The **New Rules** of Real Estate

In a cooling real estate market, the seller is no longer king. But whether you're a buyer or a seller, you can survive—and profit—in a changing housing market

BY ELIZABETH M. ECONOMOU

WHEN STEPH TURNER AND CHRIS BUSIEL found their dream house in Ballard, they didn't make an offer on it. Unfortunately, the turn-of-the-century Craftsman was out of their price range. But they kept their eye on the property—and two months later, after bidding unsuccessfully on another home, the price for the Ballard location dropped by $44,995—to $525,000—and the couple made their move. According to listing agent Glenda M. Ewing of Windermere, the couple offered $480,000 and locked in at $500,000 (see page 118).

It's a story that's being repeated all over Seattle. While some point to this past summer's sub-prime mortgage crisis as explanation for Seattle's tighter real estate market, others say it's merely consumers reacting to a deluge of dour information in the local and national news media. Whatever the case, new trends in real estate are reflecting a much-anticipated buyers' market.

Telltale signs abound in neighborhoods throughout the city and suburbs, with for-sale signs noting price drops and buyer bonuses. Late last fall, a two-bedroom condo in Queen Anne, on the market since the previous April, had dropped its price from $575,000 to $499,000. And at Greenlake Villa, sellers of a 1,401-square-foot "luxurious Mediterranean-style" townhome trimmed nearly 17 percent off the original asking price (from $729,000 to $609,000).

The Sunday real estate classifieds offer a broader look with scores of ads reflecting a slower market, and both sellers and buyers poised to wheel and deal. In Magnolia, a three-bedroom, single-owner home touts "new price"; in West Seattle, a new four-bedroom home has an asking price that's been lowered by $50K, from $679,000 to $629,000; and the lucky buyer of a two-bedroom home on Bowdoin Way in Edmonds won't see a mortgage payment for six months if a preferred lender is used.

The dip in the real estate market isn't a surprise to some real estate professionals who nonetheless remain upbeat. Tamara Marson, an associate broker and assistant manager at Windermere's Lakeview office, has watched Seattle's real estate market ebb and flow during the past two decades. Late last fall, when the change was clear, Marson noted that the market typically dips in the winter months and bounces back in the spring. Still, she admits that there are fewer sales compared to one year ago and the time a property spends on the market has lengthened.

"Seattle is currently one of the strongest real estate markets in the country," says Ann Pierson from John L. Scott Realty. She also points out that the region is still benefiting from a healthy local economy and a steady 3 percent growth in population. But, she adds, "It seems clear that we won't be seeing the double-digit appreciation again any time soon."

According to Bob Gent, business development and member relations manager at Northwest Multiple Listing Service (NMLS), as of December 1, 2007, there were 13,188 properties on the market in King County—9,955 single-family homes and 3,233 condos—representing a 32 percent increase in inventory from the same period the previous year.

Marson remains circumspect about the doom and gloom. "We always have more hindsight than foresight so we'll be watching what happens in the next few months to really get a handle on if this was a correction, significant fallout from the August financial crisis or a trend that is part of a bigger cycle, because everyone knows there are cycles in real estate."

And things don't look so bad here, when compard with Florida. In a *Seattle Times* story last fall, Lennox Scott, CEO of John L. Scott, contrasted the five-month supply of homes for sale within the Seattle city limits with the grim housing scene in Florida's Palm Beach County, north of Miami, where there is a 50-month supply of homes for sale.

What's clear, though, is that the tide has turned from the white-hot bidding wars that prevailed—at least in some areas, into last summer—to a scenario where buyers are hedging. Clear evidence of this change is in the number of contingent offers. Two years ago, says Marson, people didn't hesitate to purchase a new home before selling their old one. "Today, they want to make sure they sell their house first, or protect themselves by making their offer on their new property subject to selling their house," she says. (In early December 2007, there were 159 contingent offers on single-family homes in King County.)

In this topsy-turvy housing market, how can sellers be successful? Pierson advises them to keep their homes staged and clean, even as they are on the market for longer periods of time. "As I always tell my sellers: 'You only have one shot for a first impression, and first impressions count.' As difficult as it may be to live in a home that is ready to show, this is the most important aspect of the process that the seller controls," she says. And it's critical to price your home right from the beginning. "Buyers become very sensitive to house prices, and if a home is perceived to be priced too high, a negative shadow is cast on the home," she says.

Meanwhile, Patricia Blaustein, an associate broker with Prudential Northwest Realty Associates, coaches buyers to temper their expectations. "Buyers have preconceived notions that the market is really down. I'm trying to educate them that prices here are holding their own; we're not seeing dramatic loss of value like the rest of the nation is seeing," she says.

As for Marson, she remains optimistic. "The truth is the market has not died. Real estate is about life and death and babies and job changes and all those other things besides the financial markets," she says.

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