

Rapid City Real Estate Update

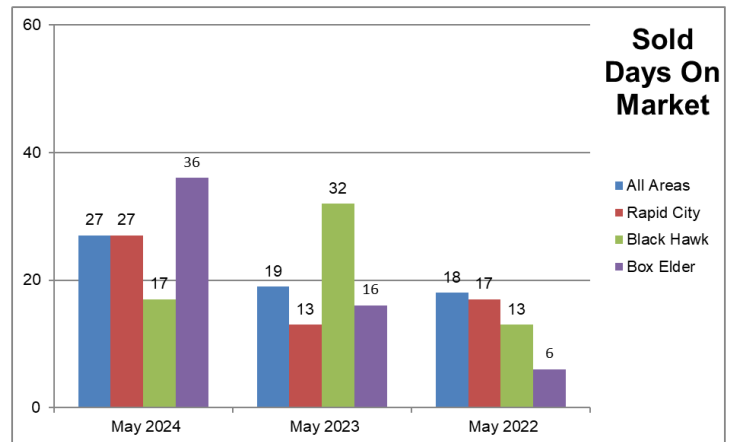
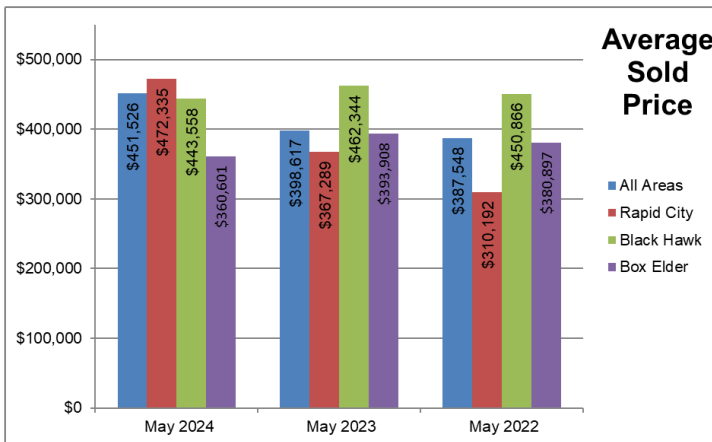
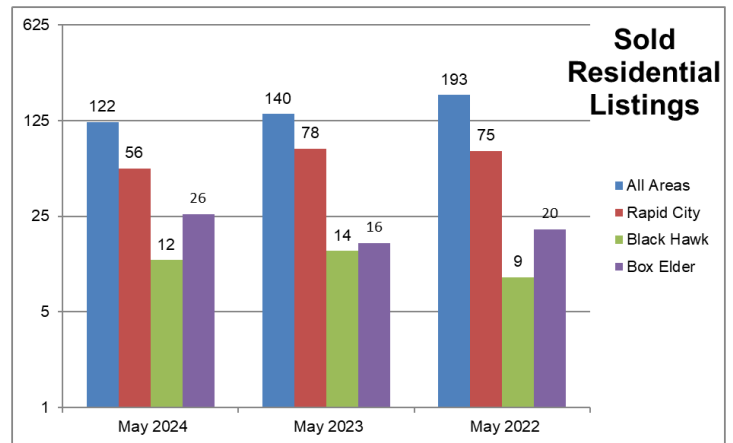
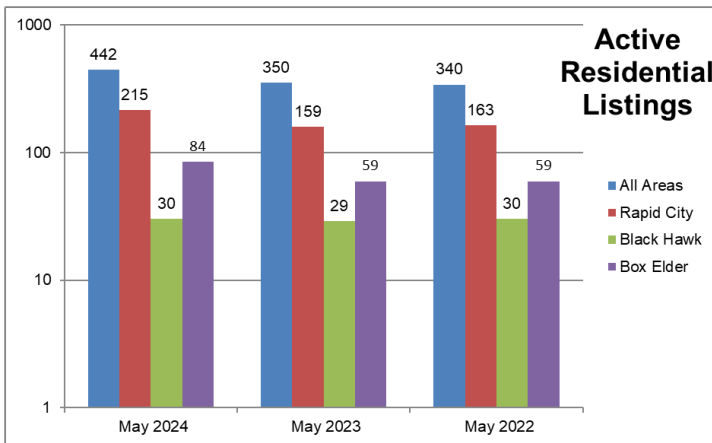


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In This Issue

- P.1 Rapid City & Area Market Conditions
- P.2 Just How Accurate Are Those Online Home Value Estimates?
- P.2 Preparing Yourself To Buy A New Home
- P.3 Buying a Rental Property? Here's What You Can Expect
- P.3 May Real Estate Roundup
- P.4 Black Hills Events

Rapid City & Area Market Conditions For May 2024



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Buying a Rental Property? Here's What You Can Expect

If you run across someone who owns multiple rental properties, it's very possible that individual never intended to own so many. In addition, those who own a rental property might also be "accidental" landlords after having inherited a property or renting out their current home while buying another.

Real estate investors can often find themselves quitting their current job and buying and renting real estate full time. Real estate is an asset that can both appreciate in value while at the same time providing a monthly cash flow. You'd be hard pressed to think of any other physical asset that can do that. So why is not uncommon to meet someone who owns several rentals? It might very well be due to qualifying for a mortgage to buy and finance an investment property.

Conventional financing will ask for a down payment of at least 20 percent of the sales price and with a 25 percent down payment the terms get a little better. Interest rates for rentals are slightly higher compared to an owner occupied property. Investors have the choice of both fixed and adjustable rate mortgages ranging in terms from 10 to 30 years. But with the first rental being purchased, the buyers don't benefit from the income derived from the rental when qualifying. Instead, the buyers must qualify based upon the new mortgage payment, including property taxes and insurance, without adding rental income into the mix. This is

(continued on page 3)



Just How Accurate Are Those Online Home Value Estimates?



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If you've ever gone online to check out the value of your home or to make comparisons, you aren't alone. Online home value estimators can be a handy tool in some cases, but you have to understand their limitations.

Zillow's Zestimate is perhaps the most well-known estimator, but Redfin has one too.

Below, we talk about what you should know about home valuation tools, also known as automated valuation models or AVM.

What is an Automated Valuation Model?

AVMs are computer-driven algorithms and formulas that use basic property features paired with pricing trends and local market information to create a value range or an estimated value for a home.

There are some cases where a lender might use an AVM to quickly get a potential estimate of the value of a property. All the AVMs use their own formulas and may pull data from different databases. As you might imagine, the estimates' reliability and accuracy depend primarily on the quality and integrity of the data they're pulling information from.

There are a lot of underlying assumptions made with an automated model.

For example, AVMs work on the assumption that all properties are in a similar condition to one another. There's no way for these automated algorithms to consider if a home is in poor condition or if upgrades have been made.

Due to the fluctuations in the figures AVMs come to, lenders will set policies on whether they'll use them and, if so, which they'll use.

How Do Zillow Zestimates Work?

Zillow's well-known Zestimates are based on what the company says is a proprietary algorithm. Zillow reports the estimates include data from public records and data users submit.

The company doesn't claim that they're 100% accurate. If all the properties within a small radius are similar, the prices are more accurate because there are less likely to be major variances throwing off the algorithm.

If the estimates come from a neighborhood with older homes, they're likely to be less accurate. Some homes will have been improved and maintained over the years, and others won't have been.

The accuracy of a valuation is measured using an error rate. An error rate calculates how often the algorithm is wrong. More specifically, how often the value of a property as measured by the AVM is very different from the sales price of a home.

The Zestimate gets within 5% of a home's actual sales price more than 82% of the time. It's within 10% of sales price more than 95% of the time and within 20% nearly 99% of the time.

That can sound pretty accurate at first, but it's less impressive when you figure out how many tens of thousands of dollars these variances can represent. The Zestimate median error rate goes up to nearly 7% for off-market homes. If a home hasn't been sold lately, there's not much data that an AVM can pull on it.

Over time, the algorithms tend to get more accurate. Zillow says that it will make offers to buy homes at their Zestimate price in some markets, or at least it did when Zillow Offers was operational, which it recently announced was closing down.

Realtor.com Offers Three Figures

Realtor.com takes a different approach when it offers online users home value estimates. The company pulls estimates from data provided by different companies it partners with. There are three estimates so that people can see the picture of how much their home is worth is more variable than what they might get from just one figure.

Redfin vs. Zillow

Redfin and Zillow are two competing tools for estimating the value of a home. They can sometimes give different figures for the same property.

Overall, Zillow's Zestimate seems to be more accurate. The median error rate is a little lower than what's calculated for Redfin, including both on-market and off-market properties.

Redfin is very transparent, though, which is an advantage it has. Redfin provides a lot of information on how they get their figures.

You have to remember that while these tools might give you a general idea of how much a home is worth, they're not the same as an appraiser. Before a lender signs off on a home loan, they require an appraisal. Appraisers do a walk-through and then write a report. They will also include market data and comparable properties, so this will be much more accurate than what you see online.

Courtesy of Realty Times



Preparing Yourself To Buy A New Home

Getting ready to buy a new home can be stressful and put unneeded strain on every aspect of your life. Without preparation, you might find yourself searching desperately for a home and contacting multiple agents to help you out. You might also start worrying about whether you'll ever be able to find a new home. Those stresses and strains can ruin family relationships as you all try to cope with what's going on. Luckily, there is a better way to go through the process. With the proper preparation, buying a house can be just as smooth as you dreamed it would be.

1. Plan Out What You're Looking for in a Home

The first best thing that you can do, before you even start house shopping, is figure out what you're looking for in the first place. Doing this is pretty simple. Get a piece of paper or open up a word document and write down the things that you absolutely must have. The list shouldn't be super long, and you should keep in mind that you can change certain things about the house. For example, you shouldn't have "purple paint" on the list because you can easily repaint the walls of the home. Your list should have the location of where you want to live and the size of the home. Once you move into the home, you can't change the location so make sure that you know the type of neighborhood that you want to live in and whether you want it to be in a suburb or out in the country. Location is vital since once you buy the house, you're stuck with the location. The size of the home is also important since it's easier to buy the right size than to build onto a house. Make sure that you're buying a home that has enough space for your family and maybe even a little room to spare for guests.

2. Set a Budget

The next best thing that you should do is to set a budget. You don't have unlimited money when it comes to buying a house, and the last thing that you would want to do is put stress on your family because of the finances that come with buying a home. To avoid that, set a strict budget. Set out your finances with your spouse or companion and figure out what is realistic for you. You don't have to spend the next 50 years paying off the mortgage; you want your budget to sit comfortably with your expenses so that you won't be pushing the limits. To do this, start by adding up your income and then list your average household expenses. Don't hold anything back. Include anything from pest-control to replacing appliances. Then make the adjustments that you need to make. When you're planning your budget, you need to make sure that you're keeping all of the usual expenses in mind, so you're not pushing yourself too hard.

3. Contact a Real-Estate Agent Well Before Your Deadline

The last thing that you should do to prepare is contact a real-estate agent. Most people do this with only a few months before they want to move out of the house. When you get in contact with the real estate agent that close to your deadline, it creates massive amounts of stress on both you and the agent. Instead, give yourself the breathing room that you need. Talk with your agent and explain our plan and tell them your budget and the things that you absolutely need in the home. Your agent will then be able to spend the time looking for the perfect home for you. Neither you nor the agent will feel stressed and pressed for time. You can sit back and work with each other with a cushion before the deadline. Your home-buying experience should be less stressful than people assume it to be. Make sure that you have enough time and that you've made the necessary plans before you start.

Courtesy of Realty Times

May Real Estate Roundup

"Following several weeks of decline, mortgage rates changed course this week. More hawkish commentary about inflation and tepid demand for longer-dated Treasury auctions caused market yields to rise across the board. This reality, as well as economic signals that have moved sideways over the last few weeks, have resulted in mortgage rates drifting higher as markets continue to dial back expectations of interest rate cuts."

- 30-year fixed-rate mortgage (FRM) averaged 7.03 percent for the week ending May 30, 2024, down from last month when it averaged 7.17 percent. A year ago, at this time, the 30-year FRM averaged 6.79 percent.
- 15-year FRM this week averaged 6.36 percent, down from last month when it averaged 6.44 percent. A year ago, at this time, the 15-year FRM averaged 6.18 percent.

Courtesy Of Realty Times

(continued from page 2)

in addition to any current mortgage payment. But all that changes with the next property.

Subsequent purchases of investment real estate do in fact use the income from the rental to help qualify. Investors want to cash flow on their investments each month and if the rents received from a potential investment aren't enough to cover the new mortgage payment, the investor will likely pass. This means the next rental property is no longer an expense but instead generates monthly income. Who wouldn't want that type of investment? Yes, property values rise and fall but in time values do rise, contributing to the owner's equity position. One caveat, you'll need to own the first rental for at least two years showing you can both manage the property and the unit provided regular income.

Speaking of managing the property, when you become a landlord, you'll have the occasional tenant issue. Remember when you first rented and the sink disposal went out? Did you go to the appliance store and buy a new one? No. You called the landlord. You can expect the same when you buy your first rental. But when you buy your next one and the next one you might want to think about hiring a property manager to take care of these issues for you.

You can think of your first rental as a learning experience. But once you've owned that first rental for a couple of years, don't be surprised if you start shopping for your second.

Courtesy of Realty Times



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Black Hills Events

Black Hills Farmers Market

June 15, 22 & 29
July 6, 13, 20, & 27
Market Park, Rapid City

Family Food Truck Night

June 18 & 25
July 2, 9, 16, 23 & 30
Canyon Lake Park, Rapid City

Summer Nights

June 20 & 27 - 6 PM to 9 PM
July 4, 11, 18, & 25
Downtown Rapid City

Kids Carnival

June 22 - 11:00 AM to 3:00 PM
Main Street Square, Rapid City

Shrine Circus

June 22
Days of 76, Deadwood

Black Hills Bluegrass & BBQ Festival

June 28, 29 & 30
Elk Creek Resort & Campground

Black Hills Roundup

June 30 - July 4
Belle Fourche

Bierborse Festival

July 13
Main Street Square, Rapid City

Black Hills Corvette Classic

July 19
Spearfish