

# SUMNER

## REAL ESTATE NEWS

by

### Robert Jenets

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## 2011 Review +

From the turn of this century through 2006 we watched in awe as the real estate market raged and prices skyrocketed. In our little corner of the world, Zip Code 20816, there were an average of 220 single family home sales per year. Then in the Fall of 2006, the financial crisis associated with sub-prime lending defaults shook the banking industry, which promptly instituted new, stricter lending guidelines. With money harder to borrow and people uncertain about the severity of the crisis, there was a sudden and significant *decline in the average number of real estate transactions to 161 per year*. This reduced number of home sales persisted for the next five years.



**Robert Jenets**  
#1 Realtor for 2016

Bethesda's economic resilience.

Using data taken from our multiple listing service, the MRIS (Metropolitan Regional Information System), the chart below is an interesting chronicle of the change. The chart begins in 2002 to allow for the comparison of the two preceding 5-year periods. Seeing the numbers this way clearly illustrates the decline in the number of sales but also shows the encouraging change of direction in the average price. This data indicates that *homes in our Zip Code are within about 6 1/2 % of their value at the statistical peak in 2007*. All things considered, that speaks highly of

### ZIP CODE 20816

YEAR	# OF SALES	AVERAGE PRICE
2002	216	\$ 636,823
2003	237	768,075
2004	234	825,437
2005	208	973,038
2006	206	1,014,259
2007	164	1,091,096
2008	152	1,058,592
2009	172	964,754
2010	167	947,751
2011	153	1,020,010

The number of single family home sales in the **20816** Zip Code shown above for 2011 represents only those sales that were listed in the MRIS. A careful search of the public record revealed fourteen more transactions that were not reflected in the MRIS data. That brings the total number of sales for 2011 to 167 units with an **average sale price of \$1,013,934—up approximately 8.4% from the 2010 average of \$935,688**. The average marketing time was 53 days—two fewer days than the 55 day average for 2010.

The mortgage process continued to be a challenge in 2011, whether the application was for a purchase or to refinance an existing loan. Lenders must now satisfy more stringent underwriting guidelines, which causes them to burden the borrower with prodigious documentation requirements. In order for a lender to be able to package a loan and sell it on the secondary market (which is essentially Fannie Mae and Freddie Mac), the loan must meet those organizations' exacting standards. If a borrower defaults on a loan, the file will be reviewed very carefully and, if flaws are discovered, the lender can be forced to "buy back the loan."

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## NEIGHBORHOOD NEWS

***I am proud to announce that I am the #1 Realtor in the 20816 Zip Code for 2011!***

***Sales data from the MRIS shows that I had the highest combined volume of listings and sales for the year. I am grateful to everyone who supported my efforts.***

Real estate activity in Sumner last year resulted in 14 home sales at an **average sale price of \$1,042,179** which is about 96.4% of the *original* list price. Several homes on the list were reduced from their original asking price and the average represents 98.4% of the list price at the time of sale, although five of them sold at full price.

The average sale price in the neighborhood for 2010 was \$1,089,928 which means last year's average is **down about 4.6%**. It is often the case in a neighborhood with a relatively low turnover rate that the data sample is small and subject to coincidental variation based on the presence or absence of a few sales at either extreme of the price range. 2010 had a couple more high priced sales and thus the bigger number.

As an example, the house at 5008 Rockmere Court is now under contract with a list price of \$1,975,000, and is due to settle at the end of this month. Had it settled before the end of last year and been included in the sales data, the average price would have been \$1,104,367. You can see how susceptible a small sample is to variation from even one sale. It is safe to say that home values in Sumner benefited as favorably as the statistics for the entire Zip Code would indicate.

The average **marketing time** before a home got a contract was only **28 days** which is quite a bit shorter than the average for the whole Zip Code (53), and not insubstantially less than last year's 38 days. One of the sales last year occurred before the home was listed in the MRIS, so it appears as having spent zero days on the market. If that sale is taken out of the data, the average marketing time would still be only 30 days, so either way shows a big improvement.

### Here is the list of sales from 2011:

5021 Sangamore Rd	4 BR	3 BA	\$ 769,000
4906 Baltan Rd	4 BR	2.5 BA	840,000
5004 Fort Sumner Dr	4 BR	2.5 BA	870,000
5012 Fort Sumner Dr	4 BR	3.5 BA	875,000
4828 Fort Sumner Dr	4 BR	3 BA	880,000
5120 Westpath Way	4 BR	2.5 BA	931,500
<b>5609 Overlea Rd *</b>	4 BR	3.5 BA	945,000
5504 Namakagan Rd	3 BR	2.5 BA	1,015,000
5010 Nahant St	5 BR	4.5 BA	1,150,000
5140 Westpath Way	6 BR	5BA	1,170,000
4829 Fort Sumner Dr	5 BR	3.5 BA	1,210,000
<b>5106 Nahant St ***</b>	4 BR	4.5 BA	1,250,000
5100 Randall La	4 BR	4.5 BA	1,260,000
5028 Baltan Rd	6 BR	5.5 BA	1,425,000

\*\*\* Robert Jenets Sale \* Stuart & Maury Sale

The scope of this newsletter does not allow for multiple pictures and more detailed information about each of the sales listed above. For that, you may visit my website, **www.robertjenets.com**, where you will be able to access the listing information and pictures from the MRIS database.

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## 2011 Review + ...

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The fear of having to do so has underwriters taking great care with every document in the file (overkill is the word) and re-reviewing everything, including the appraisal, right before settlement. As such, delayed settlements are not at all unusual.

A borrower with nothing unusual about his/her profile will have no trouble getting a loan for which they are qualified but any application outside the norm triggers extraordinary documentation, much of which seems unreasonable and even duplicitous. Some buyers will not be able to get a loan from a large institutional lender which is only interested in originating loans that can be resold. A complicated income that is difficult to document, or an unusual property, may require the services of one of the small, local banks that have the flexibility to “go outside of the box.” In the case of an unusual property like my listing on MacArthur Blvd., (it sits on an acre and a half!) finding comparable sales was a real problem because there are none to be found. That is an example of a property that just did not fit the mold and was ultimately financed by a local bank. Knowing where to find such a bank can be invaluable in today’s tough lending environment.

I mentioned the fact that the underwriters are reviewing the appraisal and sometimes questioning it. As with all of the financial documentation, they are looking at an appraisal to see if it would withstand “dissection”, should there be a problem down the line. Their review includes analysis of the comparable sales to be sure that the adjustments are within the appraisal guidelines. This has caused untold difficulty for people trying to refinance and, in many cases, prevented them from doing so. What a shame not to be able to take advantage of current interest rates because adequate comparable sales are scarce.

Today’s loan process requires persistence but, in most cases, is not impossible. If you encounter stumbling blocks along the way, don’t give up too easily; these historically low interest rates are worth fighting for. Obtaining an appraisal that is high enough to yield the required loan to value ratio is the most frequent issue standing in the way of a refinance. Let me know if you need help with appropriate comparable sales.

Despite these financing challenges, the chart below shows most of close-in Bethesda and Chevy Chase moving in a positive direction, with only 20817 down slightly from last year’s figures.

### STATISTICS by ZIP CODE—2011

	# of Sales	Average Price	%Change from '10
20814	193	\$ 985,592	+ 11.9%
20815	225	1,148,921	+ 2.7%
20816	167	1,013,934	+ 8.3%
20817	354	967,016	- 2.0%

The real estate business in 2012 is quite a bit different from what it was when I started in 1984. I can remember the days of receiving a termite report in the mail and having to drive that piece of paper to the title company office. The first technological improvement to make life easier was the fax machine which came about the same time that car phones became available. We thought we were on easy street at that point, not knowing that one day we would carry a little phone in our pocket that could do EVERYTHING. Being able to scan documents and email them has been a tremendous benefit to legibility and now we are moving towards electronic signatures which will make the process even more convenient.

As helpful as the ever-developing technology is, buying or selling a house is still an intensely personal endeavor. My greatest satisfaction comes from working with real people to help them realize their real estate goals. After 28 years of doing so, I can assure you that, no matter the challenges, if you have the desire, I have the knowledge and expertise to make it happen.

## Neighborhood News ...

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The chart below shows the number of sales and the average price of **Sumner homes** over the last 10 years:

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
2011	14 sales	\$1,042,179

Remembering that the average price for 2009 was a high aberration and that 2011 was deceptively low, it would appear that the neighborhood is holding its value quite well.

As I write this letter in early January, there are only two homes for sale in the neighborhood, one of which is 5004 Brookeway Drive (a Stuart & Maury listing) for \$1,149,000. This home features a fabulous high-end kitchen. The other is 4907 Fort Sumner Drive for \$1,899,999, which was newly built in 2009. I have a listing at 5120 Marlyn Drive (only two blocks away from the Brookeway listing - technically Massachusetts Avenue Hills) that will come back on the market in March.

I have had several calls from agents in the last couple of weeks asking to show Marlyn or if I have any homes that are not yet on the market that they could show. This happens every year—the buyers are ready to go before the sellers and so we agents are “digging” for houses to show. For anyone planning to sell a house this Spring, it is definitely worth considering coming on the market sooner, rather than later when there will be more competition.

### HISTORICALLY LOW INTEREST RATES!

It is very interesting that the buying public does not seem to be focused on the special opportunity being afforded them by today’s unbelievably low mortgage interest rates. As recently as 2000, when the market was really beginning to take off, the average 30-year conforming interest rate was around 8%. By 2005, that had slipped down to approximately 6% and the market was on fire. The average conforming rate today is about 4%!

You may say that in 2000, when the rate was 8% and all those homes were being sold, that the average price was a fraction of what it is today. That is true, but the statistical peak in our area occurred in 2007 when the average interest rate was about 6 1/4% and the average price of a detached home in 20816 was \$1,091,096. The average price today is about 6% lower than that AND the rate is over 2% less! It is inevitable that mortgage interest rates will eventually rise, and a change in the interest rate always makes a bigger difference in the monthly payment than a similar change in price. If one is in a position to buy a home right now, it is a remarkable opportunity that we may not see again any time soon.

This being an election year, most people are confident that interest rates will remain relatively low in the near term, which bodes well for the local real estate market in 2012. I have the sense that a significant number of people have had their real estate plans on hold for a few years and that they are feeling like this might be the year to revisit those plans. A portion of that group has been steadily drifting toward the idea of renovating their present home because it is has been harder over the past few years to make a move. However, I think that when these people see a good house for sale this year, they are going to feel like the time is finally right to make the move. We’ll see.

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