



MSN Home • Real Estate
Buying a House
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Best moment this decade to buy a home

It's ho-ho-house-hunting season, the time when homebuyers can drive the best bargains. And this month is likely to be better than any recent December.

By Marilyn Lewis

You're making your list; you're checking it twice. You've got your holiday shopping pretty much under control. But . . . wait.

Put this on your list: a new house. December is for house hunters what the day after Thanksgiving is for retail shoppers, a time for some of the best bargains of the year.

For homebuyers, that's because there's so little competition in December. Most everyone is focused on family, friends and celebrations, not on buying a home. Nationally, January 2005 saw roughly half as many deals recorded (they were negotiated in December) as in April, reports the National Association of Realtors. Sellers, particularly those with property on the market for more than a few months, want to sell before the year ends.

The December advantage

This December, buyers have additional leverage. "Sellers are more willing to compromise than at any time in the decade," says Walter Molony, a spokesman for the Realtors group. "During the (2001-06) housing boom, the seasonal benefit went away because there was a persistence of tight inventory problems, and sellers weren't motivated to make concessions."

With the boom over, it's a buyer's market again in December. Here's why:

- The boom -- fueled by easy credit, low interest rates and, in many places, a shortage of housing -- resulted in overbuilding. Now there's a glut of new homes in some places, particularly in parts of Florida, California and Arizona.
- Speculators who entered the market late hoping to flip property for a quick buck are dumping houses and condos, especially condos, on the market.
- Though the market has been cooling for months, sellers have been reluctant to drop prices, apparently still hoping for the killings they might have made a year ago. By now, they may be reconsidering.
- Buyers, reading about real estate prices dropping nationally, are pressing sellers to negotiate, even in strong markets.

Home values are softest in economically hard-hit cities and towns in the industrial Midwest. For most of the rest of the country, the rate of price growth has simply slowed way down from what it was before.

Finding bargains

Los Angelino Paul Davids has been wanting a home in Santa Fe, N.M., for years but thought he could not afford the market. He owns homes in L.A. and Sedona, Ariz., and had combed the Santa Fe market for the past four to six months. This month, he seized on what he believes is a bargain: a new 3,200-square-foot house with a two-car garage, a view and a bit of a buffer because it's surrounded by a couple of arroyos. Davids was able to negotiate the price down by 5%.

The holiday factor may have contributed. "It's a time of enormous opportunity," the movie writer-producer says.

The season may have played a role, too, for Christian Fox, now closing on a Eugene, Ore., house after two years of shopping. Fox, a commercial real estate agent and property manager, wanted a house on a large lot for less than \$400,000. But Eugene buyers kept bidding up prices -- until recently.

Fox and his wife kept watching listings they liked until one, after three or four months on the market, dropped from \$450,000 to \$399,000. They offered 7% below that, and a deal was struck.

Sellers stand to benefit, too

Barb Barnard, a broker with Windermere Real Estate/Lane County, which serves Eugene, says December is a great time for sellers, too. "When something new comes on this time of year, there is usually a lot of interest and activity, since there are so few homes on the market. . . . If they list their house now, they seem to get more of the serious buyers and don't have to compete with as many other houses."

Some sellers are facing real economic loss with the market downturn. But many more are likely to profit -- they just won't make the fat profit they might have at the top of the market, the Realtors' Molony says.

Still, this can be a trying time for sellers. Ask Jay Jay Shapiro, an architect-engineer-builder in Santa Fe, who has been trying to sell two homes for a year and a half. The larger house, on 5 acres with a creek and private park, includes three bedrooms, four baths and 3,500 square feet, plus a guesthouse. Shapiro has dropped the price from \$1.5 million to \$1.375 million.

The smaller property is a four-bedroom, four-bath, 2,200-square-foot home, marked down from \$1.2 million to \$995,000. Shapiro wonders whether he should have accepted an offer of \$900,000 that he had rejected.

"Everybody's waiting to see where it will bottom out," he says. "In my life I have never had a house on the market this long." His advice to sellers: Don't get insulted by a ridiculously low offer. Buyers are just trying to learn your lowest acceptable price. Counter the offer and stay in the game. (For more tips on selling your home, [click here](#).)

"I tell people if you get something within 95% of your asking price, you better think very hard about that offer," says Katie Stout, an agent with Century 21 The Platinum Group in Greeley, Colo., where prices are dropping and the market is rife with foreclosures.

How to bargain for a home

Negotiations depend on your local market conditions. Just because you read prices are soft in Scottsdale, Ariz., doesn't mean you'll get a 10% discount in, say, Iowa City, Iowa.

“Our appreciation only goes up 3% to 5% a year,” says Iowa City real estate agent Jill Armstrong, “so people who come in from out of town and try lowballing a seller with an offer of 20% below asking price may just sour an agreement.” Instead, buyers are getting concessions of 4% or 5% right now, up from about 3% in the past, she says.

Here is experts’ advice for buyers:

- To get a sense of how motivated a buyer may be to drop the price, find out how many days the property has been on the market. Days-on-market information is not accessible by the public, but an agent can get it for you.
- If you want a home that’s in foreclosure, don’t bother dickering with banks over price. “They don’t have time,” Stout says. “Some of these asset managers are selling 450 houses.” Your strategy: Cool your jets and learn how foreclosure sales work. Banks selling foreclosed homes in Greeley watch their properties closely, dropping prices about 10% a month until the property sells. In Greeley, that takes about three months -- roughly three 10% price drops. So wait until the place you want is within your reach and hope no one else buys it first.
- The juiciest advantage goes to buyers with a noncontingent offer (meaning that they can buy immediately, without having the purchase contingent on selling their old home), a preapproved loan and no need to wait until the school year ends to move.
- Bargain hunting involves giving up something to get something else you want more. For example, consider homes that are discounted because they need work you can do: painting, yardwork, cleaning or minor cosmetic repairs. Before negotiating on price, calculate the cost of bringing the place up to a livable standard. Pass on places needing major repairs like a new roof or foundation work.
- Research both your market and the property you are interested in before beginning to negotiate because what works in one area could be poison in another. In Greeley, an offer 10% below the list price might fly. In Seattle, the seller might tell you to go away and never come back. Lowball offers are tolerated differently in different parts of the country. “It’s cultural,” says Barbara West, a broker with Windermere Real Estate/Lane County who loves negotiating. Her advice: Wait to bid on an overpriced property until it’s been on the market a while because sellers need time to realize that their price is high.
- Keep offers and counteroffers to a minimum. Someone else might make a better offer while you are dickering.
- Insist that your agent deliver your lower offer in person to the sellers, not just to their agent, to explain why you think your offer is justified and how much you appreciate the home. West has noticed that 99% of her in-person offers are accepted, while the success rate drops when the face-to-face component is ignored.
- Negotiate for other concessions. In some markets, appliances are considered part of the deal; in others they are treated separately. Free-standing hot tubs and big yard-maintenance equipment can be negotiated for. If you like the home’s custom draperies or a piece of furniture that looks perfect in the house, ask a seller to throw it in. The closer your offer is to the list price, the greater your odds of success. You can even negotiate on the closing date to seal the deal quickly or buy yourself more time.

Strapped buyers can ask sellers to pay closing costs, but this is usually a financing gambit, not a seller’s concession: You offer the seller \$6,000 above the list price, for example, if the seller will pay the \$6,000 closing costs. This lets you essentially wrap your closing costs into the house financing. West advises against this, if possible, as sellers tend to feel they would lose something, even though they would actually come out even.