

# 121 Rapid City Real Estate Update

August 2021

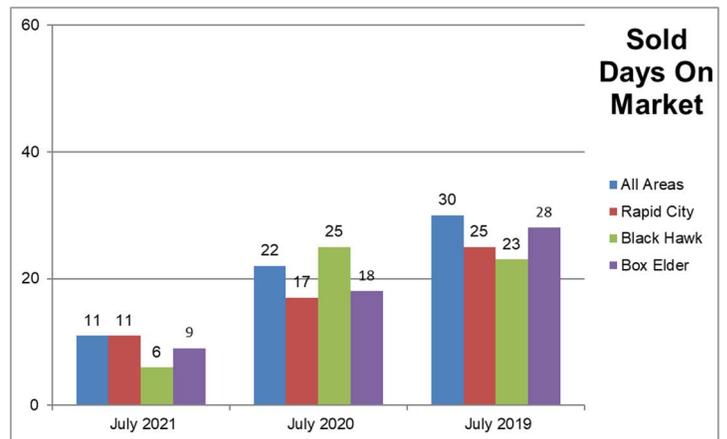
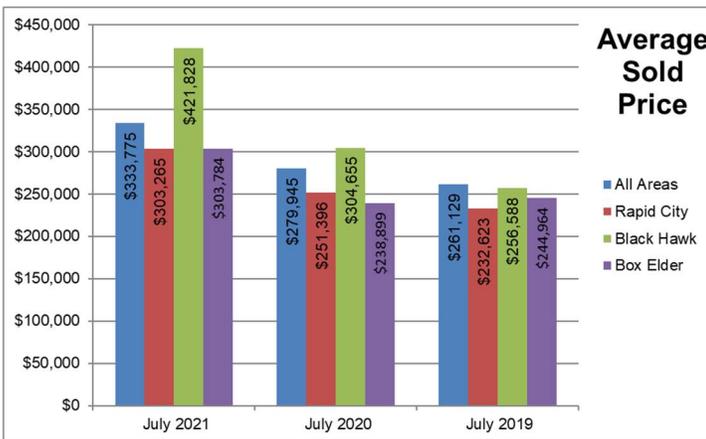
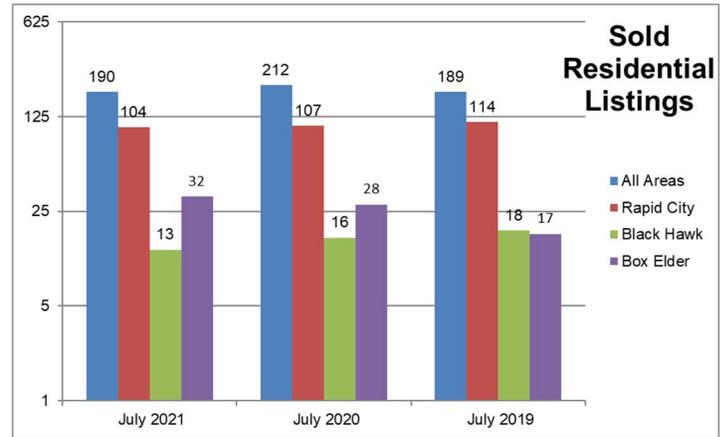
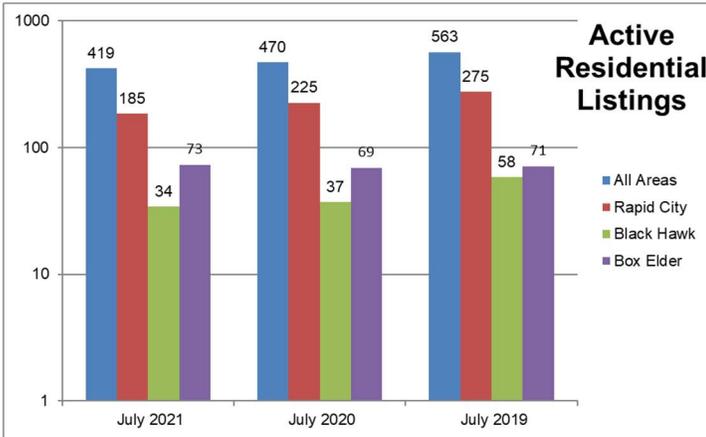


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## Rapid City & Area Market Conditions For July 2021



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## Open Shelving in the Kitchen—Yay or Nay?

Watch any home improvement show from the last several years, and you'll see it: open shelving in the kitchen. But is this trend something you should embrace in your own space?

Does it have staying power or will it wither away once people come to terms with its lack of function? Will you love it or regret it if you rip out all your upper cabinets? Those are the questions we're posing today as we examine the pros and cons of open shelving.

### Rise in popularity

If it seems like open shelving is everywhere, that's because it is. "Open shelving is one the most popular—and also the most controversial—kitchen trends of recent years," said Apartment Therapy.

Some kitchens, in an effort to look updated and open, have eliminated upper cabinets entirely, integrating open shelving instead. Others utilize the trend more marginally, replacing just one or two smaller sections of upper cabinets. If you are wary of converting your entire kitchen to open shelving, this is a good starter.

Another way to get your feet wet is to simply remove the front of your cabinets instead of taking them down all together. This way, you can get the look without a major change, and you can always put the doors back on when the fad eventually passes.

### Light, airy, and open

That's what a lot of people are looking for when they make the decision to go with open shelving. And it works—sometimes too well.

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## How Does Inflation Affect Real Estate?

We're hearing a lot in the news about inflation right now.

The inflation rates have been going up at record-breaking paces. Some of that is to be expected during a period of economic recovery following the COVID-19 pandemic, but there are concerns being echoed by some financial analysts.

Inflation refers to the decline of purchasing power of a currency over time, to put it somewhat technically. Basically, what inflation means is that you have less purchasing power with the same amount of money.

So, how does this affect real estate?

### Home Construction Costs

Right now, one of the most obvious and direct effects we see of inflation on the real estate market is in the rising cost of the items used to build a home.

For example, for the past year, lumber prices have been rising. Those prices have added a significant percentage to the cost of new homes. That's just one example of an item that's used to build new homes. There are bricks, drywall, concrete and more that go into it. When the required items are more expensive for homebuilders because of inflation, those costs do ultimately get passed onto the buyer.

The fast rises in home prices have actually played a role in inflation being pushed to a 13-year high. Housing costs this year went up by 0.4% between just April and May. The rising home prices accounted for more than ¼ of the overall inflation increase in May.

### Home Prices

As was mentioned above, if a home builder is paying more, then the buyer is going to be taking on the consequences of that inflation.

That's not the only factor that means inflation is going to cause home prices to rise, though.

If the Central Bank increases the money supply in the economy, which is a big cause of inflation, then home prices go up as well.

### Less Financing

Sometimes when there's inflation, then debt is affected. Specifically, if inflation goes up, it's more expensive to borrow money. With rising interest rates, then people might not borrow money at all. Then, when there are fewer home purchases being financed with a mortgage, economic growth may be affected.

### Rent Price Inflation

The price of rent tends to go up with inflation and higher home prices.

Unfortunately, it's not like rent is a discretionary expense you can cut out if you have to.

More than nine million renters are considered extremely low-income right now and are burdened by their housing costs. That means they spend more than 1/3 of their income on expenses related to shelter. Many of these low-income houses spend more than 50% on housing.

There may be more renters during times of high inflation, despite the increase in rental prices. This is because it can be harder to get a mortgage in high inflationary periods. An expensive mortgage also means less buying power, so it's more likely that someone might continue to rent.

### Existing Homeowners

What about housing inflation's effects on current homeowners?

Well, if you already have a fixed mortgage on your home, your cost of living with regard to your home isn't going to change much. Your taxes and insurance might a bit, but still, not a huge impact.

You don't see the change unless you're moving.

There's a note of distinction to be made here, though. Inflation is not appreciation, which some homebuyers may confuse.

Appreciation refers to the increase of your property value over time. The value's not increasing in relation to the currency. It's increasing because of demand. Your home can appreciate more or less than the rate of inflation at any given time.

Overall, what this means is that, yes, real estate is affected by inflation in both direct and indirect ways.

Courtesy of Realty Times



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## Buying and Financing Investment Real Estate With Friends and Family?

A lot has been made about crowdfunding lately. It's a way for individual investors or buyers to pool funds with others in order to finance whatever it is they want to finance. With real estate, it's also an opportunity to pool funds and financing together to invest with the assistance of others instead of flying solo on a particular project.

When buying and financing a property individually, the buyer assumes every single bit of risk associated with the purchase. The buyer must vet a potential renter by performing basic background checks. Tenants must provide copies of recent paycheck stubs and contact information for their employer.

Certainly, determining whether or not the potential tenants can afford the rent payments is an essential task. Bank statements should be reviewed to make sure what the prospect says he or she makes is reflected as deposits in a bank statement. Credit is reviewed. Rent is collected each and every month. Late payments must be tracked down. There are maintenance issues involved. When the hot water heater goes out, it's the owner of the property that must stop and take care of the issue.

And, as it relates to financing the purchase, the buyer must qualify for a rental loan. If it's the first rental being purchased, the buyer must qualify without the benefit of the rental income generated from the unit. There's certainly a lot to consider before making such a move. But when buying with others, the risk is associated with all parties on the note. It can also mean making a larger purchase instead of a three

bedroom single family home. Apartment buildings come to mind.

When pooling investment funds together with others, lenders will treat everyone involved the very same. Everyone's income must be verified. That's relatively easy to accomplish but instead of reviewing one paycheck stub and one suite of bank statements, everyone involved must provide the same amount of paperwork. This will be a bit more complicated when there are four investors buying together instead of just one. It's relatively easy to add up the income but there is also the situation of reviewing everyone's monthly credit obligations. All income and all bills are lumped together to arrive at a single set of debt ratios.

Further, credit must be reviewed individually. In such a situation, if four people are buying together, it takes just one of the buyers to have less than stellar credit scores. For instance, three buyers have credit scores of 745, 776 and 750. But the fourth buyer has a representative credit score of 590. Guess which score the lender will use when reviewing the application? That's right, the 590. The higher credit scores of the other three can't overcome the 590 and no, they're not averaged together. In this situation if the transaction is to move forward, the fourth buyer will have to be removed from the contract.

When buying together and financing will be sought, all parties must be prepared to show to everyone their income, asset and credit histories so there won't be any surprises. Buying with others increases leverage, but care should be taken that everyone involved is financially stable to take on the new project.

*Courtesy of Realty Times*

(continued from page 2)

Getting rid of all the typical upper cabinets can sometimes make a space look too minimalist. "Open shelving can also look a bit... unfinished," said Apartment Therapy.

### Showcasing the goods

Then again, it's a great way to highlight china, nice dishes, or décor items.

### Highlighting a mess

Of course, that requires you to have china, nice dishes, or décor items, and to be able to display them in some kind of orderly fashion—instead of like a typical home where bowls may be mismatched, or at least stacked unevenly.

But, if you're seeking a way to get motivated to have a clean and orderly kitchen, this could help. "If you're looking for a built-in, training-wheel kitchen setup to help ensure that you stay organized, then open shelving might be a good idea," said HGTV. "The trick is: you have to commit to keeping things neat so you can avoid having your kitchen look like a hot-mess yard sale."

### It's dusty in here

Regardless of what your dishes look like, they're likely to get dusty without the benefit of being behind closed doors. "While we love looking at neatly arranged dishware on an open shelf, the reality can be a bit frustrating. Namely, due to all the dust and grease that end up on the carefully-arranged plates, bowls, mugs and glassware," said House Beautiful. In fact, the site is so adamant about its stance on open shelving that the trend made it list of "9 Trendy Home Features That Are Secretly a Pain."

*Courtesy of Realty Times*

## July Real Estate Roundup

Freddie Mac's results of its Primary Mortgage Market Survey® shows that "As the economy works to get back to its pre-pandemic self, and the fight against COVID-19 variants unfolds, owners and buyers continue to benefit from some of the lowest mortgage rates of all-time. Largely due to the current environment, the 30-year fixed-rate remains below three percent for the fifth consecutive week while the 15-year fixed-rate hits another record low."

- 30-year fixed-rate mortgage (FRM) averaged 2.8 percent with an average 0.7 points for the week ending July 29, 2021, down from last month when it averaged 3.02 percent. A year ago, at this time, the 30-year FRM averaged 2.99 percent.
- 15-year FRM this week averaged 2.1 percent with an average 0.7 points, down from last month when it averaged 2.34 percent. A year ago, at this time, the 15-year FRM averaged 2.51 percent.
- 5-year Treasury-indexed hybrid adjustable-rate mortgage (ARM) averaged 2.45 percent this week with an average 0.3 points, down from last month when it averaged 2.53 percent. A year ago, at this time, the 5-year ARM averaged 2.94 percent.

*Courtesy of Realty Times*



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## Simple Tricks To Make Your Bathroom Feel Like a Spa

A trip to the spa leaves you feeling relaxed, pampered, and rejuvenated. The experience centers on a serene environment that's carefully designed to help you unwind and escape, and you can easily re-create that soothing atmosphere at home in your own bathroom. By incorporating calming elements, upgrading fixtures, and minimizing clutter, you can achieve a spa-like bathroom that allows you to melt away stress and relax in peace. It requires only a few simple tweaks, so you don't have to take on a major bathroom remodel to create your at-home spa. Reimagine your bathroom as your own personal sanctuary, and use these tips to achieve that spa-like feeling every day.

- 1. Incorporate natural decor.** Incorporating plants is one of the easiest tricks for making your bathroom feel like a spa. Place potted houseplants on the floor, countertop, and other bathroom surfaces, or try hanging a potted plant from the ceiling. Be sure to choose plants that will thrive in a humid bathroom environment and the type of light the space receives. If living plants aren't suitable for your space or skills, set a vase filled with fresh flowers on a shelf or countertop, or decorate with faux plants instead.
- 2. Stock plush bath towels.** Fluffy, luxuriously soft towels are key to achieving a spa-like atmosphere. Choose bath towels made from an absorbent material, such as cotton or bamboo, that will stand up well to washing over time. Display extra towels in a rolled arrangement, or create a stack with crisply folded edges. For an extra special touch, invest in a towel warmer rack so you can wrap yourself in a warm, cozy towel every time you step out of the shower.
- 4. Install a new showerhead.** Replacing your basic showerhead with a more luxurious model is an easy swap that can turn your daily shower into a rejuvenating experience. Look for features that suit your needs and preferences, such as massaging spray patterns, a handheld component, or a rain showerhead that sprays water from directly above. If you have room in your budget, consider upgrading other bathroom fixtures, such as the faucet or commode, to high-quality models with special features like touchless automation or heated toilet seats.
- 5. Use color to create calm.** Choose soft, muted colors to establish a tranquil environment. When selecting your bathroom color scheme, avoid high-contrast pairings, such as black and white or blue and orange, which often appear bold and energizing rather than calming. Pairing warm neutrals with nature-inspired colors like seafoam green or sky blue creates peaceful palettes that would look right at home in a fancy spa.
- 6. Soften floors with rugs.** Create soft places to step by covering bathroom floors with plush rugs. Not only do rugs add character and another element of coziness, but they can also prevent you from having to step onto cold tile floors on chilly mornings. For the area right outside the tub or shower, choose a mat made from a quick-drying material to prevent mold and bacteria growth.
- 7. Incorporate calming scents.** Certain scents can instantly transport you to a peaceful mental space. Incorporate aromatherapy into your bathroom with calming scents like lavender, rosemary, or ylang-ylang. Essential oil diffusers and scented candles, lotions, or soaps provide simple ways to set a tranquil mood. Or hang a bundle of eucalyptus in your shower for a fresh burst of fragrance when you turn on the water.
- 8. Put a bench in the shower.** Take a note from luxury spas and hotels by situating a water-resistant bench in your walk-in shower. This stylish addition offers a perch where you can sit back and enjoy the shower spray while you wash up. Plus, a shower bench provides a handy tabletop surface for corraling items like soap and shampoo.

*Courtesy of Houzz.com*