

California Realtors offers perks to home buyers

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What will it take to get people to buy a home during a brutal recession?

The California Association of Realtors today is rolling out an offer to pay first-time buyers' mortgages for up to six months if they lose their jobs. It's among a variety of incentives the real estate industry is dangling as it desperately tries to lure customers.

CAR's offer is essentially like insurance for people who get laid off. It applies to first-time home buyers who open escrow starting today and close before Dec. 31. They must use a California Realtor in the transaction, not be self-employed and be younger than 70. If qualifying people are downsized, they may receive up to \$1,500 a month for up to six months to help make mortgage payments.

"I think it's a little gimmicky," said Robert Freed, CEO of SummerHill Homes, a Palo Alto builder now selling in 10 local developments. "I question the logic of buying a home, car or any other major purchase if you have serious concerns about your job. I think a lot of these advertising strategies are designed to drive traffic (of potential buyers). I certainly support that."

He and others said the No. 1 driver of both traffic and buyers is simple: Low prices.

"Prices have fallen in parts of this state to where they're beginning to make sense again," said Christopher Thornberg, principal of Beacon Economics in Los Angeles. "You're starting to see people move into the market. I know everybody will claim their particular incentive did the trick, but I would argue that price declines trump all."

The current historic lows in interest rates, coupled with lower prices, are beginning to register with some buyers, he said.

Some new-home builders are offering their own buy-downs of interest rates. Miami's Lennar Corp., which has developments in San Francisco and the East Bay, is offering a 30-year fixed 3.625 percent rate on select homes to buyers who meet certain credit and down payment requirements. (Similar to CAR, it also is offering to make mortgage payments for six months for laid-off buyers.) Hovnanian Enterprises recently offered a 3.99 percent rate that met "underwhelming" interest, it told the Wall Street Journal.

Keith Gumbinger, vice president of HSH Associates, which tracks mortgage data, said that cut-rate

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financing "should be a pretty strong incentive."

In quarterly results released this week, Lennar said it is giving buyers an average sales incentive of \$50,500 per home, compared with \$48,000 per home in the first quarter last year. The average sales price has fallen from \$278,000 to \$244,000.

Several industry experts said tax incentives now available - an \$8,000 federal credit for first-time buyers and a \$10,000 California credit for new home buyers - have gotten people to come in.

"We've definitely seen an uptick in buyer traffic and an increase in sales velocity that appears to be driven both by the tax credits as well as very favorable interest rates and very favorable new home pricing," Freed said.

His projects are offering prices anywhere from 10 percent to 25 percent below their original projections.

Home sellers "continue to fight buyer psychology," said Patrick Duffy, a principal with Metro Intelligence Real Estate Advisers in Los Angeles. "No matter how low they go, people still worry that prices will continue to decline. They have to make them comfortable that the deal is so good they don't have to worry."

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