

GLEN ECHO HEIGHTS

REAL ESTATE NEWS FROM

Robert Jenets

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2011 Review +

From the turn of this century through 2006 we watched in awe as the real estate market raged and prices skyrocketed. In our little corner of the world, Zip Code 20816, there were an average of 220 single family home sales per year. Then in the Fall of 2006, the financial crisis associated with sub-prime lending defaults shook the banking industry, which promptly instituted new, stricter lending guidelines. With money harder to borrow and people uncertain about the severity of the crisis, there was a sudden and significant *decline in the average number of real estate transactions to 161 per year*. This reduced number of home sales persisted for the next five years.

Using data taken from our multiple listing service, the MRIS (Metropolitan Regional Information System), the chart below is an interesting chronicle of the change. The chart begins in 2002 to allow for the comparison of the two preceding 5-year periods. Seeing the numbers this way clearly illustrates the decline in the number of sales but also shows the encouraging change of direction in the average price. These statistics indicate that *homes in our Zip Code are within about 6 1/2 % of their value at the statistical peak in 2007*. When you consider the economic hardships that have plagued us for more than five years, that speaks pretty highly of the resilience of Bethesda's real estate value.



Robert Jenets
#1 Realtor for 2011

ZIP CODE 20816

YEAR	# OF SALES	AVERAGE PRICE
2002	216	\$ 636,823
2003	237	768,075
2004	234	825,437
2005	208	973,038
2006	206	1,014,259
2007	164	1,091,096
2008	152	1,058,592
2009	172	964,754
2010	167	947,751
2011	153	1,020,010

The number of single family home sales in the 20816 Zip Code shown above for 2011 represents only those sales that were listed in the MRIS. A careful search of the public record revealed fourteen more transactions that were not reflected in the MRIS data. That brings the total number of sales for 2011 to 167 units with an **average sale price of \$1,013,934—up approximately 8.4%** from the 2010 average of \$935,688. The average marketing time was 53 days—two fewer days than the 55 day average for 2010.

The real estate business was difficult in 2011, in part because the mortgage process continued to be a challenge, whether the application was for a purchase or to refinance an existing loan. Lenders must now satisfy more stringent underwriting guidelines, which causes them to burden the borrower with prodigious documentation requirements. In order for a lender to be able to package a loan and sell it on the secondary market (which is essentially Fannie Mae and Freddie Mac), the loan must meet those organizations' exacting standards. If a borrower defaults on a loan, the file will be reviewed very carefully and, if flaws are discovered, the lender can be forced to "buy back the loan." The fear of

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NEIGHBORHOOD NEWS

***I am proud to announce that I am the
#1 Realtor in the 20816 Zip Code for 2011!***

***Sales data from the MRIS shows that I had the highest
combined volume of listings and sales for the year.
I am grateful to everyone who supported my efforts.***

Glen Echo Heights (the legal subdivision which includes Mohican Hills) saw an increase in the number of home sales last year over the preceding year, 2010, which had produced 26 sales. For the year 2011, there were **30 sales**, 29 of which are found in the MRIS, plus one private sale.

The average sale price in 2010 was a disappointing and misleading \$871,625, an artificially low number resulting from the lack of any sales in the \$2M range. Those sales returned in 2011—4 of them—and the **average price** escalated to **\$1,119,783**. From year to year, and you will see this in the chart on page 2, the average price for this neighborhood fluctuates rather wildly. It is often the case in a neighborhood with a relatively low turnover rate that the data sample is small and subject to coincidental variation based on the presence or absence of a few sales at either extreme of the price range. The statistics for the larger area of the 20816 Zip Code are probably a better barometer of your home's value.

The average marketing time last year was **63 days**, down a bit from the 2010 average of 69 days. Once again, the number was skewed by one home that was for sale for 406 days before it got a contract. If that one sale were to be taken out of the data, the average marketing time would have been 51 days, which is pretty consistent with the Zip Code.

Here is the list of sales from 2011:

5124 Waukesha Rd	2 BR	2 BA	\$ 565,000
6206 Massachusetts Av	4 BR	3 BA	700,000
6306 Dahlonga Rd	6 BR	3 BA	723,000
6228 Winnebago Rd *	5 BR	2.5 BA	737,500
6012 Namakagan Rd	4 BR	3 BA	745,000
5115 Wissoming Rd *	3 BR	3 BA	755,000
5113 Wehawken Rd	4 BR	3 BA	765,000
5311 Iroquois Rd	4 BR	3 BA	800,000
6433 Wiscasset Rd	(unavailable)		802,000
6110 Madawaska Rd	3 BR	3 BA	810,000
6106 Madawaska Rd *	4 BR	3 BA	810,000
6006 Onondaga Rd	3 BR	3 BA	815,000
5316 Waneta Rd *	4 BR	2.5 BA	845,000
6100 Walhonding Rd ***	5 BR	3 BA	850,000
6525 Wiscasset Rd	5 BR	3 BA	865,000
5303 Mohican Rd	4 BR	4 BA	899,000
6224 Walhonding Rd	4 BR	2 BA	965,000
6429 Wiscasset Rd	3 BR	2.5 BA	1,049,000
6422 Dahlonga Rd	3 BR	4 BA	1,150,000
6323 Wiscasset Rd	4 BR	3 BA	1,200,000
7225 MacArthur Blvd ***	5 BR	2 BA	1,233,000
5710 Mohican Pl	5 BR	4.5 BA	1,250,000
6014 Namakagan Rd	6 BR	4.5 BA	1,410,000
6304 Walhonding Rd	6 BR	5.5 BA	1,450,000
6200 Walhonding Rd	6 BR	5.5 BA	1,570,000
5100 Wehawken Rd	5 BR	5.5 BA	1,780,000
6212 Wiscasset Rd ***	5 BR	5.5 BA	1,900,000
5432 Mohican Rd	6 BR	6.5 BA	2,000,000
6214 Dahlonga Rd	6 BR	5.5 BA	2,000,000
6217 Walhonding Rd	5 BR	4.5 BA	2,150,000

* **Stuart & Maury Sale** *** **Robert Jenets Sale**

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2011 Review + ...

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having to do so has underwriters taking great care with every document in the file (overkill is the word) and re-reviewing everything, including the appraisal, right before settlement. As such, delayed settlements are not at all unusual.

A borrower with nothing unusual about his/her profile will have no trouble getting a loan for which they are qualified but any application outside the norm triggers extraordinary documentation, much of which seems unreasonable and even duplicitous. Some buyers will not be able to get a loan from a large institutional lender which is only interested in originating loans that can be resold. A complicated income that is difficult to document, or an unusual property, may require the services of one of the small, local banks that have the flexibility to “go outside of the box.” In the case of an unusual property like my listing on MacArthur Blvd., (it sits on an acre and a half!) finding comparable sales was a real problem because there are none to be found. That is an example of a property that just did not fit the mold and was ultimately financed by a local bank. Knowing where to find such a bank can be invaluable in today’s tough lending environment.

I mentioned the fact that the underwriters are reviewing the appraisal and sometimes questioning it. As with all of the financial documentation, they are looking at an appraisal to see if it would withstand “dissection”, should there be a problem down the line. Their review includes analysis of the comparable sales to be sure that the adjustments are within the appraisal guidelines. This has caused untold difficulty for people trying to refinance and, in many cases, prevented them from doing so. What a shame not to be able to take advantage of current interest rates because adequate comparable sales are scarce.

Today’s loan process requires persistence but, in most cases, is not impossible. If you encounter stumbling blocks along the way, don’t give up too easily; these historically low interest rates are worth fighting for. Obtaining an appraisal that is high enough to yield the required loan to value ratio is the most frequent issue standing in the way of a refinance. Let me know if you need help with appropriate comparable sales.

Despite these financing challenges, the chart below shows most of close-in Bethesda and Chevy Chase moving in a positive direction, with only 20817 down slightly from last year’s figures.

STATISTICS by ZIP CODE—2011

	# of Sales	Average Price	%Change from '10
20814	193	\$ 985,592	+ 11.9%
20815	225	1,148,921	+ 2.7%
20816	167	1,013,934	+ 8.3%
20817	354	967,016	- 2.0%

The real estate business in 2012 is quite a bit different from what it was when I started in 1984. I can remember the days of receiving a termite report in the mail and having to drive that piece of paper to the title company office. The first technological improvement to make life easier was the fax machine which came about the same time that car phones became available. We thought we were on easy street at that point, not knowing that one day we would carry a little phone in our pocket that could do EVERYTHING. Being able to scan documents and email them has been a tremendous benefit to legibility and now we are moving towards electronic signatures which will make the process even more convenient.

As helpful as the ever-developing technology is, buying or selling a house is still an intensely personal endeavor. My greatest satisfaction comes from working with real people to help them realize their real estate goals. After 28 years of doing so, I can assure you that, no matter the challenges, if you have the desire, I have the knowledge and expertise to make it happen.

Neighborhood News ...

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The scope of this newsletter does not allow for multiple pictures and more detailed information about each of the sales from last year. For that, you may visit my website, www.robertjenets.com, where you will be able to access the listing information and pictures from the MRIS database.

Neighborhood Sales History

The chart below shows the number of sales and the average price of **Glen Echo Heights homes—based only on MRIS records—**over the last 10 years:

2002	30 sales	\$ 714,498
2003	39 sales	\$ 821,730
2004	47 sales	\$ 846,926
2005	30 sales	\$1,079,416
2006	27 sales	\$1,198,163
2007	19 sales	\$1,122,929
2008	15 sales	\$1,709,567
2009	29 sales	\$1,073,859
2010	20 sales	\$ 951,363
2011	29 sales	\$1,130,741

You might look at 2008 and wonder why the average price does not appear to fit with the prices around it. You have to remember in that year, there were the fewest number of sales coupled with one record high sale of \$6,600,000 resulting in an astronomical average that has nothing to do with reality.

I have had several calls from agents in the last couple of weeks asking if I have any homes that are not yet on the market that they could show. This happens every year—the buyers are ready to go before the sellers and so we agents are “digging” for houses to show. For anyone planning to sell a house this Spring, it is definitely worth considering coming on the market sooner, rather than later when there will be more competition.

HISTORICALLY LOW INTEREST RATES!

It is very interesting that the buying public does not seem to be focused on the special opportunity being afforded them by today’s unbelievably low mortgage interest rates. As recently as 2000, when the market was really beginning to take off, the average 30-year conforming interest rate was around 8%. By 2005, that had slipped down to approximately 6% and the market was on fire. The average conforming rate today is about 4%!

You may say that in 2000, when the rate was 8% and all those homes were being sold, that the average price was a fraction of what it is today. That is true, but the statistical peak in our area occurred in 2007 when the average interest rate was about 6 1/4% and the average price of a detached home in 20816 was \$1,091,096. The average price today is about 6% lower than that AND the rate is over 2% less! It is inevitable that mortgage interest rates will eventually rise, and a change in the interest rate always makes a bigger difference in the monthly payment than a similar change in price. If one is in a position to buy a home right now, it is a remarkable opportunity that we may not see again any time soon.

This being an election year, most people are confident that interest rates will remain relatively low in the near term, which bodes well for the local real estate market in 2012. I have the sense that a significant number of people have had their real estate plans on hold for a few years and that they are feeling like this might be the year to revisit those plans. A portion of that group has been steadily drifting toward the idea of renovating their present home because it is has been harder over the past few years to make a move. However, I think that when these people see a good house for sale this year, they are going to feel like the time is finally right to make the move. We’ll see.

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