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Rob Cassam

June 2023

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3 of the Most Expensive Home Repairs



Some of these projects are major and have a big price tag, but preventative maintenance efforts can

help reduce the risk you run into one of these issues.

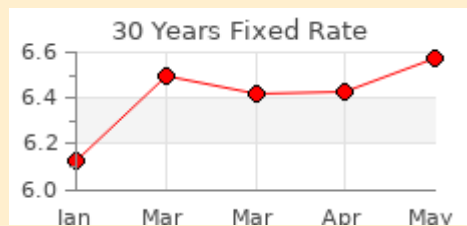
1. Roof Repairs: Signs of a problem with your roof include missing shingles and leaks. While you can't completely avoid the risk of roof damage, you can have professionals inspect it regularly. The recommendation is to inspect it ten years after the initial installation and every three to five years after that. The cost for a partial repair averages around \$650, and a full replacement is usually upwards of \$6,000.

2. Replacing Central AC or a Furnace: You can estimate that each system will cost a few thousand dollars if you have to replace the heating or cooling equipment for your entire house, and the costs can easily be more than \$10,000 in total. Your goal should be ensuring that your heating and cooling equipment at least meets its full life expectancy, usually around 15 years. You can achieve this with regular maintenance. You should plan to have your furnace serviced at the start of every winter and your AC when summer starts every year.

3. Repairing Your Foundation: Your foundation is a critical part of the structural integrity of your entire home, and if it gets damaged, it can be expensive and a complex issue to fix. Depending on the specific issue, foundation repair can cost more than \$11,000. Signs of a problem with your foundation include cracks around your house and doors and windows that are hard to close and don't seem to fit their frames. Floors that slope and water pooling around the edges of your house or in your basement can also be red flags of foundation damage.

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

30 yr. fixed: 6.57%
15 yr. fixed: 5.97%
5/1 yr. adj: 5.99%



Biggest vs. Smallest House in the Neighborhood



Valuation can be assigned based upon recent sales of similar properties in the neighborhood. The lender takes a look at the subject

property and the appraiser will provide information regarding recent sales that support the sales price of the new transaction. With a full appraisal, the appraiser attempts to find at least three recent sales that would support the value along with a current listing. So what does this have to do with the biggest house v the smallest one?

The biggest house will be compared to the other houses in the area which are all smaller. There's not much that recent similar sales can do to boost the value of the home. In fact, it wouldn't be surprising for an appraiser to have difficulty supporting the sales price of the bigger home because, strictly speaking, there are none.

On the flip side is the smallest house. Here, the recent comparable sales are all bigger. This can ultimately mean the appraised value of the smaller property could be inflated because recent similar sales would, typically, have a higher sales price.

What Is Maximalist Interior Design?



In stark contrast to minimalism in interior design is what's being called maximalist. If you haven't heard of it, it's one of the biggest trends right now regarding home design, and it's having its moment. The idea of maximalism isn't necessarily new, but how people incorporate it into their homes has changed.

Maximalists have existed for centuries. It was historically a way for the wealthy to showcase their collections and expensive items. It was seen in the Victorian era, with every inch of space covered with something decorative, but prior to that period as well. The current iteration of maximalism does hold true to some of the original concepts. It's a way to curate your space and showcase what you love. You can also design a home that reflects who you are and your personality.

So what are the key features of maximalism? While it's ultimately about making a space your own, the main characteristics are bold patterns and vibrant colors. Another way to make this design concept your own is to use your ceiling as a wall, and you might add wallpaper or texture, for example. Layering is also a critical element. You're layering surfaces with things that bring you joy and happiness. That doesn't mean you should let your design get chaotic, though—you still want to feel balance when you walk into a room. Getting that balance is what makes maximalism such a challenging design style.

Finally, one way to get balance while cultivating a maximalist design style is by choosing a consistent color family or a single color and tying your patterns and textures in with that.



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How Does Real Estate Crowdfunding Work?

By Ashley Sutphin

If you'd like to be involved in real estate investing, it's a bit of a tricky time right now. Traditional methods of investing in real estate aren't necessarily going to make a lot of financial sense during a time when interest rates are incredibly high and might even rise from here, inventory is low, there's significant economic uncertainty, and prices are still elevated. That doesn't mean you have to count yourself out of real estate investing. Instead, you might just have to shift your strategy.

One option that people are increasingly considering is real estate crowdfunding, which makes investing in real estate more accessible. You might already have some familiarity with the term crowdfunding, as it's often used to raise money to create businesses or for charitable causes.

Now, however, you can become a real estate investor using crowdfunding, especially if you can't afford to buy an entire property. Instead, you're pooling your resources, meaning you can invest with a lot less money than you could otherwise, plus you have less responsibility—none in fact, beyond putting in your initial investment.

With real estate crowdfunding, money is raised for real property ventures, as well as for raw land and other types of investments. This can include hotels, apartment buildings, and offices. It's a passive real estate investment because the individual investors aren't involved in managing the property. Instead, the company backing the venture is the one that does that. You get income from rent once your property hits the market, and if it's sold, you get a share of the profits.

You can connect with crowdfunding via real estate investment platforms, intermediaries, or marketplaces. They connect investors with developers and companies who need funds for a project, and it's like investing in an ETF in many ways.

The rules and specifics depend on the platform you're using. Most require that you're at least 18 years old, and you might not have to be a U.S. resident, but the platform may require you to have a bank account in the U.S. There are limits imposed by the SEC on how much you can invest annually. If your net worth or annual income is below \$107,000, your investment is limited to either 5% of your income or worth, or \$2,000, whichever is the greater of the two, during any 12 months. If you make more than \$107,000 a year or have a net worth of more than that amount, you can invest up to that total or 10% of your annual income—it's the lesser of the two.

Some projects and platforms limit their offerings only to accredited investors, who are high-net-worth individuals or people with a lot of experience in investing. Platforms that facilitate real estate crowdfunding are a collection between investors and real estate companies, but some will offer more extensive account services similar to a brokerage. The platform will outline the projects, deal with regulatory issues, and collect investment money for the sponsor. The sponsor is the real estate company that needs funding. You'll pay a fee for this service.

Fundrise is one of the more well-known real estate crowdfunding platforms. You can start with just \$10, making it appealing to a wide variety of investors. You can then choose your account tier, and your fees are based on how much you invest. Compared to similar platforms, Fundrise boasts a pretty low advisory fee. Another option is Yieldstreet, which offers crowdfunding investments in real estate, art, and venture capital.

With crowdfunding real estate investments, the pros include the ability to invest small amounts of money, and you can diversify your portfolio. The cons are the limits on how much you can invest on an annual basis and the fact that a lot of the platforms and companies that offer these services are pretty new, so they don't have a very long track record you can look at. Another issue you should be aware of is that your investment might not be liquid, and it's hard to divest these funds, and you will not likely see a fast return on your money. Even in the current environment, crowdfunding real estate can be a lower risk way to put your money into real estate when you might not otherwise be able to afford to.

Finally, an alternative to this approach is investing in a real estate investment trust or a REIT. This is also a passive form of real estate investing. REITs own, operate, or manage real estate properties. When you invest in one, you're putting your money in a basket of properties instead of buying or investing in a single property. Many of these are public and traded on exchanges similar to stocks, so you might get more liquidity with this approach compared to real estate crowdfunding.

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How Does the BRRRR Method Work?

By Ashley Sutphin

BRRRR is a popular term in real estate that stands for Buy, Rehab, Rent, Refinance, Repeat. This method of investing in real estate is focused on flipping distressed properties, renting them out, then getting a cash-out to refinance so you can fund more investments in rental property. The difference between the BRRRR Method and investing in property in other ways is that you're focusing first on distressed properties and second on refinancing what you bought to buy another.

How BRRRR Works

If you use the BRRRR Method, it's intended to help you create passive income and the ability to continue to buy and own rental properties. The steps include the following:

- First, you buy a distressed property requiring work to get it ready to rent. You'll likely find it for a lower price because of the condition.
- Rehabbing the property is the next step since it's distressed. You'll need to bring it up to code and make safety and structural improvements, as well as aesthetic improvements, so it'll appeal to potential renters and be ready for them to move into.
- You next determine a rental price and find renters.
- Once you have renters in place, it's time to do cash-out finance, converting the equity you hold in the property into cash. You access your equity by getting a bigger mortgage and borrowing more than you currently owe.
- You can use your refinance funds to buy another property, starting the process over.

The Pros and Cons of This Method

The pros of the BRRRR Method include allowing you to make passive income and build a portfolio of rental properties. As you're rehabbing the property, you're also building equity. The cons are the work that's going to be required to rehab the property, and you may end up having to get a riskier, more expensive loan since you might not qualify for traditional financing.

You could get ready to refinance and then find out you don't qualify for as much money as you thought. Plus, it can be a while before you can tap into cash with this method. You have first to do renovations, then you have to find renters, and it can take some time to complete the cash-out refinance.

The Current State of the BRRRR Method

While the BRRRR Method is something that real estate investors have been doing for quite some time, right now might not be optimal for this approach. One reason is that the 30-year mortgage rates have been bouncing between 6% and 7% for the past year. Other factors that have made the BRRRR Method more challenging include the rising costs of building materials and increasing taxes.

While prices are slowly inching back up, they've been for the past year, appraising for less and selling for less, and that reduces the size of the cash-out refinance. Plus, you have to keep in mind that lenders are much more risk-averse right now. Rather than doing an 80% cash-out as was common, people are doing 70% or 75% cash-outs, so you only get that much of your loan value back, and the rest has to stay tied up in the property.

Are There Better Alternatives?

If you crunch the numbers and the BRRRR Method isn't going to work, you can consider holding onto the property and renting it out, or making it a short-term rental, if you've already bought something. If you haven't bought something, you might buy a home in good condition and then rent it out rather than buy something that needs work.

Another more out-of-the-box approach is participating in crowdfunding a real estate investment. This pools investor funds to buy real estate, and you can get the rewards of being a real estate investor without so much money and work being put in upfront. Finally, the CEO of BiggerPockets, once a huge proponent of the BRRRR Method to build wealth, has pivoted and recently spoke out, saying it's not the right time for this type of investment.



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4 Things About Preapprovals That You Should Know

By David Reed

Getting preapproved for a mortgage is almost a requirement in today's real estate world. In fact, many real estate agents won't even let you into their cars to go look at houses until you've got your preapproval letter in your hand. And that makes perfect sense. Why would a real estate agent take some professional time showing houses if you've got no such letter in hand. A preapproval letter lets the agent know right off the bat that you're a serious candidate as a home buyer. Let's look at four things you need to know about these preapproval letters.

The first thing to know is a preapproval is not the same as a prequalification. Although the terms sound similar they're not. Both terms apply to the mortgage industry but there are some key differences. A prequalification letter - the letter will state that it's a 'pre-qual' - signifies that you've had a conversation with a licensed loan officer. With a prequalification, the loan officer will go through a series of questions and at the end of these queries the loan officer will or will not put together a letter that states 'based upon the information provided' the individual is in good shape to obtain financing from a mortgage company.

The key here however is nothing in this loan officer conversation is documented. It's typically nothing more than a phone call or perhaps an in-office meeting. A preapproval means the needed documentation has been provided and reviewed. If you state that you make \$6,000 per month, a prequalification letter will take your word for it but the preapproval status means you've backed that income up with things such as paycheck stubs and W2 forms.

Next, the information provided in order to obtain the preapproval letter must be recent. Your loan officer will ask for your two most recent paycheck stubs covering a 30 day period. Note that paycheck stubs have typically been replaced by remittance advice from your employer. This documentation will provide a gross as well as a net amount of income to be used when calculating debt to income ratios. Providing some paycheck stubs you've left in your drawer at home won't cut it. They need to be the most recent. Why? The lender needs to know how much money you make now, not six months ago.

Bank statements will also be needed in order to get a preapproval letter. For those that are self-employed, these bank statements will work in lieu of any paycheck stubs. Bank statements, again your most recent ones, will third-party verify you have enough money that is yours in your bank account to cover the down payment, closing costs and some left over when the dust has settled. The leftover amounts are referred to as 'cash reserves.'



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Is Now a Good Time for Homeowners to Switch to Solar?

By Ashley Sutphin

If you've been considering making the switch to solar energy, you might be wondering if now is the right time to do so. Whether it's cost or efficiency concerns that are the source of your hesitation, we're here to solve any doubts for you. This article will explore the advantages and disadvantages of switching to solar energy in 2023, so you can make an informed decision about whether now is the best time for you to invest in solar panels for your home.

The Advantages of Going Solar in 2023

The benefits of installing home solar systems have been clear for quite some time now. So why is 2023 a particularly good time to go solar?

- **Reduces energy bills:** With electricity costs continuously rising, solar energy can help you make significant long-term savings on your power bills. Thanks to net metering, your electricity costs can be offset with the energy generated from your solar panels, giving you credit that can be used to reduce your future energy bills. But some states are starting to change their net metering policies, so now would be a better time than any to switch to solar and lock in the best rates you can get for saving on electricity bills.
- **You gain energy independence:** Another reason to go solar in 2023 is the energy independence that solar panels can provide. Solar panels can give you energy independence by allowing you to create your own energy and not have to rely on the power grid as much. A recent study found that a third of Americans are now concerned about power outages, and solar energy backed up with a storage system is a great solution in these scenarios.
- **More incentives:** The IRA has recently increased the federal solar tax credit from 26% to 30%, meaning you can claim 30% of the costs of your solar panels back on your taxes. However, this tax credit is expected to drop back to 26% in 2033 and 22% in 2034, so installing solar panels is something that should be done sooner rather than later if you want to cut down the costs of going solar.
- **More affordable than ever:** Switching to solar has never been so affordable. The cost of solar panels has dropped by 70% in ten years, making this year a better time than ever to go solar. Prices increased slightly in 2021 due to the pandemic, so installing solar panels now while prices have lowered again will reduce the risk of you having to face any cost increases due to unforeseeable circumstances.

The Disadvantages of Solar Energy in 2023

- **Solar is an intermittent energy source:** Solar power doesn't generate power at night, and cloud, snow, or debris can affect the energy production of your solar panels. However, solar battery backup solutions have now become available, so you can store solar power and draw from it even if your panels aren't producing energy at that time.
- **The upfront costs can be high:** Although going solar is now more affordable than ever, the upfront costs of installing solar panels can still be high. Not only will you have to pay for the solar panels themselves, but you will also need to consider installation costs. And if you're planning on storing your energy by opting for a solar battery, costs can reach up to \$9,500 for the battery alone.
- **Supply chain issues:** Some supply chain issues are still ongoing since the rise in demand for solar panels and the delays the pandemic has caused. These issues may be starting to ease in 2023, but it still remains unknown whether supply will be able to keep up with increasing demand.

So Is Now a Good Time to Switch to Solar?

It's clear that the advantages of installing solar panels currently outweigh the disadvantages. Besides, installing solar panels can increase your property's value, meaning you may see a good return on your investment when the time comes to sell your home. However, if you're planning on selling your home in the near future, consider that it takes a few years for your savings on energy bills to accumulate and make up for the costs of installing your solar panels, and once installed, you can't take solar panels with you.

Ultimately, whether you choose to install solar panels in 2023 or not, solar energy is an increasingly viable and cost-effective option if you're looking to reduce your carbon footprint and save on energy bills. So if you're considering making the switch, remember that the sooner you invest in solar energy, the sooner you'll start reaping its benefits.

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