

GLEN ECHO HEIGHTS

REAL ESTATE NEWS

by

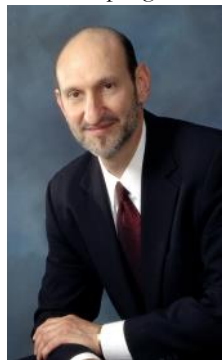
Robert Jenets

January 2011

2010 Review +

“An ugly win.” Have you ever watched your favorite sports team play a game that was rife with fouls, penalties, injuries and broken plays that somehow succeeded. It may have been a game of two steps forward and three steps back, but through hard work, perseverance and determination— not to mention skill— they came away with a win. In my view, the 2010 real estate market in Bethesda could be looked-upon as “an ugly win.”

In the sports game, the distraction of all the adversity obscures the team’s achievement, but when, after the fact, you examine the stats, you see that they accomplished enough for the victory. Similarly, 2010 was a hard year in real estate, the market’s progress clouded by longer marketing times, “bare-knuckles” negotiations over prices, “fights to the death” over home inspection repairs, contrary appraisers, demanding lenders and delayed settlements. But after a well-deserved breather over the holidays, during which the year end totals could be tallied, the statistics reveal a pretty good year overall.



Robert Jenets
Vice President

Nationally, the real estate news is not as positive. Distressed sales including foreclosures and short sales account for 33% of all existing home sales. That is a staggering statistic! Even so, National Association of Realtors statistics through November show that the average price of existing homes in the U.S. rose 3.9% over the year before. That same chart broke the country into regions and showed the South, West and Midwest prices rising less than 3% but prices in the Northeast increased by 10.1%. One statistic that was consistent in all areas was the number of transactions. While prices are doing better, the sales rate is down by anywhere from 18% to 34% depending on the region.

Lingering concerns about the health of the economy and job security are still tempering the public’s temptation to capitalize on reduced prices and very low mortgage rates. Many people who already own homes have put off plans to make a housing change, opting instead to remain in place. This wait-and-see behavior may partially explain the surprisingly few homes that came on the market during the last part of 2010. With little in the way of exciting new inventory, the fall sales numbers were down considerably.

Our real estate good fortune is driven by employment. It has been reported that the DC area is the number one job market in the country, adding 49,000 new positions during 2010. Further, the bulk of those were considered to be high paying jobs, which is no surprise in light of the finding that we have one of the most highly educated work forces in the country. I remember writing in January of 2005 that our area was adding 75,000 new jobs per year and that it was likely for that to continue for many years. Now, six years later and having weathered a serious recession, it wasn’t 75,000, but those 49,000 new jobs are the lifeline that sustains our local real estate market.

One recent report stated that the Washington DC area was one of only four major metropolitan areas to have an *increase* in home prices for the year. The MRIS statistics for all of Montgomery County show an increase of 4.27% in the average

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NEIGHBORHOOD NEWS

As I have compiled my statistics for real estate sales in 2010, I have found a disparity in the year-end results among neighborhoods in the 20816 ZIP Code. Ordinarily, the various neighborhoods along the Massachusetts Avenue corridor feel the same effect of the market—appreciation or depreciation—but to differing degrees. This past year was unusual, with some neighborhoods seeing an increase in their average sale price and others posting a decrease. For example, nearby Glen Mar Park and Sumner were down 20% and 9% respectively, while Wood Acres and Springfield were up 5.5% and 21.7%. Keep in mind that average prices are easily skewed by an extraordinary sale or two when the sample is so small. It is the opposite movement that is more noteworthy than the actual percentages.

Glen Echo Heights (the legal subdivision which includes Mohican Hills) was one of the neighborhoods showing a statistical decrease in the average sale price of its homes during 2010. The list of sales below, results in a calculated **average price of \$871,625**, down 17.2% from the 2009 average of \$1,052,158. The list includes five sales that I found in the public record, which were not listed in the MRIS. I know at least three of those to be direct sales to builders and, as such, they are in the lower price range and have a negative effect on the average price. Were I to have used only those sales listed in the MRIS, the average price would have been \$935,822. The high number of lower priced sales combined with the obvious lack of any sales around \$2M accounts for such a deceptively steep drop in the average price, but does not indicate a true loss of value. As an example, my clients who bought 5702 Mohican Road paid \$1,150,000 near the peak of the market in 2006 and you can see below that is sold last year for \$1,140,000.

Here is the list of sales from 2010:

5108 Waukesha Rd	(unavailable)	\$	500,000
6430 Dahlonga Rd	(unavailable)		550,000
7025 MacArthur Blvd	0 BR 1 BA		560,000
5314 Waneta Rd	(unavailable)		575,000
6212 Wiscasset Rd ***	3 BR 2 BA		625,000
6200 Walhonding Rd	3 BR 1.5 BA		680,000
5209 Wyoming Rd	(unavailable)		685,000
6217 Walhonding Rd	(unavailable)		700,000
5315 Wapakoneta Rd	4 BR 3 BA		760,000
6105 Madawaska Rd	4 BR 3 BA		799,000
5209 Wehawken Rd	4 BR 3.5 BA		799,000
5417 Mohican Rd	3 BR 2 BA		800,000
5024 Wissioming Rd	4 BR 3 BA		814,703
5512 Mohican Rd	4 BR 2 BA		834,550
5405 Mohican Rd	5 BR 3 BA		860,000
6224 Wiscasset Rd	5 BR 4.5 BA		879,000
5117 Wissioming Rd	4 BR 4 BA		895,000
6208 Dahlonga Rd	5 BR 3 BA		910,000
6308 Wiscasset Rd	3 BR 3.5 BA		919,000
5118 Sangamore Rd	5 BR 4.5 BA		977,000
6105 Winnebago Rd	4 BR 3 BA		1,050,000
6215 Winnebago Rd	4 BR 4.5 BA		1,100,000
5702 Mohican Rd ***	4 BR 3.5 BA		1,140,000
5415 Mohican Rd	5 BR 3.5 BA		1,160,000
5128 Wissioming Rd	6 BR 4.5 BA		1,225,000
5119 Waukesha Rd	6 BR 6 BA		1,865,000

*** Robert Jenets Sales

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2010 Review + ...

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price of single family homes. Northwest DC outperformed that by posting an impressive 9.4% gain.

As always, the statistics that matter most to us are those for our immediate area. Below is a chart of the average sale price for detached, single family homes, by ZIP Code, that may be somewhat perplexing.

STATISTICS by ZIP CODE—2010

	# of Sales	Average Price	%Change from '09
20814	185	\$ 880,579	- .6%
20815	238	1,118,148	+ 2.8%
20816	186	935,688	- 2.2%
20817	373	986,662	+ 6.2%

With the mildly positive news about our area's home prices rising, and Bethesda/Chevy Chase certainly being among the best locales, why is the average price down in two of the four zip codes? Also, why am I calling last year "a win", albeit and ugly one, if prices went down?

A close look at the numbers in the chart shows that the price in 20814 was ever so slightly lower than the year before and can be viewed as essentially unchanged from 2009. As for 20816, it is significant that 2009's data sample included one very unusual sale for \$4,050,000 on MacArthur Blvd.—the lot high on the hill with the magnificent view of the river. Sales from 2010 included a couple of unusually low sales in the \$300's that pulled this year's average down. Despite the statistical decrease, my sense is that the market has stabilized and individually, homes in 20816 maintained their value last year. Considering the carnage being experienced elsewhere, Bethesda's sales statistics from 2010 can certainly be viewed in a positive light.

I am optimistic about the local real estate market in 2011. Already there is evidence that, despite last fall's slowdown, the demand for quality Bethesda housing did not go away—it was just on standby, waiting for new listings. My attention was caught by two sales already in January. One of these homes was marketed last year, but failed. It is a home that has been beautifully renovated and when it came up for sale this time, in the second week of January, it sold immediately. Another home nearby that features a fabulous gourmet kitchen and huge master bath came on the market right after the first of the year at a price that is near the top of the market in the neighborhood where it is located. This one also went under contract in less than a week.

So the demand is there and I happen to know that there will be many new listings in the next few months. That should be the formula for a robust market, provided that the supply does not overwhelm the demand. As always, we need a good balance between the supply and the demand to have a healthy sales environment.

For anyone planning a move this year, you would be wise to plan ahead. Almost any home requires some preparation for maximum marketing appeal. This could range from some touch-up painting and de-cluttering to a kitchen or bath renovation. These things take time and you want to be ready if an opportunity presents itself. Similarly, on the buying side, you will want to establish a relationship with a reputable loan officer (I can recommend a few) and know your capabilities. Remember, do not make any large financial changes near the time you will be applying for a loan. They could affect your credit score, which is evermore critical to optimizing your loan choices and rates. Please call on me for any advice or referrals that you may need.

NEW TAX ASSESSMENTS: Many of the homes in our area just received their new County/State property tax assessment. In most, but not all cases, the value is less than it was previously. In the examples that I have seen, the drop in price is more drastic than real market conditions would indicate. As you know, these values are derived by a very undetailed process and it is a process that lags far behind the current market. Don't spend much mental energy fretting about your assessment—unless maybe yours is one that increased!

Neighborhood News ...

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Historically, the last time that the average price of homes in Glen Echo Heights was in this range was 2004, when the average price was \$856,417.

2004	55 sales	\$ 856,417
2005	34 sales	\$1,051,206
2006	27 sales	\$1,198,163
2007	20 sales	\$1,109,532
2008	16 sales	\$1,646,469
2009	32 sales	\$1,052,158
2010	26 sales	\$ 871,625

The average price for sales in the neighborhood cannot be given too much attention, evidenced by the wild fluctuations seen in the chart above. Certainly, we can see the general shape of the market over the years but these numbers are far from gospel. The value of owning real estate in this excellent location cannot be questioned and it is no doubt one of the best investments that anyone can make. I will not be surprised to see the average price increase dramatically in 2011, based on the fact that one new home, listed for \$2,250,000 in January went under contract in less than a week. I believe we will see more such sales this year and the wild fluctuations in average price will continue.

The time that it took for homes in Glen Echo Heights to sell in 2010 was shorter than it was in 2009. The average number of days on the market in 2009 was 143, although that number is skewed to the high side by one property that had a very unusually long marketing time of 1088 days. Even without that one home, the average time would have been 100 days. **Last year's average time to sell was 69 days.**

One of the most interesting real estate stories of last year has to be the sale of the original Baltzley "castle" homes on Mohican Road. I have been fascinated with these homes from the day I learned about them and it was a dream come true to walk through them when they were on the market last year. Not to sound too cliché, but it was great fun to look at the elaborate moldings and dramatic features of the houses and feel the opulence that must have been a part of daily life there in the late 1800's.

Houses in Glen Echo Heights sold for 93% of the list price at the time of contract but only 89% of the *original* price. This is a bit deceptive, though, because the Baltzley "castle" homes were listed at \$1,600,000 and \$1,095,000 but, due to the immense amount of money that it is going to take to restore them, sold for \$1,160,000 and \$800,000, respectively. Taking those two sales out of the calculation, the statistic for percentage of list price improves to 96% and the percentage of the *original* list price becomes about 91%.

After all the work that was done to improve the streets and curbs this year, aside from the unfinished repaving job on Madawaska Road, the neighborhood is looking better than ever. I am sure there will be much real estate activity in Glen Echo Heights this year, partially as a result of the many people who put their plans to move on hold during the past couple of years, and particularly, last fall. With improved economic news and consumer confidence on the rise, this year will provide a good opportunity for those people who have been contemplating a move. For some, it is still intimidating to think about whether to sell first or whether there is a way to buy first. To that end, I did see one lender advertising the return of bridge financing, which has been missing for the last few years. I help people with their real estate plans everyday and would be happy to help you explore your ideas at no charge. Call me anytime to discuss your real estate needs.

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