

## Delaware's Market Value Analysis ("MVA")

The Reinvestment Fund designed the MVA in 2001 to support a significant and comprehensive neighborhood revitalization program in the city of Philadelphia. Since that time, we have conducted MVAs in cities across the US to support government officials at all levels, the private and nonprofit sectors as they work to implement evidence-based decision-making. By using an MVA, public sector officials and private market actors can more precisely craft intervention strategies in weak markets and support sustainable growth in stronger market segments.

The MVA is rooted in several normative assumptions. First, public subsidy is a scarce commodity and cannot, by itself, create a market. Therefore, public subsidy must be used to leverage, or clear the path, for private investment. Second, in distressed markets, invest into strength, such as major institutions, transportation centers or environmental amenities. This approach has been described as ***build from strength***. Third, all parts of a community (in this instance, the State of Delaware) are customers of the services and resources that it has to offer. Fourth, decisions to invest and/or deploy governmental programs must be based on objectively gathered data and sound quantitative and qualitative analysis. Delaware's MVA was created to inform the state's Housing Needs Assessment.

In preparing the Delaware MVA, all the market indicators are geocoded to Census tracts. The indicators are then inspected and validated both by local subject matter experts and through field validation. Next, a statistical cluster analysis is used to identify groups of areas (i.e., Census tracts) that share a common data profile. The results of the statistical process are mapped. We then go through another round of field inspection to ensure that our results reflect what we observe on the ground.

The table that follows reflects all of the indicators used in the Delaware MVA. It is organized so that each market type is described by the average for each of the indicators.

### Descriptions of Market Types

**Market Type A (Blue)** contains 18 of the state's 218 Census tracts. It is home to 6.3% of the 2010 population and 10.3% of the housing units. The typical sales price of \$450,718 is more than twice the state median. "A" markets in Delaware not only have high median home sale prices, but they also typically have owner occupancy rates above the statewide average. We observe lower levels of publicly assisted [i.e., US Department of Housing and Urban Development (HUD) and the US Department of Agriculture (USDA)] rental housing in these markets. Foreclosure rates are lowest in these "A" markets, while vacancy is slightly above the state average. There exists a minimal amount of agriculture preservation land in these areas. Relative to other market types, residences built since 2009 and new construction and development applications are shown to be just slightly below average.

**Market Type B (Dark Purple)** contains 44 of the state's 218 Census tracts. It is home to 23.6% of the 2010 population and 22.1% of the housing units. "B" markets in Delaware have higher than average home sale prices, median price is \$253,835, with much higher than average owner occupancy rates (82.8%). In "B" markets, there are few low population density land areas, only 12.37% of the land within the tracts are of this type. USDA rural assisted rental housing units are not found in this market type and the percentage of HUD assisted rental housing units is below the state average. Foreclosure rates as a percent of sales more than

double from “A” to “B” markets. The number of residences built since 2009 in these markets are less than half the state average. New construction and permit applications are also lower than the Delaware average. “B” markets generally represent established, stable, developed suburban areas.

**Market Type C (Light Purple)** contains 17 of the state’s 218 Census tracts. It is home to 9.4% of the 2010 population and 11.0% of the housing units. “C” markets have similar average home sale prices to those of “B” markets at \$245,504, which are well above the statewide average, but “C” markets are distinguished by their very high rates of residences built since 2009. These are newly developed areas, demonstrated by the high rates of new construction and development applications. Owner occupancy rates in “C” markets are, on average, the highest in the state at 84.9%. Publicly assisted rental housing is the lowest in this market category, which has low rental opportunities overall. Land area with low population density and agriculture preservation land are both higher than average in the “C” markets. During the study period, these areas have been among the most rapidly developing residential markets in the state of Delaware.

**Market Type D (Red)** contains 16 of the state’s 218 Census tracts. It is home to 6.4% of the 2010 population and 5.8% of the housing units. “D” markets in Delaware have average home sale prices (\$164,880) closest to, but slightly below, the state average. Mortgage foreclosures as a percent of sales are substantially above the prior market types at 53.97%, which is above the state average as well. Owner occupancy rates are in the upper tier of all market types. “D” markets have more than seven times the percent of agricultural preservation land than the Delaware average and are the least densely populated areas by a wide margin. These markets also contain the second highest percent of USDA rural assisted rental housing. Vacancy is the lowest in “D” markets, while the rate of mobile homes at 17.6% is much higher than in any other market type. The rate of residences built since 2009 is the second highest across the state. In summary, “D” markets are middle markets, characterized by rural residential areas interspersed with clusters of mobile home housing. Foreclosure sales dominate this high owner occupancy market.

**Market Type E (Pink)** contains 46 of the state’s 218 Census tracts. It is home to 24.2% of the 2010 population and 22.8% of the housing units. Home sale prices in “E” markets are \$162,770 which is similar to those of “D” markets – and just below the state average. Foreclosures as a percentage of sales are 59.99%, which is similar to the elevated levels in “E” markets, but here owner occupancy rates fall below average. Vacancy rates are near the state average. Publicly subsidized rental is below average, both for HUD-based and USDA-based programs. “E” markets are distinguished by having one of the lowest percentages of land area with low population density and a low percentage of agriculture preservation land. A typical “E” market in Delaware represents middle markets with high density. These are more typically found in urban and suburban areas.

**Market Type F (Tan)** contains 40 of the state’s 218 Census tracts. It is home to 17.9% of the 2010 population and 16.4% of the housing units. Sale prices in “F” markets drop substantially below the Delaware average to \$154,318. Foreclosure rates are high, though vacancy is below average in these areas. The highest rate of USDA rural subsidy is found in “F” markets, while HUD-based rental assisted housing is below average. Land area with low population density is second highest in the “F” market category, and percentage of agriculture preservation land is slightly above the state average. Mobile homes as a percent of housing units is the second highest in “F” markets. These markets constitute both rural and suburban areas, including central and western Sussex County as well as the outer suburban ring of Dover. The rural “F” markets are generally areas with

lower population density, but are also distinguished by a relatively low percent of agriculture preservation land. “F” markets also include areas of New Castle County that have lower population densities, in close proximity to major transportation corridors and the industrialized Delaware riverfront. While still middle market areas, “F” markets have some characteristics that reflect some risk of housing instability.

**Market Type G (Orange)** contains 21 of the state’s 218 Census tracts and is home to 7.8% of the 2010 population and 7.8% of the housing units. Home sale prices in “G” markets are among the lowest in Delaware with median prices at \$105,805, although the variability in those price ranges (represented by sales price variance) is above average. Owner occupancy rates are the lowest in Delaware, while foreclosure sales and vacancy rates are among the highest- second only to “H” markets. “G” markets are distinguished by the highest rates of HUD-based assisted rental housing, with a percentage nearly six times the state average. Rates of new construction and development applications and of residences built since 2009 are well below state averages. Also, rates of land area with low population density, agriculture preservation land, and USDA rural subsidy are all below Delaware averages. “G” markets can be characterized as urban areas that are experiencing distress.

**Market Type H (Cream)** contains 11 of the state’s 218 Census tracts and is home to 4.0% of the 2010 population and 3.5% of the housing units. Typical sale prices in “H” markets, \$34,304, are the lowest of any cluster type in Delaware. Along with “G” market types, “H” markets have among the lowest owner occupancy rates in the state. Foreclosure sales and vacancy are highest in “H” markets. These places also contain above average amounts of HUD-based assisted rental. Residences built since 2009 are less than one-fourth the Delaware average and new construction and development applications are well below the state average. It should be noted that all “H” markets are found within the boundaries of the City of Wilmington. These areas are places that manifest high levels of distress in the state’s most urban market.

### Average Housing Market Characteristics for Delaware MVA Housing Market Categories

| Cluster        | # Tracts | Median Sales Price 2012-2013 | Variance Sales Price 2012-2013 | Foreclosures 2010- 2013 by Sales | % Vacant Housing Units, 2013 | % Owner Occupied, 2010 | % Residences Built 2009-2013 by Sales | % Subsidized Rental Housing, 2013 | % New Construction & Development Applications, 2011-2012 | % Mobile Homes, 2012 | % Land Area with Low Population Density, 2010 | % Agriculture Preservation Land, 2013 | % USDA Rural Subsidy, 2014 |
|----------------|----------|------------------------------|--------------------------------|----------------------------------|------------------------------|------------------------|---------------------------------------|-----------------------------------|--|----------------------|---|---------------------------------------|----------------------------|
| A              | 18       | \$450,718                    | 0.61                           | 14.00%                           | 3.16%                        | 75.02%                 | 3.82%                                 | 1.41%                             | 2.38%  | 4.70%                | 34.10%  | 0.94%                                 | 0.67%                      |
| B              | 44       | \$253,825                    | 0.35                           | 29.05%                           | 0.71%                        | 82.79%                 | 2.03%                                 | 1.04%                             | 2.14%  | 4.03%                | 12.37%  | 0.34%                                 | 0.00%                      |
| C              | 17       | \$245,504                    | 0.56                           | 30.22%                           | 0.62%                        | 84.93%                 | 26.31%                                | 0.29%                             | 24.04%   | 10.80%               | 49.76%  | 6.93%                                 | 0.00%                      |
| D              | 16       | \$164,880                    | 0.66                           | 53.97%                           | 0.52%                        | 81.83%                 | 8.25%                                 | 1.54%                             | 1.84%  | 17.62%               | 79.06%  | 26.52%                                | 4.64%                      |
| E              | 46       | \$162,770                    | 0.44                           | 56.58%                           | 2.31%                        | 66.76%                 | 2.58%                                 | 2.06%                             | 2.51%  | 7.10%                | 13.17%  | 0.10%                                 | 0.74%                      |
| F              | 40       | \$154,318                    | 0.58                           | 59.99%                           | 1.80%                        | 69.51%                 | 3.26%                                 | 1.73%                             | 2.39%  | 11.83%               | 66.75%  | 4.13%                                 | 6.06%                      |
| G              | 21       | \$105,805                    | 0.70                           | 65.79%                           | 4.30%                        | 45.41%                 | 0.27%                                 | 19.51%                            | 0.73%  | 0.78%                | 26.65%  | 0.25%                                 | 0.67%                      |
| H              | 11       | \$34,304                     | 0.88                           | 80.00%                           | 9.98%                        | 46.79%                 | 1.12%                                 | 4.78%                             | 0.47%  | 0.63%                | 31.12%  | 0.00%                                 | 0.00%                      |
| Not Classified | 5        | n/a                          | n/a                            | n/a                              | n/a                          | n/a                    | n/a                                   | n/a                               | n/a  | n/a                  | n/a   | n/a                                   | n/a                        |
| Study Area     | 218      | \$198,837                    | 0.54                           | 47.75%                           | 2.28%                        | 70.73%                 | 4.71%                                 | 3.41%                             | 3.79%  | 7.28%                | 34.96%  | 3.52%                                 | 1.73%                      |

For more information on the state of Delaware’s MVA, please contact Ira Goldstein, President, Policy Solutions or Cathy Califano, Associate Director, Policy Solutions, The Reinvestment Fund.  
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