

# SPRINGFIELD!

## Westwood/Beacon Hill

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

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June, 2005

Dear Springfield/Westwood/Beacon Hill Area Resident,

When a sale in a community sets an all-time record, it's quite natural for homeowners in that community to think, "wow, what does that make my home worth?" I hear it everyday. And it's great fun to deliver the news. As settled sales prices throughout the region soar ever higher, the sound of thousands of heads being slapped simultaneously reaches a crescendo. A home was recently sold for the most ever in the history of our community. The home at 5606 Newington Rd. sold for **\$2,055,000**, surpassing the previous Springfield/Westwood/Beacon Hill highest sale of \$1,259,000. The brand new home was mostly built over the foundation of the previous home at that address, which was purchased by a decorator/home builder in 2004 for \$656,000. The substantial colonial-styled home featured close to 6000 square feet of living space, a two-car garage, and all the requisite bells and whistles that can be found in a brand new home these days. Amenities such as 10 ft. ceilings on the first floor, a large open family room/kitchen, gorgeous elegant baths, substantial finishing in the lower level, impressive moldings and sweeping open space were all present.



Our community has seen over 40 homes substantially rebuilt into something else over the course of the last 15 years or so. This is only the second time that a home has been built speculatively and put up for sale. Therefore, it is a revealing sale and a true "market test" of the limits of value in our community. The Newington home had multiple offers, indicating that the tolerance for spending that much in Springfield/Westwood is certainly present.

Over the years, most of the renovating that has occurred in our community has been "commissioned" by the owner of the property for their own use. As I have often said, the homeowner that undertakes such an expansion/renovation/rebuild is making a long-term commitment to staying put, thus few of these homes come on the market. Every once in awhile, we get a glimpse of just how much the public might pay for such a home. As impressive as the Newington sale is, I believe there are more than a few homes in the Springfield/Westwood/Beacon Hill area with value exceeding \$2,000,000. Take a walk around the community and you will see several more large additions sprouting up as we speak. The burgeoning cost of a major two (or three) story addition may startle those who have not been paying attention. Depending on size and quality of course, some of these expansions are reaching \$1,000,000 or more. More often, a range of \$400,000 to \$600,000 is becoming commonplace. Do the math. In a community where even the most modest of homes sometimes sell near \$800,000, it's not hard to see that many, many homes in our community have soared over the \$1,200,000-\$1,500,000 mark. The very finest builders, and I certainly consider my friend and Springfield resident Frank Bell one of them, tell me

that the cost of materials and labor in the building industry has soared. Finished space at the highest quality level may cost as much as \$250-300 *per square foot*.

An entire cottage industry of renovators, builders, remodelers, and knock-down artistes have descended upon Bethesda and Chevy Chase with a vengeance. The number of new "in-fill" homes being built in the close-in areas is astounding. As little as two years ago, the cost of a new home with 5000-6000 square feet was running in the \$1,300,000 to \$1,500,000. That price range is gone, replaced by a range of \$1,750,000 to \$1,900,000 earlier this year in January and February. Now those prices are gone, replaced by a new wave of homes being constructed with asking prices in the ballpark of \$2,200,000 to \$2,495,000. You have to go out Old Georgetown Rd., north of Cedar Lane to find new homes that still cost around \$1,300,000 to \$1,500,000, and their availability is fading. Another in-close community experiencing a stunning amount of "re-development" is Hillmead, just off Bradley beyond Huntington Parkway. There are at least six or seven new homes appearing right now where small cape cods used to reside.

Pushing this phenomenon is the cost of "land," defined for the most part as the cost of buying an old house, usually, but not always in need of repairs, tearing it down, carrying the cost of the property for a year or more and then reselling the newly constructed home. As little as two years ago builders were able to locate properties in the \$300,000 to \$500,000. Those opportunities are gone, replaced by knock-down sales that have reached a million dollars in Chevy Chase. That's right, some builders have paid more than a million dollars for the privilege of knocking down the house. And if the lot size approaches a half acre inside the Beltway, that price can soar to \$1,500,000 plus.

In Springfield the only two homes purchased to be torn down so far were sold at \$625,000 (on Ridgefield Rd.) and \$656,000 (Newington Rd.). Both sales occurred last year. Now comes the next stage. A home at the corner of Kirkwood and Newington was recently offered for sale by "silent auction" over the course of several weeks in May. The home is in need of complete renovation. It sits on a large 11,424 square foot corner lot. It appears that the final sale price may exceed \$850,000. Will this home be torn down and a new home built in its place? Probably. It will be interesting to see what develops. Not every lot in Springfield is worth that kind of money, but many are. If it costs \$800,000+ just to buy the land, and 5000 square feet of house costs \$1,250,000+, it's not hard to see how many of the newer homes in Springfield could approach or exceed the \$2,000,000 range.

Recently, a modest rambler on Namakagan Rd. on the edge of Sumner sold for \$785,100, \$86,100 over the asking price. The builder/buyers are tearing down the home and building a new home scheduled for delivery in 2006. Imagine what the price will need to be for them to make money. And make no mistake, these entrepreneurs ARE making money. The public often complains about all this construction and my answer is pretty simple. As long as the buying public continues to buy them, at ever soaring prices, the industry will keep seeking out opportunities to build them.

All of this activity swirls around us. The Wood Acres community next door, backed up by a stringent set of covenants enforced continually since 1940 and recently refined and strengthened, has determined that this knock-down phenomenon will not be taking place in Wood Acres. I had the "misty-eyed" experience of driving by the first little home I owned between 1976 and 1983, near Jones Bridge Rd. and Wisconsin the other day. I drive by from time to time, like so many of us do, remembering pieces of our past. *The house was gone!* A huge pile of dirt stood in its place. It's understandable, the house had no basement and was ridiculously tiny. It stands less than two blocks from the

Medical Center Metro Stop. It's a miracle it lasted this long. But the experience reminds you of how emotional the entire "knock-down" issue is for many people throughout Bethesda and Chevy Chase.

There is another speculative home being constructed on Ridgefield Rd. on the way to the shopping center from Wood Acres. It is expected that the asking price for that home will fall somewhere between \$1,800,000-\$1,900,000. It will be very interesting to see how that scenario unfolds.

- The following Springfield area homes have sold in 2005:

	<b>Original/List Price</b>	<b>Final Price</b>
1) 5606 Newington Rd.	\$1,995,000	\$2,055,000
2) 5508 Jordan Rd.*	\$989,000	\$1,259,000
3) 5716 Marengo Rd.**	\$1,195,000	pending
4) 5714 Marengo Rd.+	\$1,185,000	\$1,195,000
5) 5206 Ridgefield Rd.	\$1,297,000	\$1,100,000
6) 5623 Ogden Rd.*	\$975,000	pending
7) 5506 Kirkwood Dr.	\$950,000	\$950,000
8) 5509 Christy Dr.*	\$879,000	\$931,455
9) 5607 Marengo Rd.	\$900,000	pending
10) 5627 Lamar Rd.*	\$899,000	pending
11) 5704 Newington Rd.*	\$879,000	\$895,000
12) 5505 Christy Dr.	\$889,000	\$890,000
13) 5418 Kirkwood Dr.	UNK	pending
14) 5401 Kirkwood Dr.+	\$865,000	pending
15) 5520 Westbard Ave.	\$829,900	pending
16) 5621 Newington Rd.*	\$825,000	\$825,000
17) 5611 Lamar Rd.*	\$825,000	\$825,000
18) 5605 Cromwell Dr.*	\$749,000	\$819,000
19) 5506 Cromwell Dr.	\$725,000	\$792,000
20) 5811 Cromwell Dr.+	\$789,000	\$790,000
21) 5312 Briley Pl.*	\$749,000	\$765,000
22) 5315 Briley Pl.*	\$738,000	\$728,000
23) 5303 Cromwell Dr.	\$769,900(\$725,000)	\$725,000
24) 5603 Pollard Rd.*	\$749,000(\$719,000)	\$710,000

**\*Matthew Maury sale \*\* Stuart and Maury sold another company's listing  
+Stuart and Maury sale**

Stuart and Maury Realtors has now been involved in the sale of **15 homes** in the Springfield/Westwood/Beacon Hill community in 2005. I sold eleven of them to date. What should jump off the page from the above data is the fact that six homes in our community sold over \$1,000,000 in the last six months. This is a significant development and an indication of the advancing real estate appreciation taking place throughout the region. Note also that fourteen of the twenty four homes above sold over the asking price. Note as well that we have already had 24 sales in the community this year. Over the past 22 years, our community has averaged 25 homes sales a year. I never thought there was a possibility of approaching the all-time record of 45 sales set in 1988, but we are on a pace to challenge that figure. I think that many long time owners are looking at the stratospheric market conditions and saying, "now is the time."

A few weeks ago a home on Jordan Rd. received more than 10 offers and was sold by a Stuart and Maury agent for \$270,000 over the asking price. If you are at a cocktail party and real estate is being discussed (and it always is), you can comment that this kind of sale takes place when superior condition, the proper style and layout of a home, and market timing converge perfectly. Escalation clauses drove the price on that home to its final level.

I have a firm idea of what most of the pending sales in the list above sold for and many of the five are over the list price. You may recall that last year's average sold price in the Springfield area was \$821,325. Right now, the average is hovering over \$955,000 on the 24 sales above. Of course, the \$2,055,000 sale drags up that average and indeed only seven of the 24 sales is over \$955,000, but nonetheless, the power of this market is impressive.

Sustainable? Buyer's will try to convince you that it is not, but they are wrong. Good jobs are pouring into our area. The economic engine of employment in this city is purring like a fine tuned machine. As if the massive expansion of Homeland Security wasn't already a great shot in the arm for the local economy, now the Pentagon wants to shift thousands of jobs into Maryland from DC. I realize Congress has to approve the move of Walter Reed to Bethesda, but if and when it happens, three things come to mind: 1) I wouldn't want to have to drive on Wisconsin and Jones Bridge in the morning; 2) the west side of Bethesda is insulated from a lot of that traffic; 3) The medical field jobs coming our way are good paying jobs, and doctors and medical administrators buy houses. Maybe not right away, but this has to be seen as a net plus for our area and certainly fuel to the real estate fire.

We may lose what used to be called the Defense Mapping Agency on Sangamore Rd. I have lived in the Wood Acres/Springfield area since 1956. In that time, I have met very few people who worked at that facility. I don't expect that move to affect our real estate values. In fact, short term, it may improve our traffic patterns.

Interest rates have dropped over the past few weeks, even as Mr. Greenspan attempts to convince everyone that rates should rise. The marketplace just doesn't seem ready to accept a higher interest rate environment. As long as rates hover at or under 6% for fixed rate 30-year Jumbo financing, this market will continue to have legs. The average fixed rate mortgage in early June was 5.56%, down from 6.30 percent a year ago, when the market was on fire!

The media's new whipping boys appear to be "interest-only" loans and the lending industry in general. The Washington Post recently painted the interest only loan product as a dangerous financing vehicle that could result in the end of civilization as we know it. It is absolutely true that the loan product is not for everyone. By not paying any principal payments in the early years of a loan, it would appear that a borrower is counting on continued appreciation to buffer them. Over ten years, that sounds like a pretty good bet. Additionally, the kind of buyer purchasing in our zip code has a much better idea of their financial future than the average borrower across the country. A young lawyer (or two) in their mid 30's may have every expectation that their income will rise over the course of ten years. The talented couples that buy in Springfield/Wood Acres area often "make partner" at a downtown law office or their businesses blossom. These couples are confident of their future and interest only loans allow them to reach farther and establish themselves earlier in the real estate pipeline. I'm not a big fan of putting down only 5% and getting huge interest only loans, but this is not a scenario that most buyers are pursuing. They have larger down payments, they have income growth in their futures and they are extremely confident about their ability to afford higher payments ten years down the road.

The media is also highly critical of the lending industry for making loans to people that cannot afford the monthly payment. This is a legitimate criticism. The old qualifying ratios of 28% of your monthly income are just gone. If you have good credit, a little cash, it's ridiculous how much you can borrow. But again, in 25 years in this business selling houses in Bethesda

and Chevy Chase, I've personally never had a client, either as a buyer or seller, involved in a foreclosure. Occasionally, someone gets in hot water, but they sell their house, take loads of cash out to pay their bills, and move on. It wouldn't be the worst idea in the world for the lending industry to tighten their standards somewhat, especially for people of suspect credit in combination with small down payments. For the vast, vast majority of Bethesda/Chevy Chase buyers, the lending practices and options provided by quality lenders are an exceptional public service and help both the real estate industry and the economy.

Filed under "well now, that's interesting," the following properties have sold and settled since the first of the year in neighboring communities near Springfield:

		<b>Subdivision</b>	<b>List Price</b>	<b>Final Price</b>
1)	6316 Walhonding Rd.	Glen Echo Hts	\$1,650,000	\$1,750,000
2)	5125 Waukesha Rd.	Glen Echo Hts	\$1,750,000	\$1,700,000
3)	8013 River Falls Dr.	River Falls	\$1,398,000	\$1,377,000
4)	4802 Ft. Sumner Dr.	Sumner	\$1,200,000	\$1,312,500
5)	5128 Westpath Way	Sumner	\$1,150,000	\$1,227,000
6)	5700 Overlea Rd.	Sumner	\$1,195,000	\$1,195,000
7)	6111 Ramsgate Rd.	Wood Acres	\$1,180,000	\$1,180,000
8)	5312 Carlton St.	Glen Mar Park	\$949,500	\$1,136,000
9)	5901 Osceola Rd.	High Point	\$699,000	\$790,000
10)	5220 Nahant St.	Glen Mar Park	\$520,000	\$650,000

Pile in the car and take a drive sometime and check out these recent sales. The sale on Ramsgate Rd. is a stunner, the highest sale in the history of Wood Acres. It's also interesting to see the Waukesha and Walhonding homes, surrounded by extremely modest properties, selling at exceptional numbers. For those contemplating River Falls one day, the recent sale on River Falls Dr. is representative.

Continuing a torrid pace that started in 1999 and has not slowed down, I have now exceeded **\$33,000,000** in pending sales and settled property in the first six months of 2005. I am enormously appreciative of the referrals that the community sends my way. For 25 years, I have been serving the Springfield area and surrounding communities with a degree of expertise and focus rarely found in today's market. My commitment to the community is unmatched. Whether it's tens of thousands of dollars in support of the Wood Acres Jogfest over the last 14 years, substantial contributions to the renovation and landscaping of Wood Acres Park, or new sound and lighting equipment donations at new Wood Acres Elementary, I have tried always to be a positive contributor to the quality of life in our community. Your continued business and trust is appreciated.

**Sincerely,**

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

**P.S.** This Springfield newsletter, past newsletters, a 2004 year end recap of sales activity in the Springfield area and a history of Springfield sales going back to 1980, can be accessed at my web site **www.matthewmaury.com**. Click on Springfield. You can also find similar data on the subdivision of Wood Acres.