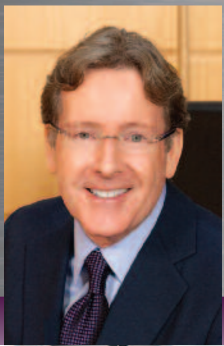

THE Chairman's Report 2016

A Message from Lawrence F. Flick, IV Chairman and Chief Executive Officer
Berkshire Hathaway HomeServices Fox & Roach, REALTORS® and The Trident Group

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A Promising Spring Market

We are well into a solid spring market, with potential buyers in search of "For Sale" and "Open House" signs. With so many people ready to move forward, there's one thing holding the market back: more houses are needed to meet this growing demand. If you've been thinking about selling your home, this could be the perfect time to spring into the market!

Go to the source

When I want first-hand knowledge of market activity, I go right to the source — our BHHS Fox & Roach sales associates. We surveyed real estate agents throughout our company and here is their response:

- 85% describe the market so far this year as moderate-to-strong
- 85% believe that lack of inventory is holding the market back. Just 3% think difficulty in obtaining a mortgage is negatively affecting sales

When asked how they think 2016 will compare to last year:

- 80% believe that the total number of sales this year will equal or exceed those in 2015
- 85% believe that average sales price will be the same or higher
- Most believe that, like last year, *high-end inventory is plentiful,* but there is limited demand for those properties

Our sales associates' experiences are supported by data. In the first quarter of 2016, the number of pended sales increased 11% over the same period of 2015, while houses on the market increased only 5%. This is a continuation of a trend: over the last five years, total first quarter pended sales increased 58%, while houses on the market decreased 28%. Current home sales are outpacing homes coming onto the

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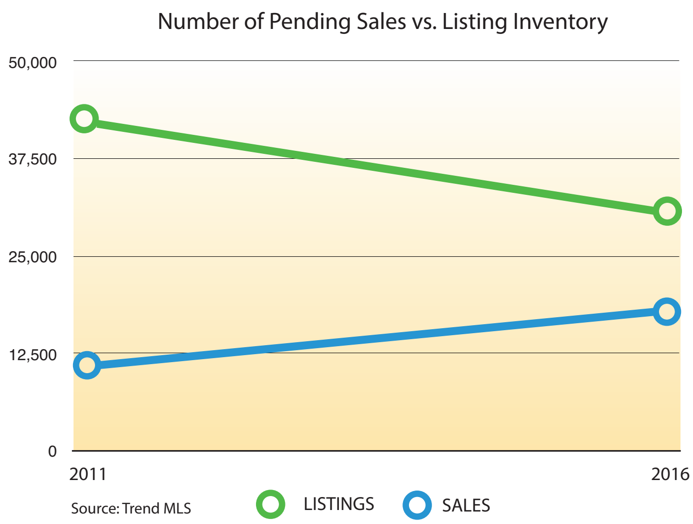
market, so the supply of homes for sale is not meeting demand. *With the exception of high-end properties,* we are in a seller's market.



In basic economics, when demand exceeds supply, prices rise. In our market area, we have been experiencing steady but modest growth. Average median sales price reached its post-recession low of $230,000 in 2012. Now, median sales price is $244,000. While home prices in some areas of our market remain below the artificial peak seen at the height of the real estate bubble, overall, our area has experienced slow, but steady and sustainable, growth. All real estate is local, so it is important to remember that price appreciation varies even throughout our own market area. Consult with your BHHS Fox & Roach sales associate to obtain the specific information for your micro-market.

If you want to sell your house

This is a great time to sell a house! That said, buyers are not looking for a house at any price: they are looking for excellent value. They are not letting emotions drive them into paying more for a property than what they perceive to be fair market value, even if they really like the house. Buyers are also demanding homes that are in move-in condition, and they are unwilling to take on what they consider to be significant home improvements.

The exception is the high-end market,

where, outside of Center City Philadelphia, there is ample inventory and a limited number of buyers. There is much less aspirational purchasing of homes today than ten years ago. And high-end buyers are looking at options other than purchasing one large home, such as investing in a second home.

Increase your chances of success by making an offer that appeals to the seller…

If you want to buy a house

With the exception of the higher-end, we are in a seller's market. Buyers must be prepared to act fast if they see a home that they really want, because properties in good condition and priced right often receive multiple offers. Increase your chances of success by making an offer that appeals to the seller, including meeting their desired settlement date, with as few contingencies as possible. Offers that are accompanied by mortgage pre-approvals are stronger, so gain an advantage by contacting your Trident mortgage consultant to get the process going *before* you find the home you want to buy.

What about the rest of the year?

Jobs, income and demographics are the primary economic drivers that make me positive about how our local economy and real estate market will perform for the duration of the year. Here's why:

- We are very close to reaching full employment in our region
- Income growth is occurring
- The largest number of baby boomers are in their peak earning years. They will be looking to downsize and/or buy a second home
- The largest number of millennials are in their mid-20's. They are starting to enter the real estate market, and will continue to do so for quite a while

In addition:

- Interest rates are at a three-year low and any increases will be modest
- Consumer confidence is good
- There is plenty of mortgage money available
- Stock market and oil prices are stabilizing

Are you ready to realize your dream of a new home this spring? If so, take the next step and contact your BHHS Fox & Roach sales associate today!

Lawrence F. Flick, IV
Chairman and Chief Executive Officer
Berkshire Hathaway HomeServices
Fox & Roach, REALTORS® and The Trident Group

A Presidential Year

I'm often asked if presidential elections affect the real estate market. Historically, the real estate market has performed very well during those years. In the past six cycles, starting in 1992, four of the six of were accompanied by outstanding real estate markets. The two exceptions were 2000, when the dot.com bubble occurred, and 2008, when the economy collapsed. Federal Reserve economic data shows that the average sales increase of these presidential years was 6.9%. If we exclude 2008, the average is 8.9%. The average increase for non-presidential election years is 1.8%. If we exclude the housing bubble years (2006–2008), the increase rises to 2.7%. I'm not sure why this is the case, but I'll take it as a good sign for real estate in 2016!

At this year's Berkshire Hathaway shareholders meeting, Warren Buffet noted that the country is headed in the right direction and "no presidential candidate or president is going to end it." I don't know of anyone with a track record like Warren Buffett, so I'm happy to take him at his word!

AN INDEPENDENT VIEW

Joel L. Naroff, Ph.D. is the President and founder of Naroff Economic Advisors. A nationally recognized economic forecasting expert, Joel was awarded the Lawrence Klein Award for Blue Chip forecasting excellence and was the Bloomberg Business News top economic forecaster in 2008. In 2007, he received the National Association of Business Economists Outlook Award and was named the top economic forecaster by MSNBC in 2006.

The economy began the year with a whimper, not a bang. Economic growth in the first quarter was minimal, and that came after a mediocre performance at the end of 2015. Yet that doesn't mean the economy is heading into a tailspin. Indeed, there are many reasons to believe the slowdown was the pause that refreshes, rather than the one that depresses.

While recent economic growth was nothing to write home about, recent income gains were – and that creates hopes the housing market will continue to improve. Job gains in April were not great and some view that as a looming problem. I believe the slowdown was due to a lack of workers rather than a lack of demand. We can see that by examining the wage data. Earnings rose sharply as did hours worked. People who already have a job are finally seeing their incomes increase.

When it comes to the housing market, nothing helps more than a good household balance sheet and the rising take-home pay should help more people feel comfortable taking on loans as well as qualifying for mortgages. With rates generally at or below 4%, homes remain affordable, especially with prices rising modestly in the region. And rates are not expected to increase significantly over the next six months.

Center City Philadelphia is in the forefront with an economy that continues to improve at an impressive pace. Job growth has accelerated to where it now exceeds many other parts of the region and the nation. Center City remains the market where housing is expected to be strongest during the next few years.

The Pennsylvania Suburbs continue to expand at an accelerating pace. Job growth is above the national average. With the unemployment rate near 4% (and lower in some submarkets), available labor is becoming a constraining factor for growth. It is still expected that the closer-in suburbs and the more densely populated towns will lead the way as far as housing activity is concerned.

The Southern New Jersey Suburbs have suddenly picked up speed. March year-over-year job gains were the greatest in the region and were robust. Employment in health care professional services and education led the way, and this is good news for the housing market. Unemployment rates are now just about at the national rate. Whether this sudden burst of energy will continue is unclear, but it is a nice thing to see.

The Central New Jersey economy continues to expand at one of the strongest paces in the state. Job gains are solid and rising , and the unemployment rate is closing in on 4%. Information technology and financial firms are expanding once again and that bodes well for future housing demand.

The Wilmington Metro Area is starting to show some job growth, though the shake out from the Dow/DuPont merger remains the major question mark for future growth. Until the extent of the changes is clear, uncertainty remains the operative word.

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