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Ds Media

Central Texas Homes

Summer 2019 Edition

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Licensed broker in Texas 631706. This is a real estate publication. If you are working with a broker, please do not consider this to be a solicitation.

Editor and publisher Debbie Stevenson is a licensed real estate broker in the state of Texas. She and her husband, Dale, have made their home in Central Texas since 1988 after transferring with the military to Fort Hood. While on the move with the military, Stevenson spent two decades in journalism, covering the military, defense industry and business beats. She worked her way up from community newspapers to regionals and eventually an international wire service. She was also called upon to comment on major news headlines for international news media, such as the BBC, CNN and Deutsche Presse-Agentur or DPA. Stevenson is broker associate for the JB Goodwin North Team in Salado. Designations include Accredited Staging Specialist, Corporate & Military Relocation, Luxury Home Specialist, Farm and Ranch and New Home Construction.

Changing Times

Real estate brokerage not immune to evolving markets, trends

Evolving technology and purchasing avenues have opened up an array of methods in which to buy—and sell—real estate.

Once unheard of, buyers are closing on properties they have only seen through online portals and Realtor-arranged live-streamed tours. Listing agents are having to become more technology savvy, incorporating 3D models of homes, virtual tours—and never listing without staging, real or virtual.

Sellers also are adapting to change. And more and more brokerages are offering "alternate" methods of service.

Still the most popular method, listing agents are hired by a seller and paid a negotiated commission upon successful sale and funding. Usually, the commission includes listing the home on the local or regional multiple listing service, marketing , the use of a lockbox, sign, photography and some staging.

The commission is based on the sale price and split evenly between the list agent and the buyers agent. The commission is paid by the seller.

That method was used by 89 percent of sellers in 2018. Full-service agents also were used by 87 percent of buyers, the National Association of Realtors reported.

Traditional brokerage, however, can be cost prohibitive for the equity strapped home seller.

Many of those sellers first will test the "For Sale by Owner" market before turning to what has been loosely termed "cafeteria-style" brokerage. In this scenario, the seller can place their home, courtesy of a member broker, in the local multiple listing service for a flat fee, rent a lockbox and even a sale sign—for an additional cost. This makes their property available to buyers agents and online search engines. Ideally, the seller pays the buyers agent the advertised commission. The listing broker gets the agreed, upfront fees, regardless of sale outcome.

It sounds good, and on paper, the lower bottom line is appealing to sellers. However, there are drawbacks.

Buyers agents typically are not comfortable with this scenario. Under Texas Real Estate Commission and National Association of Realtor ethics rules, licensed agents are required to serve the public. They also are bound by a fiduciary responsibility to their client—the buyer—to provide them the best possible outcome.

If the seller has an "absentee" broker, that means the buyers agent is the only licensed individual in the deal. That agent cannot advise the seller, even when that seller is making an obvious mistake.

Plus, if the seller demonstrates a lack of knowledge of the typical market concessions at the start, what will happen once the buyer is further in and has paid for inspections and appraisal? What if the lender requires repairs? The agent mulls the question: Will the seller understand that the repair may be one that will be encountered by any buyer seeking to purchase the home with a loan?

Many unrepresented, or under-represented sellers, do not understand the contract's deadline and disclosure requirements. When issues arise, they have to seek advice from their "limited" broker. And that is when the costs and fees in the fine print suddenly mount.

Also on the rise are agent guaranteed-sale programs. Most of these agents have their own setup. Similar deals also are being explored by online giants such as Redfin, Zillow, OpenDoor and OfferPad and are used by corporate relocation companies.

To participate, sellers usually must agree to purchase a home warranty up front (about \$5-700 depending on what needs to be covered and the size of the home). They are required to get a home inspection (about \$350-\$750) and repair any issues uncovered upfront. They then pay for a third-party appraiser (about \$400).

If, for example, the house appraises at \$275,000, the agent will offer to purchase it at \$250,000— a concept similar to trading in a used car where the dealer offers a wholesale price and then sells at retail.

When to pay prime property premiums

When it comes to real estate, there is only one cliché that is worth repeating— the usual three times:

Location. Location. Location.

That is because what really determines a property's value is the land and it's features. You either have them, or you don't. A view cannot be renovated in. Back neighbors cannot be erased. No one has found a way to design an ocean into a landscape.

It is a rule that can't be bent. Land is finite and immobile, which means a quarter acre of raw dirt is worth more in a downtown city, such as Austin or Dallas, than in the middle of Lampasas or Gatesville. That same quarter acre lot will sell for more in the same major city if it is waterfront or backs to a greenbelt.

Simply put, you have found your dream house. It is affordable but on an interior lot. Your agent tells you the builder has two more, exactly the same. The first is off a greenbelt with stunning views. It is priced significantly higher than the home on the interior lot. The third is priced well below the other two because it backs to the nearby commercial retail zone.

You can afford all three. Which do you choose?

It is likely that you will select the first because while people believe that they are buying a house, they really are buying the land and its location. In this case, the guaranteed view.

That premium deal gets a little murkier when the view is gorgeous—but not guaranteed.

If the premium house was not backing to a greenbelt, but rather private property that could be sold or developed in the future, that location may not be as valuable to the buyer. This is because in the future, the current owner may sell and that once stunning view may become your neighbor's backyard.

This reality check has been debated in Bell County's Salado since an attempt by village leaders to rezone a privately owned golf course to recreational use only.

The course is zoned for residential use, which would allow the owners to sell all or portions to developers. For appraisal purposes, this zoning favors the course owners as the highest and best use of the property likely is residential development.

The reverse is true for the adjacent homeowners, who once bought property thinking they would continue to have golf course—and in some cases—creek views. If their premiums are lowered through mandatory disclosure of the current zoning, property owners further away from the course could experience a ripple effect.

Its not the first time Texas property owners have faced external pressures on premium real estate. In Travis County, the small town of Lago Vista worked a similar situation in 2012. Faced with a failing golf course sinking property values as the fairways turned to large, unsightly weed patches, the Republican-stronghold went against its political grain and became the owners of several area courses through eminent domain.

Despite the controversy and cost, the town was not done.

A few years later, Lago Vista's 7,000 residents picked up another tab to protect their home values: An 8,000-square-foot mansion that sits atop a hill overlooking the picturesque Lake Travis town. It was a time of unprecedented drought conditions and water shortages. Desperate for more water, Lago Vista made a deal in 2013 with a local businessman and lakefront property owner to run a water pipe across his land to a deeper area of the lake.

The owner said the town could bring the water pipe across his land if Lago Vista agreed to bring municipal utilities to his then unfinished mansion venture. The problem for the city was getting other property owners to let the municipality tear up their land so it could deliver on its end of the bargain.

Those owners refused. After discovering that much of the agreed pipeline would render his property unusable, the mansion owner called off the deal.

The city of Lago Vista settled with him by purchasing the mansion for $3.7 million. It seemed like a deal for the city, but once again, the law of real estate came in to play.

The beautifully appointed Mediterranean villa, complete with stunning lake views, a helipad, wine cellar, game room, home theater and two negative-edge swimming pools just wouldn't sell—even with a significant price drop to $2.4 million.

Despite the discount, no one wanted what is next door—an imposing electric tower. Despite lacking conclusive evidence that power lines and towers can have a negative impact on health, the presence does have an instant effect on buyers.

"I have had buyers step out, see them and get straight back in the car," one agent said.

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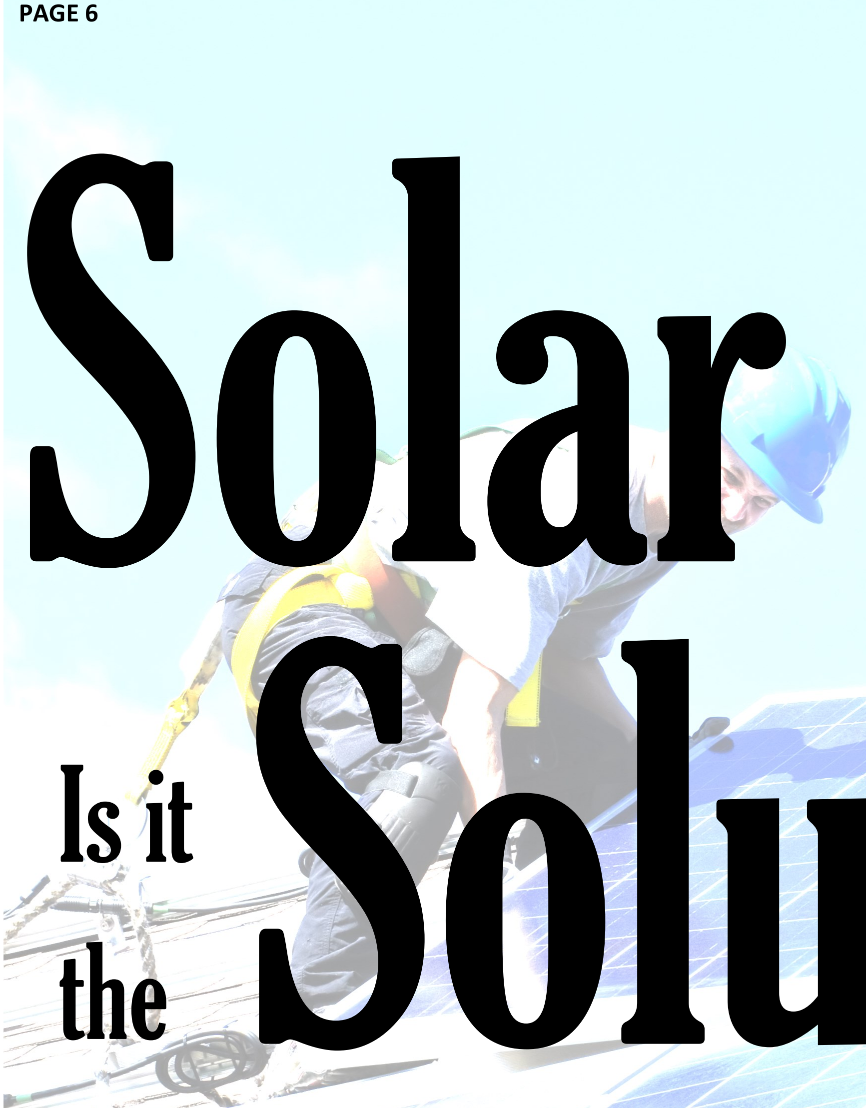

Solar

Is it the Solution

Solar Quote

Battery based grid-tie system that powers selected loads for short-term outages

Equipment Needed

12 – LG315 watt solar panels;
12 Enphase S280 Micro inverters
Plus installation mounts, battery pack, etc.

Total Package Cost $22,664.84

Oncor Incentive ($3,213.00)

Initial out-of-pocket $19,451.84

Tax credit/refund at the time ($5,835.55)

Net out-of-pocket $13,616.29

The jury is very much out on the value— and savings— of adding solar for a home able to receive grid-based energy.

Although touted by the solar industry and political proponents as a great energy saver that eventually will pay for itself in realized energy bill savings, real estate experts are saying not so fast.

If you own a home with a solar system, the Federal Housing Administration, which governs lending and appraisal guidelines, requires that a solar system's value be assessed and added to the total appraisal value of a home when it is listed for sale. However, if the homeowner is leasing the panels, whatever they may add to the market appeal, the system cannot be included for an FHA assessment of value.

In Central Texas, the value of the owned system is considered by appraisers to be a 10 percent multiple of savings on the electric bill, less the system's depreciation and condition.

That is because there are not enough homes with solar available to accurately gain a true market value. In fact, when it comes to appraising, solar has been described as having the effect of a swimming pool on a home's equity.

Pools, despite the buyer attraction, typically only add $10-$15,000 to a home's value, regardless of the cost to install and the amenities added. The same goes for solar. While a package that has a battery backup for power outages may add up to $23,000 before incentives, area Realtors are finding it adds "zero" to the home's appraised value.

Even in Austin, where energy efficient homes are in abundance.

"There's no value added," said one agent who works an Austin neighborhood where panels are popular. "And they had better not look old and at the end of their life, because that is a detriment (to value)."

Realtors caution homeowners to think before they install, noting the system could become a liability.

"If the roof is in bad shape, that just means a buyer has to hire someone to remove all the panels in order to put a new roof on," an agent noted in a closed Facebook group discussion. "Its double the work. Roofers won't touch the panels because of warranty concerns, so someone has to hire the solar installers to come back out, remove the panels and re-install after the roof is done."

The FHA and Fannie Mae, which is responsible for keeping the money flowing in the mortgage market, have little to say about

Ultra-Efficient Homes combine energy-efficient construction, appliances, and lighting with commercially available renewable energy systems, such as solar water heating and solar electricity.

www.energy.gov

ABOVE: Extensive solar panels can add to cost of replacing roof in the event of damage as specialists have to be brought in before and after the roofers do their work.

whether financed systems are an asset or a liability. The picture should become clearer as more solar homes are sold and more data becomes available.

The Appraisal Institute, which is the largest professional institute for real estate appraisers in the country, urged homeowners and anyone considering selling their homes to first explore making energy-efficient improvements.

"The latest research shows that green and energy-efficient home improvements have the potential to pay dividends for buyers and sellers," said James L. Murret, the institute's president.

Homes in the Austin area with a green designation sold for about 8 percent more than a home without the designation

Some green renovations, such as adding Energy Star appliances and extra insulation, are likely to pay the homeowner back in lowered utility bills relatively quickly," he told SolarPowerWorld in a recent interview for its online publication.

He emphasized homeowners need to understand the difference between a "green" house and one with green features.

To be truly green, a property has to have the following six elements: site efficiency, water efficiency, energy efficiency, indoor air quality, materials, and operations and maintenance. Those features combined will add immediate value to the home.

According to data compiled by the National Association of Home Builders (NAHB) from 2015 to 2017, the national average for home construction costs was about **$99** per square foot. Building a zero energy homes cost about 5 percent more than homes built to minimum code.

In his book, "The Value of LEED Homes in the Austin-Round Rock Real Estate Market", Greg Hallman found a home with a green designation sold for about 8 percent more than a home without the designation.

Hallman reached his conclusions after reviewing sales data from 2008 to 2016. LEED is a Leadership in Environmental and Energy Design certification program for builders. Austin Energy Green Building has certified more than 15,000 homes across the city since the program's start in 1991.

Murret said homeowners should retain the construction documents for future use by Realtors and appraisers when the home is resold.

More sellers assisting buyers

1 in 16 buyers receive seller-paid closing costs, survey finds

Sellers paying buyer closing costs have been the norm in many parts of Bell County, but across the country and in Texas' hotter markets, sellers have thumbed their noses at those requests.

Until now.

A survey released May 7 by Freddie Mac, which provides liquidity to the mortgage market, found the practice ticking upward, with 1 in 16 buyers now seeking seller aid.

While the trend is viewed as troublesome by experts who monitor the national market, in small-town Central Texas the request has been long-standing, event expected.

In Bell County, where FHA and VA loans dominate, sellers typically are faced with buyer requests to contribute from 3 percent of the costs to the entire amount. Those requests must comply with strict rules in effect since the 2008 housing meltdown.

Conventional loans allow the seller to contribute 3 percent of the purchase price toward the buyers' closing costs. Three percent should cover most, if not all, of the costs, particularly when the seller also covers separately in the contract the cost of title insurance and a survey. If you are buying with an FHA or VA loan, you can ask for more. Under these terms, 4 percent almost surely will cover everything. A buyer seeking financing under FHA rules can seek up to 6 percent from the seller.

Typical Estimated Seller Costs

Assume property has annual $5,446 property tax bill & HOA

Assume Sale Price $199,900, closing May 14, 2019

Negotiated Commissions	$11,994
Escrow Fee (one half)	$350
Courier/Wire Fees	$20
Recording Fees	$56
Tax Certificate	$65
Lien Release	$75
Guarantee Fee	$1.80
HOA transfer	$350
Prorated taxes 133 days	$1,984
TOTAL SELLER COSTS	**$14,895.80**
Adding typical buyer Contract Requests	
Title Policy—Owner's	$1,570.80
Survey *(if existing not available)*	$500
3% Buyer closing cost assistance	$5,997
Home Warranty Budget	$500
TOTAL WITH BUYER ADDED COSTS	**$23,463.60**

Your Market by the Numbers

Jan 1 through May 15, 2019

BELTON—Bell Co.
436 listings Jan 1-May 15
Average days on market: 73
Properties sold: 189
Average Home & Price:
4Bed/2bath 2,016'/$111.44/SQFT $233,919
Median Home & Price:
4Bed/2bath 1,826' $111.18/SQFT $205,000

COPPERAS COVE—Coryell Co.
460 listings Jan 1-May 15
Average days on market: 62
Properties sold: 238
Average Home & Price:
4Bed/2bath 1,7854'/$78.27/SQFT $141,683
Median Home & Price:
4Bed/2bath 1,670'/$79.61/SQFT $134,950

FLORENCE—Williamson (AUSTIN AREA MLS)
24 listings Jan 1-May 15
Average days on market: 63
Properties sold: 10
Average Home & Price:
3Bed/2bath 1,926'/$165.29/SQFT $323,350
Median Home & Price:
3Bed/2bath 1,861 $160.99/SQFT $329,500

GATESVILLE—Coryell Co.
149 listings Jan 1-May 15
Average days on market: 92
Properties sold: 67
Average Home & Price:
3Bed/2bath 1,798'/$94.29/SQFT $179,878
Median Home & Price:
3Bed/2bath 1,653 $85.97/SQFT $145,900

GEORGETOWN—Williamson(AUSTIN AREA MLS)
1953 listings Jan 1-May 15
Average days on market: 86
Properties sold: 833
Average Home & Price:
3Bed/3bath 2,238'/$150.35/SQFT $333,312
Median Home & Price:
3Bed/3bath 2,083 $149.46/SQFT $293,300

HARKER HEIGHTS—Bell Co.
342 listings Jan 1-May 15
Average days on market: 81
Properties sold: 173
Average Home & Price:
4Bed/2bath 2,317'/$95.05/SQFT $218,653
Median Home & Price:
4Bed/2bath 2,192 $94.38/SQFT $209.900

JARRELL—Williamson (AUSTIN AREA MLS)
234 listings Jan 1-May 15
Average days on market: 62
Properties sold: 107
Average Home & Price:
3Bed/2bath 1,741'/$116.85/SQFT $196,994
Median Home & Price:
3Bed/2bath 1,616 $121.67/SQFT $186,000

KEMPNER—Lampasas Co.
100 listings Jan 1-May15
Average days on market: 85
Properties sold: 43
Average Home & Price:
4Bed/2bath 1,960'/$109.86/SQFT $219,209
Median Home & Price:
4Bed/2bath 1,900 $114.24/SQFT $225,000

KILLEEN—Bell Co.
1541 listings Jan 1-May 15
Average days on market: 69
Properties sold: 801
Average Home & Price:
4Bed/2bath 1,814'/$80.21/SQFT $149,484
Median Home & Price:
4Bed/2bath 1,705 $78.72/SQFT $139,401

NOLANVILLE—Bell Co.
97 listings Jan 1-May 15
Average days on market: 112
Properties sold: 46
Average Home & Price:
4Bed/2bath 2,026'/$103.95/SQFT $218,814
Median Home & Price:
4Bed/2bath 2,088 $105.91/SQFT $210,000

MORGAN'S POINT—Bell Co.
19 listings Jan 1-May 15
Average days on market: 98
Properties sold: 6
Average Home & Price:
4Bed/2bath 2,370' $155.79/SQFT $366,396
Median Home & Price:
4Bed/2bath 2,504 $157.52/SQFT $387,500

SALADO—Bell Co.
137 listings Jan 1-May 15
Average days on market: 99
Properties sold: 65
Average Home & Price:
4Bed/3bath 2,565'/$139.17/SQFT $349,750
Median Home & Price:
4Bed/2bath 2,433 $139.25/SQFT $337,000

TEMPLE—Bell Co.
1028 listings Jan 1-May 15
Average days on market: 83
Properties sold: 476
Average Home & Price:
3Bed/2bath 1,891'/$99.03/SQFT $187,285
Median Home & Price:
3Bed/2bath 1,786 $101.41/SQFT $170,500

EDITOR'S NOTE: Median Home and Price means half of properties exceed this size/amount and half are below. Figures pulled from residential listings in the governing Multiple Listing Services used by Realtors to market properties. Most of Central Texas is governed by the Central Texas Multiple Listing Service. ACTRIS, the Austin Metro MLS was used where stated. Counties listed are primary for each city. Some cities, such as Copperas Cove cross county lines. Listings used are from Jan. 1-May 15, 2019. Not all new construction sales are posted to MLS. Non-REALTOR licensed agents also cannot use MLS.

Forbes touts Europe's secondary housing market

Forbes is predicting real estate in Europe will remain hot in 2019 as investors view the continent as a safe, affordable alternative to other more tumultuous markets.

Topping Forbes.com's list was Germany, Greece, Malta and Cyprus.

Germany was favored due to its "affordable" financing. Its stable economy, population growth and a secure investment process all contributed to Germany being regarded as a "safe haven" for investors.

Leading Real Estate Companies of the World, a consortium of 600 international real estate brokerages in 70 countries, keeps tabs on how all of their markets are performing. The network provided data exclusively to Forbes on Europe's secondary markets.

"Whilst London, Geneva, Paris and Monaco continue to command Europe's highest property prices, other cities are emerging as increasingly popular with international buyers, offering excellent investor returns," Chris Dietz, Executive Vice President, said in an email. "Increasing popularity in emerging European markets is testament to the growing importance of international investors in these cities."

Greece, Malta, and Cyprus offer something else—citizenship, Athens-based real estate attorney Kyriaki Perrou told Forbes. The program grants a residence permit to anyone buying real estate in Greece with a price tag that exceeds 250,000 Euros.

"In spite of the lifting of capital controls, Greeks cannot afford to buy real estate, even at these low prices," Perrou said.

"Most buyers are foreigners, especially Chinese, buying properties in exchange for a golden visa."

Know before you buy vacation property

Texas is looking to ease regulations on short term rental properties and is in an open battle with some of its larger cities over regulations designed to cap or eliminate the practice.

Bills filed this session in the House and Senate would force cities to allow short-term rentals with a relative few restrictions, the Austin Business Journal reported.

But don't expect action to happen soon. Earlier attempts passed the state Senate but failed in the House. The City of Austin, which is leading the charge to eradicate dedicated vacation properties, is vowing fighting any attempt to limit its regulations.

Faced with a growing trend, Austin moved in 2016 to regulate the short-term rental industry. The goal was to make it illegal to operate one in a residential neighborhood if the owner did not also live there.

Should the latest bills floating in the House and Senate make it into law, it will be the latest round of Austin rules that end up dismantled the Journal noted.

It doesn't have to be Texas

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Sources: REAL *Trends* National Network 2016 Totals Final Report, REALTOR® Magazine 2015 Franchise Report, and various website research.

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