

# Real Estate Spotlight

---

## August 2013

<b>Introduction</b>	<b>Page 1</b>
<b>Market Commentary</b>	<b>Page 2-3</b>
<b>Project Spotlight</b>	<b>Page 4</b>
<b>Our Pipeline</b>	<b>Page 4</b>
<b>About Jack Lingo Asset Mgt</b>	<b>Page 4</b>

### **Introduction**

We are pleased to present the initial newsletter for Jack Lingo Asset Management, Delaware's leading real estate development firm anchored in coastal southern Delaware. Our goal with this periodical is to provide interested parties with the latest trends in real estate, particularly as they relate to the key markets in which we operate. With each issue, we will provide our view of current market dynamics, a quick update on one of our active investments, and a summary of projects in our pipeline. We hope you find this information interesting and useful, and we invite you to contact us should you like to discuss our thoughts in more detail.

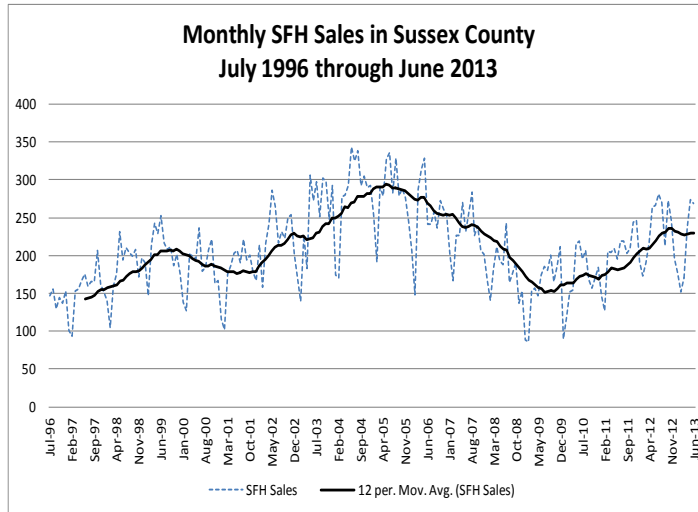


Rehoboth Beach:  
246 Rehoboth Ave.  
Rehoboth Beach, DE 19971  
302 226 6645

### Market Commentary

National media has begun to report signs of a bubble re-forming in real estate. While we agree this is potentially occurring in select markets in certain asset types, we do not see "bubble-like" symptoms in one of our focal areas - residential real estate in Sussex County, DE. We believe that volume has stabilized and begun a modest recovery from the bottom. In our view, this is driven by both fundamental strengthening (employment gains throughout neighboring states, population growth in Delaware, and tax advantages for example), as well as what we will call "ancillary" factors (including government mortgage programs, zero interest rate policy, mortgage settlements, etc.). Single family home absorption (for new and existing homes) has improved but is still at levels substantially below that of the peak, as evidenced by Figure 1 below. This chart shows both the raw monthly sales that experience significant seasonality, as well as a 12 month moving average utilized to smooth seasonality and highlight the underlying trend.

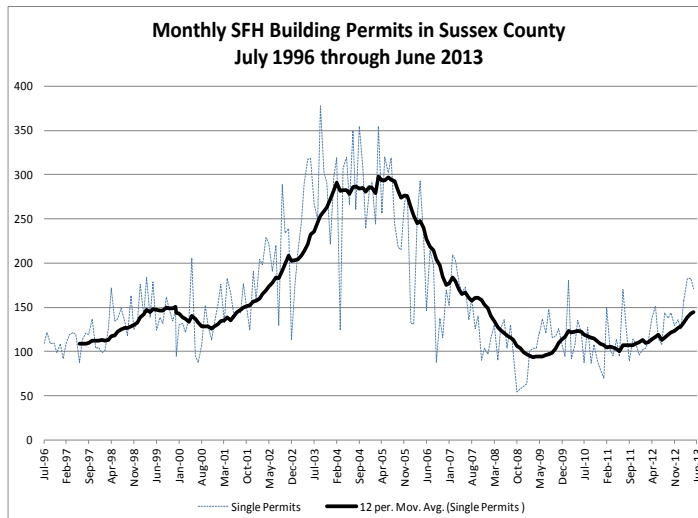
Figure 1



Source: Sussex County

This trend is mirrored when looking solely at new building permits for single family homes as shown in Figure 2. However, in this case, new construction volume is only back to levels experienced in 2001.

Figure 2

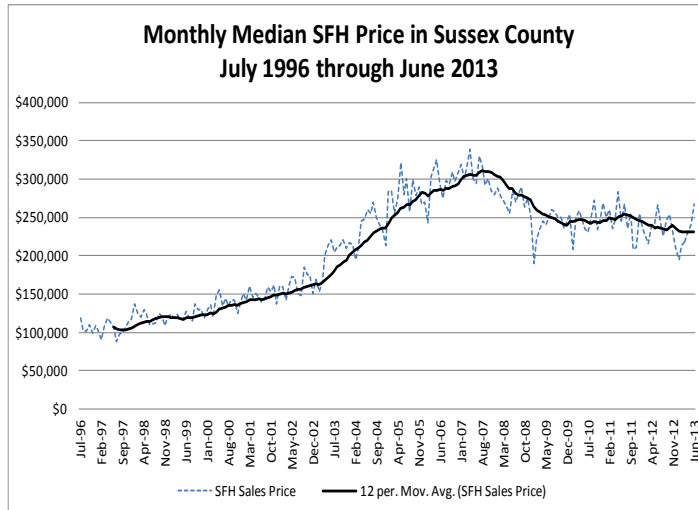


Source: Sussex County; U.S. Census Bureau Censtats database

### Market Commentary (cont'd)

While sales have started to recover, sales prices for single family homes have stabilized but not yet experienced any measurable increase (Figure 3).

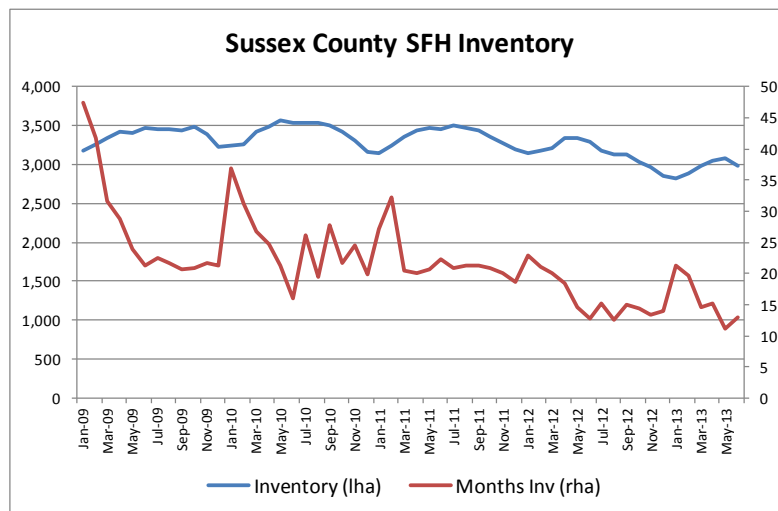
Figure 3



Source: Sussex County

We do not expect prices to increase until the amount of inventory decreases to a point where the growing demand is facing a more limited supply available of single family homes. Single family home inventory has been in excess of 3,000 units since 2009, but with increased demand this year, inventory fell to under 3,000 units and about 12 months worth of stock for the first time since the financial crises (Figure 4).

Figure 4



Source: Sussex County MLS

So, what are the implications of this for the developer and investor? In short, our view is that we are done with the period of bouncing along the bottom and sales volume and prices will grow over time. We believe the current environment presents a strong opportunity to take a position in well located land assets and that the next several years should be an opportune time to invest in and develop residential projects.

# Real Estate Spotlight

August 2013



## Project Spotlight

Jack Lingo Asset Management sponsored the development of Senators Lewes, a 229 unit single family home project located east of Route 1 in Lewes, DE. The JLAM team negotiated the land acquisition, which provided the seller the opportunity to take advantage of 2012 capital gains tax rates and the new partnership to have an appropriate land basis on which to build the project. Through our acquisition structure, site contractor negotiation and selection, and competitive homebuilder selection process, JLAM was able to present an investment with attractive risk-adjusted return projections and more certainty than a typical speculative land investment.

The project broke ground in November 2012, and new home sales were launched coincidentally by the project's builder. ***In just 9 short months, more than 75 homes have gone under contract - making this project the best selling community in the area.***

Sales in this project have far surpassed our projections, and land development activities are progressing at a rapid pace. The tremendous success at this project is the result of careful planning based on years of experience, our hands-on site management processes, and a team approach to working with contractors, service providers, and builders.



## Our Pipeline

We are currently in the design and approval process for a number of residential and commercial projects in coastal Sussex, including office, retail, and waterfront residential developments.

The next project to begin construction will be ***Redden Ridge*** - a proposed 97 single family home community located on Old Landing Road in Rehoboth Beach, DE. This development is expected to break ground in early 2014, and the active homebuilders in the area have been in contact with us and closely following our progress towards approvals.

For more information on our future, current, and past projects visit our website: [www.jacklingoam.com](http://www.jacklingoam.com).

## About Jack Lingo Asset Management

JLAM has established itself as the market area leader in real estate investment and development. Our team's in-depth knowledge of the local markets enables us to quickly evaluate, underwrite, and structure potential investments – and then successfully execute the development strategy designed for the property.

JLAM's senior staff has more than 100 years of combined experience in the disciplines of land acquisition, site development, project/asset management, design, planning, permitting, finance, brokerage and construction.