

# In housing market, it's the worst of times and best of times

By Stephanie Armour, USA TODAY

Home sellers, brace for some grim news. The spring home-buying season now underway is widely expected to be the worst since the 1980s.

Many would-be buyers lack strong enough credit to get a mortgage. Home values are sinking. And in front yards around the country, "For Sale" signs are as ubiquitous as garden weeds.

**The median price of an existing home in March was 7.7% less than it was a year ago, the National Association of Realtors reported this week. "Sellers are having to capitulate," says Mark Zandi, chief economist for Moody's Economy.com. "If you're a seller, it is the worst season since the early 1980s."**

**Yet, what's bad for sellers is good for buyers — at least those blessed with excellent credit and enough money for a sizable down payment. They can enjoy lots of homes to choose among, time to browse, and typically, the advantage in negotiations.**

Still, whether buyer or seller, anyone engaged in the home-buying process now could probably use a little guidance.

## **HOME SELLERS: Be realistic**

This month, Rosemary Johnson is taking a gamble. She and her husband, Robert, 59, own a two-bedroom cabin in Lake Tahoe, Calif., nestled in the pine trees by a golf course. But they've now moved to Los Angeles and no longer need their former home. Despite some trepidations about the floundering housing market, they've decided to sell their cabin.

"It's a scary market," says Johnson, 63, an artist whose husband is a builder. "We knew we had to price it very rationally. We had to be realistic, and we're just hoping to break even." Having listed their home at \$649,000, the Johnsons spent time sprucing up the yard before putting the cabin on the market. Now, they're hoping for the best.

**Taking a realistic view of the market and pricing a home competitively are wise strategies these days.** Keep in mind that buyers will typically wield the advantage, so expect to be flexible or even to lower the home price as necessary.

What sellers should consider doing:

- **Make a stellar presentation.** Be sure the house is in near-pristine condition. Looks matter. Fix peeling paint. Make any needed repairs. Consider spending on amenities that attract buyers, such as newer appliances.

"In order to sell quickly for a good price, homes must be in better condition than the competition and be staged to look appealing from every angle," says Cleve Gaddis, a co-broker/owner of Re/MAX Around Atlanta. "The days of selling by just putting a sign in the yard and listing in the (multiple listing service) are over."

- **Develop a marketing plan.** Figure out how best to display and advertise a home for sale by targeting potential buyers who might be interested. This might include posting the home on websites, sending out mailings to neighbors, holding several open houses and analyzing comparable home sales in the area in the past six months.

- **Price realistically.** Nothing's more essential at a time when buyers expect prices to fall further and are typically in no hurry to close a deal than to price your home realistically. Don't expect to make much of a profit, if any. And try to hit on a price slightly lower than the competition. Lawrence Yun, chief economist with NAR, says prices could fall an additional 10% in some markets. Websites such as ZipRealty.com and Zillow.com allow sellers to get a rough idea of what their home is worth by browsing the estimated values of comparable area homes.

"All sellers today are selling their homes for less than they did a year ago," says Kim Stimpson, owner and broker of Assist-2-Sell, a discount Realty brokerage group in Boise.

- **Offer inducements.** Tempt buyers by dangling inducements, such as partial or full seller financing, suggests Pat Lashinsky, CEO of ZipRealty. Be mindful that you're competing for a smaller pool of potential buyers than in years past. Just 13% of respondents say they plan to buy a home within 12 months, according to an April survey of 1,938 participants by Frank N. Magid Associates, a media-oriented research and consulting firm based in Marion, Iowa. An additional 21% said they were unsure.

And sellers who are refusing to cut their listing price, betting they'll be able to sell their home once prices bounce back, should keep in mind that few analysts expect a broad recovery anytime soon.

"It's not going to be a great spring this year," says Orawin Velz of the Mortgage Bankers Association.

## **HOME BUYERS: Do homework**

**For many would-be buyers, the question is whether now is the time to dive in. Should they wait and buy at even lower prices? In the view of many experts, if a buyer finds an ideal home, with an affordable price and mortgage, there's no reason to wait.**

"For buyers, now is a good opportunity to find a good deal and negotiate with sellers," says Lashinsky of ZipRealty. "There're a lot of choices out there. Inventory levels are going up, and home sellers are giving deals."

Today's housing market is radically different, of course, from the one that raged during the housing boom that crested in 2005. Back then, some buyers could purchase a home, then turn around and sell it within weeks, pocketing a profit. Now, with the real estate slump widely expected to persist, prices in many areas are likely to fall further. Today's buyers should expect to hold onto any home they buy for at least a few years before selling.

What buyers should know:

- **Negotiate.** Sellers, by necessity, have become more flexible about pricing. In some cases, buyers can insist on — and receive — perks or discounts such as seller financing and home warranties.

Carlos Arcos and his partner are in the process of buying a three-story townhouse in Houston for which they were able to negotiate the price. During their search, they found eager sellers throwing in flat-screen TVs and free window treatments.

"While looking for a new home, many builders were throwing out some great deals to buy new construction," says Arcos, 40, who works in advertising and whose partner, Norman Schack, 45, is a music instructor. "However, my partner and I decided to go with an older home, only 5 years old. Since we were dealing with sellers directly, I think we got a good price."

- **Educate yourself.** Thoroughly research prices in the area before making an offer. As home prices fall nationally, some cities are seeing sharper-than-average drops. In other areas, prices remain flat. Some metro areas, such as Charlotte, have actually seen some prices increase.

"We hear about the large price drops in California, Florida," says Leslie Sellers, vice president of The Appraisal Institute. "But it's important to remember that those are the areas that were increasing at the same rates in the upward direction in the past few years. More areas of the country are at a more stable pace, and those have not dropped at those dramatic paces."

Anyone considering buying a home in foreclosure or at auction should do plenty of research. Even then, the process can be difficult and risky. Auctions of homes, for example, often give buyers no chance to do any pre-inspection.

- **Obtain financing ahead of time.** Many private banks have sharply tightened lending standards, requiring heftier down payments and sterling credit scores. Even though buyers now have more choices, some desirable homes do receive multiple offers. Some buyers could easily lose out if they're not prepared.

Those who might face the toughest time, Velz says, are those seeking homes in the upper brackets. Banks burned by the rising number of defaults remain leery of offering "jumbo" loans — those that exceed \$417,000 (or, temporarily, up to \$729,750 in some high-cost areas).

"The worst market now is the jumbo market," Velz says. "It's basically shut down right now."

**Courtesy of JB Goodwin**