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## **Bridging the great divide between home buyers and sellers**

**With mortgage rates below 4% and prices near bottom in many markets, it's a good time to buy a house. But many owners won't sell because they can't get the price they want.**

By Kenneth R. Harney

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Reporting from Washington

Where do you side in the great real estate buy-sell divide of 2012? If you're a homeowner considering selling sometime in the new year, are you apprehensive that you won't get the price you need or want, and therefore it's possible you won't even try to sell?

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If you're a buyer, do you agree that with 30-year fixed mortgage rates now below 4% and home prices near cyclical bottom in many areas, 2012 offers extraordinary opportunities, even if listings are fewer than you might prefer?

A new study by the Research Institute for Housing America, the think tank affiliate of the Mortgage Bankers Assn., documents a profound market fissure caused by owners' fears and hesitation — what researchers call "negative selling sentiment."

Nearly 80% of consumers in the study's survey think this is a great time to buy a house, but more than 92% of homeowners think it's not a great time to sell.

The study was conducted by Syracuse University economist Gary Engelhardt using extensive data from the University of Michigan's Survey Research Center, which is generally recognized as an authoritative source on consumer attitudes.

Engelhardt said that compared with earlier post-recession periods, owners have been more deeply shocked by the extent and severe side effects of foreclosures, short sales and unemployment. In the

aftermath of earlier recessions, such as in the early 1990s, 40% to 60% of homeowners remained relatively positive about their prospects if they chose to sell — far higher than the tiny sliver who see it that way today.

Many owners "have not adjusted their price expectations downward" to keep pace with local declines in property values after the mortgage bust, Engelhardt said, thereby contributing to the sharp divergence in their real estate visions compared with those of buyers.

This is consistent with the results of a study conducted in mid-2011 by Zillow, the online real estate and mortgage information company.

Zillow found that sellers nationwide were having trouble coming to grips with what market forces had done to their property values. They knew prices had declined, but they didn't necessarily think those devaluations applied to their houses.

For example, people who had purchased their homes in 2007 or later thought their homes were worth about 14% more than their actual sales value. People who bought homes before 2002 were slightly more realistic, but still overvalued their houses by about 12%.

How are such seller perceptions affecting local real estate market dynamics today? For one thing, they are keeping owners out of the game. But they also are bringing more motivated and committed sellers to the fore. Glenn Kelman, chief executive of Redfin, a national realty brokerage in Seattle, said the shortages of listings in some markets are the product of owners "waiting for better times to sell."

But owners who believe they need to sell now — they're downsizing, moving to a new area or getting divorced — turn out to be "more reasonable" in general, Kelman said. "Some are even resigned" to the reality that despite their unfortunate timing, they will definitely sell provided that they price the house realistically.

David Howell, executive vice president of McEneaney Associates, a large realty firm active in the Washington, D.C., area, said the absence of substantial numbers of people who would otherwise be sellers may also be a healthy development.

With listing inventories lower than typical for this time of the year, there are fewer houses for buyers to choose from. This, in turn, exerts a slight upward pressure on prices.

What about sellers who refuse to believe their properties won't command the prices they expect or require? Mike Litzner, broker-owner of Century 21 American Homes on New York's Long Island, said, "It's all about educating them. We try to show them the comparables" — the recent selling prices of similar houses in the area. "If sellers really want to sell," he said, "they adjust their expectations to the changed realities."

If they adamantly refuse, Litzner said, his agents often decline the listing rather than waste weeks or months trying to market an overpriced piece of real estate.

Howell said his firm's agents sometimes walk away from unreasonable listing price demands, but they also use a technique that seeks to bridge the seller-buyer divide: pre-authorized price reduction clauses in the listing contract that ratchet down the asking number. The initial reduction kicks in within the first two to three weeks if the house fails to attract buyer interest.

"It works," Howell said. "And both sides stand to benefit."

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