

SUMNER REAL ESTATE NEWS

by

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2010 Review +

“An ugly win.” Have you ever watched your favorite sports team play a game that was rife with fouls, penalties, injuries and broken plays that somehow succeeded. It may have been a game of two steps forward and three steps back, but through hard work, perseverance and determination— not to mention skill— they came away with a win. In my view, the 2010 real estate market in Bethesda could be looked-upon as “an ugly win.”

In the sports game, the distraction of all the adversity obscures the team’s achievement, but when, after the fact, you examine the stats, you see that they accomplished enough for the victory. Similarly, 2010 was a hard year in real estate, the market’s progress clouded by longer marketing times, “bare-knuckles” negotiations over prices, “fights to the death” over home inspection repairs, contrary appraisers, demanding lenders and delayed settlements. But after a well-deserved breather over the holidays, during which the year end totals could be tallied, the statistics reveal a pretty good year overall.



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Nationally, the real estate news is not as positive. Distressed sales including foreclosures and short sales account for 33% of all existing home sales. That is a staggering statistic! Even so, National Association of Realtors statistics through November show that the average price of existing homes in the U.S. rose 3.9% over the year before. That same chart broke the country into regions and showed the South, West and Midwest prices rising less than 3% but prices in the Northeast increased by 10.1%. One statistic that was consistent in all areas was the number of transactions. While prices are doing better, the sales rate is down by anywhere from 18% to 34% depending on the region.

Lingering concerns about the health of the economy and job security are still tempering the public’s temptation to capitalize on reduced prices and very low mortgage rates. Many people who already own homes have put off plans to make a housing change, opting instead to remain in place. This wait-and-see behavior may partially explain the surprisingly few homes that came on the market during the last part of 2010. With little in the way of exciting new inventory, the fall sales numbers were down considerably.

Our real estate good fortune is driven by employment. It has been reported that the DC area is the number one job market in the country, adding 49,000 new positions during 2010. Further, the bulk of those were considered to be high paying jobs, which is no surprise in light of the finding that we have one of the most highly educated work forces in the country. I remember writing in January of 2005 that our area was adding 75,000 new jobs per year and that it was likely for that to continue for many years. Now, six years later and having weathered a serious recession, it wasn’t 75,000, but those 49,000 new jobs are the lifeline that sustains our local real estate market.

One recent report stated that the Washington DC area was one of only four major metropolitan areas to have an *increase* in home prices for the year. The MRIS statistics for all of Montgomery County show an increase of 4.27% in the average price of single family homes. Northwest DC outperformed that

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NEIGHBORHOOD NEWS

As I have compiled my statistics for real estate sales in 2010, I have found a disparity in the year-end results among neighborhoods in the 20816 ZIP Code. Ordinarily, the various neighborhoods along the Massachusetts Avenue corridor feel the same effect of the market—appreciation or depreciation— but to differing degrees. This past year was unusual, with some neighborhoods seeing an increase in their average sale price and others posting a decrease. For example, nearby Glen Mar Park and Glen Echo Heights were down 17.2% and 9% respectively, while Wood Acres and Springfield were up 5.5% and 21.7%. Keep in mind that average prices are easily skewed by an extraordinary sale or two when the sample is so small. It is the opposite movement that is more noteworthy than the actual percentages.

Sumner was one of the neighborhoods showing a statistical decrease in the average sale price of its homes during 2010. The list of sales below, including one non-MRIS sale that I pulled from the public record, results in a calculated **average price of \$1,089,928**, down about 9.1% from the 2009 average of \$1,198,277. This is a misleading statistic that bears explanation. In 2009, there was a very small sample of only 11 homes, and one of those was the new home on Ft. Sumner Drive that went for \$1,850,000. Further, there were no sales at all in the \$700’s or \$800’s and so the average price that year was a mathematical 21% higher than the average for 2008. To the extent that 2009’s average was misleading, so too is the theoretical decrease we see in the numbers this year. I am confident that this is only statistical and that Sumner home values actually increased last year.

There were a healthy **19 sales in Sumner** last year—the most since 2004 when there were 26 sales (at an average price of \$909,842). That represents our normal turnover rate of about 4% of the neighborhood. Selling time was also much improved last year with an average of only **38 days on the market** as compared with 67 days the year before, and 56 days for the entire 20816 ZIP Code. Those are great stats in a year when so many other areas have floundered.

Here is the list of sales from 2010:

6013 Corewood La	3 BR	3 BA	\$ 739,000
4903 Ft. Sumner Dr	5 BR	3 BA	740,000
5009 Sangamore Rd***	4 BR	3 BA	795,000
5107 Scarsdale Rd	3 BR	3 BA	855,000
5807 Overlea Rd*	4 BR	3 BA	869,000
6018 Overlea Rd	5 BR	3 BA	910,000
4711 Ft. Sumner Dr	4 BR	3.5 BA	993,000
5104 Nahant St***	4 BR	3.5 BA	995,000
5703 Overlea Rd	5 BR	3.5 BA	1,050,000
4808 Scarsdale Rd	4 BR	3.5 BA	1,127,000
5137 Westpath Way	6 BR	3.5 BA	1,180,000
4800 Ft. Sumner Dr	(unavailable)		1,185,000
6005 Overlea Rd	4 BR	2.5 BA	1,193,200
5016 Baltan Rd	4 BR	3.5 BA	1,200,000
5606 Ontario Cir	5 BR	3.5 BA	1,212,000
4706 Ft. Sumner Dr	5 BR	4.5 BA	1,280,000
4807 Ft. Sumner Dr	6 BR	3.5 BA	1,393,000
6016 Overlea Rd	5 BR	4.5 BA	1,425,000
4819 Ft. Sumner Dr	7 BR	6.5 BA	1,662,500

*** Robert Jenets Sale

*Stuart & Maury Sale

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by posting an impressive 9.4% gain.

As always, the statistics that matter most to us are those for our immediate area. Below is a chart of the average sale price for detached, single family homes, by ZIP Code, that may be somewhat perplexing.

STATISTICS by ZIP CODE—2010

	# of Sales	Average Price	%Change from '09
20814	185	\$ 880,579	- .6%
20815	238	1,118,148	+ 2.8%
20816	186	935,688	- 2.2%
20817	373	986,662	+ 6.2%

With the mildly positive news about our area's home prices rising, and Bethesda/Chevy Chase certainly being among the best locales, why is the average price down in two of the four zip codes? Also, why am I calling last year "a win", albeit and ugly one, if prices went down?

A close look at the numbers in the chart shows that the price in 20814 was ever so slightly lower than the year before and can be viewed as essentially unchanged from 2009. As for 20816, it is significant that 2009's data sample included one very unusual sale for \$4,050,000 on MacArthur Blvd.—the lot high on the hill with the magnificent view of the river. Sales from 2010 included a couple of unusually low sales in the \$300's that pulled this year's average down. Despite the statistical decrease, my sense is that the market has stabilized and individually, homes in 20816 maintained their value last year. Considering the carnage being experienced elsewhere, Bethesda's sales statistics from 2010 can certainly be viewed in a positive light.

I am optimistic about the local real estate market in 2011. Already there is evidence that, despite last fall's slowdown, the demand for quality Bethesda housing did not go away—it was just on standby, waiting for new listings. My attention was caught by two sales already in January. One of these homes was marketed last year, but failed. It is a home that has been beautifully renovated and when it came up for sale this time, in the second week of January, it sold immediately. Another home nearby that features a fabulous gourmet kitchen and huge master bath came on the market right after the first of the year at a price that is near the top of the market in the neighborhood where it is located. This one also went under contract in less than a week.

So the demand is there and I happen to know that there will be many new listings in the next few months. That should be the formula for a robust market, provided that the supply does not overwhelm the demand. As always, we need a good balance between the supply and the demand to have a healthy sales environment.

For anyone planning a move this year, you would be wise to plan ahead. Almost any home requires some preparation for maximum marketing appeal. This could range from some touch-up painting and de-cluttering to a kitchen or bath renovation. These things take time and you want to be ready if an opportunity presents itself. Similarly, on the buying side, you will want to establish a relationship with a reputable loan officer (I can recommend a few) and know your capabilities. Remember, do not make any large financial changes near the time you will be applying for a loan. They could affect your credit score, which is evermore critical to optimizing your loan choices and rates. Please call on me for any advice or referrals that you may need.

NEW TAX ASSESSMENTS: Many of the homes in our area just received their new County/State property tax assessment. In most, but not all cases, the value is less than it was previously. In the examples that I have seen, the drop in price is more drastic than real market conditions would indicate. As you know, these values are derived by a very undetailed process and it is a process that lags far behind the current market. Don't spend much mental energy fretting about your assessment—unless maybe yours is one that increased!

Neighborhood News ...

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Of last year's 19 sales, seven were at the full asking price, two sold for slightly more than the asking price at the time of contract and the remaining ten sold for less than the listed price. In only four cases was the original price reduced before attracting a contract. Sumner homes sold for 97.5% of the price listed at the time of sale and about 94% of the original asking price.

While it is true that our general area has weathered the real estate "crisis" better than many areas, it is not immune to the effects of the economic downturn. We have been fortunate in avoiding distress sales for the most part, but there *has* been one short sale in each of the last two years. In both cases, the size of the house and quality of the features are better than could be expected at their respective prices. Those buyers got a great deal! Because it is only one sale per year, there are enough arms length transactions to mitigate the effect of these "tough comps." But you can see that if there were more of them how it would drag the value of the neighborhood down. Let's hope that distress sales will soon be a thing of the past.

Here is a look at the average home sale price for the neighborhood over the last ten years:

2001	18 sales	\$ 669,389
2002	21 sales	\$ 754,438
2003	22 sales	\$ 817,028
2004	26 sales	\$ 909,842
2005	16 sales	\$1,130,190
2006	13 sales	\$1,156,027
2007	13 sales	\$1,030,269
2008	14 sales	\$ 989,311
2009	11 sales	\$1,198,277
2010	19 sales	\$1,089,928

Given that the average price for 2009 does not accurately represent the value of Sumner homes for that year (it is artificially high), the peak of the market was in 2006. The average price for 2010 is only \$66,099 less than that, down about 5.7% from the peak. Considering the severity of the financial meltdown and the recession we have just experienced, it is fairly remarkable for home values to have recovered all but about 5% of their peak value! We can be thankful everyday for our fantastic location, a top-notch school system and a wonderful collection of fine homes in a desirable neighborhood for the resiliency of our local real estate market.

As I write this letter, there are no Sumner homes on the market and none under contract, pending settlement. The only real estate activity so far this year in the neighborhood has been the settlement of 5010 Nahant Street that went under contract last November 30th. That home was listed at \$1,275,000, was reduced eventually to \$1,175,000 and finally sold for \$1,150,000. And, to start off the year, I recently represented buyers who have contracted to purchase a home on Brookeway Drive that was not on the market.

I am sure there will be much real estate activity in Sumner this year, partially as a result of the many people who put their plans to move on hold during the past couple of years, and particularly, last fall. With improved economic news and consumer confidence on the rise, this year will provide a good opportunity for those people who have been contemplating a move. For some, it is still intimidating to think about whether to sell first or whether there is a way to buy first. To that end, I did see one lender advertising bridge financing, which has been missing for the last few years. I help people solve this puzzle everyday and would be happy to help you with your real estate needs. There is no obligation for calling me to discuss your dreams and how to make them a reality; it is what I do.

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