

# Good Happenings

News & Insights from the Ron Sitrin Team

## A Tale of Two Generations

**BY RON SITRIN**

As the new year begins, we are anticipating a continued generational shift in housing from Baby Boomers (sellers) to Millennials (buyers).

COVID-19 dramatically changed the housing market. Baby Boomers thinking of selling froze their moving plans in 2020 due to unprecedented uncertainty. The thought of moving became fleeting as lockdowns and gathering restrictions became the new norm. Space was at a premium due to the pandemic. Houses became central to our lives as knowledge workers exited communal offices in the city and took up remote work in kitchens, living rooms, bedrooms, and even closets.

Our clients in the Baby Boomer generation told us about kids coming back to live with them, spending extended periods with family, and providing childcare for grandchildren due to daycare closures and safety protocols. Their larger houses, with extra square footage and back yards served them well as their needs for space changed. I experienced this exact scenario with my family.

Wynne and I were empty nesters still living in the home



we raised our daughters in. Back in 2019, we found ourselves considering a lifestyle change by moving to DC. Then the pandemic hit. With so much uncertainty of how the virus spread, Wynne and I told our adult kids they had 24 hours to decide if they wanted to move back in with us or stay in their current locations.

**Our larger square footage and Wynne's home cooking prevailed and all three returned home. We were delighted they did.**

Wynne and I started with a "quick" road trip to Ann Arbor Michigan to pick up Chloe at her sorority house. Then Gabby, who had just signed a one year lease and moved into her hip, Columbia Heights rowhouse came

next. Aliza had little choice as the Peace Corps evacuated her from Ecuador, sending her home a year and a half ahead of schedule. We even picked up one guest as Chloe's boyfriend would have been stuck in a small condo so we welcomed him as well. We made him bring his guitar for family sing alongs.

Wynne and I went from two to six adults all living under one roof in just 48 hours. We were grateful to have the space to host everyone. We made the most of a challenging situation and ended up sharing moments we will cherish forever. Our experience was similar to that of many other Baby Boomers.

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# Creating Generational Wealth Through Real Estate

BY RON SITRIN

Sometimes the power of owning real estate hits me in the most unexpected ways. I distinctly remember a listing appointment I had in Washington DC.

I walked up the steps, knocked on the door and was greeted by the seller's daughter. She invited me in and gave me the opportunity to tour the home

needed to sell his vertical home to move to a one-level home. Whatever proceeds we got from this sale would be the dollars they could use for the next purchase.

I asked the grandfather how long he lived there. He went on to explain that he grew up on a farm in the South. Their family did not have much. He moved to the

decision he could have made. Over the next several decades he had a wonderful home to raise his family in and the home increased his net worth.

Real estate wealth is created in two ways, through debt reduction and through appreciation. Over the next 30 year he made 360 mortgage payments to pay off the loan. More impressively, the home's value was now worth more than 25 times what he paid for it. He had an asset that increased his net worth by over half a million dollars.

**We went on to sell his house and helped him purchase a new one. He realized the importance of owning real estate and wanted to put his money right back into it.**

I think back to his humble beginnings. He started with very little, invested in real estate, and accumulated real estate wealth. More importantly though, he can initiate a cycle of passing generational wealth on to his kids and grandkids. I am hopeful that this will have a positive impact on his family for generations to come.

“The major fortunes made in America have been made in real estate.”  
— John D. Rockefeller

It was a classic, Petworth, DC rowhouse with beautiful wood trim, exposed brick and a gorgeous mantel over the fireplace. The sellers' grandkids were playing on the living room floor. The grandfather, daughter and grandkids all made me feel welcome in this intergenerational home.

The family sat me down and explained how their grandfather

DC area in the 1950's to take a government job. Since he served in the army, he was eligible for zero down financing through the VA Bill. This allowed him to buy a home with no money down.

They purchased the home for under \$20,000. That was a lot of money back then and they had the same fears that buyers today have about overpaying. However, in the end, this was the best

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## The Good Things Happen System

Buying or selling a home is riddled with challenges. With hundreds of decisions to make, a single mistake can potentially cause big problems. That's why, over the last 25 years, we've developed and refined the Good Things Happen System™ to catch any mistakes before they happen and ensure you have a smooth real estate transaction.



# Carrying Two Mortgages – A case study

It is natural for people to have nervous energy when entering a real estate transaction. This is even more pronounced when someone is planning to buy and sell at the same time. There are so many unknowns in real estate, and when you are buying and selling at the same time they get magnified. When our clients want to buy a new house before selling their current one, they always ask “how long will I need to carry both mortgages?”

**For one of our recent clients, this was her scariest concern. She lived in a small one-bedroom condo in downtown D.C. and wanted to move to a single family home.**

Her lender said she was qualified to purchase her new home prior to selling and paying off her existing mortgage on her condo. Even though the lender said she could afford it, the thought of paying two mortgages for longer than 60 days created a lot of anxiety. We needed to come up with a plan to make sure this didn't happen.

We faced two challenges in making sure that she got her home sold within her 60 day timeframe. The first challenge was that units in her condo building had an erratic sales history. This

made it difficult for us to determine a good list price and to estimate how many days it would take to sell.

To solve this problem we worked backwards from her 60 day timeframe. We knew that it would take 30 days from the day that she accepted an offer to get to settlement. Therefore, we only had 30 days remaining to get her condo under contract.

In her building, many of the units took 40 days to sell, so we had to make sure we nailed the pricing. We helped her pick an aggressive price that we thought would sell within 20 days. If that didn't work, we were prepared to strategically reduce the price on the 20th day to a price that we were highly confident would get the condo sold in the next 10 days.

Our second challenge was that she had totally outgrown her space. There was way too much furniture and personal belongings inside her unit making it difficult to show its best. Our strategy was to get her home “market ready” so that when it was time to sell it could go live on the MLS fast.

Our marketing and design team worked with her to help select what furniture should remain in the house to help present the home at its best.

**All the advance marketing and preparation work we did paid off. We were able to get her condo on the market the very next day.**

We knew showings would be slow in her building, and it took a week to get the first showing. That was a stressful week. However, they loved it and made a full priced offer. We were able to get her condo sold and the mortgage paid off well ahead of her 60 day time frame.



Every client we work with has their own unique perspective and situation. Our job is to help them map out a path to a successful transaction. Whether it's calculating the time it will take to sell, getting their home market ready, or finding the perfect new place to call home, our goal is to always make sure Good Things Happen.

## NO CONFUSION

Our one-of-a-kind Orientation helps you understand the market and clears up any misconceptions about how the process works.

## NO COSTLY MISTAKES

Our 300 point checklist is designed to catch any mistakes before they happen, including pricing the house correctly and making sure contracts are done properly.

## NO STRESS

We remove all the aggravation of finding the best neighborhood or getting a house ready for sale, priced, marketed, and closed.



## Continued from front cover

Over the next several months, as we got more acclimated to our new environment, the housing market went from completely frozen to on fire in an unprecedented period of time.

The market for single family houses soared as Millennials, the other end of the generational spectrum, entered the market in droves.

The Millennials generation was predisposed to buy their first house later in life, stay in the city longer, and preferred smaller, greener homes over larger ones. The pandemic changed all of that fast as living in the city was no longer as fun and larger houses became much more practical than smaller ones. Home offices, home gyms and back yards became the premium focus for new home buyers.

We had buyer clients that had hired us pre pandemic to help them buy their first home. Their typical criteria was, stay in DC, 2 - 3 bedrooms, walkability to shops and metro, and keep their commute to under 20.

Those same clients, within a few months, modified their criteria to wanting a home office or two, were less concerned with commute times, and were now willing to buy in the suburbs over the city to get more space. Those thinking of buying in a high rise condo put everything on hold.

**As Millennial buyers got excited about moving out of their smaller rental units and buying their first home, they were immediately hit with the realization that there were very few homes available for sale. This was happening because the Baby Boomer generation was choosing not to sell exactly at the time the Millennials wanted to buy.**

When a well priced home hit the market, about 40% of them received more than one offer and sold fast. Fear of getting priced out set in fast

amongst these first time buyers and they got more aggressive with their offers. Bidding wars with high escalation clauses became the norm and this fueled unprecedented price appreciation during 2021.

In addition to price, the terms buyers needed to offer to win became extremely one sided in the favor of the seller. If a house received 6 or more offers, the winning offer would typically be ALL CASH, AS

“Real estate cannot be lost or stolen, nor can it be carried away. Purchased with common sense, paid for in full, and managed with reasonable care it is about the safest investment in the world.”

– Franklin D. Roosevelt

IS, NO CONTINGENCIES. We had a millennial buyer who was ready to move out of her rental and own something for herself, but prices were going up so quickly that coming up with the down payment was a challenge and there was no way she could make an ALL CASH offer. Her Baby Boomer parents came to the rescue and offered to help.

This happened far more often than you would think. About 33% of first-time buyers and 8% of repeat buyers got a gift from their parents and/or had parents that stepped in so that their kids could make an ALL CASH offer. In the end, the kids still got the loan, but the only way they could win the deal was through mom and dad's promise of financial support if they could not get a loan. Over the last 18 months, our team saw a lot of these intergenerational partnerships where the older generation guaranteed the financing of the younger generation's purchase.

Ironically, it's the demand by the Millennial generation that pushed up the value of the Baby Boomer's homes, and now the Boomers need to step in financially so their Millennial kids can buy.

## Good Happenings

Good Happenings is a look at market trends, Ron Sitrin Team insights, great stories and good things we want to share with you. All content and information shared is approved by the clients. This issue is all about family, and that's why you're receiving this: as a Ron Sitrin Team, we consider you family, too. We're here for when you need to buy or sell!

### The Ron Sitrin Team

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*This is not intended to solicit the listing of other brokers.*

