

Your REALTOR:



Dennis Kutny

# December 2020

# REAL ESTATE Update



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## What Might the Spring Housing Market Bring?



This year has been nonstop uncertainty. The coronavirus pandemic led to shutdowns and changes in everyone's way of life. That's continuing as we head into winter. Cities have been hard-hit not only in terms of public health but also economically. Despite all of those factors, the housing market is one thing that's had a consistently rosy picture this year. So, what do experts think next year will bring? Will that positivity hold steady, or are we in for a bust?

### Rising Prices

If inventory remains low into early 2021, it's possible that home prices could continue to go up. The median asking price for properties in September 2020, according to Realtor.com, was \$350,000. That was up more than 11% compared to last year. Again, if there continues to be a lot of buyer competition and a significant shortage of properties, and little new inventory coming onto the market, this trend could maintain.

### Suburbs Reign Supreme

Many feel that 2021 could see more of an exodus from urban areas to suburbs. Some of the most popular places in 2020 have included Colorado Springs, CO; Reynoldsburg, OH; and Rochester, NY. Certainly not the places you think of when you think of a bustling real estate market.

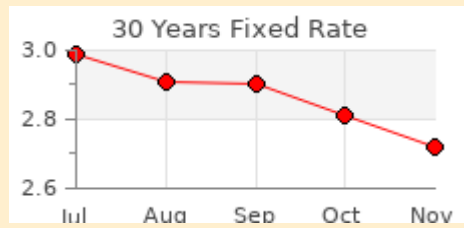
### Builder Confidence

Despite all of the headwinds and the seeming barrage of negative information, it does seem that there is optimism among many. Consumer confidence was high in September, and builder sentiment similarly seems to be at an all-time high.

## Mortgage Rates

U.S. averages as of December 2020:

30 yr. fixed: 2.72%  
15 yr. fixed: 2.28%  
5/1 yr. adj: 3.16%



## Using Income from Tips to Help Qualify



For many of those in the service industry, getting additional income from tips accounts for quite a bit of an employee's take-home pay. But when it comes to getting approved for a home loan, borrowers need to be aware of how that tip income can be used to help qualify.

First, there needs to be a history of receiving it. In addition, this income must also be consistent. Providing a two-year history helps lenders make the determination the income will continue into the future.

Tip income must be logged. In addition, the tip income deposits must be verified. This is accomplished by reviewing past bank statements. These deposits must show up on these past bank accounts.

Further, the tip income must be reported to the IRS for the past two years. In general, lenders treat tip income just like any other in the way it can be verified and used for qualification. Lenders want to see a two year history of employment while showing the income is likely to continue. The income needs to come from a qualified source. The income must be received at relatively regular intervals.

## Architect, Designer or Contractor: Who to Hire for a Renovation?



Knowing what differentiates them from one another can help you make the right decision for your project.

### The Role of a Designer

A designer can help you by coming up with ideas, creating plans and steering you in a direction based on your wants and needs. Of those, for many people, drawing the plans can be the most important role of a designer. A basic design plan might include a floor plan and built-in features, such as cabinets in your kitchen. A full-service designer might take the worker beyond that and help with fixtures and finishes. Designers aren't typically project managers, however.

### The Role of an Architect

An architect will come to your home and go over what you want from your renovation and budget. They will create a plan that will bring that to life. You may work with an architect only for the plan. Some people hire architects for full project management. In that case, the architect will choose contractors and will track their progress.

### The Role of a Contractor

A contractor is someone who serves as a project manager when you bring them on for a renovation. They will work with you on your expectations and then make sure those are met. Contractors can give you a complete budget breakdown for the project, and they can also design your project if you want them to. Something valuable about hiring a contractor is that they'll then find your subcontractors such as electricians and plumbers. This makes your life easier because finding trustworthy subcontractors and then managing them can be a challenge.



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Dennis Kutny, REALTOR  
E-mail: [dennis@denniskutny.net](mailto:dennis@denniskutny.net)  
Website: <http://Sarasota-ManateeHomes.com>  
Cell: (941) 626-1093

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## Qualifying Income You Might Not Know About *By David Reed*

Lenders want to make sure borrowers can comfortably repay their loans. Doing so allows the lender to make even more home loans. Affordability is primarily determined by comparing monthly income with monthly debt. Income is relatively easy to document simply by reviewing recent paycheck stubs, W2 forms and/or tax returns. But for those who are seeking additional income support in order to buy and finance a home may not be aware there are other sources lenders can use.

### Support Income

Either in the form of spousal support or child support, this type of income can be used to help qualify under certain guidelines. First, there needs to be a history of timely payment. This is accomplished by providing copies of bank statements showing the monthly deposits being made and when. It is also assumed spousal support will continue into the future barring the ex-spouse receiving the income has not married. Child support payments typically continue until the child turns 18. These conditions of who pays what and when as well as when and if the payments will cease are spelled out in the signed divorce decree.

### Investment Income

Dividends and interest from investments may also be used to supplement qualifying income. The income must be shown to be consistent over the previous two years and the borrower's name must appear on the statement. Any other names on the statement will cause the lender to divide up the income among all who appear on the investment account. Income is averaged over the previous 24 months in order to arrive at a qualifying amount.

### Disability Income

When someone is injured while on the job, they may be eligible to file for disability payments. This can be verified by reviewing a copy of the disability policy benefit statement. This income may also be used as long as the lender makes the determination the income will likely continue well into the future, for a minimum of three years. It can sometimes be the case that the disability is shorter term in nature, or the lender needs more information about the nature of the disability filing. However, it's important to note that individual doctors may be reluctant to provide such personal details.

### Social Security Income

This is fairly straightforward but social security income can also be used. In order for the lender to use social security income, all that is needed is a copy of the social security awards letter. A request for this letter is made directly to the Social Security Administration either by the borrower or the lender.

### Bonus Income

Like other forms of income, bonus income can be counted as long as there is a regular history of having received it. Bonus income should be both consistent and at regular intervals. Bonus income is averaged and should be paid monthly or sometimes quarterly. An annual bonus most often won't be used. It's thought that a holiday bonus in December may not be readily available in say July. Verification of the terms of the bonus can be obtained directly from the employer.

### Part Time/Seasonal Income

With a two year history of receiving part time income as well as seasonal work such as during the holidays or during the summer, this income can also be counted when adding up qualifying income. The part time income should also be relatively consistent. Seasonal income may be counted, depending upon the lender's internal guidelines, again with evidence of receiving it for the most recent two years and paid out in a consistent manner.



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## Tips for Designing Your Dream Kitchen Island By Ashley Sutphin

With coronavirus continuing to be an issue this winter, the only island you might see is in your kitchen, so why not make it great? A spacious, functional kitchen island is the centerpiece of any space, and it's something you might be dreaming of. So, if you're in the process of designing or just playing around with the idea in your head, the following are tips for island design.

### Which Appliances Should Go in Your Island?

You probably want to put at least a few of the more functional things in your kitchen in your island. It will save space, and it just makes things easier as you're designing the rest of the kitchen.

Adding your sink to your island is probably where you should start. It's not exactly an appliance, but it's certainly something you use, probably every time you're in your kitchen. If you're using your island for a lot of food prep, you want your sink right there.

With that in mind, it's always a good idea to have your sink next to your dishwasher, so you might also include that in your island.

Two optional but nice-to-have items in your island are a wine or beverage cooler and a microwave. Some islands even have pull-out refrigerator drawers.

You can add your cooktop to your island, but you might need to think about venting, which is why some people don't prefer that.

### How Much Storage Do You Want?

When you have an idea of the appliances that will go in your island, then you can move on to start thinking about storage. At a minimum, if you're using the island for food prep, you want to have at least a few pullout drawers and a place to put things like cutting boards.

### Counter Height

To determine your counter height, you want to think about who will be sitting there and how they'll sit. If you're going to have barstools, you'll either likely have them be 36 or 42 inches. You can also design an island so that it's two levels. One level might be higher for barstools, and the other might be lower so you can do prep.

If you have a 36-inch bar, it's seating that's somewhere between a typical barstool and a table.

### Counter Height

When you're deciding on a size for the island, you have to think about not only what you want it to achieve but also the open area around it. You need at least three feet of floor space on the ends of the island. For your working and seating sides, you need at least 42 inches.

If you have enough room, the ideal width for an island is usually three feet.

Proportion is really important when you design an island.

You want to make sure that it works well with the rest of your kitchen and maintains a good sense of flow.

Finally, once you have all the basics above taken care of, you can start deciding on the more fun elements. For example, what countertop material will you use? One of the most beautiful island design options is a waterfall countertop, with stone or another solid surface cascading seamlessly to each side.

You can also start thinking about lighting. Pendant lights are always a good way to make a statement above your island.

If you have an open-concept layout, your island design is even more important because it's likely the focal point of your entire living space. Focus on function, but then have fun with your design as well.



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## What Are the Pros and Cons of Open-Concept? *By Ashley Sutphin*

If you've ever watched a real estate show, you've likely heard the number one thing buyers want is an open floorplan. Open-concept design has its perks certainly, but it's not right for everyone and their needs. Despite it being so in demand, it's important you think about those downsides you might not have considered.

### What is Open-Concept?

An open-concept floorplan indicates a layout where there are large, open rooms and multiple functions within a single space. If you don't have a lot of square footage to work with, an open floorplan works well. If you have a large home, you might not need an open-concept plan because each individual room itself is so big.

Homes built before the 1990s tended to have a lot of separation between rooms. By the 2000s, the open floorplan was definitely the more popular option.

### The Pros of Open-Concept

The following are some of the upsides of a wide-open living area.

- If you have a family, particularly with young kids, open-concept can make it easier for everyone to be together and for you to keep an eye on the kids even while you're doing other things like cooking. You get a sense of togetherness with an open floorplan.
- Open floorplans help you make better use of space that would otherwise be unusable. For example, if you have a formal dining room, you may not use it often. With an open floorplan, you're more likely to use all of the space available to you.
- If you entertain, open floorplans are undoubtedly ideal for you.
- Taking out walls or having a design with limited interior walls allows for more natural light, and you can get outdoor views.

### The Cons of Open-Concept

Again, while people rave about open-concept living, it's not right for everyone. Downsides include:

- If you have older children or multiple generations in your household, you might want the privacy that smaller rooms can bring to your home. If you have, let's say a nanny who lives with you or something similar, open-concept can bring you all together in a way that maybe you don't prefer.
- If you're someone who loves to display items on your walls, you're going to have limited space to do so with open-concept. For art collectors, as an example, you might want more rooms and thus more walls.
- If your kids regularly make a mess, having enclosed rooms can help you contain it to one room more easily, so it doesn't spill into other living areas.
- Noise travels a great deal in open-concept plans.
- You may want rooms that are dedicated to specific, individual uses. For example, maybe you want a home office, a workout room, or a crafts room.

If you're deciding on a new home or thinking about renovations, it doesn't have to be all-or-nothing with open-concept.

There is a middle ground. For example, maybe your living area and kitchen are open to one another, but your dining area is separate. There might also be designs where you put partial walls to provide some delineation between spaces without full closure.



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## Should You Move Out During a Remodel? By Ashley Sutphin

Maybe you've been planning a remodel for quite some time, and you're finally getting started. You might be doing a large-scale remodel to make your home more functional for your family, or perhaps the plan is to get it ready to sell. Regardless of why you're remodeling, there's a big question that will arise: should you stay, or should you go? Meaning, should you move out while the work is being done? The following are some of the things to think about as you decide.

### Is Moving Out a Realistic Option?

If you have family or friends that are willing to take you in for a period of time, this may not be a concern, but otherwise, can you realistically afford to move out? If you're paying several months of rent, for example, think about how much this will add to your total renovation costs.

It could be thousands or tens of thousands. That's even if you can find a short-term rental for the window of time you'll need.

Even if you technically have the money to move out and into temporary housing, could that money be put to better use in the remodel itself?

### Do You Work From Home?

A lot of people work from home for the foreseeable future because of coronavirus. If you're one of them, and perhaps your spouse is as well, you may need at a minimum a reliable place to work while renovations are going on. Working in a construction zone can be even tougher than trying to live your day-to-day life in one.

Maybe staying throughout your renovation would cause your productivity to take such a hit that you just can't manage it, in which case you might move out.

### Staying Could Extend the Timeline

If you stay during a remodel, the contractor is going to have to work around you. They're not going to be able to work hours that are as flexible such as in the evenings. They're going to be building their schedule around yours, which might mean that it takes longer to finish things. Plus, you're taking up space, and your personal items are as well. That can slow down the process.

### What Part of Your Home Are You Renovating?

Whether or not you move out can depend on your budget and timeline and what the project is. If you're renovating something like a kitchen or bathroom, it can make more sense to move out. Otherwise, you may have to set up a temporary area of your home for essential functions like preparing snacks and meals.

Of course, if you're doing a gut renovation you probably don't have any choice. You'll have to move out. Otherwise, in addition to the obvious downsides, you might also be exposed to toxic chemicals and fumes.

If you're renovating something like a basement or a living area, you might not have to move. It could be that you can stay out of that area easily enough during the renovation. You just need to think about your needs and lifestyle.

Some homes have layouts that are more conducive to staying put during a renovation too. For example, maybe you have a multi-level house so you can confine most of your activities to one level or the other during renovations.

If you do stay in your home, but you restrict yourself to an area where work isn't being done, you can rent a storage pod so you can completely empty the work area. This will keep your furniture and other items protected, and it will also make it easier for the people who are working.

### Safety

Safety is another issue that is likely to sway you in one direction or the other. If you don't have kids or pets, or your kids are older, this might not be a concern. If you do have kids or pets, staying in your home during renovations can be a safety concern.

The contractor and subcontractors should make an effort to keep their work areas sectioned off, but worksites are inherently risky.

If you're trying to decide whether or not to move out during a remodel, there's not one right answer that works for everyone. It depends a lot on how much you can tolerate in terms of inconvenience, your family and lifestyle, and the scope of the work being done.



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