

SUMNER

REAL ESTATE NEWS

by

Robert Jenets

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MARKET UPDATE

In my May newsletter I reported that the real estate market was showing some encouraging signs of improvement. While the current activity level fluctuates from month to month, there continues to be reason for optimism. And the reason is that homes are selling. In some cases, a home sells in just a few days and that is exciting, but it is equally uplifting to see a home that has been on the market for a long time, finally go under contract.

Examples of the latter include the homes at 5803 Ogden Road, 5303 Brookeway Drive and 5044 Westpath Terrace, all of which were on the market for about three months. They all started at higher list prices, but after periodic reductions to find the right value level, have recently gone under contract. And keep in mind that, while three months feels like a long time when it is *your* house that is not selling, three months is not a long marketing period in many other jurisdictions.



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Stuart & Maury can take credit for a couple noteworthy examples of quick sales that took place in the middle of August (which is historically thought to be a bad time for marketing a home in the Washington area). We had the listing and also the buyer for 5622 Lamar Road in Springfield which went under contract in just two days and I was the buyer's agent for the home sale at 5000 Rockmere Court after just four days on the market.

Another positive indicator of improving consumer confidence is the recent sale of the new homes at 6212 Dahlonga Road and 4907 Fort Sumner Drive, which were priced at \$1.895 and \$1.985 respectively. The market for homes in this price range came to a virtual standstill about a year ago and these two homes sat on the market for a long time. In fact, the only home to sell during the last year at that price range in the 20816 Zip Code was the home at 5404 Waneta Road which was listed for \$1.999 and sold for \$1.8 million last November. It is truly encouraging to see these two homes go under contract.

There have been contracts ratified on 64 single family homes in the 20816 Zip Code since May 1st. During that same time period last year there were only 42 sales. More and more it seems evident that, when

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NEIGHBORHOOD NEWS

It has been a slow trimester for real estate in Sumner with only three homes sales closing from May through August, as compared with five settlements during that same time period last year. This decrease in activity is in contrast with the activity for the entire 20816 Zip Code, which showed a substantial increase in sales over the previous year. But one might expect a "move-up" neighborhood like Sumner to have less turnover in a slower real estate market, especially with mortgage qualifications as restrictive as they are.

The homes that sold and settled this trimester include a smaller four bedroom colonial at 5013 Fort Sumner Drive which was listed at the end of June for \$745,000. Based on its need for extensive renovation, the price was deemed to be too high and the seller reduced the price after only thirteen days to \$685,000. That was a price that overcame any objections from the buying public and the home went under contract a couple of days later. The final sale price was \$695,000 but included a seller concession of \$10,000, so the contract was effectively full price.

Another home that sold is the handsome colonial at 4911 Rockmere Court, the corner of Rockmere Court and Rockmere Drive. The house was listed for \$1,250,000 on May 22nd, and the price reflected the need for updating and the fact that one of the two garage spaces had been converted to a first-floor bedroom. The home attracted a contract after only two days and settled at a price of \$1,125,000, which is a little surprising after only a couple of days on the market. However, a realistic attitude on the part of the sellers with regard to some inspection items and the amount of money that was going to have to go into the house to bring it up to its potential resulted in a win/win for buyer and seller.

In August, another great home came on the market, the home at 5000 Rockmere Court, priced at \$1,185,000. This is an attractive stone and brick cape cod with six bedrooms and five baths on a large corner lot. I brought a buyer to the house the first day it was available and I am happy to report that my buyer made an offer a few days later. The offer was ratified and I will report the details after settlement in October.

Sumner has not seen a great deal of speculative building of new homes, but one such endeavor is another of the settled transactions for this trimester. The home at 4907 Fort Sumner Drive (at the corner of Brookeway Dr.) was built in place of its run-down predecessor during the worst of the housing downturn.

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Market Update...

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the price is right, there are ready, willing and able buyers for homes in our area.

You may wonder if this increase in home buying can be attributed to the \$8,000 tax credit for first-time homebuyers that is part of the Federal Government's stimulus package. Because of the income limitations imposed upon the buyers, which obviously limit the maximum price they can afford, there are not many homes in our area that match those parameters. That part of the stimulus package has not had much of an impact on our market.

The sales activity we are experiencing is most likely a combination of pent-up demand, lower prices and less uncertainty about the mortgage loan process. During the time when the mortgage lenders were first adjusting the rules and programs to reduce their risk, buyers were under the impression that it was impossible to get a loan. That was not the case (it was only harder) but the negative perception kept many people from even trying. With time, people have become more familiarized with the new reality and, as consumer confidence has increased, they are realizing that there are good values to be had and they are "having" them!

Now, every rose has its thorn and so too with the real estate market and the economy, things are not perfect. Although our area is one of the best job markets in the country, we are not unaffected by unemployment. Some of the homes on the market are being sold because the owners cannot afford to pay the mortgage anymore, often due to the loss of a job. In some cases where the home was purchased in 2008 with one of the low cash mortgage options that were available then, or if the owner took all of the equity out of the house with a line of credit, there are even some "short sales" in Bethesda. (A "short sale" is one where the value of the home is less than the combined debt owed on the property.) Luckily, our market is healthy enough that they are few, and they have not had the devastating effect on our home values that a greater number (along with foreclosures) would cause.

Our MRIS has added a new search mechanism that shows properties in various stages of foreclosure. It is chilling to read the addresses of the properties that come up in our area and makes one realize that we are not immune. The problems with the economy are deep enough and have caused enough harm that it may be a long, slow process until things are all the way better. As I write this letter, the MRIS lists 100 properties in Bethesda, Chevy Chase and Potomac that are in some stage of foreclosure. It will take time for these properties to wash out of the system and they will have some effect on the market. But the good news is that we have buyers who want to capitalize on these potentially extraordinary values and they will work through the system in time.

Our real estate challenges are not behind us yet, but there are encouraging signs that seem to indicate that the worst is over. Proper pricing and excellent condition are as important as ever to a successful home sale and part of my job is to help sellers "get it right". When they do, the market rewards them with a positive selling experience.

Neighborhood News...

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Originally listed for \$2,190,000, the price was eventually lowered to \$1,985,000, which then attracted an offer. The sale closed at \$1,850,000.

Another speculative home was built at 5008 Rockmere Court but has not fared as well. This listing spent the first six months or so priced at \$2,495,000, a very troubled price range at that time. In an attempt to find the market, the price was adjusted first to \$2,395,000, then \$2,295,000 and finally \$2,175,000. Evidently the owners are taking a break and this listing is currently withdrawn from the market.

The house at 5805 Overlea Road was a rambler that was renovated and expanded within the last couple years to be a large colonial that presents itself like a new home. With five bedrooms and five baths, the design, workmanship and materials are all first-class and this house shows beautifully. The original list price was \$1,688,000, but was eventually reduced to \$1,549,000. Now under contract, it is yet another home to sell during this surprisingly active August.

The only home for sale at this writing is 4819 Fort Sumner Drive at a price of \$2,334,819. This handsome colonial is prominently sited on an unbelievable .63 acre lot with a swimming pool and a spacious basketball half-court. The house itself has seven bedrooms and five and a half baths but part of the value is in the fact that the lot has the potential to be subdivided to create a separate building lot. Obviously, the search for a buyer who wants to pay for their own park-like setting or who wants to break off the extra lot and build a new home is a tough one and the house is still available.

Looking at the real estate market in Sumner from the long view, one has to feel pretty secure. It is fair to say that your house is worth a little less than it was last year but there is widespread opinion that our values have bottomed out and that things should improve from here. There may be bumps in the road and it is possible to find opinions that warn of more value loss, but the quality of the homes and desirability of this neighborhood provide as much protection from depreciation as one could hope to have.

Anyone who is planning a move in the near future needs to be aware of revisions to the Truth in Lending Act that may affect settlement dates of real estate transactions involving a loan. The revisions took effect on July 30th and state that a residential mortgage loan cannot close until 7 days after the borrower has received the initial Truth in Lending disclosure. An even more ominous provision of the law states that, if the final APR (annual percentage rate) is more than 1/8 % higher than the initial disclosure, a new Truth in Lending disclosure must be given and then a statutory 3 day waiting period must elapse before settlement may take place.

Since the APR is also affected by title company charges that the lender must estimate, you can see that the potential for an unavoidable delay is high. The need for timeliness and accuracy from the lender (not their strong suit) and careful communication with the title company well in advance of settlement has become paramount. This also restricts the ability of the borrower to "float" for the best rate until the last minute. There are a lot of moving parts here requiring acute attention to detail, particularly in the case of coinciding settlements, where a last minute delay could be disastrous. Be aware.

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