

## **Get real and get sold in 2009**

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To understand the current status and future trends of Napa Valley's real estate market, two assumptions must be made. First, unlike so many other communities around the nation, Napa Valley's real estate market is not in a crisis. Terms employed by mainstream media to describe parts of the nation include 'blood bath', 'brutal' and 'spiraling.' The Napa Valley real estate market is none of those things, perhaps with the exception of American Canyon, which has taken the brunt of the foreclosure hit.

The second assumption, which states the obvious, is that we have been affected by the economic downturn that ushered in the current buyers' market, and its heels are dug in for now.

Every real estate region has suffered degrees of decline within neighborhoods. For example, a Polaroid snapshot of St. Helena's 2008 real estate market, when compared with 2005 and 2006 reveals the following facts:

The total number of residential sales in 2005 (114) and 2006 (112) was halved in 2007 (67) and 2008 (62). Fifty percent fewer homes sold is significant, but not a crisis.

It took twice the time to sell a St. Helena home in 2008 (200 days) compared to 2005 or 2006 when the average time to secure a buyer was less than 100 days.

The weighted average price of all St. Helena homes sold in 2008 was \$999,000. In 2007, the average was \$1,115,000. Compared to 2006, the average sale reached an all time high of \$1,841, which represents a cumulative loss of 19.6 percent.

According to a study just released by the California Association of Realtors, Northern California's wine country's (including Sonoma) medium price fell 24.8 percent from November 2007 through December 2008. November's 2008 financial quake contributed about 12 percent to that decline.

These figures are not what sellers like to hear, and even harder to accept and apply. The best possible news in the current environment of unprecedented challenges is the insulation provided by the valley's supply and demand, which historically has shielded our real estate values from suffering extremes. However, since no economy is an island, Napa Valley's market conditions have changed, and for those

property sellers who are serious about getting sold in 2009 they simply must accept and apply the new order of the day. It is an indisputable fact that, no matter how special or unique a house is, it's worth less today than two years ago (2006), lesser still than one year ago (2007) and definitely less since November 2008.

Sellers should resist applying the math percentages from the above examples to determine a current market value. First, because the rules and comparable sales have significantly changed — even since last November. The Realtor's study quoted above represents the majority of activity from the first 10 months of 2008, with minor numeric contribution from the tougher months of November and December, which more closely represents January and February's current conditions.

Another reason not to assume the percentages above are relevant and current is that every property is unique, for better or worse. Therefore, it's best to consult your Realtor, even if their experienced opinion of our home's current value don't match with your needs or expectations at the moment.

Getting real about the current value is the most important step a seller should adopt, sooner rather than later, to get sold in 2009. Agents and appraisers are focused on current sold prices, since buyers and appraisers will consider only very recent sold comps when determining the value of your home. The harshest reality to this point is how significant a forced sale down the street, or even across town, affects the value of your home, even though you are not in dire straits to sell — your home's value suffers from those seller's who are.

If you want to get sold in 2009, a successful seller must:

- Accept that real estate is selling and appraising for less than it did two years ago, when optimal appreciation was achieved throughout the valley.
- Not presume (in some cases, require) that a personal need such as a retirement nest egg goal, or an out-dated re-finance appraisal has bearing on how a buyer and an appraiser will evaluate your home's current value
- Stop believing, against logic, that there is a buyer somewhere out there who will analyze the current market conditions and relevant sales, yet somehow still offer you the 2006 value of your home.

Rather than adopt these irrelevant, ineffective strategies, in addition to getting real about a home's current value, sellers can further improve their chances of getting sold by applying these strategies that are relevant and effective in a buyer's market:

- Get inspections prior to listing rather than leaving that crucial step to a buyer. A \$300 inspection could save you tens of thousands in negotiations.
- Get an appraisal before you list your house, rather than wait for this potentially deal-breaking report to be revealed toward the end of your escrow. There's no sense getting to the altar, only to find the clergy will simply not perform the ceremony.
- Don't marry your first asking price even if your Realtor's advice is already far less than you hoped for or need. Drawing lines in the sand is tantamount to refusing to share your toys when no playmate is present. Plan ahead for price reductions at intervals one you've thoroughly tested the waters with a price. If, within several weeks (or less) of listing your house for sale, you are not getting consistent nibbles (showing appointments or offers in the range of your asking price) bring up your line and hook it with different and fresh bait.

Don't convince yourself that you are leaving money behind every time you reduce your asking price. If your house was worth your asking price today, it would have received an offer within a reasonable amount of exposure time, even in a slow market in which there are few buyers. And whatever you do, don't beat yourself up about 'losing' the equity you may have 'gained' in 2006. Everyone else has lost too, but, in most cases around the region and throughout the country, to a more 'brutal' extent than the valley.

Based on the activity of the month of January, showing activity and opened escrows around the valley nearly doubled compared to November and December's activities. Perhaps the clog in the drain is slowly being plunged by a combination of rumored lower interest rates; a slight loosening of bank funding and political settling that has hints of hope and a plan.

While this potential increase in activity is encouraging, it will not affect local values for quite some time. Nor will it change the course of the buyer's market, which is mostly beyond our valley's or state's control. Hard as we may try, we cannot raise the ocean's tide with our garden hose. Recovery will come slowly but surely. In the meantime, we have what we have. The taste of today's real, flowing air is far better than the taste of yesterday's sand.

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