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## 3<sup>rd</sup> Quarter 2010 Upper Bracket Real Estate Market Conditions

Revised October 2010

When it comes to properties priced above \$1 million – the real estate mantra about location is absolutely correct. This is absolutely one of the best places in the country to consider a large purchase. While the overall Washington Metropolitan area real estate market is incredibly fragmented, the top of the market must be viewed as resilient. Federal Reserve data points to the recession being over, or having been over, but the sluggish economy certainly indicates otherwise. That said, our area's high salaries and lower unemployment combined with real estate values mostly immune to setbacks has certainly enabled people with means to continue to buy and sell homes. While some sellers have clearly needed to sell, and many buyers may have either postponed or scaled back purchases, one in every ten sales in the District tops \$1 million – something that even surprised me.

<b>Washington, DC</b>		Sold	Average	
Price range	Active listings (October 1, 2010)	(6 months ended Sept. 30, 2010)	monthly sales	Months of inventory
\$1.0M – \$1.5M	145	195	32.50	4.46
\$1.5M – \$2.0M	77	50	8.33	9.24
\$2.0M – \$3.0M	62	37	6.17	10.05
\$3.0M and above	59	16	2.67	22.13
<b>Total</b>	<b>343</b>	<b>298</b>	<b>49.67</b>	<b>6.91</b>

<b>Montgomery County</b>		Sold	Average	
Price range	Active listings (October 1, 2010)	(6 months ended Sept. 30, 2010)	monthly sales	Months of inventory
\$1.0M – \$1.5M	202	260	43.33	4.66
\$1.5M – \$2.0M	108	69	11.50	9.39
\$2.0M – \$3.0M	76	21	3.50	21.71
\$3.0M and above	55	6	1.00	55.00
<b>Total</b>	<b>441</b>	<b>356</b>	<b>59.33</b>	<b>7.43</b>

<b>Northern Virginia</b>		Sold	Average	
Price range	Active listings (October 1, 2010)	(6 months ended Sept. 30, 2010)	monthly sales	Months of inventory
\$1.0M – \$1.5M	407	393	65.50	6.21
\$1.5M – \$2.0M	171	98	16.33	10.47
\$2.0M – \$3.0M	128	35	5.83	21.94
\$3.0M and above	62	10	1.67	37.20
<b>Total</b>	<b>768</b>	<b>536</b>	<b>89.33</b>	<b>8.60</b>

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The traditional real estate market is affected by financing – particularly appraisal contingencies and more stringent lending parameters. The challenge facing purchasers in the lower price points has tempered home sales. While few Upper Bracket sales are “All Cash,” even fewer, if any, are for first time buyers, or for purchasers with marginal credit. Financing an upper bracket home requires much higher down payments, adequate reserves, and an established credit history. Our region clearly has a viable supply of buyers with the means, discipline and support structure to buy these higher priced homes.

In lower price points, the number of homes available and effect of foreclosed homes in a particular area certainly comes into play. Scarcity, however, aids the upper bracket homes. The supply of homes, particularly above \$2 million stems from more prosperous times and some speculation. These sellers might feel the sting of poorly priced homes that linger and fail to sell. Overall, home prices may have fallen 20% from their peak, but that is better than the rest of the country and will be most sharply felt by people who bought in the last few years and now must sell, rather than people who have held for much longer periods of time and seen years of appreciation.

- Homes priced \$1 million and above represent the top 6-10% of sales in each locality. These percentages are an increase from the end of 2009, which indicates a stable and increased interest in homes at the top of the market.
- The top 1% threshold, a traditional demarcation of upper brackets, is \$2.2 million in the District; \$1.7 million in Montgomery County and \$1.6 million in Northern Virginia.
- The District is faring best among the local jurisdictions where almost one in every 10 sales in the District is for \$1 million or more, coupled with one in five of homes priced \$1 million and above selling for full price or more. The number of active listings is down slightly from a year ago and contracts have increased for the same period. The District supply of \$1 million plus homes has contracted to 6.9 months with great strength below \$1.5 million.
- The markets in Montgomery County and Northern Virginia have rallied in the last year. With inventory levels now 7.4 and 8.6 months compared with 8.5 and 11.5 months last year, these markets soften quickly with price points above \$2 million. Surprisingly, in Montgomery County, one in five properties still sell for full price or more, and in Northern Virginia this figure is one in six.
- On average, higher priced homes in the District that actually sold received a contract in 66 days. Homes that sold in Montgomery County and Northern Virginia took 64 days and 84 days respectively.
- Proper pricing is still critical or a seller risks missing out on qualified buyers. The active properties analyzed for this report have been on the market for more than these average numbers, and the sold numbers do not take into account properties that failed to sell.

↪ More ↪



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- Condos and co-ops accounted for 19.0% of recent million plus sales in the District. They represent 3.6% of recent million plus sales in Montgomery County and 1.4% in Northern Virginia. With location and amenities, apartments still make attractive homes, even if they are likely more challenging investments to liquidate. While these market share percentages in DC and Montgomery County correspond closely to the ratios of active properties, in Northern Virginia, the anemic performance of high priced condos results in a five year supply of homes.
- Foreclosures do happen in the Upper Brackets, and sometimes make a great opportunity for buyers with speed and means. Illustrating the important warnings about proper pricing, a Kalorama home that sold three times since 2000, with a spectacular renovation in the mix, had a 2005 acquisition price of \$4,700,000. The home hit the market in mid-2009 at a staggering price of \$5,950,000. It languished at that price before undergoing price cuts to \$4,950,000. The bank foreclosed on the home in February 2010 for \$4,000,000 and put the home back on the market with a \$3,800,000 price tag. An agent in my firm saw the home with her clients on the Friday of the price change, wrote a full price offer with her clients on Friday (and a two week close), and was ratified by the bank (no less) on the same day. Another offer came in subsequently but was out of luck. Having the means to pull such a deal together can create opportunities.

While real estate trends are interesting, real estate in practice resolves down to one home at a time, when a buyer identifies a home or a seller decides to sell. If your plans involve a long hold time, this is certainly a great time to make a purchase.

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 call me for a confidential consultation.

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## *FLASHBACK - 3<sup>rd</sup> Quarter 2009*

### *Upper Bracket Real Estate Market Conditions*

Revised December 2009

Sales for the six months ended September 30 were up steeply from the end of June – our market has a strong summer that exceeded the weak winter/pre-spring quarter it replaced in these statistics. The number of upper bracket listings held steady in the District but fell sharply in Montgomery County and Northern Virginia.

<b>Washington, DC</b>		Sold	Average	
Price range	Active listings (October 1, 2009)	(6 months ended Sept. 30, 2009)	monthly sales	Months of inventory
\$1.0M – \$1.5M	148	141	23.50	6.30
\$1.5M – \$2.0M	86	45	7.50	11.47
\$2.0M – \$3.0M	59	34	5.67	10.41
\$3.0M and above	77	14	2.33	33.00
<b>Total</b>	<b>370</b>	<b>234</b>	<b>39.00</b>	<b>9.49</b>

<b>Montgomery County</b>		Sold	Average	
Price range	Active listings (October 1, 2009)	(6 months ended Sept. 30, 2009)	monthly sales	Months of inventory
\$1.0M – \$1.5M	188	214	35.67	5.27
\$1.5M – \$2.0M	121	61	10.17	11.90
\$2.0M – \$3.0M	82	29	4.83	16.97
\$3.0M and above	55	10	1.67	33.00
<b>Total</b>	<b>446</b>	<b>314</b>	<b>52.34</b>	<b>8.52</b>

<b>Northern Virginia</b>		Sold	Average	
Price range	Active listings (October 1, 2009)	(6 months ended Sept. 30, 2009)	monthly sales	Months of inventory
\$1.0M – \$1.5M	432	325	54.17	7.98
\$1.5M – \$2.0M	194	69	11.50	16.87
\$2.0M – \$3.0M	115	35	5.83	19.71
\$3.0M and above	93	7	1.17	79.71
<b>Total</b>	<b>834</b>	<b>436</b>	<b>72.67</b>	<b>11.48</b>

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