Real estate firms pan tax credit; say it won't jump-start market

BY ROBIN K. COOPER
THE BUSINESS REVIEW

Stimulus Watch

Realtors fear a new $8,000 tax credit for first-time homebuyers will do little to reinvigorate a housing market after a year in which total sales shrank 15 percent.

The federal government's effort to revive housing sales would have been a lot more successful had the plan included a tax credit for a larger group of potential buyers, said Ken Raymond, broker and owner of **Prime Cos.** in Cohoes.

"It was a bit of a letdown," Raymond said, referring to the federal government's decision to abandon an earlier plan that had called for a $15,000 credit that wasn't limited to first-time buyers.

"That would have made a significant impact," said Scott Varley, who runs **The Scott Varley Group**, a Saratoga Springs-based **RealtyUSA** office.

First-time homebuyers is not a segment of the market that needs help, Varley said. "I'm concerned about people who buy more expensive houses."

The market for homes priced at $350,000 or more has been hit hardest.

Raymond

Varley

The federal government's decision to create a new First Time Homebuyer Tax Credit will help potential buyers cover initial closing costs, said Jim Ader, CEO of the **Greater Capital Association of Realtors**.

"I hope this will create some confidence in the economy," Ader said. "It certainly creates a wonderful opportunity for first-time homebuyers."

To qualify, buyers must not have owned a primary residence in the previous three years. They also must earn less than $75,000 as an individual or less than $150,000 for those filing joint returns. The tax credit only applies to purchases between Jan. 1 and Dec. 1, 2009.

Some area agents believe the new tax credit—which amends a $7,500 tax credit loan program created last summer—could help housing sales in unintended ways.

Encouraging more first-time buyers to purchase a home could make it easier for current homeowners to sell existing homes so they can shop for something bigger and more expensive.

But it may take a while to determine if the stimulus will prompt homeowners to upgrade.

The Capital Region housing market has softened over the past year. The total number of sales declined 15 percent to 8,337, the biggest drop since GCAR began collecting regional data in 1988.

Meanwhile, overall U.S. housing sales decreased 13.1 percent last year to 4.91 million sales, the smallest total volume since 1997.

"This area is in better shape than the rest of the country," Raymond said, but local buyers still are hampered by lack of confidence in the overall economy.

Fears of job stability and job losses have taken a toll.

Home sales dropped 24 percent in January from the same month last year, and the median sale price fell $17,500 to $175,500.

"Housing got us into this and I think it could get us out," Raymond added.

Unfortunately, the stimulus is unlikely to jump-start the housing market as he and others had hoped it would.

When the $15,000 housing tax credit proposal was being floated, there was a lot more optimism about a quick rebound.

"Everyone, even our competitors, were excited about it," Raymond said.

[illegible]

By the numbers

Unemployment insurance provisions in the stimulus plan

51,000	Number of Capital Region unemployed who will benefit from stimulus money
$78 million	Economic impact of stimulus unemployment insurance provisions for the Capital Region
45,000	Number of people in the Capital Region who will receive a $25 increase to their weekly benefits
$412 million	Amount New York state will receive to replenish the Unemployment Insurance Trust Fund

Source: New York State Department of Labor

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