

March 7, 2008

HOME FRONT

DOW JONES REPRINTS

Open Season for Bargain Hunters

By CHRISTINA S.N. LEWIS

March 7, 2008; Page W10

Intrepid home shoppers are venturing back into some of the nation's hardest-hit real-estate markets, convinced they can cherry-pick good deals amid broad price declines.

Among these bargain buyers are affluent baby boomers eager to lock in low interest rates on retirement homes, high-end shoppers who had been waiting for prices to soften and serial investors determined not to miss the boat on a perceived opportunity.



Mike Taft
Mike Taft

Down 35%: In Buckeye, Ariz., this 3,300-square-foot house in the Verrado golf development was in contract for about \$800,000 in 2006 but didn't close, says builder Cachet Homes. In December, the builder sold it for \$520,000. "I'm the lucky guy," says buyer Larry Ralston of Boise, Idaho. Median sales prices in greater Phoenix are down 17% from their peak, says the Arizona Regional Multiple Listing Service.

John Brady, a retired publisher of Web sites and newsletters, was planning to buy a retirement home three years from now. But while vacationing in Key West, Fla., in January, he and his wife were stunned to see how far prices had fallen since their previous visit a year earlier. "Places were hundreds of thousands of dollars less," he says. The Connecticut couple paid \$800,000 for a furnished two-bedroom condo that had been asking \$1.75 million a year ago and was most recently listed at \$850,000. "I think we got an incredible bargain," Mr. Brady says.



Hatteras Realty, Inc.
Hatteras Realty, Inc.

Sales have slowed substantially while the number of houses on the market is rising in many localities, particularly those with a high proportion of second homes, such as Santa Fe, N.M., the Outer Banks of North Carolina, Cape Cod and Nantucket-Martha's Vineyard in Massachusetts and California's Napa Valley. That suggests that many sellers are facing pressure to lower their asking prices further.

Down 17%: 'Lowerlights,' a Hatteras, N.C., beachfront house that sold in 2005 for \$1.1 million, went for \$910,000 in January. A mortgage lender bought the seven-bedroom, four-bath house for \$945,000 at a 2007 foreclosure auction but couldn't get its \$975,000 asking price. Area prices have dropped 10%-20% since 2006, estimates Bob Barris of Hatteras Realty.

Prices already have come down steeply in much of Florida, southern California, Phoenix and Las Vegas. With fourth-quarter mortgage foreclosures hitting a record high and delinquencies rising to a 23-year peak, according to a Mortgage Bankers Association report yesterday, there are few signs of a turnaround. Many housing-market economists don't expect U.S. home prices to stabilize until sometime next year.



Prudential Cape Shore Real Estate
Prudential Cape Shore Real Estate

Down 41%: This four-bedroom house on three acres near the beach in Wellfleet, Mass., which hadn't changed hands since 1958, was listed at \$1,750,000 in July 2006. It sold for \$1,037,500 in January. Median Cape Cod prices in January were down 6% from a year earlier.

now listed at \$2 million, he says. "Some day I may reoffer again, but I'm going to bid even lower than I was thinking last time," he says. "Unless I see my dream home ... I think I have a 12-month window to pick my bid."

Many home shoppers say that's why they are taking their time. Last fall, Matthew Wilson, a private-equity executive, looked at two dozen Manhattan Beach homes in Los Angeles at prices ranging from \$2 million to \$3 million. "I saw so much inventory building up," Mr. Wilson says. One seller offered to throw in a Mercedes-Benz 500 along with a house priced at \$2.4 million. In the end, Mr. Wilson came away thinking the properties he saw still were overpriced despite recent cuts.

Mr. Wilson considered making a low-ball offer ("in the high ones") for a five-bedroom Craftsman-style house asking \$2.6 million but was dissuaded by the seller's agent. The house is

Most deal hunters are avoiding markets with weak economies, such as Cleveland and Detroit, instead scouring places where the underlying economics are stronger. In Las Vegas and Miami, for example, real-estate problems are rooted in overbuilding; in California, tighter lending after the subprime mess has eliminated much of the potential buyer pool.

And home prices haven't given up all the ground they gained in the decade-long boom. Despite huge recent declines, prices in Miami remain about 64% higher than they were in December 2002, according to Radar Logic, while in Los Angeles prices are 57% ahead.



Prudential California Realty
Prudential California Realty

14% Price Cut: In Santa Barbara, Calif., a two-bedroom cottage sold in 2004 for \$765,000. It went back on the market about a year ago starting at \$855,000 and now is in contract for less than \$739,000, despite \$15,000 in upgrades, says the listing agency, Prudential California Realty. The median price of a Santa Barbara home fell 4.5% in January from a year earlier to \$895,000, DataQuik says, as sales activity plunged more than 40%.



Prudential California Realty
Prudential California Realty

Down 43%: A Studio City, Calif., condo was listed in June at \$700,000, the same price a similar-size unit had fetched in January 2007. It sold for \$400,000 in January 2008 in a probate sale. L.A.-area prices fell 15% in 2007, Radar Logic says.

During the real-estate

run-up, amateur investors were flipping houses at a profit in as little as three months. Now, with the odds stacked against a quick turnaround, experts say investors should prepare to weather at least three to five years of ownership, budgeting for carrying costs that include taxes and maintenance. "I think to be an investor like this you've got to have a pretty strong stomach," says Jonathan Miller, chief executive of Miller Samuel, an appraisal firm.



Realty Executives
Realty Executives

Down 33%: An 1,900-square-foot home in the Summerlin community of Las Vegas sold for \$420,000 in 2005. It was listed at \$323,000 last year in 2007; after a foreclosure, the bank sold it earlier this year for \$280,900. Median existing-home prices in Las Vegas fell 14.4% in January

Jai Kreyl recently agreed to buy an 1,900-square-foot house in Summerlin, a master-planned community in Las Vegas. Ms. Kreyl, an executive assistant at a time-share company, was assisted by Joanne Stucky, an agent with Realty Executives of Nevada who has made a business out of finding cut-price properties. Similar houses were going for over \$400,000 in 2005, the rough market peak in Vegas, but Ms. Kreyl is paying \$270,000. "For 20 months I've been telling my friends I wanted to buy a \$400,000 house for \$250,000," she says. She acknowledges that prices may fall further but adds, "I'm still buying at a price I can afford. And I do believe that in three years' time, the market will just roll around." Real-estate brokers say the top sliver of the market nationwide -- houses priced at roughly \$3 million or more -- remains firm. Still, some wealthy buyers are holding out for discounts. Bharat Desai and his wife, Neerja Sethi, co-founders of the technology-outsourcing firm Syntel, shopped for a year before buying last month an 8,900-square-foot oceanfront condo on Fisher Island, in Miami Beach, for \$12.36 million. That was down from the \$17.5 million the seller started out asking in January 2007, and below a \$14 million offer the seller rejected in April, says Chris Bluntzer, a broker who handled the transaction with his wife, Elena. "My feeling," he says, "is that the smart money is stepping in."

from a year ago, according to Home Builders Research.

Write to Christina S.N. Lewis at christina.lewis@wsj.com⁴

URL for this article:

<http://online.wsj.com/article/SB120485702722118581.html>