

Rapid City Real Estate Update

Happy
New Year!

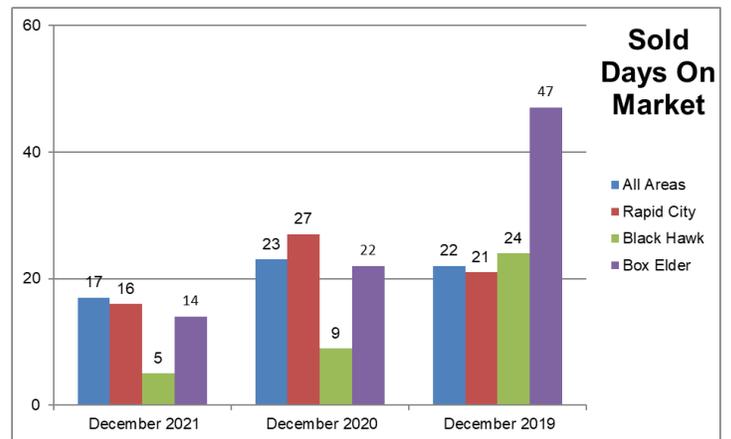
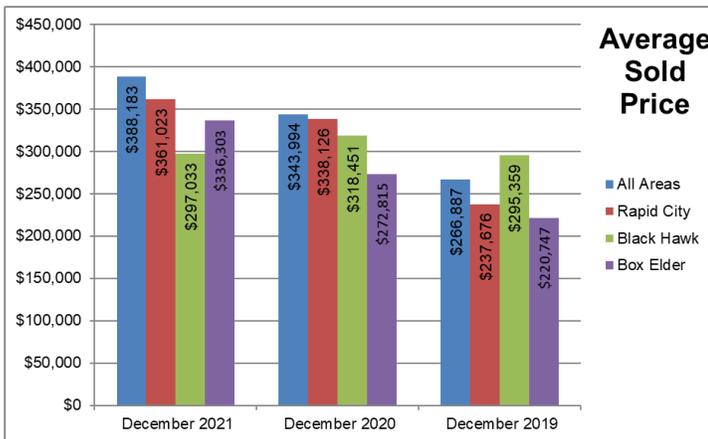
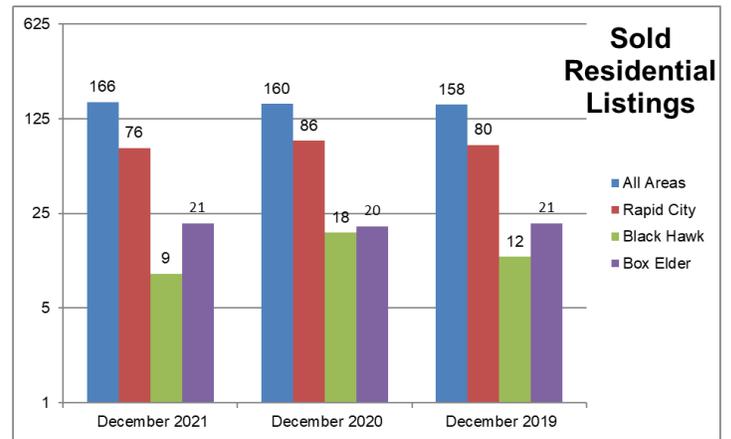
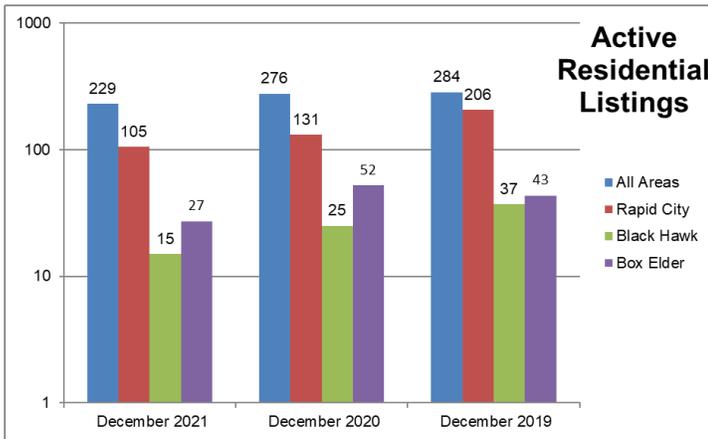


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Rapid City & Area Market Conditions For December 2021



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2022 Real Estate Market Predictions

It's hard to believe we're already approaching 2022, yet here we are. The new year has a lot of people planning for what's ahead financially. As part of that, you could be wondering if you're going to have a chance to buy a home next year after 2021 left few opportunities.

So what are the predictions looking like for the coming year?

Cities Could Surge Again

People may become comfortable with big cities again, following the pandemic's start, where many people relocated to the suburbs and less expensive states. That means some areas in the Northeast, Southeast and the West Coast could see an increase in real estate action.

Of course, we don't know how the pandemic will continue to unfold and whether that's going to play a role in how willing or reluctant people are to make a move back to cities. There are certainly headwinds still being felt in large metro areas that could keep buyers away.

The Housing Boom May Lose Some Steam

Between August 2020 and August 2021, home price appreciation was 19.9%. That represented a 12-month record.

However, some indicators indicate the boom is losing some steam, although analysts are eager to point out they don't necessarily see a crash in the near future.

Instead, it looks like there's some seasonality in the cooldown, which is typical during the holidays. It also seems that homebuyers are finally starting to take a pause against the surging prices in the real estate market.

For example, in October, just over 60% of sales involved a bidding war, down from an all-time high of 74.5% in April.

There's also a pretty high likelihood the Federal Reserve will raise rates as a way of slowing inflation, and with a rise in mortgage rates, some buyers will be altogether priced out.

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These Projects Could Lower The Value of Your Home



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When you think about a home project, you really have to consider how it will affect the value of your property if you ever want to sell it. It's best to invest in projects that will give you a good return in terms of raising the value of your home.

Unfortunately, some projects may give you no return, or they can even hurt your resale value.

Think twice before doing some of these projects unless you truly don't ever plan to sell your home.

Do-It-Yourself Projects That Look DIY

If you have the skills to do a DIY project in your home, it can add value to your home. In some cases, however, DIY projects can be very apparent and can turn off potential buyers. For example, if you're considering painting your cabinets, think very carefully about whether or not you should do that.

Painting tile is another example of a DIY project that's best avoided.

Having your home look too crafty isn't going to impress buyers, and these projects can end up costing you more than you think.

Garage Conversions

A garage conversion is something that often reduces home values. Many homeowners want a garage, and if you spend a lot of money converting yours into something else, there's no guarantee you're going to recoup what you put into the project.

Most homeowners say the storage and utility aspect of a garage is a big plus for them, especially if you live somewhere with a colder climate, where cars need to be stored indoors ideally.

Luxury Custom Upgrades

If you're going to make high-end upgrades to your home, that can increase the value, but not if they're overly customized. You have to remember that your taste won't be for everyone.

A custom kitchen is a good example. If you spend a ton of money, but it's highly specific, it's going to be problematic if you ever try to sell your home.

Home Additions

If you add to your home for an additional bedroom, and it's something that's in line with the rest of your house and the neighborhood, that can be

a positive in terms of return on your investment. If you build a home addition that makes your home a lot bigger than the other properties in the neighborhood, you might have a hard time selling it. You have to consider that if someone can afford a larger home, they might want to go ahead and buy in the more expensive neighborhood.

Pools

Some buyers will undoubtedly love the idea of a home having a pool, but for others, it's added maintenance and upkeep and potential safety risk if they have young children.

A lot of whether or not a pool is a good idea depends on where you live. If you live in Florida or Arizona, buyers tend to expect a pool. If you live somewhere with long winters and a homeowner will get only a short window of time to use a pool, it's an investment that often won't pay for itself when it's time to sell.

Sunroom Additions

Sunrooms are one of the worst home projects to take on in terms of a return on your investment. Many sunrooms cost tens of thousands of dollars to build, adding little value to the home.

Sunrooms are spaces that people simply don't use. You may add one only to find out you don't even use it.

In cases where something like a sunroom addition does manage to add value to your home, it will seldom be as much of an increase as what it costs.

Expensive Landscaping

Landscaping and curb appeal are important for your home's resale value, but maybe not in the way you think. Expensive landscaping, water features, and irrigation aren't going to add to your property value. They can also be intimidating to potential buyers, who might be envisioning how much upkeep it will all require.

It's better to keep your landscaping simple, neat, and tidy rather than going overboard.

Finally, if you want to combine multiple bedrooms to create the ultimate master bedroom oasis, don't do it. Buyers will want that extra bedroom. If you cut down on the number of bedrooms in your home, you're likely going to reduce its value by quite a bit and close you off to a subset of potential buyers.

Courtesy of Realty Times



What Is The Hardest Part of Buying A House?

Everyone experiences things differently, and that includes buying a house. You may think one element or purchasing a home is hard, while someone else could find another more challenging.

With that being said, in general, the following are some of the things many people say are most difficult when they're buying a home.

Home Price

Home prices have been soaring since the pandemic. Homeowners say even after they're able to purchase a property, when they look back on the experience, the prices were the most challenging part of everything.

In certain markets currently, major bidding wars are going on, especially for starter homes but often for properties across all budget ranges. There's a limited inventory of homes, people are afraid to sell because they don't know if they'll find something else, and mortgage rates remain at record lows. All of these factors can make it feel impossible to buy a home.

The Paperwork

When you decide to buy a home, you may find the paperwork most challenging, although how hard this is depends on the type of loan you're applying for and your job and financial situation.

For example, if you're self-employed, the paperwork and loan process itself can be more difficult. You'll have to show several years of tax returns and bank statements, just to start.

As you're waiting to finalize the loan, you may find that it creates a lot of anxiety. Your loan often isn't finalized until just a few days before you close. You have to wait in limbo until the last moment, and you may not have a clear idea of what's happening with it during this time of uncertainty.

The Emotions

You may not realize it until you actually start the process but buying a home can be highly emotional in different ways. You might find yourself falling in love with a house that's way out of your budget for example, and overspending. When you work with a great realtor, they can help you stay objective so you don't put yourself in a precarious financial situation because of your emotions.

It's easy to start to feel overwhelmed and discouraged when you lose out on a house as well.

You overall have to learn how to manage your expectations when you go into the home-buying process. You have to prioritize the most important things and be ready to walk away if something like a bad inspection happens.

Saving for a Down Payment

The down payment is related to the cost of the home you plan to buy, and it's one of the biggest hurdles to buying a home. It can be incredibly challenging to save for a substantial down payment when you're already paying rent.

Agreeing

If you're buying a home with your partner, agreeing might end up being the hardest part for you.

You may have an ideal home in your mind that's completely different from what they have in mind. You could fall in love with something that your partner says absolutely no to. It can be challenging, but you can void some of these pitfalls by having in-depth discussions about what you both want early on.

Many of the other hardest things about buying a home can be navigated by an experienced real estate agent—that's what they're there for—to make things easier on you and bring their expertise to an otherwise stressful situation.

Courtesy of Realty Times

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Differing Models

Zillow and Goldman Sachs are predicting home prices will go up significantly between October 2021 and October 2022. Zillow predicts a rise of 13.6%. Goldman Sachs is forecasting an increase of 16%.

Both cite the ongoing supply-demand imbalance. They describe the housing shortage as being potentially the longest of all the shortages affecting the economy currently.

Neither Zillow nor Goldman Sachs sees the first-time millennial home-buyer wave easing either. The five largest millennial birth years, which are between 1989 and 1993 are hitting the first-time home-buying age of around 30. Some analysts believe there won't be enough homes for all of the future demand.

Some forecast models, however, see things looking a bit different next year.

For example, Fannie Mae is predicting U.S. home price growth of 7.9%. Freddie Mac is estimating 7%, which is higher than the historical norm but nothing like we've been seeing.

There are some variances in models as analysts try to predict what will happen with mortgage rates and how hard employers push to get people back in the office.

The Mortgage Bankers Association, an industry trade group, sees the median price of existing homes decreasing by 2.5% between the fourth quarter of this year and the fourth quarter of next. The organization is forecasting the average 30-year fixed mortgage rate will rise to 4% by the end of 2022. That would be an additional \$90,000 added to the cost of a \$500,000 fixed-rate mortgage over 30 years.

Even if that predicted pricing drop were to occur, it still wouldn't be a crash. U.S. home prices, even if the Mortgage Bankers Association had the correct forecast, would still be up over 20% from levels before the pandemic.

We don't know what the coming year will look like, but most industry experts feel prices will remain somewhat high, although dependent on mortgage rates.

Courtesy of Realty Times

December Real Estate Roundup

Freddie Mac's results of its Primary Mortgage Market Survey® shows that "The market volatility resulting from the COVID-19 Omicron variant is causing mortgage rates to decrease. As the year comes to a close, the housing market is proceeding steadily. However, rates are expected to increase in 2022 which will impact homebuyer demand as well as refinance activity."

- 30-year fixed-rate mortgage (FRM) averaged 3.05 percent with an average 0.7 points for the week ending November 24th, 2021, down from last month when it averaged 3.1 percent. A year ago, at this time, the 30-year FRM averaged 2.66 percent.
- 15-year FRM this week averaged 2.3 percent with an average 0.7 points, up from last month when it averaged 2.42 percent. A year ago, at this time, the 15-year FRM averaged 2.19 percent.
- 5-year Treasury-indexed hybrid adjustable-rate mortgage (ARM) averaged 2.37 percent this week with an average 0.4 points, down from last month when it averaged 2.47 percent. A year ago, at this time, the 5-year ARM averaged 2.79 percent.

Courtesy of Realty Times



Courtesy of:

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No Breaks For Aspiring Homeowners

The real estate market maintained its frenzy to the end of 2021 despite double-digit list price growth, a new report from realtor.com® shows. Home buyers may be more eager than ever to purchase a home before mortgage rates rise.

Even during the winter months that are typically quieter for the market, buyers find they must still act quickly. Time on market for homes for sale remains historically low so far this winter, realtor.com® says. Home shoppers this season have only a few extra days to make a decision compared with the hectic spring and summer.

Buyer activity continued to outmatch limited housing inventory in December 2021. Last month, the typical U.S. home reached a 10-month streak of selling faster than in any month before 2021, realtor.com® reports. The South region of the U.S. saw some of the quickest home sales in December 2021 over 2020, led by Miami (31 days faster), Orlando (19 days faster), and Raleigh, N.C. (18 days faster).

Overall, December marked the third consecutive month of bigger annual declines in the U.S. supply of active listings.

"December data offers a fitting finish to the frenzy of the past year," says Danielle Hale, realtor.com®'s chief economist. "Annual listing price growth hit double digits again nationwide and in many of the hottest markets, after four months of single-digit pace this fall. Despite buyer challenges like rising prices, limited inventory, and fast-paced sales, real estate activity maintained a brisk pace throughout 2021 as factors like low mortgage rates enabled home shoppers to persist."

Hale says that with rate hikes on the horizon, house hunters may try to get ahead of higher monthly housing costs and drive up competition and prices even more.

Still, housing inventory is expected to improve this year, realtor.com®'s report says. "For those [buyers] who weren't successful in 2021, we expect better luck in the coming months as more sellers plan to enter the market—and if December's listings are an indication, with high asking prices in mind," Hale says.

Courtesy of Realty Times