

SUMNER

REAL ESTATE NEWS

by

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MARKET NEWS

The media stories warning that the “red-hot” real estate market of the past several years *must* come to an end were relentless. Now, whether it is the result of inevitable economic cycling or self-fulfilling prophesy, the real estate market has, indeed, cooled.

It is worth knowing that our market in Bethesda is pretty special and the real estate reports you hear may or may not apply to us. Often, the reports use data taken from a much larger geographic area and, the larger the area, the less applicable the information may be.

Statistics for homes sales across the nation are almost always worse than our local statistics would be for the same study. Even when a national report tries to target the “hottest” markets in the country, of which Washington, DC is certainly one, the trend for the others is often worse than it is here.

Those references include the greater Washington area which varies greatly within itself. Even a report on Montgomery County home sales is deceptive because as the market changes, the outlying areas decline sooner than our close-in neighborhoods.

There are other factors that one must consider when deciding on the relevance of a market report to the value of your home. For instance, the condominium market reacts differently from the single family market and so, if a report includes condo sales in its data, the numbers will be skewed. Sometimes sales reports are not clear as to whether the data reflects contracts or settlements during a particular time period. Settlements statistics reflect sales activity from approximately two months earlier.

Housing inventory is often represented as a number of months-supply of homes, and is the key piece of information affecting our market. Simple supply and demand economics dictates that a greater supply will increase marketing time and cause a downward trend in prices. According to the National Association of Realtors research, the total housing inventory (which includes single family homes,

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NEIGHBORHOOD UPDATE

During the time period from May 1 through August 31, 2006 six Sumner home sales were finalized, with an **average sale price of \$1,130,333**. (It is interesting to note how close that is to last *year's* average price of \$1,130,190!) My May newsletter listed an average sale price of \$1,252,837 for the first four months of the year. If those sales are added to the data from the summer, our year-to-date average sale price is \$1,179,335—up 4.3% from 2005. The early spring market was strong enough to keep the neighborhood “in the black”, so far.

Let's review the sales. The low sale of \$730,000 was the home located at 5109 Sangamore Road. That is one of the nice ramblers with a semi-circular driveway, built in the early 80's. It was priced attractively at \$699,000 and sold quickly for \$31,000 more than that. There are not many opportunities to buy a house in 20816 at that price level, so price point was definitely a contributing factor to the quick sale.

Another quick sale happened for 5902 Madawaska Road at a price of \$787,000, \$8,000 more than the list price. This cute yellow colonial had been for sale for a couple months in the sluggish market last fall. It did not sell and so the seller took it off the market to try again in the spring. Clearly, the spring market was better.

The home at 5707 Rockmere Drive was listed in late March for \$1,195,000. It is a handsome brick colonial home with a large swimming pool occupying the backyard. A house with a pool does not appeal to everyone and it is not surprising that the home did not sell right away. After about five weeks, the sellers pulled it off the market while they made some improvements to the condition and it eventually sold for \$1,100,000.

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townhouses, condos and co-ops) at the end of July 2005 was a 4.6-months supply. At the end of July 2006, that same statistic represented a 7.3-month supply. Our local Association of Realtors offers similar information, broken down to single family homes, for Montgomery County. Their research shows the number of active listings at the end of July 2006 was up 146% over the year before.

The greater supply is partly a result of the perception (or fear) that the market was about to change. It caused investors to sell properties they had been renting, in an effort to “cash out” before values fell. Some owners who had longer range plans to sell in a year or two thought it was wise to sell now. These things feed on each other and the result is more homes for sale and a longer time needed to sell them.

Have prices come down? This is the hottest question at the cocktail party and it is a little tricky to answer as a simple yes or no. Certainly, it is possible to compare average prices this year to last and draw conclusions based on the math. That mathematical result, so far, has shown that prices have increased. That is mostly because prices rose during the early part of the year and the statistics have not caught up to the market conditions now.

Here is the bottom line—the real estate market is softer than it was a year ago, but not as bad, in our local market, as what you are hearing. It is true that a home must represent a good value to succeed today. Accordingly, a serious seller makes sure his property is in top condition before putting it on the market and uses caution when determining the asking price. It is not appropriate to base a list price today on comparable sales from last year, or even from earlier this year. It is likely that buyers are perceiving a good value at a price about 5% below peak. That still represents an excellent price, considering the appreciation of the last few years.

So, we are in an adjustment period where buyers are cautiously waiting to see if prices are coming down any more, while sellers grapple with reigning-in their expectations. But guess what — homes are still selling. We were recently ranked as the #1 job market in the country. Interest rates are still very affordable at around 6 5/8%. There are motivated buyers who need to buy and *are* buying homes. As they purchase the realistically priced inventory, there will soon be a body of evidence that defines current value, and buying confidence will spread in an appropriately rebalanced market.

Our highly-rated schools and close proximity to downtown Washington continue to attract people who want to share in this desirable lifestyle. Four of the homes I sold over the summer involved multiple contract offers, either within the first few days of being listed or, in one case, before coming on the market. Two of those homes were priced over a million dollars. Yes, there *is* real estate after 2005.

Neighborhood Update...

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The home at 5813 Rockmere Drive is a success story. This Dutch colonial has two attractive bay windows and a large kitchen / breakfast room extension with a cathedral ceiling. The house was listed at \$1,195,000 and shown immediately to people who made an offer good enough to pre-empt the open house. It sold in two days for the final sale price of \$1,240,000.

The next sale on the list is a good illustration of a property that struggled as the market began to change. Listed on April 27th, the home at 5108 Westpath Court is a large house in good condition on an extra-large lot. A month earlier, one would have thought that its list price of \$1,325,000 was appropriate, but buyers were becoming more cautious and there were more homes from which to choose. It was not until the price was reduced to \$1,275,000 that the home finally sold. Its marketing time of thirty-three days seemed like an eternity compared with the speedy sales during February and March.

That brings us to the high sale for the time period—4809 Fort Sumner Drive. This property was originally listed on March 24th for 2.5 million dollars, featuring a half acre lot backing to the Crescent Trail. The backyard *is* truly special with a gate leading directly onto the trail, but still, it did not sell promptly. However, over the next six months the price worked its way down to \$1,850,000 and it finally sold for \$1,650,000.

As I write this newsletter, there is one home for sale in the neighborhood—4800 Scarsdale Road, priced at \$1,595,000. There is one other home that was listed on September 8th and went under contract in just a few days. That home is 5117 Scarsdale Road, priced at \$1,195,000. The floor plan of the house has been customized extensively to produce a large open living space that looks out to the backyard pool as well as a large bedroom and bath suite where the two-car garage used to be. **Also, I am about to list 5616 Namakagan Road, in nearby Mass. Ave. Hills. It is new construction offering over 6,000 square feet of living space and high quality finishes. Please contact me if you have questions.**

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