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Greater Huron's first quarter 2023 in Real Estate

The first quarter in Huron's area of Real Estate is off to a solid start.

The housing shortages, both nationally and locally, are playing a significant role in the Greater Huron marketplace. Our local inventory continues to be low with only 57 Active Listings YTD, down 25% from last year's 76.

The New Listings coming on the market are also down 34.6% YTD from 2022's 52, to 2023's same point in time figure of 57 listings.

Similarly our Sold Listings are down 36.6% Year over Year from 41 to 26. The only thing going up are values ... with the Average Sales Price increasing 18.95% from YTD, from \$150K to \$179K.

So what do all of those numbers really mean? Well don't let that 19% increase scare you as it doesn't take much in a small market like



James Tharp

Broker/Owner Montgomery Real Estate
HBOR President

ours to "move the pendulum," just a few high dollar sales will falsely inflate that number in our local market.

I recall back in 2018 we had some high ticket sales one quarter that resulted in a 23% increase (which was UNHEARD of at that time), and boy did that get tails wagging with my phone

ringing off the hook!

What we have is what is called a Sellers Market, where the housing demand is exceeding the inventory. If you are thinking about Selling, now is the time and any one of our REALTORS can help!

The Huron Board of REALTORS strives to provide accurate and timely information to our market and encourage the ongoing education of our members. This commitment serves as a valuable resource to the Huron community and all it touches!

Please visit our web page at HBOR.org or our Facebook page: Huron Board of REALTORS for more information and contact your trusted REALTOR to learn more about our industry and market.

James Tharp is 2023 president Huron Board of REALTORS and 2014 South Dakota Realtor of the Year



Average time to sell a house in S.D.

BY KRISTEN KLEMPERT

Getting ready to sell your South Dakota home? Here's how long you can expect it to take — and some tips on how to speed things up (and still get a great price).

In 2022, the average time it takes to sell a home in South Dakota — from listing through closing — was approximately 78 days. That's 43 days to get an offer, plus the typical 35-day closing period.

Key factors that impact South Dakota home sale timelines include local market conditions (e.g., buyer demand, job market, rising home values, etc.), time of year, and your property's type and condition. Your agent's listing strategy (pricing, marketing, networking, etc.) and the buyer's financing situation — i.e., the amount of time it takes for them to secure loan approval — will also influence how long your sale ultimately takes. Read on to learn more about how long it takes to sell a house in South Dakota and get some pro tips on how to speed up your sale, get better offers, and save thousands in the process.

The average time it takes to sell a house in South Dakota is 78 days — 43 days to get an offer and an additional 35 days to close. This is approximately 6.0% faster than the national average.

Keep in mind that these are annual averages and the numbers will vary by month and/or season.

Tips to get your South Dakota home sold

1. Highlight the key amenities of the area

What's the best part of living in your neighborhood? Are you close to a key employer, a particularly beautiful park, or a specific tourist site? Are there amazing restaurants, easy public transportation, or great schools? If so, you want to let folks know!

Be sure to highlight what makes your home better than others in your city or region. It will help buyers understand why they should focus on your property!

2. Boost your curb appeal

Listing in spring is the best way to get buyers to see your home, but you want to make sure it looks great. The first thing someone sees is the yard and porch, so you want to make sure they make a great impression. After a South Dakota winter, that takes a bit of effort!

Make sure your lawn is re-sodded if you've gotten bare spots during the winter. Trim trees and consider a fresh coat of paint for the door or porch. Plant flowers and pretty shrubs. It will draw in buyers.

3. Take Professional Photos

One of the key reasons to work with an experienced realtor is that you'll get help with great marketing. Part of this is having professional photos done. 44% of people look online before they view a property in person, so you want to make sure you're putting your best face forward.

Don't rely on a cell phone or DIY photos. Make sure you work with a professional.

4. Make the right improvements

In South Dakota, people want to make sure any home they buy has a great HVAC and insulation. Otherwise, they'll be paying a ton in heating and cooling costs. Have an HVAC inspection and considering upgrading insulation, especially in the attic.

When you can tout these improvements in your marketing, you'll draw in buyers who are looking for good quality. You can also do other small upgrades that can make a big difference in selling quickly for a great price.

5. Stage your home for sale

When you're ready to sell your South Dakota home, it's time to depersonalize it and remove the things that make it "yours." Instead, you want to help buyers see themselves living in the house. You might need to repaint in more neutral colors, or remove collections or personal belongings and put them in storage.

You can also work with a professional home stager to prepare specific rooms of your home with decoration and furniture that show off the room's best features. It will be worth the investment!




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Single women outpacing men in home ownership

BY LEORA RUZIN

An analysis by LendingTree found that single women own millions more homes than their male counterparts, according to 2021 U.S. Census Bureau data.

The analysis also uncovered that single women are more likely than single men to own their own home in 48 out of the 50 states. Women dominate ownership at the highest rates in southern states like Louisiana, Alabama, and South Carolina, which typically have cheaper home prices. The only states where single men own more homes than single women are North and South Dakota.

"This discovery is surprising, considering the financial hurdles women have historically faced," Jacob Chanel, a senior economist at LendingTree and the author of the analysis, stated. Specifically, women continue to face a wage gap in the workforce, making on average 83.1 cents for every dollar a man makes, according



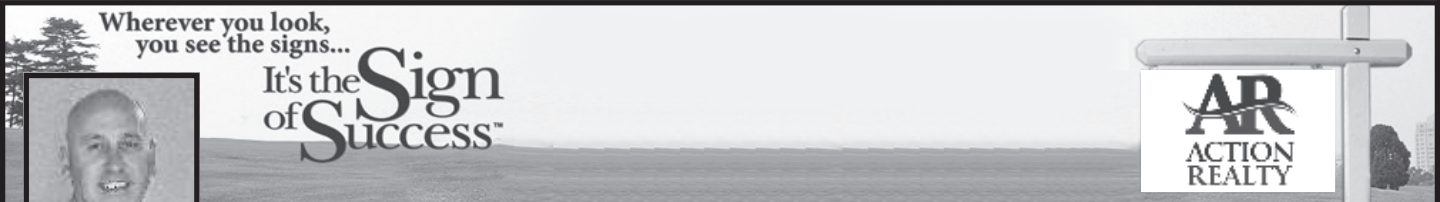
to the Bureau of Labor Statistics. The analysis discovered that while single men own roughly 8.1 million homes, single women own about 10.7 million homes. The trend may have long-term financial implications for single Americans given that homeownership is often one of the most effective

methods of building personal wealth. A typical homeowner who bought their home in 2011 accumulated \$225,000 in housing wealth by 2021 on average, according to an analysis from the National Association of Realtors in 2022. Some critics are wondering how single women can afford more homes than single men with the wage gap. Further analysis may give insight into this puzzling finding. Research shows that "not all women are lower earners."

Women on average have longer life expectancies than men do, which leads them to still use their homes even after their spouse dies. A recent study by Pew Research Center also shows that there are now more college-educated women than men, which translates to more earning power later in life.

The National Association of Realtors reported that women typically will spend less money and make

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Housing market predictions for 2023

Are home prices becoming affordable?

BY ROBIN ROTHSTEIN

Could a housing recovery possibly be underway?

In March, mortgage rates ended the month over 30 basis points lower than where they started as more buyers returned to the market. Home sales prices also fell year-over-year in February—the first time in nearly 11 years—and total home sales saw their largest monthly percentage increase since July 2020. However, many economists remain mixed about how much more home prices will drop this year.

For one, the nation's housing supply remains limited. Those who purchased homes in recent years at record-low interest rates are staying put. Tight inventory issues, in part, are also keeping prices from dropping off, which is perpetuating affordability challenges for many, especially first-time homebuyers.

Though home prices remain high year-over-year, they're not as eye-popping as they were in early 2022. Even so, how much further home prices dip in 2023 will likely depend on where mortgage rates go.

As we move into spring homebuying season, housing experts maintain a watchful eye on the economy, which continues to be pulled in all directions by high inflation, steep interest rates, ongoing geopolitical uncertainties and recession fears, to name a few.

However, some promising trends are developing. The median existing-home sales price was down 0.2% to \$363,000 in February compared to a year ago, according to the National Association of Realtors (NAR). This ends a record streak of 131 consecutive months of year-over-year increases. Total existing-home sales jumped 14.5% from January to February — ending a run of 12 consec-

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more sacrifices on their homes than men will. "I have saved aggressively for a home because my whole adult life I've been hearing about the wage gap and how women are at a disadvantage, and it made me want to take care of myself financially," Sarah Wilson, a financial expert and author for financial website Budget Girl, stated in 2020.

"In a world where I know and have seen how hard it is to be a woman, I feel a need to make sure that I will never be in a vulnerable situation if I can control it. That means budgeting, saving, investing, and building my own personal wealth," Wilson said.

Despite the increasing rates of single women buying homes, most owner-occupied homes in the US belong to couples. This all comes as interest rates on mortgages are at an all-time high and home values continue to increase in most major markets.

utive months of declining sales — but were still down 22.6% from a year ago, per NAR.

Housing starts also rose 9.8% in February, according to preliminary data from the U.S. Census Bureau and the U.S. Department of Housing and Urban Development (HUD), helping to provide much-needed inventory. Mortgage rates, meanwhile, continue to oscillate up and down. Following a year-to-date peak in early March, rates fell for five consecutive weeks before ticking up again for the week ending April 20.

Despite the latest uptick, recent rate declines seem to be luring at least some shoppers off the sidelines. And even as home price growth slows and sales transactions increase, some experts remain cautiously optimistic the housing market is in a recovery.

"Prices need to drop more, and across more markets, before a general revival can occur," said Robert Frick, corporate economist at Navy Federal Credit Union, in an emailed statement.

Housing Inventory Outlook for April 2023

Low housing inventory has been a challenge since the 2008 housing crash when the construction of new homes plummeted. It hasn't fully recovered—and won't in 2023.

Housing supply remaining stuck at near historic lows has propped up demand compared to other downturns,

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When is the best time to buy a home in 2023

Buying a house — in any market — is a highly personal decision. Because homes represent the largest single purchase most people will make in their lifetime, it's crucial to be in a solid financial position before diving in.

Use a mortgage calculator to estimate your monthly housing costs based on your down payment and interest rate.

Trying to predict what might happen this year is not the best homebuying strategy. "Buyers sitting on the sidelines today in anticipation of lower prices tomorrow may end up disappointed," says Neda Navab, president of the U.S. region at Compass, a real estate tech company.

Navab expects home prices in the hotter markets during the past few years to decrease somewhat, but she doesn't expect a widespread, national price decline like what followed the 2008 financial crisis.

Instead of waiting for much lower prices, experts suggest buying a home based on your budget and needs. If you find a home you love in an area you love, and it also fits your budget, then chances are it might be right for you. However, if you make too many sacrifices just to get a house, you may end up with buyer's remorse, potentially forcing you to offload the house.

Tips for Buying in Today's Housing Market

Even as prices soften, you may realize that the area where you want to buy a home is still out of reach, so it's

important to be flexible.

"If you badly want a house and can work remotely or switch jobs, moving to lower-priced housing markets is a good idea to consider," says Frick. "Millions of Americans have done that already."

Also, get all your ducks a row in advance—review your financial situation, gather required documents, shop multiple lenders and strengthen your credit score. That way, when you find your dream home, you'll be in a better position to act fast in a tight market.

"Only the best prepared, with their financing lined up, a solid understanding of what they can afford, and constant checking of prices and listings will be successful in today's highly-competitive market," says Frick. "Know how much your monthly payment will be — complete with taxes — and how well that fits into your budget."

Tips for Selling in Today's Housing Market

The first step for a successful sale is to find a listing agent who knows the area and comes highly recommended. A good agent will work closely with you to price your home competitively while fielding questions and offers from prospective buyers.

Rita Tayenaka, owner of Orange County, California-based Coast to Canyon brokerage, points to the outsize number of homes falling out of escrow recently as a cau-

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consequently sustaining higher home prices.

“Declining rates have brought borrowers back to the market but, as the spring homebuying season gets underway, low inventory remains a key challenge for prospective buyers,” said Sam Khater, chief economist at Freddie Mac, in a press statement.

At the current sales pace, unsold inventory is at a 2.6-month supply, according to NAR, which is low by historical standards, though up from 1.7 months a year ago.

“Inventory levels are still at historic lows,” said Lawrence Yun, chief economist at NAR, in a report. “Consequently, multiple offers are returning on a good number of properties.”

Based on this and other data, industry experts have a gloomy outlook on when inventory will eventually normalize.

“I believe that we’re likely to see low inventory continue to vex the housing market throughout 2023,” says Rick Sharga, executive vice president of market intelligence at ATTOM Data. And with 70% of homeowners sitting on a mortgage rate of 4% or less, Sharga says we’re unlikely to see an inundation of homes soon.

Also, the Federal Reserve isn’t helping matters with its ongoing federal funds rate hikes. At a semiannual hearing before the Senate Banking Committee, Federal Reserve Chair Jerome Powell addressed questions about the Fed’s aggressive monetary tightening policies in its efforts to rein in inflation.

In an exchange with Senator Raphael Warnock (D-Ga.), Powell acknowledged that raising the central bank interest rate increases borrowing costs for companies that develop new housing and makes financing and expanding production for suppliers more expensive. He also conceded that elevated fixed mortgage rates discourage homeowners with a low-rate fixed-rate mortgage from selling their homes.

All of these circumstances put further strain on inventory.

“The bottom line is that there really isn’t a likely scenario that leads to inventory levels approaching historically normal numbers in 2023, which means that prospective homebuyers are still going to have to work hard to find something to buy,” says Sharga.

Due, in part, to the ongoing inventory problem keeping home prices elevated, many economists predict the housing market is more likely to correct itself from the double-digit percentage jumps seen in home prices the past few years rather than crash.

“Home prices will be steady in most parts of the country with a minor change in the national median home price,” said Yun.

However, some housing market watchers believe that homes in some areas could see sales and price growth, particularly in locations where home prices have remained affordable over the past few years in relation to median income.

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“We’re estimating about a 5% drop nationally,” says Sharga. “Some markets, believe it or not, will probably see prices continue to increase.”

Yun concurs, noting that home prices will see gains or declines depending on the region, with lower-priced locations likely to experience price increases and expensive areas seeing dips.

Other experts point out that today’s homeowners also stand on much more secure footing than those coming out of the 2008 financial crisis, with a high number of borrowers having positive equity in their homes. Consequently, the likelihood of a housing market crash is low.

“Homeowner equity is at the highest level it’s been in the past several decades, so homeowners have a lot of value in their home,” says Nicole Bachaud, an economist at Zillow.

In a housing market crash, you would typically see a 20% to 30% drop in home prices and a decline in home sales—far more than what’s currently happening. Another crash symptom that’s been missing is a jump in foreclosure activity.

“I think we’re more likely to see the market cool, rather than crash,” Sharga says.



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What to know about buying or selling a home in the spring

BY KRISTINE GILL

Spring is the busiest time of year for both home buyers and sellers. Once that long winter finally breaks, families start house hunting, visiting properties that have finally thawed after months of inclement weather. Once you're on the hunt for the perfect home, there are a few things to keep in mind during this time of year.

"Spring has always been the busiest time of year," says Sherri Hines, an associate broker at Better Homes and Gardens Real Estate Kansas City Homes. "Many families have a desire to make changes coinciding with the school year, and summer is often filled with vacation and travel and kid activities. Of course, it is also just more fun to be out looking at houses with green grass, warmer temps, flowers blooming, and longer days."

We spoke with experts for their tips for home buyers and sellers during this busy time of year for the housing market.

Prepare for a Competitive Market

Because spring is the most popular time of year for buying and selling homes, you should prepare to enter into a highly competitive market this time of year.

"The biggest distinguishing factor the last few years about the spring market is the intense competition," Hines says. "We are already experiencing an increase in multiple offers, and buyers are already waiving inspec-



tions and appraisals in an effort to 'win.' The competition had cooled a bit last fall through the winter, but all signs point to potentially even more fierce competition than last spring."

Because the market will be flooded with fellow buyers, Hines suggests you plan to see homes soon after they hit the market. This way you can tour a property you're interested in and be prepared to make a competitive offer early — hopefully before too many other prospective buyers have seen it. Hines says that means being prepared to make split decisions, too.

"The low inventory the last few years has lowered the average days on market," she says. "Homes that aren't sold within 7 to 10 days are either overpriced or have some unaddressed issue. As the competition increases moving deeper into the spring market, homes are selling within hours sometimes."

That might mean you'll have to jump in with an offer right away, or it might mean a longer house-hunting

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tionary tale for sellers who continue to demand 2021 prices. "Everyone thinks their house is special," she says.

Even though the market may still be tipped in your favor, it's in your best interest to present your home in the best possible light. Not everyone has cash dedicated to renovations and repairs, but a little sweat equity can go a long way. The first step is to declutter, organize and clean. Even if your home is outdated, a clean space gives buyers a chance to envision the house's potential.

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period, as properties are quickly purchased around you.

“Home searches can vary from a few days to many months,” Hines says. “There are so many factors, depending on price range, location, competition, inventory.”

Be prepared for a long journey should you find that properties in your area are selling quickly, but don’t push off your hunt just because spring is a busy time of year. With the way the housing market has gone in recent years, it’s not a sure bet that competition will dry up once the seasons change.

“I would not advise buyers to wait for things to change. I’ve had clients make that choice and regret it,” Hines says. “I personally don’t see our market changing much anytime soon.”

How to Prepare to Sell

If you’re selling your home in the springtime, Steckel suggests sprucing up your exterior spaces. Potential buyers will be thinking of hosting summer cookouts and pool parties this time of year—call out the great outdoor features of your home to help your listing shine. If your outdoor space is lackluster, do what you can to spruce it up and highlight its potential.

“Homeowners can start by boosting their curb appeal, like painting the exterior of their homes, freshening up their landscaping, and completing outdoor repairs to their porch and deck, garage door, siding, and fence,” he says.

As you stage your home, Steckel suggests deep-cleaning your grill and porch furniture so everything looks sharp.

“Addressing any necessary repairs before listing your home for sale will pay. Be sure to fix leaky faucets, replace broken windows, and repair any damaged flooring or walls,” he says.

Zillow and Thumbtack released a report last year detailing the spring projects that yield the best return for sellers, if you’re having trouble prioritizing where to begin.

Your real estate agent will also spend time getting to know your property so they can market it appropriately, says Scott Harris of Brown Harris Stevens.

“It helps create avatars of who we expect the target buyers to be,” he explains. “This isn’t about space or the latest kitchen appliances, but how you send messaging that explains the property is interesting to the kinds of buyers you want to attract.”

Harris says if you’re ready to sell, don’t delay. A spring market might be hotter than a winter market, but that shouldn’t affect your plans to move.

“There’s always a reason to wait. I usually say that you can either have reasons or results,” he says. “You lose 100% of the games you sit out.”

Why You Might Want to Skip the Spring Market

Not ready to buy or sell in time for this spring season? Don’t stress.

Brandon Snow, executive director at Ally Home, says

that while there might be a ton of inventory on the market each spring, that doesn’t mean you’re missing out on the best time of year to buy or sell.

“While spring home buying has its benefits, buying a home during the fall and winter months can have a flurry of advantages — including less competition and faster closing time,” he says.

Snow says the best time to buy is often September or October.

“That’s when inventory is still relatively high, but prices are moderating, especially for starter homes,” he says. “For sellers, their homes might’ve been on the market all summer with no luck, and they may be antsy to make a deal.”

And once fall ends, inventory might drop, but sellers will become more and more eager to make a deal.

“You’ll likely have a smaller crop of houses to choose from, but sellers could be more motivated to make a move for end-of-year tax-break reasons,” Snow says.

However, stats show that you’ll likely pay more for a home in the future if you wait.

“Prices have grown (year over year) for the better part of the last 10 years,” says Stjernholm. “Oftentimes I see buyers say they’re going to wait longer to buy, but the result over the last decade has been they only end up paying an even higher price than when they first started looking.”

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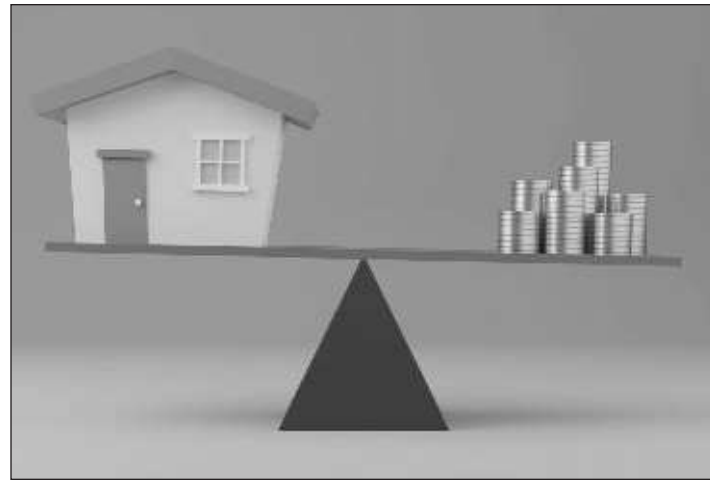
With the housing market in flux many homeowners are asking themselves: Should I sell my house now or wait?

Unusual market conditions and dire predictions from some economists have many homeowners asking: Should I sell my house now or wait until later in 2023?

Typically, homeowners who list their homes in the spring can take advantage of higher buyer demand. In 2022, the National Association of Realtors pinned mid-April as the optimal week to list a home — in other words, right about now. But the spring buying season has been off to a slower start than usual, with 20.1% fewer homes listed in March than in the same month last year, according to Realtor.com. Mortgage rates have begun trending down in recent weeks, which could spur some activity in the housing market. Still, the average for a 30-year fixed-rate mortgage is more than twice what it was during the pandemic housing boom, and many homeowners don't want to trade in that rock-bottom rate for a higher one.

Let's dig in a bit more on this question of whether now is a good time to sell a house — and what factors to consider when making your decision.

The best time to sell is typically when buyer demand is high and interest rates and inventory are low. That ideal combination of factors made for a hot selling market in 2021, but conditions have since evolved. Mortgage rates have been on a wild ride during the first three months of



2023, but they've begun dropping in recent weeks. As of April 21, the average for a 30-year fixed-rate mortgage is 6.66%, according to Mortgage News Daily.

"Conscious of changing mortgage rates, home buyers are taking advantage of any rate declines," said Lawrence Yun, chief economist with the National Association of Realtors. "Moreover, we're seeing stronger sales gains in areas where home prices are decreasing and the local economies are adding jobs."

While inventory in February was up 15.3% over the same period in 2023, it's still unusually tight, which is helping boost prices for sellers in some markets. "Inventory levels are still at historic lows," Yun said. "Consequently, multiple offers are returning on a good number of properties."

The good news is, home values skyrocketed over the course of the pandemic, so selling now is likely a wise financial decision. "Despite prices coming off their June peak, most homeowners stand to make large profits if they sell their home, even in today's market," says Dave Meyer, VP of data and analytics at BiggerPockets and author of Real Estate by the Numbers.

Mortgages may soon be harder to get

Federal Reserve Chair Jerome Powell said in a March 22 press conference after the latest federal funds rate hike that he anticipates recent turmoil in the banking system is "likely to result in tighter credit conditions for households and businesses, which would in turn affect economic outcomes." Translation: It's probably going to become harder to get loans, a situation known as a credit crunch.

The collapse of Silicon Valley Bank in early March (the second-largest bank failure ever), followed days later by the government takeover of Signature Bank, sparked fears of banking instability. As a result, banks will likely start to limit lending to ensure they have enough funds to survive a bank run — that is, when a bunch of depositors panic and withdraw their money almost simultaneously.

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Redfin: One-third of 25-year-olds are homeowners

Roughly one-third (30%) of 25-year-olds owned their own homes in 2022, according to new data published by Redfin (NASDAQ:RDFN).

This healthy percentage of Gen Z homeowners can be attributed to the pandemic era, when young adults who enjoyed strong financial health in a vibrant job market were able to take advantage of low mortgage rates — the typical mortgage rate for homebuyers under 25 using a conventional loan was 3.3% in 2020 and 3.1% in 2021.

However, today's 25-year-old homeowner is paying more for their American Dream. Redfin noted that a

25-year-old's median monthly mortgage payment was \$1,013 in 2021, which is 16% of their \$74,900 median income. In comparison, a 25-year-old in 1990 had a median \$904 monthly payment, or 16% of their \$69,419 median income (adjusted for inflation).

"The rising tide lifted Gen Z homebuyers in 2020 and 2021; they were part of the pandemic-driven homebuying frenzy," said Redfin Chief Economist Daryl Fairweather. "Record-low mortgage rates, remote work providing freedom to move somewhere more affordable and skyrocketing rental costs motivated some Gen Zers to break into the housing market."

Fairweather also pointed out that "government stimulus payments, the pause on student loan repayments and the fact that many young adults lived with family during the lockdowns also helped Gen Zers save money" also helped bring more Gen Zers into homeownership. Last year, the average residence purchased by someone under 25 cost \$235,000 and came with a \$10,000 down payment (on a conventional loan).

Redfin added that 26% of Gen Zers as a whole own their home, compared with 79% of baby boomers, 71% of Gen X and 52% of millennials.

SELLING:

Banks tighten credit in a few ways: They can impose tougher standards for getting a loan (such as requiring a higher credit score) and they may also raise interest rates, which discourages borrowers from applying for a loan in the first place. It can affect all types of borrowing, from mortgage loans to home equity lines of credit.

As a result, if you've been sitting on the fence about selling, it could be prudent to list before it becomes harder to get a new mortgage — both for you and for potential buyers.

Most economists believe prices will fall

Rising mortgage rates not only have the effect of making your new mortgage payments less affordable, but also shut many would-be buyers out of the market. Lower demand means less competition for your home, which affects the sale price you can reasonably hope to achieve. If these effects are widespread, when will the housing market crash?

Economists at Wells Fargo, Capital Economics, Goldman Sachs, and many other firms believe housing prices will continue the slow decline they began in early 2023. The median sale price in February was \$363,000, down 0.2% from the previous year, according to the National Association of Realtors — the first monthly year-over-year decline in nearly 11 years. If a recession takes hold, some experts predict prices could fall as much as 30% in highly overvalued markets. Even those who are more optimistic expect the market to shift to benefit buyers. If you're considering selling in the next year, housing market predictions indicate that selling now could allow you to capture a higher price.

Bottom line

For most homeowners, now will be a better time to sell than later in 2023. That's especially true if you live in a market that saw rapid appreciation in recent years.

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Your real estate agent can help you understand pricing trends in your area, along with available inventory and demand. Selling this spring may not be a bad idea in markets where prices are expected to remain flat or grow. But if you can hunker down and wait until 2025, you may realize even better outcomes.

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2023 Real Estate trends: What you need to know

With so much happening across the country and the costs of everything on the rise, you might be wondering how all that's impacting real estate.

Will we see more skyrocketing home values? How will the real estate market shake out in our current economic climate? Whether you're selling, buying or staying put, here are the 2023 real estate trends to watch!

Real Estate Trend No. 1: Home Inventory Is Low but Growing

The real estate market has been dealing with low inventory for a while now. That just means there weren't enough homes for sale to meet buyer demand — a real estate trend that only got worse during the craziness of 2020. But the trend may be taking a turn. Inventory has been moving upward since May 2022, and November saw the year's largest month-over-month jump since then (and about 46% over the same time last year).

Still, the number of active home listings in November 2022 was around 38% lower than the pre-2020 levels of November 2017–2019. But don't worry, we'll walk you through what to expect if you decide to buy or sell soon.

What Low Inventory Means for Buyers

Lower-than-normal inventory means you need to be on your toes when you go house hunting because the best homes will likely be snatched up fast. In November 2022, most homes spent 56 days on the real estate market — 18



days less than typical pre-2020 levels.

That doesn't leave much time to hem and haw over your home search. If you want to find a good home in this slim market, here's some advice:

- **Sacrifice some wants.** If you can't find the house you want, be willing to give up some nice-to-haves for your must-haves. Find the least expensive home in the best neighborhood you can afford and upgrade over time.

- **Expand your search.** Is the location where you plan to buy too competitive? You might be surprised at the gem you can find in a less popular neighborhood. Working with a real estate agent who really knows the area is the best way to find a home that fits your budget and lifestyle.

- **Get preapproved ASAP.** Getting preapproved for a mortgage before you go house hunting is a must in any market. And it's even more important when home supply is low. If you don't do this legwork ahead of time in a market like this, you could give a preapproved buyer free rein to swipe the home you want right out of your hands.

What Low Inventory Means for Sellers

If you're selling a home, low inventory means less competition! So if your home is in a great location or has features that buyers want, you can probably expect to see multiple offers coming your way.

On the other hand, higher mortgage interest rates have knocked some buyers out of the market (more on that later). So if the house you're selling isn't the most appealing house on the block, you'll still get offers—but you'll likely get fewer offers than a house like yours would've received in the last couple of years.

One more thing to keep in mind: Make sure you know where you'll be living next before you sell. If you're buying a new home after your current home is sold, there's no guarantee that the new owner will allow you to stay there until you decide (although you could make that part of the buying agreement).

Real Estate Trend No. 2: Annual Home Values Are Still Rising

Yes, home prices are still going up year over year. The

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TRENDS:

National median home price for active listings increased by 11% to \$416,000 in November 2022 compared to November 2021. But that rate actually trails behind the average 16% annual growth rate seen in June and July — which may be a sign that the speed of home price growth is calming down. That means 2023 will probably be a pretty slow growth year.

And since there's still strong buyer demand and a shortage of homes for sale, prices aren't going to plummet. They're dipping a bit from month to month (which is a normal seasonal trend for prices after they peak in early summer) — but they'll still be higher than they were at the start of this year.

So, if you're a seller, that should put a smile on your face. And hang tight, buyers — we have some advice for you too.

What Higher Prices Mean for Buyers

If you're going to buy a home in this expensive market, you absolutely have to know how much house you can really afford. Commit to staying within that budget no matter what — don't cave to the pressure to buy because you're tired of watching competitors pluck good homes off the market.

We know waiting on the right home that you can fit into your budget can get frustrating. But you'll be glad you did it when your home is a blessing instead of a big, honking headache of a mortgage payment you can't afford!

To feel confident about buying a home this year, follow these tips:

- Limit your house payment to no more than 25% of your monthly take-home pay. This payment includes principal, interest, property tax, home insurance, homeowners association (HOA) fees and, if your down payment is lower than 20%, private mortgage insurance (PMI) — an extra fee added to your mortgage to protect your lender (not you) in case you don't make payments.

- Save a big down payment. Ideally, you'll want to save a down pay-



ment of at least 20% to avoid PMI. For first-time home buyers, a smaller down payment like 5% to 10% is okay too — but then you'll have to pay PMI. Saving a big down payment is possible! You just have to stay patient and focused. Who knows. You might even be able to save a five-figure down payment (or more) by this time next year!

- Choose a 15-year fixed-rate conventional mortgage. The lowest total cost home loan (and the only one we ever recommend) is a 15-year fixed-rate mortgage. Expensive rip-offs like the 30-year mortgage, FHA, VA, USDA and adjustable-rate mortgages will charge you tens of thousands of dollars extra in interest and fees and keep you in debt for decades. Stay away from those!

Now it's time to crunch the numbers to figure out a monthly payment your budget can handle. And then work with an expert real estate agent to find houses for sale within that budget.

Real Estate Trend No. 3: Mortgage Interest Rates Are Higher

The average mortgage interest rate (the interest fee lenders charge as a percentage of your loan amount) was lower than it's ever been in 2021. But it's gone up since then.

Because the Federal Reserve raised interest rates in 2022, the average rate for a 15-year fixed-rate mortgage jumped from 2.8% in January of 2022 to 6.36% in October — the highest it's been in over 15 years! Meanwhile, the average rate for a 30-year fixed-rate mortgage reached 7.08% in October.

By the way, that's a big reason we only recommend 15-year mortgages:

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They tend to have lower rates than 30-year mortgages, and since they end 15 years sooner, you'll pay less interest over time. That's a one-two punch when it comes to saving money!

What are the current real estate market trends?

The current real estate trends going into 2023 are all about the market slowing down and approaching something normal. Year-over-year home values are still rising, and 2023 will be a year of pretty slow growth. Home inventory is still low, but the data indicates that it'll continue to grow throughout 2023.

There are also some rising trends to watch out for. Buying and selling real estate using online services is starting to get more popular, but it's definitely not smart (hint: hiring a real estate agent is). And risky buying options like rent-to-own are (unfortunately) more accessible than ever.

Will the real estate market slow down in 2023?

Yes. With both a growing supply of houses and an overall demand for housing coming down due to higher interest rates, the market looks to be slowing down to something resembling normal compared to the white-hot performance of 2021 and 2022. Think of the coming year as a regular, manageable fire instead of a gasoline-fueled blaze. Still hot, just not as hot.

As a result, experts are anticipating that home prices — which had year-over-year percentage jumps in the double digits the last couple years — will go up at a more normal rate in 2023.

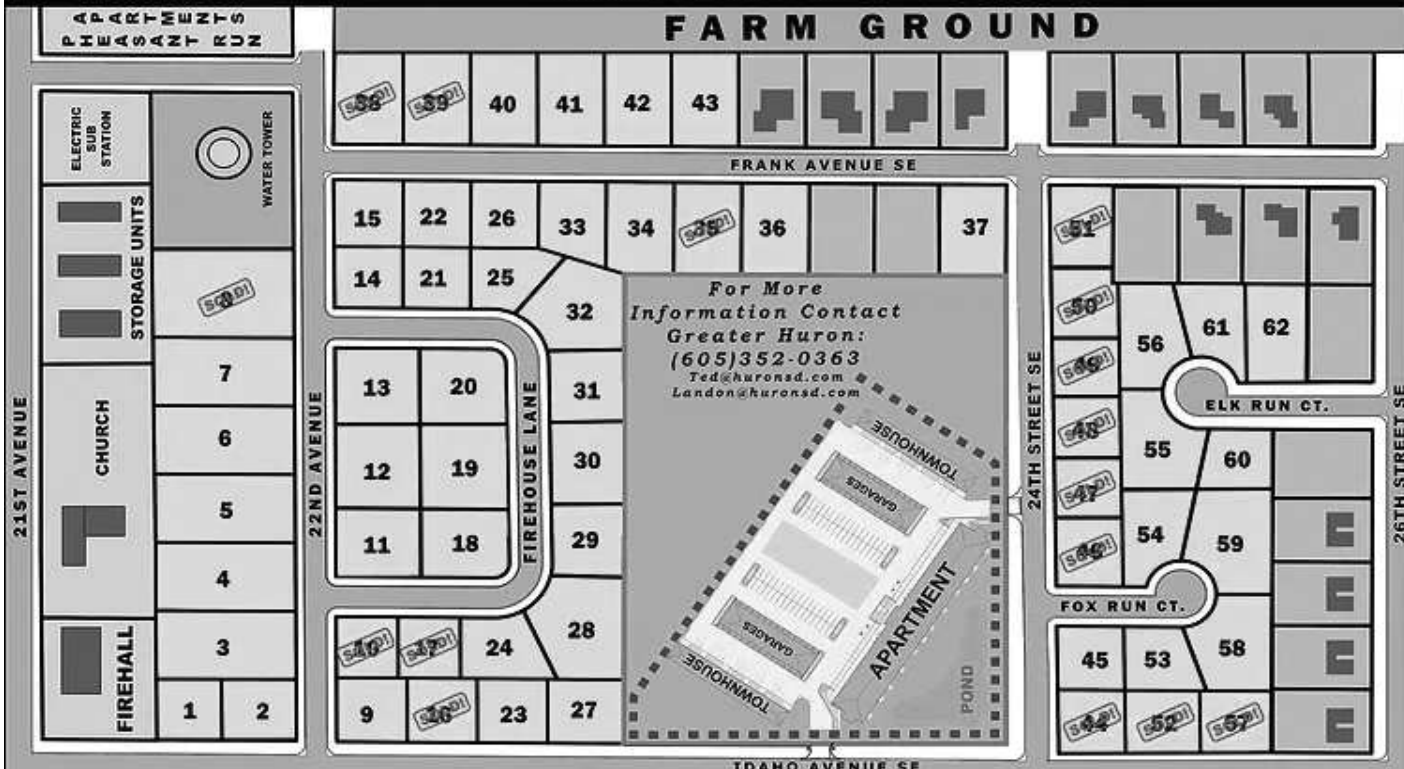


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