

Advice for the HOUSE RICH

THE BOOM IN home prices is over. No more bubble.

People with expensive homes on the market, like my friends Larry and Linda, don't need to be told this. Their home in a pricey Maryland

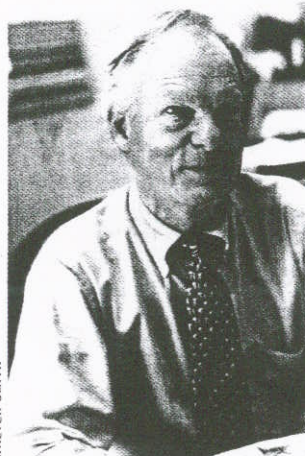
suburb of Washington, D.C. (itself a pricey market), is listed at several multiples of \$1 million and is sitting there like a wallflower at the dance—four months, little traffic and no offer. Linda says they'd like to get a lowball offer and then negotiate. I suggest they take \$1 million off the price, *then* hope for that lowball.

Ideas for sellers. How bad is bad? The latest numbers from the National Association of Realtors should concern all homeowners contemplating a sale. Nationally, the number of sales of existing homes fell 7% during the second quarter of 2006 compared with a year earlier. But in some populous, high-priced states, the bottom opened up: Arizona and Florida, down 27%; California, 25%; and Virginia and Nevada, 24%. Only 20 states had increases.

Interesting enough, prices paid for existing single-family homes were still going up during the second quarter compared with 2005—even in those states where the number of transactions plummeted. For example, the median sale price rose 17% in metropolitan Orlando and 12% in Phoenix. But don't count on that lasting. It's as if buyers have gone on strike, but sellers don't know it yet. Think of Wile E. Coyote churning his legs after running off a cliff.

Larry and Linda could always emulate Alan Weinkrantz, the Texan who created a blog to stir up interest in his unsold home (see "My Story," on page 110). Alan admits his blog was only indirectly responsible for his home's eventual sale. So I asked Patricia Esswein, who writes on housing for us, if she had some more-practical advice for home sellers.

First, says Pat, consider riding it out. If you don't have to sell, wait. But if you have to sell (perhaps, like Larry and Linda, you've already bought a new place), try not to panic. Be patient. The fact that homes (expensive ones in particular) stay on the market longer doesn't mean that they'll *never* sell. As of mid 2006, existing single-family homes stayed on the market almost seven months, compared with four and a



WALTER SMITH

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half months a year ago.

Don't be cheap, Pat says. We're all for FSBOs, but For Sale By Owner signs work best when buyers aren't on strike. You need someone out there beating the bushes for you, and that's what a good real estate agent does. In times like these, a 5% commission can pay for itself.

Price it right. Larry and Linda, are you listening? Says Pat: "Houses are like bread—the longer they sit around unsold, the moldier they look. For the past year, agents have repeatedly told me about sellers who refuse to live in the present and face reality. They get hung up on what Joe's house down the street sold for last year and think, I should get that, too." Well, those days are over for a while.

Ask your agent whether offering buyer incentives would be smart. Such as? Offer to pay all the closing costs. Throw in a year's worth of condo fees—or if you live on a golf course, a year's worth of country-club dues. Some sellers offer new cars to buyers.

A big thump? David Lereah, chief economist for the Realtors, says home prices are headed for a soft landing. I hope so. But in the housing market, like the stock market, matters get carried to extremes. Plus, for every reader of this column who hopes for a soft landing for home prices, there's another who's in the market to buy and is rooting for a big thump.

FRED W. FRAILEY, Editor