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## Proper Pricing Key Factor in Quicker Home Sales

By Jennifer Wake

In Lamorinda, the average time a home stays on the market is 46 days - 50 percent higher than what some local realtors are used to seeing, but still a short period of time compared to other Bay Area cities.

But which houses are selling?

Kurt Piper, Real Estate Broker/Associate Partner at Village Associates in Orinda, says most of the sales activity he sees is for homes priced between \$700,000 and \$1 million. "It all comes down to price."

"If a property is priced to reflect the current market conditions, these homes can sell within 10 days of coming to the multiple listing service (MLS)," he says. "Homes that are overpriced are receiving one or more price reductions before they go pending."

Some, Piper says, are just not selling.

Orinda Prudential California Realty agent John Fazel, who collects data for the Lamorinda Real Estate Networking Group, says that while 50 percent of Lamorinda homes sell within the first month, homes can stay on the market for 75 days or longer if they're not priced right.

"It's almost a given; for a house to be sold, it has to be staged," Fazel says. "People who are reluctant to set up their house nicely, are setting up to sell at a discount."

Jim Colhoun, a top real estate agent from Prudential California Realty's Lafayette office, sees dozens of price reductions every week. "This is the time of year we typically get the bulk of our listings," he says. "I'm seeing a number of homes that were on the market last year coming back at a reduced price."

Colhoun says confidence in the financial markets and in job security is affecting sales.

Piper agrees, adding that it's more difficult for buyers of higher priced homes to get a loan. "These buyers need to be rock solid borrowers with substantial cash reserves."

While President Barack Obama's recent housing stability plan brought the conforming loan limit back up to \$729,750, RPM Mortgage loan agent Gordon Steele says that leaves buyers of homes priced at over \$858,000 (with a 15 percent down payment) out of the cheaper rates and forced into the jumbo market. There are currently 230 homes for sale in Lamorinda (165 of those are detached single family homes); 159 are priced at over \$860,000.

"Right now, there's not much of a market for jumbo loans," he says. "Credit score requirements have increased nationwide, with jumbo loans having tighter restrictions."

While conforming loans might require FICO (credit) scores of 620, jumbo loans require a minimum of 700 to 720 (a high score, considering FICO ranges between 300 and 850). And there are fewer lenders in the jumbo market today than a year ago. But Steele believes that's not the real issue.

"Bigger down payments and higher cash reserves are the biggest factor," he says. "While conforming loans require two months of mortgage payments in reserves, jumbo loans typically require more."

And with interest rates on jumbo loans at least one percent higher - and already priced more steeply - payments are much more. According to Steele, jumbo loans are averaging 6.5 percent versus 5.25 percent for higher balance

conforming loans and 4.75 percent for standard conforming.

"In the past, we were able to do jumbo loans with 10 or 5 percent down," Steele says. "Now, it's not happening."

Piper believes this higher down payment requirement is adding to the list of reasons not to buy. "Some people are unwilling to liquidate a portion of their stock portfolio at a significant loss, while at the same time knowing they will have less equity from the sale of their home to use as a down payment."

But it's not all doom and gloom.

While prices in other markets have seen declines of more than 40 percent, according to a January 2009 DataQuick report, Lafayette only saw a year-over-year 10.1 percent decrease, while Moraga saw a sales price increase of 7.9 percent. Moreover, Steele says, lenders are really looking to lend to good borrowers.

Although the average selling price in Lamorinda is down 20 percent over the last couple of years, Fazel says, "It's not a panic. I think we're bouncing along the bottom right now."

Fazel is seeing a lot more interest in homes recently. Additionally, many upper-end owners who sold their homes last year and who have been renting will have leases expiring soon. "A lot of these people who rented last year I think will be pulling the trigger."

While Lamorinda is not immune to the recent economic downturn, each of the realtors underscored the area's resiliency.

"Lamorinda is one of the most desirable places to live in the Bay Area. Great public schools are a major contributor to our popularity," Piper says, "and we have lower inventories because of lack of developable land. These facts greatly benefit our home values. Lamorinda is sure to lead the Bay Area in a housing market rebound."

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