

SUMNER

REAL ESTATE NEWS

by

Robert Jenets

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MARKET NEWS

The first four months of this year were among the most intense I have ever experienced in twenty years of real estate. But, that is not really news; we have seen a similar intensity during the early part of each of the last several years. This is the seventh consecutive year in a succession of fast and furious spring markets for Bethesda real estate.

What is noteworthy, is the trend seen in the following chart, which shows a steady decline in the number of Bethesda sales contracts to be ratified during the first four months of each of the last several years. From this data, which is *the effect*, one can work backwards to *the cause*, and deduce a partial explanation for the frantic nature of today's real estate market.

Real estate sales contracts dated

1/1—4/30

2002.....514

2003.....494

2004.....484

2005.....455

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Considering that most listings are still attracting multiple offers, the decline in contracts can be attributed to a dwindling inventory. The Washington area added approximately 78,000 new jobs last year. With that much increase in demand and the continued affordability of mortgage money, the fewer number of sales must logically be a result of fewer homes available for purchase. It is no wonder, then, that the competition for each new listing is more intense than ever.

It is indeed challenging for buyers to succeed in the competitive environment of this seller's market. They must be fully prepared and highly motivated to meet the demands of such a pressurized process. Buyers are empowered by affordable interest rates and a variety of advantageous mortgage products. Also, in many cases, purchasers have obtained a healthy down payment from the sale of another property, which helps mitigate the high price of their purchase. They are attracted by a short commute time, and a desire to enroll their children in our local public schools. It is evident from the escalating value of homes in our area that people want and/or need to own a residence in Bethesda more than ever, and apparently, they have the capability of doing so.

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NEIGHBORHOOD NEWS

A relatively small number of homes change hands each year in Sumner, and that stability is an important part of this fine neighborhood's appeal. The turnover rate for the first four months of this year—two sales—is the lowest it has been since 1996 (when only one home went to closing during the same period of time.) For a neighborhood as large as Sumner, which averages four or five sales for that time period, two is a *very* low number.

With a sample of data so exaggeratedly small, I am not sure how much relevance the statistics have, but here is how it works out. The two sales had an average price of \$1,172,500 and both of them sold within the first week. Last year, the average sale price for the first four months of the year, based on a sample of four home sales, was \$865,875. Mathematically that is a 35% increase over last year, but you and I know that figure is a result of both sales being five bedroom, three bath homes, with no smaller sales to balance them out.

The two sales were 5700 Overlea Road and 5128 Westpath Way. The Overlea house came on the market in very early January for \$1,195,000. It is a traditional stone and siding colonial with four bedrooms and two baths upstairs, and featured a significant kitchen/family room renovation. Within the week the house was under contract for full price. The other sale was 5128 Westpath Way which was listed in late January for \$1,150,000. A split-level with four bedrooms upstairs and a two-car garage, it was nicely renovated and showed well throughout the house. Competition pushed this one to a final price of \$1,227,000.

There were also a couple of sales nearby on Namakagan Road which were advertised as Sumner. The house at 5615 Namakagan Road sold without ever coming on the market for \$675,000. **I sold** the house across the street at 5616 Namakagan Road, which had been listed at \$699,000, for a final sale price of \$785,100. Namakagan Road has seen a number of "transformations," and with both of these homes lacking any expansion or renovation, it would not surprise me to see a couple more new homes going up.

Sumner is one of a few neighborhoods in Bethesda which have been almost immune to the "knock-down." That is not to say that there have not been some MAJOR expansion/renovations, but most of them seem to blend in with the original architectural character of the neighborhood.

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MARKET NEWS...

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Over the past several years, the real estate market has changed in response to the strong demand for homes. The nuances and techniques of buying and selling homes are ever-evolving. When the market first began to become competitive, agents used speed to help their buyers. As soon as a listing appeared, people would get there as fast as possible and decide immediately if they wanted to buy that home. If so, they would quickly write an offer and the seller would sell it to the “fastest” buyer, for full price. It did not take long for sellers to learn that if two or more buyers wanted their home at the same time that the seller got better results. In early multiple offer situations, a buyer might simply bid more than the asking price. However, in a case where a buyer bid *far* more than the next best offer, that buyer felt bad for having spent so much more than necessary to win. Thus was born the escalation clause. All too familiar now, when it was first introduced, there was no standard form and it was wild. But buyers liked the idea of only paying a *little* more than the next best offer. Eventually the form was standardized and it became common practice to delay contract presentation until more than one offer was registered. Competition virtually assured a seller of getting a contract with a sale price exceeding the asking price.

With the “battle of the escalation clauses” firmly in place, the buying public became creative in trying to make their offer more attractive to the seller than all the rest. As I have described in past newsletters, it was during this time that all the contingencies disappeared. Soon to follow were offers with huge deposits, all cash financing and “as-is” condition. This technique remains the prevailing format by which homes are presently sold. However, the market is ever-evolving and there is a new twist. Conceding that competition for a desirable home is going to cause the price to skyrocket, some purchasers have begun to employ the “pre-emptive escalation.” That is, they offer more than the asking price, though there is no competition, in hopes that the seller will ratify their offer prior to the open house. Buyers feel that, although they are paying more than the list price, it is probably less than they would have to pay in a traditional “battle of the escalation clauses.”

This new twist has caused sellers to have to deal with a very difficult decision—whether to take the “bird in hand,” which is quite good, or to gamble that after the weekend, they might do even better. Implicit in that gamble, is that they might also do worse. It is a tough call and the bottom line is that, in accepting the “pre-emptive escalation,” a seller must not second guess the decision. You’ll never know if it was the best decision or not, so it is best just to move on.

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Neighborhood News...

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At this writing there are two homes under contract, pending settlement. The brick colonial at 4802 Ft. Sumner Drive was listed on April 15th and had a contract within the week. It was offered at a price of \$1,200,000 and had a total of five bedrooms and four baths. Three of the bedrooms were upstairs and there was a potential first floor master suite as well. The basement was finished too, and had a walk-out level exit to a very private backyard.

The house at 5808 Rockmere Drive came on the market on April 22nd for a list price of \$999,900. It is also a colonial and has four bedrooms, three and a half baths and a one-car garage. The side addition provides family room space on the main level and a fourth room upstairs. Also going under contract in a week, this one is due to settle at the end of June. It is my understanding that both homes had multiple interest and I will report the final sale prices in my next letter.

Consistent with the information in my Market Update, low inventory has been the most significant factor in our real estate market this spring. At this writing there is nothing on the market in Sumner—not one home! With demand continuing to be strong and low mortgage interest rates still available, one would assume that any new listing would attract a great deal of attention.

That being said, there have been a few instances recently, (not in Sumner, but nearby in 20816) where a new listing that should have attracted several contracts, only attracted one or two. The homes have sold, but sellers have been surprised and a little disappointed in these situations. After months of news and stories recounting the “bidding wars” it is hard for a seller NOT to expect that their home will perform similarly. However, it is still common for nearly 100 people to see a new listing in the first week and from that, a seller will receive the best that the market is going to offer. After the first week, the excitement that produces multiple offers is unlikely to occur, and a seller is well advised to make the most of the buying interest after that first weekend.

As robust as the market is, it has become very difficult to move-up within this area. Many people tell me that they want more space and would move if I find them a great house nearby. However, most of them already have a very nice home and the cost of the house that would be a step-up for them has risen to a number that only a truly motivated buyer will pay. Alternatively, people move farther out or choose to add onto their present homes. Whatever works...

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