



4th Quarter 2010 Upper Bracket Real Estate Market Conditions

Revised February 2011

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 point 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 some combination of means, employment, and good credit to continue to buy and sell prestigious homes.

Washington, DC	Active listings (January 1, 2011)	Sold (6 months ended Dec. 31, 2010)	Average monthly sales	Months of inventory
Price range				
\$1.0M – \$1.5M	94	192	32.00	2.94
\$1.5M – \$2.0M	51	47	7.83	6.51
\$2.0M – \$3.0M	48	32	5.33	9.00
\$3.0M and above	51	16	2.67	19.13
Total	244	287	47.83	5.10

Montgomery County	Active listings (January 1, 2011)	Sold (6 months ended Dec. 31, 2010)	Average monthly sales	Months of inventory
Price range				
\$1.0M – \$1.5M	127	236	39.33	3.23
\$1.5M – \$2.0M	71	68	11.33	6.26
\$2.0M – \$3.0M	41	18	3.00	13.67
\$3.0M and above	42	9	1.50	28.00
Total	281	331	55.17	5.09

Northern Virginia	Active listings (January 1, 2011)	Sold (6 months ended Dec. 30, 2010)	Average monthly sales	Months of inventory
Price range				
\$1.0M – \$1.5M	256	313	52.17	4.91
\$1.5M – \$2.0M	127	98	16.33	7.78
\$2.0M – \$3.0M	94	37	6.17	15.24
\$3.0M and above	54	13	2.17	24.92
Total	531	461	76.83	6.91

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Real estate sales are typically 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 and quite a number of homes that merit these high price points.

In lower price points, the number of homes available and the effect of foreclosed homes in a particular area certainly comes into play. Scarcity, however, aids the homes priced from \$1.0 million to \$1.5 million. Above that point, however, buyers still hold sway given the swollen supply and perceptions of value shaped by location, features, and updates.

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Dan Melman
20-Year Real Estate Veteran

- Homes priced \$1 million and above represent the top 5.7% - 7.8% 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 DC, \$1.8 million in Montgomery County, and \$1.8 million in Northern Virginia. This is flat for DC, up very slightly for Montgomery County, and the continuation of a climb for Northern Virginia which fell most sharply when the economy declined.
- DC is faring best among the local jurisdictions where almost one in every 13 homes in DC sells 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 continuing a trend seen at the end of 2009. DC’s supply of \$1 million plus homes has contracted to 5.1 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 5.1 and 6.9 months compared with 6.2 and 8.8 months last year, these markets soften quickly with price points above \$2 million. Surprisingly, in Northern Virginia, one in five properties still sell for full price or more, and Montgomery County is nearly at that level.
- On average, higher priced homes in DC that actually sold received a contract in 66 days, consistent with the prior year. Homes that sold in Montgomery County and Northern Virginia took 78 days and 86 days respectively, with Montgomery Country homes actually requiring a full two weeks more than last year to go to contract.
- The properties active on January 1, 2011 analyzed for this report have been on the market for more than double the time that successful sales needed to reach contract. As the sold numbers do not take into account properties that failed to sell, and some of the active properties will clearly not sell, proper pricing is still critical or a seller risks missing out on qualified buyers.



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- Condos and co-ops accounted for 17.8% of recent \$1 million plus sales in DC, a slight drop from the prior year. They represent 3.3% of recent \$1 million plus sales in Montgomery County and 1.7% 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 loosely to the ratios of active properties, in Northern Virginia, the anemic performance of high priced condos results in a 16 month supply of homes compared to the 7-8 month supply in other jurisdictions. Several new developments are in the pipeline after a drought of new offerings.
- 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 home in the highly desirable Kalorama area in DC 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 too late. Having the means to pull such a deal together can create opportunities.
- Speculative home renovations have returned to our area, including cosmetic puffing of dated homes to upgrades that touch all the systems and add designer finishes. I have seen homes priced well, but clearly still profitably, move in a timely manner. I have also seen others that were priced too high for the market that have lingered. I do feel that home renovations in our area, when done correctly and aesthetically, return more than 100% of the money invested.

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. If you are contemplating a sale, capitalizing on your home's strengths and current market conditions with the right Realtor is critical to maximizing your return. 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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FLASH BACK: 4th Quarter 2009 Upper Bracket Real Estate Market Conditions

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As stated regarding the 2009 market: Cautious optimism – sales for the six months ended December 31 improved over the first half of the year – our market had a strong summer and fall that exceeded the weak spring months. The number of upper bracket listings has dropped sharply from mid-year, which is not unexpected at year end, but the number of available homes is also down from the end of 2008. Stronger than expected sales combined with lower inventories paint an appealing market condition – if it can be sustained.

Washington, DC	Active listings (January 1, 2010)	Sold (6 months ended Dec. 31, 2009)	Average Monthly sales	Months of inventory
Price range				
\$1.0M – \$1.5M	106	134	22.33	4.75
\$1.5M – \$2.0M	55	55	9.17	6.00
\$2.0M – \$3.0M	50	29	4.83	10.34
\$3.0M and above	54	13	2.17	24.92
Total	265	231	38.50	6.88

Montgomery County	Active listings (January 1, 2010)	Sold (6 months ended Dec. 31, 2009)	Average Monthly sales	Months of inventory
Price range				
\$1.0M – \$1.5M	133	202	33.67	3.95
\$1.5M – \$2.0M	72	61	10.17	7.08
\$2.0M – \$3.0M	64	22	3.67	17.45
\$3.0M and above	39	11	1.83	21.27
Total	308	296	49.33	6.24

Northern Virginia	Active listings (January 1, 2010)	Sold (6 months ended Dec. 31, 2009)	Average Monthly sales	Months of inventory
Price range				
\$1.0M – \$1.5M	288	300	50.00	5.76
\$1.5M – \$2.0M	129	55	9.17	14.07
\$2.0M – \$3.0M	103	43	7.17	14.37
\$3.0M and above	77	10	1.67	46.20
Total	597	408	68.00	8.78

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