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Tax credit extension a boon to real estate

Heyday will continue until April deadline

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The extended federal homebuyer tax credit and a new tax credit for existing homeowners is like an early Christmas gift to those working in Austin area residential real estate.

From developers to Realtors and home builders, nearly all expect both tax credits to have a continued positive impact on the industry. That impact, most say, could translate to a continued boost in home sales and more money overall pumped into the local economy.

The Worker, Homeownership and Business Assistance Act of 2009, passed earlier this month, extended the tax credit of up to \$8,000 for first-time homebuyers. It also authorized a tax credit of up to \$6,500 for qualified repeat homebuyers. Both tax credits will expire in April 2010.

The original \$8,000 credit has already had a proven effect, said John Horton, chairman-elect of the **Austin Board of Realtors**. In September, typically a slower month, Austin home sales were up 6 percent compared with the same month last year.

Robert Grunnah, a broker and owner of **Castle Hill Investments**, said he's also seen proof that the original \$8,000 tax credit has made a big impact in this market, since a majority of recent activity has been in traditional first-time buyer price points — \$120,000 to \$180,000. Markets that tend to have lower-priced listings, such as South Austin, are selling better than pricier markets such as Central Austin, he said.

Horton said he expects to see the extended and new credits continue that trend, stimulating activity in the middle price range and freeing more inventory at entry-level prices. Horton said home sales generate money beyond the home, from appraisals to furniture sales.

Angela Hood, a residential developer with **ArtéFacts Development Co.**, said she's already seen an increase in potential buyer traffic and phone inquiries for that company's Lago Vista development, 7 Porticos, mostly thanks to the new \$6,500 credit.

Hood, convinced that the new credit combined with adjusted prices in the market could be the catalyst that gets lenders and existing homeowners moving up, did the math with one of the homes in her development. About 18 months ago, that home's list price was \$549,000, requiring a jumbo loan. A 30-year fixed-rate mortgage would come in at about 6.3 percent, she estimated. And no tax credit existed to

help a potential buyer in that case. Today, that home is \$399,000, which can be bought with a conventional loan. Throw in a \$6,500 tax credit and a 4.9 percent rate for 30-year fixed financing, and Hood calculates that home's potential buyer would save more than \$1,000 per month.

Ryan Jackson, director of sales for **Streetman Homes Ltd.** LLP, also anticipates the largest impact from the new \$6,500 tax credit because Streetman's homes are not at entry-level prices.

The company will add inventory in the fourth quarter this year and the first quarter 2010 to meet increased demand that it expects in the spring, he said.

"For us, it's a two-pronged equation," Jackson said. "Our buyers have homes to sell in a lower niche, where the \$8,000 tax credit buyers will buy." That, in turn, he said, will enable existing homeowners to make moves they may have been contemplating, potentially to larger or nicer homes.

Luisa Mauro, a broker and co-owner of Marathon Real Estate, expects to benefit, too.

"I'm so thankful they passed [the extension]. We all saw it impact our business over the last few months," Mauro said.

Courtesy of JB Goodwin