

Good Happenings

News & Insights from the Ron Sitrin Team

Why is the market **STILL** so hot?

Jill and I were showing houses the other day when our buyer client asked us, “Why is the market still so hot?”

These buyers had accepted a job promotion and were relocating to Bethesda. They had already sold their New Jersey home for top dollar and were living in temporary housing. Now they needed to buy fast and were on the other end of the transaction.

Like most buyers in today’s market, they were frustrated with the lack of inventory. They asked, “where are the listings?”

“Too many new buyers for the same amount of sellers”. At least these clients laughed when I told them they were part of the problem.”

I’ve looked at the data. On the surface, it seems like there are not enough new listings. However, when you dig deeper, the number of homes selling is not that different from prior years.

What we really have is a demand problem – too many new buyers for

the same amount of sellers. At least these clients laughed when I told them they were part of the problem.

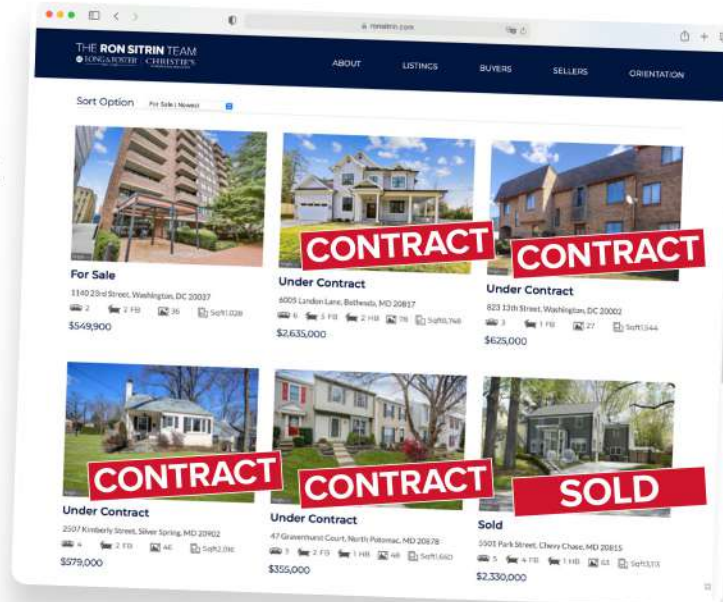
They pressed further and wanted to know, “why is buyer demand still so strong?”

How we got to this hot seller’s market has already been well documented. But why is it lasting so long?

It’s a classic supply and demand problem. There is little raw land left for new home development (supply), yet our population keeps growing (demand). According to the 2020 Census our region is only adding one new housing unit for every 2.8 new residents.

I began thinking about how our buyer clients impact the supply of houses on the market.

Many of our new clients are relocating from out of state to the DC area. I’ve personally seen a big uptick in those affiliated in the pharmaceutical and vaccine industry. These clients are moving into the area, creating more demand and not



adding back to the supply.

Millennials have reached their first time home buying age. The number of them entering the market continues to increase and we are still years away before this generation peaks. Like the generations before them, their primary reason for buying is their “desire to own their home.” Many of them start the conversation with, “My lease ends in 4 months and we are not going to renew it. Can you help us buy?” Like relocation buyers, first time buyers create more demand without adding back to the supply.

There are two categories of

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Buying, selling and building friendships:

When No News is the *Best* News

BY RON SITRIN

Many years ago I was having dinner with my friends Gil and Sara. They had invited another couple over as well, David and Karen Sultan.

During dinner, David started asking a lot of questions about real estate. Obviously that's an area I can talk quite a bit about. Then David got very specific about a house on Leesburg Road in Bethesda.

I had just seen that house. I thought it was priced high, but like any house, it had its share of pros and cons. The biggest pro of course, they would live just a few houses down from me. Hopefully they didn't see that as a con.

A few days later, David called. "Hey, can we talk real estate? We saw that house on Leesburg with another agent. We thought it was overpriced too and that agent wants us to buy it. More importantly, we felt you had a good sense of the market and we really appreciated your insights."

They were looking to trade up to a larger house and move into a better school district. This can be tricky because getting a bigger house in a better school district is a double whammy on price increase. They needed a reliable strategy to get the next home under contract, move their family of five into it, and then sell their existing home. They wanted to do this without the burden of having to carry two mortgages for an extended period of time.

We faced two selling challenges in getting their home sold, but Karen was confident that it would work out if I agreed to one simple demand. She added, "If you aren't game, we are going to have problems."

So back to the selling challenges: our first challenge was that the market was soft at that time and tilted in the favor of buyers. Second, the Sultan's home backed onto a busy street. Homes that back to busy streets are harder to sell, especially in a softer market as buyers have more choices.

And that's where the unusual request came in. Karen told me, very clearly, that she wanted to hear from me every single day, even if there was no news – good or bad – to share. She simply wanted me to touch base. No one had ever asked me to do this before, but I readily agreed.

The process began. We quickly found them a terrific



Small-talk turned into a friendship – and a shared coffee obsession – between the Sultans and the Sitrins.

house in Chevy Chase. We put in an offer, got it under contract, and put their old home up for sale.

As expected, traffic through the house and interest were somewhat tepid. I dutifully called each day with feedback, reported the shoppers' concerns, and, on days when we had no looks, that awkward but honest lack of any news to report.

At first it was hard to make those calls, then suddenly it hit me – there's a reason why most Realtors gravitate to being buyers agents. Calling a seller to say "I have nothing new to tell you" is difficult. It feels like you are letting them down. Giving the feedback can also be a more delicate process. You want to bring quick offers, of course, but you also need to report back when shoppers' comments might sting a bit: the house is dated... overpriced... too small... whatever.

But this is honest feedback, and you can't control what shoppers say. As a listing agent, sellers hire me to sell their house. The more time that goes by without an offer,

the more you feel like you're failing them.

But still, I called the Sultans every day. Then the calls started to get easier, even if there were several days in a row with nothing new to say. Soon enough I realized that it wasn't just the news they needed. It was the relationship. They knew I was on the job and working for them. They knew the market was slow and they were not judging me. By connecting everyday it assured them that I had their best interests at heart.

It took time, and a lot of calls, but we got their house sold! Fast forward several years and I've helped them buy two investment properties as well.

“We faced two selling challenges in getting their home sold, but Karen was confident that it would work out if I agreed to one simple demand.”

There are two great things about this experience. By calling every day, I found a new level of confidence as a listing agent. Thanks to the Sultans, every seller thereafter has received a much higher level of service. It's one of the skills that has helped shape me into a better listing agent.

Even better, the Sultans became two of my closest friends. It's one of the neat things about this profession that I love so much – the people I get to meet. It's just too bad they didn't buy that house on Leesburg, then we would have been neighbors, too!

Today's market is still hot

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buyers that also become sellers. Those are homeowners looking to change school districts or make a lifestyle change. At first glance, these types of buyers seem to be net neutral to the supply and demand curve. However, they tend to buy first, move, then sell second. This means they increase demand prior to adding back to supply. Even though these buyers are net neutral, the way they “time” their move still contributes to the demand problem.

When the number of buyers exceeds the number of sellers, buyers end up competing in multiple offers. As buyers watch prices and interest rates increase, they become very competitive fast. To win in a competitive market, they use an “escalation clause”. If they win, great. If they lost, they just pushed up the price that the winner paid. This in turn increases the price of the next listing that they might be interested in pursuing.

The answer to my client's question, “where is all the inventory?” There are just as many new listings this year as in prior years. The problem is the demand. In a market this hot, very few listings go unsold. Therefore, from one month to the next, there is hardly any build up of old inventory to ease the growing demand. As long as the build up of inventory remains this low, I would expect this cycle to continue.

5.24 Million Homes are Missing!

Can you help us find one?

According to a Realtor.com estimate, As of November 2021, the gap between the number of homes needed and the number of homes available was a staggering 5.24 million. Construction simply can't keep up with the demand created by newly-formed households.



THE **RON SITRIN** TEAM

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The Ron Sitrin Team – **Greater range than a Tesla!**

371

Average miles driven per day by the Ron Sitrin Team

vs. 334

Tesla Model S Performance EPA rated range per charge



Good Happenings

Good Happenings is a look at market trends, Ron Sitrin Team insights, great stories and good things we want to share with you. All content and information shared is approved by the clients involved. And two features this month make references to coffee – hmm, maybe this is Ron’s way of saying you should get together for a cup and talk about the market...

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