Your Broker:

Rob Cassam

January 2023 Real Estate Update™

The right real estate advice makes ALL the difference!

Easy Solutions for Creating More Storage at Home

If you're frustrated with the lack of storage in your home, you're not alone. Here are some tips to help create some space at home.

Pick the right furniture: "A hardworking family needs a hardworking living area, one that uses every inch of space available," said Better Homes and Gardens. "Built-in cabinets stash books and media and provide a bonus display surface. Find or design and build furniture that serves more than one purpose."

Grab some Space Saver Bags: Space bags are great for off-season clothes, jackets, and bedding because you can compress them to a fraction of the size.

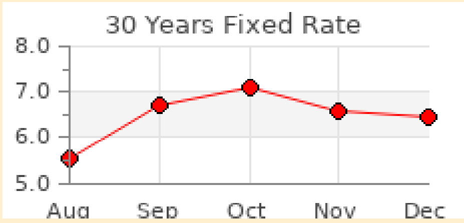
Hang from the ceiling: Garage storage is critical, but if your garage doesn't have much space, you can still make it happen. Consider hanging garage storage shelves that help to get your stuff up off the floor so you can reclaim the space for your cars.

DIY yourself a solution: If you've got a good imagination and a few good tools, you can make something that will help meet your storage needs. You're going to want to put Bob Vila's secret compartments in the fireplace trim, pull-out drawers in the banquette, and definitely the under-the-stairs trick on your to-do list.

Organize your pots and pans: Maybe it isn't that you don't have the space, but it's just not well-organized. This can be especially true in the kitchen if you have giant, shelf-less boxes for cabinets, or a small pantry with shelves that don't allow you to see clearly to the back. Thankfully this can be an easy fix by simply finding the right cabinet organizers that create organizational space from nothing.

Mortgage Rates
U.S. averages as of January 2023:

30 yr. fixed: 6.47%
15 yr. fixed: 5.83%
5/1 yr. adj: 5.45%



The Impact of Grocery Stores on the Housing Market

Why are grocery stores so crucial in real estate? For consumers, proximity to amenities that make life easier will make them more willing to pay a premium for real estate. Of course, a nearby grocery store isn't going to increase your home's value instantly. A lot of factors influence your home's market value, but over the years, when retailers that are sought-after and important for people's daily lives open up in the area, it does influence market value.

Unfortunately, on the flip side of this are food deserts - geographic areas with few convenient options for affordable, healthy food. These are often found in places with high poverty levels, smaller populations, higher rates of vacant homes, or residents with higher unemployment rates or lower income. Nearly 13% of the U.S. population is believed to live in an area that the USDA considers a food desert.

While talking about the grocery store wars as far as property values can seem fun, the reality is that access to amenities, including places to buy fresh, healthy foods, are important for the quality of life and wellness.

5 Steps For An Easy And Impactful Kitchen Makeover

Renovating a kitchen can be a huge expense, and a huge hassle, but you can get a brand-new feel at a fraction of the average cost.

Counters: If you just don't have the money for quartz but you want a sleeker look, there are alternate ideas for covering over your existing countertops with everything from paint to paper.

Cabinets: One word: Paint. A dingy, dark, or outdated kitchen can be transformed with this one task. The truth is, painting your kitchen cabinets is tedious and will test your patience, but if you can get through it while maintaining a good technique and resisting the urge to cut corners, you'll have cabinets that will make you proud every day you live in the home, and that will also add value.

Lighting: A new chandelier over your kitchen table will freshen up the whole space. Add pendants over your island or sink to bring in a modern touch that will also add function.

Hardware: Cabinet hardware is highly underrated and requires only a small dollar commitment to make a big impact. Gold tones have made their way back into style and kitchen cabinet hardware is a great way to express this trend because when you tire of it, you can just unscrew and replace!

Flooring: If you are looking to use a little sweat equity, the painted stencil technique may be a great option to try. For a couple hundred dollars, you can get the look of a pricey Moroccan tiled floor and create a showstopper instead of an eyesore.

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What to Tell Your Kids When They Want to Buy Their First Home
By David Reed

It’s an exciting time when you buy your first home. Kinda scary but still very, very fun. You’ve bought your first, second or even third home so by now you know what’s going on. In real estate and mortgages, there's a brand new language set, some words only used in the world of real estate. Just the word ‘mortgage’ is a classic example. Yes, mortgage is used in other contexts but is primarily connected with real estate. You can remember back when you started buying your first home, you were most likely excited and anxious but when the business end of the deal starts shaping up it takes on a whole other dimension.

Okay, so you’re sitting there at the dinner table and you get a call from your eldest who says, “I want to stop renting and buy this home I saw down the street.” How do you react? There are plenty of reactions but the first most likely will be to tell your child that it’s all much more than the excitement. There’s some pretty boring things, too. There’s lots of paperwork to sign, for starters.

They’ll need money for not only the down payment but there will also be funds needed for closing costs. So-called ‘hard costs’ like funds for an appraisal and credit report but also for ‘soft costs’ such as property taxes and insurance. Prepaid interest is also a cost. Prepaid interest might need a brief explanation. When a mortgage payment is made each month, the payment is applied to the number of days owned in the previous month. If someone sells and closes on a home on the 31st of the month, the first mortgage payment made will also include that one day. For a closing on the 15th, there will be 15 days worth of interest collected, and so on. It’s the opposite of rent where rent payments are applied for the upcoming month.

Your kids also need to know that a mortgage is a different kind of commitment. It’s not something you can walk away from. When renting, you can always move to another property when the lease term is up. With a mortgage, you’re required to keep that mortgage until the home is sold or you decide to refinance and replace the existing mortgage with a new one. Either way, there will still be an existing mortgage. And finally, property taxes and insurance are the kids’ responsibility and not the landlord's.

Certainly don’t discourage your kids from buying, just let them know there’s more than just the down payment.

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5 Housing Predictions for 2023
By Ashley Sutphin

It's tough to believe we've already entered 2023. What started as a booming real estate market at the beginning of last year, with mortgage rates still near record lows and a seemingly strong economic recovery post-pandemic, has given way to some severe headwinds since then.

As we've closed out 2022, interest rates have risen to record-high levels, yet home prices have remained stubbornly high. Inflation is also breaking records, and there are starting to be signs of layoffs, although most economists feel these should stay limited to certain sectors, namely tech. With all this bad news, it's hard to think about buying a home, but could 2023 be the right time to do so? What will the real estate market look like as we head into a new year? The following are some housing predictions to watch for.

1. Rising Prices Continue, But at a Slower Pace

Some would-be homebuyers are waiting to jump into the market, hoping that the economic conditions we're starting to see form will mean lower home prices. A lot of analysts and economists say not so fast to this hope. Home prices have been rising for over a decade and went up by double-digits for the second time this year. Part of propelling those soaring home prices was the record-low mortgage rates, but despite the rates rising, don't count on declining home prices.

The bit of relief that may come is that the prices may go up at a slower pace. Home price growth is expected to be around 5.4% in 2023. Even with a modest slowdown in price growth, the higher mortgage rates will cut into buying power. The expected monthly cost to finance a typical home for sale in 2023 will average more than $2,340. That's a 28% increase over mortgage payments for typical homes in 2022, and it's around double the typical payment a buyer would have gotten in 2021.

2. Increases in Inventory

While some bad news may be on the horizon in the housing market for 2023, it's not all dire. Inventories and available-for-sale homes are likely to increase. In October of this year, inventory increased by 0.5% over the previous year. If you exclude listings in different parts of the selling process but not yet sold or pending listings, the inventory of active homes on the market has increased by 33.5% over the previous year. Inventory growth may go up by around 22.8% in 2023, but that will still be below the 2019 average.

3. Continued Rent Growth

There have been more than 13 months of double-digit rent increases, year-over-year. This summer, that slowed down to a single-digit level, but that doesn't mean you can celebrate a rental market that will return to its pre-pandemic norms in the short term. The reason is that there is high inflation, significantly impacting rent, as well as a still-strong labor market.

Since the second part of 2021, the quarterly national rental vacancy rate has been around historic lows. Rental vacancies increased slightly to 6% in recent data, but that still means a limited supply and a high demand. Rental demand may be stronger in metro areas, particularly their urban centers, which is different from what we see in the sales market, where people are more focused on the suburbs.

4. Affordability Is the Key Decision-Making Factor

There will probably be fewer home sales in 2023 and fewer moves overall. When the economy is uncertain as it is now, people are more likely to hunker down. Sales are expected to be the lowest in a decade since home prices and mortgage rates may still be high. If people consider purchasing a home in 2023, affordability will outweigh nearly every other criteria. When relocating is an option for buyers, and they have flexibility, they may use it to find cheaper parts of the country to live.

5. Luxury Could Stay Strong

The housing market isn't one big entity, there are many different markets. While entry-level markets will be the tightest, luxury properties can withstand the effects of higher interest rates more quickly, often because luxury buyers are buying in cash, or if they are getting a mortgage, the higher monthly payment isn't as impactful.

The Potential Wildcards

Finally, there are a few wildcards that could change all the predictions. One is the mortgage rates, and most think they will go up more in 2023, but lower-than-expected rates could pave the way for a rosier housing market outlook. Additionally, geopolitical issues like supply chain issues and the war in Ukraine could have positive or negative unexpected effects on the economy, affecting housing in either direction.

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How Does a Rent-to-Own Home Work?
By Ashley Sutphin

A rent-to-own home can be a viable option for some people if maybe a mortgage isn't right for them at this moment or wouldn't be available to them. Rent-to-own homes can be a way to wade into homeownership less traditionally and more slowly.

What is a Rent-to-Own Home?

A rent-to-own home will have a lease. Then, with that lease, you'll have either an option or a requirement to buy at the end of a certain period of time. The rental payments that you're making will include not just the rent itself but also should be contributing to your future down payment. You can simultaneously build your credit score and down payment. You could opt for this setup if you don't have the money right now for a down payment or closing costs.

If you only rent traditionally, then you aren't building equity. You're getting some benefits of renting and buying with rent-to-own homes, but with caveats that you should be aware of. In a rent-to-own contract, you'll probably end up paying a little more than the fair market value since that money will become your down payment when your lease ends. You might have to pay an option fee, anywhere from 2-7% of the home's value, to hold your option to buy it. This isn't always required. If you didn't buy the property when your lease is up, you would forfeit your extra payments.

What Are the Pros?

If you're considering a rent-to-own home, there are benefits. First, you're giving yourself time to save money up your down payment. You are also at the same time as you're saving that money, getting the chance to make sure the home will work for you. Your contract will specify how much your payment goes towards your down payment. It can be like forced savings, and if you aren't great at otherwise saving money, this is beneficial.

Another perk of rent-to-own is that most of these agreements will split the responsibility of maintenance and repairs between you as the tenant and your landlord. You might cover minor repairs and the associated costs, and your landlord could agree to handle the more extensive repairs. At the end of the lease, you can get a home loan and move forward with your purchase. The money that was collected as a down payment goes to your lender. You still have the flexibility not to go through with the purchase.

What About the Cons?

If you move into a rent-to-own home, you could lose money if you don't buy. Yes, you have the flexibility to make that decision, but in doing so, you're giving up the rent you paid and the option fee if your agreement requires it. You might not be able to buy the home at your lease's end if you can't qualify for a mortgage. The owner of the house can put the home up for rent again or sell it if you aren't able to get a loan.

Types of Contracts

There are usually two types of legal agreements you can opt for with a rent-to-own home. One is a lease agreement that has the option to purchase. In this contract, you have the right, yet you're not obligated to buy the home as the lease ends. Your option expires if you decide you aren't going to go through with the purchase and you walk away, although you lose the money you paid beyond the fair market rent.

The second is a lease agreement with a purchase agreement. You might be legally required with this contract to buy the home when your lease ends. You have to be careful under this agreement that you have a home inspection done to ensure there aren't any surprises after you become the owner.

Finally, it's also a good idea to get a mortgage pre-approval if you're entering into the second type of contract to make sure you'll be able to qualify when the time comes.

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Credit Newbies and Home Loans
By David Reed

At a relatively young age, people can soon start receiving credit card offers. A lender can do a ‘soft’ credit check to see if someone might be eligible for a credit account. When the lender determines that it might be a good opportunity to provide someone with a credit account, they’ll send out an offer. For those who have yet to get their first credit card, this seems fairly enticing to some. Building credit at a young age is a good thing. But for some, it’s very possible this new credit account can lead to some unintended consequences. Credit is good, but responsible credit is better.

Here's one example. A young man gets a credit card offer online. He decides to apply and just waits to see what happens. Within just a few moments, he gets the result: Approved! A week or so later his credit card arrives in his mailbox. There’s a bit of excitement and he also just wants to go try it out. He heads over to his favorite diner, orders a burger and when finished hands the waiter a card. A few moments later the waiter arrives asking for his signature. Cool! he thinks. He’s got his first card and it works.

Here's what might happen though. He gets so excited about his new card that he tries it at other places.

There’s also a new business suit he’s had his eye on but previously couldn’t afford. He bought it. The original credit limit was $1,000 and he was approaching it within the first few days. In fact, he really wasn’t paying attention to that and actually charged things that brought his balance above the limit. The original credit that got him his first card is being severely damaged.

When first time home buyers get ready to buy and finance their first home, one of the things to pay attention to is adding more debt which will reduce qualifying. Someone with additional debt might still very well qualify for a home loan, it's just that they’ll qualify for less. Getting and utilizing credit for the first time requires attention because acquiring so much new debt in a short period of time will give lenders pause. So much so that a lender might back away from making a credit offer in the first place.

If, say, one of your kids comes to you and is proud that they’ve got their first card, counsel them and let them know that credit is a good thing but when abused is a bad thing.

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