

Home Buying 101

Rob Ramsdell

My Background

Gibson Sotheby's International Realty

SIGNIFICANT SALES



Boston
62 Mount Vernon
Seller | \$4,375,000



Cambridge
19 Centre Street, Unit 6
Buyer | \$1,730,000



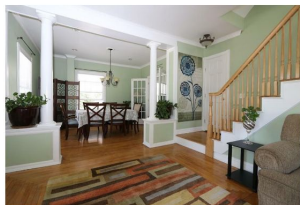
Somerville
97 Wallace Street
Seller | \$1,600,000



Brookline
30 Stanton Road, Unit 3
Buyer | \$823,000



Waltham
79 Bishops Forest Drive
Seller | \$675,000



Framingham
59 Winthrop Street
Buyer | \$420,000



Waltham
79 Bishops Forest Drive
Seller | \$675,000



Framingham
59 Winthrop Street
Buyer | \$420,000

Sotheby's is a luxury brand – we are equally proud to work with non-luxury buyers.

Gibson | Sotheby's
INTERNATIONAL REALTY

www.RobRamsdell.com

HOME

ABOUT

DATA INSIGHTS

LISTINGS

SEMINAR

CONTACT

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INTERNATIONAL REALTY

Agenda

1. Market Trends Part 1
2. Rent vs Buy Analysis
3. Buying Process
4. Mortgage Process
5. Market Trends Part 2

Market Trends Part 1

My Data Visualizations



Impact of Higher Interest Rates

Predict: What impact do you expect?

Observe: When you look at the data visualizations that follow, complete what would you say?

I am struck by...I observe...I notice...

Do Changing **Interest Rates** Appear to Impact Other Metrics?

Customize the charts here



Pick the period that you want to include



Pick a metric to see the trend compared to the **Interest Rate**

City/Town

All

New Listings

- Null
- 2018
- 2019
- 2020
- 2021
- 2022
- 2023

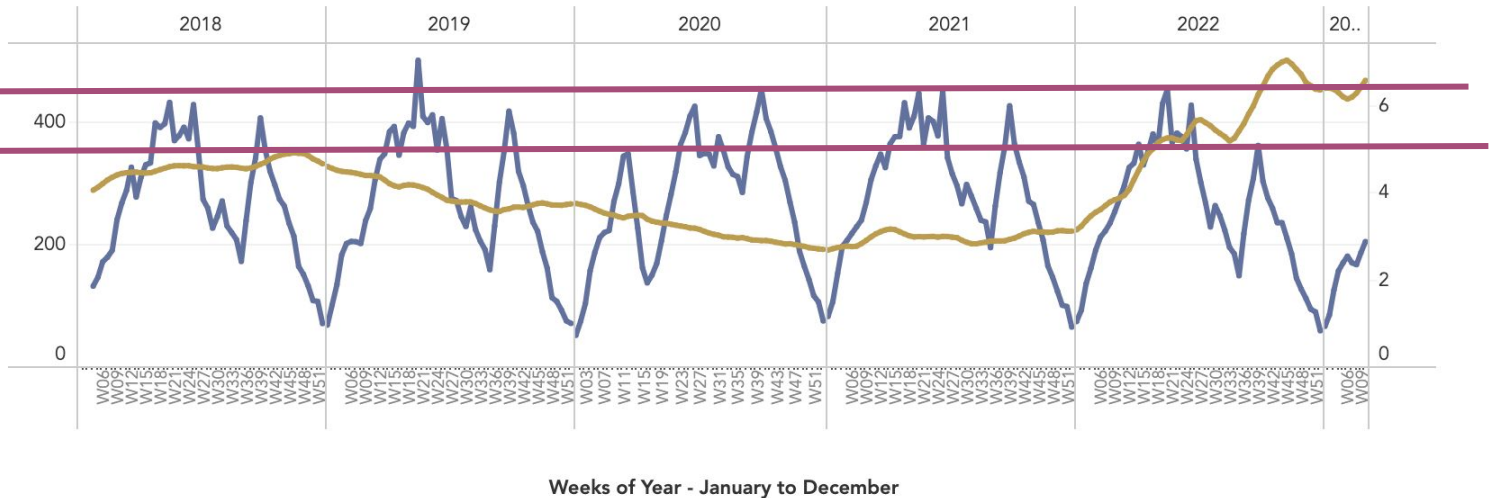
Property Type

- (All)
- Condo
- Multi-Family
- Single-Family

Price Range

- (All)
- \$0-\$649,999
- \$1,000,000-\$1,499,999
- \$1,500,000-\$1,999,999
- \$650,000-\$999,999
- Over \$2,000,000

New Listings and **Interest Rate** Over Time



All metrics are calculated as a 4 Week Moving Average

* Smaller Towns Group aggregates the data of Belmont, Concord, Lexington, Lincoln, Melrose, Sudbury, Watertown, Wellesley, Weston and Winchester

Weekly Market Trends: How Does 2023 Compare to the Recent Past?

Customize the charts here

Pick two of the four metrics to analyze trends across weeks of the year

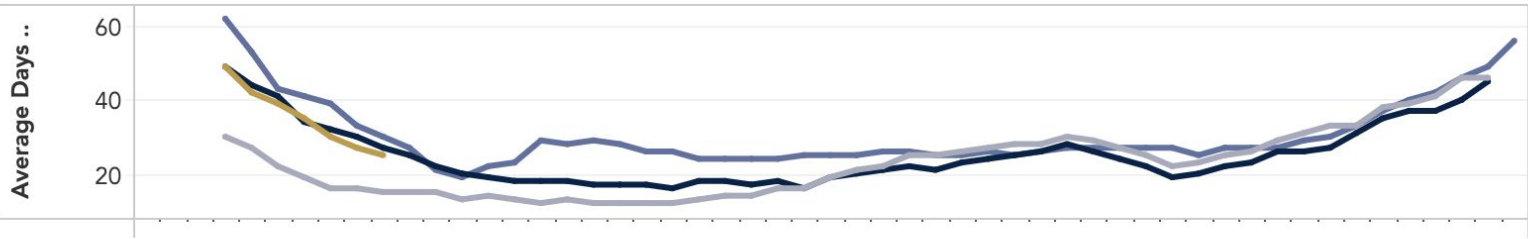
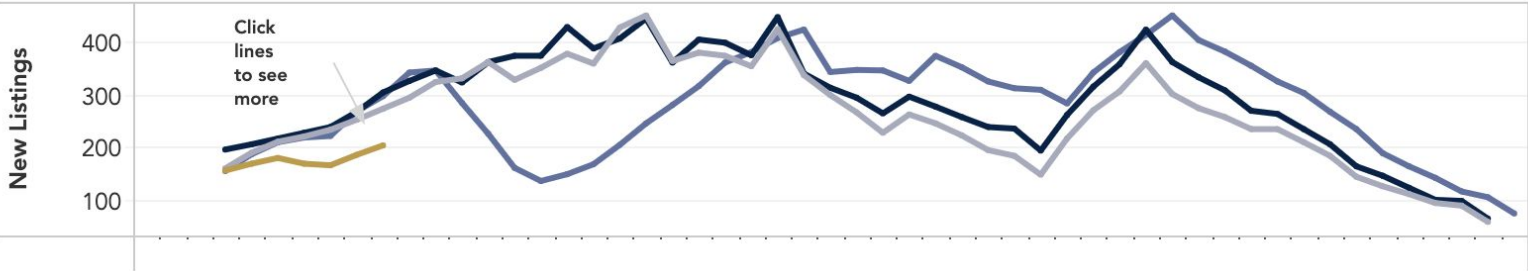
and

City/Town

- Property Type
- (All)
 - Condo
 - Multi-Family
 - Single-Family

- Price Range
- (All)
 - \$0-\$649,999
 - \$650,000-\$999,999
 - \$1,000,000-\$1,499,999
 - \$1,500,000-\$1,999,999
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2023 2022 2021 2020




Weeks of Year - January to December

All metrics are calculated as a 4 Week Moving Average

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Pace of Market Activity: Are we ahead or behind previous years?

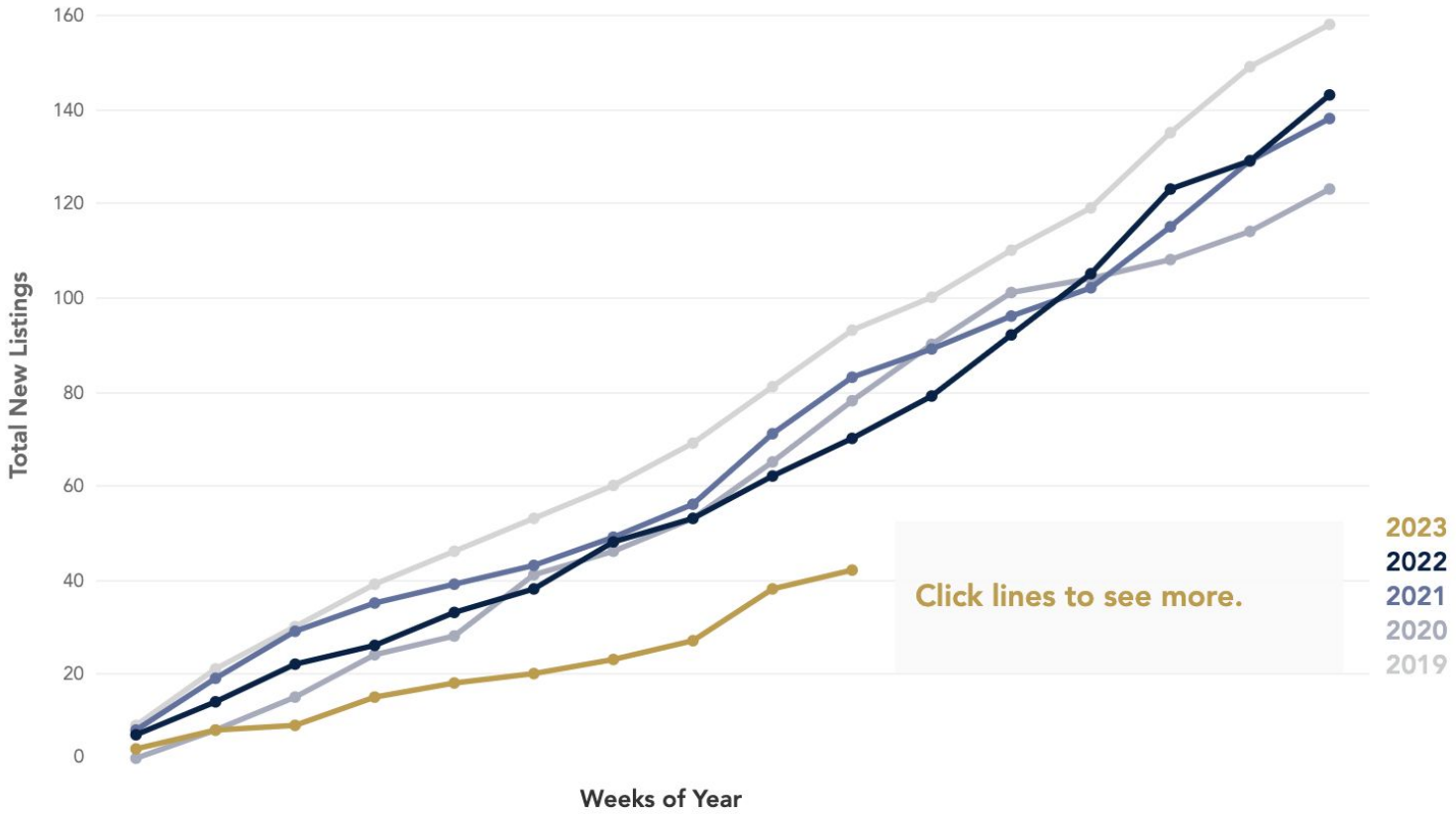
Customize the chart here 

Pick a metric
Total New Listings ▼

City/Town
Billerica ▼

- Property Type
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 - Condo
 - Multi-Family
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- Price Range
- (All)
 - \$0-\$649,999
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 - \$1,500,000-\$1,999,999
 - Over \$2,000,000



Click lines to see more.

2023
2022
2021
2020
2019

All metrics are cumulative aggregations from the beginning of the year.

Rent vs Buy Analysis

Rent vs Buy - Questions to Ask

Practical: How much will owning vs renting cost? Can I afford the cost?

Time: How long will you be in the home? >5-7 years?

Savings: Do you have enough saved for a down payment?

Quality of Life: Will I be happier where I can rent versus where I can buy?

Risk: What is my tolerance for risk?

Leverage: Will leveraging a mortgage help me build equity more quickly?

Scenario

1. I've saved \$100,000 for a downpayment or to invest in the stock market.
2. My monthly costs are about the same whether I rent or buy.

	Real Estate - Middlesex County	S&P 500
Appreciation: 2013-2022	8%	11.89%

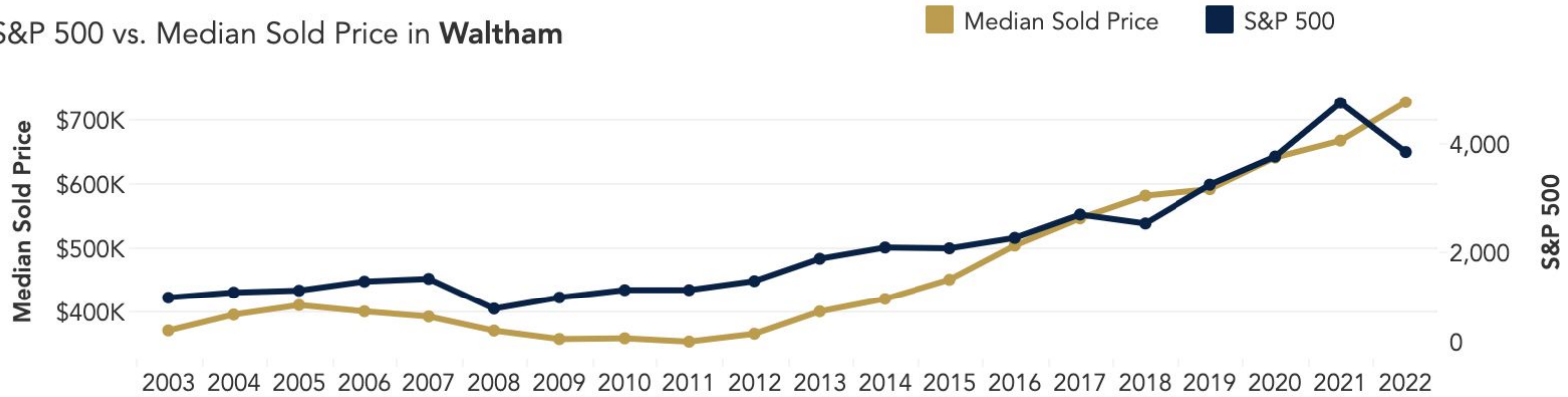
3. How can putting money into real estate be the right choice?

How can it make sense to buy?

1. Pride
2. Control
3. Different risks

Historical Perspective: The Movement of Real Estate and Stock Market Prices

S&P 500 vs. Median Sold Price in **Waltham**



Customize the chart here



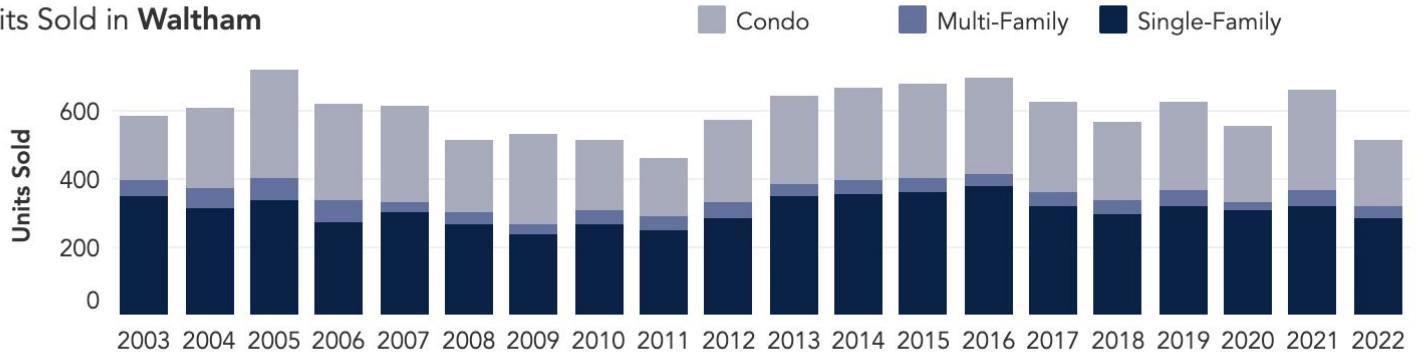
Property Type

- (All)
- Condo
- Multi-Family
- Single-Family

City /Town

- Lexington
- Lincoln
- Medford
- Melrose
- Natick
- Newton
- Somerville
- Sudbury
- Waltham
- Watertown
- Wellesley
- Weston
- Winchester

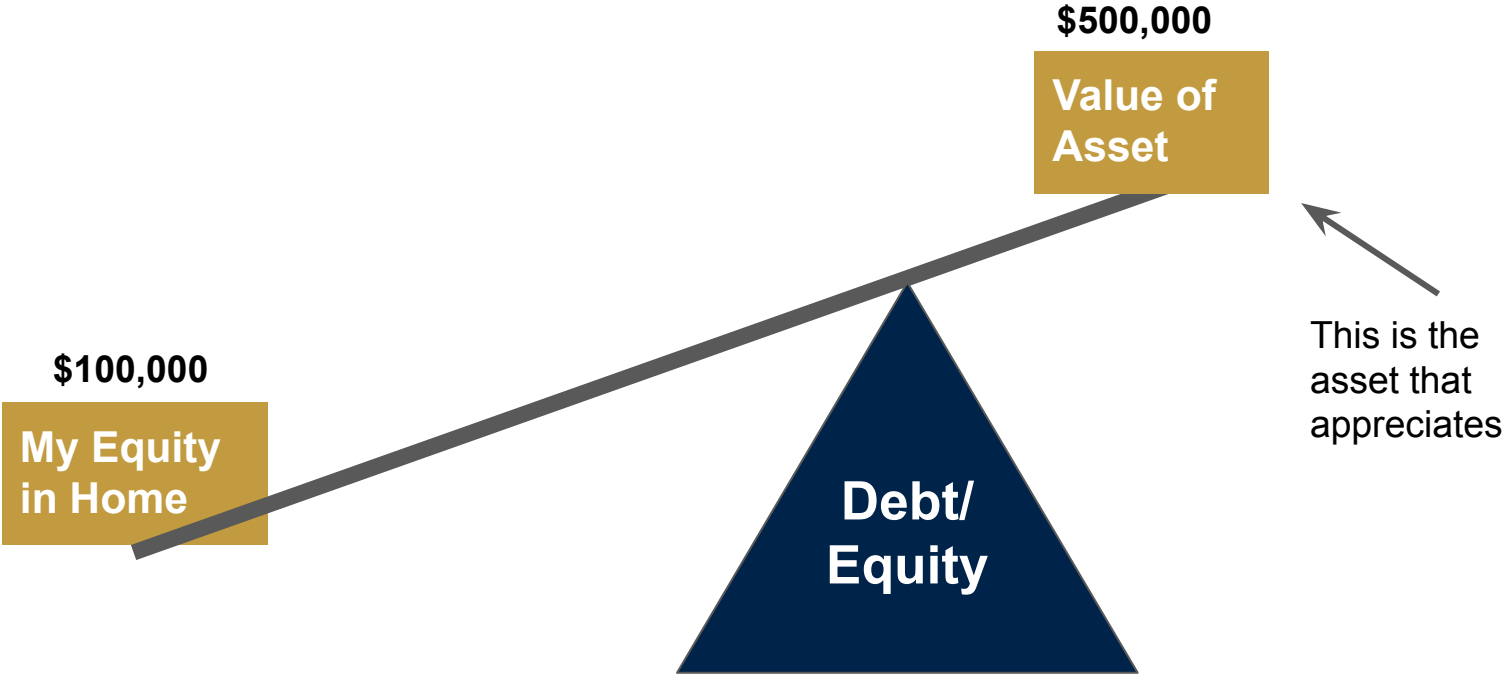
Units Sold in **Waltham**



How can it make sense to buy?

1. Pride
2. Control
3. Different risks
4. And also, the potential benefit of using a mortgage as a lever to build equity/wealth

Using a Mortgage as Leverage



The Buying Process

What kind of buyer are you?

1. For how long do envision owning the home you buy?
2. Are you drawn to older homes with character?
3. Is move in ready important to you?
4. Are you willing to do some renovations?
5. Would you consider living in a condo? Wood construction or larger, concrete construction?
6. Are you a handy person who can make improvements on your own?

What kind of buyer are you?

7. What's most important to you?
 - a. Good light
 - b. Outdoor space
 - c. Kitchen
 - d. Storage
 - e. Garage parking
 - f. Lively location or peaceful location
 - g. Access to public transportation
8. How motivated are you to buy soon?

Carefully Pick a Buyer's Agent

- Don't let Prop Tech companies like Zillow pick for you.
- Will s/he focus on you enough?
- Does s/he communicate clearly and in a timely manner?
- Are your interactions comfortable and even fun?
- Will s/he be patient?
- Is s/he willing to do the extra things for you?
- Are your ways of thinking and analyzing the market compatible?

Working with a Buyer's Agent Agency Relationship - What does it mean?

In Massachusetts there are licensed agents who can represent buyers or sellers in real estate transactions.

My Duty as an Agent - OLD CAR

1. **Obedience** - the duty to carry out all lawful instructions of the Client
2. **Loyalty** - the duty to act in the best interest of the Client
3. **Disclosure** - the duty to disclose all information relevant to the Client
4. **Confidentiality** - the duty to keep the Client's confidential information, confidential - Duty survives termination of agency relationship. Duty does not apply to legally required disclosures such as known physical hazardous conditions of property.
5. **Accountability** - the duty to protect, isolate and account for all money, documents, or other personal property provided to the agent
6. **Reasonable Care and Due Diligence** - the duty to act competently and being capable of performing the duties undertaken

Buyer Timeline

GET PRE-APPROVED

Your mortgage lender will review your income and credit history to determine what size loan you are eligible to receive.

BEGIN THE SEARCH

Together we will review inventory and visit properties.

OFFER STRATEGY MEETING

We will review comparable properties and discuss ways to make your offer more appealing.

SUBMIT AN OFFER

You will choose an offer strategy and submit an offer. Offer deposit due (typically \$1,000).

Detour: Mortgage Process

RESOURCES

Buyer's Guide

This document provides an overview of the buying process and helpful information about things to consider.

[Guide](#) 

Middlesex County – 5 Year Trend Reports

We will focus on the parts of these reports that show numbers of listings, Months of Inventory, and Days on Market (DOM).

[Condos](#) [Single Fam](#) 

RealScout – Agent Based Search Platform

RealScout provides a way to look at properties with an agent who you are choosing to partner with. If we connect through RealScout, we can communicate about properties and what you like and don't like and keep track of your preferences and priorities.

[Get Started](#)

Home Buying Guide From Lender

Valuable guidance from a lender which is very important perspective into process

[Show Me](#)

Why is a pre-approval important?

- Validates the borrower's ability to qualify for a Mortgage
- Gives the borrower confidence when shopping for a home
- Arms the borrower with knowledge and expectations around payments and down payment responsibility
- Max Pre-Approval Amount and “Comfort Zone”
- Payment Information (P&I, taxes, insurance, condo fee, PMI)
- Closing Costs and Pre-Paid
- Program Options and Rates
- Set expectations around protocol communication.

What's included in a pre-approval

Purchase Price

Loan Amount +
Rate

LTV
(Loan to Value)



Understanding Credit



- Your credit score is an important factor in determining how much house you can afford.
- Helps banks make lending decisions and assess risk
- Credit scores range from 300-850. Higher is better.
- Identifies current liabilities (credit and loans) and previous derogatory credit (Bankruptcy, Short Sale or Foreclosure, etc.)
- Gives a head start on credit repair opportunities – the earlier the better!
- Score Factors:
 - Payment History = 35%
 - Amount Owed = 30%
 - Length of Credit = 15%
 - Type of Credit = 20%



Credit Dos and Don'ts



Do:

- Stay current on existing accounts. Even one 30-day notice can be costly!
- Maintain credit card balance at 20%-30% of credit limit.
- Call your Loan Officer for a free credit report or before making any changes to your report.

Don't

- Max out or overcharge your cards
- Miss any payments



Income



Lenders calculate your allowable monthly housing payment based on your gross income. Total Ratio of 45%, 50% by exception.

History and Consistency is Important

- 2 Year look back (Being a student counts)
- 3 Years expectation going forward

Types of Income

- Salary, Bonus, Commission, Hourly
- Self Employed: Schedule C(1099), S-Corp and C-Corp and Partnerships
- Social Security and Pension, Child Support and Alimony
- Current and Potential Rental Income

Documentation

- Documentation
- 2 Years Federal Tax Returns and 2 Years of All W-2's
- 2 Recent Paystubs
- Verification of Current Employment

Back to The Buying Process

Buyer Timeline

GET PRE-APPROVED

Your mortgage lender will review your income and credit history to determine what size loan you are eligible to receive.

BEGIN THE SEARCH

Together we will review inventory and visit properties.

OFFER STRATEGY MEETING

We will review comparable properties and discuss ways to make your offer more appealing.

SUBMIT AN OFFER

You will choose an offer strategy and submit an offer. Offer deposit due (typically \$1,000).

SIGN THE PURCHASE AND SALE AGREEMENT

After your offer is accepted, the seller's attorney will draft a P&S agreement, stating the final sale price and terms. P&S deposit is due (typically 5%).

● ● **FORMALLY APPLY FOR A LOAN AND LOCK IN YOUR RATE**

Your mortgage lender will work with you to review all final loan documents.

● **APPRAISAL**

The property will be reviewed by a licensed professional to assess its value.

● **HOME INSURANCE**

You will review your options and select your homeowners insurance policy.

● **FINAL WALK THROUGH**

Just prior to closing, you will walk through the property to ensure it's in the same condition as when you last visited.

● **CLOSING**

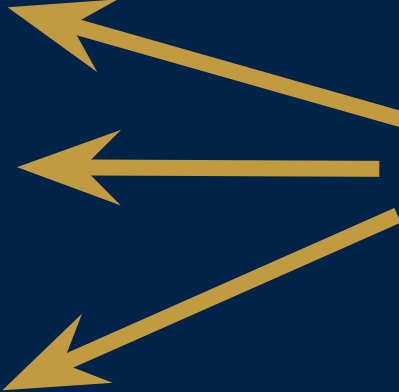
You will sign the final paperwork and exchange payment. The transaction will be recorded with the Registry of Deeds. Congratulations!

Your Team

Your Team

1. Buyer's Agent
2. Lender
3. Real Estate Attorney
4. Home Inspector
5. Contractors
6. Insurance Agent
7. **Financial Advisor**
8. Tax Advisor

If you need referrals
for great people, let
me know.



Costs (estimates from partners)

1. Lender: As a rough general rule of thumb a client can expect to 1.5%-2% in costs as closing on top of their down payment.
2. Real Estate Attorney
 - a. About \$1,000
3. Home Inspector
 - a. \$350-600
4. Insurance Agent
 - a. Single Family Homeowners: \$1,200 to \$2,500/\$3K+ annually
 - b. Renters: Runs from \$150 to \$500+ depending on contents amount
 - c. Condo: Unfortunately varies quite a bit based on Master Policy Condo coverage and contents limits. But could run \$350 to \$2,000+

Market Trends Part 2

My Data Visualizations

Competitive Process - Two Metrics to Gauge

1. Days on Market
2. Months of Inventory

RESOURCES

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Middlesex County Area Market Review

2019 - 2023 As of March 15, 2023

Prepared by Rob Ramsdell on Wednesday, March 15, 2023

Condominium

Listing Inventory on March 15	2019	2020	2021	2022	2023
Listing Units	652	613	501	324	443
Median Days on Market	30	18	26	25	28
Median List Price	\$566,500.00	\$595,900.00	\$639,900.00	\$774,500.00	\$849,000.00
Median List \$ / SqFt	\$361.00	\$366.89	\$458.64	\$560.33	\$533.45
Approximate Absorption Rate	74.41%	78.62%	96.97%	175.46%	100.36%
Approximate Months Supply of Inventory	1.34	1.27	1.03	0.57	1.00

Middlesex County Area Market Review

2019 - 2023 As of March 15, 2023

Prepared by Rob Ramsdell on Wednesday, March 15, 2023

Single Family

Listing Inventory on March 15	2019	2020	2021	2022	2023
Listing Units	1323	1113	482	333	574
Median Days on Market	30	24	19	15	27
Median List Price	\$769,000.00	\$825,000.00	\$949,500.00	\$1,325,000.00	\$1,415,000.00
Median List \$ / SqFt	\$290.59	\$306.20	\$379.68	\$428.64	\$439.46
Approximate Absorption Rate	69.29%	82.81%	194.29%	290.32%	142.10%
Approximate Months Supply of Inventory	1.44	1.21	0.51	0.34	0.70

Competitive Process - How to Win

Price - How do you win without overdoing it?

Time - How can you show the seller you will work on their timeline?

Certainty - How can you reduce the seller's while also protecting yourself?

One Last Data Visualization

Sold Properties - **Town Comparisons**

Customize the charts here



- Price Range
- \$0-\$649,999
 - \$1,000,000-\$1,499,999
 - \$1,500,000-\$1,999,999
 - \$650,000-\$999,999
 - Over \$2,000,000

- SQFT
- 0-999 ft2
 - 1,000 - 1,699 ft2
 - 1,700 - 2,399 ft2
 - 2,400 - 2,999 ft2
 - Over 3,000 ft2

- Beds
- 0-2
 - 3-5
 - 6-9
 - Over 10

- City/Town
- Belmont
 - Billerica
 - Boston: Back Bay
 - Boston: Beacon Hill
 - Boston: South End
 - Brookline
 - Cambridge
 - Concord
 - Framingham
 - Lexington
 - Lincoln
 - Medford
 - Melrose
 - Natick
 - Newton
 - Somerville
 - Sudbury
 - Waltham
 - Watertown

City/ Town	Median Sale Price	Median Price/SQFT	Median Days to Offer	# of Sales
Framingham	\$0.62M	\$326	17	768
Billerica	\$0.63M	\$309	19	467
Waltham	\$0.74M	\$412	20	555
Watertown	\$0.85M	\$470	19	349
Brookline	\$1.26M	\$747	22	587
Winchester	\$1.26M	\$499	19	288
Cambridge	\$1.28M	\$885	21	787
Newton	\$1.35M	\$513	20	909
Lexington	\$1.49M	\$532	18	390

Median Sale Price, Median Price per SQFT, Median Days to Offer, and Number of Sales are calculated based on the previous 12 months. Tax rates are from public records for 2022, with no residential exemption.

Reach Out If I Can Help

Rob Ramsdell

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617-433-5539

Scan to Download My Contact Information

