

Your Broker:

# April 2023

# Real Estate

# Update™



Rob Cassam

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## What is the Best Month to Sell?



Overall, research and data show us that, historically, late spring is the best time to sell a home and, in that time

period, May is the best month.

According to ATTOM's research on the sale of single-family homes and condos over the past decade, if you sell your house in May, you might net a seller premium of 12.6%. A seller's premium is defined as the amount that's above the market value of a home.

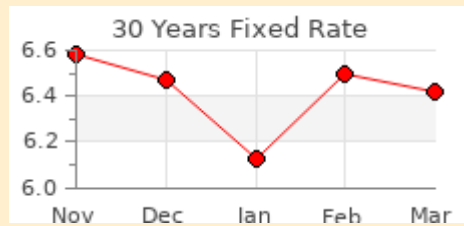
Going in order, the months you might earn the most on your home are May, June, July, and April. During these four months, there were almost 17 million transactions to purchase, according to ATTOM. June isn't too far ahead of July for the second-place spot, seeing a 10.7% seller's premium. According to the ATTOM data, it was 10% for July. In March and April, returns were 8.9% and 9.2%. Once you get to September, based on this data, the seller premiums start to diminish, dropping to 7.9%.

If you list your home in the spring or summer, the weather is good, and that can be especially relevant if you live somewhere that gets a lot of cold weather. People are more eager to look at properties during these warm weather months because the days are longer, so the more exposure you get on a listing, the greater the chances of selling it. Families also tend to look in the spring and summer to get into a new home before starting a new school year.

If we slip into a recession, it could mean that the historical trends of the real estate market are no longer relevant. If the economy contracts, people are less likely to want to make a big purchase. Even sellers might not necessarily want to deal with closing costs and commissions, so they could wait until the economy stabilizes.

## Mortgage Rates U.S. averages as of April 2023:

30 yr. fixed: 6.42%  
15 yr. fixed: 5.68%  
5/1 yr. adj: 5.74%



## What is a Lease Purchase?



It's similar to most any 'rent to own' program but it has to do with real estate. The process is essentially simple. Someone signs a

lease agreement and at the same time agrees to buy the property. The practice is that a portion of the lease payment is set aside to be used as a down payment when it's time to buy, but there are some things that need to be known. The first is that any amount set aside for a future down payment must be above and beyond what the current rental market dictates for similar properties in the area. For example, if market rent is \$2,500 and the lease portion agreed to is \$3,000, then there is \$500 available as the set-aside.

And when it comes time to obtain financing, an appraisal will be ordered. The appraisal can come in the form of a simple desk review or the lender may want a full appraisal with photos. The gotcha here is what the appraised value ends up being at the end of the lease term. If the appraised value is above what similar properties are selling for, that's something the lender wants to see. If the final appraised value falls below that amount, it's very possible the buyers will have to come to the closing table with extra funds to cover the shortfall.

## Can You Keep Your House If You File Bankruptcy?



No one wants to file for bankruptcy, but it can be the best option in some financial situations. When you

declare bankruptcy, you may wonder if you can keep your home; the answer is that it depends.

The two types of available bankruptcy are Chapter 7 and Chapter 13. There are pretty major differences between these, but one of the biggest relates to the exemptions you're allowed. The primary objective of bankruptcy is to give you a new start rather than leave you in poverty. With that in mind, federal and state governments will have exemptions. Chapter 7 exemptions are stricter and lower overall compared to Chapter 13. If you file for Chapter 13, your opportunities for keeping your home are greater.

Even when filing for Chapter 7 bankruptcy, you might still be able to keep your house, but the decision-making factor becomes your equity. If you don't have that much equity in your home, then your house could be exempt and you might not have to sell it as part of your bankruptcy. If you've built some substantial equity in your house that puts you over the limit of exemption, you might be required to sell it and then pay your debt or buy it back by paying a trustee the home's value.

When you file for bankruptcy, you can walk away from your mortgage without additional penalties or consequences. If you hang onto your home while going through bankruptcy, you can keep it when the process is done, but you still have to be able to pay the mortgage. The bank might foreclose if your income doesn't allow you to realistically keep up with payments.

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## Should You Rent to Someone with a Damaged Credit Report?

*By David Reed*

Being a landlord means more than just renting out a property, but for those who are going to rent out a unit for the first time, some of the nuances can be overlooked and only encountered later, often times to the owner's chagrin. We've discussed in this column before the importance of performing your own due diligence when it comes to evaluating a rental application. Owning investment real estate means taking on additional risks. One that comes to mind is what you can do when the tenants stop paying or are consistently paying more than 30 days past the due date.

Depending upon the location, some states are relatively liberal as it relates to tenant eviction. In others, it might seem impossible to evict someone due to non-payment. There can be some very protectionist clauses as it relates to tenant rights. Compare it to the non-payment of an auto loan. If a lender finds the owner of a vehicle is way behind on payments, the creditor will simply repossess the car. With a home, it's not that easy.

But what about in areas where it's a little difficult to find tenants? What if you own a unit and you're having trouble finding the tenants who meet your criteria? Should you lower your standards in order to provide some cash flow? Should you take the risk of accepting an application from someone who has a damaged credit report? The answer might not be what you think.

For example, let's say you accept a rental application and perform your background checks. A former landlord reports that they were good tenants and paid on time, or at least there weren't any payments that were seriously delinquent. But their credit scores aren't so good. Do you toss the application away and continue looking for a new tenant, even if the rental market is fairly tight? Maybe not.

First, when looking at the credit report, are there late payments that are relatively frequent over an extended period of time? This can certainly indicate that paying credit obligations on time is not at the top of their responsibility list. But if there appears to be a certain period where late payments show up? Maybe credit history was good up to a point and then returned to an acceptable pattern after the isolated credit dings?

In such an example, a little more research might indicate an isolated event out of the applicant's control caused some speed bumps around the same period of time. Maybe there was a layoff. Maybe a couple was going through some degree of emotional straits. If whatever caused the credit dings can be identified and regarded as an isolated event, then perhaps the applicants might be a solid choice. Things aren't always black and white. and doing a little more research in such an instance just might get that unit of yours rented after all.

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## Pending Home Sales Improve, but Will It Last? By Ashley Sutphin

Despite all the frenzied headlines about rapidly rising interest rates, there was a slight decline in mortgage rates in both December and January. According to a newly released data set from the National Association of Realtors, this gave a bump to pending home sales for the second month in a row.

The Pending Home Sales Index, which is a forward-looking indicator of home sales based on contracts signed, saw an 8% improvement in January. However, year-over-year, pending sales went down by 24%. The last time we saw anything above an 8% increase every month in pending contracts was three months after lockdowns from the pandemic. Showings were at a complete standstill, and in June 2020, the pending home sales pace went up 17% compared to the month before.

Lawrence Yin, NAR Chief Economist, said buyers responded to more affordability stemming from declining mortgage rates in December and January. NAR is continuing to predict that the economy will keep adding jobs the rest of this year and into 2023, and they believe the 30-year fixed mortgage rate will steadily decline to reach a 6.1% average in 2023, with an average of 5.4% in 2023.

The Pending Home Sales Index is one of the primary indicators of activity in the housing market and measures housing contract activity. It's based on the signed contracts in real estate for existing single-family properties, condos, and co-ops. A home goes under contract around a month or two before it's sold, so the Pending Home Sales Index leads the sales of existing homes by a month or sometimes two.

So what does all this mean if you're a buyer or a seller? The housing market is probably going to continue to see significant fluctuations. Sellers are offering price concessions, but higher interest rates mean buyers might still stick to the sidelines for now. Pending sales data from January shows that the housing market possibly reached its bottom at the end of 2022, but that doesn't mean we can expect a V-shaped recovery, according to Bright MLS Chief Economist Lisa Sturtevant. She expects a bumpy road as the housing market tries to normalize.

Over the most recent few weeks, mortgage rates have returned to a rising trend, with the Federal Reserve indicating it will raise rates a minimum of two more times and potentially three before the end of the year. February saw lower mortgage applications, with rates hitting the highest point since last November. While leading indicators show upticks in activity, the weekly housing market activity most recently shows a decline in buyer interest. For some would-be buyers, higher interest rates mean they'll be sitting out indefinitely, while others will ultimately get back into the market either way.

NAR predicts that even with job gains and potential improvements in interest rates, existing home sales will decline 11% in 2023 and then go up 18% in 2024. The organization projects new home sales will decline 4% year-over-year for 2023 and go up 19% next year. NAR believes home prices will stay steady in most of the country, with minor shifts in the national median home price. Finally, regionally, the Midwest index went up by 8%, and the South did as well. The West rose 10% in January, with a bump coming from lower home prices, while gains in the South were largely because the region saw strong job growth.



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## How to Make Your Home Look High-End on a Budget By Ashley Sutphin

Designing a home isn't an inexpensive endeavor, but ultimately, the outcomes you tend to want are spaces that look curated and high-end. Have you ever walked into a house, and it just felt expensive? Whether or not it actually is can be the question. Designers often use tricks and tips to elevate spaces and give them that luxe, high-end appeal, no matter the budget. The following are a few things you can consider doing.

### 1. Add Moldings

Decorative molding is one of the least expensive and most impactful ways to give your home or just a single room a high-end facelift. Adding moldings is also a project you can likely do on your own on the weekend. Adding moldings gives your home a timeless look and can be used to create architectural features where there are none. For example, if you've ever seen a relatively plain, boxy room with added moldings, you know what a difference this can make. Moldings can also draw the eye upward when installed at your ceiling, giving the illusion of higher ceilings.

### 2. Add an Antique

If your room feels somehow unfinished or unpolished, think about adding a piece of antique furniture. For example, maybe add an antique console table or an antique wardrobe in a living space. There are a few reasons this makes your home feel more high-end.

First, a room will often feel cheap if all the furniture seems like it matches a little too well or you bought it off a showroom floor. Adding an antique piece is a thoughtful way to make sure you don't run into this issue. You'll also see in professionally designed rooms, there tends to be a lot of mixing and matching and bringing together pieces from different sources and time periods. There's something about an antique piece you can't recreate in an item you buy online or in a big box store. The materials used to make older furnishings were high-quality, and the details were unlike what we see in new furniture.

### 3. Change Your Light Fixtures

You can relatively easily change out light fixtures or have an electrician come and do it for you. Light fixtures aren't a huge investment, but they greatly impact a room. A statement light fixture creates a focal point in a room, and for a pretty low price tag, you can get a big change.

### 4. Create Interest With Texture

Looking at many design magazines or books, you may feel like the spaces are luxurious, but you can't put your finger on exactly what it is. Even a simple overall design can get a boost from texture. Texture creates visual interest, but you can stay within a relatively subdued or neutral color palette. Incorporate texture by adding rugs, throw pillows, and blankets.

### 5. Incorporate Curved Lines

Another way to add subtle and chic visual interest in a room is to use curved shapes and lines instead of sticking only with straight lines. You can add curves in the form of a mirror, the legs of your furniture, accessories, lamps, or anywhere. This is going to give you the depth that can only come from the use of varied shapes.

### 6. Custom Window Treatments

Custom shades or curtains aren't the cheapest upgrades you can make, but they can have the biggest overall effect. They're more affordable than ever, thanks to offerings from online retailers. Custom window treatments help the entire space feel custom, even when it's not.

### 7. Use Dimmer Switches On Your Lights

Lighting plays a huge role in how a room is perceived and how you feel when you spend time in it. During the day, natural light is best. In the evening, when you add dimmer switches to your home, you can lower the lighting to relax and make everything look a little warmer and cozier. Bright overhead lighting is harsh and makes everything feel cheap and washed out.

### 8. Accessorize

Finally, even in professionally designed spaces where the goal is simplicity, you'll still see carefully chosen accessories. A bold accessory can make a statement, replicating the look of a room designed professionally.

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## When Your Purchase Needs Repairs By David Reed

Is one of the homes you're thinking about buying something akin to a 'scratch and dent' special? In other words, the property is generally okay, but there are certainly some things that you'd want to fix before or right after you move in, should you in fact do so. This is where the property inspection report comes into play. Note that, here, the inspection report is not the same as a property appraisal.

The appraisal helps determine the market value of the home while the inspection attempts to identify any structural or physical issues. A full appraisal, should your lender require one, will in fact make note of the property's overall condition, but basic repairs, relatively minor ones, are not listed. By the way, if you're tempted to forgo an inspection, I think you're making a mistake. A thorough inspection is well worth the investment. Your real estate agent can point you to some qualified property inspectors.

Let's first look at some basic repairs. Maybe the windows need some recaulking. Perhaps the carpet is a bit too worn out. Cracks in the sidewalk? All of these items are relatively minor and your lender probably won't care about any carpeting issues before approving a home loan application. The cracks in the sidewalk might be an issue, but typically won't be unless the interior door jams show signs of settlement.

If this turns out to be one of your prospective buys, it pays to hire an engineer to determine the cause of the settlement and if the property needs to be lifted in certain parts of the home in order to alleviate any settlement. Otherwise, the property should move through the loan approval process.

However, there are some needed repairs that appraisers will note 'deferred maintenance' associated with the home. As the name implies, the property needs to have certain issues fixed that should have been fixed some time ago. The issues weren't alleviated but instead put off, maybe to let the next buyer deal with them. But if the term 'deferred maintenance' does pop up somewhere, your lender will have a problem with that.

Mold in the home noted? Your lender will want more information before moving further. Foundation cracks? It's time to call in the engineer for a report. Cracked or broken windows? That's typically a lender call, but in all likelihood the lender will want these repairs to be completed.

Your prospective home is probably the biggest expense you'll incur in your lifetime. That said, it pays to make sure the property is in livable condition, and the lender wants to make sure the home is in such a condition that financing won't be a problem.



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