

Published November 25th, 2009

Golf and Real Estate I: Go for the Green or Play for Par?

By Ken Ryerson



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dozens compete each week for their listing, hand picking the leader

at the end of the "tournament." One had to play like Tiger Woods in those days to have their offer accepted. Today, sellers must feel more like Bill Murray in Caddy Shack, striving to get that one buyer just like Murray worked to get that elusive gopher.

That's the reality of today's market. The field is narrow, as in a match play event. Inventory varies and buyers are seeking value, but people still need to buy and sell homes. And so the game continues on.

My advice to you is that if you are in the market for a home, grab your caddy (or your trusted realtor in this case) and navigate the course as best you can. Buyers out there right now can afford to be aggressive and shoot for the flag, or go for the birdie or eagle. You have nothing to lose and everything to gain by this strategy.

For sellers, these are tough times, regardless if you have a championship property or a caddy shack. The course is tough and the conditions are challenging. In this type of real estate environment, even the best players do well to shoot for par. It is critical to set a fair price, and have realistic expectations. Getting par today is a good thing as it allows you to avoid getting stuck in the rough or being caught dead in the water which can spell disaster.

If you are fortunate enough to be sitting back and watching the action, enjoy the tournament. It has been an interesting one to watch. And as in everything, conditions never stay constant for long. Over the course of the next few years, the market will normalize and the pendulum will shift closer back to center, leading us to a more balanced market.

In golf what separates the winner from the pack is the player that takes action and controls the match. After attending and watching the Presidents Cup in San Francisco last month, it got me to thinking about how much Golf and Real Estate have in common. For example, the market we are going through now is very much like a match play event. For all the non-golfers out there, a match play event is where you play your opponent one-on-one, with the player winning the most holes winning the match. (The more-familiar 'all-against-all' tournament is called stroke play.)

For buyers in today's Lamorinda real estate market, it is very much the same. Gone are the days when a buyer had to compete against a field of multiple offers - a few years back, often times six or more offers on every house was the norm. Today, buyers don't need to give free rent backs or forgo all inspections. Now, getting your offer accepted is often more of a 'just competing against yourself' scenario. Regardless of how wonderful the floor plan, location, craftsmanship and yard, homes are not generating multiple offers unless the house is offered at a fair market value or slightly below market value. Pricing is critical today on all listings, but it can be tricky. Price a property high and it will sit. Price low and, though it may generate multiple offers, the sales price will generally not exceed more than 3% above the asking price, thereby leaving equity on the table that a seller will never see. Of course there are always exceptions, but they seem to be few and far between here in Lamorinda. Just as in golf, you have got to find the sweet spot when hitting the ball or you will end up missing the green all together. In real estate, the game of selling starts with pricing.

What buyers want today, above all else, is value. Regardless of whether they are buying a \$400,000 starter town-home in Moraga or a \$3.5 million dollar estate in Happy Valley, buyers sense that the deals are out there. The focus on value is something we have not seen in the upper end of the market in a long time. The upper end of the market in Lamorinda is generally classified as homes priced above \$2.0 million. Prior to the economic downturn, the upper end of the market was all about prestige. Now it's all about value. All buyers now want to negotiate; bartering helps them feel psychologically that they are getting a great deal.

Sellers have had it their way for a very long time. For them, it was a stroke play golf tournament where they were able to let a field of

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