

Home sellers sweeten deals

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By Noelle Knox, USA TODAY

The proportion of home builders who are dangling goodies to buyers — from free swimming pools to granite kitchen counters to vacations — is the highest in at least seven years. The reason was made vividly clear Thursday, when the Commerce Department said new-home sales fell a sharp 3% from May to June.

The sales decline, the first since February, is expected to worsen in coming months, making life harder for those with "for sale" signs in their yards. That's because the number of new homes for sale is up 25% from last year, while the number of existing homes on the market has also soared.

To drive sales, 75% of builders are now offering some kind of incentives to attract buyers, up from 50% who did so last year, according to the National Association of Home Builders. "These builder-developers understand the solution to the slowdown to the market is to quickly liquidate their inventory," says Ron Peltier, CEO of HomeServices of America.

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Builders typically prefer offering free upgrades rather than cutting prices, which can hurt re-sale values for their customers who bought in the same communities.

Now the incentive war among builders is spilling into the market for existing homes. In what may be a nascent trend, a few homeowners are starting to lure buyers with the promise of exotic trips, new cars and higher commissions for their agents.

- In Newport Beach, Calif., Paul and Sandra Findly cut the price of their home by \$41,000, to \$1,549,000, but they still weren't getting offers. So Paul Findly decided to offer two round-trip tickets to Hawaii to the buyer and two tickets to the buyer's agent.

"We needed to do something different from our competition," says Findly, a marketing director. "Honestly, this kind of thing has got to be done if people want to sell their homes. Doing typical open houses every weekend, relying on your Realtor to do everything, isn't going to work any more."

- In Las Vegas, builders are offering commissions to buyers' agents far above the typical 3%. And homeowners who wish to sell are having to follow suit. "We tell our clients they have to compete with speculators and new-home builders on commissions," says Bruce Hiatt, a local broker. His clients often offer 4% commissions, and one shelled out 5%.

"On top of that, (the sellers) usually have to sprinkle in some money to help with closing costs," Hiatt says.

- In Woodbridge, Va., George and Susan Garrigan listed their home for \$449,000 in March. After two price

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reductions and still no takers, they took it off the market. They painted the interior, landscaped the yard, put in new carpet and exposed the hardwood floors.

Now it's back on the market for \$439,000. And there's a new car in the driveway with a sign: "2006 Corolla Free with Purchase of our Beautiful Home."

"You have to do something to stand out," says their agent, Barbara Tivnan. "There's so much inventory, and there's just not that many buyers."

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