

SPRINGFIELD

Westwood/Beacon Hill

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

May, 2015

Dear Springfield Area Resident,

Whatever your house is worth, it's the most ever. I can say with a certain degree of confidence that there are very few homes in our community that are worth less than what the owner paid for it. And those lofty heights we achieved back in 2005-2007 before the downturn have been re-attained and slightly surpassed.

This is not to say that our market has wandered into the "irrational exuberance" of that previous era, there are better safeguards in place now. Lenders are indeed more careful about qualifying purchasers, the most risky of loan terms such as "liar loans" and negative amortization are gone and in general buyers are applying a responsible degree of caution and austerity to their decisions, which is a good thing.

The real estate market in the greater Bethesda/ Chevy Chase area is very healthy. Exceptional homes, priced right, can attract multiple offers. Very good homes can sell within a week for their asking price. Houses in need of cosmetic upgrades but otherwise well cared for can be sold in 30 days if the price is sensible. The great average middle, homes that don't fire the imagination but have functional utility, may take 45-60 days to sell. And homes that are disadvantaged by either condition issues, floor plan obsolescence or very modest in nature attract builders who would consider knocking down the home and building a new house.

The one dramatic difference in our current market is that there is so little for sale. There are about 600 homes in Springfield and another 400 in Wood Acres. As of this early May writing, only four homes were for sale in Springfield and two in Wood Acres. That's 6/10th of 1%. In 2015, only three homes have sold and settled in Springfield and ONE home has sold and settled in Wood Acres.

As they say on Saturday Night Live, "what's up with that?" I don't believe for a second that uncertainty as to what will be built at the Westbard Shopping Center has anything to do with the surprisingly low inventory we are experiencing. And while some buyers have expressed vague concerns over the current closing of Woodacres Elementary, especially with respect to overcrowding and whether the 8 classroom addition is going to solve the issue long term, my sense is that the interest in our community from the buying public remains intense.

By the way, I have recently learned that enrollment is down at Woodacres by almost 150 kids from the peak of 800. An easing of the recession and the troubles of 2008-2010 has resulted in some parents returning their children to private and parochial schools. Kindergarten registration has been lower the last two years by about 15-20 kids each year. The holding school arrangement of Radnor may be contributing to that, but it is expected that when Woodacres re-opens in the Fall of 2016, enrollment will rise again to close to the new capacity of 800. New facilities always generate parental interest.

For the time being, each new listing that comes on the market garners enormous



attention and a couple of quick recent sales confirm that buyers are hovering over new offerings. I have speculated for years that the new normal may be fewer homes sales and less social mobility. Perhaps the past six months are just a normal aberration. We'll see. I will say that it's a very good time to be a seller.

So if that is the case, why does a house sit on the market unsold or unrented for months (or years?) if there is little to choose from? It's the age old question. We are blessed to live in a neighborhood in which the average house went under contract in 10 days last year. It's rare for a home to languish on the market for months, but it does happen. And sometimes a home seems to be for sale or rent forever.

Let's cut to the chase. It's always about PRICE. In the short term, two other factors can play an important role. The **condition** of the home can absolutely affect whether a home sells quickly. Houses that need work are not for everyone. Some buyers are just too busy to deal with a project. Some buyers do not have the confidence and knowledge to make substantial repairs and modifications. Houses that are in excellent condition rarely sit on the market for a very long time. It's continuously surprising to me that homes come on the market with cosmetic flaws that do not involve difficult decisions or tricky choices. A recent sale on Newington Rd. sold for tens of thousands less than it could have sold for in my opinion. The estate chose to sell the house "as is" without painting, stripping ancient wallpaper, installing new carpet, refinishing floors and addressing minor water related issues in the basement. Ok, I get that. A family in another state may find it daunting to undertake such tasks although I will say that it's the kind of thing I supervise all the time. I don't get paid anything extra for such undertakings, but I find them rewarding. You can paint an entire inside of a Springfield home for about \$6000-\$7,000. You can refinish floors for less than \$4,000. You can carpet a mid level for less than \$2,000. I know the right guys to call. Right there, yes you have spent 13K but the house then has a chance to sell at what it's really worth. When a four level Springfield split is in presentable condition, it's at least a \$900,000 house, not an \$850,000 house. Do the math, it's pretty obvious what should be done.

I often hear "well, we will leave those choices to the next buyer." When it comes to kitchens and baths I generally agree, but something as basic as paint and floors and carpet can be achieved in a manner that hits the center of the market. And it matters.

The second pillar that can cause a house to sit on the market is **access**. Some houses are hard to show and hard to get into. Showing times are restricted, there are issues with pets, kids, schedules etc. None of this matters if the house is great. But if the house is struggling AND it is hard to show, it can languish. But rarely will access alone result in a house selling for less.

Finally, it really is all about **price**. One of the more famous lines in the real estate business comes from the seller who says "*I'm not in a hurry and I don't want to give it away.*" Well of course, everyone wants to sell a home for as much as possible. The rub is that every house is different, with varying elements and thus, it's an art to determine value, not a science. One man's fabulous hot tub is another person's eyesore and problem. Some sellers seem to be under the impression that the longer you are for sale, the better chance you have of finding that "one perfect buyer". When I show a home, and the "light" goes on and a buyer likes it, they turn to me and say "*how long has this been for sale?*" If the answer is three days, the reaction is entirely different than if the answer is "since Fall of 2014." This buyer now shifts into the mode of "why am I the only guy who likes this place, the price must be too high." This is an illustration of why initial pricing is so important. It's not that agents just want to get a house sold right away and move on, it's that we understand that the seller's position erodes with every passing day.

So the "art" is to ask as much as you dare on the sale of a home without moving into the category of "over priced." No buyer knows for sure what a home is worth and neither do agents. It's always a work in process. We pour over the latest sales and comparable sold properties, we see all the competition not only in the neighborhood but neighboring zip codes as well. We take the "emotional temperature" of the market every day. It's one of the more valuable things an agent does. We see so much more than any one buyer or seller could ever see, and good agents have institutional "memory" that can go back far enough to place a home in an historical context.

Here's the thing. If a house is for sale for months and months, the price is too high. Some sellers say "*I want to have room to negotiate.*" You can't negotiate if you don't have an offer. The marketplace speaks every day, sometimes very clearly. I had a house for sale last summer. The price was arrived at by the seller adding what was paid for the house to the improvements that were made, the commission that would be to paid, and the closing costs that would be sustained. None of those calculations has much of anything to do with what the house is worth. Only the buying public can ascertain that. Did the owner pay too much when they bought it? Did the improvements that were made add value dollar for dollar? Have other condition aspects of the home slipped since purchase? It was a very good house, but it did not sell. We did indeed have several offers dramatically lower than the ambitious asking price. At some point, the marketplace decided. The home did not sell. The seller chose to rent the home instead.

It's my mission to help sellers maximize what their home can sell for. I am on your side. Selling a home is one of the largest financial transactions a person will ever be involved in. Most people only do it two or three times in a lifetime. Getting it right at the beginning is critical to that process in that the best price is achieved when a home sells promptly. Over the past 20 years, homes that I sell bring 99.5% of their asking price and go under contract in less than 15 days. Two of the very most successful agents in the Bethesda area over the past 20 years average 92% and 94% and average over 45-60 days on the market. I understand that for some owners, they have the time and inclination to just ride it out for months *or years* and see what happens, but for most sellers, that approach is not a winning strategy.

Which brings me to rentals. Right now, there is a house for rent in our community that has been for rent for almost 300 days. That's *ten* months. The home is empty. The absentee landlords have not lived up to their responsibilities to our community. The grass is more than a foot high right now (I reported the home to Montgomery County this week), graffiti has appeared on the garage doors on multiple occasions, the home has been a blight for years despite neighbor concerns. It's condition inside has been consistently poor over the years. The market has spoken clearly to these owners. The current asking price of \$3250/month is dramatically less than what the home once rented for. It's pricing initially was overly ambitious. And so it sits.

There was another home that was offered for rent for 191 days that finally rented for \$300/mth less than it rented for 8 years ago. On another front, I sold a home in the Springfield area that settled in late October of 2014. The house immediately went up for rent with the selling agent for about \$1,000 higher than I thought it could bring in the cold weather months. It sat empty for 150 days before renting this past week.

I've never understood this owner philosophy. I own a few rentals, they are almost never empty for more than a week or two. In the case of one home in Wood Acres, I have had the same tenant for 24 years. Am I under rented a bit? Absolutely. Does the rent come every month? Absolutely. I think it's always better to take a little less, have a tenant feel like they have a great deal, and keep the properties occupied. But there are others who chose to let a property sit empty for more than half a year. 6 months at \$3500 is 21K. It would take 42 months to recoup a loss of 21K if eventually they rent their home for \$500 more a month at \$4000. Again, do the math.

So to summarize, if you see a home for sale for a very long time, or for rent for a very long time, in almost all cases, the price is just too high. Maybe that seems simplistic, but it's true.

One the next page, you will note that the three properties that have been for sale for a very long time all started at much higher asking prices quite a while ago. Two of them have come on and off the market along the way. Hopefully, the adjustment in price will help get them sold. Note as well that a couple of homes were sold by Stuart & Maury quietly without ever coming full on the market.

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	Sales Activity in 2015:	<u>Orig Price / Last price</u>	<u>Final Sales Price</u>	Days on market
1)	5602 Parkston Rd.	\$2,345,000/\$2,249,000	For sale now	667
2)	5405 Brookeway Dr.	\$2,325,000/\$2,150,000	For sale now	232
3)	5416 Albia Rd.	\$1,895,000/\$1,699,000	For sale now	303
4)	5304 Ridgefield Rd.	\$1,179,000	Under contract	15
5)	5904 Cromwell Dr.**	\$940,000	\$940,000	1
6)	5705 Ridgefield Rd.	\$850,000	Under contract	5
7)	5520 Westbard Ave.	\$850,000	\$820,000	1
8)	5603 Pollard Rd.*	\$849,000	Under contract	1
9)	5305 Briley Place	\$950,000/\$799,999	For sale now	53
	*Matthew Maury sale	**Bob Jenets sale		

	Rental Activity in the past 11 months:	<u>Orig Price / Last price</u>	<u>Final Rental Price</u>	Days on market
1)	5403 Cromwell Dr.	\$5750/mth	\$5750	6
2)	5605 Chesterbrook Rd.	\$6,000/\$5,500	\$5500	140
3)	5944 Searl Terrace*	\$5100	\$5,000	2
4)	5627 Lamar Rd.	\$4500	\$4500	191
5)	5512 Christy Dr.*	\$4200	\$4400	18
6)	5602 Springfield Dr.	\$4650	\$4400	179
7)	5707 Cromwell Dr.	\$4500	\$4350	15
8)	5600 Jordan Rd.	\$4300	\$4300	13
9)	5300 Cromwell Dr.	\$4400	\$4250	75
10)	5711 Cromwell Dr.	\$4200	\$4100	14
11)	5631 Mass. Ave.	\$4,490/\$4,100	pending	118
12)	5504 Cromwell Dr.	\$4000	Active now	4
11)	5700 Newington Rd.*	\$4200	\$3900	161
12)	5300 Brookeway Dr.	\$3500	\$3500	32
13)	5521 Parkston Rd.	\$3300	\$3300	14
14)	5617 Knollwood Rd.	\$3300	\$3300	12
15)	5608 Chesterbrook	\$3,200/\$2,995	Pending	70
		*Stuart & Maury rented		