

SPRINGFIELD!

Westwood/Beacon Hill

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

September, 2006

Dear Springfield/Westwood/Beacon Hill Area Resident,

In 1928, the incomparable Babe Ruth hit 54 home runs. If today's media culture were present back then, the headline at the end of the season would have screamed "**Ruth Home Run Production drops 10%!**" You see, the Babe set an all-time record the year before when he hit 60 home runs. The lesson learned is that every year cannot be an all-time record. By any measure, 2005 was just about the greatest year in the recent history of recorded real estate. Prices soared, the number of homes sold nationwide set a record, and many sellers benefited from a roaring environment that resulted in a terrific windfall.

Along comes 2006 and we were chugging along quite nicely through June of this year. Check out the following stats:



20816 Zip Code	2006	2005
# homes sold thru June	127	126
Total \$ volume thru June	\$114,000,000	\$108,900,000

*the above figures include both single family and condo sales in the 20816 zip code.

Of course, we all know what Mark Twain had to say about statistics (Lies, damn lies, and statistics). Updating the theme, current quirky comedian Steven Wright recently said the following, "47.3% of all statistics are made up on the spot." The real estate industry can certainly spin information and the nature of our profession requires a degree of optimism. Still, the numbers above indicate that we were on course for another record setting year. Then came July. The toll taken by 17 consecutive Federal Reserve interest rate hikes finally caught up with the market. As fixed rate jumbo mortgages (loans above \$417,000) approached the 7% mark, buyers backed away. Toss in the seasonal slowdown of July and August when half of Washington seems to be out of town, and demand for properties across the board waned.

In July, total dollar volume in the 20816 zip code dropped 54% from \$27,000,000 in 2005 to only \$12,000,000 in 2006. That's nasty. Further, the average 20816 sales price in July tailed off from \$992,975 in 2005 to only \$837,133 in 2006, a drop of 15%. I suspect that many buyers rushed to settle in June, aware that interest rates were rising, and this may have contributed to the ugly July numbers. Further evidence of a slowdown is evident in the average sales price as a percentage of list price. During the first five months of 2005, homes

on average in our zip code sold OVER the list price. This year, all seven months of the year have recorded an average sales price UNDER the list price, with the lowest month being July at 97.5%. This is completely consistent with what I see everyday in the marketplace. Sellers can no longer expect to sell their home over the list price, with multiple buyers competing for the property. The serious buyers who *are* in the marketplace right now are expecting seller price flexibility. This is the way the market was from the time I entered the real estate business in 1980 through 1999. The last six and half years have been a remarkable roller coaster ride, with exploding prices and fantastic demand. We are now returning to a more balanced environment.

Here's the interesting part. While the media pounds the market with those screaming headlines and internet teasers, reminding you every five seconds about the sellers who are offering a trip to Aruba to entice buyers (like that would ever cause someone to buy a house), I can tell you that quietly, interest rates fell in August. The 10-year Treasury Bond, the index that largely determines long term mortgage rates, reached a high of **5.22%** earlier in the summer. Today, at this writing, it stands at **4.75%**, almost a half percent less. This has resulted in jumbo mortgages falling back in the 6.375 to 6.5% range. If you think that doesn't matter much, it can mean \$275 a month on a typical Springfield purchase mortgage. That's real money. No one much noticed in August, certainly not the media, choosing to focus on rising inventory and lowered seller expectations. Yes, many prices are being adjusted and a few homes in our community are exhibit 'A' of this unfolding drama. However, this Fall, agents will go into sellers' living rooms with more realistic assessments of value, sellers will make adjustments and if rates stabilize or drift downward, the market will purr right along. Good homes that are well priced will sell. I know I sound like a broken record sometimes, but the census data that came out recently emphasized that five of the six richest counties in America are within a 20 minute drive from your house. Money poured into this city after 9/11 and it has inalterably changed the nature of wealth in this city. Good or bad, there are more people of means in the Washington area and their preference is to live close in. Not to say they don't settle for Loudon County every day because they do. But if you asked them if they would like to live 30 minutes closer, the answer would obviously be "yes" more often than not. Our area has intrinsic value protectors and Washington's economic protects us in ways not experienced by other parts of the country.

There **has** been an adjustment in prices. It continues to unfold. So much of the pricing in the last two years has been jaw dropping. And it was entirely buyer driven. When a house gets seven offers and sells \$80,000 over the asking price, just who do you think caused that to happen? Not agents, who for the most part, tried to look at past comparable sales activity, sweeten the price a bit, and let the marketplace determine the value of the home. Buyers, sparked by a fear of losing a house to a competing buyer, entered into a game of "I'm going to win" time and time again.

While those days appear over in the general sense, there **are** special houses that may attract that kind of attention in the future. More than ever, the marketplace right now is about value. If buyers perceive a home to be in excellent condition, well priced, which means a bit under the comparable sales of the past, and the home has no inherent built-in value detractors such as being on or backing to a busy road, then serious buyers will continue to flock to the home. Our turnouts at open houses, while down a bit from a year

ago, are still healthy and good houses are still selling. I am full of “good-news” stories since my last letter. I know it flies in the face of the “bad-news” environment enveloping the real estate market, but try on the following pieces of positive information:

- 1) I sold Frank and Jocelyn Bell’s masterpiece residence at 5500 Parkston Rd. for **\$1,850,000**. It is one of the finest homes in the community. The heart and soul of a builder, who is remarkably talented, is evident throughout this fine home. The masterful renovation took place about 10 years ago. We were asking \$1,895,000, we actually went off the market after being for sale 30 days, planning to come back up for sale in September. During our “hiatus” a buyer stepped forward and the deal came together. This is the third highest sale in the history of the Springfield/Westwood/Beacon Hill community.
- 2) I sold the highest sale ever in the history of Springfield this year when I brought the buyer to 5602 Newington Rd. This home listed for and sold for **\$2,349,000**. Settlement took place in April. This home, three years old, featured over 7000 square feet of living space and was also a Bell Builders creation. Interestingly, rising next door at the corner of Kirkwood and Newington is a brand new home being built for a family of five. When finished, I am told that home will feature over 8000 square feet of living space.
- 3) I sold a wonderful home at 5901 Searl Terrace for \$21,000 over the asking price. The final price for this 4 bedroom, center hall colonial backing to Woodacres Elementary was \$1,245,000. The home had three offers the third day on the market in May and settled in June. This home was purchased, in a state of needed renovation, for \$585,000 in 1998. It more than doubled in value in eight years, aided by the installation of an exceptional new granite/cherry kitchen and a recreation room renovation.
- 4) I sold 5400 Albia Rd. for \$1,125,000 with settlement taking place in August. This home had originally listed at the optimistic price of \$1,195,000. You may best remember this home as the colonial with the “Garage Mahal” in the backyard. The clever title is not my creation, but the previous owners. A unique office/loft over the garage featured soaring cathedral ceilings and made for perfect home office space. The four bedroom colonial was ready for an update. The home was on the market for 23 days during June and July. The one and only offer was substantially under the list price but we worked it out. This sale is indicative of the new environment. The seller’s expectations were not entirely met, but we sold the home for a solid price and they moved on with their lives.
- 5) I sold 5803 Ogden Rd. for \$845,000, \$16,000 over the asking price, in May and we settled in June. This rambler has updated bathrooms and a perfectly level entrance into the home, which was a key feature for the couple who bought the home. The home also has a very deep flat rear yard. The home sold 24 hours after coming on the market and the one and only offer was meant to entice the sellers to sell the property

before the weekend.

6) I have sold two homes in the community this year that did not come on the market. 5810 Cromwell Dr. was sold quietly for \$870,000 in February to a couple with parents in the community. It was a four bedroom colonial also in need of a cosmetic overhaul. In July, 5602 Ridgefield Rd. went under contract and settled in August for \$810,000. This home was also owned by a long time resident moving to be near her children in Wisconsin. The home, without a separate dining room, was also ready for improvements. In each case, the senior owners valued the quiet, less turbulent route of selling the home without coming on the market to one particular buyer. While neither sale was “market-tested” by coming fully on the market, these owners were able to sell their homes quickly with little drama or pressure and moved on to the next adventure. They were “winners” in this marketplace.

- **These Springfield area homes have sold or are pending in 2006:**

	Orig. List Price	Final Price
1) 5602 Newington Rd.*	\$2,349,000	\$2,349,000
2) 5500 Parkston Rd.*	\$1,895,000	\$1,850,000
3) 5711 Ridgefield Rd.	\$1,825,000	\$1,710,000
4) 5303 Cromwell Dr.	\$1,450,000	pending
5) 5977 Searl Terrace	\$1,295,000	\$1,302,000
6) 5901 Searl Terrace*	\$1,225,000	\$1,245,000
7) 5400 Albia Rd.*	\$1,195,000	\$1,125,000
8) 5608 Lamar Rd.	\$1,200,000	\$1,090,000
9) 5312 Briley Place	\$895,000	\$877,500
10) 5810 Cromwell Dr.*	\$895,000	\$870,000
11) 5822 Ogden Court	\$849,000	\$860,000
12) 5716 Ogden Rd.	\$799,500	\$854,500
13) 5803 Ogden Rd.*	\$829,000	\$845,000
14) 5400 Christy Dr.*	\$819,000	\$825,000
15) 5602 Ridgefield Rd.*	\$800,000	\$810,000
16) 5606 Chesterbrook Rd.	\$799,000	\$750,000
17) 5631 Mass. Ave.	\$699,000	\$690,000

***Matthew Maury sales (8)**

It's worth noting that half of the above sales took place above a million dollars. Embedded in the positive information above are a few cautionary results. There are homes above that sold \$115,000, \$70,000, \$110,000, and \$49,000 **below their initial asking price**. This would suggest that overpricing, understandable as it may be as we transition out of a full blown seller's market, is a potentially serious problem. Buyers are trying to figure out which homes are overpriced and the uncertainty tends to discourage them from taking action. As more homes eventually sell, accurate pricing will reveal itself more fully and we should be able to alleviate some of the buyer skepticism that exists in the market at the moment. There are buyers out there who now assume they can offer hundreds of thousands of dollars off the price. With rare exceptions, few of these buyers will successfully buy a home in the coming months, their

expectations are simply too aggressive. The middle ground being fought for between buyers and sellers has not fully been determined yet however. Two examples come to mind:

- At this mid September writing, the home at 5503 Newington Rd. is still for sale. This home is a **four** level split, in need of a full scale renovation. It came on the market in mid July for \$975,000, reduced a few weeks later to \$925,000, then again to \$875,000 and now finally to \$825,000. All these reductions in the course of about seven weeks. Buyers observing the downward spiral of the asking price might be prompted to ask, “exactly how low is that house going to go?” This question would be understandable. I’ve spoken often of the three elements of a real estate sale: price, condition, access. The access to the home is great, it’s vacant on lockbox. But the price at the beginning was clearly “pie-in-the sky.” The condition of the home is very rough. I believe it is a well built, solid home, featuring plaster, hardwood, copper, steel I-beam, etc., but in this marketplace, paint, floor refinishing and kitchen updates are important. The marketplace is clearly speaking at this point.
- My listing on Ogden Ct. has also been reduced from an original price of \$774,000 to \$739,000. Unlike the home above, we spent considerable money on the home prior to it coming on the market. We painted, inside and out, we put in a brand new maple cabinet kitchen, we replaced some carpet. It hasn’t been enough to draw an offer. The home backs to River Rd. When the market was on fire, buyers had few choices and homes on or adjacent to busy roads just didn’t suffer that much. But now, with buyers so much more discerning and cautious, we are having a hard time overcoming the objection. It can be said however that the average home sale in Springfield this year is well over \$900,000 and the Ogden Court offering is the lowest priced home in the 20816 zip code that is not a Mass. Ave. address.

Finally, our community is late to the “party” when it comes to major renovations and tear downs. While the incomparable Bell Builders has built or rebuilt more than a dozen homes in the community, almost all of these were “commissioned” by the owner of the property. They were not speculatively built. The sale at 5711 Ridgefield Rd. marked one of the first times in our community where a home was torn down and a builder built a new home, then put it up for sale. Of course, this phenomenon has been taking place across the nation and certainly in many parts of Chevy Chase and Bethesda. It has been most prevalent on our side of town in Glen Echo Heights, where the original housing stock included many sub-standard, modest homes, sometimes on good sized lots. The intrinsic value connected to a location just a mile from the DC line, in the Whitman school district has resulted in over 100 homes in Glen Echo Heights being erased in the last 15 years. The housing stock in the Springfield area was of a higher quality and thus, fewer of these kinds of building projects took place over the years here. And god love Frank, the quality of what has been built in our community I believe to be exceptional.

Now, with the market becoming more difficult, we now see several new home projects sprouting up in our area. A new home is being built on Albia Rd., on a site that was one of the few vacant lots in our community. The ambitions for this home are apparently in the mid two million dollar range. A new home is going to rise, similar in style to the Ridgefield Rd. home, mid block on Parkston Rd. between Ridgefield and Springfield. The price range on this home will be just under \$2,000,000. A home was purchased with the intent of tearing it down on Pollard Rd. The builder obtained the permits and was ready to proceed, but the builder has at least for the time being put the brakes on the project. The price range ambition on that project was also going to be just under \$2,000,000. A group of investors, one of which is my younger brother Brian, are building a home at the corner of Kirkwood and Jordan. The price has not yet been determined but I’m sure that home, with over 7500 square feet of space is going to hover around \$2,000,000. While some have

complimented the architecture of that home, others have been quite critical. Can I just mention for a moment that I don't have anything to do with that project! I love my brother and wish him well but I'm not a part of that endeavor.

The home being built at Kirkwood and Newington has been "commissioned" and is not a speculative build. Here's the point though. While the market roared over the past three years or so, our community was relatively quiet on the big new home front. Now, as uncertainty sweeps across the region, the Springfield area is busting out with new home projects. In order for these offerings to be successful, we are going to need four or five \$2,000,000 plus buyers. Throughout Bethesda and Chevy Chase there are over 40 such homes for sale now. It's not hard to see why builders earn the big bucks, they take the big risks.

At this writing there are now 43 single family homes for sale in the 20816 zip code. Only 18 of them are under \$1,000,000. I expect the market to pick up in September and October. Prices will be adjusted in some cases and new listings will be priced more conservatively. The good homes, well priced and in excellent condition, will sell. Hopefully, interest rates, the price of oil, and our overseas policies will stabilize. What the marketplace need more than anything is certainty. When the public is optimistic about the future, home sales do well. When the public is worried and pessimistic, then it seems to freeze people from making decisions. I believe that things are going to level out shortly. At this point, we don't need appreciation, we just need a bit of sunshine on the horizon.

Sincerely,

Matthew Maury
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Principal Broker
Stuart & Maury Inc. Realtors

P.S. This Springfield/Westwood/Beacon Hill newsletter, past newsletters, a 2005 year end recap of sales activity in the Springfield area and a history of Springfield area sales going back to 1983, can be accessed at my web site **www.matthewmaury.com**. Click on Springfield. You can also find similar data on the subdivision of Wood Acres.