

How to Get More for the Money In a Cooling Housing Market

By Lauren Baier Kim

It's no secret that the housing boom is for the most part, over. As the number of residential properties on the market builds, buyers have more properties to choose from and are gaining power at the negotiating table. But buyers still need to be smart to get the most for their money.

Everywhere, homeowners and developers are scrambling as houses take longer to sell -- in July, the number of sales for previously owned homes dropped to their lowest level in two and one-half years and the inventory of houses up for sale was at a record high. At the same time, sales of new homes were down more than 20% compared with the same time last year. Last week, the National Association of Realtors reported that pending sales of existing homes decreased in July at a seasonally adjusted annual rate of 7.0%, their lowest level in more than three years. Existing-home sales "are likely to flatten in the months ahead," says David Lereah, chief economist for the trade group.

So is now the time to buy? "It depends on your personal needs," says Richard Rocker, a real-estate agent in Kamuela, Hawaii. "If you are buying as an investor, I would be cautious. If you don't need to buy and see that the market is correcting, sit on the sidelines and be patient." As an investor, it's best to buy at "rock bottom," he says.

Robert Lavoie, an attorney with the Real Estate Practice Group for law firm Devine Millimet in Andover, Mass., has a different view. "Buyers who keep waiting for the bottom of the market will end up losing out on a lot of opportunities," he says. "It is probably better to get a good, solid deal than a rock-bottom deal, which may never come along. There may be a recovery, who knows?"

If you're looking for a home that is just that -- a home -- and not an investment property, it may be the right time to make an offer on that house or condo you've been eyeing. Here are five strategies for getting the most out of your real-estate dollar:

1. Stay informed. With the housing market in transition and prices fluctuating, it is important to understand what's going on in the marketplace, says James Barry, president of Listingbook, an online service in Winston-Salem, N.C. that connects real-estate agents with their clients.

Buyers should gather up-to-date information on what homes are available, as well as how they compare to other residences for sale. Get this information through your real-estate agent or through Web sites like RealEstateJournal.com and Zillow.com.

Having updated information helped Robert J. Mullin, a financial consultant with firm RBC Dain Rauscher, save at least \$30,000, he says. In May, Mr. Mullin moved from his \$750,000 residence in Basking Ridge, N.J. to one priced in the \$400,000s in Clemmons, N.C., he says.

"The ability to do a market analysis helped us find a home that was appropriately priced," he explains. Thanks to his real-estate agent, who sent emails and photos about new Clemmons-area listings regularly during his search, Mr. Mullin says he "saved money by making the process more efficient," negating the need to rent temporary housing or pay for storage.

Knowing how a house stacks up against others on the market is handy from "a negotiation standpoint" and can help you bargain for a good price when making an offer, Mr. Barry says.

Make sure the information you have is current, says Chris Kelly, a broker associate with Coldwell Banker Residential Brokerage in Center Harbor, N.H. "Look at comparable properties that sold no more than two months ago," he advises. "Properties that sold within the last two months have sold for a lot less than those sold within the last 12 months."

2. Jump on a good deal. Consumers aren't snapping up homes as quickly as they did during the housing boom, but that doesn't mean buyers can take their time. That's because attractively priced homes still draw plenty of interest.

"It's the same scenario [as it was during the housing boom], except that we wait longer for properties to be at a price where a buyer will take it," Mr. Kelly says. Once a property is priced correctly, there should be plenty of buyers vying for it, he says. "If priced properly, a home will sell in days."

He mentions a house in his area that was on the market for nearly a year at \$799,000. When the sellers chopped \$200,000 from the asking price, they received nine offers, he says. "Those buyers were there," he explains. "They were waiting to see if the value was there."

If a price drops, "be there first," Mr. Barry says. A price reduction could signal a "highly motivated seller," he says, and "a tremendous opportunity for a good deal."

Beat other buyers to the punch by getting pre-approved or pre-qualified for a mortgage and line up a home inspector before you make an offer. That's because homeowners usually want to sell within a certain time period, Devine Millimet's Mr. Lavoie says. "Most sellers don't want to waste their time with anyone who is not pre-qualified," he explains.

If you absolutely adore a house, don't wait too long for a seller to reduce his price, says Dale Davis of Davis Team Real Estate at RE/MAX Napa Valley in Napa, Calif. "You can miss what you really love waiting for a price reduction," he says. "If you love it, and you think it is a good price, come in with an offer a little bit lower and start the negotiation process."

3. But...don't move too fast: You have to move quickly if you spot a house at a good price or if the house of your dreams comes along, but the housing slowdown also means that buyers have time on their side while looking for a property, as the number of properties for sale is mounting, giving consumers more choices.

"There is no longer a feeding frenzy for homes, so buyers can wait for what they want [to come on the market] instead of compromising just to get a house," Mr. Davis says.

Finessing today's market means not rushing the search process, but acting quickly when the right deal comes along. "Buyers can be patient to find the house they like, not necessarily to buy the house they like," Mr. Davis explains.

Take the time to think about what you want in a home and what neighborhood or geographical region you prefer, advises Tiffany Smookler, a sales agent with Vermont Country Properties/Sotheby's International Realty in Waitsfield, Vt.

Sometimes, "people don't get to know the area well enough and move on an opportunity without thinking about it," says Ms. Smookler, who works in a vacation-home locale with many out-of-town buyers. Your purchase may turn out to be a long-term investment, so thinking it through first is advisable, she says.

With so many houses available from which to choose, "be very specific about what you want," Mr. Kelly says. Only look at 10 or so properties at a time, he suggests. Otherwise, "you will have too many choices and will get confused," he says.

4. Get tough. It's now easier to convince homeowners to come down on price or make other concessions than it was in recent months, so don't be shy about offering "what you think a home is worth," Ms. Smookler says.

"You can't be afraid to offend," she explains.

Buyers are requesting -- and getting -- price reductions and concessions from sellers, Mr. Davis says. While you should always ask for concessions, the best time to get them is when a property has been on the market for 30 days or longer, he says. These days, sellers are more likely to give in to your requests than risk losing a potential buyer, he explains.

In some parts of the country, sellers are willing to accept less than what their neighbors got for their homes, he says. "Sellers are motivated," he says. "Some are making two mortgage payments."

The most frequently asked-for concessions are for repairs, Mr. Davis says, such as fixing termite and fungus damage or water leaks and replacing worn or stained carpeting. Sellers can make these fixes or compensate the buyer by paying some of the buyer's closing costs, so there's "less money the buyer has to come up with right now, today," he says.

Some home sellers are using extravagant tactics to lure buyers. "They are doing crazy things to create interest," Mr. Davis says. "There was somebody who bought a brand-new car, parked it in the driveway, and said, 'If you buy the house, you get the car.' "

5. Go off the beaten path. With properties taking longer to sell, some homeowners are using alternative selling methods like auction houses. Others aren't hiring a realtor and are trying to do a "for sale by owner" or FSBO. Buyers who seek out these alternative sales can save money.

One in five home sellers sells their properties through a FSBO, according to Colby Sambrotto, chief operating officer of ForSaleByOwner.com, a Web site that provides home-selling services to homeowners for a flat fee instead of a real-estate commission. Buying a FSBO property presents a cost-cutting opportunity for home buyers because "if you are selling a property and aren't forced to take on a 6% to 7% commission, you will pass that [savings] along to the buyer," he says.

Some FSBO sellers list their homes through the Multiple Listing Service (MLS) and can be found on Realtor.com, Mr. Sambrotto says. (Sellers going through ForSaleByOwner.com pay a higher-priced service package to get listed on the MLS.) He adds that only about 15% of his clients take that option.

To find FSBOs, buyers also should search nation-wide sites like ForSaleByOwner.com or Craigslist, he says.

Mark Sekula, an accountant who relocated from Berlin, Conn., to San Antonio in March with his wife, Diane, and their young son, used various for sale by owner Web sites, Realtor.com and Craiglist to find a new home. After a two month search, he found the house that he purchased through ForSaleByOwner.com. The seller was asking for \$160,000 and they settled on \$158,000, he says. He estimates that the seller passed along approximately \$10,000 in savings in the deal, since the seller didn't have to pay a real-estate commission. Although he wasn't specifically looking to purchase a FSBO home, Mr. Sekula says he is glad he did. "It was very easy," he says.

Buying a home through auction can also present a savings for home buyers because private and commercial sellers who sell through auction often "want to unload their properties" in a short period of time, says David E. Gilmore, National Auctioneer for Sperry Van Ness/Gilmore Auction & Realty of Kenner, La. "Because we are pushing the market a little quicker, you may get a good deal," he explains.

For example, this week, his company is auctioning 36 bank-owned foreclosure properties in south Louisiana. "The bank wants to get rid of them quickly and is willing to trade price for time," he says.

A drawback to buying through auction is that homes are sold "as is" and usually are a "kind of a do-it-yourself deal," Mr. Gilmore says. That means it's up to the buyer to ascertain a property's quality before bidding. Mr. Gilmore's firm generally advertises an offering six months prior to its auction with notices on the Web site, through email alerts, in newspapers and on the radio and TV, he says, and buyers can arrange to visit the property and have it inspected before auction.

Buyers must also have cash at the ready when bidding, and most auction companies generally require a 10% deposit, Mr. Gilmore says. Normally, buyers have 30 days to pay the rest of the balance, he says.

Buying and selling homes through auction is becoming more common, he says, noting that his company will auction off about 500 homes this year. "We are getting more and more calls in the last month or two from individuals because of the slowing market."

Join a reader discussion about the residential real-estate market.