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Too Late for Home Tax Credit? Not for Some

By BRITTANY HUTSON

New Yorkers who missed out on the federal government's tax-credit for first-time home buyers take notice: Some real-estate developers have come up with "tax credit" plans of their own.

The federal plan, which provided a tax credit of as much as \$8,000, expired April 30. Since then, real-estate brokers who cater to middle-class families say home sales declined and traffic to open houses slowed. To re-energize sales, developers are applying the "tax-credit" concept to private promotions that promise buyers \$8,000 in cash.



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Brian Harkin for The Wall Street Journal

"Tax credits" are still available to buyers at Opal Ridge on Staten Island.

"In any market where demand is slowing, developers will offer concessions to attract buyers," said Robert Duquette, state president of the New York Association of Mortgage Brokers. He added that concessions tend to be more significant on lower- to mid-priced properties. "Buyers in these price ranges need the most assistance with cash needed to close."

The Estates at Opal Ridge, located in the Prince Bay neighborhood on Staten Island, is running advertising on its website that exclaims "We haven't let the tax credit expire. Get \$8,000 for your new home purchase." The Estates, a small

community of 22 single- and two-family homes starting from \$759,000, says the program expires the Fourth of July weekend.

In Williamsburg, Brooklyn, the 5 Roebling condominium is promising "\$8,000 cash at closing" to buyers who sign a contract by June 30. The condominium is a 20-unit development with two- or three-bedroom units that start at \$545,000. Several buildings in Harlem also are promoting "tax credit" programs aimed at luring buyers.

The Treasury Department said on April 1 that 1.8 million taxpayers collected \$12.6 billion in federal tax credits with a month to go under the home-buying stimulus program. The program was launched under different terms in April 2008, and then extended a few times.

The "tax credits" now being offered by developers are mostly cash rebates that buyers receive

after or during the final phase of the home purchase. Some economists say rebates can be more effective at attracting buyers than price cuts because they create a sense of urgency.

"The functional purpose of a tax rebate is that there is a deadline," said Christopher Thornberg, founding principal of Beacon Economics in Los Angeles. "Consumers think 'if I don't buy today, I will miss the credit.'"

John Tomasiello, 37 years old, is near closing on a two-bedroom, two-bathroom unit at 5 Roebling for \$585,000. A visual-effects artist for television and film, Mr. Tomasiello had been renting in the city for seven years. Six months ago, he decided to become a home buyer because there wasn't much difference between rent and mortgage costs, he said.

Mr. Tomasiello missed out on the federal tax credit because he was focused on starting his own company while it was being offered. Once his attention returned to home hunting, he mulled over four possible options and decided on 5 Roebling, in large part due to the property's cash-back offer.

"Besides the location, it was definitely the credit," said Mr. Tomasiello. "It's helped towards the closing fees, which are \$30,000."

When the federal credit was in effect, the Beacon Towers, a 73-unit co-op located in West Harlem, had a "surge of interest," said Frank Anelante, chief executive of Lemle and Wolff, a real-estate management and development firm for affordable and middle-class housing.

But the number of prospective buyers quickly nose-dived after the credit expired, so the Beacon launched an \$8,000 incentive on May 24. Since then, interest in the Beacon Towers has perked up. The building's one bedrooms start at \$250,000 and two bedrooms start at \$300,000. Currently, 80% of units have been sold or are in contract.

"The Beacon is a middle-class housing development and many middle-class families feel uneasy about the economy," said Mr. Anelante. The Beacon's credit expires on July 31.

The Savoy West, a prewar condominium on Lenox Avenue in Harlem where prices range from \$395,000 to \$725,000, had between 15 and 20 prospective buyers a week when the federal credit was being offered. But traffic dropped by 30% once it expired, according to Stephen G. Kliegerman of Halstead Property.

Last week, the Savoy began an incentive program. Buyers of more-expensive units get \$8,000 back, along with all of the transfer taxes paid. Buyers of one-bedroom units will receive \$4,000 back and half of the transfer taxes paid. Eleven units are available under the offer that expires at the end of the Fourth of July weekend.

But for those who may be tired out from all the \$8,000 "credit" hoopla, 1 Power St., a 31-unit condominium in Williamsburg, Brooklyn, with units priced between \$427,000 and \$814,000, has an incentive program that is less generous, but which offers more options.

Launched last week, the incentive allows for buyers to choose among 10 move-in bonuses. They include a \$2,500 voucher for cleaning services; one year of free parking, a \$2,500 gift card to

Ritz-Carlton Resorts and Hotels, \$2,500 toward closing costs or a free designer-created terrace setting that includes plantings, furnishings and décor.

"While it's easy to offer people an \$8,000 credit, it's kind of dry and there's no excitement about it," said David Maundrell, president of aptsandlofts.com, who helped develop the concept.

Traffic slowed at the beginning of May and has started to pick up lately, according to Mr. Maundrell. "People were really excited about the promotion at the open house," he said.

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