

WOOD ACRES!

A Real Estate Letter from Matthew Maury of Stuart and Maury Realtors

May, 2005

Dear Wood Acres Area Resident,

When a sale in a community sets an all-time record, it's quite natural for homeowners in that community to think, "wow, what does that make my home worth?" I hear it everyday. And it's great fun to deliver the news. As settled sales prices throughout the region soar ever higher, the sound of thousands of heads being slapped simultaneously reaches a crescendo. I recently sold a property on Ramsgate Rd. for the most ever in the history of our community. The home sold for **\$1,180,000**, surpassing the previous Wood Acres highest sale of \$1,136,000. There were several unique features this home offered, including a pool built just a few years ago. The massive early '90's addition featured three stories; first and second floors plus a full basement under the addition. There are only three pools in Wood Acres and two of them were built a very long time ago. This one sparkled and was one of the main reasons the purchaser bought the home.



Wood Acres now has close to 90 homes with two or three-story additions - a total approaching a quarter of the community. As I have often said, the homeowner that undertakes such an expansion is making a long-term commitment to staying put, thus few of these homes come on the market. Every once in awhile, we get a glimpse of just how much the public might pay for such a home in Wood Acres. As impressive as the Ramsgate sale at \$1,180,000 is, I believe there are more than a few homes in Wood Acres with value exceeding \$1,200,000. Take a walk around the community and you will see several more large additions sprouting up as we speak. The burgeoning cost of a major two (or three) story addition may startle those who have not been paying attention. Depending on size and quality of course, some of these additions are reaching \$500,000 or more. More often, a range of \$300,000 to \$400,000 is becoming commonplace. Do the math. In a community where even the most modest of homes sometimes sell near \$800,000, it's not hard to see that many, many homes in Wood Acres have soared over the \$1,000,000 mark.

That's the good news. The cautionary news is that we are not alone. Prices have been and continue to move in all price ranges. When a \$700,000 house goes up in value 15%, it rises \$105,000. When a home worth \$1,400,000 goes up 15%, it rises \$210,000. As impressive as the gains in Wood Acres have been over the past few years, the next price range, and the super-price range above that has been soaring at similar or *greater speed*. An

entire cottage industry of renovators, builders, remodelers and knock-down artistes have descended upon Bethesda and Chevy Chase with a vengeance. The number of new “in-fill” homes being built in the close-in areas is astounding. As little as two years ago, the cost of a new home with 5000-6000 square feet was running in the \$1,300,000 to \$1,500,000. That price range is gone, replaced by a range of \$1,750,000 to \$1,900,000 earlier this year in January and February. Now those prices are gone, replaced by a new wave of homes being constructed with asking prices in the ballpark of \$2,200,000 to \$2,495,000. You have to go out Old Georgetown Rd., north of Cedar Lane to find new homes that still cost around \$1,300,000 to \$1,500,000, and their availability is fading. Another in-close community experiencing a stunning amount of “re-development” is Hillmead, just off Bradley beyond Huntington Parkway. There are at least six or seven new homes appearing right now where small cape cods used to reside.

Pushing this phenomenon is the cost of “land,” defined for the most part as the cost of buying an old house, usually, but not always in need of repairs, tearing it down, carrying the cost of the property for a year or more and then reselling the newly constructed home. As little as two years ago builders were able to locate properties in the \$300,000 to \$500,000. Those opportunities are gone, replaced by knock-down sales that have reached a million dollars in Chevy Chase. That’s right, some builders have paid more than a million dollars for the privilege of knocking down the house. And if the lot size approaches a half acre inside the Beltway, that price can soar to \$1,500,000 plus.

Recently, a modest Rambler on Namakagan Rd. on the edge of Sumner sold \$86,100 over the asking price at \$785,100. The builder/buyers are tearing down the home and building a new home scheduled for delivery in 2006. Imagine what the price will need to be for them to make money. And make no mistake, these entrepreneurs ARE making money. The public often complains about all this construction and my answer is pretty simple. As long as the buying public continues to buy them, at ever soaring prices, the industry will keep seeking out opportunities to build them.

All of this activity swirls around us. The Wood Acres community, backed up by a stringent set of covenants that have been recently refined and strengthened, has determined that this knock-down phenomenon will not be taking place in Wood Acres. **There’s an obvious virtue to this viewpoint.** A skilled salesman can now point out to a prospective buyer that the surrounding homes, the consistency and character of the street, the overall intrinsic harmony of the architecture, is protected and will remain unchanged. I had the “misty-eyed” experience of driving by the first little home I owned between 1976 and 1983, near Jones Bridge Rd. and Wisconsin the other day. I drive by from time to time, like so many of us do, remembering pieces of our past. *The house was gone!* A huge pile of dirt stood in its place. It’s understandable, the house had no basement and was ridiculously tiny. It stands less than two blocks from the Medical Center Metro Stop. It’s a miracle it lasted this long. But the experience reminds you of how emotional the entire “knock-down” issue is for many people throughout Bethesda and Chevy Chase.

In neighboring Springfield, many homes have received dramatic expansions, build-overs and a couple have been knocked-down completely. A new home on Newington Rd. rose over the last 18 months, built over an existing foundation and two-car garage. It was sold well over **\$2,000,000** on the first weekend it was for sale. That’s \$800,000+ higher than the previous high sale ever in that community. Like Wood Acres, Springfield has dozens of homes that approach this kind of value. None of them have ever come on the market. Now there has been a market test that proves that more than one person was willing

to \$2,000,000+ for a 5000+ square foot home in Springfield. Will that begat more knock-downs? Maybe so. There is another speculative home being constructed on Ridgefield Rd. on the way to the shopping center from Wood Acres. It is expected that the asking price for that home will fall somewhere between \$1,800,000-\$1,900,000. It will be very interesting to see how that scenario unfolds.

- The following Wood Acres homes have sold since my last letter in January:

	Original/List Price	Final Price
1) 6111 Ramsgate Rd.*	\$1,180,000	\$1,180,000
2) 5707 Gloster Rd.	\$899,000	\$900,000
3) 6116 Wynnwood Rd.**	\$949,000/899,000	pending
4) 5701 Harwick Rd.**	\$850,000	pending
5) 5907 Cranston Rd.**	\$829,000	pending
6) 5607 Harwick Rd.	\$775,000	\$847,500
7) 6202 Cromwell Dr.**	\$755,000	\$822,500
8) 5911 Ramsgate Rd.**	\$815,000	\$815,000
9) 6105 Cromwell Dr.	\$799,000	pending
10) 5917 Welborn Dr.	\$735,000	\$781,000
11) 5603 Harwick Rd.**	\$769,000	pending
12) 6105 Cromwell Dr.+	\$745,000	\$746,000

***Matthew Maury sale**

**** Stuart and Maury Sale**

+Matthew Maury sold another company's listing

I have a firm idea of what the pending sales above sold for and three of the four are well over the list price. You may recall that last year's average sold price in Wood Acres was \$745,664. Right now, the average is hovering over \$860,000 on the 11 sales above. This is an astounding development. Sustainable? Buyer's will try to convince you that it is not, but they are wrong. Good jobs are pouring into our area. The economic engine of employment in this city is purring like a fine tuned machine. As if the massive expansion of Homeland Security wasn't already a great shot in the arm for the local economy, now the Pentagon wants to shift thousands of jobs into Maryland from DC. I realize Congress has to approve the move of Walter Reed to Bethesda, but if and when it happens, three things come to mind: 1) I wouldn't want to have to drive on Wisconsin and Jones Bridge in the morning; 2) the west side of Bethesda is insulated from a lot of that traffic; 3) The medical field jobs coming our way are well paying jobs and doctors and medical administrators buy houses. Maybe not right away, but this has to be seen as a net plus for our area and certainly fuel to the real estate fire.

We may lose what used to be called the Defense Mapping Agency on Sangamore Rd. I have lived in the Wood Acres/Springfield area since 1956. In that time, I have met very few people over the years who worked at that facility. I don't expect that move to affect our real estate values. In fact, short term, it may improve our traffic patterns.

Interest rates have dropped over the past few weeks, even as Mr. Greenspan attempts to convince everyone that rates should rise. The marketplace just doesn't seem ready to accept a higher interest rate environment. As long as rates hover at or under 6% for fixed

rate 30-year Jumbo financing, this market will continue to have legs. The media's new whipping boys appear to be "interest-only" loans and the lending industry in general. The Washington Post recently painted the interest only loan product as a dangerous financing vehicle that could result in the end of civilization as we know it. It is absolutely true that the loan product is not for everyone. By not paying any principal payments in the early years of a loan, it would appear that a borrower is counting on continued appreciation to buffer them. Over ten years, that sounds like a pretty good bet. Additionally, the kind of buyer purchasing in our zip code has a much better idea of their financial future than the average borrower across the country. A young lawyer (or two) in their late 20's to mid 30's may have every expectation that their income will rise over the course of ten years. The talented couples that buy in Wood Acres often "make partner" at a downtown law office or their businesses blossom. These couples are confident of their future and interest only loans allow them to reach farther and establish themselves earlier in the real estate pipeline. I'm not a big fan of putting down only 5% and getting huge interest only loans, but this is not a scenario that most buyers are pursuing. They have larger down payments, they have income growth in their futures and they are extremely confident about their ability to afford higher payments ten years down the road.

The media is also highly critical of the lending industry for making loans to people that cannot afford the monthly payment. This is a legitimate criticism. The old qualifying ratios of 28% of your monthly income are just gone. If you have good credit, a little cash, it's ridiculous how much you can borrow. But again, in 25 years in this business selling houses in Bethesda and Chevy Chase, I've personally never had client, either as a buyer or seller, involved in a foreclosure. Very occasionally, someone gets in hot water, but they sell their house, take loads of cash out to pay their bills, and move on. It wouldn't be the worst idea in the world for the lending industry to tighten their standards somewhat, especially for people of suspect credit in combination with small down payments. For the vast, vast majority of Bethesda/Chevy Chase buyers, the lending practices and options provided by quality lenders are an exceptional public service and help both the real estate industry and the economy.

Filed under "well now, that's interesting," the following properties have sold and settled since the first of the year in neighboring communities near Wood Acres:

		Subdivision	List Price	Final Price
1)	5125 Waukesha Rd.	Glen Echo Hts	\$1,750,000	\$1,700,000
2)	8013 River Falls Dr.	River Falls	\$1,398,000	\$1,377,000
3)	5508 Jordan Rd.	Westwood	\$989,000	\$1,259,000
4)	5128 Westpath Way	Sumner	\$1,150,000	\$1,227,000
5)	5700 Overlea Rd.	Sumner	\$1,195,000	\$1,195,000
6)	5509 Christy Dr.	Springfield	\$879,000	\$931,455
7)	5704 Newington Rd.	Springfield	\$879,000	\$895,000
8)	5901 Osceola Rd.	High Point	\$699,000	\$790,000
9)	5220 Nahant St.	Glen Mar Park	\$520,000	\$650,000

Pile in the car and take a drive sometime and check out these recent sales. The sale on Jordan Rd. is a stunner in that the home sold \$270,000 over the asking price. It's also interesting to see the Waukesha home, surrounded by extremely modest properties, sold for \$1,700,000. For those contemplating River Falls one day, the recent sale on River Falls Dr. is representative.

Continuing a torrid pace that started in 1999 and has not slowed down, I have now exceeded **\$32,000,000** in pending sales and settled property in the first five months of 2005. I am enormously appreciative of the referrals that the Wood Acres community sends my way. For 25 years, I have been serving the Wood Acres and surrounding communities with a degree of expertise and focus rarely found in today's market. My commitment to the community is unmatched. Whether it's tens of thousands of dollars in support of the Wood Acres Jogfest over the last 14 years, substantial contributions to the renovation and landscaping of Wood Acres Park or new sound and lighting equipment donations at new Wood Acres Elementary, I have tried always to be a positive contributor to the quality of life in our community. Your continued business and trust is appreciated.

Sincerely,

Matthew Maury
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Principal Broker
Stuart & Maury Inc. Realtors

P.S. This Wood Acres newsletter, past newsletters, a 2004 year end recap of sales activity in Wood Acres and a history of Wood Acres sales going back to 1980, can be accessed at my web site **www.matthewmaury.com**. Click on Wood Acres. You can also find similar data on the subdivision of Springfield.