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Looking for the Bottom Overall Trends Point Down, but Local Outlook Depends on Where You Are and Who You Ask

By Allan Lengel

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If you think the real estate market in the Washington region still looks fuzzy, you get the picture.

The average number of days a house sits on the market is dropping in some places but not in others. The supply of homes for sale in the region, particularly condominiums, remains large, but it's tight in certain Zip codes. And prices are slipping, although in some coveted neighborhoods, some properties are selling for their asking prices, if not more.

Still, it's the slowest market in years, nationally and around the region, with fewer sales of both existing and new homes. Rising foreclosure rates and a tight mortgage market continue to threaten.

And many experts don't see a turnaround in sales and prices until well into next year.

"The buyers are definitely in the driver's seat," said Lawrence Yun, a senior economist with the National Association of Realtors. "Because there's so many choices, if the seller is very stingy about the price, [buyers] can just move along to the next home."

Ron Sitrin, a real estate agent with Long & Foster in Friendship Heights, sums up the mind-set: "Sellers are reluctant to lower prices, and buyers are waiting for the market to soften. At the moment, there are more motivated sellers than highly motivated purchasers."

A more detailed examination of local market statistics shows that the median sales price in outer counties, including Prince William and Loudoun, has dropped from a year ago. However, it has risen in close-in Montgomery, Arlington and Fairfax counties, as well as in Alexandria. Generally, though, prices have fallen or stalled since the high point of about two years ago, as the five-year boom ended.

In the inner counties, "we're seeing both a rise in sales and home prices," Yun said, "and the outer counties are continuing to be negative in both." He added: "This pattern is certainly an improvement" compared with last year, "when both inner and outer counties were consistently getting negative figures."

"The mixed signals are usually the first sign of recovery," he said.

The Realtors' association's forecasts have been criticized by market bears as overly optimistic. Critics say the group's members have a financial interest in promoting the real estate business.

Different market watchers measure housing-price changes differently. According to one index, S&P/Case-Shiller, prices in the Washington region peaked in April 2006 then declined 7.2 percent from July 2006 to July 2007. The index tracks prices over time on houses that have been sold at least twice.

Prices during that same July-to-July period rose 1.16 percent according to the Office of Federal Housing Enterprise Oversight. That widely followed index also tracks same-house sales, but many higher-priced homes are not included in the database.

The National Association of Realtors uses yet another methodology, basing its numbers on sales prices of existing single-family homes sold through multiple listing services. It pegged the median price of a house in the Washington area at \$445,300 in the second quarter of this year, up 0.3 percent from the corresponding period last year.

Nationally, the median price in the second quarter of 2007 was \$223,900, down 1.3 percent from last year, according to the Realtors' association.

More specifically, according to Metropolitan Regional Information Systems, the local multiple listing service, the median price of a home sold in August in the Washington area ranged from \$315,000 in Frederick County and \$320,000 in Prince George's County to \$478,750 in Fairfax County and \$528,000 in Arlington County. (In this case, the numbers lump together condo and house sales.)

MRIS can also break down sales by Zip code. That shows that even within localities, such as Bethesda, prices have increased in some Zip codes and declined in others.

Indeed, real estate agents like Maxine Schwartzman, who works with Long & Foster in Bethesda, say they are still seeing multiple bids on homes in "hot neighborhoods."

"The good ones don't stay on the market that long," she said. She admitted, though, that bidding wars are the exception, not the rule, as they were about two years ago.

Those boom years were marked by a tight inventory of houses for sale. In Fairfax County, for example, there were 3,976 homes for sale in August 2005, vs. 8,231 in August 2007, according to MRIS. In Prince William, inventory rose from 2,753 in August 2005 to 6,515 last month. In the District, listings more than doubled, from 1,329 to 3,038.

Region wide, listings more than doubled over that time. In total, there were 49,047 houses and condos listed for sale in 14 jurisdictions last month, compared with 20,662 in August 2005 and 45,684 in August 2006.

Similarly, the number of days it takes to sell a house has shot up since the boom, though in some parts of the region it has begun to fall back. Still, the time can still be counted in months, not just weeks.

Mark Zandi, chief economist for Moody's Economy.com, said the problems in the mortgage industry that have led to a national credit crunch this year are "undermining housing demand."

"The Washington market is also very soft," he said. "Prices are falling in many parts of the metropolitan area and will continue to do so, at least through this time next year."

Boyd Campbell, a broker-owner of Century 21 Home Center in Lanham, seems anything but alarmed by the latest snapshot of the market.

"It's pretty much a normal market, and I'm basing that on a period of 31 years," he said.

Houses may be on the market longer than in the boom years, but “homes are selling and buyers are buying.”

Jane Fairweather, a real estate agent with Coldwell Banker in Bethesda, said that “this is not a market for the casual seller” who is simply testing a price. “Whatever the reason -- getting a divorce, getting married, getting a job out of town -- any of the number of things in life cause them to be serious sellers,” she said.

“There are great opportunities for the serious buyers. They can negotiate with the sellers,” Fairweather said.

Real estate agents said they are still seeing resistance from some sellers to adjust to the reality of the market and lower the asking price.

“You don’t have a market problem if you price it right,” Fairweather said. “There are buyers [who] won’t pay a dime over fair market value, what they believe it to be.”

Y. Chang, an architect who bought a single-family house in Montgomery County as an investment, said he has been bitten hard by the reality of the market.

In 2000, he bought a three-bedroom rambler in Rockville for

about \$135,000. He later added a second floor.

“When I started the renovation project, pretty much in the beginning of 2007, I knew things were bad, but I didn’t realize how bad things were,” he said. “I thought a good product will sell, no matter what.

In June, he put the now-five-bedroom, four-bath house on the market for \$649,000. He lowered the price to \$599,000, then to \$499,000. He sold it a week later.

“I’m a victim of the market,” he said.

Anne Gagen had a better outcome.

A banker in St. Louis, she was selling the Bethesda home that had belonged to her parents, now deceased. She asked for \$849,000. The home was listed around Sept. 10.

“We got a contract on Sept. 13,” she said. “We got the asking price. We had the right real estate agent who knew how to market the property.”

She said, “When you have a good location and there’s not a lot of inventory, and there are people who have to move for whatever reason, there are buyers out there.”