

Real Estate Guide



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PLAINSMAN

Spring 2025

Tips for first-time home buyers

Real estate has garnered considerable attention since 2020, and for good reason. Though speculators and real estate professionals may point to a number of variables that have affected the market for homes in recent years, the pandemic certainly was among those factors. Real estate prices and mortgage interest rates increased significantly during the pandemic and have remained well above pre-pandemic levels ever since.

The spike in home prices and interest rates has had a significant impact on young home buyers, some of whom feel as though their dream of home ownership may never be realized. And data from the National Association of Realtors indicates the median age of home buyers is now significantly higher than it was two decades ago. In 2023, the median age of buyers was 49, which marked an increase of 10 years compared to the average buyer age 20 years ago.

First-time home buyers may face a more challenging real estate market than they would have encountered just a half decade ago. The following three tips can help such buyers successfully navigate the market as they look to purchase their first home.

1. Expect to move quickly. Inventory remains very low, which means buyers are in heated competition for the few homes that are on the market. In late 2023, NAR data indicated the rate of home sales were the lowest they had been in 13 years, so buyers will likely need to move quickly and make an offer if they see a home they like, as chances are the property won't be on the market too long before it's sold. In fact, the NAR noted that homes spent an average of just 23 days on the market in October 2023.

2. Apply for mortgage preapproval. The competitive nature of the market for buyers means it's in their best interests to arrange financing prior to beginning their home search.

A mortgage preapproval can be a competitive advantage, as it indicates to sellers that buyers won't be denied a mortgage or lack financing after making an offer. The financial experts at NerdWallet note that buyers will be asked to provide details about their employment, income, debt, and financial accounts when applying for mortgage preapproval. Gather this information and clear up any issues, such as credit disputes or delinquent accounts, prior to applying for preapproval.

3. Set a realistic budget and expect to offer over asking price. A financial planner and/or real estate professional can help first-time buyers determine how much they should be spending on a home. In the current market, buyers should know that they will likely need to pay more than asking price for a home. For example, the NAR reports that 28 percent of homes sold for above list price in October 2023. With that in mind, first-time buyers may do well to look for homes that are under budget in an-



anticipation of offering more than list price after seeing a property.

The real estate market remains competitive for buyers. First-time buyers can utilize three strategies to increase their chances of realizing their dream of home ownership.

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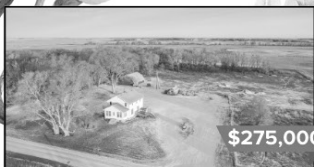
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How to get the best mortgage

Mortgage interest rates have been headlining financial news segments for several years running. Much of that news has been met with less than open arms, as rates have risen dramatically in recent years, an increase that is related to the ripple effect of the COVID-19 pandemic.

Mortgage interest rates did not immediately spike after the World Health Organization declared a global pandemic in March 2020. In fact, data from the lender Freddie Mac indicates mortgage rates were still well below 4 percent on January 1, 2022. However, those rates hovered around 7 percent by the end of that year, and were still around that level at the start of 2024.

With such high interest rates, it's understandable if prospective home buyers feel helpless. However, there's much buyers can do to help themselves as they seek to secure the lowest mortgage interest rate possible.

- Read your credit report and improve your score, if necessary. Many prospective home buyers save up for years in anticipation of the day when they will purchase their own home. During this period, buyers can read their credit reports and address any discrepancies while taking steps to improve their credit scores. Lenders consider a host of variables to determine an applicant's credit worthiness, and credit history and credit scores bear significant influence. The higher an applicant's credit score, the more favorable mortgage rate he or she is likely to get.

- Take control of your debt-to-income ratio. Debt-to-income (DTI) ratio refers to what you owe in relation to how much you earn. The lower your DTI, the better you look to lenders. According to Bankrate, lenders typically want to avoid issuing mortgages to individuals if the monthly payment will exceed 28 percent of their gross monthly income, and people who may be near that threshold for a given home may be denied a mortgage if their DTI is high. Prospective home buyers currently carrying significant debt, including consumer debt like credit cards and/or student loan debts, should make a concerted effort to pay down that debt prior to applying for a mortgage. Prioritize paying off consumer debt before applying for a mortgage.

- Maintain a strong employment record. Steady employment and consistent earnings make mortgage applicants more attractive in the eyes of lenders. If you are currently shopping for a home or about to make an offer, now might not be the best time to switch jobs. Self-employed individuals and freelancers working multiple jobs can still qualify for a good mortgage rate, but they may need to provide more extensive documentation that indicates their earnings going back several years. Individuals who have been working full-time for the same company for years may only need to provide W-2 forms from the two most recent tax years.

- Shop around for rates. Rates may not fluctuate much



between lenders, but it's still worth shopping around for mortgage rates. A study from Freddie Mac found that the benefits of shopping around for a mortgage rate were especially notable in 2022 compared to the decade prior, saving borrowers who took the time to shop for rates substantial sums of money.

Mortgage rates remain high compared to a half decade ago, but prospective home buyers can take steps to increase their chances of qualifying for a favorable rate.

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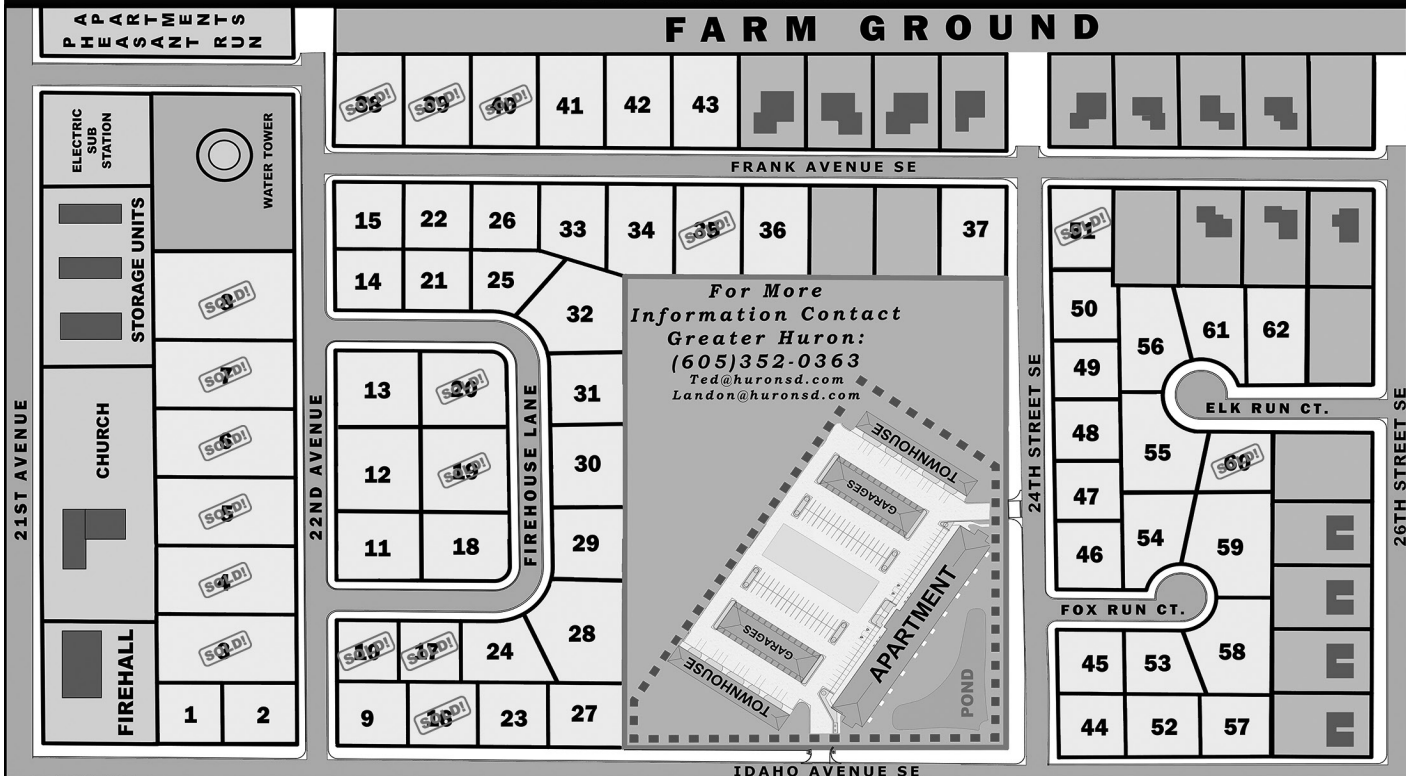
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How to boost home value before selling

People considering buying or selling a home are facing a unique market. The real estate market has been in flux for several years, and high interest rates have made it more expensive to borrow.

The Mortgage Bankers Association is projecting that 30-year mortgage rates will level out to 6.5 percent for the foreseeable future. That means that people who have been waiting for changes in the real estate market could be disappointed, and hesitant buyers may finally just bite the bullet and buy even if mortgage rates are not where they hoped they'd be in 2025. Homeowners with properties they are considering listing for sale would be wise to make certain changes that will help garner the best prices from buyers.

- Make kitchen and bath improvements

The kitchen is the heart of many homes. Real estate agents may recommend that homeowners make minor to moderate kitchen upgrades like resurfacing cabinets, upgrading countertops and changing fixtures or hardware to give the room an overhaul.

Homeowners also should look to bathroom updates as smart investments that can improve home value. Katie Severance, author of *The Brilliant Home Buyer*, characterizes kitchens and baths as "money rooms" that add the most value to a home.

- Declutter the home

Homeowners should clean out items they no longer need. Decluttering can make a space feel bigger, which is beneficial in a market where open concept floor plans remain popular among home buyers.

When buyers walk through a prospective home, they want to envision themselves living there, something that is more easily done if the home isn't overrun with the current homeowner's belongings.

- Get to painting

Painting a home is a cost-effective renovation with a lot of oomph. Freshly painted rooms appear clean and updated, says HGTV, and that can appeal to buyers. Homeowners should choose neutral colors to accommodate the widest array of potential buyers.

- Improve the landscaping

The exterior of a home is the first thing potential buyers will see as they roll up to view a property or look at a listing online. Homeowners should start by evaluating and enhancing the landscaping. Ensure the lawn is well-maintained and add plants that provide color without a lot of maintenance.

- Expand usable space

Homeowners can think about adding to the usable space in a home. This translates into finishing basements or attics or even converting garages to rooms. Or it may involve adding a three-season room.

Homeowners can consider a number of improvements to increase the resale value of their properties.



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How to navigate a challenging real estate market

Real estate has long been touted as a worthy long-term investment. With that conventional wisdom in mind, young adults often make buying a home one of their first big-ticket purchases. Though real estate remains a potentially lucrative investment, the market for homes has been difficult to navigate for several years running.

High mortgage interest rates and low inventory have left many buyers feeling priced out of the real estate market. Others may find the competitive nature of the modern real estate market too stressful. No one can predict if or when the real estate market might be less challenging, but the following are some ways those looking for a house can navigate that process.

- **Ready your finances.** It goes without saying that prospective buyers must get their financial affairs in order before they begin shopping for a house. But finding a home in the current market takes time, and some buyers might have let their mortgage preapproval letter expire without realizing it. Others might have experienced a dip in their credit rating as they turned to credit cards to confront inflation. That means buyers who began looking for a home months or even years ago might not be positioned to buy now should they find a home to their liking. Revisit your finances if it's been awhile. Pay off any consumer debt that has accumulated in recent months and reapply for



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mortgage preapproval if necessary.

- **Be ready to pounce.** Data from the National Association of Realtors found that the average home spent 32 days on the market before being sold in November of 2024, which was a full week longer than a year earlier. That's good news for buyers, but it still means buyers must be ready to pounce if they find a home and home price to their liking.

- **Hire a real estate agent.** The hectic pace of the modern real estate market can be difficult for anyone to keep up with. But real estate agents keep up with the market for a living, and they can be invaluable resources for buyers whose commitments to work and family are making it difficult to keep pace.

- **Emphasize long-term growth and value when assessing properties.** According to Zillow, the median list price of homes in the United States was just under

Buying a home in a low inventory market

People who have shopped for homes at any point over the last few years are undoubtedly aware that inventory is low. While low inventory has affected home prices and priced some buyers out of certain markets, the good news is the tide may have started to change as 2023 drew to a close. In fact, a December 2023 report from the National Association of Realtors® indicated home sales rose by nearly 1 percent in November, a month during which single-family home construction also rose by 18 percent compared to October.

Each of those figures could prove a harbinger of good things to come for buyers in 2024. But it can still pay dividends for such buyers to prepare themselves to buy in a low inventory real estate market.

- Prepare to offer more than asking price. Data from the NAR indicates nearly one-third of all homes (28 percent) purchased in October 2023 sold for above asking price. When buyers have fewer homes to choose from, the competition for homes on the market increases, and that typically means buyers will offer more than asking price for homes they truly want. It might not be necessary to offer more than asking price on a given home, but it's something buyers in a low inventory market must be ready to do.

- Prepare to find additional money, if necessary. Offering more than asking price can be tricky, particularly if a buyer's offer exceeds the appraised value of the home. The real estate listing service Trulia notes that most lenders will not approve a mortgage for more than the appraised value of a home. Conventional wisdom may indicate it's never a good idea to offer more for a home than it's appraised value, but that scenario has played out

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\$387,000 by the end of January 2025. But buyers must also recognize that 22.4 percent homes sold above list price in that month, according to a Redfin analysis of MLS data and /or public records. Buying a home is more than an investment in a property. It's also in some way an investment in the town where the home is located and in a homeowners' future. So while it can be tempting to buy a home with the lowest asking price, home buyers should also seek homes that figure to experience the best long-term growth in value. Homes situated in safe and welcoming towns with good schools are arguably a better investment than homes with lower sticker prices but no such amenities.

The real estate market has been challenging for buyers over the last several years. Various strategies can help buyers find a home that suits them and their budgets.



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Why it pays to work with a real estate agent

Equity, pre-approval, contingencies, appraisal. These are terms associated with buying real estate, but even seasoned home buyers may not fully understand them. Navigating the real estate market can be challenging, but in today's economic climate, marked by inflation, high interest rates and high home prices across the country, it is more important than ever to understand the minutiae that is involved in buying and selling property. That's just one of many reasons why buyers and sellers can benefit from the help of a seasoned real estate professional.

Types of real estate professionals

Many people use the terms real estate agent, real estate broker and Realtor® interchangeably. While these professionals handle many similar tasks, there are some notable distinctions between them. A Realtor® is a registered term used to describe a real estate professional who is a member of the National Association of Realtors®. These individuals must adhere to a strict code of ethics, and have access to market data and transaction management ser-



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with greater frequency in the current low inventory market. Buyers who feel they need to offer more than the appraised value to get a home will have to come up with the extra funds to make up the difference that their mortgage won't cover.

- **Flexibility** can be your friend. A low inventory market is a seller's market. Buyers who can be flexible in regard to seller's demands and requests might be getting the keys to a new home faster than those who are not as accommodating. Some sellers may request a quick closing, while others may need extra time in the home until they can move into their own new property. Entering the process with the intention of being flexible can be an advantage for buyers in a low inventory market.

- **Patience** can prevail. It might seem as though there will never again be ample inventory on the real estate market. However, the increase in single-family home construction and forecasts predicting mortgage rates will drop suggest the real estate market could feature more inventory in the months to come. Buyers concerned about going over-budget or making a hasty decision are urged to remain patient if they cannot find a home that works for them personally and financially.

A low inventory real estate market may not be normal. But savvy buyers can still navigate such a market and find a home they love.

Expenses to expect upon buying a home

Homeownership is often characterized as a fulfillment of a dream. Indeed, many homeowners feel their ability to buy a home is a reflection of their discipline and commitment to saving money.

That discipline and dedication can set homeowners up for long-term financial health, providing a unique sense of security along the way. First-time home buyers may not know what to expect upon buying a home, and since each home is unique, it's impossible for even long-time homeowners to say with certainty exactly how things will unfold once those new to home ownership get the keys to their first house. Various expenses might be the only common variable when it comes to homeownership, and some of those expenses may surprise first-time buyers. With that in mind, the following are some expenses first-time buyers can expect once their offers are accepted.

- **Down payment:** Conventional wisdom long suggested home buyers should submit a down payment of



at least 20 percent of the overall purchase price upon buying a home. Buyers who want to follow that advice would need a down payment of \$80,000 when buying a \$400,000 home. But many home buyers now submit down payments considerably less than 20 percent, particularly in the modern real estate market, which is characterized by high prices and low inventory. The lower the down payment, the higher your monthly mortgage pay-

ment will be, so it's best to save as much as possible toward a down payment.

- **Primary mortgage insurance (PMI):** Buyers who cannot come up with a down payment of 20 percent or more will have to pay for primary mortgage insurance, which is typically a set fee that is incorporated into the mortgage payment each month. PMI fees are typically waived once the balance on the mortgage reaches 79 percent or less of

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services unique to this specific trade organization. A real estate agent is licensed to help people buy and sell real estate, and is paid a commission when a deal is completed. A real estate broker does the same jobs as an agent, but is also licensed to work independently and may employ his or her own agents. The broker also may get a percentage of the commission from agents in addition to his or her own commissions, according to Investopedia.

Buyer and seller

A professional may represent either the buyer or seller or both. A buyer's agent is negotiating for the buyer in the transaction, while a seller's agent negotiates for the seller. Real estate professionals also can represent both parties, known as dual agency. Typically this does not occur in the same transaction, as that can create a conflict of interest. Commissions typically fall between 5 and 6 percent on real estate transactions, an amount that is split by all real estate professionals working on the transaction.

Why work with a real estate professional?

Homeowners may wonder why they should seek the services of a real estate agent, broker or Realtor®. That's particularly so for sellers, as buyers typically do not pay a real estate representative any money.

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- **Expertise:** Considering that buying and selling a home is one of the biggest financial transactions one will make, it makes sense to leave it in the hands of experienced professionals.

- **Price a home right:** Real estate professionals will conduct a market analysis and look at "comps" in the area to determine a price that is fair and will help a house move. When working with buyers, the agent or broker also will be able to help them come up with a reasonable offer price.

- **Access to MLS:** Agents and brokers have access to the Multiple Listing Service, which is widely used across the United States for listing available properties. It helps sellers sell faster and will enable buyers to view multiple properties all in one database.

- **Negotiations:** Leaving negotiations to a third party removes emotion from the transaction and can help everyone involved resolve issues and agree on acceptable terms.

Buying and selling real estate is a complex process. Real estate professionals can simplify the process and make it more enjoyable for buyers and sellers alike.

A guide to mortgage interest rates

Buying a home is the most expensive purchase many people make in their lifetime. Some people do it only once, while others are in the market with greater frequency. In any instance when the home buying process involves securing a mortgage, buyers can benefit from knowing a thing or two about mortgage interest rates.

A mortgage interest rate can help buyers determine if a given home is affordable or beyond their budget. Rocket Mortgage says mortgage interest rates can have a major impact on long-term costs, so it is imperative to seek the lowest rates possible. However, an assortment of economic variables affect mortgage interest rates, and conditions unique to each buyer also can affect the rate they're eligible to obtain. Understanding home loan rates can help potential buyers better navigate the complex process of buying a home.

When a person buys a home with a mortgage, he or she doesn't just pay back the amount borrowed, which is called the principal. The loan also requires paying interest, which is essentially the cost of borrowing money. Mortgage interest is calculated as a percentage of the remaining principal, says Investopedia.

Mortgage rates are not determined by a single variable. They are derived from a combination of factors that includes the Federal Reserve's monetary policy, economic conditions and a borrower's personal financial situation.

The Federal Reserve (in the United States) influences the overall rates by adjusting the federal funds rate, or the rate at which banks lend to each other overnight. This not only impacts mortgage rates, but also additional interest rates, according to Fannie Mae. Lenders will ultimately decide on the specific rates to offer borrowers.

Lenders will conduct a thorough assessment of a potential borrower's creditworthiness. They will look at, among other things, a borrower's credit score and debt-to-income ratio. A higher credit score typically results in a lower interest rate. A lower DTI indicates a lower risk to the lender, also potentially resulting in a lower interest rate. Squaring away finances well in advance of applying for a mortgage can help home buyers secure lower interest rates that could save them considerable sums of money over the life of their mortgages.

A home buyer will pay interest no matter the mortgage type, but there are options to select a fixed or adjustable interest rate, or even interest-only mortgages.

According to Bankrate, with a fixed-rate mortgage, the interest rate remains the same throughout the life of the loan, meaning the payment for principal and interest will remain consistent. Additional charges that are wrapped into mortgage payments could change, however. Property taxes and homeowners' insurance charges could increase, for example.

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the purchase price, though some lenders may waive PMI prior to that if the value of the home increases considerably before the loan balance reaches the predetermined marker.

- Closing costs: The amount of closing costs varies widely depending on a host of variables, but Bankrate.com notes it's not uncommon for these costs to come in at somewhere between 2 and 5 percent of the loan principal. Closing costs must be paid no later than when the sale becomes official and buyers sign on the (many) dotted lines. Application and credit fees, title fees, underwriting fees, appraisal fees, and transfer tax are among the various fees that fall under the umbrella of closing costs.

- Moving: It's also important that first-time home buyers budget for moving costs. Moving costs vary and may depend on how much buyers already own and how far they're moving. The home renovation experts at Angi estimate that local moves typically cost somewhere between \$883 and \$2,568, while long-distance moves may run buyers anywhere from \$2,700 to \$10,000 or more.

These costs are some of the upfront fees aspiring homeowners can expect when buying a home. Long-term costs, including homeowners' insurance (which is separate from PMI), property taxes, homeowners' association fees, and maintenance are some additional expenses buyers can plan for as they try to determine their home buying budgets.

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