

SUMNER REAL ESTATE NEWS

by

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2002 REVIEW



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While it is clear that the real estate market in 2002 was excellent, it was most remarkable because it followed the four excellent years before it. After last year's double-digit appreciation, few would have predicted that it would happen again in 2002. Since 1998, the hardest part of writing about real estate has been trying to find new superlatives to describe the robust performance of the market here in Bethesda and the Washington, DC area.

It was only a week or so into January that the market resumed its normal activity after the holidays. Buyers were ready, new listings sold immediately and the message was clear that there were more potential purchasers than there were homes for sale. By the end of February, the stories of multiple contract offers involving several parties trying to outbid each other spread rapidly. Buyers used a variety of tactics hoping to make their offer the winner, including, not only an escalated price, but offering to purchase in "as-is" condition with no financing or home inspection. As potential sellers saw the healthy sales climate, more homes began to appear on the market. Each sale seemed to set a new high price and so new asking prices rose to reflect what was, obviously, tremendous

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NEIGHBORHOOD SALES UPDATE

There were 21 home sales in Sumner during 2002, which is three more sales than the total for 2001. **The average sale price was \$754,438** which represents almost a **13% increase** over 2001's average of \$669,389. The 21 sales represent approximately a 5% turnover ratio, which is a low, healthy ratio. When that few homes change hands in a year, it ensures that each listing is going to be special and generate a lot of interest. It also shows how much people love living in such a wonderful neighborhood—they don't leave!

It is interesting to note that of the 21 homes to sell, a remarkable 13 of them sold for more than the list price, and six more sold for exactly the asking price. That leaves only two properties that sold for less than the listed price. What a market!

At this writing, there are two homes in the neighborhood presently under contract, awaiting settlement:

ADDRESS	LIST PRICE
5625 Overlea Rd	\$695,000
5106 Randall Ln	860,000

Home values in our area have increased approximately 70% over the past five years! There is no doubt that Bethesda continues to be a terrific investment and a wonderful place to live.

If you would like specific information about your home and/or our local market, contact me at 301-257-3200, or robert@robertjenets.com.

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demand. The market built to a fever pitch in March and April and by early June the year's high sales plateau had been established.

Predictably, as we moved into summer and asking prices had become so optimistic, the pace began to slow. The number of multiple offers decreased, but prices did not. It is true that in cases where the final sale price was higher than the asking price, it was not by *as much* as it may have been in April, but the potential escalation had already been included in the list price. By August, it had become common for a listing to be available for 10 to 15 days before selling and this trend continued into the fall. Surprisingly often, after being for sale for two weeks (or more,) a listing would coincidentally get two or three offers and there would be competition for a home that, in April, would have been considered a failure for not selling during the first weekend on the market. The fourth quarter sales environment was strong and the real estate year ended on a sound, healthy note.

Considering that mortgage rates are the lowest that we have seen in forty years or so, the outlook for 2003 is very positive, with most people expecting prices to rise moderately. We shall see.

BETHESDA STATISTICS

There were 210 single family homes sold in the 20816 zip code during calendar year 2002 – down a little from last year's 228 sales. **The average sale price was \$640,650.** That represents an **11% increase** over the 2001 average of \$579,049. The average marketing time was 28 days. The following chart compares the average prices in Bethesda from 2001 with 2002, by zip code:

	20814	20816	20817
2001	\$548,326	\$579,049	\$597,641
2002	\$592,915	\$640,650	\$690,531
% Change	+8%	+11%	+15.5%

TRANSFER TAX UPDATE

The State recordation tax was increased during 2002. In the past, this tax, sometimes called "State Stamps," was charged at a rate of \$4.40 per thousand dollars of the sale price. The legislature bumped that up to \$6.90 per thousand, representing a 56% increase. Using a \$700,000 sale as an example, the State recordation tax would now be \$4,830. Typically, this tax is split between the buyer and the seller, so each party would absorb an increase of \$875 over what the tax would have been at the old rate.

Remember, when you transfer property in Montgomery County, there are three different taxes charged: County transfer tax, State transfer tax and the State recordation tax. To simplify the calculation, the three taxes together total 2.19% of the sale price, which is then usually split between the buyer and seller, approximately 1.1% each. Using the \$700,000 example, the total transfer and recordation taxes come to \$15,330, or \$7,665 to each party.

As much as you may not like this increase in cost, it is even worse in the District of Columbia. The total transfer and recordation taxes in the District increased from 2.2% to a significantly higher 3%. That means that the cost to transfer a \$700,000 house is \$21,000, also typically split between buyer and seller. Municipalities are struggling for funds and real estate is an obvious target.

The new recordation rate is perhaps even more significant in the case of refinancing, where the homeowner is increasing the size of the loan, possibly to pay for renovations or college. The borrower is charged the transfers and the newly increased State recordation tax on only the additional loan amount, but in this case there is no splitting of the fees.

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