

# Rapid City Real Estate Update

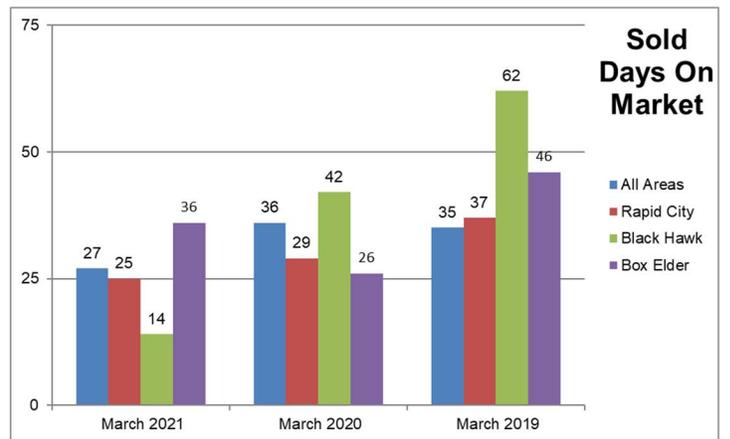
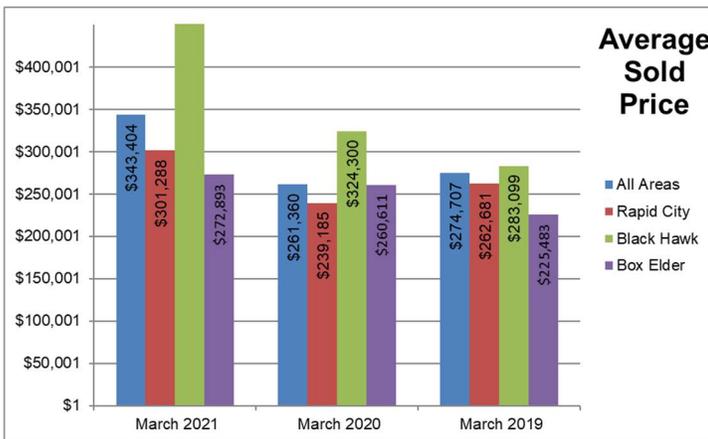
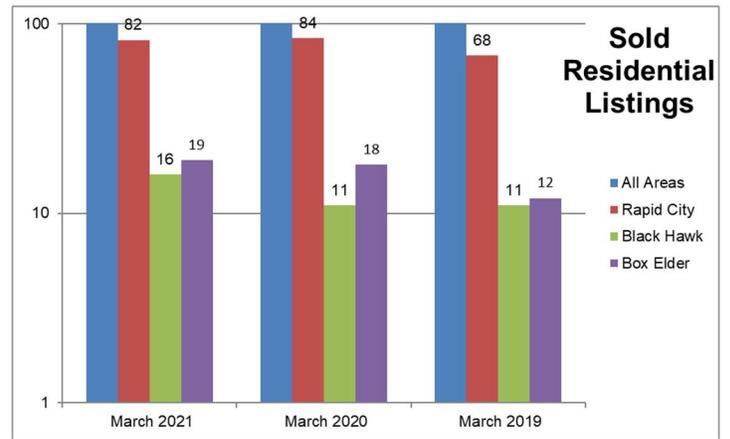
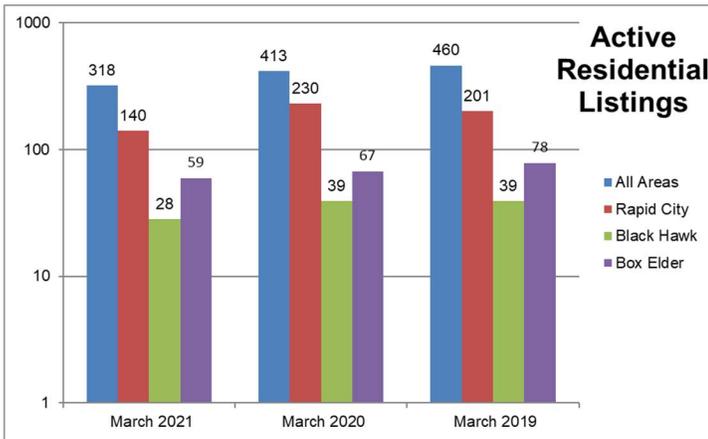


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## Rapid City & Area Market Conditions For March 2021



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## Simple Ways to Start Investing in Real Estate in 2021

Maybe you've decided 2021 is the year you start working toward your financial goals and building wealth. Investing in real estate is decidedly one of the best ways to build wealth, but getting started is intimidating. Too often, people count themselves out of investing in real estate because they don't think they have enough money to get started. The following are key things to know even if you don't have a big initial investment.

### Buy REITs

To invest in real estate, you don't always have to buy property. There is something called a real estate investment trust or REIT. A REIT lets you invest in real estate, but you don't have physical property. They're a bit like mutual funds, except with commercial real estate.

For example, the company that makes up the REIT will own retail spaces or apartments.

You might earn dividends, and they're often high with REITs. You can take your dividends as income or reinvest them.

Some REITs trade on an exchange, like stocks, and others aren't publicly traded.

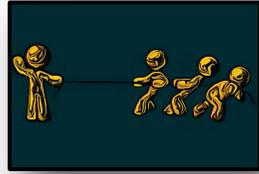
### Rental Properties

One of the most popular ways to invest in real estate is by purchasing rental properties. When you buy a property, you can then put it on the rental market and use your earnings to cover the mortgage and perhaps make a profit as well.

If you're new to investing in rental properties, there's a concept called house hacking, which became buzzy when it was introduced by the online site BiggerPockets.

What it means is that you live in your investment property and you rent out a room, or you have a multi-unit property and you rent out units in it. You can still get a residential loan with this strategy,

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## 6 Ways To Win A Bidding War

You've fallen in love with a house, and you put in an offer—only to discover that you aren't the only one to feel that way. A lot of markets around the country right now are experiencing high demand and low inventory, meaning bidding wars are common.

A bidding war just means that a seller receives multiple offers within the same short window of time.

It's great from a seller's perspective. They can wait around and see how much buyers are willing to sweeten the deal.

It's tough for a buyer. It means you're probably going to pay more than you thought, and it's stressful to be in limbo.

The following are 6 tips to keep in mind to win a bidding war if you find yourself in that position.

### Get Pre-Approved by Your Lender

One of the first things you should do if you're going to be looking for houses in a hot market is get pre-approved by your lender. Then, your pre-approval letter tells the seller and their agent that you are going to be able to afford the house, and it minimizes the risk of your financing falling through.

When you have a pre-approval letter in your hand, it means that you are very serious and you are ready to buy. Without pre-approval, if there's a lot of demand where you're looking for a house, you might get passed over by the seller altogether.

### Go All-Cash If You Can

Not everyone can do this, but if you can go all-cash with your offer, you're likely to go to the top of the list. A seller again won't have to worry about you having financing problems. Cash sales save time throughout the entire process, too, because there's no underwriting to go through.

### Write a Letter

Sometimes, people have an emotional attachment to the home they're selling. They want to sell their home to someone they feel is going to love it and make memories in it as they did. Write a letter to the seller. It costs nothing, and it could help you win big.

Tell them about yourself and your family, and share a few details of what made you fall in love with their home.

### Skip the Contingencies

There are ways to make your offer more appealing without over-spending.

For example, maybe you drop your contingencies. Contingencies are conditions that have to be met before a sale can go through.

What you're saying when you drop contingencies is that even if something goes wrong, for example, with the appraisal, you cover the costs.

This isn't always ideal because you might have to put less down on the house as a result, but if you're set on a particular house, it can make you more competitive against buyers who have contingencies.

### Offer a Big Deposit

If you want to show a seller you're serious, another way to do so is to have a large deposit ready. Again a seller doesn't just want to make the most money for their house—they're probably also motivated by a fast, easy sale.

Anything you can do to make things easier and smoother is going to help you win a bidding war. Along with showing you're serious, a bigger deposit or down payment means you'll need less money from the bank. This can be key if a bidding war is putting a home's price above what it may end up appraising for.

### Use an Escalation Clause

An escalation clause is something you can add to your offer that will outline exactly how much you're willing to increase your bid if someone else offers the same amount as you. An escalation clause is beneficial for the seller but also for you because it gives you a limit so you don't overspend.

A final takeaway note when it comes to bidding wars—don't get so caught up in the heat of the moment or the love of a certain house that you make a financial mistake. It's easy to get wrapped up in a bidding war and want to win at all costs. Above are things you can do to give yourself an advantage and hopefully avoid overspending.

You need to know when to walk away from a deal as well, as hard as that can feel at the time.

*Courtesy of Realty Times*



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# Reasons to Refinance You May Not Know About

When someone thinks of refinancing, most often it's because that person hears or reads that rates have dropped. Or, the Federal Reserve makes a move at one of its FOMC meetings and decides to lower the Federal Funds rate. That makes news and consumers hear about it. Note, Fed actions won't directly and immediately affect mortgage rates, but can have an impact. But getting a lower rate is not the only reason to refinance...there are others. What are they?

One of them is to get someone off a mortgage loan that was taken out jointly. This primarily means a couple got married, bought a house together and later on divorced. There might be a formal or informal agreement who will occupy the property but also make the mortgage payments. A formal agreement means who gets what and who pays what and listed and recorded in the divorce decree. The ex-spouse who vacates the property will still have that mortgage payment show up on the credit report. This can hamper the ability to qualify for a new mortgage to buy a new property. Yes, the divorce decree may highlight who is responsible for the old mortgage. But lenders aren't obligated to erase that payment and approve a home loan for a new mortgage.

Further, lenders that do allow for a loan approval without the debt hit from the old mortgage will also want proof the occupying spouse has been paying the mortgage bill on time each month. If not, the other spouse that's leaving the property will still not only have the mortgage payment on the credit report but now the credit scores are damaged. The way to avoid any of these situations is to have the occupying spouse qualify for a new mortgage

by refinancing the existing one, removing the other spouse from the note and title.

Some mortgage programs have a 'balloon' payment. A balloon payment happens at the end of the initial loan term. A balloon loan can have slightly lower interest rates than prevailing fixed rates, thus the allure of the program. The initial period is fixed for say five or seven years and after that period the entire balance of the mortgage will be due. Refinancing out of a mortgage program that has a balloon payment is another reason to refinance that has little to nothing to do with lowering the rate.

Finally, refinancing a note can get someone who agreed to co-sign on a mortgage off the existing note. When someone co-signs for a mortgage, it means that person agrees to make the mortgage payments if the other party does not. Often this can be a parent helping out a child buy a first home.

This arrangement should also be managed because the co-signer is not an occupying borrower and payments might be missed only to discover too late that their credit has been damaged without the knowledge of the parents.

Someone can also refinance to change the term of a loan. Switching from a 30 year fixed rate to a 15 year note means lower interest paid over the life of the loan.

Refinancing most often means taking advantage of lower rates, but anytime an existing mortgage is replaced, it's a refinance, regardless of the reason.

Courtesy of Realty Times

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but you might have a property with up to four units.

As part of this, even if you don't plan on investing further in real estate, renting out a room or several rooms in your home is still a real estate investment on its own. You can rent out a room on Airbnb, for example.

## Short-Term Rentals

Short-term rentals let you invest in real estate and earn cash flow. As was touched on, you might rent out part of your current home, or maybe you buy a vacation home and rent that out.

## Join an Investment Group

If you don't have a lot of capital right now but you want to invest in real estate, you can join an investment group. When you join a real estate investment group, you come together with other investors who have similar goals, to pool your resources.

Then, you get a portion of the income generated through investing.

There are a lot of different ways resources can be pooled by these groups.

## Flipping Real Estate

Flipping a property can be one of the riskiest ways to start investing in real estate but in some cases one that will turn a profit fastest.

When you flip a property, you can either buy it for well below market value, usually because the current owner is facing financial distress, or you can buy a house and remodel it so you can turn around and sell it for a profit.

Flipping is a tough business, however, particularly if you're new to it.

Finally, don't forget that buying your first home is an investment as well. When you buy a home, you have instant equity because of your down payment, and then you grow that over time. When you're ready, the equity in your home can become an asset that you use to invest in other real estate.

Courtesy of Realty Times

## March Real Estate Roundup

Freddie Mac's results of its Primary Mortgage Market Survey® shows that "During the course of the pandemic, 'home' has become more important than ever. As a result, strong purchase demand continues—but buyers also outnumber the sellers. Since January, mortgage rates have increased half a percentage point from historic lows and home prices have risen, leaving potential homebuyers with less purchasing power. Unfortunately, this has disproportionately affected the low end of the market, where supply is the slimmest."

- 30-year fixed-rate mortgage (FRM) averaged 3.17 percent with an average 0.7 points for the week ending March 25, 2021, up from last month when it averaged 2.97 percent. A year ago, at this time, the 30-year FRM averaged 3.5 percent.
- 15-year FRM this week averaged 2.45 percent with an average 0.6 points, up from last month when it averaged 2.34 percent. A year ago, at this time, the 15-year FRM averaged 2.92 percent.
- 5-year Treasury-indexed hybrid adjustable-rate mortgage (ARM) averaged 2.84 percent this week with an average 0.2 points, down from last month when it averaged 2.99 percent. A year ago, at this time, the 5-year ARM averaged 3.34 percent.

Courtesy of Realty Times



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## 7 Front Door Styling Ideas For A Welcoming First Impression

As one of the first things visitors see when approaching your house, the front door is your home's chance to make a pleasant first impression. More than a simple entry point, your front door offers a preview of what guests will find when they step inside. It should reflect the overall style of your home and help set the mood you want visitors to experience upon entry. Depending on how you style it, the result can be grand and impressive, warm and cozy, or somewhere in between. Determine your desired effect and use front door decorating ideas to achieve that feeling.

Bright colors, seating, outdoor lighting, and more can help set an inviting tone for your entry. A few simple additions can boost your home's curb appeal while conveying a friendly welcome. Use these front door styling tips to make guests feel at home before they even cross the threshold.

- 1. Showcase stylish house numbers.** House numbers can be a fun way to add a playful punch of style to your front door. Try adding larger numbers (Etsy is a great source!) beside the door or on the porch. For a more traditional look, consider spelling out your house number on an overhang or porch column.
- 2. Shop your home for front door decor.** Before you run out to your local garden center for front door decor, shop your house first. You might already have what you need to style your door. If you have a covered entryway, for example, consider using baskets as planters, repurposing a small stool as a plant stand, or hanging some pretty paper lanterns.
- 3. Dress up your front door.** When styling your entry, don't forget about the door itself. Experiment with a fun paint color, or add a little bling with a pretty door knocker. If you have a plain, flat front door, consider adding some design detail by using a wood product like O'verlays.
- 4. Create a cozy seating area.** Add a place to sit and read or chat with neighbors to create a warm, inviting feel entrance. Try a bench with pillows or a traditional front porch swing if you have room. If not, opt for a couple of colorful garden stools instead.
- 5. Brighten your door with outdoor lighting.** Outdoor lighting can instantly update the look of your front door and increase curb appeal. Upgrading to larger sconces or an overhead pendant is a quick way to make a welcoming statement. Consider motion-activated lighting that automatically switches on when visitors approach.
- 6. Add a doormat.** Give guests a spot to wipe their feet before entering your home. Choose a doormat with a pretty pattern or cheeky saying to add style to your front door. You can also easily update a plain mat with spray paint for a custom doormat design.
- 7. Swap out front door hardware.** Update the look of your door with new hardware. Knobs, levers, and handle sets can help reinforce your home's traditional look or add modern flair. Choose a finish that coordinates with your front door color and complements other exterior features like lighting and house numbers.

Courtesy of BHG.com