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Bright Spots

Why Some Homes Are Able to Inspire Bidding Wars in a Slow Market

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Saturday, May 19, 2007; F01

In a cloudy real estate market, Mike Cason saw few rays of sunshine.

He and his wife, Rebecca, wanted to sell their three-bedroom townhouse in the Del Ray neighborhood of Alexandria. They paid \$430,000 in 2004. They were asking \$499,000.



"We were pretty apprehensive," he said. "All through the fall, we had friends in Springfield who couldn't sell their house. We watched the market. We read everything. We were hoping just to break even."

However, after just three days on the market in late March, they had five offers, one for \$515,000. "This completely shocked us," he said.

In a soft market portrayed so often in bleak terms for home sellers, the Casons are in a minority: sellers who get the asking price or more. Some real estate agents say that, despite key statistics that show the slowest housing market in years, they are seeing cases of multiple bids and rising prices. These seem to be concentrated in close-in neighborhoods including Del Ray, Bethesda and Chevy Chase (both sides of the Maryland-District line) and American University Park in the District.

Real estate agent Jane Fairweather of Coldwell Banker in Bethesda, who said she has had some multiple-bid sales in recent months, said sellers are adjusting prices to reflect a more reasonable market rather than the upward price spiral of previous years.

"I think the market is soft if you don't price it right," she said. "You're now seeing probably 10 to 15 percent of the sellers out there who are going to see multiple contracts.

"Two years ago, it was probably 40 to 50 percent of the market that got multiple contracts. And the year before that and the year before that, 60 percent of the market got multiple contracts."

Economists in the Washington area have differing views of what this could mean.

Peter Morici, an economist and business professor at the University of Maryland, sees a sign of a healthier market. "It indicates while we don't have a high-volume market, we have a market that has some stability. Fundamentally, [prices] are not a lot lower than they were at the peak," he said.

But Dean Baker, co-director of the Center for Economic and Policy Research in Washington, said that he thinks the market is still weak and that real estate agents are often setting prices low to get the asking price or more.

"I think it's more a function of Realtors thinking it can move quickly. I think we're going to have a weak market for some time to come. There's a lot of air that still needs to come out of the bubble."

Overall, statistical evidence flies in the face of the good-news, anecdotal reports of sales at the asking price or higher and suggests that the market still faces uncertainty, particularly given the crisis with subprime loans that economists fear could cripple the mortgage industry and destabilize the economy if it's not contained.

Sales of previously owned homes nationally fell 8.4 percent in March from the previous month, the steepest decline in nearly two decades, according to the National Association of Realtors. Sales of new homes were up a modest 2.6 percent in that time, according to the Commerce Department, but still well below a year earlier. The supply of new homes for sale stood at 7.8 months, down from 8.1 months in February, the highest level in 16 years. About 4.5 months is considered healthy. Locally, sales statistics vary widely depending on what area you focus on and what time period you consider.

Nonetheless, real estate agent Ron Sitrin of Long & Foster in Friendship Heights said he's starting to see more consumer confidence. In the past 30 days, he said, he has sold a house and townhouse in Bethesda and a condominium in Rockville for full price, and a house in Takoma Park for "a hair below asking."

"You're still seeing a lot of people buying when they see something as a fair deal to them," he said, adding that the fear of buying something that will decline in value "has seemed to wane quite a bit."

But not all agents have witnessed that confidence.

Real estate agent Kristine Price of Samson Realty in Chantilly, whose territory includes Prince William, Fairfax and Loudoun counties, said: "I'm getting more potential buyers at my open houses. Last year, at some of the open houses, I got zero. Now I'm getting 12 to 15 buyers coming through. I'm getting a lot of traffic, but not getting a lot of offers on the table.

"When I talk to some buyers, they say, 'Maybe I should wait a little and the prices will drop more.'

"I don't think people are getting the asking prices," she said. "There's definitely wiggle room for buyers."

Real estate agent Anslie Stokes said she has noticed a surge of interest from buyers, including some who are willing to pay \$10,000 to \$15,000 over the asking price.

"For almost all of last year, it was rare to compete in a multiple-offer situation," said Stokes, who works for W.C. & A.N. Miller, a Long & Foster division, in Northwest Washington. "Starting in 2007, in late February someone turned the lights on and bam, they were back. I think we're slowly coming out of a slump. But you get outside the Beltway, and it's still very difficult out there."

Morici, the economist, said gasoline prices are a factor.

"With higher prices of gasoline, the preference of living far away is going to diminish, and that is going to make housing within the Beltway more attractive," he said.

In Alexandria, Jim and Shane Fagan have benefited from both the ups and downs of the market.

The couple are expecting a third child. They wanted a bigger home and a yard.

So they recently put their three-bedroom, 3 1/2-bath townhouse in Del Ray up for sale for \$599,900. They paid \$325,000 six years ago. They got \$616,000.

Around the same time, they bought a four-bedroom house a mile away in the Braddock Heights neighborhood for \$879,000, about \$40,000 under the asking price.

"We were definitely pleased with how it all turned out," Shane Fagan said.

Across the river in Bethesda, Karen and David Hirshfield felt a bit apprehensive when they put their four-bedroom house on the market.

"There was definitely concern," Karen Hirshfield said. They asked for \$649,000. They got \$658,000.

"We got three offers within one day," she said. "We were very lucky. We were able to sell it above the asking price. It was great."

In some cases, willingness to pay the asking price or more may depend on the price range, the condition of the house or the desirability of a neighborhood.

Bob O'Toole, who works with the Melinda Estridge Group at Long & Foster in Bethesda, said he's seeing high-end homes go for full price more often than those in the middle price range.

"When you're looking at \$800,000-plus, you find that some people want to be in a specific building and they won't dicker with the price," he said. "They know if they wait around it will be gone."

Still, he said, the market favors buyers.

"If they go full price, there might be some kind of concession on the closing," he said.

Even in trendy neighborhoods such as Dupont Circle, there's room for price negotiation, he said. An example: He said he recently sold a two-bedroom condo on Connecticut Avenue NW for \$525,000, or \$25,000 less than the asking price.

Some homeowners are pricing the properties above what they think is the market price, "figuring they'll have a little bit of negotiating room," he said.

"But consumers seem to know value very quickly. If you overprice, it's going to sit there."

Other agents warn that padding a price can scare away the true suitors.

"The problem is, if they price it too high, they can lose the buyers" who would actually have been interested, said Robyn Burdett of Re/Max Allegiance in Fairfax, who works in Fairfax, Loudoun and Prince William counties.

"Those buyers won't even look at the property," she said.

Jennifer Walker, a real estate agent at McEneaney Associates in Alexandria who has sold some homes in Del Ray for more than the asking price, said the recent multiple bids she has seen bode well for sellers.

But she said the old days are gone.

"I think definitely we're not going to go back to a situation where we see people bidding \$100,000 over the asking price," she said, "which was crazy in itself."

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