



**DAN MELMAN PRESENTS**

# *1<sup>st</sup> Quarter 2009 Upper Bracket Real Estate Market Conditions*

Revised April 2009

Real estate is about one particular home at a time, and thus a given home can defy the overall trends due to pricing, location, timing, uniqueness and utility. The number of available homes in our local jurisdictions increased between 7% and 12% in the course of a quarter, and average monthly sales dropped between 30% and 41% during the same period. The time necessary for all these homes to sell has swelled to more than a year in nearly every category and overall prices have edged downward. Buyers, so long as they still have the financial wherewithal to put together an offer, have leverage and options.

As you will see in the bullet points on the next page, many homes still sell for full price, and sometimes even more. Most, however, are going for less than the list price. The economy is likely to have side-lined more purchasers than brought out hardship sellers. While an occasional bank-owned property might appear, most homes in these price points are not being sold out of distress. Sales and prices strongly favored sellers 18 months ago, but not today. The many unsold, overpriced homes are indicative of sellers' perceptions that prices do not go down (a real estate escalator rather than a real estate market). Good counsel and marketing are crucial in this changing marketplace.

<b>Washington, DC</b>	Active listings (April 1, 2009)	Sold (6 months ended March 31, 2009)	Average Monthly sales	Months of inventory
Price range				
\$1.0M – \$1.5M	126	91	15.17	8.31
\$1.5M – \$2.0M	84	28	4.67	18.00
\$2.0M – \$3.0M	67	17	2.83	23.65
\$3.0M and above	66	16	2.67	24.75
Total	343	152	25.33	13.54

<b>Montgomery County</b>	Active listings (April 1, 2009)	Sold (6 months ended March 31, 2008)	Average Monthly sales	Months of inventory
Price range				
\$1.0M – \$1.5M	266	119	19.83	13.41
\$1.5M – \$2.0M	170	42	7.00	24.29
\$2.0M – \$3.0M	92	12	2.00	46.00
\$3.0M and above	54	7	1.17	46.29
Total	582	180	30.00	19.40

<b>Northern Virginia</b>	Active listings (April 1, 2009)	Sold (6 months ended March 31, 2008)	Average Monthly sales	Months of inventory
Price range				
\$1.0M – \$1.5M	476	179	29.83	15.96
\$1.5M – \$2.0M	219	50	8.33	26.28
\$2.0M – \$3.0M	146	18	3.00	48.67
\$3.0M and above	121	16	2.67	45.38
Total	962	263	43.83	21.95

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The devastating drops in the stock market and frantic changes to both Wall Street and Motor City have sent a chill thru the Upper Bracket market. While I wager that our local market is robust compared to New York, economic uncertainty hampers the ability to match buyers and sellers.

The change in presidential administration and the new Congress did not result in a local boom. While I have been in many houses recently with tribute walls to the last regime, few new officials are ready to pay Washington prices with an economy in turmoil. I do believe DC will rebound more quickly than the rest of the country. K Street will govern Wall Street and that is a net gain for our region. The overall market imbalance favoring buyers, however, should last at least another 9 months.

- Homes priced \$1 million and above represent the top 4-8% of sales in each locality. The top 1% threshold, a traditional demarcation of upper brackets, is \$2.5 million in the District; \$1.8 million in Montgomery County and \$1.6 million in Northern Virginia. These values represent substantial drops over the last six months, the effect of more homes being sold at lower prices and overpriced trophy homes failing to sell.
- The District is faring best among the local jurisdictions, where nearly a quarter of these higher priced homes still sell for full price or more, a figure that has remained relatively consistent since September. The District supply has ballooned to 13.5 months. It has been closer to six months just half a year ago. This is a factor of weakened sales overall as the number of total active listings only increased slightly.
- The markets in Montgomery County and Northern Virginia are tilted strongly in favor of the buyer. With inventory levels between 19.4 and 22.0 months, these markets are experiencing the free fall seen around the nation. Surprisingly, in these jurisdictions, one in seven properties still sell for full price or more, consistent with my December analysis.
- On average, higher priced homes in the District that actually sold received a contract in 61 days. Similar homes that sold in Montgomery County and Northern Virginia took 90 days and 107 days. These numbers do represent a slow down. Proper pricing is still critical or a seller risks missing out on qualified buyers. Overpriced homes that fail to sell are not factored in these numbers.
- Condos and coops accounted for 16.4% of recent million plus sales in the District. They represent 6.7% of recent million plus sales in Montgomery County and 5.7% in Northern Virginia. With location and amenities, apartments still make attractive homes, even if they are likely more challenging investments to liquidate. The overall condo market has been in the doldrums, so seeing these percentages, which are higher than previous reports, is a surprise.
- What are the true outliers in area real estate? The Evermay estate in DC was listed last year for \$49 million, a staggering price for the region. It remains on the market at that same price. Halcyon House in Georgetown dropped its price from \$30 million to just under \$20 million after several months in one staggering \$10 million price cut. Of properties that actually sold, two McLean properties, 211 Chain Bridge Road and 1100 Crest Lane, sold for \$16 million and \$11 million respectively. They both represent newer construction, on large lots with tremendous views. In the District, the Republic of Poland paid almost \$10 million to be Clinton-adjacent on the very desirable Whitehaven Street. 2007's \$24 million sale of an estate in Georgetown is still the top sale in the area.

Our market is not collapsing like the second-home markets in the Hamptons or Palm Beach. As such, for those whose plans involve a long hold time, this is certainly a great time to make a purchase. While real estate trends are interesting, real estate practice resolves down to one home at a time, when a buyer identifies a home or a seller decides to sell.

My understanding of real estate trends, recent sales, neighborhoods, and current market conditions enables me to locate homes, negotiate strongly on behalf of my clients, and provide pricing guidance. I tour properties every week to keep up-to-date on these price points. This is an essential aspect of what I do so I can inform my clients about the value and marketability of their purchases and sales. To discuss your real estate needs, please give me a call.

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