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Owners Hold Off On Sales Of Homes

By Sandra Fleishman

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The super-charged local real estate market that has sent home prices soaring is increasingly leaving prospective sellers hesitant to put their homes on the market, believing they cannot find an affordable move-up house, according to real estate agents.

That, in turn, is translating to a tighter supply of homes for sale.

“This is a fear of being homeless and not finding anything, which is a well-founded fear,” said Ron Sitrin, a Long & Foster Real Estate Inc. agent in the District. “But the more a potential move-up buyer is afraid to put his home on the market, the more difficulty people will have finding homes. It’s a giant Catch-22.”

Traditionally, home ownership has been about trading up. People bought a starter house and lived there for a while. Then, as their families grew or their incomes rose, they moved to a bigger house or a tonier neighborhood. But the hot local real estate market is disrupting that pattern.

For example, Dan and Pamela Kelly live in a small but nice two-story house in a woodsy neighborhood in Silver Spring. They have no doubt they could sell it in a heartbeat, and for a handsome profit.

But the couple say they are afraid to put the property up for sale, even though they would love to move to a bigger place. “While I could sell it, I don’t think there’s anything I could afford to buy,” said Dan Kelly, a restaurant employee recruiter.

Denise Champion, an agent with Long & Foster’s Chevy Chase office, agrees. “Probably that describes half the sellers out there, that they’re afraid to sell,” she said.

Nationally and locally, statistics show that the inventory of homes for sale is at or near record lows. The National Association of Realtors last week reported that existing home sales in March were the third-highest on record, at a seasonally adjusted rate of 6.89 million sales per year, while the inventory of such homes for resale fell to a near-record low of 2.33 million, or about a four-month supply.

Historically, “you need about a six-months supply” to keep sellers and buyers in equilibrium, said Walter Molony, an association spokesman.

Locally, things are even tighter. For example, Fred Kendrick and Peter Clute, agents in the Coldwell Banker

Residential Brokerage in Georgetown who have long tracked D.C. inventory, this month reported that the supply of single-family homes for sale in the District in March was at its third lowest rate in 14 years, at about 1.12 months. Condominiums and co-ops were in even shorter supply, enough for 0.88 months.

Real estate agent associations in Maryland and Virginia are also reporting record or near-record thin inventories.

Tom Michalisko knows his Alexandria condo would sell in a snap, but he and his partner are not putting it on the market. They tried to buy a townhouse in late January, but their offer was rejected because it was contingent on selling their own home. Such contract language, once routine, is not acceptable to most sellers these days, agents said.

“So, we said, fine, let’s take the leap, and so we put our house and the market and within a week it sold,” Michalisko said.

The couple then bid for a townhouse just like the one they had tried for earlier. Again, they lost the bidding.

The person who wanted to buy their condo offered to rent it back to them while they continued to search, but only at “about twice as much as our mortgage payment,” Michalisko said.

With that, the couple canceled the sale and took the condo off the market.

“There’s nothing that entices us to get back in the market now,” Michalisko said. “It’s just too limited. . . . It’s a kind of paralysis.”

It is not just the rising prices that are a problem, Silver Spring resident Kelly said, it is the lack of choice.

“A neighbor told me recently that he’s looking to sell in the \$600s, and we only bought in the \$200s range four years ago. . . . But I’ve been looking at more expensive neighborhoods where I thought I’d be able to move and there’s nothing there,” he said.

Of course, homeowner nervousness about losing this game of real estate musical chairs is not the only reason for tight inventory. Demand to buy homes continues to be strong. Nationally, low interest rates have propped up sales rates. Locally, exceptionally strong job growth means a steady flow of new residents who want to buy.

“You will hear a lot of conversations at dinner parties and on the street that suggest that it is impossible” to buy a house here, said Ruth Dickey, manager of the Long & Foster’s Bethesda Gateway office. “But in the real world

that's not the way it is. Buyers are fearful, but they're doing it."

In hot markets such as the Washington region, shortages are exacerbated by those holding out for even bigger profits, said Lawrence Yun, an economist with the Realtors' association. "Because house prices are still rising, people are just saying, 'Why not wait it out a few more months and we can get even more money,'" Yun said.

Those rising prices are one reason Denise Parietti said she and husband, Jim Marketos, have been "absolutely afraid" to put their Georgetown house on the market, even though they have finally won a bidding war on another house after losing out on five others.

"We figured the house would sell, all the houses are selling," Parietti said. "But if we sold it before we bought another house, we weren't sure we would get enough money" to win the next bidding war, she said.

Other potential sellers say their bigger concern is that if they turn over their house to another family before they themselves find someplace to move, they will have to carry two mortgages, rent back their own house, or move to an interim rental while they look around.

Plenty of homeowners dislike the idea of two mortgages, say agents, and others just do not have enough cash to make the stretch.

"It's a timing issue," Sitrin said. "And the old way of doing it is completely reversed." Instead of being able to sell a house with a 60-day settlement date and then take that time to look for a house, a seller has to "know where they're moving to first," he said, because they may not be able to find a new place within 60 days.

Even those who are not trying to buy another house can be frozen in place. Real agent Champion said she is concerned for an older client and for elderly residents in general. Champion is advising Theodora Gregory, 70, a

Northeast Washington resident whose medical condition requires independent or assisted living, not to list her Deanwood house until she lands a spot in one of those facilities.

"I'm afraid to put her house on the market because it'll sell immediately and we haven't found a place for her to go," Champion said.

Gregory, a federal employee who has owned her home for 20 years, said she is heeding Champion's advice. "I just haven't been able find a place to move into," she said. "They're either not very good or they're too expensive."

This nervousness about the market is boosting business for home remodelers, local companies said. "I meet with people every day who are afraid," said Rob Maggin, founder of Paramount Construction Inc. in Rockville.

Craig and Lesley Sterling of Chevy Chase turned to Paramount to add on to their 60-year-old Colonial because they could not find another house they wanted. About two months into the renovation, when they realized the project was going to cost about twice as much as they had budgeted, they considered selling.

"But the wind-up was, we were really afraid to do it. We were afraid we would get caught in this feeding frenzy," said Craig Sterling, a fine-arts photographer. It made more sense to renovate, he said, even at a cost of \$300,000, because the house cost \$275,000 in 1992.

The only houses the couple had found, "were going to cost \$700,000 or \$800,000" and were about the same size and age, he said. "So you're still going to have to walk in and put in \$200,000 or \$250,000 in renovations. You're still dealing with old kitchens and old bathrooms."

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