

WOOD ACRES!

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

November, 2006

Dear Wood Acres 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 most amazing year for real estate I can remember. Prices soared, the number of homes sold nationwide set a record, and many sellers benefited from a terrific windfall.



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

<u>20816 Zip Code</u>	<u>2006</u>	<u>2005</u>
# 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 sales volume in the 20816 zip code dropped 54% compared to 2005. That's nasty. Further, the average 20816 sales price in July tailed off from \$992,975 in 2005 to \$837,133 in 2006, a drop of 15%. Further evidence of a slowdown was 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 nine months of the year have recorded an average sales price UNDER the list price, with the lowest month being August at 95.7%.

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 years have been a remarkable ride, with exploding prices and fantastic demand. We are now returning to a more balanced environment.

Let's take a quick look at just what has transpired in Wood Acres since my last letter in May:

		<u>Original/List Price</u>	<u>Final Sales Price</u>
1)	6006 Cromwell Dr.*	\$1,275,000	\$1,275,000
2)	5703 Gloster Rd.*	\$925,000	\$951,000
3)	6106 Cromwell Dr.**	\$995,000	\$950,000
4)	6002 Cobalt Rd.*	\$949,000	pending
5)	#2 Avalon Court*	\$925,000	\$936,000
6)	6000 Woodacres Dr.	\$869,000	\$920,500
7)	6308 Avalon Dr.	\$899,000	\$899,000
8)	6008 Wynwood Rd.*	\$929,000	\$880,000
9)	6007 Welborn Dr.	\$919,000	\$880,000
10)	5908 Cranston Rd.*	\$875,000	\$875,000
11)	6201 Cromwell Dr.*	\$875,000	pending
12)	5602 Gloster Rd.	\$839,000	\$840,000
13)	5911 Cobalt Rd.*	\$849,000	\$825,000
14)	5801 Gloster Rd.	\$829,500	\$820,000
15)	6213 Mass. Ave.	\$775,000	\$775,000
16)	5908 Wiltshire Dr.	\$775,000	\$745,000
17)	5612 Gloster Rd.	unknown	\$740,000
18)	6205 Mass. Ave.+	\$725,000	\$725,000
19)	6217 Mass. Ave.	\$675,000	\$689,000
20)	5908 Wiltshire (lot)	\$425,000	\$400,000

***Matthew Maury sale**

** Matthew Maury found the buyer/Bob Jenets listing

+ Stuart & Maury/Scott Matejik listing.

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 and September and held their own for the most part in October. The 10-year Treasury Bond, the index that largely determines long term mortgage rates, has fallen from **5.22%** earlier in the summer. 4.64% as of this early November writing, more than a half percent less. This has resulted in jumbo mortgages falling back in the 6.375% range. If you think that doesn't matter much, it can mean as much as \$275 a month on a typical Wood Acres purchase mortgage. That's real money. No one much noticed in August and September, certainly not the media, choosing to

focus on rising inventory and lowered seller expectations.

In fact, in our wonderful little bubble of the 20816 zip code, MLS stats indicate that sales volume for August fell only 3% from the astounding numbers of 2005. And darn if the average price for a 20816 zip code detached home *rose* 5% from \$870,760 to \$914,897 in August of this year. **You won't read that stat in the Post or on the internet.** To drive home the point even further, September 2006 in our zip code was almost *exactly the same* as in 2005, with the same \$17,000,000 in total sales volume, and a rise in the average price of 10.9% from \$840,019 to \$931,558.

Now I have a bit of a theory here. I think that homes with improvements and enhancements are doing better in the price range that includes Wood Acres. This would explain the price rising the last two months while it is clear that many properties are struggling. This has clearly been the case in Wood Acres the past four months. Enhanced properties in great shape have sold quickly. Homes either needing work, or only marginally improved are struggling. Unlike the soaring market of the past four years, the idea of "getting in" to the community on the bottom end does not appear to be as appealing to buyers as it once was. Why would this be? Perhaps it has come more clear to buyers just how much it costs to renovate a home or expand on to it. Many Wood Acres homeowners have been horrified at the estimates they have received to add a substantial addition onto their home. Numbers soaring over a half million dollars have not been unusual. The more modest expansions of an existing garage into a den, or a porch enclosure are more costly than a few years ago. Perhaps buyers are now recognizing that they would rather spend a bit more and get the kitchen that has already been expanded rather than tackle the work themselves. I find myself wondering why homes such as my two current listings on Upper Harwick and Gloster Rd. are struggling to find buyers, even as their asking prices hover in the mid to high \$700's in a community where the average price is in the upper \$800,000's. Mark these words. Those two houses are superb, repeat, superb opportunities and I'm going to remind everybody three or four years from now. Over time, your Wood Acres investment will prove to be one of the pillars of your financial well being.

Yes, many prices are being adjusted and a few homes in our community are exhibit 'A' of this unfolding drama. However, this Fall, agents have gone into sellers' living rooms with more realistic assessments of value, sellers have made adjustments and with rates stabilizing, the market has produced winners. Good homes that are well priced continue to 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 right here in our area. Money poured into the DC area 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. Our area has intrinsic value protectors and Washington's economy protects us in ways not experienced by other parts of the country.

So let me ask you this. If the market is so terribly slow, as the media insists, than how the heck did *twenty* Wood Acres homes get sold in the last few months? 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. A home on Searl Terrace attracted several offers recently and sold well over the asking price. A home on Scarsdale in Sumner had multiple offers and sold about \$50K over the price last month. It can still happen when conditions are right.

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, then serious buyers will continue to consider 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) Yes, it is true, I sold a Wood Acres house for \$1,275,000. The home, 6006 Cromwell Dr., featured an early ‘90’s magnificent two-story addition which created a fourth bedroom and third bath upstairs. The family room/kitchen on the first floor was just exceptional. The home had great style and is indeed one of the most admired homes in all of Wood Acres. The highest sale in the community prior to this recent sale was \$1,180,000.
- 2) I currently have three pending sales in the community, at 6002 Cobalt, 5908 Cranston and 6201 Cromwell. The Cobalt Rd. pending sale is a stylish home with a pleasant, modest fourth bedroom upstairs and listed at \$949,000. The Cranston home also has a modest fourth bedroom upstairs, created by a two-story addition in the early ‘90s. The buyers of this home saw the moving van hauling stuff out of the house. They were about to buy another home in the community but were excited to see a home that was not yet “on the market.” The renovations that the seller and I had planned were pretty much tabled and the home was sold at a price commensurate with passing the work onto the next buyer. 6201 Cromwell, listed at \$875,000, went under contract the third day on the market. It features a granite/cherry cabinet kitchen which was relocated to what would have originally been a garage. A family room on the back completed the circular flowing first floor layout. The deep yard, which rose in the back, features wonderful plantings. The home was sold to a buyer who had been considering Wood Acres offerings for several months. All three of these sales are an indication that the market is much better than you may have been led to believe.
- 3) Back in the Spring, I sold the two highest three bedroom sales in the history of the community. Each had superior aspects that drove the price. The Gloster Rd. home featured a Homestretchers addition from the ’80’s that was way ahead of its time. A terrific sunken family room addition and breakfast room backed into the splendor of a terrific backyard and Woodacres Park. This home had several offers. The Cromwell house featured the most unique front porch in the community and a sweeping large addition opening into the kitchen. They were both special houses.

4) Brisk activity has taken place at the lower part of the Wood Acres price range. Several Mass. Ave. sales have fluctuated wildly in price, with a terrific sale at \$775,000 and a surprising sale at only \$689,000, albeit \$14,000 over the asking price. The seemingly never-ending construction project on Mass. Ave. may have contributed to the low price. A home was sold without coming on the market at 5612 Gloster for \$740,000. A home sold for \$745,000 up on a hill on Wiltshire Dr. near the school needs a full-scale renovation. Most notable, the lot next door to 5908 Wiltshire has been sold to a builder for \$400,000. That lot apparently has 8732 square feet. The “powers that be” on the covenant committee in Wood Acres are working with the builder to insure that something compatible with the appearance and style of Wood Acres will be built at that location. Stay tuned.

The following homes are currently offered for sale in Wood Acres:

	<u>Original/List Price</u>	<u>Current List Price</u>	<u>Days on mrkt</u>	
1)	18 Avalon Ct.	\$1,349,500	\$1,299,900	95
2)	5903 Cranston Rd.	\$849,000	\$849,000	36
3)	5705 Harwick Rd.*	\$799,000	\$779,000	61
4)	5706 Gloster Rd.*	\$849,900	\$749,000	115

*Matthew Maury listings.

My Gloster Rd. listing above was originally listed with another company back in early June. The house, in an estate, was occupied by several boarders who had been living with the owner. The yard was overgrown, the house chocked full of stuff, and in need of serious cosmetic upgrading. It was also brutally overpriced initially. Upon taking over the listing in October, we sent the tenants on their way, cleared the house of everything, painted completely inside, refinished the floors, updated the kitchen, cleaned the windows and cleared all the overgrowth outside, especially in the backyard. I had the backyard sodded (only cost about 2K!) and it now looks great! This home was then put back on the market November. It’s a serious opportunity for somebody.

The neighboring Springfield 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 15 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. recently marked one of the first times in Springfield in which a home was torn down, a new home was built, then put it up for sale. It sold for \$1,710,000.

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 15-20 years. The housing stock in the Springfield area was of a higher quality to begin with and thus, fewer of these kinds of building projects took place over the years in Springfield.

Now, with the market becoming more challenging, we see several new home projects sprouting up in our area. A new home is being built on Albia Rd., on the site of one of the few vacant lots in our community. The ambitions for this home are apparently over two million dollars. 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. And right next door on Jordan, a home has been completely renovated and expanded and is being offered for \$1,740,000.

Here's the point. While the market roared over the past several years, the Springfield area was relatively quiet on the big new home front and, of course, Wood Acres was completely silent. Mostly, the speculators were busy elsewhere. Now, as uncertainty sweeps across the region, the Springfield area is busting out with speculative new home projects and a new home is apparently going to be built in Wood Acres. Throughout Bethesda and Chevy Chase there are over 40 homes for sale over \$2,000,000. It's not hard to see why builders earn the big bucks, they take the big risks.

At this writing there are now 45 single family homes for sale in the 20816 zip code. Only half of them are under \$1,000,000. The speculative new homes, sprouting everywhere, seem to be struggling. I expect the market to remain better than expected in the "normal" price ranges such as Wood Acres through the winter. Prices will be adjusted in some cases and new listings will be priced more conservatively. Hopefully, interest rates will continue to drift downward, the price of oil will continue to spiral down, and our overseas policies will stabilize. What the marketplace needs more than anything is certainty. When the public is optimistic about the future, home sales do well. At this point, we don't need appreciation, we just need a bit of sunshine on the horizon. **I sold \$10,000,000 worth of real estate** right here in your backyard in September and October. The real estate market is better than you might think.

Sincerely,

Matthew Maury
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Principal Broker
Stuart & Maury Inc. Realtors

Matthew Maury: The #1 real estate agent in the 20816 zip code, 20 years in a row