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A HEALTHY GIVE AND TAKE

Sellers aren't getting what they want but neither are buyers as real estate market drifts toward normalcy

Heather Boerner, Special to The Chronicle
Sunday, September 24, 2006

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Elisa Rassen sits in the living room of her new purchase, a multiunit fixer-upper. Chronicle photo by Lea Suzuki

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When Van Torma put his Alameda home on the market in April, he was expecting packed open houses, multiple offers and a quick sale. Five months later, his house is still on the market and Torma is perplexed.

"In retrospect, I should have grabbed the first offer, but I didn't know," he said. "Having sold a house previously in Oakland in three weeks, with multiple offers, that was my frame of reference. It turns out I put this house on the market

when it was turning, going from a sellers' market to kind of entering a buyers' market."

Torma, 44, is one of a growing legion of "motivated sellers" populating classifieds, open houses and real estate offices around the Bay Area. He has slashed the price of his home, paid for staging, made upgrades and done a marketing blitz. The original listing price was \$930,000. Now it's \$845,000, a fair amount less than the \$875,000 Torma turned down in April.

And this market shift is not just local: Tom Stevens, president of the National Association of Realtors, said at a U.S. Senate hearing on the housing market earlier this month that there has been a sharp decline in sales across the country, resulting in a glut of houses on the market. This is especially true in California and other overvalued markets, where, Stevens warned, "These areas are vulnerable to outright price declines."

Those declines are happening, albeit slowly. According to DataQuick Information Services, Bay Area home sales have reached their lowest levels in 10 years while inventory continues to rise. As a result, home sellers and builders are resorting to offers

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they never would have considered even a year ago -- everything from sellers offering to pay closing costs and months of homeowner association dues to vacation offers to agents who sell the most condos in new upscale buildings.

What that means for people looking to buy or sell a home is slightly lower prices, more incentives to purchase, more negotiating power for buyers and potential savings of thousands of dollars.

"Sellers are facing hard realities," said Cece Blase, an agent with Paragon Real Estate Group in San Francisco. "It used to be that a buyer would take a house as-is, all cash, no contingencies. Now sellers are so anxious that they'll negotiate the cost of repairs and throw some goodies into the deal. It's a totally different market than it was a few years ago."

Buyers' market or bust?

But are we in a buyers' market? The numbers indicate that we may be. Home prices are still hovering around \$700,000 for the Bay Area, but there are signs of a slowing market: Houses are staying on the market longer, leading to price reductions and homes withdrawn from the market, said Andrew La Mont, a real estate agent who keeps statistics on the housing markets in San Francisco and San Mateo counties. "We are having a record number of price reductions," he said. "There are still a lot of people hoping to recoup last year's prices."

But not everyone is convinced, and many agents are trying to convince buyers that now's the time to act.

"People laugh when I say, 'Don't wait to buy,' " said Pacita Damicali of Gallagher and Lindsey in Alameda. "But seriously, it still makes sense to buy instead of renting because you're gaining equity."

Max Lo of Stanley Lo Green Banker in Daly City has 15 years in the real estate markets from San Jose to San Francisco. He says Bay Area expectations of the market are so skewed by years of bidding wars and double-digit home appreciation that we don't know what a buyers' market looks like anymore. He and others, such as La Mont, argue that we're simply in a balanced market and that sellers are just realizing that they have to price their homes more realistically.

"Overall, the market has slowed a little and there are some price reductions, but I don't think you can call it a buyers' market," Lo said. "I think we've just been spoiled by the previous markets."

The change in the market has inspired sellers, however, to entice buyers with offers they never would have considered in 2005.

One homeowner in Foster City is offering his home for no money down and a \$10,000 credit. The seller of a condo in San Francisco is offering a plasma screen TV and surround sound system with his unit. Other sellers are offering free marble countertop upgrades in new homes.

Blase said she's seen offers in new buildings offering free upgrades. La Mont said many agents now offer to split the cost of staging their homes with the sellers to make the homes competitive.

Bird-in-the-hand approach

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These incentives are modest, however, compared with what is happening elsewhere in the country. According to the Associated Press, National Association of Realtors President Stevens discovered that the home across the street from his in Great Falls, Va., comes with a new, \$60,000 Mercedes in the garage.

Whether it feels like a buyers' market depends on whom you ask. For Elisa Rassen, 28, who just bought her first home in San Francisco, it doesn't seem to be. Despite flagging sales, she still saw several homes with multiple offers. Over her six-month search, Rassen was "flabbergasted" by the Noe Valley house that was "so destroyed it was scary" but was still on the market for about \$1 million. She saw tons of condos for about the same price.

Eventually, she bid on a condo between the Castro and the Mission for \$900,000 before backing out at the enormity of the cost. "I had a panic where I thought, 'I can't believe I was going to pay close to a million dollars for basically an apartment!' " she said. "It's not like homes are suddenly \$400,000."

With her parents' help, Rassen bought a multiunit fixer-upper in the same area. "I like to call it a shipwreck. It's beautiful but falling apart," she said. The rental income will help her pay the mortgage, and she gets more for her money. She was able to negotiate some contingencies from the seller. Still, the purchase "didn't feel super easy."

"I don't have anything to compare it to," she said. "But it did feel competitive and it felt expensive."

But it's a sign of the slowing market that Rassen was able to get in at all. Marissa Harnett remembers what it was like to buy her home in the Montclair district of Oakland 11 years ago: She and her husband put in bids on four different houses, each time encountering one bidding war and lots of false starts. They lost out on all but the last home.

So despite the fact that she and husband Andrew welcomed two boys -- Matthew, 11, and Alex, 8 -- into their family since purchasing their home, they avoided wading into the insane housing market of the past several years. The slightly cooling market brought out Harnett, who, like other buyers, didn't want to compete in the previous market.

"We were intimidated by the market before, with the frenzied bidding," she said. "We had friends who got into that, and it was just unappealing to us. We'd rather get less for our current home and also get our future home at a less stressful time and a lower price without as much competition."

Her strategy worked. The couple sold their Montclair home and bought a larger one in Orinda in just a few months, and in just enough time for the boys to start school earlier this month.

A shift in power

The experience this time was quite different. As buyers, they felt they could offer less than the asking price because the house had been on the market awhile. The seller countered and the Harnetts were able to find a price that pleased everyone.

As sellers, though, the experience was an eye-opener. After only a few days on the market, the Harnetts got an offer. They had to decide: Should they wait it out for multiple offers or sell now? It turned out the people who bid on their Montclair house



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felt just as empowered to ask for contingencies as the Harnetts had at their new home. "We felt like we didn't have any power," she said. "You just don't have control. We could say no to them, but they could say, 'Forget it.' "

The couple decided to sell. "In the end, we took our Realtor's advice, that the bird in the hand approach was better for us," she said. "Even six months ago it was different. Six months ago, we could have gotten more for our house. In the end, we did it the way we needed to. We're not greedy. For what we bought if for, and for what we bought our new home, it was fine."

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