

SUMNER

REAL ESTATE NEWS

by
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MARKET NEWS

The first five months of this year in real estate have produced wide-eyed, jaw-dropping stories of incredible home sales. The early part of the year showed a strong demand for the few houses available and, with record low interest rates and an improving local economy, the market began to soar. The now familiar scenario of multiple offers on each property was commonplace and the competition drove prices ever higher. Winning offers rarely had any contingencies as buyer sought to make their sales proposal more attractive to the seller than all the others. The earnest money deposits increased too, as another way of appearing to be the "surest thing" for the seller.



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None of the methods described above is new to our hot Bethesda area real estate market. We have seen these things in use for a few years now. What is new is the *degree* to which they are employed by frustrated buyers, tired of repeatedly losing in their attempts to buy a home. The absence of contingencies and "as-is" condition have been the norm for some time now. The most noticeable difference this spring has been in the monetary aspects of the contract. Price is the most obvious area of change. There are many examples of escalation clauses taking the price up to more than \$100,000 over the asking price. A couple years ago that was a rarity, yet now, we in the business are so numbed that it hardly catches our attention anymore.

When a seller has several offers from which to choose, the focus often becomes selecting the offer with the greatest likelihood of going through settlement with no problems. The larger the deposit, the more a seller feels certain that the buyer is serious and is strongly

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NEIGHBORHOOD SALES UPDATE

During the time period of January 1st through April 30, 2004, four Sumner home sales completed settlement. Coincidentally, that is the same number as last year for the corresponding time period. It is no secret that the price of homes in our area has risen rapidly and, where last year's average sale during the first four months was \$692,475, this year the average for the same time period was \$865,875! You may have observed from past newsletters that the average Sumner sale price for the whole year is always considerably higher than the average during the first part of the year. (Last year's early average of \$692,475 grew to a yearly average of \$817,028.) Considering that the homes under contract, awaiting settlement have a higher average list price, I am sure that by year's end, we will see a remarkable average sale price, reflecting a significant increase in Sumner property values.

The low sale for the first four month period was 6006 Overlea Road which was listed for \$779,000 but sold for \$797,000. The home is a cape cod style home with four bedrooms and two and one half baths on a 12,000 square foot lot. It was well maintained by the embassy selling it, although being sold in "as-is" condition. The home went under contract in just three days which is, essentially, immediately.

The house at 5004 Brookeway Drive sold for its asking price of \$879,000. It is a three bedroom colonial a very short walk to the Crescent Trail. The home had been expanded to include a first floor family room and a second garage. It had an updated kitchen with granite counters and showed well.

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bound to perform under the terms of the contract. In the past, it was not unusual for a deposit to be approximately 5% of the offering price, and sometimes it might be accepted even a little less than that. With today's competition, a deposit less than 10% of the offering price would certainly detract from that offer's chance of becoming the winning contract.

Another phenomenal manifestation of this competitive environment is the emergence of the "all cash" offer. As I mentioned, most offers have not been contingent on financing, but it was clear that the buyers would need to get a loan. If a buyer were to fail to obtain financing and be unable to close, their deposit would be at risk. This ties in with the large deposit concept, thereby showing how confident the buyers are that they will be able to get a loan. However, this is not the same as "all cash." In the event a buyer had trouble qualifying, or the appraisal came in low, it could kill the sale, regardless of the big deposit. So, to eliminate that worry for the seller, and make their offer *even that much better*, buyers who were able to show sufficient cash reserves on the financial information sheets to purchase the home outright, made an "all cash" offer—no loan required. Now, in most cases, the buyer reserved the right to pursue a loan, but in the event of any trouble with the financing, there would be no excuse for not closing. In the strongest offers, the buyers were sometimes asked to provide bank statements to prove the funds were available!

So, I started out by saying that the first five months of the year produced some awesome stories and none that I have heard is any more astounding than the sale I made on Westpath Terrace. News of this sale spread quickly though the real estate community and, indeed, anyone paying attention to sales in our area was talking about this one. As a matter of coincidence, the sale was the topic of conversation at two different social gatherings I attended the following week, among friends who are not in the real estate business. The home was stellar, in perfect condition with a high quality renovated kitchen and gorgeous updated bathrooms, sitting on a beautiful street in Fort Sumner. It was listed at \$899,000 and I knew the competition for such an excellent home would be fierce. By contract presentation day there were about nine offers and I had the winner: \$1,207,000, no contingencies, all cash (with proof of funds) and a **\$500,000 deposit!** Now that did catch the attention of the real estate community and may be the best illustration of this spring's electrified market.

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Also selling in the high 800's was 5105 Nahant Street. Listed and sold for \$885,000, it is a charming home with a front porch resembling a bungalow. The main level had been expanded to create a very quaint kitchen/breakfast/family room area for an especially good casual living situation. With four bedrooms, two baths and two half baths, it is a unique and appealing home.

The high sale for the period was 6001 Corewood Lane which sold for \$902,500, just a couple thousand over its list price of \$899,990. A handsome cape cod boasting five bedrooms, five bathrooms, and an updated kitchen with granite counters, it sold immediately. It is worth noting that the settlement date of January 7th puts it in this batch of data, but it was a November contract which is a less active time for real estate sales. It is likely that, had it come on the market in January or February, it may have brought an even higher price.

The statistics in this publication are tabulated for four month blocks, three times a year. To be consistent with the figures in earlier newsletters, I have *excluded* several sales that closed last month. The May sales range from \$725,000 to \$925,000 with an average price of \$810,500.

More interesting, perhaps, are the homes under contract which have not yet settled. They have list prices of \$849,900, \$949,000, \$995,000, and \$1,195,000. That is an average of \$997,450 and they all sold rather quickly, so I know the settled prices will be higher. They will all be settling near the end of June, so the numbers for the next four months will reflect the incredible market that we had this spring.

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