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The market for homeowners looking to sell

Marni Leff Kottle, Special to The Chronicle
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Melissa Morris put her Haight-Ashbury flat on the market in mid-September. It was priced right and she accepted an offer of $825,000 within days.

The contractor's inspection was set for Sept. 29 and as the buyer toured the home, the stock market was in the midst of its historic meltdown. The Dow Jones industrial average would ultimately drop 777.68 points that day, setting a record for the worst point drop in its history.

The buyer's stock portfolio took a hit and he walked away from the deal. Though the buyer ultimately came back, Morris agreed to a lower sale price of $815,000.

Volatility in the stock market, falling home prices and tightening credit markets mean that the lousy times for Bay Area home sellers roll on. The median price for a home or condo in San Francisco fell 12.7 percent to $675,000 in September from $773,500 a year earlier, according to MDA DataQuick. At the same time, the number of homes sold inside San Francisco's city limits held steady in September, while foreclosures helped that number increase 45 percent across the Bay Area's nine counties.

Sale not an impossibility

With no clear end to the real estate market's woes in sight, some homeowners can't or simply don't want to wait any longer. For those people, real estate experts say, it is possible to sell - as long as they are realistic about a sale price and prepared to play by a new set of rules.

"One thing I'm hearing more and more agents tell their sellers is that if you want a 2006 price for your home, you're not going to get it," said Bill Brown, president of the California Association of Realtors. "The top agents will tell you that they are turning down overpriced listings because it's a waste of time and expense to market the property."

For Morris, though, it wasn't really about timing. She bought the upper Haight home 11 years ago for $280,000. After 20 years in medical sales and a divorce, she was ready for a life change and decided to move to North Carolina, to be closer to family, and start nursing school. "Over the course of a lifetime, you win some and lose some," Morris said. "You have to do what's best for you at that time in your life. In this case, I won quite a bit - it worked out really well."

Homeowners looking to sell in this market also need to be prepared to follow the rules of a changed market, real estate agents said. Chris Zolezzi, who listed his unit in a tenancy-in-common earlier this month, acknowledged that he might have gotten more money had he tried to sell last year. At the same time, he said, he and his partners in the tenancy-in-common are unwilling to settle for less than the $899,000 he's asking for his unit or the $1.85 million price that the group is seeking for the whole building.

Although he probably will relocate to London in the next six months because his partner is considering a new job there, Zolezzi said he would rather rent the unit on Shrader Street in Cole Valley than take a lower price.

"We're really testing the market," he said. "If we don't sell it, we'll hold on to it. It's not like a fire sale."

In addition to finding the right price, real estate agents also say that marketing has once again become much more important.

Zolezzi said that his agent, Pacific Union's John DiDomenico, put together flyers and an Internet listing and arranged a lunch at the broker's tour to help draw a large audience.

All of that has helped attract potential buyers, Zolezzi said. The first open house brought in about 50 or 60 people and the home has had a number of private showings as well.

The showings haven't translated into an offer yet, and Zolezzi speculated that the tight credit market, particularly for jumbo loans, is one factor that may be tripping up would-be buyers.

Guidelines tighter

"There are a lot of people out there with 20 percent to put down, but that doesn't mean they necessarily will qualify for a loan," he said. "There are so many other factors out there now that the guidelines have tightened up."

DiDomenico, Zolezzi's agent, said that he is hoping that with the election settled, the market may be poised for a strong finish to 2008.

"There are still a really large number of people out there, especially in San Francisco, who are looking to buy," DiDomenico said. " I am hoping that we will get some lift from the election and just a little bit of stability in the stock market to give us a late-hitting market this year." Economists say that electing Barack Obama ultimately may prove a good thing for the housing market, although maybe not quite in time for the fall real estate season.

Obama is likely to move aggressively to address the problems facing the nation's housing market, said Ken Rosen, chairman of the Fisher Center for Real Estate and Urban Economics at UC Berkeley. Rosen said he expects the Obama administration to seek tax credits for first-time home buyers, push for more loan modification programs and work with Fannie Mae and Freddie Mac to lower down payments to 10 percent again.

But Rosen said he doesn't expect change to come overnight.

"We won't see any of this until late spring or early summer," he said. Obama "won't take office until January and it will take months for this stuff to happen."

Bottom maybe next year

Rosen expects to see the Bay Area housing market begin to bottom out next year and start to stabilize in 2010. While the new president may offer help for housing market in the future, some Bay Area home sellers have managed to make good in the tough market by using it as an opportunity to trade up.

Bill Wambach and his wife, Leslie Dana, recently sold their home in the Berkeley Hills for $920,000. At the peak of the market, Wambach said, the family could have easily sold the home for more than $1 million.

At the same time, though, Wambach said his family got a deal on a home they'd been watching in Oakland's Montclair neighborhood.

"In our minds, we got a larger discount on the new house, so we were OK with taking a little bit of a discount on the sale of the house versus what it was worth two years ago," he said.

Wambach said he paid $1.2 million for the new home, which was originally listed at $1.4 million. "It just sat and sat," he said. "The seller was a real estate agent and was holding on to an old value. They probably could have gotten that price back in early 2007, but in mid-2008 it didn't happen." The key to selling the Berkeley Hills home quickly, he said, was following his agent's advice.

"We priced ours aggressively because we wanted to sell and move into the new house," Wambach said.

His agent, Kathleen Wilson of Prudential California Realty, said that to sell a home in the current market, homeowners have to do everything just right.

"The house needs to be super clean. It needs to be staged perfectly so it just shines," she said. "Bill and Leslie were smart and I advised them on all those things and they did them. Their house really showed well."

But whatever their reasons, the one thing that sellers seemed to agree on is this: Buyers are a lot harder to come by now.

"People are sitting on their cash," said Zolezzi, the homeowner who said he is going to move to London. "People are holding off on buying because of the declining markets - and almost every market is declining - in the hopes that values will drop and they will get a better deal."

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