

For some home buyers, 'reasonable' can be elusive

Those hunting a \$150,000 Austin home can buy a city condo or suburban house.

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AMERICAN-STATESMAN STAFF
Sunday, January 28, 2007

Bargain or sticker shock?

Homes in the Austin area may look like a deal if you're coming from the East or West Coast, particularly California.

But for others, finding a moderately priced home can be challenging. And the closer to downtown the person wants to be, the tougher the search.

Michelle Voss all but gave up hope before settling on a \$150,000 condominium in North-Central Austin. It took Hector and Marie Vazquez just two weeks to find a home in the same price range, but their search was easier because they bought in the suburb of Pflugerville.

Their stories illustrate the affordability crunch in a market in which the median home price jumped 6 percent last year, according to newly released 2006 home sales data. But wages have been rising at only about half that rate for the past couple of years.

"People of moderate means — schoolteachers, city workers, service providers — have great difficulty purchasing anything" in such neighborhoods as Travis Heights and Hyde Park, said Jan Hill, president of Jan Hill Mortgage in Austin. "Basically, people are being driven further and further out from the city's center."

That includes many families that earn the region's median annual income of about \$70,000 and are looking to buy a home at or below the area's median home price — \$174,500 in 2006, the highest of any metropolitan area in Texas.

The median price is the point at which half the homes were sold for more and half for less.

"The problem is much bigger than any of us think," said Terry Mitchell, president of Momark Development LLC, which is working on several condo projects whose unit prices would start in the low \$100,000s.

"It is a communitywide social problem affecting every single person, from employers who are paying more to retain employees to school districts that are losing teachers as they move to outlying areas to work closer to where they can afford a home," Mitchell said.

The numbers show the pain.

A family of four making \$71,000 could qualify for a \$225,450 mortgage with a 6.5 percent interest rate, assuming the family has no other debt.

But most people have debt: car payments, student loans or credit cards.

"At \$1,000 a month in debt outside of a mortgage, the mortgage loan amount drops to \$119,500," Mitchell said. "That house, at that price, may not exist, or if it does, it is in very limited supply."

The situation is worse for a family of four making \$56,000 a year, about 80 percent of the area's median. With no debt, the family could afford a \$180,000 mortgage at 6.5 percent. Throw in \$600 to \$1,000 a month in debt, and that mortgage drops to \$75,000.

"That house does not exist, to my knowledge, for a family of four," Mitchell said.

The experience of Voss, an Austin filmmaker, illustrates how arduous the search for a moderately priced, centrally located home in Austin can be.

Voss, 28, often felt hopeless during her 13-month search.

Single when she began looking in 2005, Voss feared that she would be unable to afford to buy a place — a reality that some of her teacher friends were facing. "I heard stories about couples who had purchased houses around Hyde Park for \$80,000 in 1990 and then sold them for \$280,000 10 years later. I'd think, 'Holy cannoli! I'm never going to own a house here,' " Voss said.

After marrying in October 2005, she and her husband, Owen O'Brien, 26, started searching in East Austin.

"There were some decent homes in the \$150,000 range," she said. But more often, she found homes priced \$200,000 to \$300,000, although those were often hip, modern dwellings or close to the University of Texas.

O'Brien began looking at condos, including a 400-square-foot unit in Hyde Park "that you couldn't fit a Yugo in," Voss said. The couple made an offer but lost out to another buyer.

Next, they looked off of Far West Boulevard in Northwest Austin, near where her in-laws live. Two condos that they thought were reasonably priced "were snatched up faster than a tornado could've taken them," Voss said.

Voss was about to give up when she came across a listing for condos at the Ventana development, off Burnet Road and Hancock Drive on the edge of the Rosedale neighborhood.

"I almost fell out of my chair when I saw they were offering one-bedroom units in our price range, too. I actually grabbed my husband by the shirt, got into the car and drove over."

Amenities such as hardwood floors and granite counters had Voss "practically salivating." They quickly put a contract on a 713-square-foot unit and moved in in August.

Voss, who runs the nonprofit Femme Film Texas, which teaches film production to young women and girls, and her husband, a technical writer at National Instruments, said their income is about the median for the area. She said she can't imagine what people who make less are up against.

"Housing shouldn't be out of reach for anyone who works for a living," Voss said.

Like Voss and O'Brien, Enrique Camarillo was looking in the \$150,000 range. He and real estate agent Paul Borman checked out 40 to 50 properties during a four-month search, Borman said.

Borman said persistence is crucial for people in that price range, and Camarillo's ultimately paid off. He and his fiancée settled on a well-maintained house in the University Hills area near U.S. 290 and U.S. 183. Built in 1959, the 1,428-square-foot house has three bedrooms, two bathrooms and a fireplace and is on a lot with a two-car garage and a fenced yard.

Among the places they passed on were a \$98,000 townhouse with a foundation problem. When shopping below the median price, "home quality is an issue," Borman said.

The bottom line, Borman said, is that you can't have it all.

"When it comes to homes, the issues are price, quality and location, and most people have some constraints, so pick any two," Borman said.

Some newcomers like what they see.

"We feel like we have a wonderful place for the money," said Kathryn Faulkner, who moved to Austin late last year from Lafayette, La., with her husband, David Faulkner, who works for St. Jude Medical and sells medical devices.

The Faulkners had braced for high prices. "We'd been cautioned that it was very expensive," Kathryn Faulkner said.

The Faulkners closed in September on a \$215,000 home in the Knolls of Slaughter Creek in South Austin near Onion Creek. The two-story house has three bedrooms, cathedral windows and 12-foot ceilings upstairs. Kathryn Faulkner said the couple could not have lived in a comparable house for that price in Lafayette. Hector Vazquez moved to Austin 10 years ago from New York. He lived rent-free with his grandmother in an apartment near Central Park, where "an apartment can easily go for about \$2,200 or \$2,500 a month for a decent-sized one-bedroom."

"Things are cheap down here," said Vazquez, director of the Boys and Girls Club at Webb Middle School near St. Johns Avenue and Interstate 35.

A week ago, Vazquez and his wife, Marie, a second-grade teacher, signed a contract to buy a new ranch-style home in the Brookfield Estates subdivision in Pflugerville. The 1,340-square-foot house has three bedrooms, a large kitchen, a living room with vaulted ceilings and 2-inch faux wooden blinds.

The couple will close on the sale in two weeks.

The couple's speedy search "isn't that uncommon in some of the subdivisions out here," said Cheryl Jenkins, a real estate agent with Coldwell Banker United Realtors in Round Rock. "If you're looking for a resale home, it may take a while to find that perfect thing. But builders have several floor plans you can choose from in one area."

And with the region's new roads, "the suburbs aren't that far from the heart of the city anymore," Jenkins said.

So far, the region's rising home prices aren't keeping people, or jobs, away. Central Texas' job growth is about double the national rate.

"From an economic development standpoint, home prices in Austin and Texas as a whole have been acting like a magnet," said Jim Gaines, a research economist with Texas A&M University's Real Estate Center.

Experts say home prices in the Austin area would have to jump significantly, climbing in the 12 percent to 15 percent range for several years, to hurt economic development efforts.

"Obviously, it could happen, but you've got a long way to go," Gaines said.

Opportunity Austin, a Greater Austin Chamber of Commerce initiative to add 72,000 jobs over five years, is focusing corporate recruitment on parts of the country where the cost of doing business is higher than in Austin, said Dave Porter, senior vice president of economic development for the chamber.

"In those markets, like California and the northeastern part of the U.S., housing costs are also much higher than Austin, giving us yet another advantage," Porter said.

And it's an edge he doesn't see the area losing anytime soon.

Courtesy of JB Goodwin