

BY LARRY NAGENGAST | PHOTOGRAPHS BY CAROLYN WATSON



Like many buyers in the current market, Bob and Susan Goldberg opted for a newly constructed home rather than an existing one when they bought this home in Bayside built by Schell Brothers.

New-Fashioned Appeal

The coastal real estate market remains strong, but the lure of newly constructed homes is creating a challenge for owners selling older ones



Statistics were compiled by Kent H. Hannaman, sales analyst with Ocean Atlantic Sotheby's International Realty in Rehoboth Beach, based on data from the Sussex County Association of Realtors' Matrix MLS System. All information is based on 10 coastal ZIP codes for the period from January through June. Data may not reflect all real estate transactions; it is considered accurate but not guaranteed.

The deep dive that coastal housing prices took following the 2008 recession is long gone. Formerly underwater homeowners have seen their housing values bubble back to the surface, finally offering the opportunity to net them at least a small profit should they sell.

But making that sale isn't as easy as they would like because the steady economic recovery has prompted a resurgence in new construction — triggering a clash between the new and the not-so-new, especially in the highly competitive mid-range portion of the market.

"If you look at mid-level, \$400,000 to \$600,000, that market is extremely strong," says Justin Healy, broker/owner of Ocean Atlantic Sotheby's International Realty. However, "new construction is hurting the resale market. People who are shopping look at the new construction — the buyer incentives, the warranties, the new appliances. As a result, a lot of resales are selling for less."

Vicki Tull, a Realtor with Ocean Atlantic Sotheby's, notes that "sometimes it's tougher to sell in that range than at the high end or the low end" because a mortgage in the mid-range represents a significant portion of the buyer's income. "They have to be sure it's the right home for them, and the financing package is not as simple as borrowing [enough] to buy a condo somewhere."

Real estate professionals in coastal Sussex say they're experiencing a steady market this year, one that has rebounded nicely from a sluggish first quarter and is on pace to compare favorably with a stellar 2015 in both pricing and sales volume at virtually every price point.

For builders, 2016 has been equal to or better than 2015. "The last couple of years — 2014-15-16 — have been about the same, but in 2014 I wasn't at the point of turning work down," says Jay Yoder of Yoder & Sons. "This year, I definitely have. I'm telling them, 'If you're willing to wait four or five months, then I can build it for you.'"

Randy Burton, of Burton Builders, is also busy. "The last three years have been head and shoulders above any of the best years we've ever had, even before [the recession], when the market was strong." Burton Builders' niche is homes in the \$800,000-and-up category in Lewes and Rehoboth.

According to data compiled by Kent Hannaman, sales analyst for Ocean Atlantic Sotheby's International Realty, 845 single-family properties were sold in the 10 coastal Sussex ZIP codes in the first six months of this year, for an average price of \$450,000.

For the same period in 2015, 910 houses were sold for an average of \$459,613.

The 2015 first-half figures were the strongest since 2005 (when there were 885 sales, with a \$566,811 average price), the best year prior to the 2008 bursting of the housing bubble.

Real estate agents note that this year's first quarter was exceptionally slow, most likely because of a stock market slump and bad weather. But activity picked up in the second quarter, bringing the numbers for the last two years into closer alignment.

"When you compare numbers, 2015 was an exceptional year — very strong across all price categories," Tull says. "To expect that sort of gain every year is an unfair expectation."

Taking the slow start into account, if year-end numbers for 2016 come close to 2015 figures, "it will show the strength and resiliency of the market," she says.



The Election Year ‘Stutter-Step’

Bad weather and a sagging stock market slowed coastal real estate sales at the start of the year, builders and Realtors say, and a quadrennial phenomenon is now keeping sales from soaring.

Blame it on the presidential election.

“Every presidential election year, buying patterns seem to be a little off,” says Debbie Reed, owner of The Debbie Reed Team, a Re/Max affiliate in Rehoboth. “When the election is over, we go great guns.”

“People are a little slower to pull the trigger,” adds Ann Raskauskas, broker/president of Bethany Area Realty in Bethany Beach. “We’re having a lot of showings, but not as many are turning into sales.”

Randy Burton, of Burton Builders, says, “I’ve been in business for 30 years, and it’s not uncommon in an election cycle to have a stutter-step.”

The pattern is hardly unique to coastal Delaware. Greenfield Advisors, a Seattle-based real estate consulting and analysis organization, noted two consistent trends regarding presidential elections. Increases in selling prices tend to be smaller than in years when there is no election, and the total number of sales tends to decline in presidential years.

The Greenfield commentary notes that election years can be stressful, and people are less likely to make large purchases amid

such circumstances. “Fewer people are willing to invest in a home when their financial future appears to be uncertain or influenced by the incoming president,” Greenfield notes.

Justin Healy, broker/owner of Ocean Atlantic Sotheby’s International Realty, seconds this observation, noting that buyers are hesitant to sink money into a beach house when so much is unclear.

Several sales agents pointed to the extended battle for the Republican presidential nomination as a significant factor.

“This year has been crazier than most, with more distractions than you’ve had in the past,” says Vicki Tull, a Realtor with Ocean Atlantic Sotheby’s.

“Usually, if the Republican wins, there’s a feeling that there will be good times ahead,” Burton says, “but I’m not hearing that now.”

Quantifying the election’s impact on prices and sales volume isn’t possible at this point, but most real estate pros are confident in saying that it’s a factor.

But it’s not universally viewed as a negative:

“If you think the election is going to have an impact on the stock market, then maybe real estate is a safe haven,” Tull offers.

By Nov. 9, prospective buyers will have much more clarity, making a release of pent-up demand more likely.

Says Carrie Lingo, of the Lewes office of Jack Lingo Realtor, “Once we get through the election, sales will pick up.” ■

“If you think the election is going to have an impact on the stock market, then maybe real estate is a safe haven.”



Builder Randy Burton, center, says there’s less speculative buying now than 10 years ago, with more buyers actually being the “end users” of high-end properties. For example, Stuart Ortel, left, and Scott Marker enjoy their Rehoboth-area home built by Burton.



OLD VS. NEW

For sales agents and builders alike, the most intriguing aspect of the 2016 market has been the competition between builders of new homes and sellers of 10- to 15-year-old homes, especially in the mid-range brackets, roughly from \$300,000 to \$600,000.

“People want new and fresh,” explains Debbie Reed, owner of The Debbie Reed Team, a Re/Max affiliate in Rehoboth.

Says Carrie Lingo, who works out of the Lewes office of Jack Lingo Realtor, “Older homes are taking longer to sell because they’re competing with the new ones being built,” And there are plenty of new homes being built — the result of subdivisions that have won approval from the Sussex County Council along with the revival of numerous projects that went dormant when the recession hit, according to Lingo and Carmen Marinelli, vice president for construction at Schell Brothers, which has homes planned or under construction in 11 areas along the coast.

In many cases, sellers of older homes have one advantage over the builders: They’re more likely to be closer to the beach. But, for buyers who consider proximity to the water less important, a new home offers many advantages, even if it is on the west side of Route 1 and a few miles farther from downtown Lewes, Rehoboth, Bethany or Fenwick.

Among those advantages: brand-new appliances, new-home warranties, fewer worries about repairs and maintenance and, of course, tech-based amenities that weren’t available in homes built a decade or more ago.

Buyers willing to spend \$500,000 or more can have the best of both worlds — a new home east of Route 1 — in communities along Gills Neck Road on the east side of Lewes, in

the wedge formed by Routes 1 and 9 and the Lewes-and-Rehoboth Canal.

Senators, a subdivision of 229 single-family homes, sold out in about 3½ years, with prices averaging \$571,985, according to Shaun Tull (no relation of Vicki Tull), an agent in the Rehoboth office of Jack Lingo Realtor.

But more subdivisions are on the way in the area, including Governors, with up to 432 single-family and townhouse units, and Showfield, with another 166 single-family homes. Jack Lingo Asset Management is overseeing both projects. Homes in Showfield will likely start around \$650,000, including land, says Christina Lessard, senior relationship manager for Lessard Builders, which has a model home under construction there. (There are no builder tie-ins at Showfield, so prospective homeowners purchase a lot of their choice and then select a builder to construct the house.) Hawkseye, another Jack Lingo community in the area, is nearly built out, with just six lots remaining in mid-September, ranging in price from \$285,000 to \$500,000.

Realtor-developer Paul Townsend, based in Jack Lingo’s Lewes office, says he expects Showfields to be built out in about six years and Governors in seven to eight years.

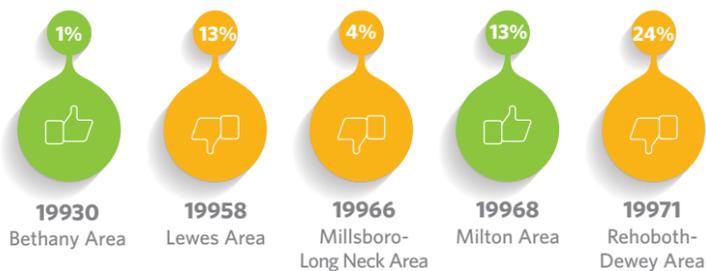
Potentially adding to the appeal of these communities is the proposed Gills Neck Village Center at the intersection of Gills Neck Road and Kings Highway, across from Cape Henlopen High School. Sussex County planners endorsed the rezoning for the retail complex in July, but the County Council delaying giving final approval following a contentious public hearing in August. If the project is authorized and built, it would enable area residents to purchase their daily necessities

Stats are based on 10 coastal ZIP codes for the period from January through June 2016

Single family homes sold from pre-recession to post-recession



Number of single family homes sold in 2016 compared to 2015



Most active areas, where more than 100 single family homes were sold

Stats are based on 10 coastal ZIP codes for the period from January through June 2016



26

Number of properties sold in Rehoboth for \$1 million or more



\$1.5M

Average selling price in the \$900K+ category

\$816K
Average selling price in the Bethany area

\$600K - \$700K
Fastest-selling price range with an average of:
88 days on the market

The Luxury of Patience

Luxury properties account for about 8 percent of overall home sales in coastal Sussex but their pricing, not to mention their location, ensures that they will receive a disproportionate amount of attention in any discussion of real estate trends.

But the words that accurately describe what's been happening in the luxury market since 2010 aren't going to raise the volume during cocktail party conversations. "Consistent" and "stable" don't excite listeners nearly as much as mentions of wraparound porches, outdoor kitchens, big-city architectural firms and lighting systems controlled from your smartphone.

From 2010 through June 30 of this year, for properties listed at \$1 million or more in Lewes, Rehoboth, Dewey, Bethany and Fenwick, sales have ranged from 89.2 percent of list price in 2011 to 92.8 percent for this year. The average closing price rose from about \$1.53 million in 2010, when the market was edging into recovery mode, to almost \$1.7 million in 2011. Since then, the average has alternately risen and fallen within that relatively narrow range. The average for the first six months of this year was \$1,624,239.

But numbers alone don't tell the story, Realtors say.

For one thing, aberrations within a small sample size can skew the statistics. For example, the only two \$1 million-plus homes sold in Fenwick between January and June had been on the market for an average of

1,517 days — more than four years. More importantly, luxury buyers are patient, even cautious, and many who have the resources to own a showpiece home can hold on until a buyer offers the price they're looking for.

"Nobody is forcing anybody to buy a beach house. It's the ultimate luxury purchase," says Justin Healy, broker/owner of Ocean Atlantic Sotheby's International Realty. "If your investment portfolio is looking good, you buy. If not, you pause."

That's what happened in the first quarter this year, he says. As the stock market dropped, luxury sales fell 20 percent behind 2015 levels. Stocks rebounded in the second quarter, and sales recovered as well.

But Vicki Tull, a Realtor with Ocean Atlantic Sotheby's, offers a cautionary tale about not putting too much stock in the numbers. A luxury home in Rehoboth had been on and off the market for several years, each time with a different agent, with none of them able to close a deal. Yet another agent picked up the listing in July, and had the house under contract by early August. "So, the right buyer was there at the right time under the right circumstances," she says. "Does that mean the property sold in two weeks? No. It took a long time to get it into the right condition, with the right staging, and the right price to attract the right buyer."

Debbie Reed, owner of The Debbie Reed Team, a Re/Max affiliate in Rehoboth, says,

High-end home sales hold steady, but buyers can afford to wait for the right place and right price

"The \$3 million to \$7 million market is always strong, but you only have a handful of them every year from Lewes to Fenwick." From her vantage point, "they seem to fly out very quickly" — but the meaning of "quickly" varies by price point.

"If they're priced right, they'll sell in less than a year," Reed says.

An analysis by Ocean Atlantic Sotheby's Kent Hannaman of coastal data for the first half of this year found that single-family homes that sold for \$900,000 or more were on the market an average of 201 days, compared with 144 days for all single-family sales. While the statistics show that the most expensive homes take the longest to sell, the converse isn't necessarily true. Homes that sold for less than \$300,000 through June 30 were on the market for an average of 151 days, a week longer than the overall average.

In both 2014 and 2015, Bethany registered the highest average selling prices in the area for luxury homes — \$1.73 million and \$2.1 million, respectively, and that pattern continued in the first half of this year, with an average of \$1.71 million.

Ann Raskauskas, broker/president of Bethany Area Realty in Bethany Beach, cites two factors contributing to higher values in her area: the prevalence of gated communities in North Bethany, which afford greater privacy and make the beaches less crowded, and the number of homes that feature direct views of the ocean. "In Rehoboth, there might be a huge buffer between the house and the ocean," she notes.

Buyers of new custom homes continue to insist on first-floor master suites, says John Leebel, principal of the Lewes Building Co., which constructs about 10 homes a year in the area between Lewes and Rehoboth. But "there has been a big uptick in outdoor living — requests for hardscaping, ponds and outdoor kitchens," he says. Buyers are also showing "huge interest" in home automation devices that can be controlled from smartphones, such as lighting and security systems, and in water sensors that can detect leaks in plumbing systems, he adds.

Randy Burton of Burton Builders has also noticed a surge in high-end architecture and design features in the last five years, as demonstrated by the use of big-city architectural firms. "We used to have local architects [designing most new homes] but now, there are serious, nationally known architectural firms" involved, he says.

Among those he mentioned were Barnes Vanze, Jones & Boer and Franck & Lohsen, all of Washington D.C., and McCl-

turf Architects of Bethesda, Md.

In the past two years Burton has come to believe that current luxury buyers represent a stronger and more stable market force than those who were buying a decade ago. "A limited number of people are building houses at this level," he says. "In the early to mid-2000s, there was a highly speculative portion to the market. Now there's a much stronger underpinning. Today's buyers are not speculating, they're the end users."

Two of those end users are Stuart Ortel and his partner, Scott Marker, who moved into their second Burton-built home in the Rehoboth area earlier this year. They purchased a double lot and used essentially the same design as their previous home, taking advantage of the larger lot size to add more living space in the rear of the new structure.

"We wanted to stay in the same neighborhood, and we've had a good relationship with Burton," Ortel says, explaining their choice of location and builder.

Whether they're having a new home built or choosing one that has already been lived in, high-end buyers of second homes have time on their side. They can afford to wait until the home that's just right for them becomes available at the price they're comfortable with.

As Tull puts it, "Only a very small percentage of buyers in the \$1 million-plus market will say 'I've just got to have a luxury home so I'll take whatever is available.'" ■

without having to battle traffic on Route 1.

Townsend said he is not concerned about construction of the village center possibly being delayed or rejected by the county. "That might be detrimental, but who knows what [potential buyers] might do" if the shopping center is not built, he says. "But if it is built, it will be a great asset to those of us who live nearby."

WHO'S BUYING?

Broadly speaking, real estate agents and builders report that most of the buyers in the \$300,000-and-up market are retirees, or those planning to retire in the next few years.

"I hear that there are 10,000 baby boomers retiring every day, and sometimes I think half of them are trying to move to Sussex County," says Yoder, whose company builds about two

dozen custom homes a year in coastal Sussex, mostly in the \$300,000-\$900,000 range (excluding land costs).

When those retirees consider coastal Sussex, many check out planned housing developments that offer not only brand-new homes but also a full slate of community amenities. Schell Brothers developments, for example, offer starting prices ranging from \$279,900 to \$399,900, except for Ellis Point, with a private beach on Indian River Bay near Dagsboro; there, remaining units are priced in the upper \$500,000 range.

"We get some younger people — nurses, policemen, some from Dover Air Force Base — but those are the exception," Marinelli says. "The vast majority of our buyers are retirees, or about to retire."

Schell Brothers sold 360 new homes in 2015, almost all of them west of Route 1, and is on track for a comparable number of sales this year, he notes.

With most of its homes located 4 to 10 miles from the beach, Schell recognizes the importance of creating a relaxing environment in each of its communities, Marinelli says. For example, the 119-home Solitude on White Creek, located in Ocean View,



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Condo Market: Holding Steady

In the condominium and townhouse sector of the coastal real estate market, 2016 is shaping up as a near carbon copy of 2015.

Six-month sales figures for the 10 coastal Sussex ZIP codes show slight increases in the number of units sold, from 433 to 443, while the average selling price dropped by 4 percent, from \$316,555 to \$302,930, according to data compiled by Kent Hannaman of Ocean Atlantic Sotheby's International Realty.

Prices vary significantly across ZIP codes. As might be expected, the highest average prices this year are found east of Route 1, in Fenwick (\$618,813), Bethany (\$405,444) and Rehoboth (\$362,301).

The condo/townhouse sector encompasses a wide range of housing styles, including luxury communities like Sea Colony and Kings Grant in Bethany, resulting in price differentials that defy simple categorizations. In Rehoboth, for example, active listings as of June 30 included 158 units listed for anywhere between

\$164,000 and \$4.7 million, the latter of which was \$600,000 higher than the highest-priced luxury home sold in the first half of the year in coastal Sussex.

Ed Kablaoui and his partner recently sold their one-bedroom unit in the Gerar Place condominiums on Maryland Avenue in Rehoboth after they purchased a two-bedroom unit in the same building through a private sale. Realtor Vicki Tull found a buyer for the one-bedroom unit in just over a month. "We priced it aggressively to sell because we will be in the new unit by the end of October, and we got a good price," Kablaoui said, noting that they had replaced the flooring and upgraded the kitchen and bathroom since purchasing the unit five years ago.

Overall, the condo market remains strong, says Ann Raskauskas, broker and president of Bethany Area Realty, largely because owners don't have to handle maintenance chores, which are covered through annual dues and assessments by the condo owners' association. ■

will have a creekside pool and a boat ramp, while Coastal Club, off Beaver Dam Road and Route 9 near Five Points, features a walking trail and an outdoor infinity pool that appears to spill into a 5-acre lake, he says.

That relaxing environment helped draw Susan and Bob Goldberg, whose primary residence is in Howard County, Md., from Sea Colony, where they had had a second home for 16 years. The move took them 4 miles inland to a Schell-built home in Bayside, near Selbyville. "We've got a single-family home on a beautiful lot," Susan says, and working with Schell's online software to customize interior options "was like being a kid in the candy store."

"If you're more than 2 miles from the beach, resale has tough competition with new construction."

When their children were younger, Sea Colony was ideal, a place where the kids could hop on their bikes and pedal to the beach or pool, she says. "Now, we're looking for more activity year-round, not just the 12 weeks of summer. Bayside is evolving, and there's a sense of something bigger coming." One of the attractions at Bayside is the popular Freeman Stage, which hosts a wide range of live entertainment, including nationally known acts.

The amenities Schell and other builders are placing in their newer communities add to the pressure on existing-home sellers. "If you're more than 2 miles from the beach, resale has tough competition with new construction," Reed says. "We tell sellers, 'The price has to be right, you need new appliances, new paint; you've got to be shining.'"

"Sellers must market strategically," Ocean Atlantic's Healy adds, saying that they need to emphasize the value

Stats are based on 10 coastal ZIP codes for the period from January through June 2016



Number of condo/townhouse units sold

\$212K

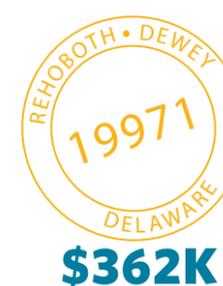


Average selling price for a single-family home in the under \$300K category

Condo/townhouse average selling price comparison:



\$264K



\$362K



\$405K

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they're making available to buyers. "They've got to talk about how replacement cost [if they had to rebuild] is actually greater than the purchase price."

Even so, Carrie Lingo believes that many sellers are pricing their homes too high. "The problem is that many of these homes were purchased at the height of the market, and only now are we getting back to pre-recession prices," she explains. For the first time in a decade, sellers see a chance of getting a positive return on their real estate investment, but they're often disappointed because their homes "are staying on the market a little longer because they're not priced right."

Another factor, says Realtor Carol Materniak of Long & Foster's Rehoboth Beach office, is that "some homeowners over-improved [in the past few years] and they're not getting back what they put in." Homeowners "have to price to sell, based on market conditions and not on what they paid," she says.

When speaking to struggling sellers, "you just have to say, 'These are the figures. This is what the market is bearing,'" says Susan Mills, head of the Millsboro office of Jack Lingo Realtor. "Sometimes they can accept it. Sometimes they decide to hold on longer. It's hard, as a seller, to come to grips."

THE LOWER LEVEL

While retirees and buyers of second homes continue to drive the middle to upper echelons of the coastal housing market, lower-priced homes nonetheless constitute a substantial portion of area sales.

For the first half of this year, 74 percent of all single-family home sales closed at under \$500,000, with 38 percent under \$300,000 and 36 percent falling between \$300,000 and \$500,000. These numbers follow a familiar pattern. From 2012 through 2015, sales at \$500,000 or less made up between 70 percent and 81 percent of all single-family transactions.

In three of 10 coastal area ZIP codes, first-half sales of single-

family homes averaged less than \$300,000: Milton (19968), \$281,282; Millsboro (19966), \$266,824; and Frankford (19945), \$243,979.

These areas "are where people who are really Sussex Countians are living and buying," Mills notes.

New construction in these once sleepy towns sometimes creates conflict between newcomers and old-timers, Materniak says. "It's getting more crowded, the streets are busier. Some say this is good, and others say it's not."

Mills says, "I'm seeing more activity, more sales, but I don't see a lot of price appreciation." But even in lower-priced segments of the market, she sees the same clash between new construction and sellers of older homes.

"I have listed a house on a pond in Millsboro with good bones that needs a little bit of updating, but they can't compete with new and sparkly at Plantation Lakes," she adds, referring to a K. Hovnanian community in Millsboro.

"New has value. Can we put a number on it? I don't think so. But, [buyers say], 'I've never owned a new home; now I have an

opportunity.' Ultimately, it's emotional," Mills says.

Sometimes that emotional decision can lead to conflict. New construction doesn't always win the old vs. new battle, Lingo says, "but unfortunately a lot of times you have a wife who wants one thing and her husband wants another."

And Lessard anticipates future replays of the tension now being experienced in the market as the dynamic inevitably repeats itself.

"When Hawkseye is done ..." she says, her voice trailing off with an awareness that the old vs. new factor could eventually apply to any of 2016's construction.

Indeed, a decade from now, a new generation of new homes is destined to emerge, and today's new will become tomorrow's not so new. ■

LARRY NAGENGAST has been writing and editing newspaper and magazine articles and books about Delaware since 1972.


"New has value. Can we put a number on it? I don't think so."



845

Number of single-family homes sold

450K

Average selling price for a single-family home in coastal Delaware

UP 14%

How much faster homes sold in 2016 compared to 2015

Stats are based on 10 coastal ZIP codes for the period from January through June 2016