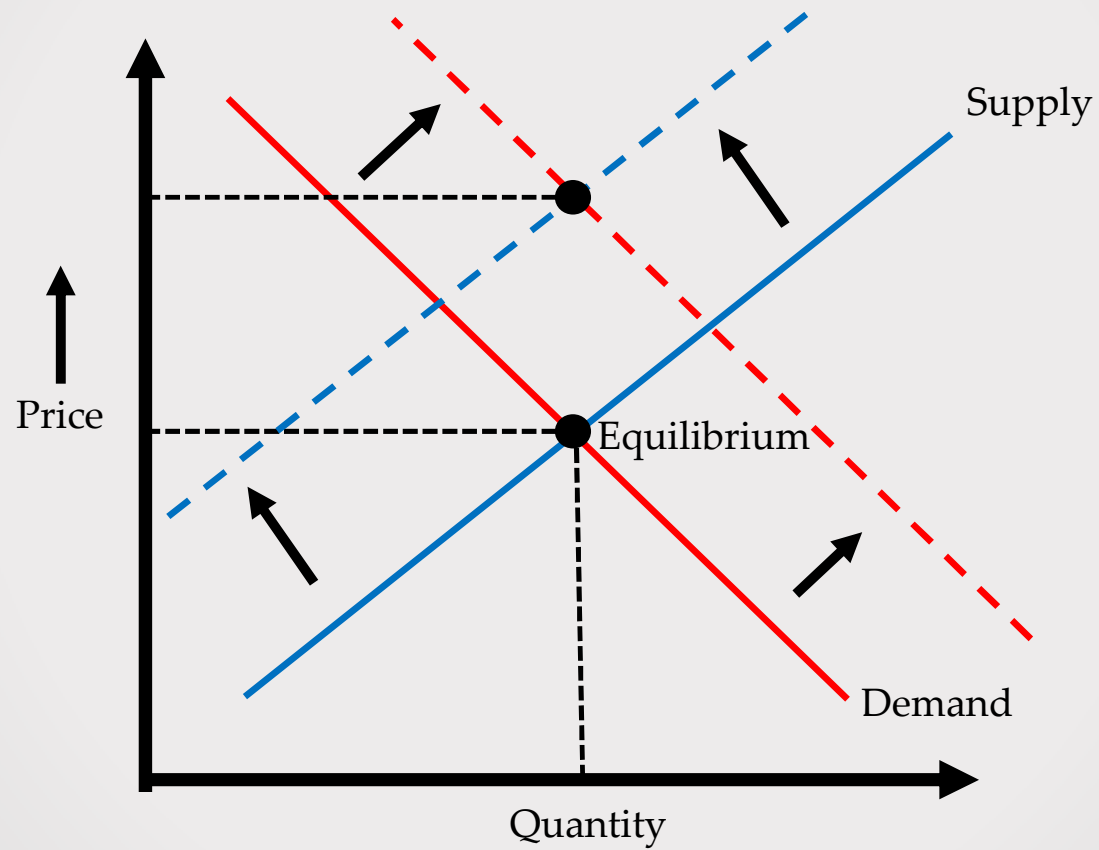
# Lower DE Active Listings

New & Existing Single Family Homes, Condos, Town Homes

Sussex & Kent Counties, DE



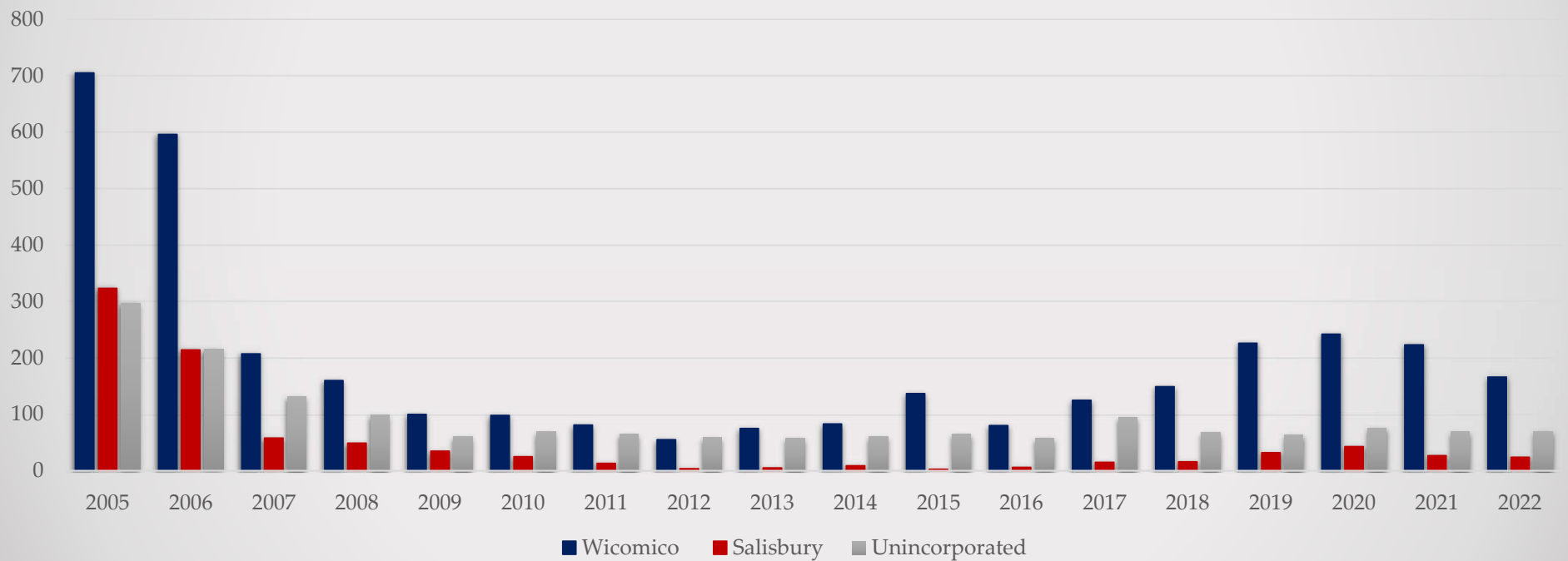
# Macroeconomics



# Wicomico County Housing Unit Permits

## Single Family Structures

### Single Family Building Permits



# Single Family Structures Building Permits Lower Shore of MD

Year	Wicomico	Worcester	Somerset
2005	828	712	199
2006	701	587	135
2007	269	379	105
2008	208	183	44
2009	145	106	39
2010	142	93	48
2011	107	81	60
2012	87	95	15
2013	112	124	26
2014	112	133	48
2015	93	222	35
2016	80	164	37
2017	125	164	17
2018	171	189	31
2019	226	232	25
2020	242	249	20
2021	223	303	40
2022	166	268	28

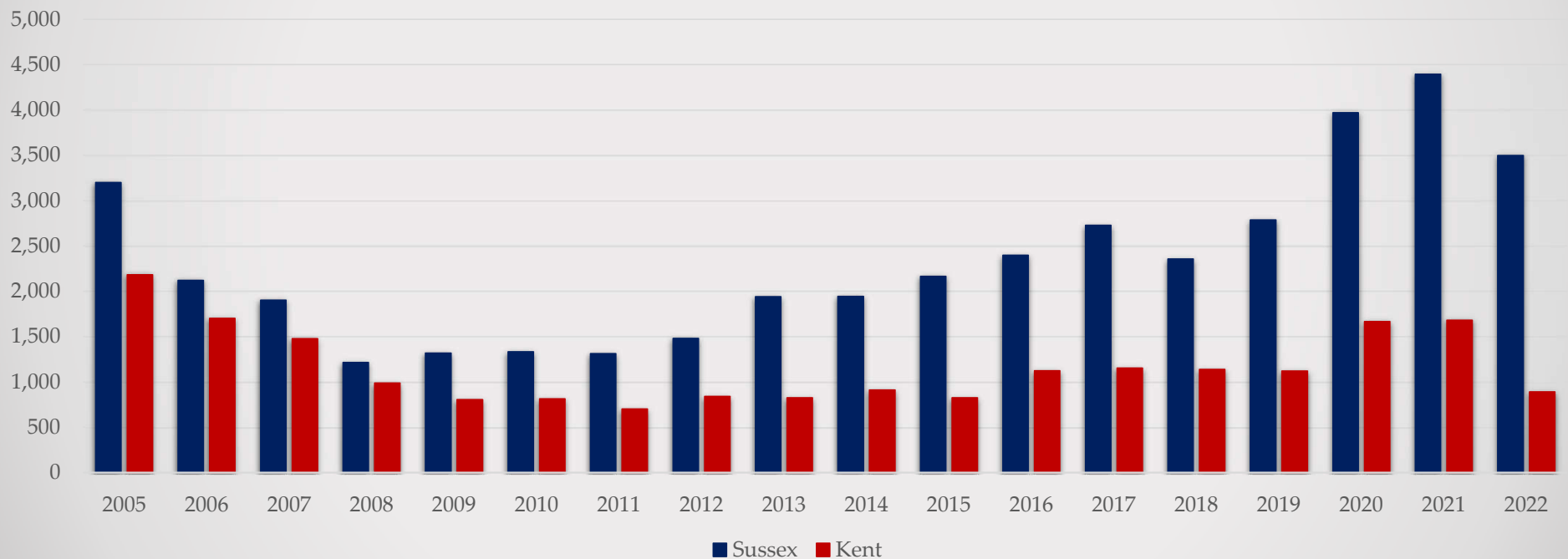
# Septic Septic Sewer Sewer

- The challenges
- Need public sewer to develop
- Wicomico – no county owned public sewer
- Failing septic systems. All will eventually fail – will all have to be replaced?
- Resolution on Horizon .....
- Wicomico just accepted/approved water/sewer plan
- GSC Task Force

# Delaware Housing Unit Permits

## Single Family Structures

### Single Family Building Permits



Source: SOCDS



# Single Family Structures Building Permits Lower Shore of DE

Year	Sussex	Kent
2005	3,200	1,946
2006	2,121	1,485
2007	1,903	1,317
2008	1,215	824
2009	1,318	722
2010	1,334	674
2011	1,311	540
2012	1,481	695
2013	1,942	823
2014	1,943	912
2015	2,166	827
2016	2,399	1,124
2017	2,727	1,154
2018	2,357	1,137
2019	2,788	1,122
2020	3,971	1,666
2021	4,395	1,682
2022	3,499	892

# Cape Region Development

- **Admiral's Landing to bring 158 townhomes to Georgetown:** The project is being planned at Vaughn Road and Ennis Street. Road improvements will be necessary for the development to advance.

## Insight proposes subdivision along Prettyman Road

### Townhome project planned along Route 24

Parcel located adjacent to Love Creek Elementary School, Belle Terre and Saddle Ridge

### Paradise Meadows gets preliminary approval

Cluster subdivision on Cave Neck Road east of Milton will have 191 home lots

### Terrapin Island final site plan approved

Subdivision along Camp Arrowhead Road on Rehoboth Bay will have 42 homes on 32 acres

By Ron MacArthur • January 10, 2023

Two area subdivisions totaling 416 housing units are among public hearings scheduled for the Sussex County Planning & Zoning Commission meeting Thursday, Jan. 12. In addition, under old business, the commission could vote on two other area subdivisions totaling 377 units.

The meeting will start at 3 p.m., which is a change from the traditional 5 p.m. start time.

Public hearings are scheduled for:

- Wynford Preserve, with 100 single-family home lots on 50 acres on the south side of Prettyman Road near the Route 9 intersection between Lewes and Harbeson

ners Reserve, with 316 townhome units on a 61-acre parcel off e Road near the Nassau Commons Boulevard intersection and ant to Lewes Fire Department Station 2.

The commission could vote on two other area subdivisions:

- Four Winds Farm, with 336 single-family home lots on 169 acres along Shingle Point Road near the Harbeson Road intersection
- Suncrest, with 41 single-family home lots on an 18-acre parcel on the south side of Waterview Road near the Camp Arrowhead intersection.

#### RELATED STORIES

**Sussex P&Z approves Four Winds plan ...**  
Tuesday, January 24, 2023

**Plans for Suncrest subdivision are appr...**  
Tuesday, January 24, 2023

**Sussex P&Z hears plans for Vintners Re...**  
Friday, January 20, 2023

**Insight proposes subdivision along Pret...**  
Friday, January 20, 2023

**41 homes planned near Camp Arrowhea...**  
Friday, December 23, 2022

**Four Winds Farm planned near Milton**  
Tuesday, April 26, 2022

# Housing

## Approved

Autumndale – 104 lots on 74 acres on the south side of Hollyville Road about one-half mile from the Harbeson Road intersection, between Lewes and Long Neck.

Turnberry – 196 lots on 135.5 acres on the east and southeast side of Hollyville Road south of Hurdle Ditch Road, between Lewes and Long Neck.

Miralon – 119 lots on 72 acres on the northeast side of Cool Spring Road approximately 1 mile from the Fisher Road intersection near Lewes.

Cobb Property – 68 lots on 54 acres on the northeast side of Zion Church Road (Route 20) one-half mile from the Route 54 intersection near Fenwick Island.

## Apartments

Weston Willows, Route 9, Georgetown – 287-unit apartment complex in 12 buildings on 27 acres with a mix of one-, two- and three-bedroom apartments. Construction is underway.

Coastal Tide apartments, Mackenzie Way off Plantation Road, Lewes – 168 units, including 26 units in Sussex County's affordable rental program, with one-, two- and three-bedroom apartments. First residents have moved in.

Seaglass at Rehoboth, off Route 24 – 224-unit apartment complex on 19-acre parcel. Site work is underway.

## PENDING

Mitchell Farm, Kings Highway, Lewes – 209 multifamily units on 30 acres

Fusco Properties, Stockley Road near Cool Spring Road, Milton – 266 single-family lots on 188 acres

Overbrook Meadows West, Route 1 and Cave Neck Road, Milton – 82 single-family lots on 43 acres

# Commercial & Mixed-Use

## **Storage facility planned at Dartmouth-Route 1 intersection**

Approved preliminary site plan for 75,000, 4-story storage facility

## **Milton Village proposed at Route 16-Route 30 intersection**

Mixed-use project would include 696 residential units and commercial and medical office area

• A preliminary site plan for a new 3,293-square-foot Chase Bank at the site of the old Pizza Hut building along Old Landing Road and Route 1 near Rehoboth Beach. Under the plan, the existing building will be demolished. Pizza Hut closed its doors in September 2020. The final site plan will be subject to approval by the planning & zoning staff. Chase Bank, which is the nation's largest, has nine branches in New Castle County. J.P. Morgan Chase officials announced in 2019 a plan to open 10 to 12 new branches in Delaware.

• A preliminary site plan for American Storage of Delaware for a 75,000-square-foot self-storage building with 5,000 square feet of office space on the west side of Route 1 north of the Nassau Bridge. The record includes a conceptual plan for a service road along Route 1 in that location for the proposed grade-separated interchange at the Route 1-Cave Neck Road intersection. The commission approved a waiver for interconnectivity because the service road will provide access to neighboring properties.

## **Milton council approves Granary master plan**

The Granary is planned for a 450-acre site off Sand Hill Road to be built out over a 20-year period. Besides a mix of single-family homes and townhouses, the development also includes 110 acres of dedicated open space, a small-batch brewery, a walking/biking trail, an amphitheater and 60,000 square feet of potential commercial space. The parcel is zoned R-2 residential with a large-parcel development overlay; the development is slated to take place over 10 phases.

• **Boutique hotel in the works on the Rehoboth Beach boardwalk:** The Bellhaven Hotel would be built where Candy Kitchen, the Ice Cream store and Grotto Pizza are located and modeled after the original Bellhaven hotel damaged in the Great Storm of 1962.

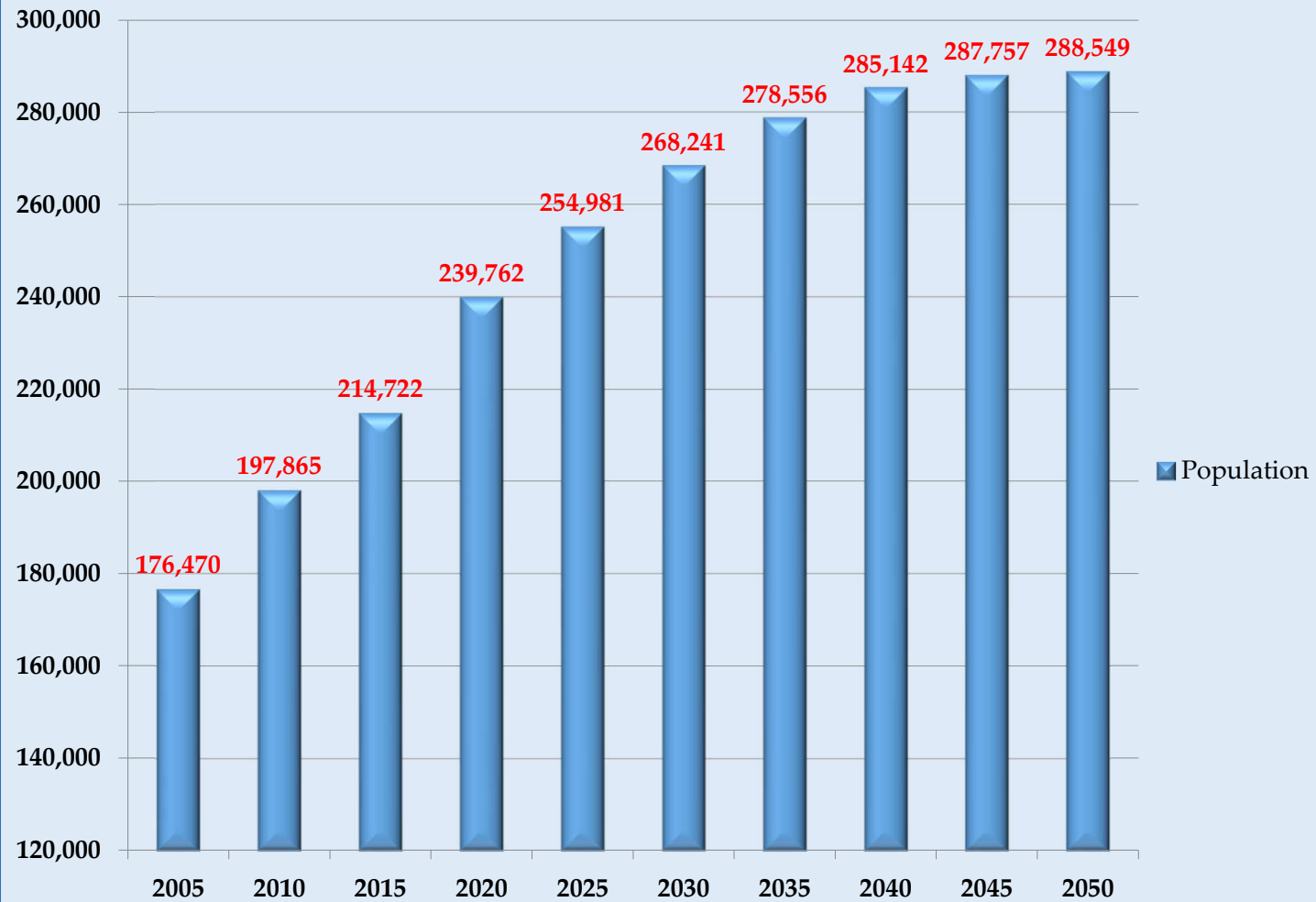
• **Georgetown Village hotel and The Ponds apartments in development:** The projects are being planned behind Georgetown Plaza near Little Street.

The Rehoboth Beach Planning Commission got its first look at a new 60-room hotel facing Rehoboth Avenue and the Boardwalk Nov. 14, and while comments were generally positive, there were also some concerns raised.

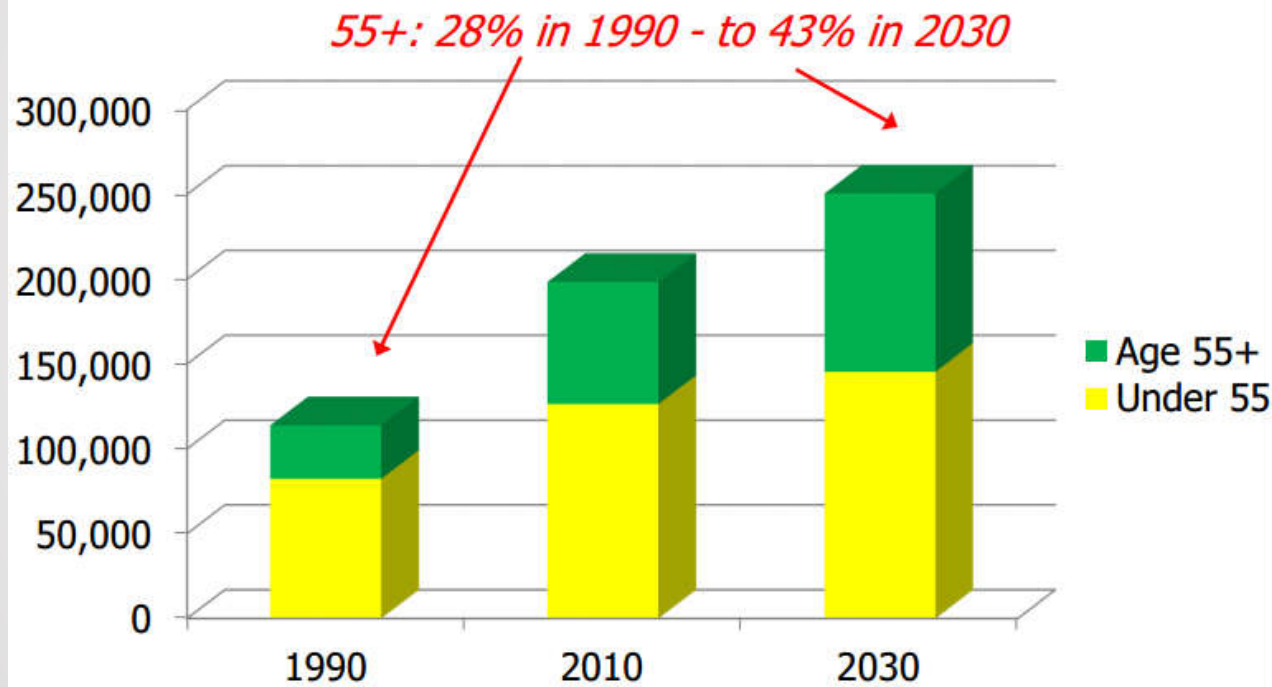
A \$100 million, 150,000-square-foot TidalHealth campus planned for the area of Routes 113 and 20 in Millsboro is nearing the construction stage. The health groups hopes to break ground on the three-building project in summer or fall of next year, according to Chris Hall, TidalHealth chief business officer.

• A final site plan for Lauden Investments LLC for two office buildings along Savannah Road outside Lewes. The plan includes the reuse of two existing buildings on the parcel – one 1,600 square feet and the other 1,540 square feet.

### Sussex Population Continues to Increase



## Long Term Population Trends – Sussex



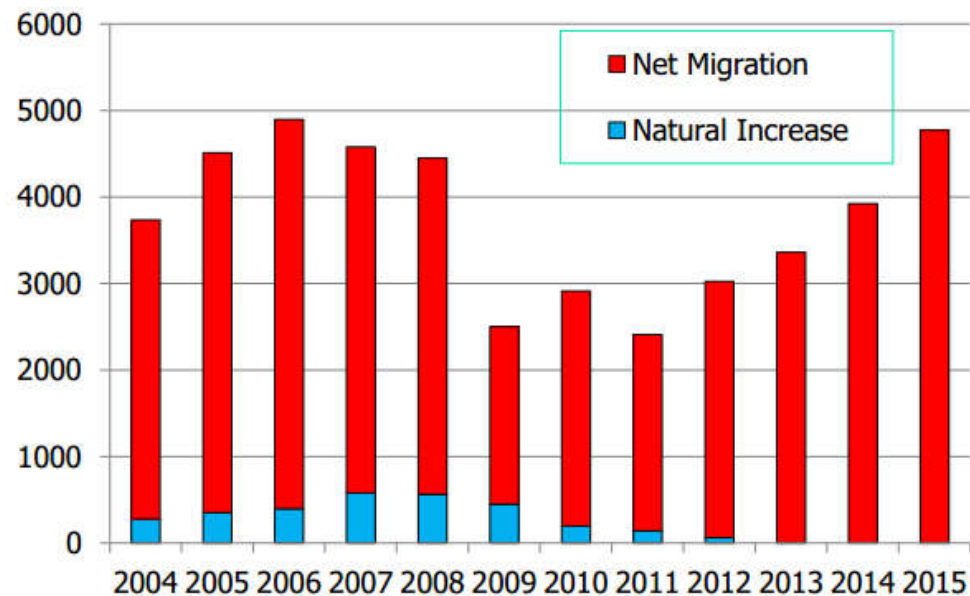
Source: Delaware Population Consortium

CUSTOMER RELATIONSHIPS  
IN THE NEW ECONOMY

Sussex County  
TODAY  
&  
TOMORROW  
Conference



## Sussex Population Growth is Steady (Annual Change)



Source: U.S. Census Bureau

CUSTOMER RELATIONSHIPS  
IN THE NEW ECONOMY

Sussex County  
TODAY  
&  
TOMORROW  
Conference



# Millsboro

- Fastest growing municipality in Sussex County
- 2<sup>nd</sup> fastest growing municipality in State of DE
- Water/Sewer expansion to the north. Major development soon to follow
- DelDot flyover project at Rt. 20/Rt. 113 intersection to relieve Rt 24 traffic through town – Construction start date in 2023
- Georgetown flyover project for Rt 404 to follow
- Plantation Lakes northern phase building out over 200 homes/yr plus additional 9 holes golf. New clubhouse now open.
- 2021 & 2022 – Aldi, Grotto Pizza & Texas Roadhouse, Avid Hotel, Alderleaf Meadows 150-home subdivision as well as the downtown revitalization project
- New TidalHealth Campus on north side of town with expected groundbreaking in Spring 2024

# Sussex County Infrastructure

Sewer Expansion Projects - Several currently in process in both western and eastern Sussex

DelDOT

2-3 years for planning

2-3 years to complete project acquisitions

2-3 years to complete construction

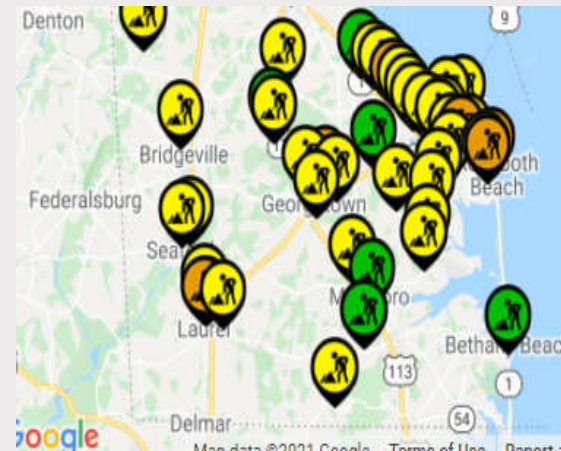
Example:

US 113 @ SR 16 Grade Separated Intersection

Design 2018-2022

Acquisitions 2022-2023

Construction Start 2024



# Salisbury Major Housing Growth

- 2216 new housing units planned
- 15 different developments
- “Here is Home” – waives city development fees
- “Horizon” – real estate tax incentive program





An artist's rendering of Coventry Square Apartments at Aydelotte Farms, planned

last Friday are:

- The Ross, a new multi-story building under construction in Downtown, 101 apartments.
- Glen Heights, a new development near Spring Chase, 60 duplexes.
- Sassafras Meadows, Section 3, expansion of an existing development, 44 single-family houses and 128 townhouses.
- Heritage, a new development on Pemberton Drive, 128 single-family houses and 180 townhouses.
- Aydelotte Villas, expansion of an existing development on Bea-
- Commonwealth Senior Living (formerly Harbor Pointe), 16 assisted living units and 19 memory care units.
- Manhattan Square, expansion of an existing building Downtown, 10 apartments.
- Jasmine Drive Apartments, a new development off Naylor Mill Road, 264 apartments.
- Salisbury Town Square, a new development planned for the large parking lot near the Downtown library, 240 apartments.
- Summersgate Apartments, expansion of an existing development. 240 apartments.





## Development Projects

Department of Infrastructure & Development

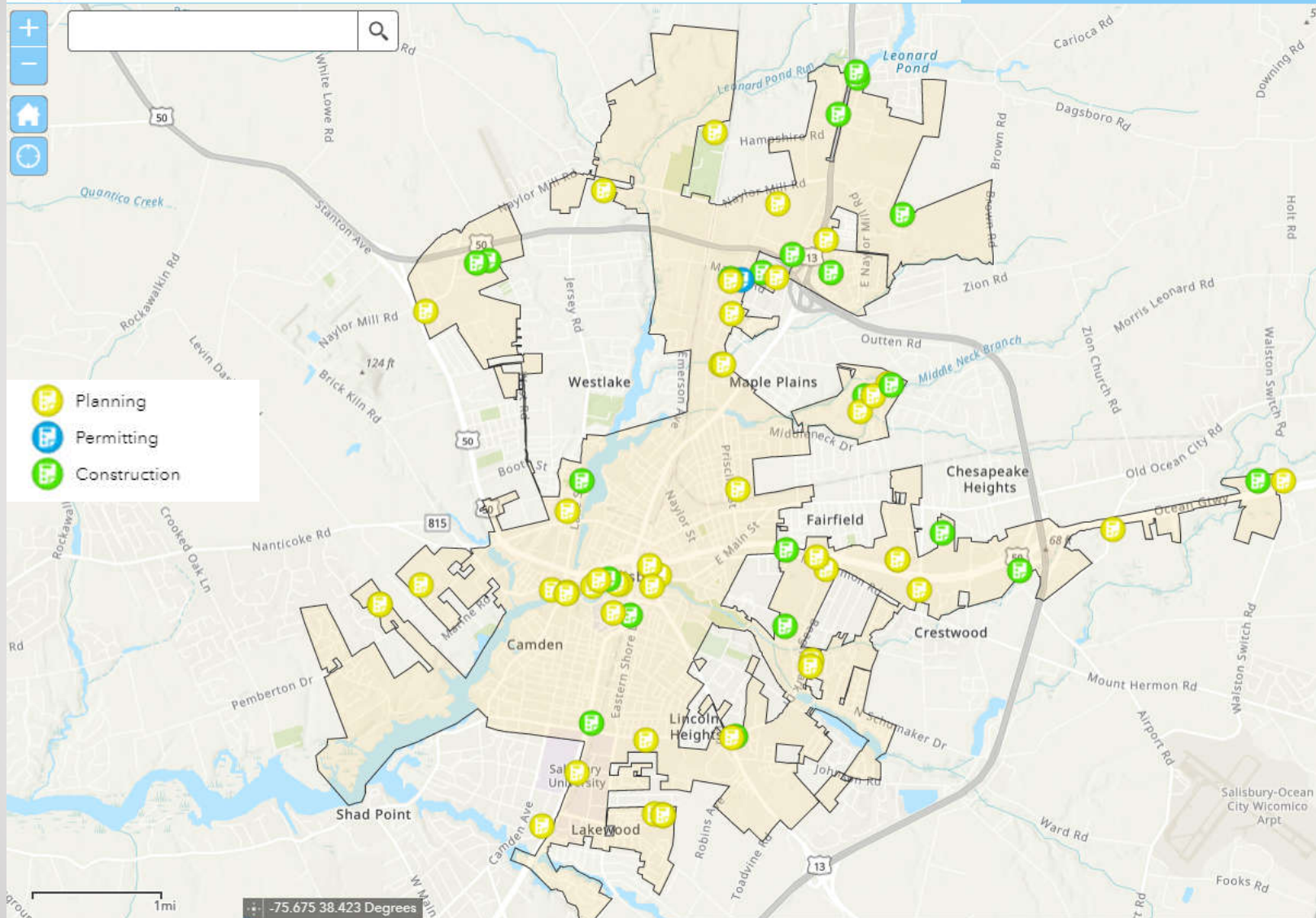
Contact Anne Roane



Planning

Permitting

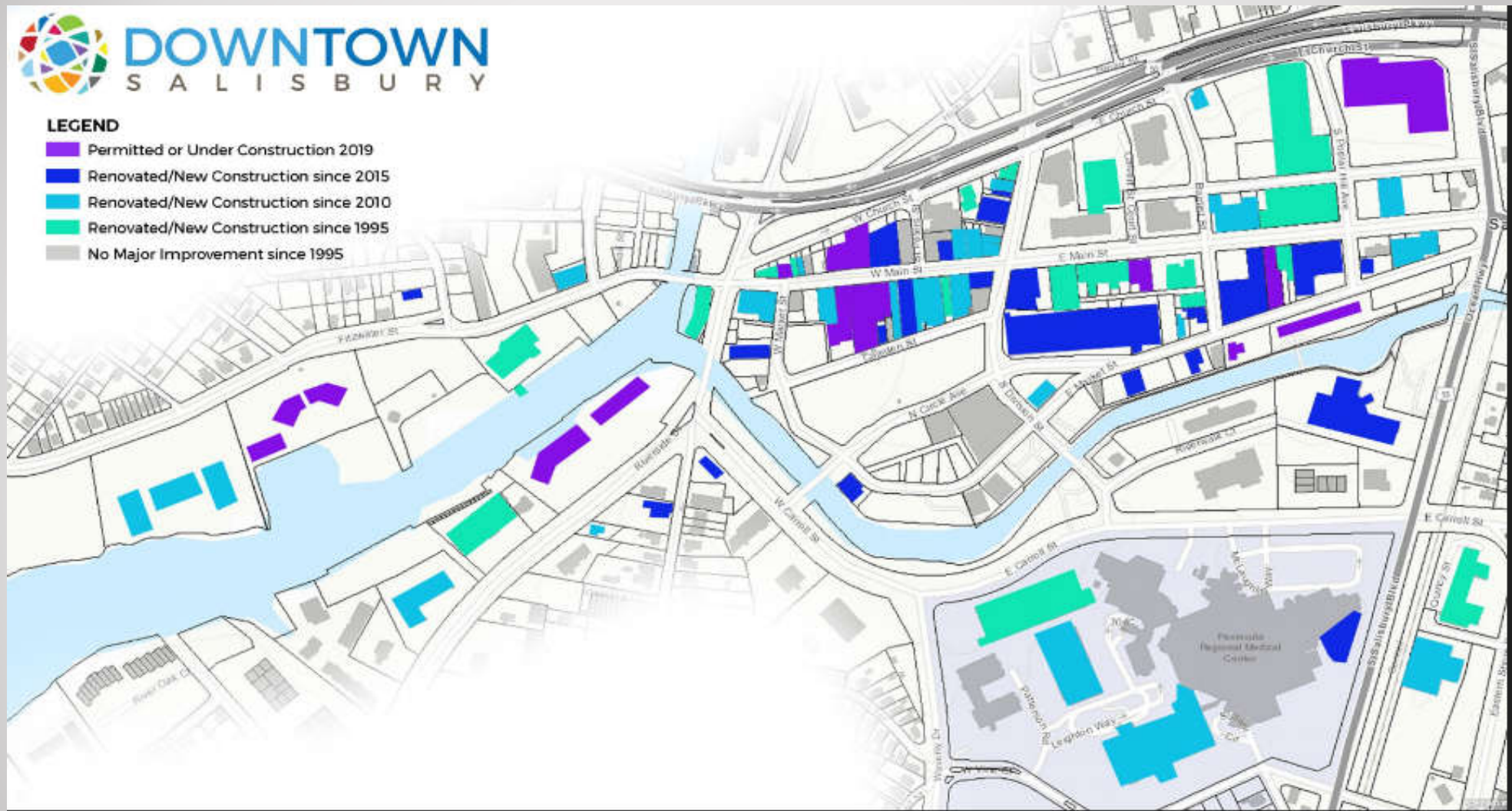
Construction





**LEGEND**

- Permitted or Under Construction 2019
- Renovated/New Construction since 2015
- Renovated/New Construction since 2010
- Renovated/New Construction since 1995
- No Major Improvement since 1995





## New future in store for old White & Leonard building

Feb 1st, 2021 · by Liz Holland · Comments: 0



A Downtown Salisbury building that once housed the White & Leonard Office Supplies business will find a new life as a restaurant and a speakeasy-style bar.













## Development Begins on former Campbell's Soup Factory



# Union Station Rehabilitation



# Is a Reset of Housing Market on Horizon

- Been out of balance. Over demand – Under supply
- Major about-face since beginning of 2022. Enter roaring like a lion. Out like a lamb.
- Interest rates have doubled. Highest rates in 20 yrs. Mortgage applications lowest level since 1997. Sales 29% less Sept to Sept. High inflation, albeit some stabilization with 5 consecutive months of decline.
- Typical U.S. homeowner buying power reduced by \$107,000 since start of '22.
- Few sellers. 64% of US homes have mortgage rate <4%. 32% <3%. Why sell when have 3% fixed rate mortgage and new loan 7%.
- Saving grace for prices is low inventories still and strong demographics. Millennials want to own homes and older Americans want to downsize. Will help stabilize or minimize any price declines.
- This is very different from the Great Housing Recession. Good lending fundamentals. Housing inventory is about 25% of 2008 levels. Distressed sales around 2% vs 30%.



# 2023 Residential Real Estate Predictions

- 2022 was a very good year for real estate. Is residential sustainable? Yes at least for bulk of '22 (Last year prediction). '23 will not be at '22 levels.
- Still dealing with COVID uncertainties.
- Fed 7 rate increases and probably not done raising rates. Rate increases designed to keep inflation in check. So don't expect rates to go down anytime soon.
- Inflation, rising home values, significant construction cost increases, supply chain issues, and rising interest rates. Will and has cooled off the hot real estate market. But will be offset by still historic low inventories, near full employment, and demographics.
- Construction cost may actually come down some in second half of year as supply chain issues work themselves out.
- 2023 will see fewer new construction dwellings.
- Predict sales decline 7-10%. Prices flat +/- . Under \$300k may increase 5%. Over \$300k may decrease 5%. Resort properties went up faster/higher, so may go down lower.
- Uncertainties: War in Ukraine, global economic uncertainties, looming recession, debt ceiling
- Locally - Sussex County still wins the Oscar!! The Beat Goes On!!
- However, sustainability of Sussex County growth? Comes with growing pains
- Delaware beats Maryland in activity – why? Public sewer availability name of game!
- Septic issues continue on Maryland's Eastern Shore. Wicomico water/sewer plan approved – but a long way to go.
- Lower Shore and most of MD Eastern Shore aged housing stock and still lacking significant new construction. This will continue to put pressure on inventory levels.
- MD Eastern Shore – pent up demand for new construction. Salisbury 2200 new units. Easton – large prospective new development.
- Delmarva remains an attractive real estate market with a variety of housing options including resort and non-resort. Great healthcare, university, relatively low taxes, affordable real estate, recreational opportunities, and high quality of life. A Covid escape!
- 2023 will be a fairly boring year for housing market. A more stabilized market. Look forward to 2024 or Survive till '25.



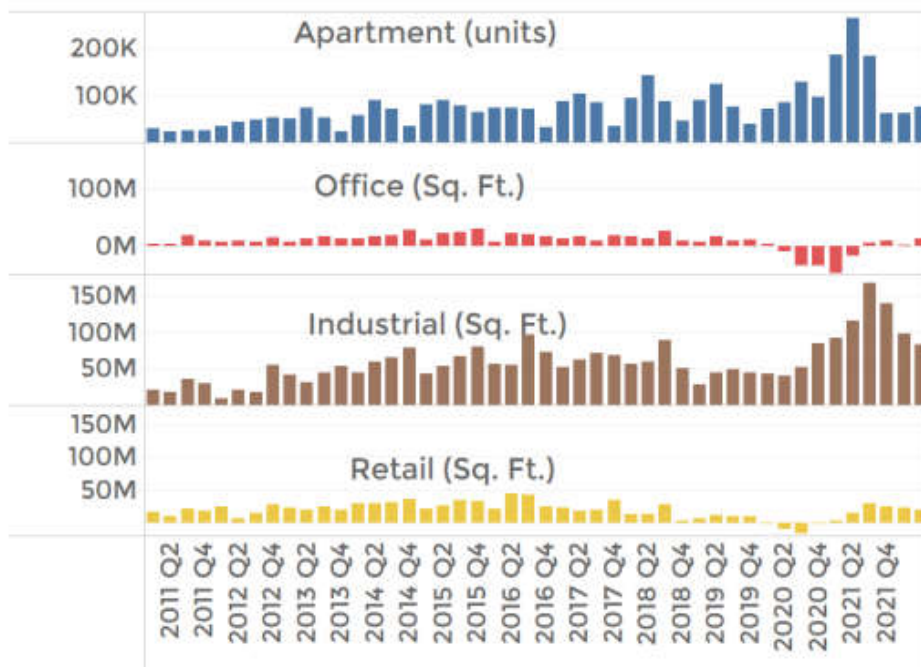
# Commercial Real Estate

# Commercial Real Estate Outlook

- Covid had a bigger impact on commercial, but steadily has recovered. However, sales, leasing, and new construction not quite back to pre-Covid levels.
- Stronger interest for land, multifamily, and industrial properties versus retail, hotels, and office\* properties.
- Due to Covid, workers went home and significant number have gone home to stay. They will return to some degree over time albeit in different forms/style.
- Need to define the future of commercial real estate.
- Repurposing of box stores and office complexes for example. For example, K-Mart in Salisbury now a JA Center.

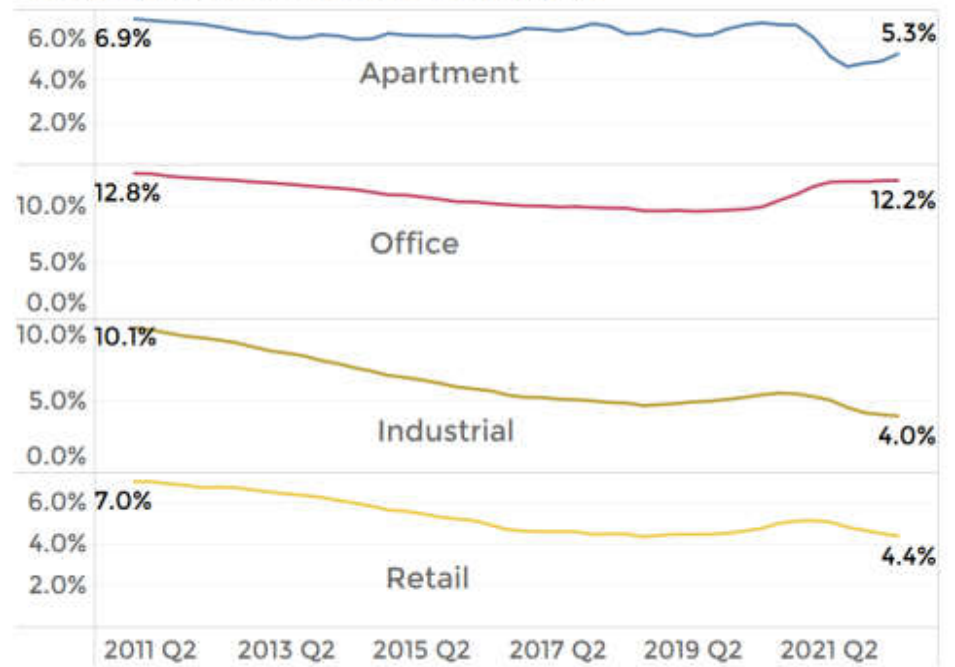
# National Absorption & Vacancy by Property Type

3-Month Net Absorption as of 2022 Q2 (May 31)



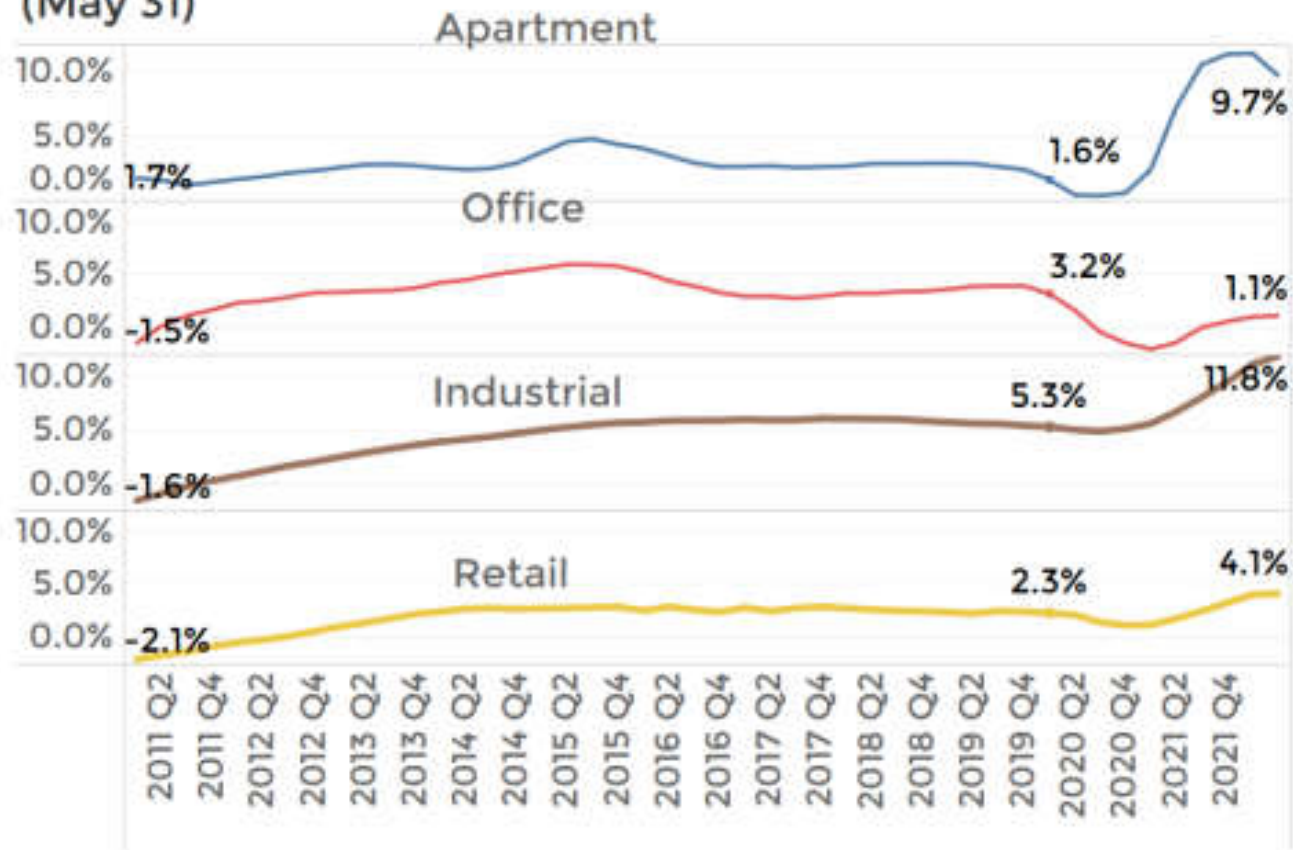
Source: CoStar

Vacancy Rates as of 2022 Q2 (May 31)



Source: CoStar

## Y/Y Percent Change in Asking Rents as of 2022 Q2 (May 31)



Source: CoStar

Source: National Association of Realtors Analysis of Costar Data

# National Office Market

## U.S. Office Market: The Past Two Years

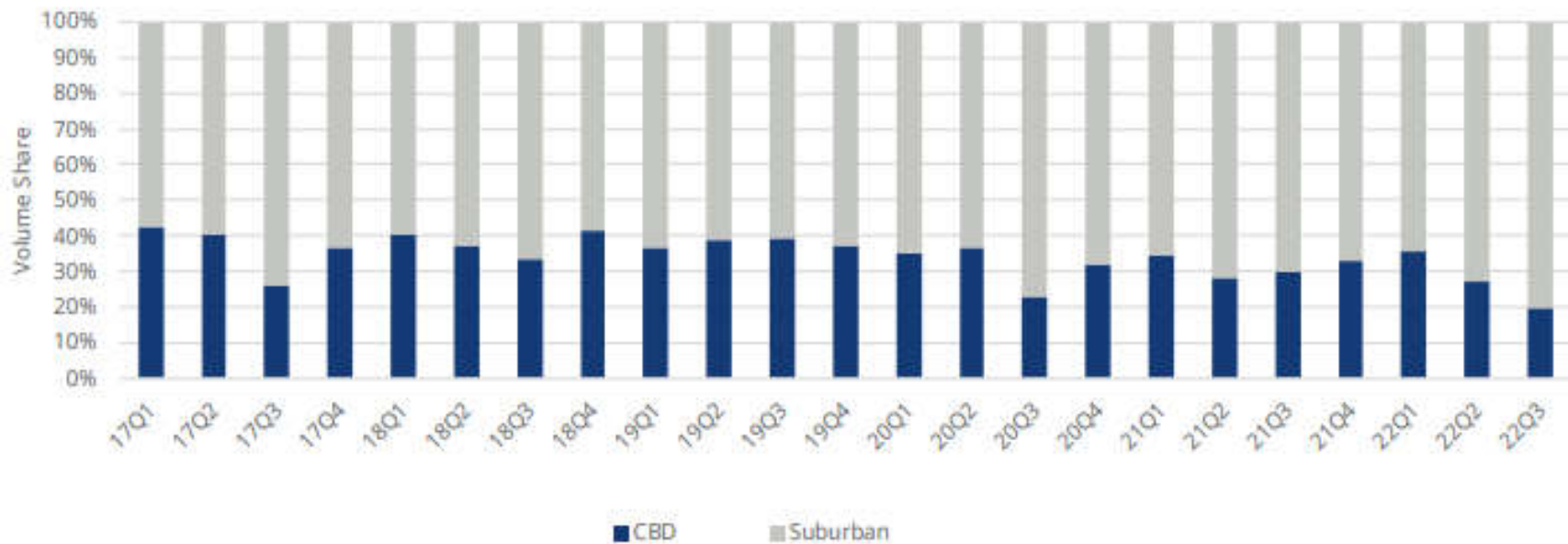
	Q4 2022	Q4 2021	Q4 2020
Vacancy Rate	15.7%	14.8%	13.2%
Net Absorption (MSF) Past 12 months	(11.0)	(52.6)	(86.8)
New Supply (MSF) Past 12 months	42.3	72.3	61.2
Under Construction (MSF)	99.8	120.5	163.7
Sublease Space (MSF)	242.8	195.6	179.7

## Average Class A Asking Rates

Downtown	\$51.41	\$51.08	\$50.80
Suburban	\$33.68	\$33.58	\$32.03

# National Office Market

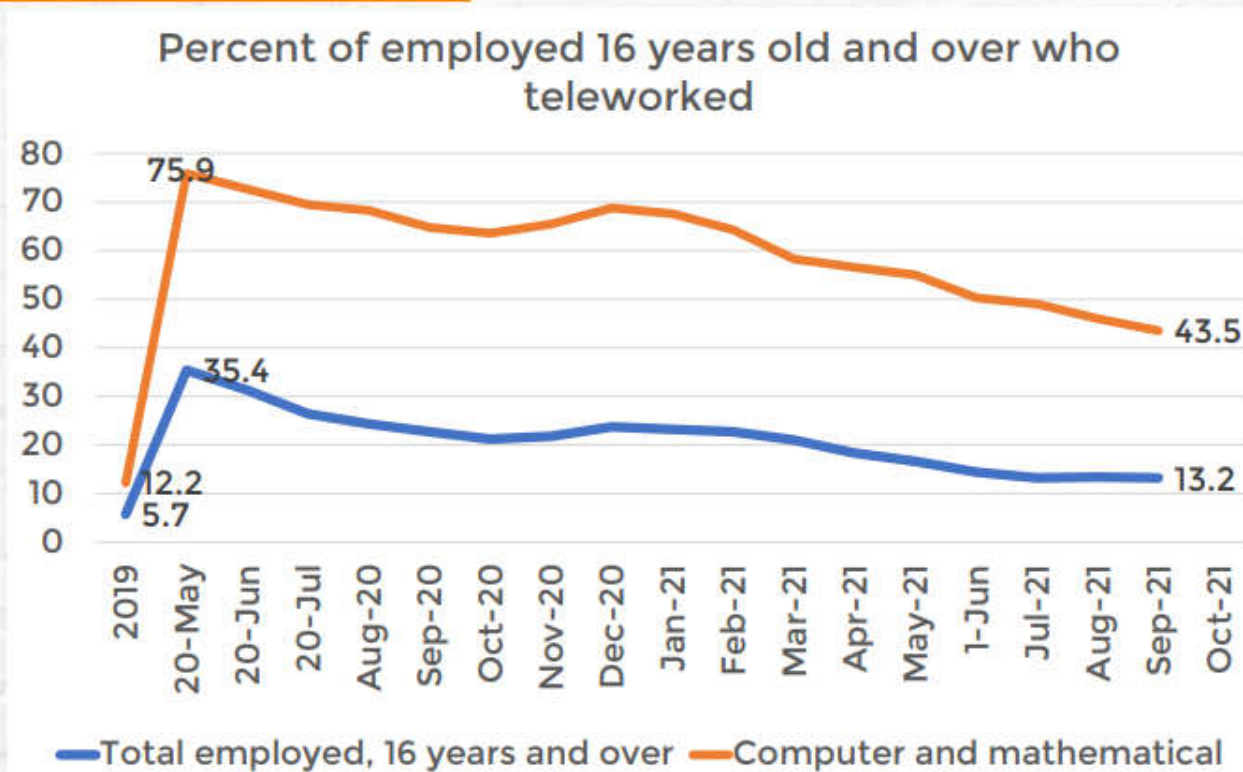
**CBD and Suburban Office Volume Share**



Sources: Colliers, Real Capital Analytics

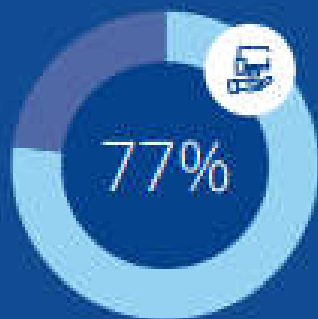


## Working from home: trending down but still elevated





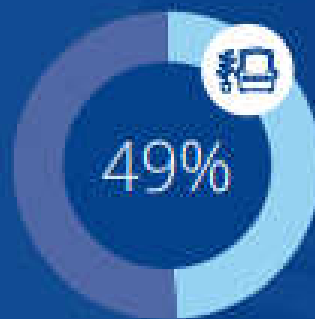
## The Shift to Hybrid is Real



of companies will shift to a hybrid office approach vs. 20% pre-pandemic



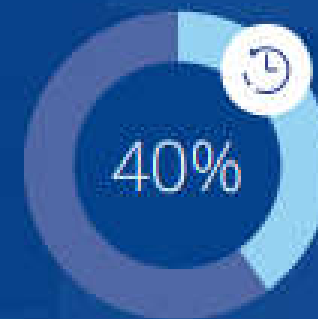
have set a number of days to be in the office with the majority requiring three or more days in office



anticipate making significant changes to their office space designs



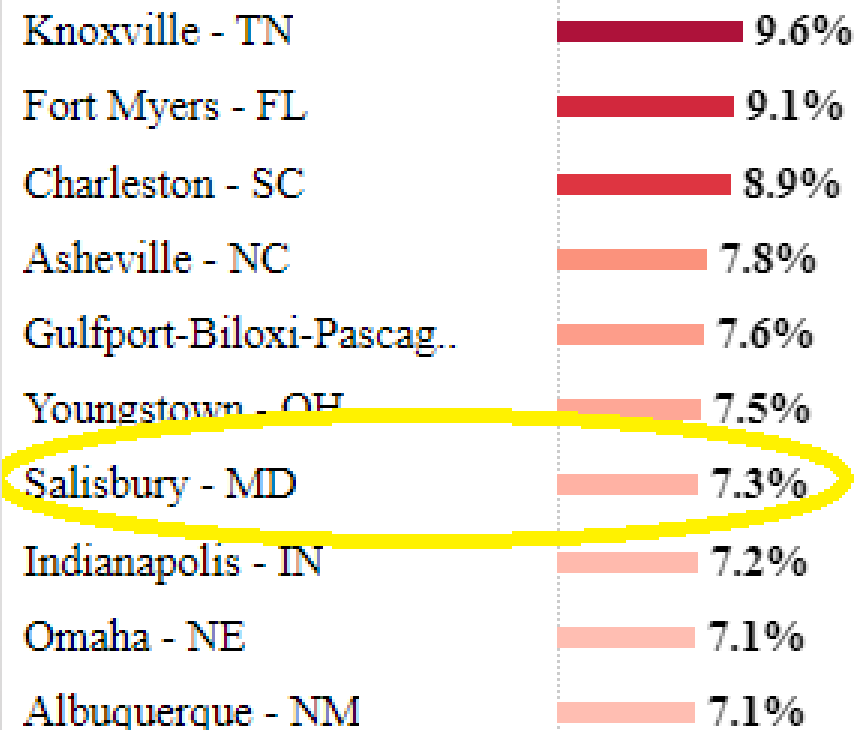
have not set a Return-to-Office (RTO) date



will be seeking shorter term leases compared to pre-pandemic

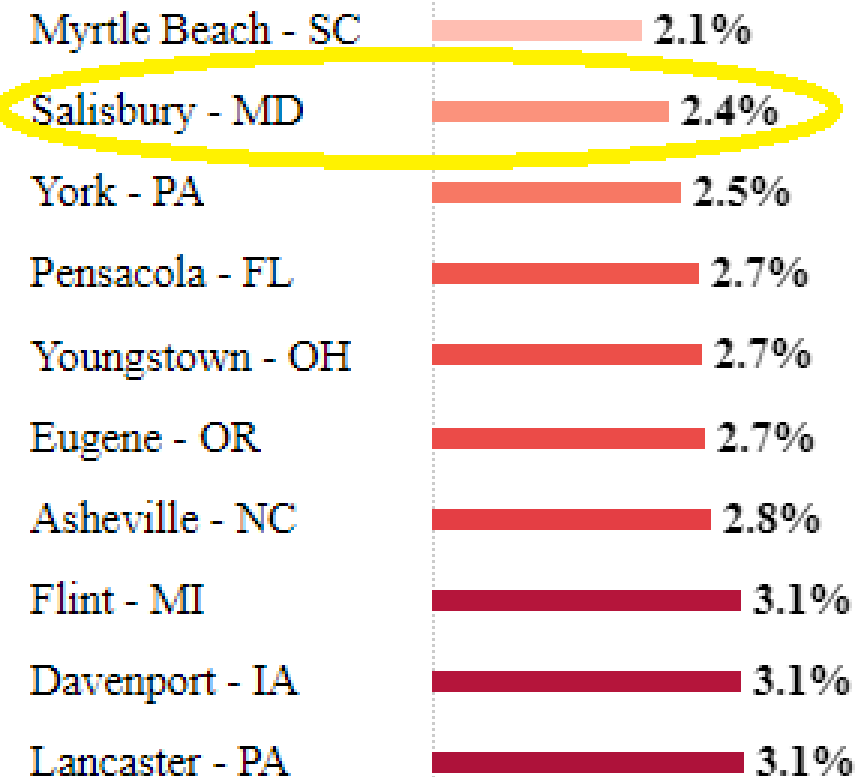
### Multifamily

#### **Rent growth in the last 12 months**



### Office

#### **Vacancy Rate (December 2022)**



# Office

- Covid sent workers home. That phenomenon is here to stay.
- Locally our office vacancy rates are fairly low – around 3.5%. Primarily because we do not have large office complexes like in urban cities.
- Wilmington statistically shows office vacancy around 17%. However, there are a lot of companies that are still paying rent, but no one comes to the office anymore and in many cases never will. Large insurance companies are an example. They have realized they can do the same business without people in office. If you count this vacant shadow inventory, I had a broker in Wilmington tell me the vacancy rate is like 40%.

# National Industrial Market

## Historic Comparison

	22Q3	22Q2	21Q3
Total Inventory (MSF)	17,215.0	17,089.1	16,764.9
New Supply (MSF)	137.8	95.8	109.6
Net Absorption (MSF)	114.1	118.2	182.1
Overall Vacancy	3.7%	3.6%	4.4%
Under Construction (MSF)	656.4	618.1	473.3
Overall Asking Lease Rates (NET)	\$8.77	\$8.42	\$7.61

U.S. Industrial Market  
Q4 2020 – Q3 2022



# National Industrial Leasing Overview

## VACANCY RATE

2022	2021	2020	2019	2018	2017
3.0%	3.2%	4.6%	4.4%	4.8%	5.1%

## NET ABSORPTION

2022	2021	2020	2019	2018	2017
506.3 MILLION	643 MILLION	223.6 MILLION	183.3 MILLION	239 MILLION	246 MILLION

Source: CBRE Research

CHESAPEAKE REAL ESTATE GROUP

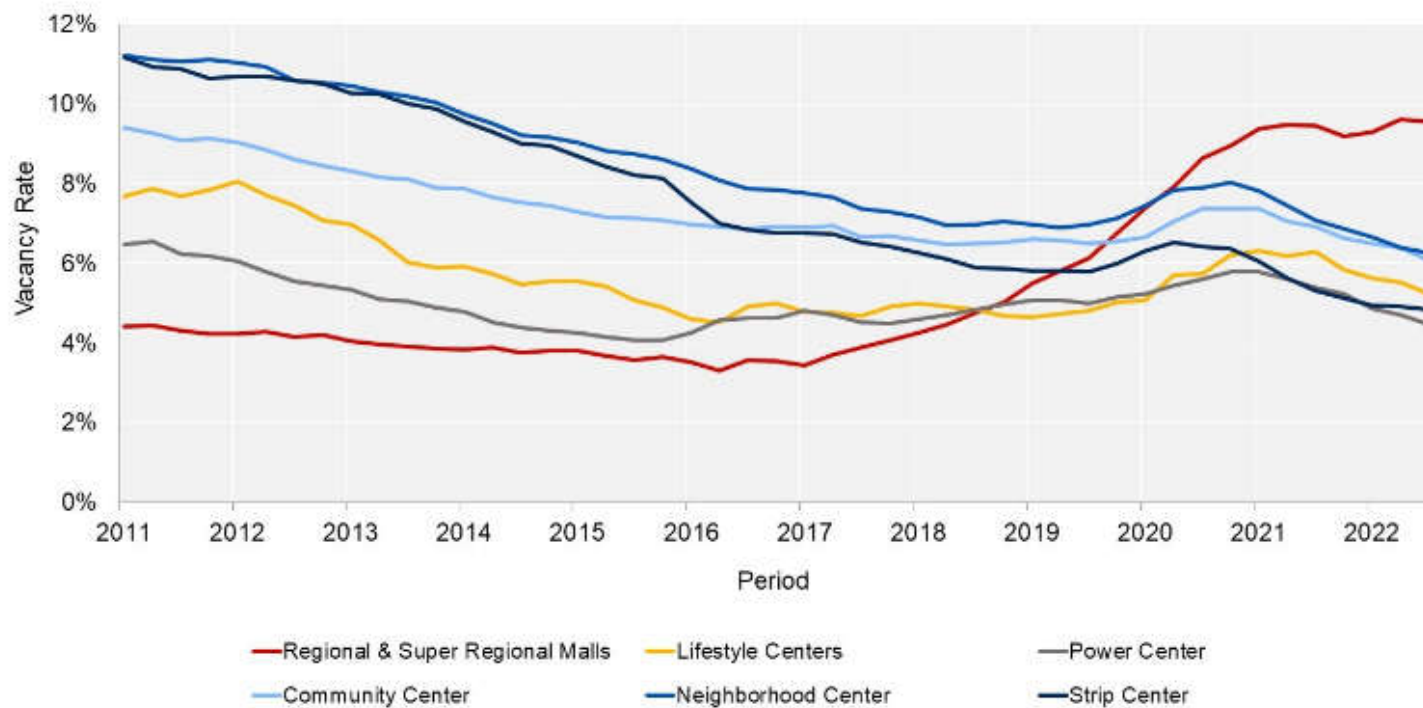


# Industrial

- The one upside of current market. Shining star
- Warehouse and distribution space still in high demand as result of the “Amazon Economy”
- Seen cases of industrial rents comparable to retail rents
- Rental rates to increase 5-10% for ‘23
- Delaware vacancy rate is at 2%. Industrial biggest sector in DE. Most is north.
- Landlords want longer terms and higher rental escalations i.e. 4%.
- Sales will be strong but below 2021 and 2022 levels

# National Retail Market

## Mall Vacancies Reach New Highs; Neighborhood, Community, and Strip Centers at 10-Year Low

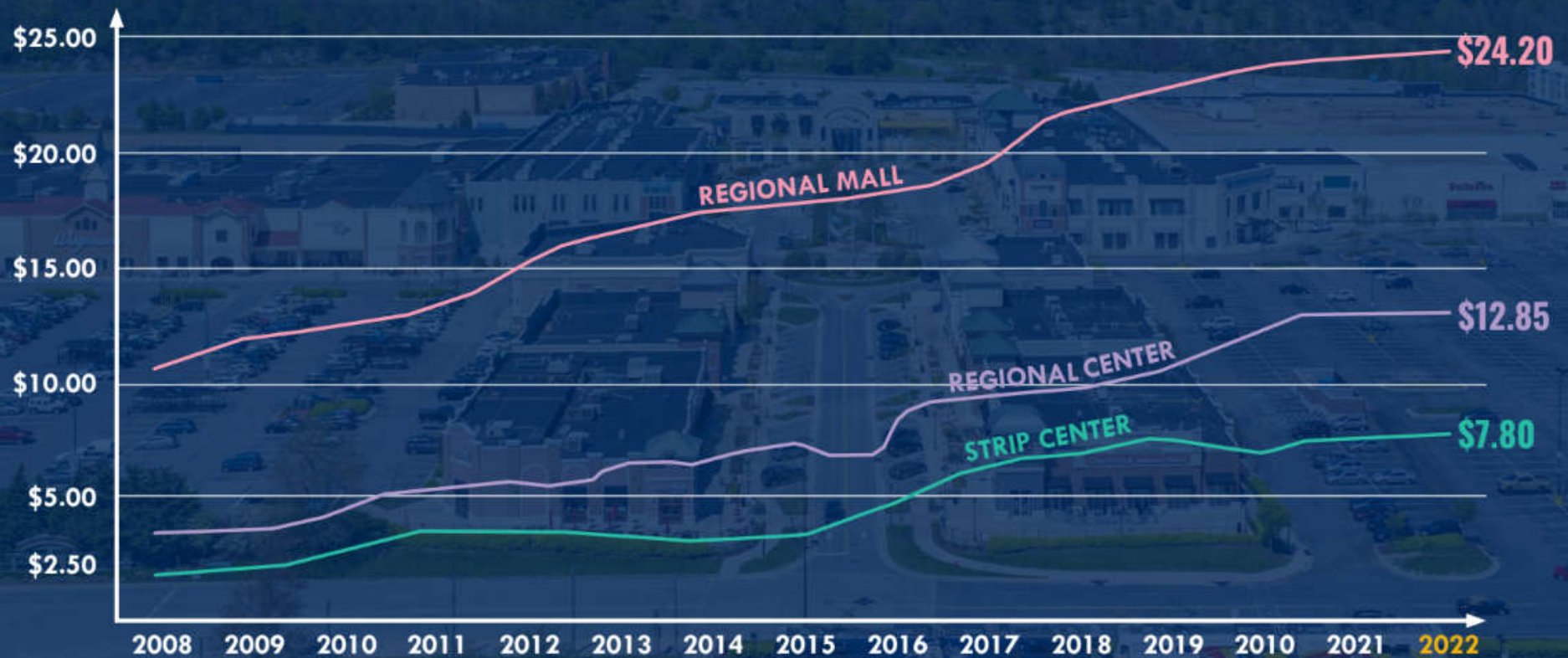


Source: CoStar Advisory Services, Fourth Quarter 2022  
Note: Limited to 54 major U.S. markets





# 2022 HISTORICAL OPERATING EXPENSES



# CAP RATES



## INCREASE OF APPROXIMATELY 115 TO 240 BASIS POINTS OVER 2021

- » Anchored Retail 6.2% to 8.8%
- » Un-Anchored Retail 7.4% to 11.8%
- » Freestanding
  - Banks 5.23% to 7.8%
  - Pharmacies 5.11% to 8.61%
  - Food/Restaurants 4.64% to 8.8%
  - Big Box 6.43% to 8.81%

## OBSERVATIONS

- » Neighborhood centers are the more stabilized retail assets
- » Increased sense of optimism in investor community, yet looking for the “deal”
- » Locally – lack of sale inventory had kept cap rates stable – Now it’s the interest rate
- » Expect flat cap rates in 2023 (low development pipeline, abundant capital, higher interest rates)



# WHO IS TODAY'S CONSUMER?



## 35% BABY BOOMERS (59-77 YRS. OLD)

- » “Me” generation
- » Self righteous and self-centered
- » 1st TV generation
- » 1st divorce generation
- » Very loyal

## 26% GENERATION X (43-58 YRS. OLD)

- » “Latch key kids”
- » Very individualistic
- » Want to save the neighborhood, not the world
- » Used a pager
- » Loyal to a point

## 19% MILLENNIALS (27-42 YRS. OLD)

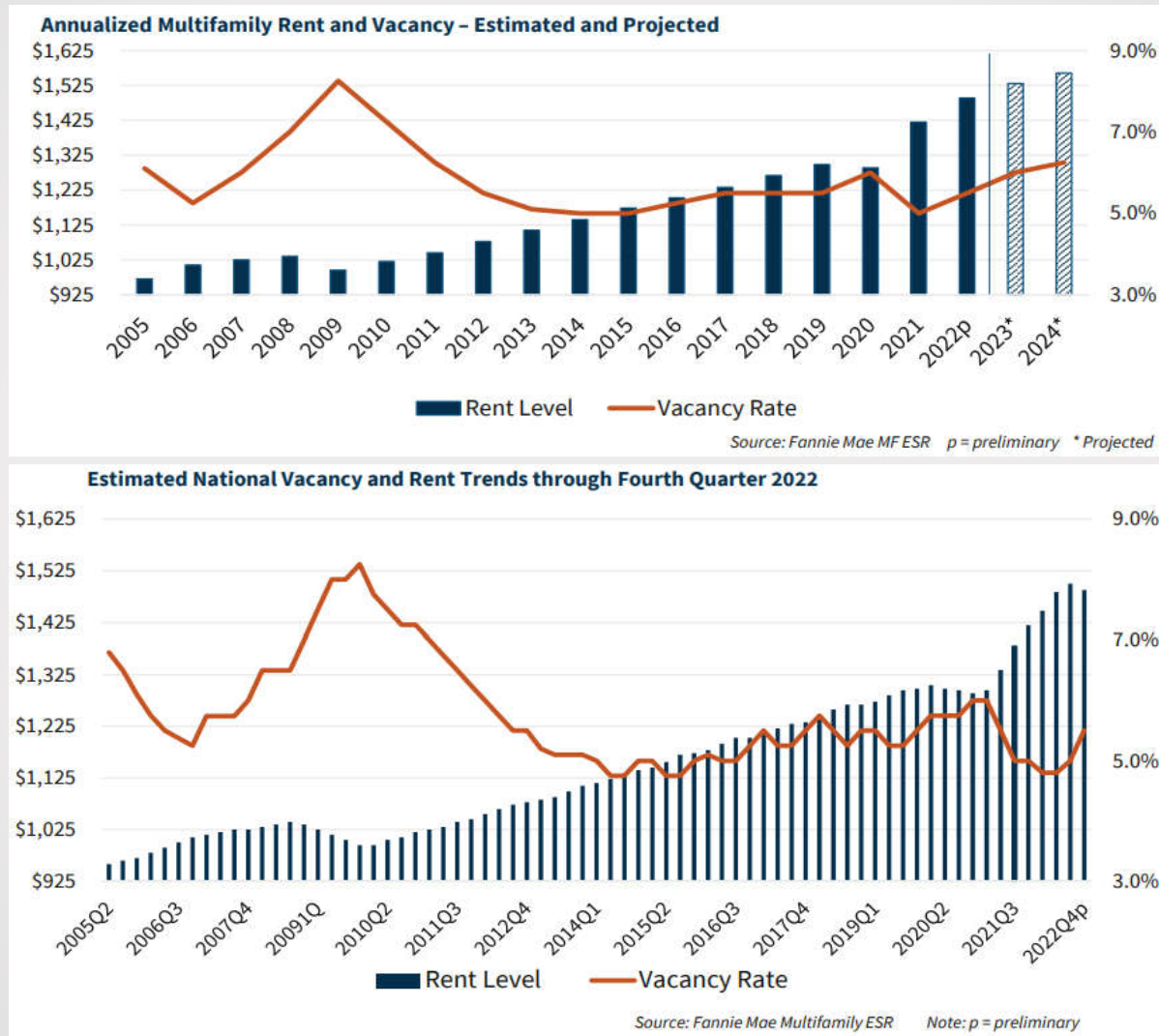
- » They schedule everything!
- » Have no idea what a pager is
- » Huge academic pressure
- » Everything digital please
- » Do not live to work, prefer relaxed work environment
- » No loyalty
- » Online experts



# Retail

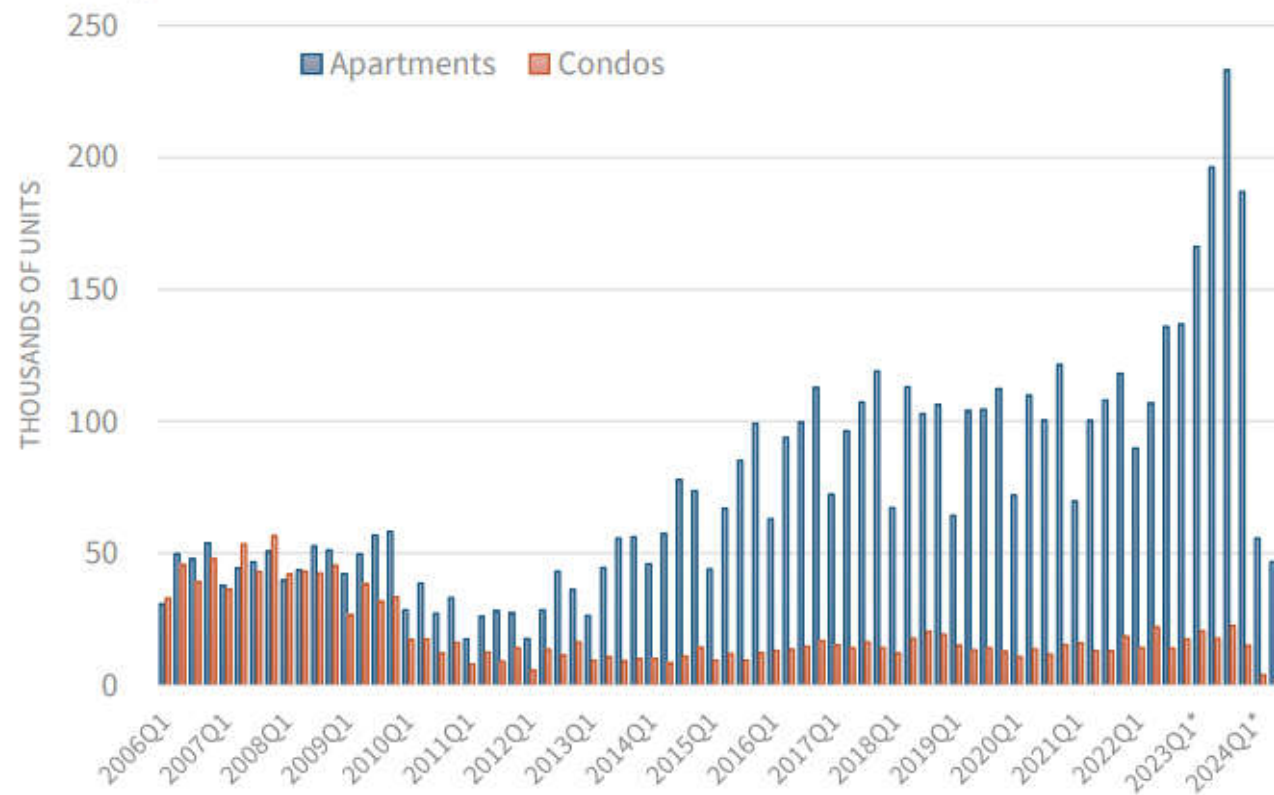
- Big box space getting repurposed
- Retail did well in '22, but .....
- The “Amazon Economy” has changed retail
- Also seeing different kinds of users in retail spaces. For example, medical is now a big driver. Urgent care, dentist, eye doctor, general practitioner.
- Retail actually projected to do ok
- Lackluster demand for small retailers
- Food related deals most prevalent. Over 70% retail lease deals in BW area food related
- “A” class properties will still do well

# Fannie Mae Multifamily Economic and Market Commentary



# Fannie Mae Multifamily Economic and Market Commentary

**Multifamily New Construction**



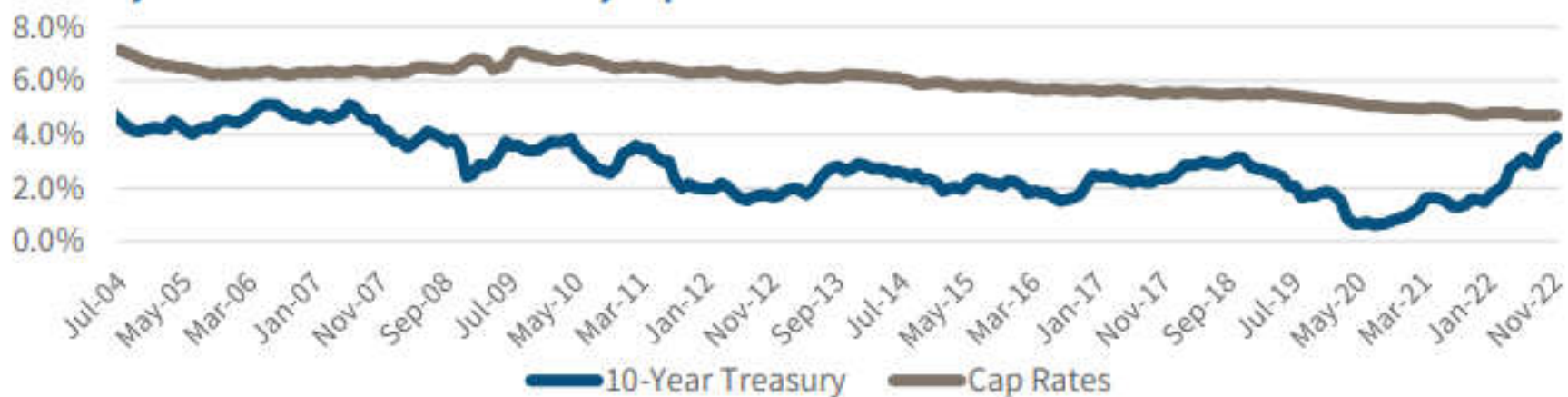
*NOTE: Supply Track data is not an actual forecast of activity, it is a monitor of activity reported on to-date. As more projects are planned and tracked, figures in future periods might go up.*

Source: Dodge Data & Analytics Supply Track, December 2022

\* Anticipated completion date.

# Fannie Mae Multifamily Economic and Market Commentary

**Treasury Interest Rates and Multifamily Capitalization Rates**



Source: Federal Reserve, Selected Interest Rates H.15, per Moody's Analytics, Real Capital Analytics [www.rcanalytics.com](http://www.rcanalytics.com)

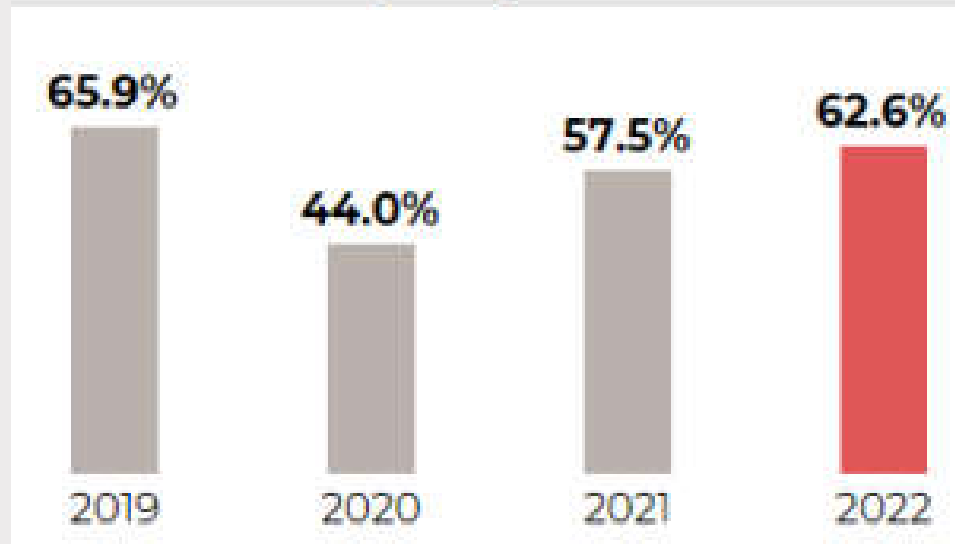


# Multi-family/Apartments

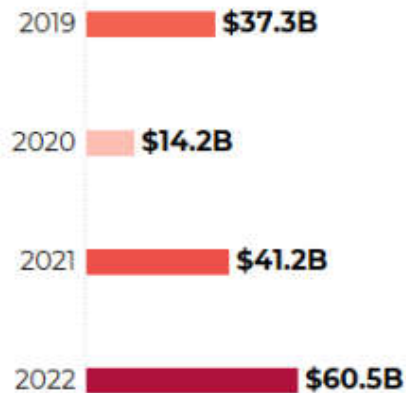
- Still strong demand
- Values are simply a math problem
- Local vacancy rates low. Around 5%
- Apartments still projected to be strong regarding rents and relatively low vacancy because single family home still expensive
- Cap rates still surprisingly low

# National Hotel Market

## 12-month occupancy rate in December



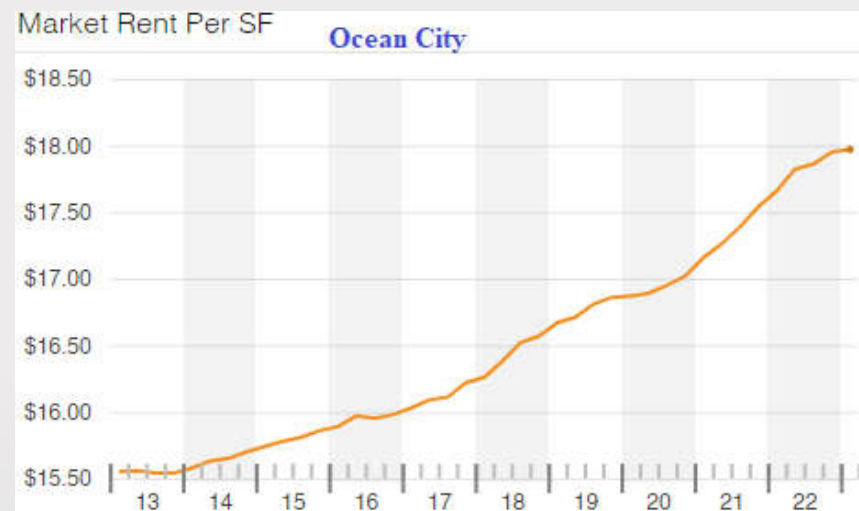
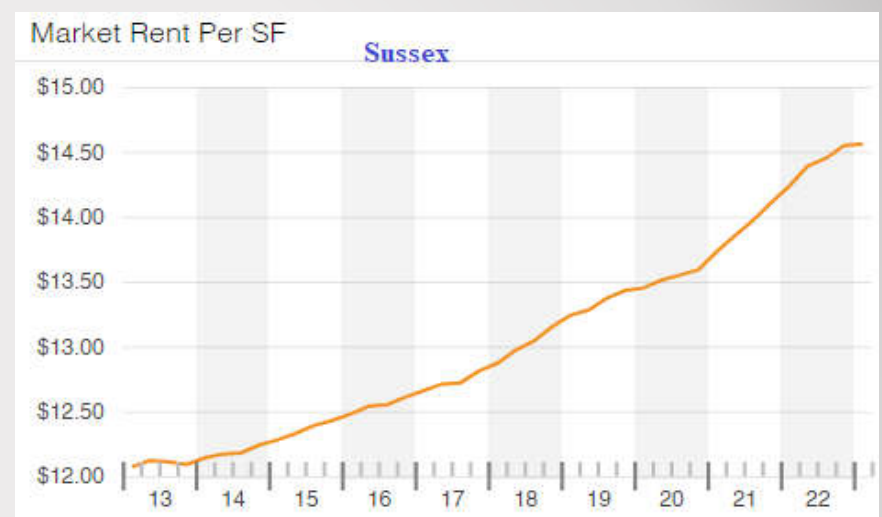
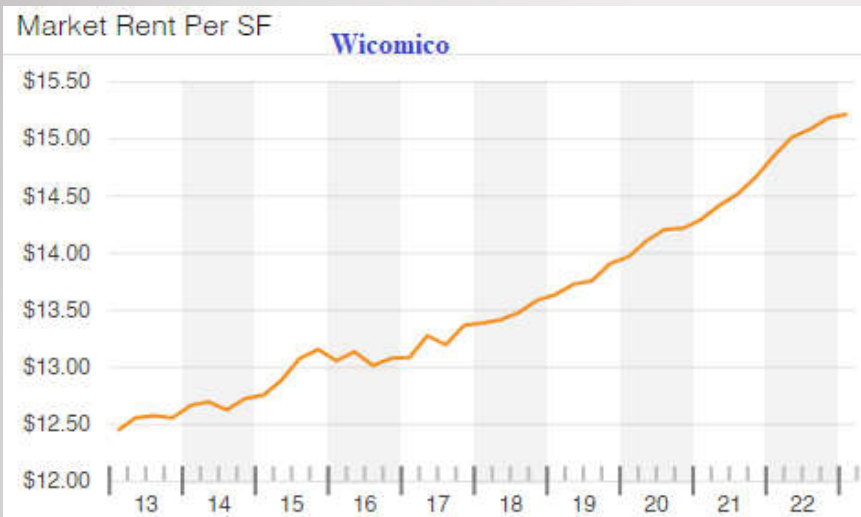
## 12-month sales volume as of August



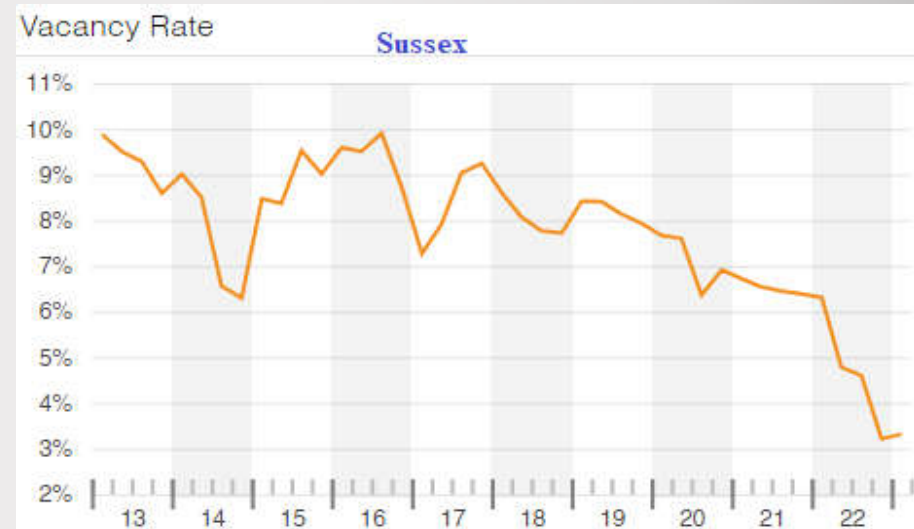
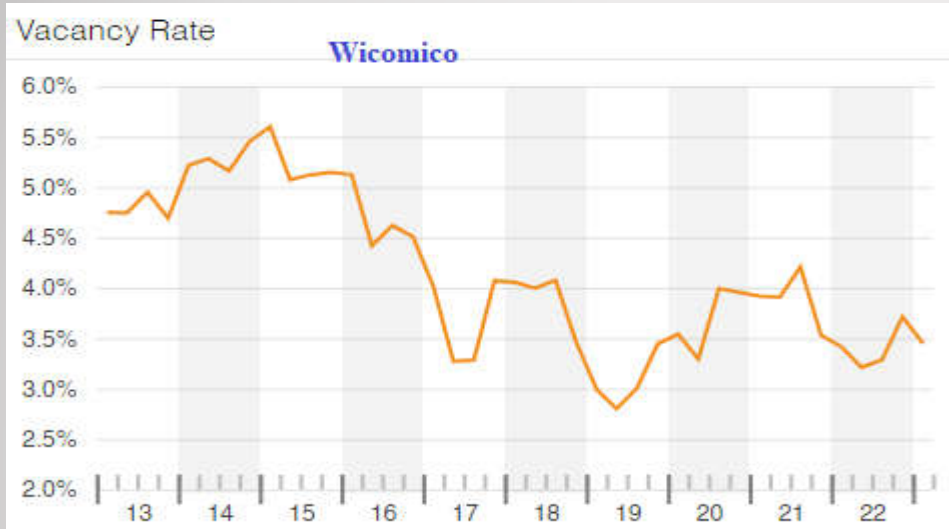
## 12-month ADR and RevPAR in December

	Average daily rate	Revenue per available room
2019	\$131	\$86
2020	\$103	\$45
2021	\$125	\$72
2022	\$149	\$93

# Non-Residential Rents

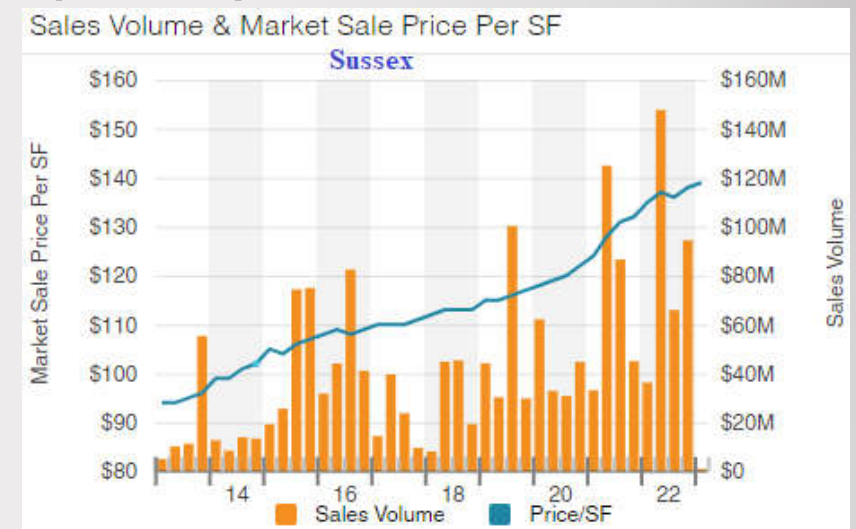


# Non-Residential Vacancy



Source: Costar Analytics

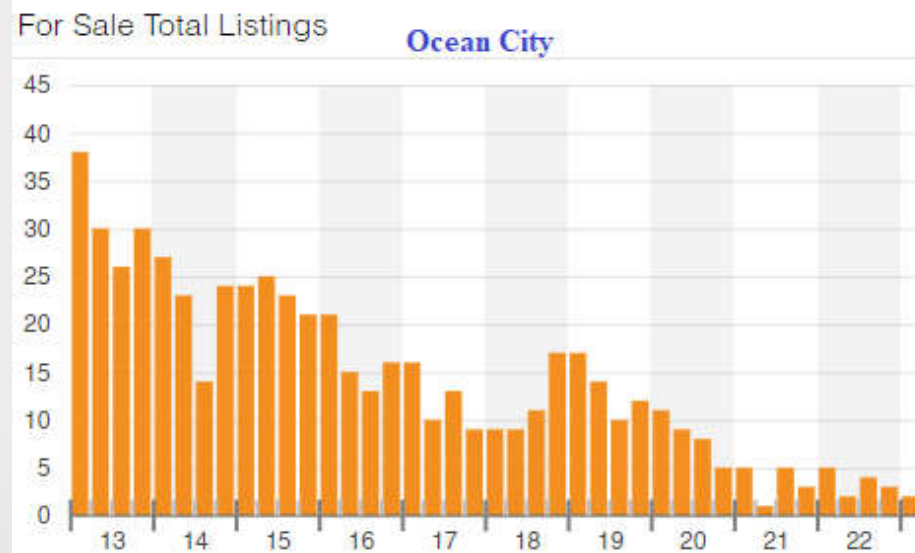
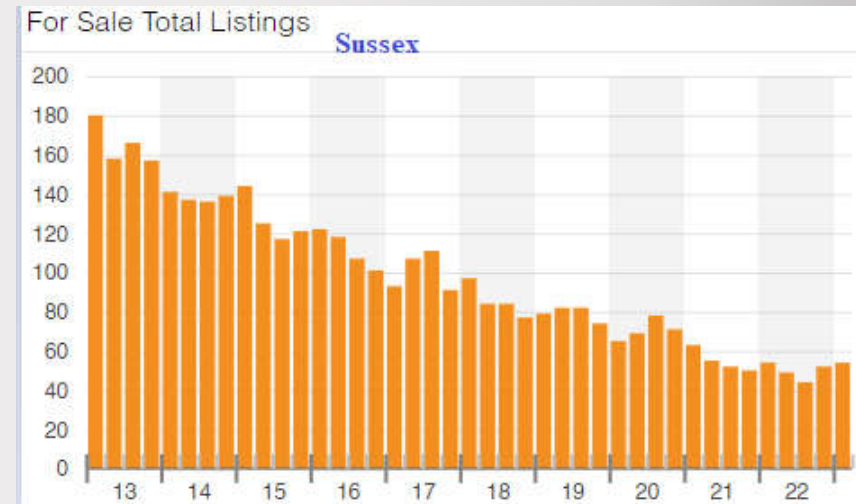
# Non-Residential Property Sales



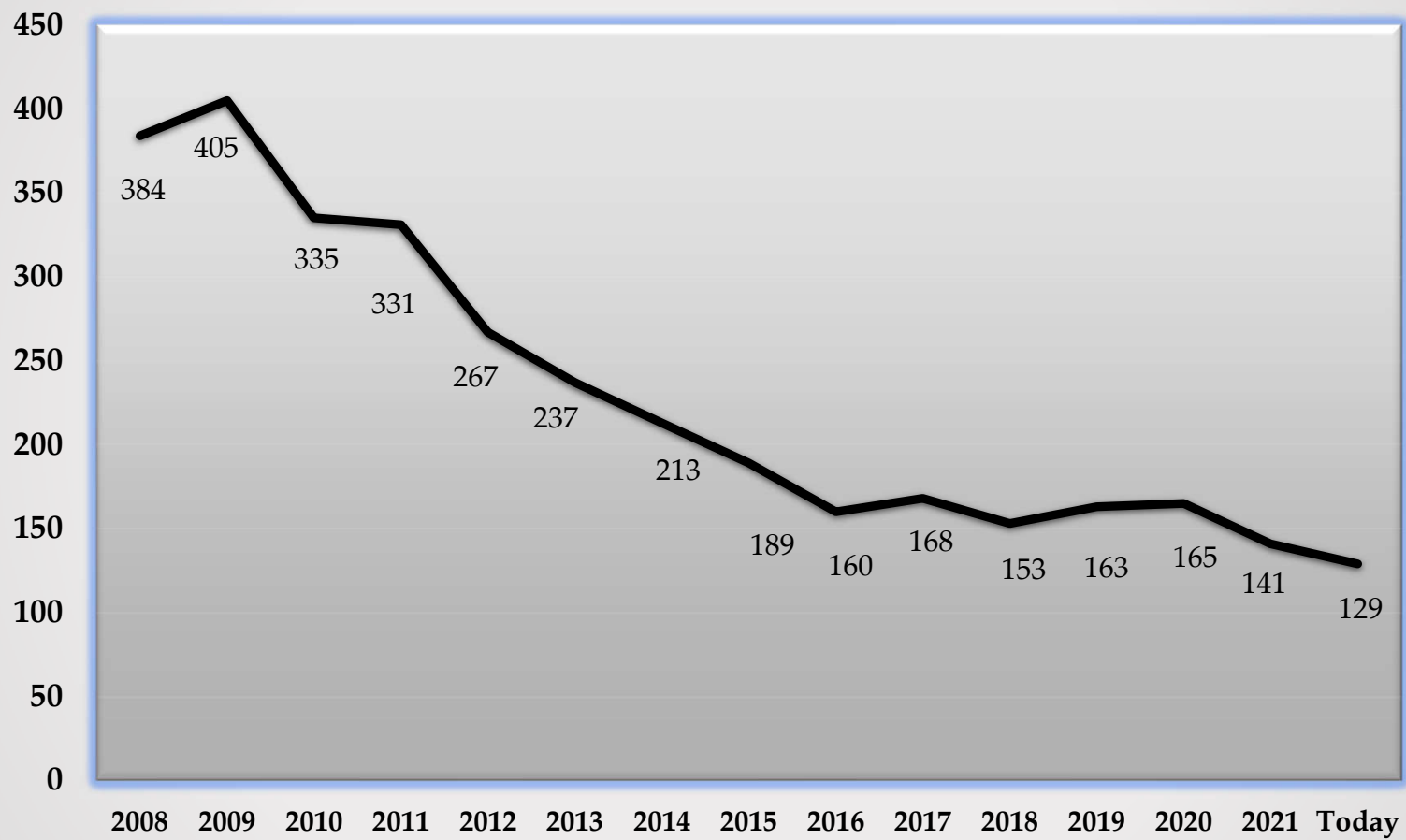
Source: Costar Analytics



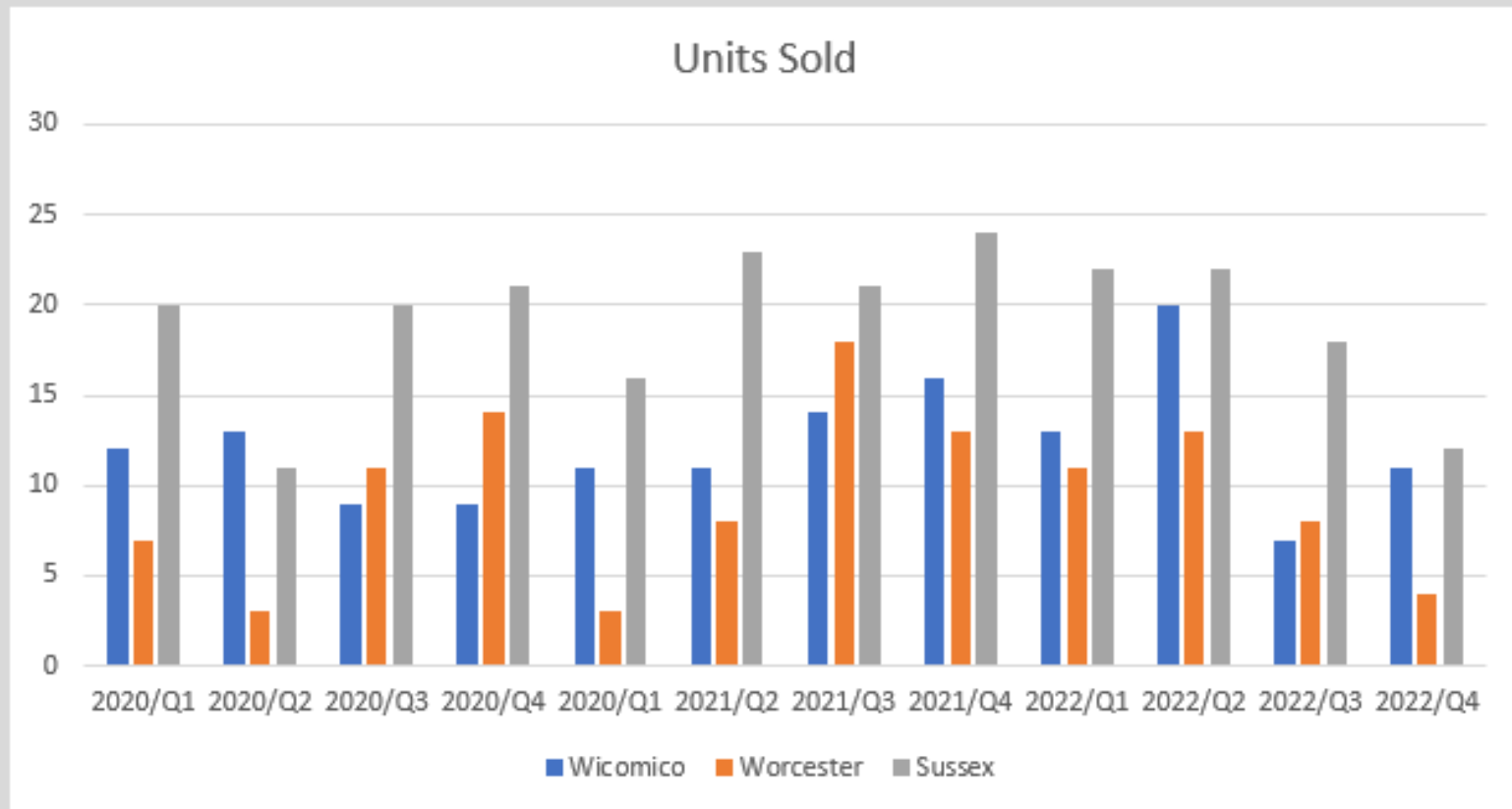
# Non-Residential Listings



*Active **Sale** Listings*  
*(Wicomico, Worcester, Somerset)*



# Local Commercial Real Estate 2020-2022



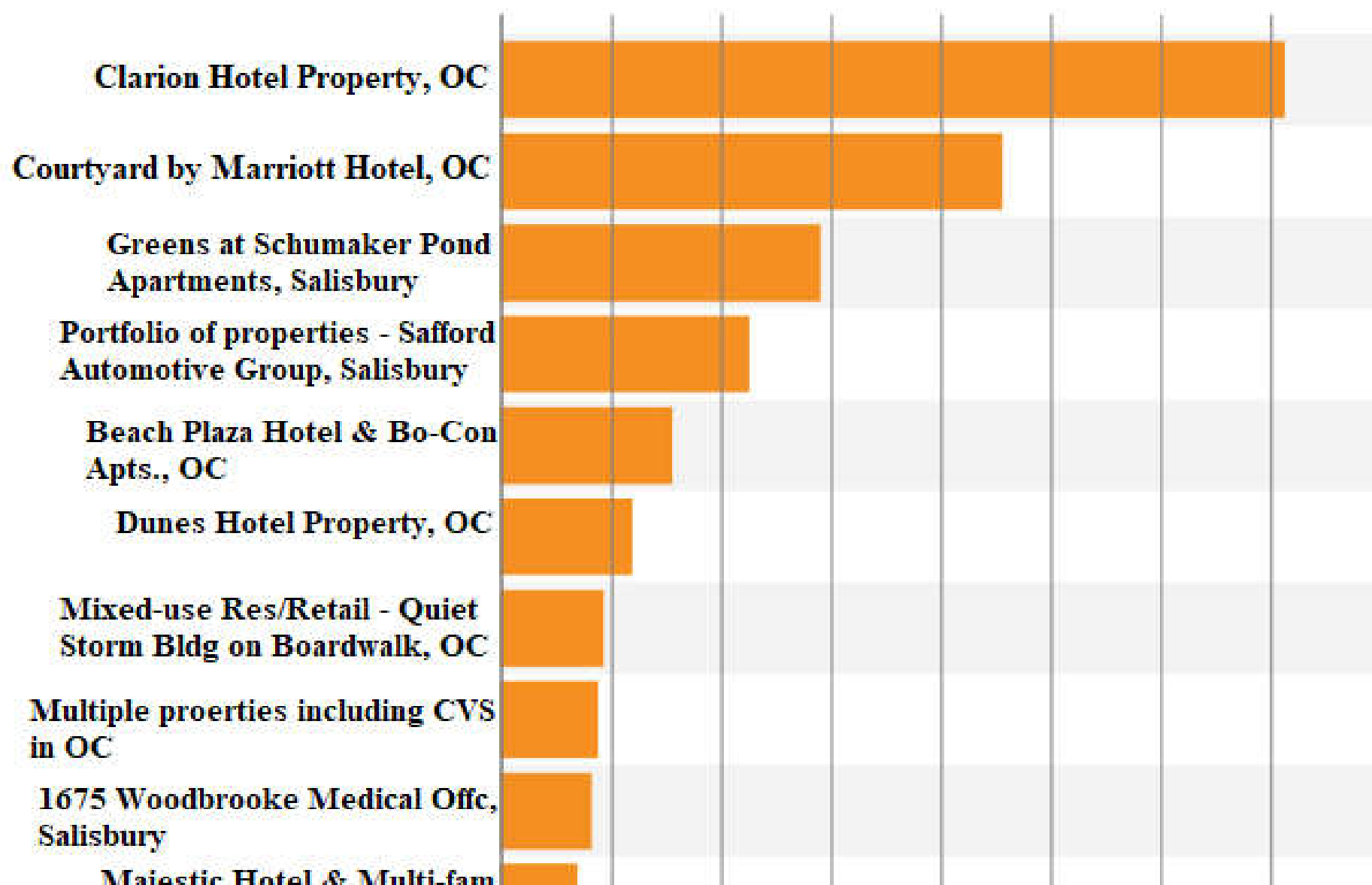
**All commercial properties excluding Multifamily**

Source: Bright MLS

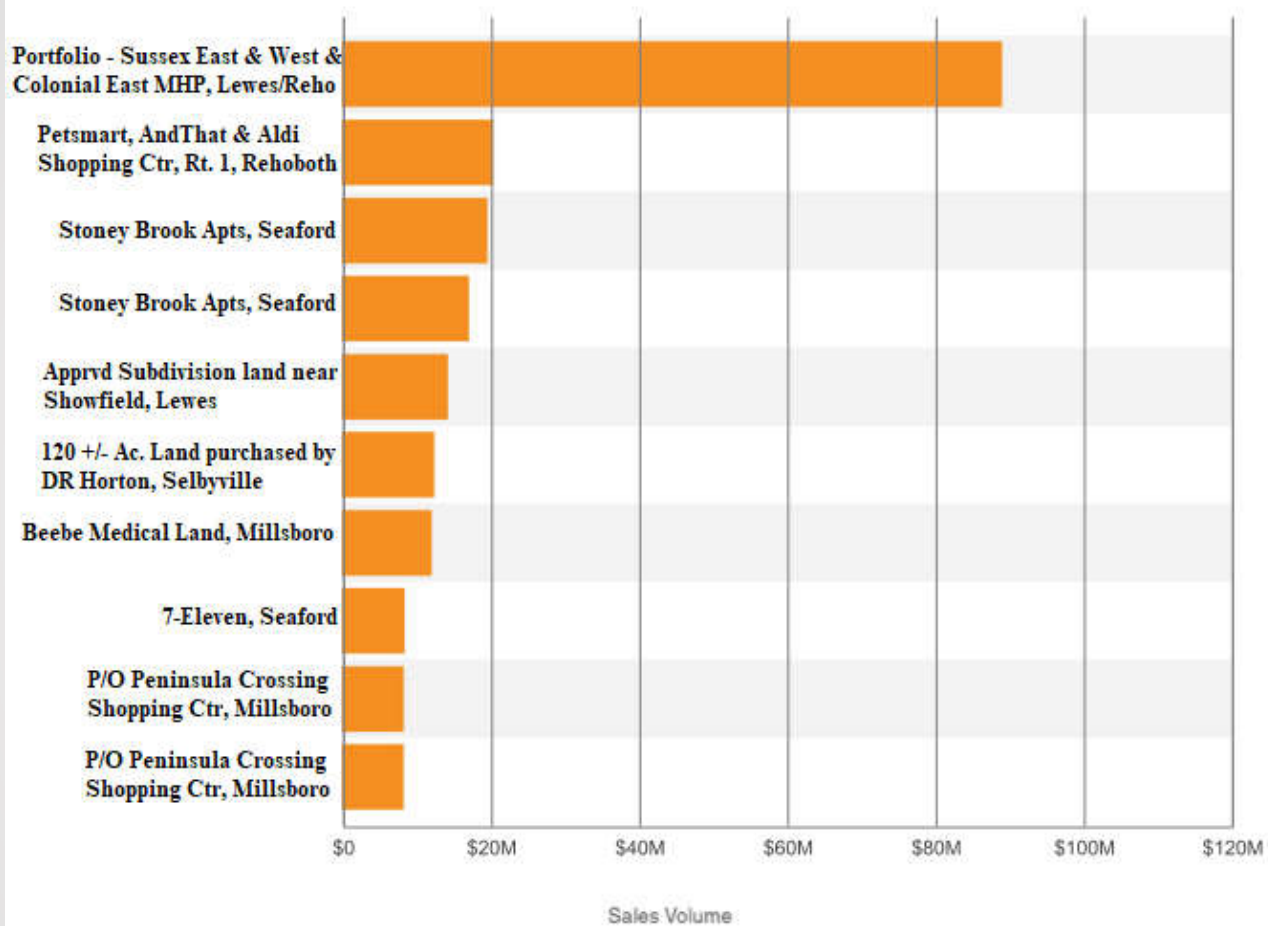
# Local Rents by Property Type

OFFICE ALL TYPES (Rent/SF)			
	<u>Wicomico</u>	<u>Worcester</u>	<u>Sussex</u>
Low	\$8	\$9	\$9
High	\$30	\$40	\$40
Predominant	\$13-\$16	\$14-\$20	\$15-\$20

INDUSTRIAL (Rent/SF)			
	<u>Wicomico</u>	<u>Worcester</u>	<u>Sussex</u>
Low	\$2	\$2	\$3
High	\$11	\$10	\$12
Predominant	\$6-\$8	\$6-\$8	\$6-\$9



## Top Sellers





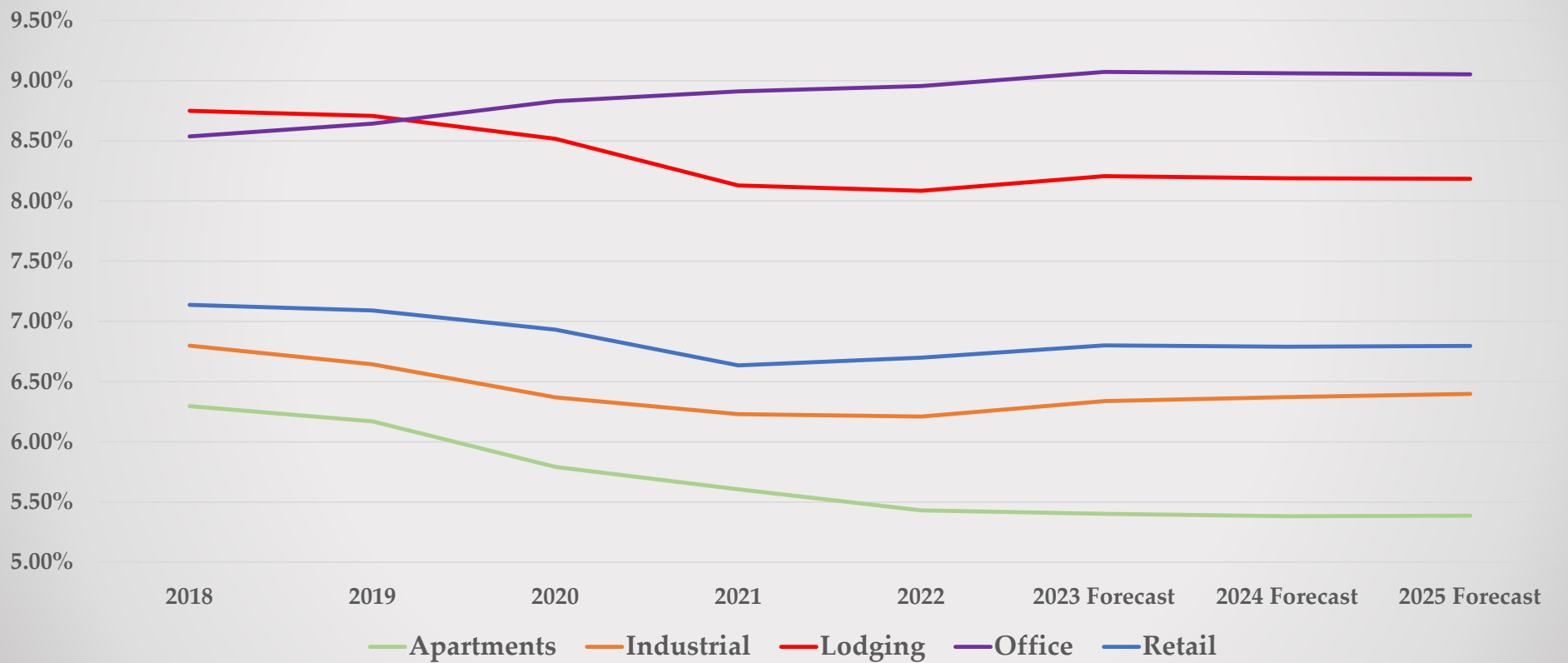
# Cap rates for the 5 Food Groups

- The Jack Riddle slide!
- Industrial
- Lodging
- Multifamily
- Office
- Retail
- Cap rates are very property specific. No one size fits all.

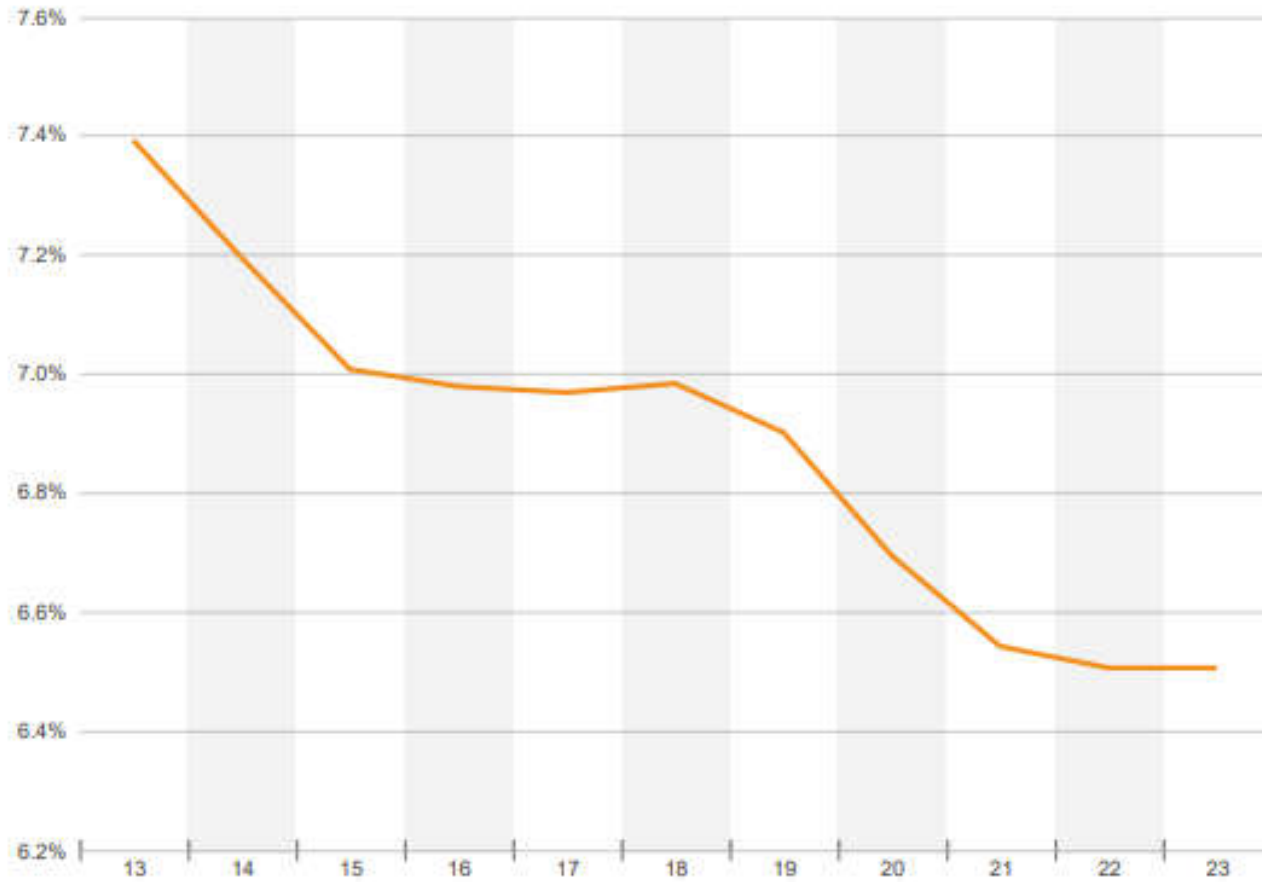
# The Cap Rate Conundrum

- The Cap rate Cap.....
- Investors think long term
- Cap rate lag
- Cost of Capital basically irrelevant to cash buyers
- Buildup Method and DCR vs Market Rate Cap data
- Recent data more critical than ever

# Local Commercial Cap Rates



Market Cap Rate



# Agricultural Land

**2020 & 2021 Farmland/Pasture**

COUNTY, STATE	# OF SALES	ACRES SOLD	AVG PRICE/ACRE
Accomack, VA	9	773	\$2,982
Baltimore, MD	6	125	\$12,143
Caroline, MD	17	2391	\$6,449
Carroll, MD	9	759	\$9,657
Cecil, MD	6	442	\$13,173
Dorchester, MD	22	1844	\$6,088
Frederick, MD	17	1289	\$7,136
Kent, DE	7	525	\$9,536
Queen Anne's, MD	12	1586	\$8,551
Somerset, MD	12	1153	\$5,386
Sussex, DE	12	902	\$8,055
Talbot, MD	5	656	\$9,547
Wicomico, MD	20	1042	\$5,737
Worcester, MD	16	969	\$6,665

# Agricultural Land

**2021 & 2022 Farmland/Pasture**

COUNTY, STATE	# OF SALES	ACRES SOLD	AVG PRICE/ACRE
Baltimore, MD	11	685	\$12,447.46
Caroline, MD	27	3473	\$7,545.10
Carroll, MD	16	853	\$9,986.96
Cecil, MD	8	1084	\$9,638.17
Charles, MD	3	94	\$6,775.99
Dorchester, MD	22	1829	\$6,943.45
Frederick, MD	9	693	\$10,829.97
Harford, MD	6	362	\$12,940.81
Kent, MD	12	1723	\$9,989.14
Queen Anne's, MD	14	1730	\$9,612.01
Somerset, MD	10	502	\$6,933.02
Talbot, MD	10	999	\$9,307.79
Washington, MD	6	388	\$8,604.10
Wicomico, MD	13	618	\$7,560.62
Worcester, MD	11	873	\$7,373.90
Kent, DE	10	796	\$8,471.70
Sussex, DE	7	513	\$10,002.05
Accomack, VA	9	453	\$4,594.57
Northampton, VA	8	423	\$5,251.90



# Agricultural Land

## 2020 & 2021 Timberland

COUNTY, STATE	# OF SALES	ACRES SOLD	AVG PRICE/ACRE
Accomack, VA	10	641	\$1,062
Baltimore, MD	7	440	\$5,299
Caroline, MD	20	1373	\$2,386
Carroll, MD	7	284	\$3,439
Cecil, MD	7	435	\$5,721
Charles, MD	13	2637	\$2,126
Dorchester, MD	29	3342	\$1,918
Frederick, MD	19	681	\$4,748
Kent, DE	15	1358	\$3,482
Queen Anne's, MD	12	653	\$3,704
Somerset, MD	32	3748	\$1,833
Sussex, DE	37	5511	\$2,328
Talbot, MD	6	368	\$3,783
Wicomico, MD	34	2921	\$1,836
Worcester, MD	24	2987	\$2,036

# Agricultural Land

## 2021 & 2022 Timberland

COUNTY, STATE	# OF SALES	ACRES SOLD	AVG PRICE/ACRE
Baltimore, MD	13	731	\$5,492.96
Caroline, MD	22	1645	\$2,821.62
Carroll, MD	11	417	\$3,916.11
Cecil, MD	6	319	\$3,239.67
Charles, MD	19	3656	\$2,392.40
Dorchester, MD	25	2031	\$2,675.26
Frederick, MD	10	831	\$5,533.08
Harford, MD	7	332	\$5,011.86
Kent, MD	8	581	\$4,041.34
Queen Anne's, MD	14	1221	\$3,676.42
Somerset, MD	32	4176	\$1,942.40
Talbot, MD	13	961	\$3,659.86
Washington, MD	5	355	\$2,870.05
Wicomico, MD	32	3365	\$2,226.32
Worcester, MD	19	2573	\$1,898.05
Kent, DE	16	1252	\$3,285.49
Sussex, DE	26	3450	\$3,435.74
Accomack, VA	9	399	\$1,528.99
Northampton, VA	8	374	\$1,835.27

# 2023 Commercial Real Estate Predictions

- Very good year for commercial real estate, at least for bulk of '22.
- Market different for the different sectors
- Fed not done, but close.
- Challenge – Sellers still want high prices, but buyers cost of capital has doubled. Something has to give..... Price!
- Because of increase in cap rates, sellers have to reset their expectations
- Some positives: Inflation cooling off, construction costs have tempered, still historic low inventories, near full employment, and demand still exceeds supply for some sectors (like industrial).
- Construction cost may actually come down some in second half of year as supply chain issues work themselves out.
- Locally - Sussex County still wins the Oscar!! The Beat Goes On!!
- However, sustainability of Sussex County growth? Comes with growing pains
- Delmarva remains an attractive real estate market with a variety of housing options including resort and non-resort. Great healthcare, university, relatively low taxes, affordable real estate, recreational opportunities, and high quality of life. A Covid escape!
- 2023 will be lackluster for most sectors.
- Temper sellers expectations
- Survive till '25

# Delmarva's Real Estate Czar





