



Home buyers seen slowly gaining more clout

Housing developers add incentives, but lowball tactics still may not work

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Want a free flat-screen TV? How about \$5,000 worth of furniture along with an hour of interior design advice? A growing number of real estate developers are hoping these types of inducements will get you to closing on a new home.

"Buyers are seeing concessions where there has been a frenzied addition of new inventory," says Gopal Ahluwalia, vice president for research at the National Association of Home Builders in Washington. That covers a fair number of markets, though far from all. The association's recent survey found 75 percent of all new construction is currently being offered with an incentive or financial concession.

However, Mark Nash, author of "1001 Tips for Buying and Selling a Home" and a real estate broker in Chicago, cautions against using the proliferation of builder concessions to declare the start of a buyer's market across all residential real estate market segments. "What the concessions are, are signs of excess inventory," he says. And while such incentives and concessions are a bonus for buyers, so far they are generally less obvious in the existing-home arena.

Despite a decline in sales in August, existing homes are still selling relatively well in many areas right now, though they have slowed from their torrid, near-record pace of a year ago — 6.3 million for the year ended August 2006 vs. 7.2 million units for the year ended August 2005. But, as a chorus of real estate experts will tell you, property continues to move where sellers' price expectations have adjusted to more rational levels—in line with what buyers are willing to spend.

"A year ago, buyers couldn't afford to think," says Roger Erickson, senior managing director with Sotheby's International Realty in New York. "It was a feeding frenzy."

But buyers in Erickson's Manhattan market still cannot afford to think too long. "If a property is priced right, there are people out there ready to buy," says Erickson, who continues to see multiple offers on property that is priced right. That does not necessarily mean lower than last year, according to his recent experience, just not outrageously higher.

"Buyers who read the headlines (and) then try to write lowball offers are not buying houses right now," says Nash. Not where there is still demand for property. The problem, observes Nash, is the real estate market is not a centralized the way the stock market is. It is a market of many micromarkets—each performing differently and not necessarily in step with the national averages, making generalizations somewhat misleading.

"Certainly buyers have more homes to choose among. We are now seeing two and three for sale within a community, sometimes on the same street," says Daniel Crosby, a real estate agent affiliated with RE/MAX Vision in Crofton, Md. But he adds this is more typical than the previous lack of inventory.

And while sellers need to work a little harder—offering open houses again, printing color brochures and being more realistic when pricing and marketing—he characterizes it as a more 'normal' market than when sellers were simply pounding 'For Sale' signs into their lawns and writing a

contract two weeks later.

"But buyers need to realize that while they have more clout, they are still not driving this bus," says Nash.

Peter West, founder of The Premier Realty Group, in North Adams, Mass., who is active in New York, Massachusetts, Vermont and Florida, also cautions buyers not to expect as much clout as the headlines imply. Not as long as homes are still selling in their area and selling near their listing prices.

Currently, what he says buyers can expect from sellers is more of a willingness to make repairs after inspections, which they had stopped doing when the market was stronger. "We are also seeing more of a willingness to make concessions toward closing costs or on mortgage payments" says West, who specializes in negotiating on behalf of buyers.

He characterizes the current climate as mainly "a time for doing homework and careful analysis of comparables to avoid overpaying." That and looking for motivated sellers.

Sellers who have to sell are more apt to fulfill a realistic wish list. Motivated sellers include those who are being transferred, who may be caught between a recently purchased home and their old home and speculators and builders who are under financial pressure to unload their inventory.

One incentive that everyone is seeing more of—except many buyers—is higher payouts to the real estate brokers who represent them. It seems to be among the first concessions sellers offer to get lookers in the door. Brokers are currently being offered selling bonuses, higher commission cuts, prizes, even leases on luxury cars.

As a buyer's agent, West discloses such incentives and passes along any received to his clients. But that is not part of the ethics code for all agents. Homebuyers may want to pay particular attention to the coding on listing sheets and negotiate for any such concessions to apply to their purchase price if they are being offered.

While it is clear sellers no longer rule the majority of real estate markets, it is unclear buyers whether buyers will gain the upper hand. But at least now, on average, they have 'hand.' They just need to resist overplaying by asking sellers to concede too much if they really want to make a purchase.

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