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**READY, UNWILLING AND ABLE**  
**Many buyers qualified for mortgages are taking their time as they consider all their options carefully while waiting for lower prices**

- Heather Boerner, Special to The Chronicle  
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Eric Ford, 45, is a real estate agent's dream. He's got money socked away for a down payment, he has a good job in biotechnology and he's already qualified for a mortgage.

For years, he was also working to turn all that into his first home. Conservative by nature, and somewhat traumatized by the overbidding, multiple offers and iffy mortgages of the past few years, and confident that home prices will continue to drop, Ford has decided to wait.

"I kept reading about the market not necessarily being a bubble but that the housing market was seeing the biggest run-up in the past several years," he said. "I don't like to buy at the high point. I'm not a big jump-on-the-bandwagon guy. I knew what was going on, that people were getting out of the stock market and getting into real estate, that the interest rates were low and that tax consequences had changed. There was a lot of speculation. And I expected the housing market to start going down at some point."

So when the market started to change last year, Ford stopped looking in earnest and is now waiting to see what the market will do in the next six months. He is what agents call a fence-sitter, a brand of home buyer that has proliferated in direct proportion to the slowing of the market.

But the fence-sitters are more than a group salivating for a weakening in the market: they're home buyers who are taking advantage of this balanced market to take their time and really consider whether they're getting what they want in a home.

After years of being told by mortgage brokers that they can get a mortgage, however exotic, to afford the house of their dreams right now -- instead of working their way up to a dream home -- few fence-sitters are disposed to buying small. Instead, they're counting on the slowing of the market to make it possible to buy their dream home at a reasonable price.

"A lot of people are chit-chatting with friends and the general consensus is that they should wait," said Mary Ellen Dudum of the Alain Pinel office in Walnut Creek. "I'd say maybe as many as 40 percent of buyers are waiting right now. But while people are waiting, real estate is happening, and you never know until you look back whether it was a good time to wait."

Dudum, like many in the business, is doing everything she can to encourage people to buy now. Many worry that media reports and word of mouth will cause more people to wait. Most remind observers that the market is still moving. Indeed, in many neighborhoods, prices are still rising.

Dudum is helping her brother buy his first house, and said she has teased her brother when he hedges toward waiting.

"He told me, 'My friends say I should wait,' " she recalled. "I asked, 'Who are these people? Other people who are renting? Get on the bandwagon!' "

But fence-sitters can be excused for being confused. The data are inconsistent. According to DataQuick Information System, the median home price in the Bay Area's nine counties dipped 1.4 percent in November -- the largest falloff since February 2002, when home prices dropped by 2.1 percent. Moody's Economy.com predicted recently that the median home price nationwide will drop by 3.6 percent in 2007. And a recent report released by the Center for Responsible Lending found that people who took out subprime mortgages in San Francisco and San Mateo counties in the first nine months of 2006 have a 17 percent chance of losing their homes in foreclosure.

But foreclosure rates are still below normal and home prices are still high -- the Bay Area hitting a median of \$616,000 in November. And while home prices dip elsewhere in the region, the magazine Business 2.0 recently declared San Francisco a bubble-free zone, explaining that the basic supply-and-demand of not enough land and too many interested buyers will keep home prices aloft for years.

"Home buyers who think they can just sit there (on the sidelines) and control the market completely, they're losing out on something," said John Giesecker of Prudential California Realty and outgoing president of the San Mateo Association of Realtors. "They'll be kicking themselves later."

Still, fence-sitting is common, and the reasons for waiting are as unique as the people doing it. We talked to four people at different stages in their lives who have decided to wait.

#### The Pragmatist

Eric Ford is nothing if not a stable guy. He's had the same job for 19 years and lived in the same Eastlake stick Victorian three-bedroom rental in the Mission for nine years. During that time, he's had many roommates and he's had lots of time to study real estate.

He's read about what Yale economist Robert Shiller calls irrational exuberance in his analysis of bubble-like stock market behavior as well as Shiller's prediction that the real estate market is headed for a similar, if slower, correction. "It's probably going to be another two or three years before all this shakes out," Ford said.

Still, Ford thinks of his waiting as a cleansing of the palate -- a chance to stay out of the market at a time when he expects record foreclosures on people with mortgages that were unsustainable to begin with. Ford expects to start looking again in six months in his chosen areas of Noe Valley, Bernal Heights, Sunnyside and the border between the Mission and Noe Valley called TransMission.

#### The Gun-Shy

Serafina Palandech found the house of her dreams in 2005: A little two-bedroom fixer-upper in Daly City with period detail that charmed the 33-year-old event planner. She

was so taken with the house that she found an agent and got approved for a mortgage.

But she lost the house to someone who paid \$75,000 over asking. Heartbroken, Palandech got caught in the market frenzy and started looking at condos -- not what she wanted, but she'd take whatever she could get, she said. Then, she went away for a few months for work. And when she came back the market had changed.

"It became clear really rapidly how weird the market had gotten," she said. "In April, we would see these houses on the same block, one listed for \$850,000 and another listed for \$620,000. It didn't make any sense why one house would be so much more expensive than another in the same neighborhood and with the same bedroom count. I felt like, 'What's going on? Something doesn't make sense.' "

Then, interest rates changed. Suddenly, the interest-only adjustable-rate mortgage for which she'd qualified became "ridiculous" and unaffordable. She estimates her mortgage would have gone from \$3,000 a month to \$3,500 a month. She heaved a sigh of relief that she'd dodged that financial bullet.

"When I was thinking about buying a house before, it was more like, 'I have to get something while the getting is good!' " she said. "I got caught up in the panic of having to get a house before they were all gone. Now it's more of a buyer's market and I feel more in control of the situation. Now I hope to buy a home and not settle for something that, like, doesn't have a roof."

While she works on improving her credit and qualifying for a better mortgage, she's also enjoying her two-bedroom rental in San Francisco's Excelsior district. There, she has room for her home office. There's a garage. And there's a backyard for her two dogs, Tallulah and Miguel, to tromp around.

She'll continue watching the market, but she's not going to get caught in the frenzy again, she said. "Thank god I didn't buy something I didn't really want," she says with a sigh.

### The Skeptic

Freddie Niem is in an enviable position. Niem lives with his partner, John Minnett, in a loft in San Francisco's trendy SoMa district. The building, built in 2001, was designed by noted architect Stanley Saitowitz. The loft has appreciated from \$450,000 to \$700,000 since Niem bought it in 2002.

And yet, Niem, who is prone to drawing on his own dramatically pencil-thin eyebrows, isn't happy there. After moving in, he realized that the downtown, high-tech neighborhood wasn't right for him. And the fact that the kitchen has no vent to expel cooking odors offends him.

Still, after looking with an agent for a single-family home last year, Niem is again on the sidelines, figuring he'll wait another three years to buy again. He's waiting, he says, because he "doesn't trust the kind of market build-up" that's marked the past several years.

"They say San Francisco is an area where prices never go down, they always go up, but I've seen with my own eyes how sales in our own building have gone down," he said. "Prices went up because people kept bidding, bidding, bidding. It's not like the value itself went up. It's just bidding."

Then, after his home being appraised for \$700,000 in summer, its value dropped to \$649,000 this year. That doesn't seem right to Niem, and he's suspicious. Even though he's

benefited from his property increasing in value, he calls the quick and meteoric increase "insane."

"I think San Francisco is drawn too high, way too high," he said. "They're out of their minds. If you see a loft increase in value that much in just a few years, it's not because the property itself has increased that much in value. I'll wait for it to go down again."

So, in the short-term, Niem says he'll cope with the cooking smells and the busy location. "I want to see how low the prices can drop," he said.

### The Hopeful

Tom Hehir, 47, grew up in San Francisco but never thought he could afford a home there.

"I'd lost the faith," he said, jokingly. "But now I feel really driven."

It's the expected drop in home prices that has Hehir hopeful. If prices fall the way he expects them to, he's expecting to see record foreclosures. One of those, he's sure, is the Sunset bungalow that he and his partner see in their dreams. Hehir can see it now: A small place, nothing fancy, but in the area near where Hehir grew up so the couple can keep up their regular beach walks.

Still, Hehir knows that being able to achieve his goal will depend on the misfortune of people who bought in the boom with exotic loans that have become unmanageable. He doesn't wish foreclosure on anyone, but should it happen, he wants to be prepared.

"Our plan is to wait a year to get something more affordable. The financial projections I've seen have property values decreasing by about 10 percent, with a high expectation that people will default on loans. Based on that, there's a possibility for fire sale real estate. That would be the most optimal situation for us," he said.

"It's unfortunate, but something drastically needs to happen to the real estate market in order for many of us to buy. And I think it's happening because of these funky loans."

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