

Good Happenings

News & Insights from the Ron Sitrin Team

Looking into the Crystal Ball

BY RON SITRIN

The second week of January our team got together for breakfast.

Before the coffee was even poured we started making market predictions for 2023.

Everyone piped in echoing how slow sales had been over the last four months. Even when Hania mentioned a new listing that sold faster than expected, we quickly circled back to the slowing market conditions we were seeing:

- Interest rates increased
- Buyer activity slowed
- Inventory levels increased
- Days on Market got longer
- Prices softened

Not only that, layoffs seemed to be happening everywhere. The real estate industry was especially hard hit. These trends are typical of a cooling market. A welcome sign for our buyer clients.

With all these data points, we anticipated 2023 to be a good year for buyers. We suspected things would remain slow in January and February, then we'd get our typical spring bump, followed by things settling back down in the summer and cooling off even more in the fall.

One week later our predictions completely changed!

First, we had eight carry-over buyers from 2022 who were ready to pick up the pace and get something under contract. Then, six

new buyer clients reached out to hire us. All of them were motivated and ready to go. This is a lot of buyer clients for January.

Second, we listed a \$839,000 condo in downtown DC. The market stats suggested that the market was sluggish and that it could take some time to sell. Instead, within days we received three offers, all above list price.

Third, We listed a \$1,279,000 detached house in Bethesda. Again, the response was much stronger than anticipated. Six offers came within three days and it went under contract significantly above the list price.

We were not alone. Many of the agents we work with reported similar happenings.

Where did all this buyer demand come from?

Why did the 2023 January market start off much stronger than anticipated?

There are two clues in this story that help answer these questions.

First, a higher than normal number of carry-over buyers from last year. These buyers started their search in 2022 and then slowed things down as the market changed. Many of them resurfaced in January.

Second, is to understand the pre-existing inventory. Many buyers are not happy with the current



selection of homes that have been sitting on the market. So even though inventory levels are increasing, the buyers don't seem to like the available choices. As the inventory levels build it creates the sense of a softening market, however, as soon as a hot new, well priced listing hits the market everybody jumps in and voila... multiple offers.

Even though the end of year data suggested a cooling market, we experienced a January surge much hotter than expected. Based on the intensity of this recent market rush, we anticipate a hot sellers' market through the spring.

A Battle of the Ages

Boomers and Millennials want the same thing, again!

BY RON SITRIN

To predict the future it helps to look to the past. Think back to 2018 and 2019 when downtown living was all the rage. At that time, the two largest generations, Baby Boomers and Millennials, both wanted vibrant, downtown neighborhoods.

It's hard to believe now, but back then, Baby Boomers were having trouble selling suburban homes to Millennials. Suburban neighborhoods far from the city were the last place millennials wanted to live. The pandemic changed that mindset fast as everyone wanted more space and commuting time was no longer an issue. This caused suburban home prices to soar while the condo and co-op markets cooled.

As the vibrancy of the city continues to rise, the once soft condo and co-op markets are starting to gain traction. **We've seen quite a few condos and co-ops sell faster than anticipated, and some even received multiple offers.** The pandemic related slow down in the condo and co-op markets is good news for both demographics. Baby Boomers can sell their single family homes that appreciated disproportionately faster than condos and feel like they are cashing out and getting a deal. Millennial buyers, priced out of the single family home market, can still find affordable options in the condo and co-op market.

The irony is, Boomers are using the appreciated gains they got from Millennials that bought suburban homes to now compete with Millennials as they are both re-entering the condo market.

A Ron Sitrin Team prediction for 2023, the battle of two generations competing for downtown condos is about to heat up.

| Who wants what? | | |
|---|--|---|
| Millennials | | Boomers |
|  | Location – walkable to dining, public transit, cultural opportunities |  |
|  | Views/Balconies – Breathing room and a bit of extra space |  |
|  | Parking – Boomers want it for their cars, Millennials for guests |  |
|  | Security – Front desk services & controlled access |  |
|  | Quality Features – Stainless appliances, high end counters, etc. |  |
|  | Community – Shared spaces, public wi-fi, gym and roof deck |  |



Does the “op” in Co-op mean opportunity?

BY RON SITRIN

Jill Chessen and I were recently talking with David Goldberger and Lizzy Echt about downsizing. Typical of any downsizing conversation, we began talking about condos. So I asked, “would you consider a co-op as well?” David, like most of our clients, asked “what’s a co-op?”

Quick history: **a hundred plus years ago only rich people could afford to buy houses.** Co-ops were introduced as a way for working class people to break free from being renters for life. The co-op concept allowed them to pool their resources and buy real estate.

In the 1960’s, the concept of condominiums started gaining traction and condos quickly became a more popular form of ownership than co-ops. The primary difference between a condo and a co-op is how ownership is taken.

When you buy a condo you own the “real estate” inside the walls of your unit. When you buy a co-op you own “shares of stock” in a cooperative (co-op). The co-op owns 100% of the land and the building. Your shares in the co-op give you the right to live in your particular unit.

Both Washington, DC and NYC saw a number of impressive co-ops built in the 1930’s. Many DC co-ops are featured in the iconic coffee table book *Best Addresses*. These buildings are known for their distinctive architecture, high ceilings and old world charm. You might be surprised to know that one of the Watergate buildings is a co-op.

Co-ops provide three distinct advantages over condos.

1. Co-ops can borrow money for capital improvements. Condos cannot do this and need to levy an additional fee on the unit owners when extra money is needed.

2. Co-ops are allowed to have more restrictive policies on the buyer’s financial qualifications and on the renting out of units. This makes co-ops a great option for those that want these policies. This

is especially true when it comes to renting. Co-ops can require that purchasers be owner occupants (not investors) and put limits on the number of rental units allowed. Condos can not do this.

3. Co-ops get you more for your money as they generally sell for less than condos of the same size. This means buyers wanting to minimize their purchase price and maximize their space may find that they can buy a larger co-op for less money than a smaller condo.

There are also three reasons why co-ops are less popular than condos, making the pool of co-op buyers smaller than condo buyers. First, those not familiar with co-ops tend to stick to condos. Second, monthly co-op fees appear much higher than monthly condo fees because co-op fees include more shared expenses and real estate taxes. Condo owners still have these fees, they just pay them individually. Third, many investors avoid co-ops due to the rental restrictions. The Claridge House in Foggy Bottom is one notable exception to this; they allow investors and many of them are getting excellent rental returns.

What I find most unique about co-ops is their emotional appeal to certain buyers. The shared ownership concept seems to heighten their sense of community and building pride. Perhaps being part of that special feeling is the real opportunity in co-ops.

A Co-op often means more space, more luxury and more amenities at a price lower than a condo in the same neighborhood.





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A new generation getting housekeys

BY RON SITRIN

2023 marked a new “first” for me – someone I watched grow up hired me to help them buy their first house.

Yes, it made me feel a little old, but more than anything it made me so happy to see a smart, forward-looking young adult taking a significant step towards home ownership and becoming a part of a community.

I first met Halle Pollack when she was in Pyle middle school. Halle and my daughter Aliza were in the same grade. Over the years I watched her grow up and became friends with her family. When Halle texted me about buying a home I was so excited.

We start every new buyer client relationship off with a Buyer Orientation Meeting. It’s where we go over all the things a new home buyer needs to know. During Halle’s orientation meeting she had so many excellent questions and it reminded me of how much I love helping first time buyers.

Halle’s dad, Alan, joined the meeting as well. It was great to have him share his wisdom and experiences

on the benefits of home ownership.

We marveled at how time passes and how our kids keep reaching new milestones.



To my surprise, Halle had already identified a property that she wanted to purchase. It was a condo unit in her building located down the hall from where she was renting. So Halle, her parents, Alan and Debbie, and I all went to take a look. We loved it.

30 days later she closed on her new home. **Halle is probably among the first of her peers to buy. For me, she is the first client that I knew as a kid and also had the opportunity to help as an adult.**

From a generational perspective, I have been helping my age group’s parents for years. This is opening an exciting new chapter as we begin working with my age group’s children as well.

Good Happenings

Good Happenings is a look at market trends, Ron Sitrin Team insights, great stories and good things we want to share. All content shared is approved by the clients.

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Have a question, story idea or comment? Give us a shout!

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