

SPRINGFIELD!

Westwood/Beacon Hill

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

July, 2008

Dear Springfield Resident,

In another life, I was going to be a journalist. I graduated with a degree in journalism from the University of Maryland in 1974 but instead went into a full-time music career, performing 300 nights a year as a bass player over the next six years. I'd like to think I have a passing knowledge about news and the nature of the media today. In this space over the course of the last few years, I have taken plenty of shots at the real estate articles in the Post and on the internet. It can be frustrating to see public opinion formed so easily, sometimes unfairly so.



I will say this though, the media has the big story right with respect to the mortgage crisis. There IS great suffering taking place. The number of foreclosures nationwide is symptomatic of a credit environment that simply exercised no restraint; a government asleep at the regulatory switch; and a populace who thought that real estate prices would continue to go up forever. The poor choices made by borrowers nationwide over the last five years borders on the ridiculous and the behavior of the lending industry has been downright criminal. Every industry in the chain benefited from encouraging buyers to place dangerous loans and some buyers had no chance of affording their loan when it adjusted. George Will recently said, "what part of "variable" did borrowers not understand? When even Ed McMahon is going down the shooter, you know we really do have a crisis.

However, it has been my observation that whenever I actually know a lot about something, the portrayal in the media about that subject is slightly skewed. You won't see a story on the news tonight explaining that millions of drivers got home without being in an accident. Channel 4 will not report that 96% of Americans paid their mortgage on time this month. News is often about aberration, not the norm. The Eagles Don Henley could be quoted here: "It's interesting when people die, give us dirty laundry."

If I was writing this newsletter in Miami, Florida, or Las Vegas, Nevada, or Stockton California, I'd have nothing to talk about but foreclosures. It's nasty out there, it's real, and the suffering is deep and troublesome. But we don't live there, we live in Bethesda, and it will be incumbent upon locals to tell the story of OUR real estate market. The venue of this newsletter will have to carry the torch, the Post isn't going to write about our little corner of the market. So I will.

Houses are selling in your community. It is true that only nine homes have been sold in Springfield/Westwood this year so far (there were 26 total sales in 2007). The low number of sales has more to do with how few homes have come up for sale this year. So far, we are getting them sold! As an example, in 2007, our community had eleven sales over

\$1,000,000, four of which were over \$2,000,000. This year only four homes have come up for sale over \$1,000,000 in our community, all of which sold. Some of these numbers are inevitably skewed by the luck of the draw in which homes come up for sale. When expanded homes come up for sale, our average is going to be higher. When more modest homes come up for sale, the average will be a bit less.

Let's take a look at sales activity in our community so far this year:

		<u>Original List Price</u>	<u>Final Sales Price</u>
1)	5416 Albia Rd.	\$1,895,000	\$1,620,000
2)	5504 Albia Rd.	\$998,000	\$1,127,000
3)	5707 Newington Rd.	unknown	\$1,125,000
4)	5510 Westbard Ave.	\$1,199,000	\$1,025,000
5)	5603 Jordan Rd.	\$979,000	\$902,000
6)	5412 Kirkwood Dr.**	\$899,000	\$890,000
7)	5512 Christy Dr.*	\$897,500	\$880,000
8)	5306 Brookeway Dr.	\$914,500	\$880,000
9)	5524 Parkston Rd.*	\$899,000	pending

*Matthew Maury sales. **Stuart & Maury sale.

The conclusion drawn from the above sales is this: homes are selling, and for good prices in our area. Early in the year, we priced home commensurate with sales activity in middle 2007. The credit crisis, which exploded in August of 2007, resulted in few sales in the fall of last year. When the new crop of listings came up for sale in the winter/early spring months, we decided along with sellers, to price the homes as if nothing had happened and see how the public would react. We had no empirical data to suggest that prices had stepped back, we let the market speak. And it did. You will note a couple of homes which sold for quite a bit less than their original asking price in Springfield/Westwood this year. That kind of spread was unheard of between 2005-2007, but an adjustment was taking place. The next wave of listings were priced accordingly and the good news is that they all sold, very fast and for excellent prices near or at their asking price. We really do learn from the public. All the plotting and planning done by agents and sellers means little if buyers don't step up and take action.

It feels like prices have retreated about 5%. I think the yearly averages for the ZIP code will generally bear this opinion out. Many buyers, influenced by an avalanche of media bad news, are under the mistaken impression that they can buy any house for a lot less than the asking price. This may well be true up in the two million plus price range. Too many of those homes were built and there is too much competition for buyers. This is where the truly exceptional deals can be had right now. But in our price range, here in Springfield/Westwood/Beacon Hill, we can all take heart in the excellent performance of recent listings and the strong interest from buyers. I sold Parkston Rd. and Christy Dr. recently for excellent prices. It is obvious that our community is not going to match the astounding \$1,214,792 average price sale posted last year. We just haven't had that many

expensive homes to offer for sale in 2008. But it can also be noted that our low sale so far has been an impressive \$880,000 so we are certainly holding up well.

Note, on the list of sales, two interesting developments. The home that sold on Albia for \$1,127,000 was only on the market for a day or so, had multiple offers in spite of the fact it was generally not possible to actually *get into the house*. The ability to actually see inside the house was severely restricted and yet the home still managed to sell way over the asking price. I wasn't involved in the sale of this home in any way but you have to wonder about the original asking price. The home is now under renovation.

Note, if you will as well, the sale of an exceptional home on Newington Rd. for \$1,125,000. This exquisitely renovated 5-level split had superb landscaping and a very nice family room addition on the back. This sale happened very quietly. We have had very few great big splits come up for sale this year and it was great to see this excellent sale take place.

In light of media suggestions that the market is dramatically slower, Let's examine our zip code of 20816 more closely. The chart below will frame the discussion. Let's compare sales activity for the month of May for the past four years:

	May 2008	May 2007	May 2006	May 2005
Sold units:	27	28	25	28
Total volume:	\$24,976,550	\$28,173,300	\$23,092,000	\$26,858,755
Ave. sold price:	\$925,057	\$1,006,189	\$923,684	\$959,241
Days on mrkt :	72	48	35	6
Ave % of list price:	95%	98%	97.5%	103%

*source: Metropolitan Regional Information Systems

So, there it is in black and white. In our zip code, the actual number of homes sold has hardly changed since the go/go year of 2005. 28 homes were sold in May of 2005 and 27 homes were sold this year in May. When I make the point that homes ARE selling, it is backed up by the stats above. Note, if you will, that the average sales price this year is about 4% less than in 2005, but down about 8 % from last year's lofty perch. It should jump out of the chart to you that the average time it took a home to sell in 2005 was six days, and that stat has risen steadily to 72 days this year. That's a truly remarkable change in the market. Springfield/Westwood has not been affected to this degree but it is true that many homes have not sold quickly this year. Finally, back in 2005, homes were actually selling for 3% more than their asking price. This year in May, homes on average sold for about 5% less than their original asking price. This too is reflective of a more challenging market.

Countywide, the story is nastier. For the year so far, total volume is down 33%, the average sold price is down 11.45%, the number of unit homes sold are down 25%, the number of days on the market for sold properties has soared to 103 on average, up 32% from last year, and finally, homes sold for 92.37% of their asking price so far this

year, a 3% drop from the year below. All of these numbers are weaker than the preceding year of 2007 and a full indication of the troubles in the upper and eastern part of our County.

Let's talk about foreclosures. The Gazette recently reported that 1 in every 369 properties in Montgomery County is in foreclosure. It sounds shocking, but that's about 1/3 of 1% of the residences in our County. That's very low, not high, but the headline screams "foreclosure." In mid-June, the Post ran the front page headline "D.C. Region's Foreclosure Rate Soars". The sub-headline read "Foreclosures UP, Prices Down". Ouch. The article went on to describe that foreclosures in the D.C. area had jumped from 23 out of 10,000 in the first quarter of 2007 to 131 in the first quarter of 2008. Now that IS a substantial increase and it is very real. Further, they cited prices as being down 25% in the outer suburban ring of Loudoun, Prince William, and Frederick Counties. But if you read the story, buried on the jump page, about 3/4 of the way through the article, the following is revealed: "The core, defined as the District, Arlington and Alexandria County experience an increase (in value) of 3.4%" Oh really! Montgomery County was mentioned as having gone down about 3.2%, largely because of the disparity in health of the market between the outer areas of Gaithersburg and Germantown, and the close-in "core" of lower Bethesda/Chevy Chase etc. I'm not going to suggest we are UP in value this year, but whatever decrease we might have experienced is very, very mild. The headlines conveyed a very different impression. Mind you, not the wrong impression because there IS suffering out in Loudoun County and Frederick County. But not here. Not in Bethesda. Or at least not at all to the extent suggested by the headline and the lead of the article.

Foreclosures have taken place close by. Across Mass. Ave. in Glen Mar Park, a home on Augusta Lane went into foreclosure. The home had been purchased in December of 2005 for \$710,000. The bank foreclosed on the property and in January of 2008 the house went into MLS at a price of \$677,500. It did not sell. It showed terribly, with a moldy wall in the basement of particular concern. However, this home is a three bedroom, two bath colonial with a first floor den and finished basement, on a quiet street in the Woodacres Elementary school district. The size of the home was practically indistinguishable from an average Wood Acres house. It should have sold. But the buying public was gripped with fear and indecision in January and February this year and lots of houses were struggling, including a few in Springfield and Wood Acres. Finally, after about five weeks, the bank reduced the asking price to \$630,000, which spurred multiple offers. The house went under contract for \$631,000. End of story? Not quite!

When the neighbors on the street discovered that a builder had bought the home and planned to tear it down, community activists mobilized. Similar to Wood Acres, the architecture of this block is that of 1950's colonials. The neighbors did not want a brand new house for \$1,700,000 on their block. Meetings were held, petitions signed, and pretty soon the builder said, "pay me a bit for my trouble and I'll let the house go to someone else." The neighbors themselves found a buyer for the house, the contract was assigned by the builder to another buyer who intends to use the house, and the home went to settlement. That's a lot of drama, all swirling around a foreclosure and bank involvement. I have had agents and appraisers say to me, "well, that home on Augusta sold for \$631,000." They don't know the full story but it does illustrate the point that a foreclosure can have an affect on value in a community.

There are other stories close to home. There was a "short sale" recently in Kenwood Park near Whitman. The owners owed more than the home could be sold for. The bank, rather than foreclose, let it be known they would consider agreeing to a sales

price less than the indebtedness on the home. Vultures descended. The original price on this home was \$1,399,000 (dreaming). It was reduced as low as \$1,199,000. There were offers as much as \$300,000 off the price, but the home sold for \$960,000. This was a big, impressive looking colonial. Inside, the condition was poor. What are the implications of such a sale? Two months later, a home sold for over \$1,000,000 but the appraiser, citing this sale, refused to appraise the home for more than \$975,000. He didn't even know the circumstances of the distress sale.

There was an auction in Carderock recently. An auction is another way to sell what might be termed a "difficult" property to sell. Some of you will remember the circumstances of this home. In the mid 1970's, a State Dept. employee named Bradford Bishop, came home from work early one day, murdered his entire family, put them in the trunk of the car, drove to North Carolina, set them on fire, and disappeared into the woods, never to be found. He is believed to be dead, but "suburban legend" has it that he has been spotted in Europe from time to time over the decades.

The home has turned over ownership once since these events. The auctioneer started the bidding at \$800,000, then 7, 6, 5, and finally \$400,000. Two bidders entered the fray and the home sold for \$489,000 plus a 10% surcharge to the auction house, for a final price of \$537,900. It is believed a renovator bought the house and it certainly needs it. This home would have sold somewhere in the \$700,000's were it not for condition and stigma. This home would be the true definition of "stigmatized property" although you might find it interesting to know that a listing agent would be under no specific legal obligation to reveal such a thing, as events that do not affect the physical structure such as ghosts, murder, rape, suicide etc, are not considered material facts. Nonetheless, as a buyer's agent, I would sure want my buyers to hear the circumstances from me rather than the neighbors on moving day. I can hear it now: "Nice to meet you, we thought no one would EVER buy this house!..."

Over the last few years, I had a sense that the mortgage industry had lost their mind. Loan officers would come into our office and say, "We have loans up to a million dollars with no money down!" I would look at them and say, "Why, what is your security?" The answer was mostly the equivalent of "who cares." It sure seemed that if you were breathing, they would loan you anything. In fact, during the first 25 years of my career, helping buyers to understand what amount of loan they might qualify for was a critical part of my job. That responsibility faded away as loan officers for lending institutions took over that part of the process. And it came clear that people could borrow just about anything if they were willing. I can tell you that very, very few Bethesda buyers were anywhere near maxing out on their capabilities. The kind of buyer who purchases in our zip code is not someone who is buying on a shoestring. They aren't leveraged to the hilt, they are not reaching way beyond their capabilities and they are not committing to more than they can reasonably afford. On the contrary, I have consistently seen smart, extremely well-educated and gainfully employed young couples exercise extreme caution when it comes to their commitments. Think about who it is that buys in our area. The career growth potential for attorneys in their 30's and 40's can be extraordinary. Many couples are wary of a complete dependence on both spouses working, recognizing that child rearing down the road may require one income for an extended period of time. In short, our buyers in this area are responsible, intelligent, and careful. Now, this does not mean that they all took fixed rate mortgages, nor should they have.

In the media's zeal to find culprits, the adjustable rate mortgage has been identified as one of the root causes of our current problem. This is both totally true and completely false. It's **true** for borrowers with little prospect for income growth potential. Adjustable rate mortgages are not a good idea for this group. However, it's **false**, in that an adjustable may well be a superb choice for a buyer who is not planning to be in the home for five years, has clear income growth

potential in their future, or could be inheriting money in the short-term future. See, there's always another part to the story and the media isn't always synched in to this nuance.

Borrowers who predicated their ability to pay a mortgage payment based only on the initial payment almost certainly found themselves with a problem. Unless a borrower knew they were going to be earning more very soon, taking a one-year adjustable with a teaser rate at some ridiculously low rate which then rose by 2.75% (or much more) after only 12 months was a poor choice. Many adjustable rate horror stories involve buyers who did not understand that their payment would rise so soon. The failure to understand was often a matter of language difficulties. Many buyers, for whom English is a second language, struggled with predatory lenders and a stack of papers they didn't understand. This is a tragedy and a terrible injustice. In areas throughout Germantown, Gaithersburg, Silver Spring etc., hard working buyers purchased a slice of the "American Dream" upon terms they simply could not afford, were confusing, and destined to put them into default.

Bethesda, while not immune to these excesses, is enormously insulated by how expensive our real estate is. In order to buy a Bethesda home and carry a mortgage payment of \$3,000, \$4000, or \$5,000 a month, a buyer should have substantial assets and a pretty darned good income. This often requires a degree of sophistication, savvy, and education which would serve a buyer well in making important financial decisions. Thus, far fewer Bethesda homeowners find themselves in dire straights right now. One of the major questions lurking at the moment is just how many more homeowners are in trouble. I can say with confidence that I have never been involved with a ridiculous loan; not as a listing agent or a selling agent. However, we have benefited from them indirectly. The people who bought in our area during the last five years may well have come from Gaithersburg, or Glover Park, or Silver Spring. They may well have sold their homes to purchasers who turned out to be ill equipped to handle the monthly payments.

From time to time, I like to provide you with a "driving" tour of nearby properties that have sold recently in 2008. Hop in the car, drive surrounding communities in the 20816 zip code, and take note of the activities taking place around you:

	Recently sold properties	<u>Original List Price</u>	<u>Final Sales Price</u>
1)	5206 Maryln Dr. Glen Mar Park	\$757,000	\$699,500
2)	5301 Marlyn Dr. Glen Mar Park	\$740,000	\$700,000
3)	5907 Carlton Ln. Glen Mar Park	\$1,749,000	\$1,550,000
4)	5004 Brookeway Dr. Sumner	\$1,135,000	\$1,118,000
5)	4920 Brookeway Dr. Sumner	\$1,395,000	\$1,210,000
6)	6002 Woodacres Dr. Wood Acres	\$1,100,000	\$1,100,000
7)	5901 Devonshire Dr. Wood Acres	\$895,000	\$895,000
8)	6203 Welborn Dr. Wood Acres	\$895,000	\$840,000
9)	5024 Westpath Terr. Ft. Sumner	\$995,000	\$885,000
10)	5706 Mohican Pl. Glen Echo Hts	\$1,195,000	\$1,210,000
11)	5400 Wehawken Rd. Glen Echo Hts	\$2,395,000	\$2,135,000
12)	5120 Wissioming Rd. Glen Echo Hts	\$6,750,000	\$6,600,000

Did you read carefully the chart on the last page, and if so, did you do a double take? A home sold for \$6,600,000 in Glen Echo Heights? It's not a misprint, my jaw is on the floor too. As best I can tell from researching MLS and the tax records, it's the highest sold price for a single family Bethesda address in history. And it wasn't sold for land either, as the lot size was only 35,000+ square feet. This home, with more than a few "Miami Vice" architectural overtones, overlooks the Potomac River and had sweeping, contemporary interior space exceeding about 7500 square feet. Still, \$6,600,000? I couldn't make this stuff up. You might be curious to learn that two Potomac homes have sold in the last few years, one at \$10,000,000 on Harrington Rd. (it looks remarkably like the house the Beverly Hillbillies lived in) and one for \$15,000,000 on Partridge Run. There have been 17 homes sold in DC over \$6,000,000 with the high being on Foxhall Rd. for \$16,475,000.

As of this early July writing, there are three homes currently for sale in Springfield. My four bedroom Cape listing at 5316 Briley Place is priced exceptionally at \$799,000, a home at the corner of Mass Ave. and Cromwell is offered at \$865,000, and a brand new gleaming Whitcomb and Carroccio home is rising on Jordan Rd. at a price of \$2,395,000. As long as the inventory of homes in our area remains low, prices in our area should remain solid. Right now, there are 46 homes for sale in the 20816 zip code, of which 21 are under a million. When the market was insane in 2005, we often had fewer than 10 homes for sale under a million, so inventory is definitely up from that period. However, choices are still narrow for buyers and many of these offerings are extremely expensive with 13 of the offerings costing more than \$1,500,000. Seven homes are for sale in Westmoreland Hills, six in Glen Mar Park, four in Sumner, two in Ft. Sumner, two in Tulip Hill, and one in Wood Acres.

In the first half of 2008, I had 24 transactions, totaling over **\$19,000,000 in sales volume**. Every one of the 24 deals was challenging and the current market requires a lot more negotiating skills, patience, and frank discussions than previous years. Surviving all kinds of markets over the past 29 years is a distinct advantage for a veteran real estate agent. My sales volume should indicate to you that the market is better than people think. Knowledgeable, focused real estate service and advice has never been more valuable or critical.

Finally, it occurs to me that the Blogosphere beckons. I sometimes have things to say. Timing is everything and often these items lose their news value unless they are disseminated right away. So, taking a big breath, I am going to start a blog. You can access it at **www.matthewmaury.com**. I might write something several times a week, sometimes maybe nothing. There are real estate stories to be told and perhaps there is an audience for my random thoughts. The first blog was on the Parade in Wood Acres. It is my intention to focus on real estate but from time to time I might wander into other news happening around us. Perhaps it will devolve into the Andy Rooney domain: "did you ever wonder why the County can't clean the cigarette butts out of the gutter at River and Goldsboro?" You get the idea. Anyway, I invite you to visit "Matt's Blog" on the intro page of my web site. We'll call this my small effort to return to those journalism roots.

Sincerely,

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P.S. This Springfield/Westwood newsletter, past newsletters, a 2007 year end recap of sales activity in Springfield/Westwood and a history of Springfield/Westwood sales going back to 1980, 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.