

AUSTIN AREA HOUSING MARKET

Homebuyers finding bargains as market thaws

Low rates, tax credit may boost spring sales.

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Irene Todorcevic bought her first home last month in Reytex Homes' Chaparral Crossing subdivision, 11 miles east of downtown Austin off FM 969. Her neighbors include a Vietnam War veteran, city workers and first-time buyers attracted by new houses priced from the \$80,000s to \$130,000s.

Bill and Twyla Brown just spent about \$6,000 replacing carpet and kitchen appliances and otherwise spiffing up their 2,500-square-foot home in Round Rock, hoping for a swift sale so they can move into a smaller home in the Teravista subdivision. The Browns have made an offer on a new \$161,000 house, and their contract is contingent on selling their existing home.

The recession and national housing slowdown have affected the Austin area's housing market, although the impact has been less severe than in many other cities. In Central Texas in January, sales of existing single-family homes fell for the 19th month in a row compared with the same month in the previous year, reaching their lowest level in a decade. Prices were down 6 percent, compared with 13.8 percent nationally.

In the new-home market, sales fell 26 percent last year, but the median price rose.

Even in the slower market, people are buying, and there are some encouraging signs as the traditional spring home-buying season gets under way.

They include 30-year mortgage rates just above 5 percent, their lowest level in 46 years; a new federal tax credit for first-time buyers; and a new willingness among some sellers to negotiate on price.

"Now that word is getting out that (the tax credit) is available, that is sparking interest, and people are jumping in," said Colette Phillip, a senior mortgage consultant with Colonial

Bank in Austin. "That is going to move a good bit of the market. Obviously, it can't help everything, but it certainly will give us all a boost."

Twyla Brown said she and her husband are downsizing as a "pre-emptive strike" against potential future economic downturns.

Bill Brown has worked for 29 years in the high-tech industry. Although he is still employed, Austin tech companies have cut scores of jobs in recent months as the industry struggles during the recession.

"We want to adopt a simpler, less expensive lifestyle," said Twyla Brown.

She said the couple still have the last of their six children to put through college. They have their home on the market for \$217,500.

Local real estate agents say some sellers have become more realistic about what their house will bring.

Joel Paprocki, who owns Paprocki Insurance Agency, plans to buy a home with his fiancée, Shannon Kelly, in the Crestview neighborhood near Burnet Road and RM 2222. The new house, with 1,875 square feet and three bedrooms, has been on the market for about a year and a half.

Paprocki owns a condominium, but Kelly is eligible for the new federal tax credit. As half-owner of the new house, she can claim half of the \$8,000 credit.

Although they are mainly moving for more space, the low interest rates were a plus, Paprocki said, and the tax credit will be "a nice bonus."

They offered \$90,000 less than the original listing price and plan to move in at the end of the month.

Paprocki said lower prices in the current market enabled them to buy a bigger house in a more central area than they otherwise could have.

"If it were a hot market, I wouldn't be able to afford this area," Paprocki said.

David Miller moved to Austin last month from Silicon Valley to take a job with Apollo Endosurgery, a medical device manufacturer. Miller, 34, debated renting versus buying and whether to live downtown or in the West Lake Hills area, closer to where he works and where his brother lives.

Miller settled on downtown and recently moved into the 360 condominium high-rise next to the Austin Music Hall.

The developers had been advertising discounts on specific units from \$25,000 to \$100,000 to close out the 430-unit project. Miller asked for a similar deal, although he declined to say what he paid for his 22nd-floor unit.

"We came in with a really aggressive offer, and they came back pretty close," Miller said.

Central Texas hasn't seen the deep drops that have happened in California, Florida and some other markets, but the median price for an existing home was down 6 percent in January to \$175,500, a two-year low.

And the tide could be with buyers for a while.

Jay Carter, a local real estate agent and investor, disagrees with some local agents who say home prices will rebound quickly.

"They absolutely won't," Carter said, noting that he has seen several listings where sellers have had to significantly reduce the asking price. "The rules of Austin real estate are changing right before our eyes."

Carter predicts further price declines, well into 2010, as people continue to react to the deteriorating economy and falling stock market.

Although favorable interest rates, the tax credit, reduced prices and homebuilder concessions might entice some buyers, many are continuing to look, anticipating that prices might drop further, said Gay Puckett, a real estate agent with JB Goodwin Realtors in Austin.

"There doesn't seem to be any immediacy," Puckett said. "They're enjoying looking at all the inventory. They're enjoying window-shopping."

Puckett said she has a prime property in Round Rock that isn't selling, mainly because of competition from the new-home builders who are offering aggressive incentives. The builder of the Browns' house, for example, cut the price by \$15,000.

Agents say there are some significant deals on the market.

Puckett said some homes in the exclusive Barton Creek community are selling in the low \$700,000s, almost \$200,000 less than they would have brought two years ago. But she is among the agents who say prices overall are holding up.

And agents say they are seeing few fire sales.

Brian Talley, a broker and owner of Regent Property Group, said some buyers are taking their homes off the market rather than sell at a lower-than-acceptable price.

He said sellers pulled 3,785 homes in Austin off the market last year, up 45 percent from 2007.

On the lending side, loan consultants say that mortgage money is available, provided buyers have good credit and a stable income.

However, lending guidelines remain stringent, said Devlin McNamara, a vice president with Bank of America Mortgage in Austin. A buyer's credit score "has become more important than it was even in the last several months" in determining what loan programs they might qualify for and what interest rate they might get, McNamara said. Borrowers need to be prepared to fully document income and assets, he said.

For Todorcevic, the loan process went smoothly, and the low rates made the prospect of owning her own home "even more inviting."

"It made my decision very simple," said Todorcevic, who said she got a 5 percent rate on a 30-year mortgage.

Three weeks ago, she moved to a three-bedroom, 1,300-square-foot house, for which she paid in the low \$100,000s.

Her \$900 monthly mortgage is only slightly more than her \$850-a-month rent for an apartment that was just five minutes from the Kohl's store in Sunset Valley where she is an assistant manager.

Todorcevic said the longer commute is well worth it to own her first home.

"I really wanted to own, and own something brand new," she said. "I am in love with this home."

Courtesy of JB Goodwin