

# Rapid City Real Estate Update

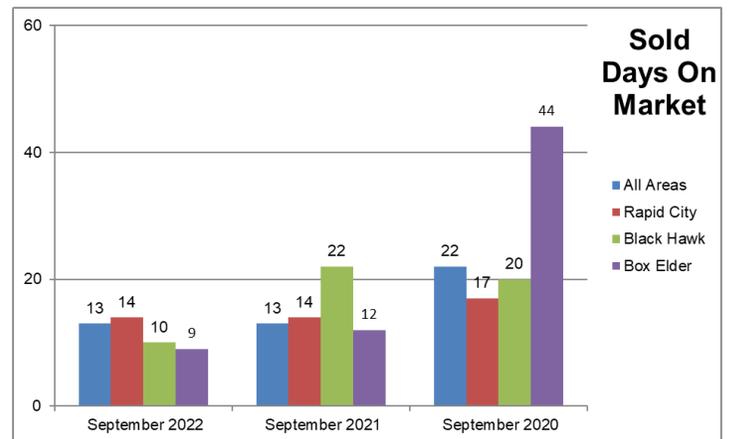
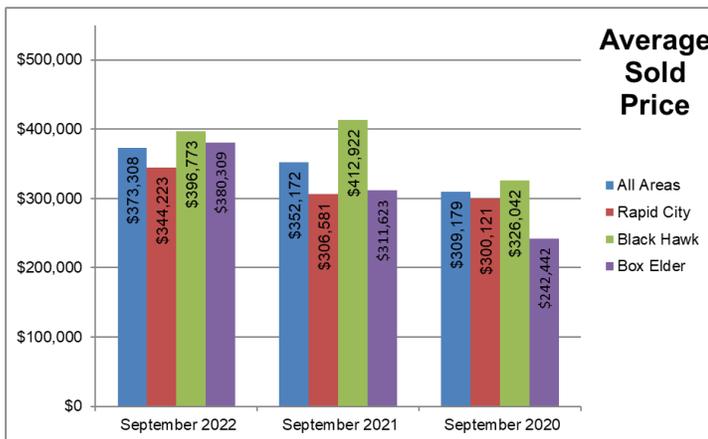
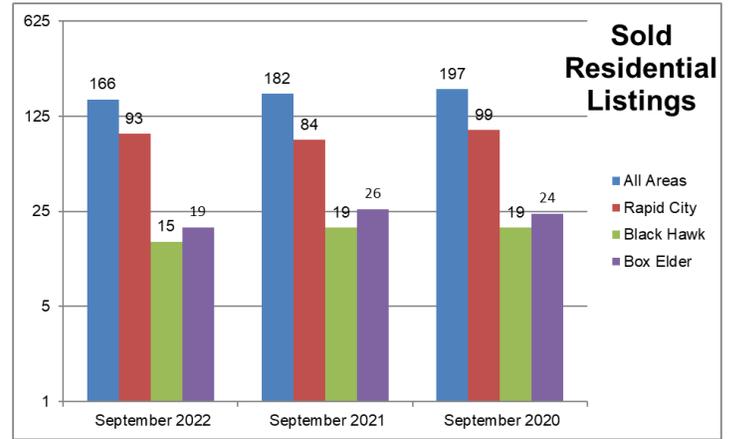
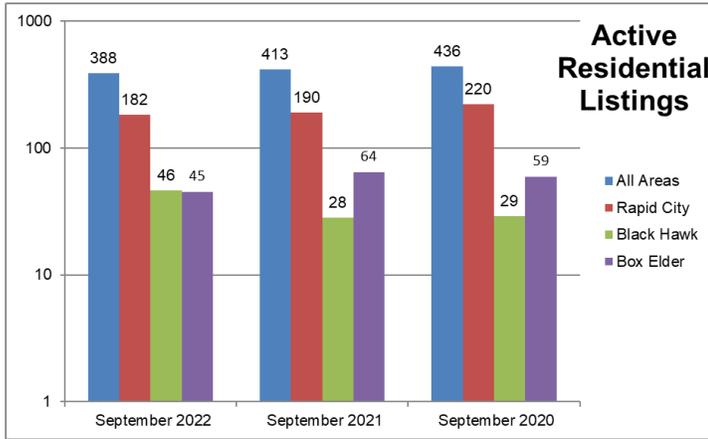


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# Rapid City & Area Market Conditions For September 2022



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## Capital Gains Tax When You Sell Property

If you're selling a home, what you make could be taxable. Depending on your property's value and other factors, you might be hit with a big tax bill that you weren't expecting.

Capital gains on real estate can be taxed, but there are things you can do to reduce or avoid what you owe to the IRS when you sell your house.

A capital gains tax is the fee you're responsible for paying on profits you make when you sell an asset. Your capital gains taxes can apply to stocks, bonds, and tangible assets such as cars, boats, and real estate. The IRS and many states also assess the capital gains taxes on the difference between what you're paying for your asset, known as your cost basis, and what you sell it for.

### Capital Gains and Real Estate

The capital gains you might owe if you sell your home vary depending on your tax filing status and the sales price of your home. You may also be eligible for an exclusion. The IRS might allow you to exclude up to \$250,000 of capital gains on the sale of real estate if you're single and up to \$500,000 on real estate if you're married and file jointly.

If any of a certain number of factors are true, you then pay tax on the entire gain of the sale of your home.

These factors include:

- The home wasn't your main residence
- You owned the property for fewer than two years in the five years before selling it
- Not living in the house for at least two years in the five years before you sold it
- You claimed the available exclusion on another home in the two years before selling this current home

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## These Projects Could Lower the Value of Your Home

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.



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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*



## Are Multiple Loan Queries Always a Problem?

A loan query as it relates to mortgages refers to the act of someone or some company that applies for a new loan. On its face there's nothing really derogatory about that. After all, consumers apply for new loans every day. Some might make an application but decide they didn't want the loan after all.

First, there are two basic types of loan queries- a hard query and a soft query. What's the difference? A hard query is a direct request by a consumer or a company to view a credit report. A soft query is one where a credit company, often a new credit card, runs a soft query when deciding whether or not they want to extend to you an offer for a new credit card.

A soft query won't bother credit scores whatsoever. But a hard query, or rather multiple queries, can. When someone begins shopping for a mortgage and makes an application, that's a hard query. But shopping around will log multiple queries on a credit report. But shopping around for a mortgage around the same period of time will be treated as a single query, even if someone makes an application with several mortgage companies. As long as the queries are for the same loan during a

specified period of time, they will be treated as a single query. No harm, no foul.

Queries can be an issue however when there are multiple queries over an extended period of time. For instance, someone has a credit card account. The consumer charges things and pays them off all at once or spreads them out over time. Again, no harm, no foul. Suddenly, the consumer makes multiple requests for different types of credit. Say a new credit card or a gas card. Maybe a new installment loan. When multiple queries appear for different types of loans, it could indicate to the potential lender that the consumer has suddenly fallen into some sort of financial trouble.

However, several loan queries for the same type of credit during a specified time frame, say 30 days, there will be no hit to a credit score and the potential lender will ignore these queries.

One final note, be prepared to respond to a lender if you've applied for a credit account but have not taken one out. If a loan query pops up, the lender won't know for at least 30 days whether or not there is a new balance. Credit companies don't report to the credit bureaus every day but once every 30 days. If there is a new query with no balance showing, the lender will need a little more information.

*Courtesy of Realty Times*

## September Real Estate Roundup

Freddie Mac's results of its Primary Mortgage Market Survey® shows that "The uncertainty and volatility in financial markets is heavily impacting mortgage rates. Our survey indicates that the range of weekly rate quotes for the 30-year fixed-rate mortgage has more than doubled over the last year. This means that for the typical mortgage amount, a borrower who locked-in at the higher end of the range would pay several hundred dollars more than a borrower who locked-in at the lower end of the range. The large dispersion in rates means it has become even more important for homebuyers to shop around with different lenders."

- 30-year fixed-rate mortgage (FRM) averaged 6.7 percent with an average 0.9 points for the week ending September 29, 2022, up from last month when it averaged 5.55 percent. A year ago, at this time, the 30-year FRM averaged 3.01 percent.
- 15-year FRM this week averaged 5.96 percent with an average 1.3 points, up from last month when it averaged 4.85 percent. A year ago, at this time, the 15-year FRM averaged 2.28 percent.
- 5-year Treasury-indexed hybrid adjustable-rate mortgage (ARM) averaged 5.3 percent this week with an average 0.4 points, up from last month when it averaged 4.36 percent. A year ago, at this time, the 5-year ARM averaged 2.48 percent.

*Courtesy Of Realty Times*

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- Buying the house through a like-kind exchange, which is a 1031 exchange in the past five years
- You have to pay expatriate tax

If you do owe taxes on what you made from selling your home, different capital gains tax rates can apply.

### Capital Gains Tax Rates

If you owned the asset for a period of less than a year, then typically, short-term capital gains tax rates apply. The rate is the same as your tax bracket. Long-term capital gains tax rates will usually apply if you have owned the asset for more than a year. A lot of people qualify for a 0% rate, but depending on your income and filing status, you might pay 15% or 20%.

### Avoiding Capital Gains Taxes When Selling a Home

Some of the things you can avoid having a tax bill from selling your home include:

The best way to avoid taxes is to live there for at least two years, which don't have to be consecutive. If you're a house flipper, you have to be careful here. If you sell a house you didn't live in for at least two years, your gains can be taxed. If you sell in less than a year, it's particularly expensive because you may have to pay the higher short-term tax rate.

Determine if you qualify for an exception. You might still be able to exclude some of the taxable gains on the sale of your home because of work, health, or an unforeseeable event.

Finally, if you make any improvements, keep your receipts. The cost basis of your home will include what you paid to buy it and the improvements you made over the years. If your cost basis is higher, you may have a lower amount of capital gains taxes to pay. Remodels, expansions, and other updates can reduce your taxes.

*Courtesy of Realty Times*



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## Black Hills Events

### **Black Hills Farmers Market**

Every Saturday October  
Every Wednesday October  
Saturdays November 5, 12 & 19  
Market Park on Omaha

### **Spearfish Corn Maze & Pumpkin Patch**

October 14-16, 21-23, & 28-31  
Spearfish Valley Produce, Spearfish

### **Pork Week Competition**

October 14 - October 22  
Participating Downtown Restaurants

### **Haunted Mine Tours**

October 21, 22, 28, 29, 30 & 31  
Broken Boot Gold Mine, Deadwood

### **Deadweird**

October 28 & 29  
Deadwood

### **The Haunting of Keystone**

October 14, 15, 21, 22, 28 & 29  
Keystone

### **Annual October Fall Festival**

Saturdays, October 15, 22, & 29  
10:00 AM - 5:00 PM  
Old Macdonald's Farm

### **Downtown Trick-or-Treat**

October 29, 12:00 PM - 2:00 PM  
Main Street Square, Rapid City

### **Safe 'N Sweet Trick N' Treat**

October 28, 2:00 PM - 5:00 PM  
October 29, 6:00 PM - 9:00 PM  
Storybook Island

### **Entrance Fee-Free Day at National Parks**

November 11

### **Veteran's Day Ceremony**

November 11, 10:00 AM - 11:00 AM  
Main Street Square, Rapid City

