

Rapid City Real Estate Update

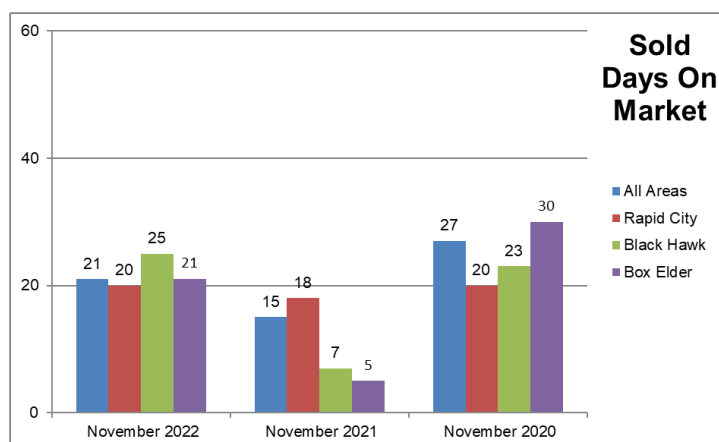
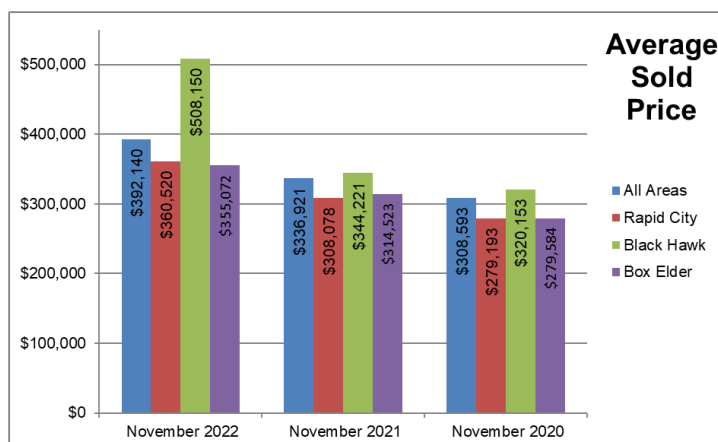
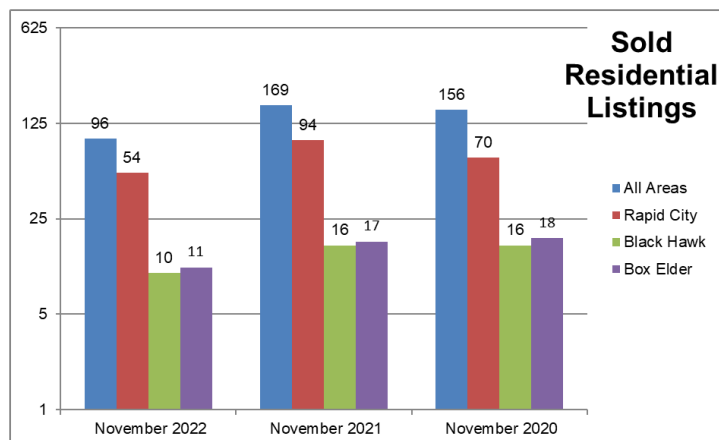
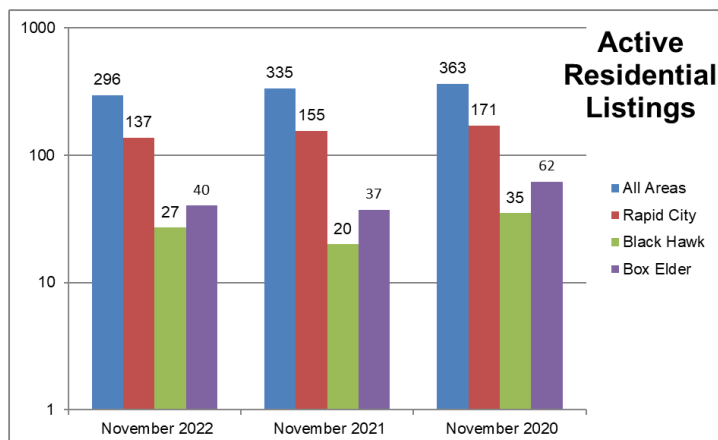


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Rapid City & Area Market Conditions For November 2022



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Renovation Tips For A Classic, Not Trendy, Home

Here's the dilemma. You're getting ready to redo your kitchen and you want it to be stylish and modern but not trendy. After all, this is the only kitchen renovation you ever plan to do and you don't want it to be outdated before you are even finished with the final touches.

If you're paralyzed because you're afraid of making the wrong decision, we get it. So how do you know how to choose? First, it depends on what your goals are. If you're just looking to update and then sell your house, choosing materials that are trending now may be a good call. If you're thinking, "I want to love this and have it still look good in 10 years," that's another story.

"You've probably taken on a renovation project because you want to update the style. While you'd like to give your home a modern look, choosing a short-lived style or personal design is a major fail," said HomeAdvisor. "While a trendy design is sure to make your home stand out, it's also going to quickly go out of style. This is a big problem if you want to resell your home in the future. Modernize the look of your kitchen or bathroom, but avoid bold styles that only appeal to those with specific tastes."

Go neutral
Yes, neutral can be boring. It's true. (It can also be super chic when done right.) Making a bold choice with your kitchen countertops might feel like the right way to go right now, but you may turn around in a couple years and regret that choice, especially if you're going to try to sell your home. You can always bring in pops of color with accessories or items that are easier to replace or redo.

For the last several years, grey has been the go-to color for homes. Prior to that, it was beige - a color that is currently seeing a resurgence even though grey is not gone - yet. Black and white is another currently hot option for color schemes, and, the bonus is, "black and white remains a classic combination," said HGTV. Certain colors will never go out of style - House Beautiful has 10 of them. But remember that no matter what color you choose, it's not perma

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How Interest Rates Affect Purchasing Power

It's difficult right now to avoid rising interest rates' effects on the economy, especially the real estate market. Since the beginning of the year, interest rates for mortgages have gone from record lows to more than 7% as the Fed tries to cool inflation.

Typically, in a situation where interest rates are going up, home prices will drop so it can balance out affordability for homebuyers. We are not, however, in a typical situation right now. While the rate of growth is slowing somewhat, prices for homes are still at record highs.

Redfin Studies the Impact of Reduced Purchasing Power

Unfortunately, as interest rates are going up, a significant portion of homebuyers have lost up to \$165,000 in purchase power in the last year, according to a Redfin study.

The study was from the summer, and interest rates are significantly higher, so buyers have probably lost more than that study reflects.

When interest rates went from 3% to around 6%, it caused mortgage costs to see a median increase of 49%.

At the end of 2021, a theoretical homebuyer with a monthly budget of \$2,500 could afford a house worth up to \$517,500. In the period ending in mid-June 2022, the same homebuyer could afford a home worth up to only \$399,750.

If a homebuyer this summer had \$3,000, they would have lost \$141,250 in buying power, and for someone with a budget of \$3,500, the loss would be \$165,000.

As a result of eroded purchasing power, homebuyers are either leaving the market or choosing homes in cheaper neighborhoods. Some people are also having to continue renting as a result.

These changes affect sellers too—since homebuying budgets are smaller, sellers can't expect those bidding wars and top-dollar offers on their homes.



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Raleigh, Salt Lake City, Austin, and Phoenix are most impacted by reducing buying power. In Raleigh, as of this summer, 33.2% of homes would be affordable with a 6% rate, down from 61.1% with a 3% rate.

The smallest impacts are seen in already-expensive markets. For example, in the Bay Area, there are hardly any homes that would be affordable on a \$2,500 budget, regardless of the interest rates.

Understanding the Cost of Higher Rates
Lenders will qualify a homebuyer on different factors, including the debt-to-income ratio or DTI. When you have a low DTI, in the eyes of a lender, it means your balance between your income and debt is healthy.

Most lenders will put a cap on what they'll allow for DTI at around 45% for a conventional loan. Your monthly debt obligations used to calculate DTI include credit card minimum payments, car loans, student loans, alimony and child support, and projected house payments, including insurance and taxes. Those things are added together and divided by monthly gross income.

As rates go up, buying power goes down significantly. In fact, high or rising rates impact buying power more than home prices. If the interest rate increases by 1% in a year, it has the same effect as home prices rising by 10%.

Since borrowers qualify for less of a home as rates increase, they might explore different options. One is to make a larger down payment, and another would be choosing an adjustable-rate mortgage with lower rates and payments in the first few years.

If rates go up by 1%, most buyers would need to look at homes that cost around \$35,000 less, meaning the difference between a more desirable zip code or an extra bedroom.

Finally, as mortgage rates go up, the principal amount paid down every month also decreases. More of the money early on in the loan is going toward interest, making high interest rates even more challenging.

Courtesy of Realty Times



Appraisal Reviews Explained

In most cases in today's mortgage market, property values

are derived with what is known as the appraisal. On occasion, when a lender receives a loan application, the applicant will typically list what the potential borrower thinks the house is worth. With a purchase, the qualifying value will typically be the sales contract. A mortgage company will use what is entered on the contract, but on some occasions, a second opinion is needed. This second opinion is an appraisal review. What does an appraisal review look for?

Lenders will first determine that the current market of the property is in line with similar, recently closed homes. Most often this isn't an issue, but sometimes the lender will have a couple more questions. This is done by a review used with a computer or mobile device. The value is provided and the lender looks at other homes in the area, most often no more than 12 months. The newer 'comparable' sale will carry the most recent weight. This is referred to as a 'desk review.'

For example, let's say a home has a contract on it that states the property is worth \$300,000 but surrounding homes that

have recently sold are at \$200,000. The lender will definitely want some more information. An appraisal review also makes sure the appraiser followed proper guidelines when completing the review.

At the same time, if the property comes in at a value much higher than recently sold homes, there will also likely be a review.

In many cases where the borrower is well-qualified along with a decent down payment, a full appraisal will be waived completely with the lender using data grabbed from the local multiple listing service, or MLS.

Full appraisals these days are relatively rare, but when they do occur, it's because the lender wants to feel a little more comfortable about making the loan. A full appraisal means the appraiser physically visits the home, and takes photos of both the inside and outside of the home.

All appraisals are reviewed, it's just the level of scrutiny that makes the difference. When someone makes an offer on a home, it's their agent that helps determine that asking price based upon what has recently sold in the area. The closer the 'comps' are to the subject property, lenders use this proximity to provide greater weight to the nearest comp.

Courtesy of Realty Times

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nent. Painting is one of the easiest ways to update your space and change the mood whenever you like.

Just keep in mind that high ceilings and other architectural features may make a DIY situation un-DIY-able and may make a redo more expensive because you have to hire someone. Key in on walls that don't soar to a pitched ceiling or that can act as a focal wall for high-impact that's easy to accomplish yourself.

Be smart about your kitchen
You may have a desired look cemented in your head for your kitchen, but are you making smart choices? Shaker cabinets, farmhouse sinks, and marble countertops are a few good options if you want something that looks modern but "will stand the test of time and still look as beautiful twenty years from now as it does today," said Apartment Therapy.

Go eclectic with your furniture
An entire house full of mid-century modern furniture can begin to look like a showroom, and when the trend is over, it can be painful to replace it all. Creating a more eclectic look with an eye toward classic pieces creates staying power. Adding in a vintage piece or two can add another important layer. "A design rule that's sure to remain true? Every room in your home needs a unique vintage piece," said HGTV. "Even in newly-decorated spaces, distressed or worn pieces create a collected, designer look."

Avoid hyper trends in larger items
Drapery, rugs, and bedding can be easily changed out to accommodate your fickle design taste. But when it comes to the larger pieces in the home - a couch or a set of chairs, perhaps, avoiding trends will give you longevity. "Timeless decor means fabrics that will stand up to years of changing trends! They transcend those changes," said Stone Gable. "Don't rush out and buy foundational furniture in the 'color of the year'! It's only the 'color of the year' for one year! Choose colors and patterns, especially when buying big ticket items, that will still look amazing when this year's trends have come and gone. Add layers of accent decor like lamps, art, tableware, pillows, bedding, etc. in more updated colors and styles. They can be changed out easily when they get tired or are out of style."

Courtesy of Realty Times

November Real Estate Roundup

Freddie Mac's results of its Primary Mortgage Market Survey® shows that "Mortgage rates continued to tick down heading into the Thanksgiving holiday. In recent weeks, rates have hit above seven percent only to drop by almost half a percentage point. This volatility is making it difficult for potential homebuyers to know when to get into the market, and that is reflected in the latest data which shows existing home sales slowing across all price points."

- 30-year fixed-rate mortgage (FRM) averaged 6.58 percent for the week ending November 23, 2022, down from last month when it averaged 7.08 percent. A year ago, at this time, the 30-year FRM averaged 3.10 percent.
- 15-year FRM this week averaged 5.9 percent, down from last month when it averaged 6.36 percent. A year ago, at this time, the 15-year FRM averaged 2.42 percent.

Courtesy Of Realty Times



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Black Hills Events



Rapid City Rush Games

December 28, 30 & 31
January 5, 6, 7, 20 & 21
The Monument, Rapid City

1880 Train Holiday Express

December 17, 18, 22, 23, 24, 27 & 28
1880 Train Depot, Hill City

Christmas Nights of Light

December 16-23, 26-31
Storybook Island, Rapid City

Christmas 2022 at The Chapel in the Hills

December 16, 17, 18, 23, 24 & 25
4:30 PM - 9:00 PM
Chapel In The Hills

New Year's Eve Holiday Inn

December 31 - 7:00 PM to 1:00 AM
Holiday Inn Rushmore Plaza

New Year's Eve Party

December 31, 9:00 PM
Hotel Alex Johnson

4GMX Indoor Motocross

January 7
Central States Fairgrounds

Chinook Days

January 13 - 21
Spearfish

Black Hills Stock Show & Rodeo

January 27 - February 4
The Monument & Central States Fairground