

SUMNER

REAL ESTATE NEWS

by

Robert Jenets

January 2006

2005 Review +

A year ago, at the end of my market update for 2004, I made this statement about what to expect in 2005 — *"It seems to me that every January for the past five years or so, I report what a great year it was, but that the experts(?) expect the real estate market to cool off in the coming year. They say that...we should expect modest gains of 4 or 5%. Then we have another amazing year... So this year...I am going to say that...2005 will be another incredible year."*



Robert Jenets
Vice President

Now the year is history and it seems that my statement was not only true—it was an understatement! The real estate market in 2005 was even better than the amazing 2004 market.

Some real estate reports will base a superlative grade on the high number of transactions while others will focus on the total dollar volume of the sales.

Some studies might rely on the percentage of appreciation and/or how quickly homes were sold. But, because I am guiding people through one of the most stressful situations in a person's life, I base my judgment on the simple fact that one was able to get from point A to point B with as little trouble as I have ever seen in my 21 years in real estate.

The 2005 market was healthy because, once a buyer succeeded in locating a desirable property, he could pursue it as vigorously as he wanted. He was secure in the knowledge that he could qualify for the new mortgage, independent of the sale of his present home, using one of the various creative lending tools available at record low interest rates. He could do that because he had confidence that his present home would sell quickly, at an excellent price and that, if the equity from his present home was necessary to complete the purchase of the new home, *his* buyer could come to the table in a few short weeks. That made it all work.

Often, a buyer preferred to settle on the new home *before* selling his present residence. That allowed time to make any changes or improvements to the new home and then make the move in a more relaxed fashion. It also removed any worry of some last-minute glitch disrupting the delicate series of events necessary to coincide two

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NEIGHBORHOOD NEWS

For the past several years I have talked about how intense the real estate market has been in the Bethesda area. The key reason for that intensity is that the demand for homes has been greater than the supply and I am not aware of any neighborhood along the Massachusetts Avenue corridor with a lower turnover rate than Sumner. In 2004, the rate was unusually high and nearly 6% (26 sales) of the homes were sold. Last year, the number of sales dropped to 16, representing only about a 3.5% turnover rate. For most neighborhoods in this area, a typical rate is somewhere between 4 and 5%. From the standpoint of keeping home values high, 3.5% is a good thing.

Last year was robust indeed for real estate sales and the effect is evident in the **average price** for Sumner homes during 2005—**\$1,130,190**. The average price in 2003 was only \$817,028, and during 2004 it rose to 909,842. The figure for 2005 adds a whopping \$220,348 for an appreciation rate of **24%**! That is the largest increase in value for homes in this neighborhood since I began tracking the statistics.

I noticed last year more than ever, that people living in smaller homes around here felt a need for more space and wanted to find a home with four bedrooms. Along the Massachusetts Avenue corridor, and in the Whitman school district, Sumner is one of the prime neighborhoods offering homes of that size. Certainly the homes that came on the market last year were in high demand, as evidenced by the fact that all but three of them sold within a week. Selling in a week really means selling immediately because the normal procedure was to put the home in the MRIS during the week, have open house on the weekend and then review contracts early the next week. The buyers were there within the first couple days, but the process took about a week. I am not sure if 2006 will have the same kind of urgency that dictated that process; we'll have to wait and see.

On the next page, you will find a list of the homes in the neighborhood that sold last year. Notice that, out of 16 sales, only *three* of them were less than a million dollars. That is 13 homes that sold for a million dollars or more in one year! In 2004, only five of the 26 sales topped a million dollars. Data like this serves to confirm what we already know—Sumner is one of the most desirable and valuable communities in Bethesda.

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settlements and a move. In this scenario, the buyer might be using a loan product which allowed for a large prepayment of principle and then a recalculation of the payment. That means when the first home eventually settled, the buyer could use the equity to pay down the principle of the new loan which resulted in a lower monthly payment, the very next month. (Please note that most conventional loans do not provide for a recalculation and that a large principle prepayment will only shorten the term of the loan. It will not reduce the monthly payment.) There is some cost associated with this approach, but many people feel that the advantages of flexibility and practicality make it worthwhile.

Most of you have heard or read enough media reports about the real estate market to be confused. The reports seem to contradict each other. One day you hear someone warning that the *bubble may burst* (**not** responsible journalism, in my opinion) and the next day you hear that new home starts set a record. Clearly, there are people who want to see the glass as half empty, but it is not that simple. Admittedly, sales slowed a bit in the fall, almost as a self-fulfilling prophesy of the repeatedly negative reports by the media. The pace did pick back up in November as the huge influx of inventory was absorbed and the year finished at a steady pace.

If you take the time to analyze the available information, you will see that the major economic factors that produced the astounding real estate market we had last year are still positive. Interest rates are approximately the same as they were throughout the year and are still quite affordable. In general, national economic news is favorable and, if anything, the interest rates have crept up a little because the news is too good. Most importantly, it seems that the Washington area is expected to continue adding thousands of new jobs per year and we live in one of the most desirable parts of that area. Our well-reputed public schools and our close proximity for commuters to downtown Washington and Northern Virginia continue to add a premium to our value.

I see the glass as more than half full. Though an objective estimation of the real estate market as we begin 2006 would acknowledge that prices and appreciation are not likely to rise at the rate we saw last year, it is realistic to expect them to increase in consort with continued demand. (One could argue that it is more important for the market to consolidate the value we have gained in the past few years than it is to increase it.)

Nobody knows what to expect from real estate in the coming year and I think it is best to view overly dramatic predictions with a measure of skepticism. Often, if you read past the headline, you find that the balanced view is hiding on page two. 2006 may not exceed 2005, but it doesn't have to, to be another excellent year for real estate in Bethesda.

Neighborhood News ...

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Here is the list of sales from 2005:

5113 Sangamore Rd	4BR	3 BA	\$ 755,000
5009 Overlea Ct	3BR	2.5BA	900,000
5504 Namakagan Rd	3BR	2.5BA	950,000
5808 Rockmere Dr	4BR	3.5BA	1,000,000
5109 Westpath Ct	4BR	3.5BA	1,000,000
5704 Overlea Rd	3BR	2.5BA	1,005,000
5700 Overlea Rd	5BR	3.5BA	1,195,000
5105 Baltan Rd	4BR	2.5BA	1,200,000
5104 Westpath Wa	5BR	3.5BA	1,200,000
5808 Rockmere Dr	4BR	3.5BA	1,200,000
5121 Westpath Wa	4BR	3 BA	1,200,000
5128 Westpath Wa	5BR	3.5BA	1,227,000
4915 Fort Sumner Dr	4BR	4 BA	1,263,000
5006 Nahant St	4BR	2.5BA	1,265,545
4802 Fort Sumner Dr	5BR	4 BA	1,312,500
5001 Rockmere Ct	6BR	4.5BA	1,410,000

BETHESDA STATISTICS

Let's take a look at the sales statistics for the three main zip codes that comprise Bethesda, starting with our zip code, 20816. The number of sales in our area was down from 279 in 2004 to 234 transactions this past year. The average price increased by about **16%** to an impressive \$955,672, as compared with \$822,471 in 2004.

The MRIS shows 254 sales in the 20814 zip code—13 more than the prior year—with an average price of \$861,510. That is about 14% higher than the average price for 2004.

The MRIS shows 448 sales in the 20817 zip code—down from 515 in the prior year—with an average price of \$1,025,262. That average is almost 17% higher than the average price for 2004.

These are big numbers that put the exclamation point on what we already suspected—2005 was a very special year for real estate in the Washington area and nowhere was it more special than right here in Bethesda.

You are welcome to visit my website for useful and interesting information about real estate in our area. The address is:

www.robertjenets.com

You can see "virtual tours" of my listings over the past year or so as well as detailed information about the homes. There is a link to the Montgomery County Public Schools site which includes a locator program where you can find the school assignments for a particular address. If you have a question or need some information about real estate, you can email me at:

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I remain dedicated to professionally representing the real estate interests of this community and its residents.

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