



Area home sales jump, fueled by tax credit

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Existing home sales in Central Texas rose 6.4 percent in September, the first year-over-year increase in more than two years, and the median sales price also was up, rising 2 percent to \$185,250, the Austin Board of Realtors reported Tuesday.

Sales were buoyed by factors including a federal tax credit of up to \$8,000 for eligible first-time homebuyers and mortgage interest rates that are hovering around 5 percent.

The 1,780 sales last month were up from 1,748 in August and up from 1,673 in September 2008. The number of sales due to close in October was up 24 percent from a year ago, an indication that the tax credit is continuing to spur sales, real estate agents and experts say.

With pending sales up and prices stabilizing, it seems "to indicate a market that is beginning to recover," said Charles Heimsath, an Austin real estate consultant, although he predicts "a slow ascent into recovery over the next 12 to 18 months."

Heimsath and other experts have cautioned that the housing market, locally and nationally, could lose steam if the tax credit is not renewed, although there are proposals in Congress to extend or broaden it.

"Still, it does appear the worst of the housing downturn is behind us, although it may be some time before we see a marked turn upward," said D'Ann Petersen, an economist with the Federal Reserve Bank of Dallas, adding that she expects "a slow, prolonged recovery."

Nearly half the sales in September were for homes costing between \$100,000 and \$199,999 — a typical price range for a first-time home.

Nick Teplitz moved to Austin from Los Angeles in late May, drawn by the city's reputation as a "hip, fun city" and lower housing costs than in California.

He said the tax credit was a factor in his purchase of a unit at 2020 Congress, an apartment building that was converted to condominiums on South Congress Avenue.

Teplitz, a writer, closed on his condo June 30, paying under \$100,000 for a one-bedroom unit.

Instead of "flushing \$2,000 a month down the toilet" on rent in Los Angeles, Teplitz, 32, found he could own his home in Austin for one-third that much.

He said he thinks the tax credit should be extended, because it's "definitely going to keep the market afloat right now ... and keep people buying."

Jay Gohil, chairman of the real estate board, said the tax credit is likely to feed sales into November as buyers scramble to make the deadline.

The credit was passed earlier this year as part of the federal stimulus package. It provides a 10 percent credit, up to \$8,000, for first-time buyers and those who have not owned a home in the previous three years. It is available to single buyers who make less than \$75,000 a year and couples who make \$150,000 or less.

Through September, the 14,286 home sales were down 14 percent from the same nine months of 2008, and the median price was unchanged, at \$190,000.

But home sales have been slowly improving this year along with the economy, spurred by the tax credit and low mortgage rates.

[Nell Hanson, a real estate agent with JB Goodwin Co., said the company "has had a huge influx of buyers who want to use the tax credit." Although an extension of the credit would be beneficial, "the low interest rates and the potential rise in the median price in Austin for 2010 will keep sales going up," Hanson said.](#)

Greg Cooper, CEO of Goldwasser Real Estate in Austin, said "it would be suicide for the (housing) market" if the tax credit isn't renewed.

"I can't see them (Congress) taking it away right now," Cooper said, at least not until job growth comes back and unemployment eases.

Cooper said sales at his firm were up 51 percent in September over a year earlier, and "if we close what we have pending," October's sales will be triple that of last October's.

"Obviously, the stimulus is clearly helping," Cooper said.

Steve Cochrane, managing director at Moody's Economy.com, an economic forecasting and consulting firm, said he thinks that there is "a better than even chance" the credit will be renewed. He noted that there are positive ripple effects, as owners sell their entry-level homes to first-time buyers and are able to move to another home.

Asked whether the credit is artificially propping up the market, Cochrane said: "One can argue that any kind of government stimulus is artificial. But if it acts as the spark to get the market going, that can be fine. The government doesn't have to stay in the business of providing the spark forever."

Courtesy of JB Goodwin