

# **SPRINGFIELD!**

## **Westwood/Beacon Hill**

*A Real Estate Letter from Matthew Maury of Stuart and Maury Realtors*

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May, 2003

Dear Springfield/Westwood/Beacon Hill Area Resident,

Okay, so now the incredible real estate bull market has survived a stock market crash in the NASDAQ of over 70%, a contested presidential election, the tragedy of 9/11, a sluggish economy that just can't seem to get untracked and a bona fide ground war in the Middle East. How's that for the power of interest rates? There continues to be a frenzy in the market place as buyers flock to take advantage of historically low mortgage rates. Whether it is a great rate for a purchase or a refinance, I think we all look at fixed rate mortgages under 6% and scratch our heads. How much lower can they possibly go? Rates as of this late April writing are just about at the bottom of what they have been during this amazing period. The impact of low rates cannot be underestimated.

In many ways, agents are paid to worry. We worry about everything that could go wrong and then use that anticipation to make sure that none of those things happen. But we can't control interest rates. I think the entire industry is wondering exactly what it is that will happen if and when rates rise, gently, back into the historically attractive range of 7%. Many of you now have a terrific interest rate on your home, attained through refinancing. Many of you bought during this drop.

A buyer of a \$700,000 Springfield/Westwood home, borrowing 80% of the purchase price, would pay about \$3298.00 a month in principle and interest at the current 30 year fixed rate of 5.75%. That buyer would experience a jump to \$3729.00 a month if rates rise to 7%. That's \$431.00 a month! Today, you can borrow \$73,000 with \$431.00 a month. Will the average price in Springfield/Westwood fall \$73,000 if rates go up to 7%? I wouldn't imagine such a drop. Sellers, as I have said before, don't give up their gains easily. But if rates rise, we will once again be in uncharted waters.

My basketball friend, Wood Acres neighbor and local home lender Steve Jacobs of FNMC Mortgage reports to me that his company has an intriguing loan product. Many Springfield/Westwood owners are contemplating the construction of large additions on their homes. Springfield/Westwood homeowners often ask me, "how do I borrow money to pay for the addition?" and "how does the lender calculate what they will loan me?" Steve reports that his company will calculate the 'projected' value of your home after improvements are completed. The lender will then *lock in your rate*, and loan you the money *now* so you can pay your contractor as work is completed. Most lending institutions don't want to finalize an interest rate until you have completed the construction. This leaves homeowners with an uncertainty as to what their rate will be when all is said and done. In today's environment, that can be troubling. Rates are great now but what will rates be six or seven months from now? Steve's company has solved that part of the equation. Steve can be reached at 202-491-7601.

The Spring real estate market is certainly in full swing. While multiple contracts are not as common as they were in 2002, a well-priced home in a quality close-in location may still attract more than one buyer when the home is properly "staged" and marketed. Many agents bring a home onto the market on a Tuesday or Thursday, hold open houses on the weekend, and consider offers on the property on Monday or Tuesday. In this way, the most serious buyers have an opportunity to carefully consider the property, review financing options, consult with advisors such as parents, and make an informed decision. Of course, what a seller and his agent are also attempting to create is an opportunity for more than one contract for the seller. It is a delicate dance, and not every home can

command this kind of attention. Occasionally, the real estate industry is confronted with difficult choices. What does a seller do if a buyer is willing to pay full price with no contingencies one day after the home comes on the market? Do you grab the great offer and sell your house, or do you roll the dice, hold the home open and hope for multiple offers? Will the initial buyer sit still for the entire weekend and wait until Monday, or will they move on to the next house, or worse, be offended and back away from the property? What does a seller do if they get to Monday and they have no offers? All three scenarios have happened in the last few months. I have had sellers gamble and be rewarded with sales prices over their asking price. I have had sellers grab the great initial offer and be pleased with that. I have had sellers gamble and be left with no offer on Monday, and eventually sell their home for less than the initial offer. The current market is a “high-wire” act, full of pressure and complicated decisions. It has never been more important for a seller or a buyer to be represented by a veteran, seasoned real estate professional.

There have been numerous exciting sales in Springfield/Westwood since my last newsletter in January:

		Original/List Price	Final Sales Price
1)	5602 Albia Road*	\$1,000,000	\$1,000,000
2)	5300 Ridgefield Rd.*	\$899,000	pending
3)	5415 Newington Rd.+	\$689,000	pending
4)	5421 Albia Road**	\$719,000	\$680,000
4)	5801 Kirkwood Dr.	\$639,000	pending
5)	5211 Ridgefield Rd.	\$629,000	pending
6)	5509 Westbard Ave.	\$649,000	pending
7)	5316 Briley Place	\$559,000	pending
8)	5401 Cromwell Dr.*	\$529,000	pending

**\*Matthew Maury sale. +Matthew Maury sold another company’s listing.**

**\*\*Stuart and Maury sale**

The sale of 5602 Albia Rd. represents the first home in our community to sell over \$1,000,000. It’s a milestone of course, but doesn’t come as a surprise. There are probably several Albia Rd. homes and a dozen or more Searl Terrace homes worth more than a million dollars. There are at least 12 Frank Bell rebuilt homes that soar well past the million mark and another handful of terrific renovations by other builders that have created value beyond the million dollar level. By my rough count, as many as 40 homes, or about 7% of the community, are worth more than a million dollars. Still, it’s nice to have the first sale under our belts. 26 homes in the 20816 zip code have sold over \$1,000,000 over the years. Sumner has never had a sale over \$1,000,000, although it appears that they now have a sale pending. Glen Echo Heights, where so many new homes have been built in the last decade, has had eight sales over a million dollars, the first occurring in 2001. Westmoreland Hills and neighboring Spring Hill have had 12 sales over a million dollars, the first coming in 1997. Wood Acres, of course, has yet to have a million dollar sale, although there is a home or two there that could push that limit.

What I find interesting is that there are *currently* 14 homes offered for sale in the 20816 over \$1,000,000. Yes, the market is way up, but more than half of these offerings are speculative built homes seeking a new buyer. They don’t sell in a few days the way a great resale does. These homes often languish on the market for months or even a half a year. The buyer in this price range is very careful, studied and knowledgeable. And they have options. They may *want* a new residence, but they rarely *need* a new home. They already live in a very nice place.

The Colonial listing that I had at 5300 Ridgefield Rd., listed at \$899,000, went under contract after the first weekend and attracted over one hundred prospects in the first week. The home featured an interior Frank Bell renovation of the master suite and master bath and a stunning Garden Gate landscaping package. The house was originally a four bedroom home upstairs but was modified

into a three bedroom home on the second floor with an “au pair” suite in the lower level.

My good friend and Stuart and Maury agent Bob Jenets sold the five level, four bedroom split at the corner of Albia and Newington for \$680,000. The home was in an estate and needed cosmetic improvements and upgrades beyond the paint and floor refinishing that was undertaken prior to putting the home on the market.

My listing of a three bedroom rambler on Cromwell Dr. in early March attracted four offers. The asking price was \$529,000, the most ever for a rambler on Cromwell, and the home is pending settlement at a sales price quite above the asking price.

I found the buyer for the home that was quietly listed at 5415 Newington Rd. for \$689,000 with the Miller Co. There was no sign on the property and it was rarely held open. It's a good sized rambler with a two garage also in need of cosmetic updating.

The issue of condition should never be discounted when it comes to selling real estate. The stakes have never been higher. In addition to the obvious benefits of your home showing great and being clean, bright, orderly and updated, more and more insurance issues are creeping into the real estate transaction. What I am about to describe is about as important as anything I have ever discussed in this letter since its inception in 1981.

Many area homeowners have encountered pinhole leaks in their copper piping over the past few years. It is quite maddening that WSSC still isn't sure what is causing these leaks. While our area is far from the only community experiencing this frustration, it can fairly be said that we are certainly a part of it. Because Springfield/Westwood homes are for the most part slightly younger than neighboring Wood Acres, our pinhole problems have not been as pronounced. Yet?

When homeowners have a leak, insurance will not pay to repair the plumbing. Insurance is supposed to pay for the repairs that result from discovering the leak and getting to it. Often, repairs are needed to plaster walls and ceilings. Even worse, sometimes the pipes are “embedded” in the bathroom tile. These repairs can be costly and it is quite understandable that many of you have made insurance claims in the past few years.

Enter the insurance industry. They are fed up with losing money. They are beginning to rely more and more on a database of claims filed that results in something called a CLUE report. Insurance companies now share information with each other about both houses and homeowners. This practice has resulted in what some experts call the worst insurance environment in decades.

Insurance companies describe the situation as the “perfect storm.” Terrorism fears, natural disasters, stock market losses, copper pipe failure and most importantly mold concerns, resulted in the home insurance industry **losing 7.9 billion dollars** in 2001. We can all be skeptical, but the bottom line is that there is nothing easy about getting homeowner insurance or keeping it these days.

The following has actually happened. Your house had several pinhole leaks over the past few years. Each time you made an insurance claim and the company paid for repairs above your deductible. One day in the mail comes a notice that the company is canceling your insurance effective on the anniversary date of your policy. You are shocked and pick up the phone to get insurance elsewhere. No go. Every company you call looks you up in the CLUE database and sees that you are the kind of person that has made multiple claims. You can't find insurance anywhere and end up having to take a high risk policy that costs maybe *ten times* as much as you were paying, costing you thousands.

How can this be? You paid premiums for years and years and years and never made a claim. What the heck is insurance for anyway? I hear this often. This is our brave new world. Let me describe another scenario. You want to sell your home. You find a great buyer at a great price. A few weeks before settlement the buyer is horrified to discover that no company will insure the property because YOU made too many claims in the past few years. Again, the CLUE

database is tracking both homes and homeowners. Perhaps you want to buy a house. The CLUE database reveals that you made claims on your old home and no insurance company wants you for your new residence. Or the owner of that home made claims and now even though you have NEVER made a claim, no company wants to insure *the house*. As if buying and selling wasn't complicated enough, agents now have to worry about insurability too.

The public's heightened concern about mold and the media's fueling of the story has resulted in a few very high profile lawsuits in Texas. A few multi-million dollar payouts have resulted in insurance companies being terrified of water related issues. Mold is caused by water, whether it be pinhole leaks, roof leaks or wet basements. Therefore, claims made related to water issues pose risks in the minds of insurance companies. Perhaps your pinhole leaks went undetected while you were away on vacation. You cleaned it up and repaired it, but did you get it all? Might you make a claim one day for a family member's illness? The potential risk gets spread like a broad brush over all of us.

Insurance for houses is going to cost more and it will be harder to get. Nurture the relationship you have with your insurance company. I would advise each of you to call your insurance agent and have a frank discussion as to your current status. What do their records show regarding your past claims? Are you in good standing with the company if you choose to buy another residence? If you choose to sell your home, will the CLUE report on your home pose any problems?

For those of you that have never made a claim, it's time to view insurance differently in my opinion. It now should be viewed as catastrophic coverage. If your house burns down or is crushed by a huge tree, of course you are going to make a claim. But you will no longer make a claim for items that cost under about \$2000.00 for plaster and tile repairs. I would ask your agent what the benefits are in raising your deductible. If you can't make a small claim without ruining your standing, then what is the point in having a lower deductible. You might consider a \$2,000 deductible under this viewpoint. Consult with your insurance agent and get his opinion.

Some companies seem to be more user friendly than others. I have heard that those owners with access to USAA are being treated well. Other companies such as Nationwide and State Farm were no longer accepting new business in Maryland during 2002, although State Farm has re-entered the business in 2003. If you must call your insurance agent to ask about the possibility of making a claim, get clear with him right away that your inquiry should not be placed into the CLUE database. Some companies report you to CLUE just for *asking*, even if you don't end up making a claim. Every Springfield/Westwood owner needs to understand where they stand with respect to their insurance. I would love to hear about your experiences with respect to this issue. Please email me at **matthew@matthewmaury.com** and let me know how it has affected you.

Finally, at a banquet held in March of 2003, I was named one of the **TOP FIVE** individual real estate agents in the Greater Capital Area Association of Realtors (out of about 6000 agents). My sales volume totals for 2002 exceeded \$34,000,000 and almost all of that business took place in Bethesda and Chevy Chase. This marked the second time in the last three years that I achieved the honor. I want to thank all of you for your referrals and support over the years.

Sincerely,

**Matthew Maury**  
**Principal Broker**  
**Stuart and Maury Inc. Realtors**  
**301-928-8686 24 hours**

**P.S.** This Springfield/Westwood/Beacon Hill newsletter, past newsletters, a 2002 year end recap of sales activity in the community and a history of Springfield sales going back to 1983, can be accessed at my web site **www.matthewmaury.com**. Click on "Springfield". Wood Acres data is also available.