

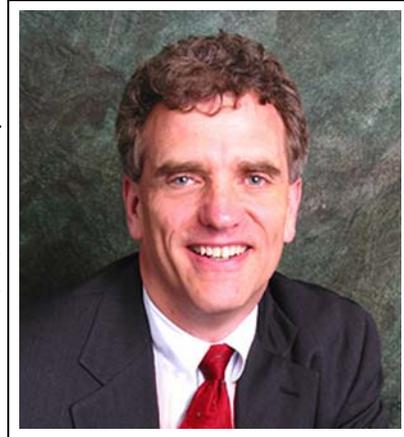
WOOD ACRES!

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

July 2008

Dear Wood Acres Area 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 wandered into real estate in 1980 and left journalism in the rear view mirror. 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 many 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 have much to say about our little corner of the market. So I will.

Houses are selling in your community. Wood Acres had only eleven total sales in Wood Acres in 2007. In 2008, we have already had nine sales, and we are only half way through the year. If you market is so slow, how did this happen? Not only that, there have

been several stellar sales in the last few months, including one of the higher sales ever in the history of the community. Let's take a look at real estate activity so far for this year:

		<u>Original List Price</u>	<u>Final Sales Price</u>
1)	6002 Woodacres Dr.	\$1,100,000	\$1,100,000
2)	5901 Devonshire Dr.*	\$895,000	\$895,000+
3)	6001 Gloster Rd.*	\$875,000	\$850,000
4)	6203 Welborn Dr.*	\$895,000	\$840,000
5)	5607 Gloster Rd.*	\$835,000	pending
6)	6103 Cromwell Dr.	\$880,000	\$820,000
7)	5902 Cobalt Rd.**	\$855,000	\$825,000+
8)	6215 Mass Ave.*	\$771,000	\$771,000
9)	6309 Mass Ave.	\$735,000	\$724,000

***Matthew Maury sales (now over 340 Wood Acres homes sold)**

****Stuart & Maury sale.**

+seller paid some additional closing costs

The average sales price in Wood Acres so far this year is around \$847,000. That's in line with the average sales price of \$855,000 in 2006, but down from the lofty \$915,000 posted in 2007. 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. The conclusion drawn from the above sales can be said to be this: homes are selling, and for good prices in our area. Early in the year, we priced homes commensurate with sales activity in middle 2007. The credit crisis, which exploded in August of 2007, resulted in almost no sales all fall of last year. When the new crop of listings came up for sale in the winter/early spring months this year, 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 about \$50,000-\$60,000 less than their original asking price in Wood Acres this year. That kind of spread was rare between 2005-2007, but an adjustment was taking place. The next wave of listings were priced more realistically and the great 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 a 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 Wood Acres, we can all take heart in the excellent performance of recent listings and the strong interest from buyers. I sold Devonshire Dr. and it had two offers. I sold Mass. Ave. for the full price within five days for one of the highest prices ever on Mass. Ave. for a three bedroom home. I sold upper Gloster Rd. and we had two offers.

Best of all, the home on Woodacres Dr. that sold recently had EIGHT offers. I was not the agent, but it sold for full price with some nice extra perks for the sellers. We have not had a four bedroom/three bath upstairs house come up for sale in Wood Acres in a while, and certainly not one of the homes done in the last 10 years or so. This house was exquisite in its interior detail, had a great yard, and hit all the hot buttons that buyers today are looking for. For the 105 homes in Wood Acres with the big two-story addition, this sale is welcome news. There appears to be continued great interest in the more expensive Wood Acres homes. I often explain to buyers that the owners who decide to make this kind of investment usually do so with the idea of staying in their home for a long time, so these kinds of homes just don't come up for sale too often. There have now been seven original Wood Acres homes sell over \$1,000,000.

Let's examine our zip code of 20816 more closely. The chart below will frame the discussion. Let's compare sales activity in the month of May for the past four years:

20816 Activity	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 market :	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 '05, and 27 homes were sold this year in May. I've occasionally been accused of being a bit too optimistic in my view of the market. 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 3.5% less than in 2005, but down about 8 % from last year's lofty perch. In many ways, 2007 was a truly amazing year for our area. As prices nose-dived around the country in '07, our zip code continued an upward march. We've now lost most of that gain. It should jump out of the chart that the average time it took a home to sell in 2005 was six days, and that stat has risen steadily to 72 this year. That's a truly remarkable change in the market. Wood Acres has not been affected to this degree but it is true that several homes have not sold quickly this year. Finally, back in '05, 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, although I believe that stat will right itself shortly as agents and sellers become more aware of market conditions and refine their initial asking prices.

Countywide, the story is far more troubling. For the year so far, total volume is down 33%, the average sold price is down 11.45%, the number of unit homes sold in Montgomery County 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 struggling market in the upper and eastern part of our County.

Let's talk about foreclosures. 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 was revealed: "The core, defined as the District, Arlington and Alexandria County experienced an **increase** (in value) of 3.4%" Oh really! The article went on to say that Montgomery County prices had dropped about 3.2%. This would be 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 would suggest that whatever decrease we might have experienced this year is 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 it leaves the public thinking this is happening everywhere. The incidences of foreclosure in our area remain rare.

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 damp, 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 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, phone calls made, and pretty soon the builder said, "pay me a bit for my trouble and I'll step aside." The neighbors went out and found an occupant for the house (a family member of a neighbor), the contract was assigned by the builder 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 a rippling effect 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 to as low as \$1,199,000. There were offers as low as \$800,000, 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 similar sized home sold for over \$1,000,000 right around the corner but the bank appraiser, citing the recent sale at \$960,000, refused to appraise the home for more than \$975,000. He didn't even know the circumstances of the distress/short 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 1976 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 N. 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 Wood Acres. The career growth potential for attorneys in their 30'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 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 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 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 Wood Acres 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)	5306 Brookeway Dr. Springfield	\$914,500	\$880,000
7)	5512 Christy Dr. Springfield	\$897,500	\$880,000
8)	5504 Albia Rd. Westwood	\$998,000	\$1,127,000
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 late June writing, there are two homes currently for sale in Wood Acres. 5802 Ramsgate Rd. has been on the market for about three months at \$815,000. A terrific home at 6223 Mass. Ave. came up for sale in late June for \$899,900. This home has four bedrooms and three baths on the second floor and is quite exceptional in its interior finishes. As long as the inventory of homes in our area remains low, prices in our area should remain solid. Right now, there are 49 homes for sale in the 20816 zip code, of which 23 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 12 of the offerings costing more than \$1,500,000. Seven homes are for sale in Westmoreland Hills, 6 in Glen Mar Park, 4 in Sumner, 4 in Springfield, 2 in Ft. Sumner and 2 in Tulip Hill.

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 ought to 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. Don't worry, no names or addresses. 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,

Matthew Maury
301-928-8686 24 hours
Stuart & Maury Inc. Realtors

P.S. This Wood Acres newsletter, past newsletters, a 2007 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. Springfield data can be found as well.