

# SUMNER

## REAL ESTATE NEWS

by

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## MARKET NEWS



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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

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## NEIGHBORHOOD SALES UPDATE

During the period of January 1st through April 30, 2003, four Sumner home sales completed settlement. The **average sale price was \$692,475**, representing 99.91% of the average list price. This statistic is a little misleading because the sale of 4711 Fort Sumner Drive at \$630,000 included a seller credit to the buyer of \$12,500. If the sale price is adjusted by the amount of the credit, the actual average price would be \$689,350. A year ago the average price was \$726,340, but as I have mentioned in previous letters, the average is sometimes skewed by the size of the homes that happened to sell in that particular time period. No, prices are not going down. The average price for the next four months is going to be dramatically higher, based on the prices of the homes pending settlement. The pending sales are listed from \$735,000 to \$1,095,000, so, you do the math.

It is interesting to note that none of the four settlements in the beginning of the year was for any significant amount over the list price, as we have seen so often in the last few years. Some of the pending sales had multiple offers and I am sure that several of them sold in excess of the asking price, but generally, homes are selling closer to list price, reflecting the more temperate market condition we have at this time. Considering the tremendous increase in home values that we have seen in the past few years, it is a good thing for the appreciation rate to slow to a steadier pace. Certainly, it is still an excellent climate for real estate sales, and the recent

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## MARKET NEWS...

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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.

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## NEIGHBORHOOD...(continued)

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gains are better solidified under more controlled conditions. Here are the sales:

ADDRESS	STYLE	SOLD PRICE
4711 Ft Sumner Dr	Cape Cod	\$ 630,000
5625 Overlea Rd	Colonial	695,000
5005 Ft Sumner Dr	Colonial	695,000
5004 Brookeway Dr	Colonial	749,900

Interest rates are still an important factor in fueling this real estate market. Thirty year fixed rate conforming mortgages (up to a loan amount of \$322,600) are available at 5.375% with no points. Higher loan amounts are at 5.625% and adjustable rate mortgages are even lower than that! There is even talk of rates going a little lower as the Fed tries to head off a potential deflation of the economy. It is an incredibly affordable time to purchase a home, and people are doing just that.

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## Insurance Problems...

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Homeowners insurance (often called hazard insurance) has become topic of concern recently. Loss of revenue in the insurance industry due to terrorism, natural disasters, copper pipe failure and mold claims combined with a poorly performing stock market has caused insurance companies to seek ways to restore the profitability of their business. One of the methods they now rely upon is called a C.L.U.E. Report. Much like a credit report the C.L.U.E. system allows insurance companies to share claims histories with each other, not just on houses but on the homeowners as well.

I don't have the space to describe all of the aspects of the problem, but let me point out the ways it is affecting the real estate industry. From a buyer's perspective, it is important to know if the home you wish to purchase is tainted by multiple claims (particularly water related claims which can lead to costly mold problems), making it difficult or extremely expensive to get insurance. A prospective buyer could also face a problem completing their purchase if they themselves have too many claims. Even though they are moving to a different home from the one where they made the claims, a bad C.L.U.E. report will cause insurance companies to be wary of writing insurance for someone with an active claims history. I have known cases where, to complete the purchase, buyers were forced to resort to expensive high risk insurance that cost them about **ten times** as much as normal insurance.

Sellers are impacted by C.L.U.E. reports as well. When agreeing to take their house off the market by accepting a contract, a seller might be well advised to know if the buyers are insurable. This is of particular importance if a seller is choosing among multiple offers, where accepting the most solid contract is critical. On the other hand, if a seller knows they have made two or more claims in the past three years, it would be worth checking their own C.L.U.E. report to see if there is a problem with their home's insurability. If the sellers are going on to purchase another home it would also alert them to any potential problems that they may have in obtaining new insurance.

This is a real problem for many people and you should do your research now so that, if you something happens to your house, you will know how to proceed. There have been instances where a call for information only has been recorded as a blemish on a person's C.L.U.E. report – even though the claim was never made! You should know your insurance company's policy so that you can make an informed decision about whether to make an insurance claim or not. There is a website where you can get C.L.U.E. Reports and information: go to [www.choicetrust.com](http://www.choicetrust.com). Contact me if you need anything further.

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