

# SUMNER

## REAL ESTATE NEWS

by

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### MARKET NEWS

Have you ever had first-hand knowledge of, or personal involvement in an event that becomes the subject of media coverage? If your experience is like mine, you probably found that some of the facts were omitted, distorted or inaccurate. Possibly, the journalist might have put a completely different “spin” on the story which produced an impression that was inconsistent with your knowledge and experience.



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For those of us who live in Bethesda, 20816, that is what is happening with regard to the sub-prime mortgage and foreclosure story and, to a degree, the reporting on the real estate market as a whole.

So what are these news stories talking about? Here is the briefest synopsis:

- ◆ When the real estate market became “super-hot” after 1999, lenders and investors recognized the excellent mortgage-related opportunities.
- ◆ To capitalize on that potential, lenders competed with each other to develop aggressive new loan products which made it easier for the borrower, although riskier for the lender.
- ◆ The lenders felt comfortable with the risk because home values were rising so fast, that the home’s appreciation was protection against loss.
- ◆ When the market began to decline, some people were caught, unable to make their mortgage payments but also unable to sell. Either the value of the home had fallen below the mortgage amount or there was a large pre-payment penalty associated with the loan, or both. So, the number of foreclosures began to rise.
- ◆ Publicity about the sub-prime mortgage and foreclosure problem caused the lenders and investment organizations who buy the mortgage-backed securities to panic - afraid that their investments were not secure.

So, for a week or two, the entire system “froze” while banks and investors waited to see what was going to happen. Fortunately, rates for non-conforming loans (above \$417,000), which had spiked to more than 8%, have already returned to

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### NEIGHBORHOOD UPDATE

During the time period from May 1 through August 31, 2007 seven Sumner home sales were finalized, with an **average sale price of \$981,214**. My *May* newsletter listed an average sale price of \$1,190,000 for the first three sales of the year. If those sales are added to the data from the summer, our year-to-date average sale price would be \$1,043,850—down almost 11% from the average sale price for the year 2006.

Sumner has a consistently low rate of turnover which makes the statistics subject to rather wide variations based on such a small data sample. The past four months happen to have included more sales of smaller homes without any of the larger, more expensive homes to balance the numbers. The average price at this time represents a statistical aberration, not a decline in Sumner’s value.

Let’s review the sales. The low sale of \$739,000 was the Stuart & Maury listing located at 5114 Nahant Street. This Dutch colonial had been updated very nicely and was listed at \$729,000. With three bedrooms and one bath upstairs, it was an excellent opportunity for someone to get into Sumner at an entry level price.

Another quick sale was another Stuart & Maury listing at 5144 Westpath Way, at the corner of Sangamore Road. This was a 1983 rambler that featured many upgrades and improvements. It was listed at \$849,000 and sold almost immediately for \$839,500.

The next sale was a very similar home nearby, at 5103 Sangamore Road. Also built in 1983, this home was a cape cod with two bedrooms on the main level and two bedrooms upstairs. The basement was unfinished but had a high ceiling and huge potential for finishing—it even had a rough-in fireplace. Listed for \$869,500, there were multiple offers which produced a final sale price of \$880,000.

The home at 5807 Overlea Road came on the market at \$899,000 in the middle of May. Handsomely sited on a corner lot, this brick and stone rambler featured a charming brick fireplace in the kitchen. A Stuart & Maury agent found the buyer and the home was sold in nine days for \$890,000.

The home at 4416 Sangamore Road is technically considered to be Sumner but is located in a little cul-de-sac that was built in 1989 on the other side of Sangamore Road. It sold for \$1,050,000.

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## MARKET NEWS...

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pre-crisis levels. However, the volume of negative publicity has caused some people to feel unsettled and hesitant to act. That is why it is so important for people to make sure they have current market information that is specific to the area where they are interested in buying or selling. Those who are delaying their pursuit of a real estate purchase or sale in Bethesda because they think it is a bad time, may be missing some very good opportunities.

There will likely be some collateral damage to the Bethesda real estate market from the problems described above. We could lose buyers who needed one of the aggressive loan programs that has been discontinued, in order to afford Bethesda prices. We also could lose buyers who live in an area where it has become very difficult to sell a house.

The other way we could be affected would be if the problems in the mortgage industry caused interest rates to rise. Affordability in our area, particularly since the dramatic escalation in prices over the last several years, is clearly dependent upon reasonable interest rates. Qualification standards for getting a loan have become more stringent, although that is not typically a problem for people buying in the Bethesda area; it is more a matter of their tolerance for the monthly payment.

Our market is not nearly as bad as what the news is describing, yet, it would be a mistake to think we are unaffected. There is still a demand for a quality residence in close-in Bethesda, but clearly, the market is not what it used to be—even last spring. But, it is important to remember that in any changing market, if you are selling and buying in the same area, it evens out. With fewer and/or hesitant buyers, sellers need to be careful about their marketing, particularly pricing, but, done correctly, a home will still sell in a reasonable time. Then, that seller can take advantage of a favorable climate for buying their next home.

The statistics for the zip code 20816 during the time period covered by this newsletter (May-Aug) are interesting when compared to the same time period last year. There were 98 transactions last year with an average sale price of \$966,640 and this year there were 72 sales with an average price of \$1,119,943. The range of sale prices was very similar for each of the two years with a low sale around \$560,000 and a high sale of about \$2,300,000. The most interesting statistic is the one for the average days of marketing before a sale. With all the negative publicity, you would think it would be dramatically longer, but the average is only five days longer this year (37) than it was last year (32).

In general, the problems in the news are affecting other areas more than ours. While it would be foolish to think that Bethesda is immune to these difficulties, there are qualities here that afford us as much protection from the problems as one could hope to have. Again I say, we are indeed fortunate.

## Neighborhood Update...

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The pretty white brick colonial at 4916 Brookeway Drive had a nicely renovated kitchen and a first-floor bedroom and full bath. There were four more bedrooms and three baths upstairs. Listed at \$1,195,000, it sold within five days at that price.

The high sale for the time period was the large cape cod at 5021 Baltan Road. This stone and brick home offered two bedrooms and two baths on the main level as well as three bedrooms and two more baths upstairs. The best feature of this house was a large lot with one of the most magnificent backyards you will find in Sumner. The initial price was \$1,395,000 which proved to be too ambitious. Eventually the price was reduced to \$1,335,000 and it finally sold for \$1,275,000. Although the house needed significant updating, the size, features and outstanding lot make it a good buy at that price.

UNDER CONTRACT at this writing is the home at 5108 Baltan Road which came on the market at the end of June for \$1,175,000. A stately red brick colonial on a great corner lot, it sold almost immediately. I'll report the final price after it settles.

Another home waiting for settlement is the split level at 5008 Rockmere Court. This home had been a rental for several years and did not show very well, but has a very good lot on a very desirable cul-de-sac. The list price started at \$1,050,000 and worked its way down to \$979,000.

While some homes have struggled to sell for one reason or another, it must not be overlooked that five of the seven sales this period happened in less than ten day, and two of the sales were above the asking price. Sumner is one of the most desirable neighborhoods of close-in Bethesda and will continue to attract people who recognize its value.

### BE AWARE

The Montgomery County Infill Development Task Force is holding meetings and will make recommendations to the County Council with regard to possible legislative changes to zoning and building regulations for residential property.

One topic being discussed is the regulation for lot coverage which currently allows for your home to cover 35% of your R60 lot. The change being proposed would reduce the allowable coverage to 30%.

Another proposal would require an owner to obtain a specific county permit before removing any tree exceeding a certain size. The ability to obtain a tree removal permit could become a consideration in plans for an addition, a deck or a garage.

Whether you favor or disfavor these proposals, the way to make your opinion known is to contact the elected officials whose email addresses appear below:

Councilmember.Berliner@montgomerycountymd.gov

Councilmember.Praisner@montgomerycountymd.gov

Alternatively, you could telephone them at 240-777-7900.

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