

Sumner Real Estate Report

January
2018

ALL BETHESDA (20814, 20816, 20817)

Looking back over the events of 2017 can be a dizzying experience and I feel fortunate in having only to review the real estate component of that frenetic year. Amid the constant barrage of negative news, real estate understatedly provided one of the few positive topics. There were no blazing headlines about a huge number of sales or skyrocketing prices but by year's end, the statistics for Bethesda home sales described a healthy market that was generally balanced between buyers and sellers.

The three **Bethesda** Zip Codes posted **844 closed sales** of single family detached homes last year (according to the MRIS) which is slightly fewer than the 858 sales in 2016. For all the news about a shortage of inventory and fewer sales, a decrease of 14 transactions (about 1.6 %) over an area the size of Bethesda is not remarkable. But the complaints about the lack of homes for sale speaks more to the fact that there is a greater demand for quality listings than is being met. One could surmise that with more supply, the number of sales would be significantly increased.

Continuing with the theme of consistency of the statistics for the last two years of home sales in Bethesda, the **61 days** a home was **on the market** in 2017 represents an improvement of 4 days compared with 65 days in 2016.

You might be interested to know how much real estate is sold in our area during the course of a year. The combined value for all 844 home sales last year was \$970,323,300—almost a billion dollars of real estate! The final sale price was 96% of the original list price, and 98% of the list price at the time of sale. The **average price** of those transactions was **\$1,149,672**. Once again, that is very similar to the average price for 2016 which was \$1,144,849, representing a statistical increase of only .42%.

ZIP CODE 20816

In compiling the data for our Zip Code analysis, I use the information provided by our multiple listing service, the MRIS, and add to it the home sales that never made it to that database. Those sales are discovered through a painstaking comparison of the MRIS sales with all of the transactions listed in the public record for Montgomery County. That exercise turned up 16 private sales last year which, when added to the 199 sales reported in the MRIS brings the total to **215 single family detached home sales in Zip Code 20816**. For those of you keeping score, that is *4 fewer sales* than we saw in 2016.

I imagine most residents along the Massachusetts Avenue corridor consider it to be one of the most desirable parts of Bethesda and the statistic for the average number of days it took for a home to sell last year suggests that home buyers agree. The Zip Code clocked in at only **41 days on the market**—significantly shorter than the 61 day figure for the greater Bethesda area. But remember, that is the average length of time it took for a home to sell and a close look at the stats shows that 108 of the homes (*half!*) sold within the first two weeks!

The **average price** of the 215 sales last year was **\$1,144,563—up 5.27%** over the price for 2016. There were eight sales at or above \$2M and three of those were north of \$2.8M. There were ten other sales between \$1,850,000 and \$1,999,000. At the other end of the price range, there were 23 sales below \$750,000, two of which were below \$600,000!

A hot topic for much of the year in this part of Bethesda was the proposed redevelopment of the Westbard Sector and whether it will have an impact on property values nearby. Buyers are asking questions about it but with any breaking of ground estimated to be about two year distant, I have not heard of anyone citing that as a reason not to buy in this area.



STATISTICS by ZIP CODE—2017

	# of Sales	Days for Sale	Average Price	%Change from '16
20814	188	66	\$ 1,162,141	+ 1%
20816	215	41	1,144,563	+ 5.27%
20817	457	67	1,132,954	- 2.3%

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**Stuart &
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Neighborhood Review

2017



5908 Madawaska Rd
\$949,000



5618 Wood Way
\$975,000



6013 Corewood Ln
\$1,050,000



5112 Scarsdale Rd
\$1,055,000



4904 Baltan Rd
\$1,060,000



4906 Brookeway Dr
\$1,075,000



4711 Fort Sumner Dr
\$1,090,000



4805 Fort Sumner Dr
\$1,200,000



4700 Fort Sumner Dr
\$1,241,000



5112 Westpath Ct
\$1,250,000



5001 Nahant St
\$1,255,000



5021 Baltan Rd
\$1,270,000



5105 Randall Ln
\$1,445,000



4907 Baltan Rd
\$1,470,000



4907 Fort Sumner Dr
\$1,675,000

The turnover rate in Sumner plummeted in 2017 compared with the previous year. You may remember that 2016 was an unusual year in which 28 neighborhood homes were sold (a 6.2% turnover!) which was huge considering the mere 11 transactions in 2015. You see, above, the 15 sales listed in the MRIS and my search of the public record uncovered three more private sales, for a total of **18 Sumner sales** in 2017. That is a typical number of sales for the neighborhood which averages a turnover rate of about 4%.

It is interesting to note that most of the activity was concentrated in the first half of the year. Thirteen of the eighteen homes were listed before June 30th and closed before the end of August. I am not suggesting that there is any particular reason for such timing and it is not unusual for a greater number of homes to be sold during spring and summer. But the drop off in activity in Sumner mirrors the diminished number of listings and sales throughout Bethesda last fall. That is often the case but I suppose we were a bit spoiled by the fact that the 2016 market was strong all the way into December.

One of the private sales was *my listing at 4831 Fort Sumner Drive (right)* which sold for \$1,105,000 in November. In this case, the owner preferred a quiet marketing approach for which I reached out to my network of top agents in the area. A couple showings of this totally renovated home was all it took to secure a satisfactory contract. If you are familiar with this house, you may be thinking that it looks a little different in this picture. When the new siding was put on, the original shutters were not replaced and that is how it stands now. For demonstration purposes and to show potential buyers what it would look like with shutters, I also showed the house with digitally added shutters. I believe it helped with the sale!

The other two sales were the homes at 5607 Wood Way and 5013 Fort Sumner Drive. These two colonials were built in 1949 and 1948 respectively and totally by coincidence, they both happened to sell for \$925,000.

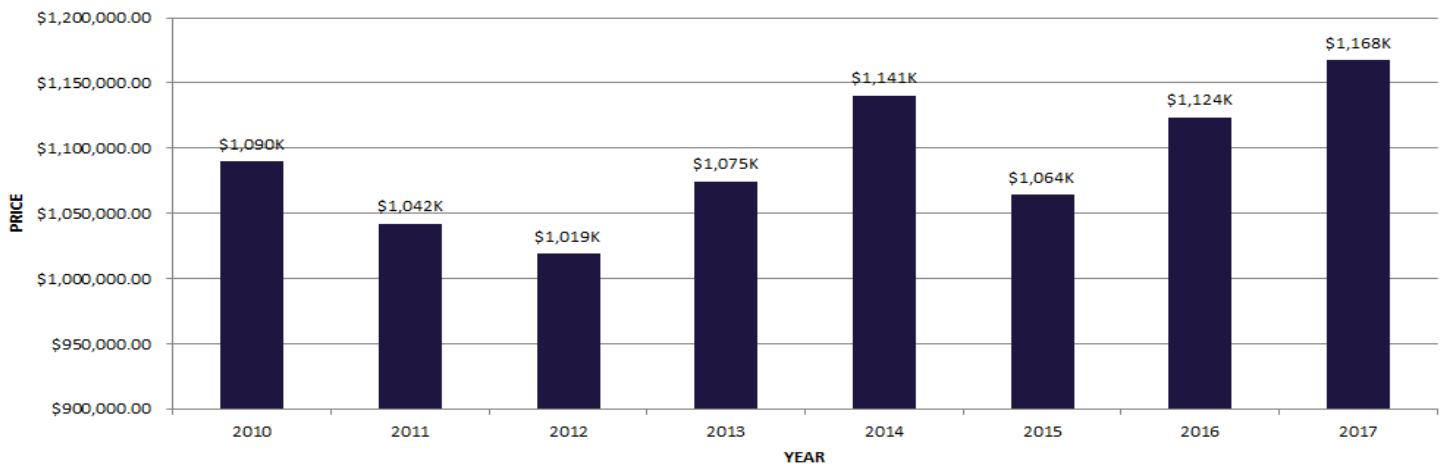
Sumner's 2017 **average price was \$1,167,500**. Compared with the 2016 average of \$1,123,732, we are looking at a year over year **increase of 3.9%**. Evidently, some of the asking prices at the time of listing must have been optimistic because the final average sale price was only 95% of the *original* list price—not very impressive. Based on the list price at the time of contract, the statistic is a much more respectable 98.5%. It is a well documented fact that homes listed for the right initial price will yield better results than homes that are overpriced at the outset of their time on the market.

While an increase of 3.9% is not earth-shaking, it carries greater significance because 2017's list of sale prices does not have any outliers. The prior year's average price was skewed by one high sale of \$1,945,000 and the average without that sale would have only been \$1,093,315. Sale prices in 2017 were distributed pretty evenly over the range of \$925,000 to \$1,675,000, lending credibility to the indication of actual appreciation. The **median price** last year was **\$1,097,500**, up from 2016's median of \$1,065,000,



representing an increase of about 3%. In a somewhat understated, "blue chip" way, Sumner homes turned in an impressive performance as compared with the greater Bethesda area. Hopefully, that bodes well for what I expect to be another strong year in 2018.

Sumner Average Prices



The new tax law is provoking much discussion and analysis from various sources, with somewhat differing views of the impact it will have on people's finances. Changes of this magnitude will undoubtedly result in some winners, some losers and some unintended consequences. Everyone agrees on one thing—there are a number of ambiguities which make it impossible to know for certain what the impact will eventually be. We will have to wait for some IRS clarifications and let some time go by to see how things pan out.

The changes affecting the ownership of real estate are probably not good. The deductions for mortgage interest and property tax are strong incentives to own a house that have long supported real estate values. Once thought to be unassailable, the new limitations imposed on these fundamental elements of home ownership may give some potential buyers pause.

Think particularly about the young people just about to establish their own residences. Many of them would buy at a price level where the interest and tax deduction would not equal the new standard deduc-

tion. Without that incentive to itemize, might more young people decide to rent rather than own? Maybe, but I would like to think the benefits of ownership (community roots, ties to schools, long term appreciation, etc.) will guide them in the "right" direction.

Most Sumner homes fall in the price range that will be affected by the new law. At the average price of \$1,167,500, a 20% down payment would leave a mortgage of \$934,000. At 4% interest, that would result in \$7,360 of non-deductible interest—about \$250 a month in lost tax benefit. That is not catastrophic but it does represent about \$50,000 in home purchasing power. Whether that will translate into an erosion of values remains to be seen.

I will say that after almost 34 years as a Realtor, I have seen the market adapt to many changes and I am not overly worried about the effects of this latest challenge. Uncertainty about the provisions of this tax law may have had something to do with the slower fall market and now that we know the rules, the accountants will be figuring out the best way for us to navigate this new terrain. They will, and we will be alright.