

SUMNER

REAL ESTATE NEWS

by

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MARKET NEWS

The last several months have been a turbulent time for everything related to real estate including sales, prices, marketing time, marketing strategy, mortgage availability, mortgage prices, mortgage qualification, appraisals, etc... Fear, generated by the foreclosure crisis and the problems in the financing industry continues, to exacerbate the already struggling home sale market.

Economic concern over the potential insolvency of Fannie Mae and Freddie Mac has caused banks to tighten their qualifications and raise their prices, which has caused the housing market to suffer even more, which in turn will make things worse for those two huge secondary lenders and all the investors and banks that depend on them. It is a vicious cycle that feeds on itself and is difficult to break.



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So, the number of sales is definitely down and the headlines make sure you know it. However, an individual homeowner is more interested in, and affected by, the sale prices than how many homes are selling. During the last several years of the "housing boom" the drama was really about the quickly-

increasing value of homes, not the number of homes sold. Unfortunately, when the press reports that home sales are down a certain percentage, I think it reads as if the *value* has decreased that much. Around here that is not the case.

There is no doubt that the real estate market is suffering right now but our local market is not experiencing the pricing freefall that is happening in some areas of the country. Statistics from the National Association of Realtors report that Los Angeles and Las Vegas have experienced a decline in value of nearly 30%!

Data from our local multiple listing service (MRIS) comparing sales and prices of single family detached homes in the 20816 zip code, shows that from January through August of 2007, there were 76 home sales closed at an average price of \$1,076,809. This year to date, there have been 62 closings at an average price of \$1,081,602, a slight INCREASE over last year!

Notwithstanding the statistical increase in value, I stress that the market has been turbulent. Early in the year there were sales that were clearly about 5% lower than the comparable sales from a year earlier. However there were times this year when listings sold for prices which were in the same range as the comparables, and even a few instances where the price was better than expected.

In one case, a house was listed at the end of July at a price which seemed too good to be true. It was a newer house with four bedrooms upstairs, a granite kitchen with adjoining family room and a two-car garage priced at

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NEIGHBORHOOD UPDATE

Since my last newsletter there have been five Sumner home sales finalized at an average price of \$1,176,600. (There was one more sale that was supposed to settle in August for \$1,040,000 but that closing was delayed until September 2nd. If it had settled on schedule there would have been six sales at an average of \$1,153,833.) From a strict statistical standpoint using only the five sales that actually settled by the end of August, the average price of \$1,176,600 is a huge increase over the average for the same time period a year ago. Last year at this time I reported an average price of \$981,214. Admittedly, that was a particularly brutal period and the *year-to-date* average last year was \$1,043,850.

It may be more meaningful to compare this period's average (\$1,176,600) with the average price for *all* of last year which was \$1,030,269. If the sales from the first four months of this year are added to the current data, the *year-to-date* average price is \$1,046,000 which shows a slight increase over last year's average.

In my January 2006 newsletter I reported that the average price for Sumner home sales during 2005 was \$1,130,190. It is interesting to look at the periodic average prices that I have calculated from the MRIS data since then:

May 2006	\$1,252,837
September 2006	\$1,130,333
January 2007	\$1,156,027
May 2007	\$1,190,000
September 2007	\$ 981,214
January 2008	\$1,030,269
May 2008	\$ 828,333

Obviously, there have been some tough stretches for home sales over the last few years, but if you back-up and look at the yearly averages you see:

2005	\$1,130,190
2006	\$1,156,027
2007	\$1,030,269
2008 (year-to-date)	\$1,046,000

This confirms the conventional wisdom that the Spring of 2006 was the peak of the market.

Since the robust market of 2005, the value of homes in the neighborhood has fluctuated somewhat but nothing like the drastic losses that some areas of the country (and even sections of our local market) have experienced. The May-August average of \$1,176,600 is higher than the 2006 average price of

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Market News...

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\$850,000. Well that attracted some serious attention and within a few days I found that the buyers I represented were competing with 12 other people for the house! I am happy to report that my buyer's contract was accepted and, though the price escalated well beyond the artificially low list price, they still got a very good value. Based on the description of the real estate market that is given by the news media, it is noteworthy that *any* listing can attract 13 offers!

I think it is fair to say that real estate values in our area are holding steady. Somewhere during the last two years there was an adjustment in value and the feeling that prices are down about 5% from the absolute peak is probably accurate. Since that adjustment, however, and despite the short-term fluctuations, our market has been pretty level. Understanding the nuances of the local market is more important than ever and it cannot be stressed enough that anyone contemplating a real estate transaction should be represented by an agent who has an intimate knowledge of their specific areas of interest.

Among the businesses associated with the sale of residential real estate, none has been more affected by the current economic situation than the mortgage loan industry. New standards have been imposed by Fannie Mae and Freddie Mac with regard to loans that they will buy and other rule changes were generated by the banks themselves, to decrease risk and improve profitability—all of which make it harder for a borrower to obtain a loan.

The most significant changes are related to the amount of down-payment that is required. For the most part, the no-money-down loan has disappeared. The smallest down-payment right now is approximately 3% of the sale price, required on an FHA loan. Until recently, a popular way to avoid mortgage insurance without paying 20% down was to put 10% down and obtain a 10% second trust. Second trust money is very hard to find now (due to the increased risk) so a buyer with only 10% to put down will have to buy mortgage insurance on a 90% loan.

Nationally, many of the loan defaults have been on condominiums and so the lenders have increased the required down-payment for a condo from 5% to 10%. This additional cash protects the bank but may prove difficult for a first-time buyer.

The "no doc" loan is virtually gone. One can still get a "stated income" loan (where a buyer's source of income is difficult to document) but now these loans are only available at the conforming level and require a 20% minimum down-payment. In the past a buyer could simply state the income required, with no proof, put down 10%, and get a jumbo loan to buy a house. Clearly, that is too risky in our present market.

The price of 30-year fixed rate non-conforming money is so unattractive at the moment that almost all buyers requiring a jumbo loan are using 5/1 or 7/1 adjustable rate loans. While these are not bad loans, it seems ironic that ARMs were blamed for being one of the main causes of the foreclosure crisis and yet the jumbo pricing is forcing more people to use them.

It is not hard to see that all of these changes are aimed at reducing the lender's risk, yet they raise the hurdles that a potential borrower faces in getting a loan. Eventually, these changes will produce a better quality crop of mortgages which will be a more stable investment instrument for the secondary market and ultimately help to restore the liquidity on which we depend to keep the mortgage money flowing. Fortunately, buyers in Bethesda are able to meet these new challenges and home sales in our area humbly continue to exceed all of our expectations.

Neighborhood Update...

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\$1,156,027 and it is not too far of the peak prices from the Spring of 2006—down just about 6%. I have often said that Sumner's appeal, quality, location and excellent public schools are protective of the home values in the neighborhood, and these statistics would seem to confirm that statement.

Let's review the sales. The Stuart & Maury listing at 5114 Nahant Street is an adorable home with a recently renovated kitchen and it shows very well. It is a smaller home with three bedrooms and a unique bath and a half arrangement upstairs. The list price was \$729,000 and it sold for \$715,000.

Another Stuart & Maury listing was the home at 5004 Brookeway Drive. The builder/owner installed a large and impressive Viking and granite kitchen and the condition was superior throughout the house. This home was listed for \$1,135,000 and sold after the first weekend for \$1,118,000.

The home at 5003 Nahant Street had a very nice and modern kitchen with a breakfast room bump-out that connected to a modest family room. The rest of the house was elegant but ready for some updating. Originally listed for \$1,425,000, the asking price was eventually reduced to \$1,275,000 and the final sale price was \$1,200,000.

The sale of 4920 Brookeway Drive is a similar story. This home has a two-story addition that gives it a high-quality granite kitchen with a luxurious master bath above it on the second floor. However, the master suite occupies such a large space that the second floor is left with only three bedrooms. With that, the original price of \$1,395,000 proved to be too ambitious and after reducing the list price to \$1,295,000, the home sold at \$1,210,000.

The high sale for the period was 4811 Fort Sumner Drive. This home has an improved kitchen and an excellent family room space along with gracious proportions throughout. The basement had been very recently finished and adds some wonderful living space but the main attraction is that the house backs to wooded parkland and the Capital Crescent Trail. Originally listed at \$1,769,500, the asking price was adjusted to \$1,699,500 before it eventually sold for \$1,640,000.

There are two homes in the neighborhood under contract pending settlement. The home at 5120 Westpath Way was listed at \$899,900 which proved to represent a good value because it got a contract in about a week. The home at 5120 Baltan Road was originally listed for \$1,249,000 and worked its way down to an asking price of \$1,095,000 and is now under contract.

As of August 31st, there were three homes for sale in the neighborhood: 5108 Westpath Court for \$1,195,800; 4806 Fort Sumner Drive for \$1,170,000; and 4805 Fort Sumner Drive which features a top-of-the-line kitchen and first floor master suite for \$1,195,000.

You should be aware of the provisions of the Housing and Economic Recovery Act of 2008 that may affect your real estate interests. Go to http://www.realtor.org/gapublic.nsf/pages/hr_3221_key_provisions or contact me for the information. I can help you with your real estate needs.

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