

Your REALTOR:



Dennis Kutny

# August 2019

# REAL ESTATE Update



"An educated prospect makes our best client"

## Mistakes Buyers Make When Searching for Their First Home



When looking for your first home, remember these common buyer mistakes to keep you on track.

### Mistake No. 1: Getting too hung up on price

It's easy to get a number stuck in your head and refuse to give up, but sometimes a slight budget increase may vastly broaden the available homes and may only mean another \$50 per month.

### Mistake No. 2: Not trusting your gut

Everything is right about the home, but it just doesn't *feel* right. You may not be able to put your finger on what it is that's bothering you about a house, but if something's nagging at you now, imagine what it will be like to live there.

### Mistake No. 3: Ignoring the neighborhood

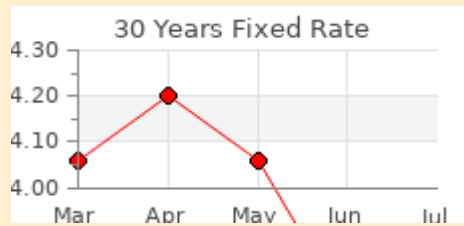
Look for things like a commercial area too close to home, a rundown house across the street, or some zoning changes that are bringing a ton of new multi-family units to the area and increasing traffic.

### Mistake No. 4: Not thinking long-term

According to a study by ValuePenguin, "the median duration of homeownership in the U.S. is 13.3 years." While this doesn't mean you'll stay in your home that long, it wouldn't hurt to make sure the home you buy now can accommodate long-term lifestyle changes.

Mortgage Rates  
U.S. averages as of August 2019:

30 yr. fixed: 3.75%  
15 yr. fixed: 3.18%  
5/1 yr. adj: 3.47%



## Tips for Creating a Calmer, More Peaceful Home



Your home should be your sanctuary. Use these tips to create a space that's soothing so you always have an inviting place to come home to.

### Add some greenery

Plants like jasmine and English ivy can improve sleep, lavender and rosemary can lower stress, and several other plants have been shown to improve air quality.

### Clear the clutter

"Clutter can play a significant role in how we feel about our homes, our workplaces, and ourselves," said psychologist Sherrie Bourg Carter. "Messy homes and work spaces leave us feeling anxious, helpless, and overwhelmed."

### Soften the lighting

Add a dimmer to give you some control over how bright your rooms are, allowing you to create a mood with lower lighting as needed.

### Make your master bedroom a zen zone

Keeping the colors serene is key, and so is a good mattress. Loading the bed up with soft textures can also help.

## 4 Packing Mistakes You're Making



Moving is a drag—there's no way getting around it, but there are ways to make your move a whole lot easier. Here are 4 moving mistakes to avoid:

### 1. You figure you can pack everything in a few days

Start packing weeks in advance, but before you just start piling things into boxes, spend the time up front to make an inventory of everything that needs to be either packed or tossed and break it down room by room.

### 2. You go cheap on moving supplies and boxes

There are lots of ways to get free moving boxes—but don't get skippy about purchasing new ones. It's worth the extra \$40–\$50, especially if it spares you from breaking something worth much more.

### 3. You pack boxes thinking you have superhuman strength

Try to avoid making boxes heavier than 50 pounds. Not sure how to gauge what's 50 pounds? Slide that sucker onto a scale. And if you have a hard time lifting it onto a scale, well, it's probably too heavy anyway.

### 4. You don't pack an overnight bag

Plan ahead by assembling an overnight bag with toiletries, clothing, and any other essentials you'll need at your new pad until you start unpacking and settling in. You'll thank yourself later.



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## How Long Does It Take to Close on a House?

By Jaymi Naciri

"All cash, seven-day close." Those words are a dream for a home seller and a real estate agent, but for the 75% or so of buyers who finance their home purchase, "47" is the magic number.

That's the average time it takes to close on a home, according to mortgage software company Ellie Mae. However, every loan is different, and there are a number of factors that can affect the closing date. The trick to getting through closing as quickly, easily, and painlessly as possible is knowing what to expect, knowing where you can step in to facilitate or speed things up, and being prepared for any surprises that pop up along the way. Here are some common occurrences that can delay a closing.

### The type of loan

The type of financing you're using to purchase your home can help determine the amount of time it will take to close. For Federal Housing Authority (FHA) or conventional loans, the average time to close is 47 days; U.S. Department of Veterans Affairs (VA) loans generally take a bit longer. There may still be ways to hurry things along by being diligent and in constant contact with your lender, however, some parts of the closing process are baked into the loan type.

### Down payment issues

Did you budget for both the down payment and the closing costs. Maybe you had enough for both but then had to deal with an emergency. There are a number of ways down payment issues can arise, and if you're faced with need to gather additional funds, it could put your closing date in jeopardy.

### Verification delays

Expect your finances and employment history to be scrutinized and all the details verified when buying a home. The process is can be even more intense if you're self-employed or if your down payment is coming from unconventional means like gift funds. Getting to the closing table in a timely manner will require cooperation from employers, bankers, landlords, and anyone else who needs to verify information. Being at their mercy is no fun, but one thing you can do to keep your closing moving forward is respond quickly to any lender requests that come your way.

### Irresponsible credit management

Getting your pre-approval from a lender is not an invitation to go buy a car or apply for a new credit card. Doing so could derail your loan. The ding to your credit score can cause your interest rate to rise; and incurring more debt may raise your debt-to-income ratio (DTI) beyond the acceptable threshold.

### Quitting or losing your job

Sometimes an employment change is out of your control, but you definitely don't want to willingly leave your job while you're in escrow. Less than two years of steady employment could put your loan at risk, or at least cause a delay while your lender takes the time to figure out how your change in circumstances affects your approval and financing.

### Interest rate changes

If you didn't lock in your interest rate and it rises during escrow, your payment may go up. In most cases, a minimal uptick won't make that much difference, but if you were already maxing out your budget or approval amount, this could become a problem. You may be able to work with your lender to adjust the rate or it may be necessary to come up with a little more money, which could add some time to your escrow period.

### The home doesn't appraise

A crucial part of the escrow process is the appraisal, which is usually required during any home purchase. The appraisal is used to determine the market value of the home; if it comes in lower than the sales price, there may be some more negotiating to do. If the seller is unwilling to lower the price, you may have to pay cash for the difference between the appraisal amount and the sales price—which could be dangerous if you overpay and end up under water on the home.

### The title doesn't come back clear

As part of the escrow process, a title company will complete a title search on the home to make sure there are no liens on the property and that no one else can claim ownership. Uncovering title issues can push the closing by weeks or even months.

### Inspection issues

Unless you're planning to waive the home inspection—which is not recommended since it can leave you on the hook for expensive repairs to things you can't see, like electrical and plumbing issues—your purchase offer will contain a contingency for an inspection. This contingency gives the buyer an "out" if the inspection uncovers serious defects; the buyer can also opt to negotiate with the seller, however, that back and forth can push the closing date.

### Other contingencies

Your purchase contract will typically have language that spells out other conditions that have to be met in order for the sale to go through; two of the main contingencies are for loan approval and appraisal. Additionally, if you're selling one home in order to buy a new one, your new loan is likely contingent on the sale of the other property.



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## Three Needless Seller Worries By PJ Wade

As if there isn't enough for sellers to worry about when they decide to sell their home, some of them needlessly worry about things that their real estate professional is responsible for. After making the decision to sell and selecting a listing broker, the associated worries—which sellers face alone—are behind them. Once the home is listed, sellers often shift to a new set of worries when really they should turn to the real estate professional they hired to help them stop stressing. Then sellers can redirect their attention and energy toward contributing to a successful sale.

### Seller Worry #1. "My Listing Is Not Receiving Enough Exposure to Buyers"

- Are you insisting your listing professional advertise and post everywhere, online and off?
- Do you want open houses every weekend and multiple mailings to the neighborhood?
- Are you concerned that if your listing is not front and center on every marketing and advertising site, in every brokerage campaign, and in every real estate publication, you're not getting enough exposure to buyers?

Unless you are a marketing professional yourself, step back. Let your listing real estate professional do their job. What really matters is exposure to specific buyers—target buyers—who qualify financially to purchase your home and whose needs match what your property has to offer. Marketing to people States away from your home or to those without sufficient financial resources or those who would not value your home is a waste of time, effort, and money. The Internet is a wonderful marketing tool because it enables targeting of specific subsets of people, not because the entire world could view your listing.

**YOU WIN:** If you were smart in your choice of listing broker, you've selected a real estate professional and brokerage well acquainted with the target buyer niches markets that will appreciate your listing. Their experience and success of matching buyers with properties is why you hired this professional listing team. Real estate knowledge about where target buyers search for listings, online and off, and what benefits attract them is what you need and what you are paying for. On-point communication in the right media will catch the eye of target buyers. If your professional hasn't told you already, ask about target buyers and the strategies for reaching them.

### Seller Worry #2. "The Professional Is Too Busy To Work on My Listing"

If you are concerned that your real estate professional—the listing salesperson—is not putting the time into your listing that they said they would during their listing presentation, call them on this. You need to be sure your listing receives the attention you signed on for, but more may be going on than you realize, so approach the subject with respect:

- The multiple listing system or MLS is doing a lot of the professional's work, as are online public versions and the internet in general. Allowing simultaneous access to your listing by multiple buyers and real estate brokerages maximizes exposure and speeds up the selling process.
- The other salespeople at the listing brokerage are also working to sell your listing, as are professionals on the local real estate board. The listing salesperson will be searching out target buyers; however, the professional's key value lies in promoting the property across the real estate board to salespeople who also work with the same target buyer niche markets.

### Seller Worry #3. "My Home Is Not Being Described Properly"

Do you feel the advertising and online copy promoting your listing does not rave enough about your property or extol the virtues of your favorite features?

- Understanding what will catch the eye of target buyers is what really matters, not how you feel when you read the marketing copy. You're not the target buyer. In fact, you may have little in common with them, except, hopefully, your house. They do not have the knowledge associated with living in your home the way you do.
- Buyers are buying a house (or condominium unit) based on hopes and dreams that it will be their "dream home." Before they live in it, they need to love it and value it—perhaps for very different reasons than you—so they will make a great offer.
- The real estate professional understands how to stimulate the interest of prospective target buyers by helping them make the transition from thinking about "the property" to wanting it to be "my home." Creating this emotional attachment in home buyers who have spent only a short time viewing a property requires communication skill and real estate expertise.
- Wording matters. Terms like "as is," "total remodel," or "fixer upper" leave different impressions—good or bad—with different types of buyers who are looking for different types of properties. For instance, the word "modern" is very popular with Millennial buyers and with buyers intent on a certain style of building and interior.

As you begin to fully grasp the significance of your transition from thinking about "my home" to celebrating the buyers' "new home" and potential real estate purchase, you'll feel more confident regarding your decision to move and about the selling process. You'll also understand the value in helping your real estate professional do their job for you.



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## Where Are the Best Places to Own an Airbnb?

By Jaymi Naciri

If you're looking to buy an investment property to turn into an Airbnb—especially if it's out of state—you'll want to pay attention not just to the potential revenue, but also the stringent laws that have been enacted in many popular cities. We're checking out a few of the most interesting cities in terms of their bottom line and the red tape you have to navigate as an owner.

### Palm Springs, CA

This city in the California desert topped Investopedia's list of 5 Best and Worst Cities for Airbnb Renting—this despite being "one of the most strictly regulated vacation rental markets in the country," said VRM intel. "Vacation rental owners must apply for and renew a vacation rental registration certificate annually for \$923, as well as submit a transient occupancy tax permit application, pool compliance statement, and HOA letter (if applicable) to the city's Vacation Rental Compliance Department before the home can be advertised or rented. Registrations are limited to one home per owner." Still, home prices are relatively low, and Investopedia calculates the potential for profit at nearly \$63,000 per year.

### Lahaina, HI

The draw of Maui is obvious, and, according to Scott Shatford, co-founder and CEO of Airdna, the Airbnb analytics firm that crunched the numbers for the Investopedia piece, short-term rentals give visitors a more affordable option than the high-end resorts in the area. The average home value in Lahaina is almost double that of Palm Springs, but the potential upside is huge thanks to the higher rental rate. Buy an investment property to turn into an Airbnb here and you could make a profit of almost \$56,000 per year.

However, "The Hawaii Senate has passed a bill that would require hosting platforms such as Airbnb and HomeAway to collect lodging taxes from guests of short-term rentals," said Avalara.

### Las Vegas, NV

Vegas is one of the most visited cities in the country, with an average of 42.9 million annual visitors. And, despite the vast number of hotel rooms, the city has a robust short-term rental market. However, new regulations around short-term rentals may just kill its burgeoning business.

"Las Vegas real estate investors will no longer be permitted to rent out for less than 31 days in the city," said Mashvisor. "The new Airbnb laws will only allow for property owners who personally reside in the rental to operate legally. Even then, these Airbnb rentals are required to renew a permit with the city every 6 months to avoid any fines or issues with the law."

### Scottsdale, AZ

Scottsdale can act as a case study for an investor looking to make money in a location that is popular year-round, but that also has a couple of special annual events that draw an inordinate number of visitors, which could allow said investor to charge a premium (Think: New Orleans for Mardi Gras and cities hosting upcoming sports events like the Super Bowl or Final Four).

In Scottsdale's case, not only is it "a hotbed for American corporate elites looking for a weekend getaway full of mountain biking, golf, and hiking," said realtor.com, but the city also hosts "15 Major League Baseball teams, including the Chicago Cubs and Los Angeles Dodgers" for spring training—many of them, and the fans who travel to see the team, preferring to rent a home over a hotel room. The "average daily rate" for a short-term rental in the city is \$301, but, in a luxury home with resort-style amenities, you could command \$1,000 a night, they said.

Scottsdale also has some of the most lenient regulations in the nation when it comes to short-term rentals.

### Orlando, FL

Orlando would seem like an easy target given the theme parks, and, according to Airdna's data, the average daily rate on a short-term rental is \$193 on a home with a median list price of just over \$300,000—numbers that tip in favor of the investor. But, there are a slew of rules owners have to follow.

A new ordinance "allows homeowners to rent out part of their home — as long as the homeowner stays on site while guests are present," said Avalara. "The new law limits short-term rental hosts to one booking at a time, a maximum of two people per room, and no more than four non-family members in a short-term rental at one time."

Operators also have to register with the city, pay a \$275 fee for the first year and \$125 every year thereafter, and collect lodging taxes from guests. "These taxes include a 6 percent state transient rental tax and 0.5 percent county discretionary sales surtax that are collected by the state, as well as a 6 percent Tourist Development Tax that is collected by Orange County."

### Miami, FL

This tourist haven has upwards of 10,000 active short-term rentals, but, new laws are making it harder for investors to collect. Operators can typically make an average of about \$200 a night—but vacation rentals are now outlawed "in residential neighborhoods outside the core Miami Beach downtown communities," said realtor.com.



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## Six Creative Ways to Drum up Interest in Your Home

*By Jaymi Naciri*

A perfectly updated home at the right price in a highly coveted neighborhood may sell right away, but what about the rest of the homes that hit the market? You should be able to depend on a well-connected, experienced real estate agent to create a solid marketing plan, network with fellow agents, and hold open houses. But is there something you might be able to do to help get your home sold? There sure is.

### Organize a block party

If you live in a neighborhood where everyone knows each other, fantastic! Get everyone together on the street and offer to serve drinks or dessert in your house so you can make sure everyone comes on in. If you're not super friendly with them, a block party is a great way to get to know the neighbors you'll soon be leaving—and maybe uncover someone who's interesting in finding a new place in the same neighborhood.

### Have an estate sale

A garage sale may attract mainly ultra-bargain shoppers, but an estate sale...that's another story. Not only do you have an opportunity to sell some of the items you don't intend to take with you to your next home, but you may find a potential buyer, too. If you don't have enough items to sell, enlist a few neighbors. They might be more than willing to haul over their old sideboard and china set for a chance to get it sold with minimal effort.

### Show off the goods

Have a newly renovated kitchen you want to show off? Nine out of 10 property purchases are decided by women, so invite the neighborhood moms over for wine and hors d'oeuvres. You never know who will fall in love with your kitchen island and decide they need to move.

### Let your neighbors know on Nextdoor

Depending on how your neighborhood Nextdoor is run, your post may be flagged and taken down. But, before that happens, you just might be able to zero in on a prospect or two—before you even list your home for sale!

### Rent a gaming truck

For a couple hundred bucks, you can rent a gaming truck to park in your neighborhood. Invite all the moms to hang out inside with you, where they can ooh and ahh over your home while the kids are occupied and having fun in the truck.

### Ask your neighbors to put the word out

Turning your neighbors into an extension of your real estate agent's marketing team is easy. After all, they care about who their future neighbor will be, right?



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