

ALL BETHESDA (20814, 20816, 20817)

In 1973 the Edgar Winter Group had a hit song called “Free Ride”. “...yeah, yeah, yeah, yeah.” With mortgage interest rates staying low for about ten years and going even lower when the federal government bought billions of dollars worth of mortgage backed securities to prop up the economy during the pandemic, the real estate market has enjoyed a very long (nearly) free ride. Well, the ride isn’t as free anymore.

Last year’s market began right where 2021 had left off with soaring prices and fast sales. When interest rates started to rise in March, it was not gradual; they shot up faster than anyone might have anticipated, and kept rising to a peak of about 7% in November. Well, needless to say, the real estate market did not react favorably to rising interest rates and by summertime, the pace of sales had slowed considerably.

The slower pace resulted in listings taking a little longer to sell and with less competition, buyers were sometimes able to include normal contingencies like home inspections and financing. Some buyers paused their searches, thinking that the higher rates would drive prices down. In the short run, there were fewer escalations and prices seemed to plateau, but the dire shortage of available homes has kept prices pretty level. And that lack of inventory may even be exacerbated in 2023 which is predicted to prevent any significant drop in housing values.

With the predictable contraction of the market due to the changing economy, homebuying activity during the first six months of the year outpaced the second half. For example, in one Bethesda Zip Code, the number of closings from January through June was 98 as compared with 80 closings in the second half of the year. But perhaps more telling is the comparison of how many contracts were ratified. Signed contracts from January to June numbered 105 vs. 81 from July to Dec-

ember—a decrease of about 23%. Admittedly, the second half of the year is typically not as robust as the first, but that is a significant drop. Although, from way it is presented in the media, one would imagine that sales activity might have dropped by 50 or 75%. Not so.

The fact is that the pool of would-be buyers is very deep in our area and everyone needs a place to live. The option of continuing to rent is not palatable to many people and they will look to buy. Yes, there will be an adjustment period for buyers and sellers to modify their expectations to the new reality, but houses will still sell.

It is important for would-be sellers to know that it is still a good time to sell a house. The appreciation we have enjoyed over the past few years is real and even in this more temperate market, homes are worth much more than they were before the pandemic. While “the ride” may no longer seem “free”, the ride goes on and our area will support a strong real estate market in 2023.

According to Bright MLS, the three **Bethesda** Zip Codes accounted for **775 closed sales** of single family detached homes last year, an **18.5% decrease in the number of sales** (951) posted in 2021. A year ago, I reported that the time it took to sell a home dropped dramatically from 55 days to only 21 days in 2021, largely due to the lack of inventory. Notwithstanding the slower market conditions discussed above, the statistic for 2022 was *even lower*, with homes going under contract after only **19 days on the market**. Overall, sales were still pretty fast and the *median* marketing time was 7 days.

The combined value for all 775 home sales last year was \$1,210,967,309, obviously down from the 2021 total by more than \$156M. It is a fact that 2021 was a stellar year for real estate and homes then sold for 102% of their original asking price. It is hard to believe but in 2022, the average home sold for 103.2% of its original list price! That impressive statistic leads us to the highest ever **average price of \$1,562,538** for a single family home in Bethesda — approximately an **8.7% increase** over the previous average which was \$1,437,755.



MLS STATISTICS by ZIP CODE—2022

	# of Sales	Days for Sale	Average Price	% Change from '21
20814	189	18	\$ 1,581,222	+ 7.9%
20816	178	13	\$ 1,505,159	+ 4.0%
20817	408	22	\$ 1,578,917	+ 11.1%

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Neighborhood Review (Homes Sold by All Brokers – per MLS)

2022



5003 Sangamore Rd *
\$1,045,000



5005 Baltan Rd *
\$1,150,000



5607 Pioneer La
\$1,260,000



5103 Lawton Dr *
\$1,300,000



5105 Scarsdale Rd
\$1,315,000



4911 Sangamore Rd
\$1,400,000



6016 Corewood La
\$1,450,000



5708 Overlea Rd
\$1,475,000



5604 Ontario Cir
\$1,480,000



5600 Overlea Rd
\$1,515,000



5012 Fort Sumner Dr
\$1,525,000



4924 Fort Sumner Dr
\$1,650,000



5000 Scarsdale Rd
\$1,650,000



5009 Randall La
\$1,775,000



5108 Baltan Rd
\$1,800,000



5024 Baltan Rd
\$1,825,000



5001 Rockmere Ct
\$1,900,000



5007 Rockmere Ct
\$1,950,000



5013 Randall La
\$2,350,000



5613 Wood Way
\$2,850,000

* Indicates sales by Robert Jenets

A year ago I reported that the 19 Sumner homes that sold in 2021 had appreciated by a head-turning rate of 11.3%. And that was after the 2020 average had increased by 12.66% over the sales in 2019. Well, despite the economic challenges of 2022 that negatively affected homebuying activity, you will be pleased to know that the average price of a Sumner home leaped forward again, from \$1,502,387 in 2021 to a lofty **average price of \$1,633,257 in 2022**—another healthy bump of 8.35%, and a new highest price ever for the neighborhood.

Knowing that an outlier sale or two (high or low) can skew the average of a relatively small data sample, there is sometimes a better perspective to be found in the median price—the midpoint of the list. And I have found that the median is often much lower than the average price. Indeed, that is the case here but it still shows the rapid acceleration of values in the neighborhood. The median for 2021 was \$1,300,000. Last year's **median price was \$1,520,000**—an increase of 15.6%.

You can see in the graph below that Sumner prices have been climbing steadily since 2015. But the g-force of the acceleration from 2019 through 2022 had us pinned against the seatback! The average price during those four years rose by almost 31%. Wow.

There were **20 properties sold last year** through the MLS (pictured on the facing page) and I found three private sales in my search of the public record. That is consistent with the 4.5% turnover rate which is normal for the neighborhood. Given the slowing of the overall market with interest rates rising sharply in the second half of the year, it is somewhat surprising to see that eight of the 20 transactions went under contract after July 1st. You might have expected fewer sales in the second half of the year.

I was the listing agent for three of last year's sales, two of which sold early in the year and one,

5005 Baltan Road, that sold in the fall. Not unexpectedly, the two spring sales went in less than a week while the fall sale was on the market for 27 days. That longer marketing time was more a result of the house needing much renovation than it was about the time of year. The **average marketing time for Sumner homes last year was 17 days**, but the median was only 7 days.

Your New Property Tax Assessment

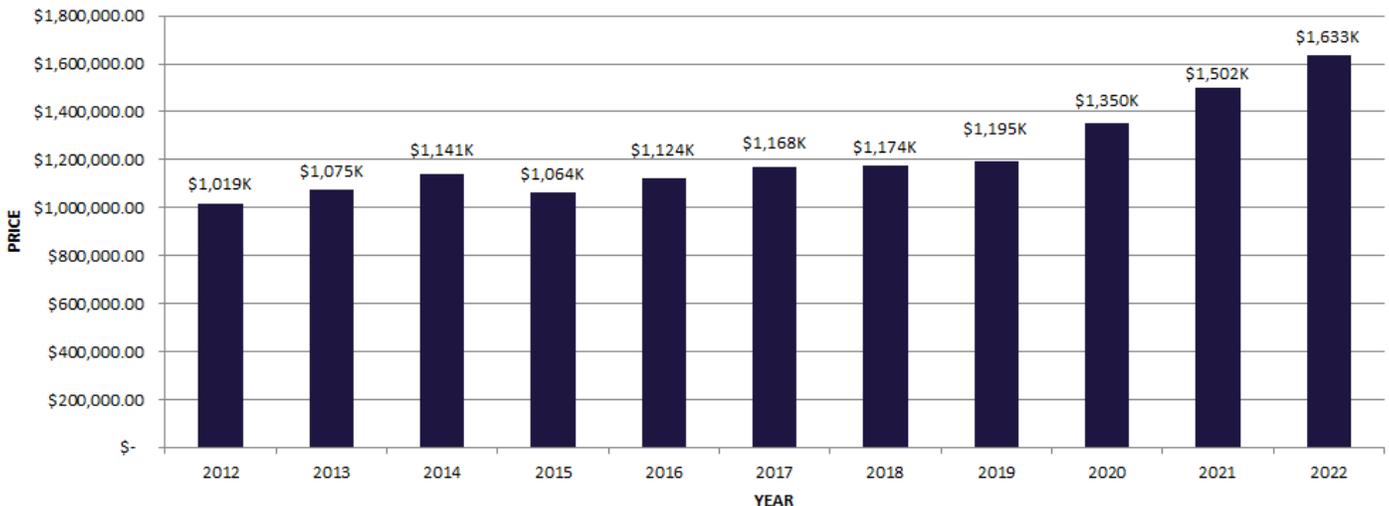
By now you should have received your new State of Maryland property tax assessment and perhaps you read it with mixed emotions. It feels good to know your house is worth so much more now than it was on the last assessment. But you may not be thrilled about the higher tax bill that comes with that increased value. The last assessment of our area took place in 2019 and since then property values have exploded. It has been reported that State-wide, assessments are up by 23%. Property values in Zip Code 20816 have risen by almost 26%.

Nobody wants to pay more tax and there are some for whom the higher tax bill will be a real financial hardship. If the property is your principal residence and you have the Homestead Exemption Approval (this is noted in the upper right hand corner of the assessment notice), you may take some comfort in knowing that your actual tax liability cannot increase more than 10% in one year. And there is a three year phase-in of your assessment increase that softens the blow to a degree.

If you think your assessment is not fair, you might consider making an appeal; that would be a natural reaction. Before you do, be aware that I have analyzed many properties and found that nearly every one of them is worth more than the assessed value. Further, the SDAT website makes clear that the only arguments that will be successful are factual errors in their worksheet like an extra bedroom or fireplace. Be careful about challenging their calculation of square footage because if they discover that you have more living area than they were aware of, your appeal could result in an even higher assessment.

The only other strategy is to produce comparable sales that support your contention that the new assessment is too high. The most relevant comps are sales within the neighborhood but prices have risen so much that it may be hard to come up with any that prove your point. That said, if you want to explore the possibility of making an appeal, I will be happy to use my resources to try and help you make your case. Just give me a call.

Sumner Average Prices



ZIP CODE 20816

As it has been my practice for many years now, when calculating the average price for the 20816 Zip Code, I like to include off-market sales found in the public record that are not represented in the MLS statistics. This is an effort to present a truer picture of our local sales activity. A careful examination of the public record turned up 28 private sales last year which ranged in price from \$665,000 to \$2.85M. Only eight of those sales were under a million dollars and 12 of them were greater than \$1.5M. Four of those were over \$2M.

Adding the 28 private transactions to the 178 sales reported in Bright MLS brings the total to **206 single family detached home sales in Zip Code 20816**. So, with the private transactions included in the calculation, sales in the Zip Code were off about 12% from the 233 sales in 2021, as opposed to the 18.5% drop in greater Bethesda.

Here are some other statistics to ponder. The average number of days a listing took to sell decreased again from 15 days in the previous year to only **13 days on market for 2022**. The number of sales that happened within the first 7 days decreased from 140 in 2021 to 126

quick sales last year. Sales closing at a price greater than the list price numbered 134 in 2021, and that number decreased to 104 such sales in 2022.

The **average price of the 206 sales in Zip Code 20816 last year was \$1,493,846**, an increase of about 3.6% over 2021's average of \$1,442,451. You may wonder why the appreciation in 20816 did not match the higher increase for all of Bethesda. One reason for that can be seen in the chart on page one that shows the change in average prices for the three Bethesda Zip Codes. Last year was a particularly strong one for 20817 which is a larger geographical area than the other two Zip Codes and it had more than twice as many sales.

On that note, one other comparison that is rather interesting is the average percentage of sale price to list price among the three Bethesda Zip Codes. Homes in 20814 sold for 102% of the original list price. 20817 came in at 102.8%. Home in 20816 sold last year at an average of 105.3% of the original list price. Not too shabby, right? The old TV show said "Green Acres is the place to be." For my money, 20816 is the place to be! Be well.—Bob Jenets

As always, thank you for your support and I welcome your questions or comments.

SHRED-IT DAY 2023

*The annual opportunity for you to have your important papers shredded before your eyes is coming on **April 15th**. Just like last year, the truck will be available in the parking lot of the Washington Waldorf School on Sangamore Road from 11:00 AM to 1:00 PM. There is no need to remove paper clips or file fasteners but they do not take three ring binders.*

If you would like to receive Shred-It Day notices by email, simply send me your email address and I will be happy to keep you informed.

I look forward to seeing you on the 15th of April!



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