Your REALTOR:

Dennis Kuty

September 2023

Real Estate Update™

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What Is Hygge Décor and Why Is It So Popular?

Hygge is a Danish concept focused on quiet comfort with neutral and warm color palettes, plush textures, natural greenery, and a general sense of coziness. If you're wondering how it's pronounced, it's hoo-gah, and it doesn't actually have a literal translation. It's more of a feeling.

Everyone's sense of hygge will be unique to them because we all find happiness and comfort in different ways. Still, there are some design elements often associated with it. One is the use of comfortable textiles and fabrics. Since you want to be comfortable, this means you layer blankets and have rugs that feel good under bare feet. With layering, you get the visual benefit of depth, but you also have the ability to adjust the environment to whatever feels comfortable to you at the moment.

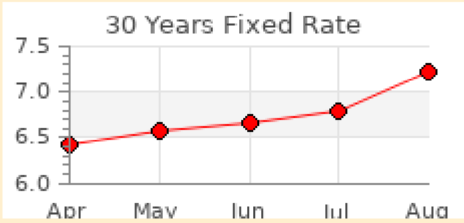
The scent of your home can be a key player in evoking a sense of hygge. Things like warm, burning candles feel instantly homey and inviting, and it's also giving you a chance to thoroughly enjoy life's simple pleasures. A fireplace during the wintertime is similar.

Also, in line with the concept of less is more, it gives your spaces some breathing room. You don't have to fill every wall or floor space with something. You want ample space because the idea is that it creates more free space within your mind.

Finally, we tend to associate hygge with those cold-weather Danish winter months, but you can continue to appreciate this style in the warmer months. You might use greenery to bring the outside in rather than using your fireplace as an example.

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

30 yr. fixed: 7.23%
15 yr. fixed: 6.55%
5/1 yr. adj: 6.5%



Things Lenders Can't Ask You

If some of these questions do in fact come up, it's time to get up from the table and walk away.

"Do you plan to get pregnant soon?" or "are you already pregnant?" This question is way out of bounds. The lender may want to know whether or not there will be another mouth to feed along with the associated expenses of raising a child that may be on the way, as that could affect your ability to handle your debts. It's none of the loan officer's business. Similarly, "will you retire soon?" is another no-no. This follows along the lines of whether or not there will be sufficient income to pay the home loan down the stretch. The fact is that when an application is submitted, the file is analyzed based upon the current situation at that time, not any 'what if' situation somewhere down the road.

"Are you ill?" or "do you have any sort of disability?" Whether or not someone does in fact have some sort of disability, it's a non-factor when it comes to qualifying for a home loan. As long as someone meets the standard criteria for obtaining a mortgage, whether or not there is a disability or illness doesn't matter.

Safety Tips for Showing Your Home

Showing your home is an integral part of the overall process to ultimately sell it. While that may worry some homeowners, the following are some general safety tips when you show your home.

1. Avoid An Open House: A lot of real estate agents don't think they're beneficial anyway. During an open house, you're taking a more significant risk than you are if you have scheduled private showings. It's not only more likely that someone could target your valuables or look around to come back to your home later, but you also have more exposure to people who might be sick.

2. Show to Qualified Buyers Only: To find qualified buyers, there are various ways to screen them. For example, your agent can request a pre-qualification letter before setting a showing date.

3. Put Certain Items Away: Your valuables and heirlooms are more obvious, but there are less obvious things to put away. Prescription pain medications are one example. Your mail and bills are other things to put away in preparation for a home showing.

4. Use Smart Home Technology: You might consider using smart home security while your home is on the market because this is when it's especially vulnerable to various threats. Plus, if you add some safety and security features, it can make your home more appealing to buyers. At a minimum, using a smart lockbox is a good idea because it gives you control over who comes into your home no matter where you are.

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Dennis Kuty, , REALTOR
E-mail: dennis@denniskuty.com
Website: http://Sarasota-ManateeHomes.com
Cell: (941) 626-1093

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How Much Will New Home Upgrades Cost?

By Ashley Sutphin

If you're thinking of buying a new home, understanding and considering these extra costs is important. Many buyers fall in love with a model home and are disappointed to see that the "real" home they are buying is full of builder basics, like unimpressive flooring and countertops, and no fancy backsplash or tiled shower. There may not be any grass or landscaping in the backyard or window coverings at all either. Here's what you need to know.

What is included in the base price?

What's the first thing you do when you get to a new-home community? You tour the model homes, right? And now you're all in love and imagining your furniture sitting atop the wide-plank wood floors in the living room and your kids cozying up to the quartz-covered breakfast bar. That's when you get hit with a big shock of reality: The model costs $200,000 more than the base price of the house.

So how much are we talking?

Could be a little, could be a lot. It entirely depends on you. "We visited a builder in our area that advertises low home prices, and were shocked to find out how much of what we saw in the model was an upgrade," said Autumn of It's Always Autumn. "I knew that the granite countertops would be an upgrade, but the entire kitchen layout was an upgrade costing $10,000, and the master bathroom layout was another upgrade costing nearly as much. Window sills were an upgrade. A garage door opener was an upgrade. Central air was an upgrade. Any light fixtures other than fluorescent bar lights in the kitchen were an upgrade. Not to mention 2-tone paint, the trim, the doorknobs, all the fixtures, the carpet, the tile, etc."

In general, everything you add or change will cost you. Individual prices will vary depending on the builder, the home, and the specific finishes they offer, but here are some examples of what to expect:

- Wood flooring throughout the entire house could cost between $20,000 and $40,000, depending on the brand and quality.
- Upgrading a kitchen could bust your budget. Depending on the builder and community, you could add better appliances, more expensive countertops, a fancy backsplash, and a nicer grade of cabinets. Before you know it, you're looking at the cost of a luxury car.
- Adding another bedroom could cost $15,000.
- Raising the ceilings? This could be a $10,000 upgrade.
- Bathroom upgrades can get also get costly quickly. Want an expanded shower, freestanding tub, and upgraded flooring? You're likely well over five figures.

Where should I start with my upgrades?

In the kitchen. "The kitchen is the heart of the home, the spot where you will spend the majority of your time and make the most memories," said New Home Source. "It can never be overly well equipped. Pay special attention to cabinets and appliances, as this is what future buyers will focus on, as well as the tools you will use every day."

Do any builders include upgrades in the base price?

Some do. For example, Lennar's Everything's Included (EI) program includes some of the most popular amenities, such as GE® or Electrolux® stainless steel, energy-efficient appliances, upgraded polished granite or quartz countertops, and upgraded cabinets and flooring, in the price of the home. Other things you need to know about new-home upgrades:

You're going to have decisions to make.

Many, many, MANY decisions. You'll need to choose products and colors and finishes for every room and nearly every surface. Sometimes, there will be multiple decisions that need to be made at once. Just selecting your cabinets from among the standard options and colors can be an adventure. Thankfully, many new-home builders today have design centers that are staffed with professionals who can provide guidance.

Upgrades can often be rolled into your mortgage.

This makes them seem painless since you don't have to come out of pocket for those wood floors. But it will raise your monthly payment. And, if you're already at the limit of what you're qualified for, or what you feel you can afford, that increase may be problematic.

It's important to consider the value.

Are you making smart upgrades that will add value to your home? Obviously, you have to weigh the importance of your personal wants and needs against what the general public might want when it's time to sell. Your real estate agent should be able to provide important insight into items that will—or will not—make the home attractive to future buyers.

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How Does the MLS Work?
By Ashley Sutphin

If you buy or sell a home, you're probably going to hear about the MLS. MLS stands for Multiple Listing Service, used by real estate agents and brokers to provide information about properties that are for sale and to find listings for buyers that are available.

The MLS is like a database of homes for sale in any given geographic region. If a real estate agent lists a property for sale, they add it to the database. Once the property's in the database, all the agents and brokers in the area with access to this system can see and review the listing. A buyers' agent can use the MLS to show clients potential homes. There are pictures and detailed descriptions of all the homes for sale. Brokers and realtors pay a membership fee to have access to the local MLS database where they work.

Because of the MLS, smaller real estate agents and offices are able to compete with much larger firms. The brokers and agents with access to the MLS can show clients listings from other agents in their region rather than only being able to show the ones their office represents.

The databases are private, and they are created, maintained, and also paid for by the local area's real estate professionals.

A real estate agent shares their listing on the MLS. The agent will upload information and pictures for every listing, and the database information is updated on a regular basis by the brokers and agents who participate.

If you're a homeowner, you can't add your home to the MLS on your own. You have to work with agents or brokers.

There are hundreds of MLSs throughout the country, and the number goes up and down depending on factors like regional consolidation of brokerages.

Other countries don't typically use something like an MLS.

Additionally, there are some markets in the United States without an MLS. New York City is one example. Even though New York doesn't have an MLS, there are other services where real estate listings can be added.

Most homes for sale are on the MLS, with a few exceptions. Homes only for sale by owner will usually not be on the database, and sometimes larger brokerages have their own database where they put their listings, opting not to add them to the MLS.

A pocket listing isn't marketed in a typical way, and these can be known as off-market listings or exclusive listings. These aren't on the MLS because the seller wants to keep it quiet that they're selling the property.

Some regional MLS databases will let consumers look at the same listings an agent could see, but on the agent side, there is more information about submitting offers, showings, property access, and other things an agent would need to do a market analysis.

Many brokers will give their clients access to the MLS so they can see listings, but again, the public doesn't have the full access the broker does.

The MLS is one reason that, for most buyers and sellers, working with a real estate agent is the most convenient and effective route to take. The MLS lets these agents and brokers see and share information about listings, and often if you aren't an agent, you can't see what's on the MLS at all.

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8 Hidden Costs of Home Ownership
By Ashley Sutphin

If you're a first-time homebuyer, you're probably already overwhelmed. You might think that a monthly payment along with your down payment is the bulk of the financial responsibilities you're taking on. The mortgage is just the tip of the iceberg, however. There are plenty of other costs of homeownership you need to factor in before you buy something. You need to fully understand all of these costs so that you're not buying something ultimately more than you can afford.

1. Closing Costs

Closing is the final step in getting a mortgage, and it's something many homebuyers underestimate as far as how much it will cost. When you close, your loan is approved, the inspection is done, and you're about to get the keys to your new home.

When you complete your purchase, you have a closing meeting to sign all the paperwork, and you also have to pay for several costs. These costs include mortgage interest payments, taxes and insurance escrow payments, legal fees, lender application fees, recording fees, and title insurance. Closing costs can average between 3-4%, but the costs vary from state to state.

2. Property Taxes

When you own a home, you pay property taxes. The bank doesn't determine these. Instead, the city or town where you live does. The property tax payment you owe is assessed based on the value of your home. It can be anywhere from $500 to $1,000 a month. The average effective rate nationwide is around 1.1% of the assessed value of your home.

3. HOA or Condo Fees

These fees don't apply to every homeowner, but if you purchase a house in a homeowners' association or condo association, you'll have to pay a fee monthly or quarterly. The fee covers services for the neighborhood, like garbage collection. The fees of an HOA can rise, or they might charge an assessment for a large project, so there's some unpredictability in these costs to be aware of.

4. Insurance

Homeowners insurance is something mortgage companies and banks require before they'll issue your loan. The premiums are probably already included in your monthly mortgage payment. Usually, the premiums are paid from your escrow account, which is true of property taxes in many cases. Premiums can rise annually, and most typical homeowners policies don't cover what are described as acts of God. That means you'll probably need to get additional coverage for natural disasters.

5. Utilities

The cost of your utilities can be as much as your property taxes. Electricity alone can be $100 a month or more, especially when energy costs are high.

6. Appliances

Most homes will come with appliances, but if you're purchasing new construction, they won't. There are also some sellers of used homes that take their appliances with them. You'll probably need to buy a washer and dryer at a minimum. Most contracts stipulate that the seller will leave the dishwasher, refrigerator, stove, and potentially the microwave, but this isn't a given.

7. Lawn Care

If you manage your lawn care, you have to set aside time, and you're probably also going to have to buy lawn equipment. Inevitably there will be lawn maintenance tasks you can't do on your own as well. For example, you may have hanging tree limbs or dead trees that need to be removed. Paying someone for regular lawn care becomes a monthly expense rather than a once-in-a-while experience.

8. Maintenance

Finally, along with everything above, when you own a home, you're responsible for all the maintenance, which is quite a shift from being a renter.

There are so many systems in a home that can need maintenance, repairs, and even replacing. You'll be maintaining the electrical system, the HVAC system, the roof, and the plumbing. If you're buying an older house, expect the maintenance costs to potentially be significantly more than they would for new construction.

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Can You Use Home Equity to Buy Another Property?
By Ashley Sutphin

When you have equity in your home, you can tap into that and, if you're strategic, use it as a way to build long-term wealth. There are a lot of ways you can capture equity to build wealth. For example, you can pay off higher-interest debt or make home improvements that ultimately increase the value of your house. You can start a business or you can even invest in the stock market where returns might be significantly more than the interest you pay on your loan.

Another question people commonly have is whether or not they can use their home's equity to purchase another property, which we discuss below.

Can You Use a Home Equity Loan to Buy a House?

In short, yes. You can use a home equity loan to buy a house, but that doesn't mean it's always the right decision in every situation. Using home equity can be a way to buy a second home or an investment property with caveats. A home equity loan is a second mortgage, giving you a way to access the equity you've built in your home. Home equity refers to the difference between what you owe and what your home is worth.

The Upsides

If you're thinking about using your home's equity to buy another house, there's a distinction you need to first make. Are you buying a second home or an investment?

If you're planning to buy an investment property, using a home equity loan can give you more liquidity and make it less expensive. Benefits of using equity to buy an investment property include:

• You can put more toward your down payment. A home equity loan is something you receive as a lump sum payment so that cash can go directly toward a down payment. You'll be a more competitive buyer, which is essential in the current market, and you'll get lower interest rates and monthly payments.

• It can be harder to finance a second property because there are more stringent down payment requirements, so a home equity loan can be a more affordable solution and also one that's more convenient.

• A home equity loan is secured with collateral, which is your current home. As a result, you get the benefit of lower interest rates.

If you're buying an investment property, using your home equity can be a good wealth-building strategy. If you're buying a second home, you have to consider that it's not going to bring in income like an investment. That means that you're going to be tying your home up in a loan and then taking on another loan, so you need to be in a solid financial position to make this work.

The Downsides

The downsides of using equity to buy an investment property do exist. These include:

• You're swapping an asset for a debt. You're taking the part of your home that you own, and then you're putting it into a loan. Ultimately, no matter the specifics, you will have higher debt, so is that what you want?

• You're vulnerable to housing market shifts, even more so when you own two properties instead of one. You're doubling your risk if something happens in the housing market. For example, if the value of either of your properties goes down, you might owe more on your home equity loan and your mortgage, overextending you.

• If you were to default on your loan, you could lose both properties.

• You might end up having three mortgages but only two homes. Most home equity loans are second mortgages, so you have to combine this with the loan you'll need for your second home, meaning three mortgages.

• Another downside you'll have to weigh is the fact that interest payments on your home equity loan will probably not be tax-deductible because of 2018 changes in tax codes.

The big takeaway here is that, yes, using home equity to buy a second home is an option and sometimes a very good one. At the same time, there are risks and it's not always the right decision, so you need to go over the details in your specific situation carefully.

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