

Good Happenings

News & Insights from the Ron Sitrin Team

A hyper-active pager in 1985 brings a wake-up call from my Dad

BY RON SITRIN

It's early in my career, 1985, and my pager is going off like crazy. Buyers. Showings. Faxes that need to be picked up. I'm a driven CPA turned Realtor and it's all becoming too much. It just seems there's not enough hours in the day to get it all done.

I look at the pager. It's one of my sellers and it's about the 4th time she's tried to get me. I call her back and she gives me a harsh truth, she's feeling disappointed that I'm not giving her enough attention. This was a big client. We'd recently listed her \$300,000 Southwest DC townhouse and that was a big number back in '85.

She was absolutely right. I'd been spreading myself too thin. Back in the '80s, Realtors did everything themselves and didn't hire anyone to help them. **In my enthusiasm to succeed, I was taking on too much and not realizing how time consuming each transaction could be.** With every new client, the things I needed to do seemed to explode exponentially.

I needed help, but money was tight and I was barely making enough money for myself. How could I afford to pay an assistant?



I was feeling apprehensive and a bit scared, so I called my Dad.

"Son," he said, "when I graduated dental school I had to sign a lease for an office. I had to take out a loan to buy dental equipment. I had to hire a receptionist. I had to hire a hygienist. I had just moved to a new city and I didn't know anyone. I didn't have a single patient. And you're worried about hiring a part time assistant?"

That was all I needed to hear. By the end of the week, I'd made my first hire and I was on my way.

It's funny how life works. You never know how things will turn out. Who would have guessed that an unhappy client would prompt a phone call with Dad, that would

inspire me to make my first hire, that would eventually grow into the Ron Sitrin Team.

Thanks to Dad's advice then. I am surrounded by an amazing team now.

Thanks Dad and Happy Fathers Day!



Market Update

Is the buyer mindset changing?

BY RON SITRIN

I recently had a conversation with new buyer clients, Beth and Eric. Last year, they moved to the DC area to start their dental practices. Now they are ready to purchase their first home.

Early in the conversation, Beth said something I am hearing a lot, **“We need to reduce our price point because we don’t want to increase our monthly mortgage payment”**.

They’re certainly not alone. Rising interest rates have caused many buyers to lose purchasing power.

Buyers shop for houses based on their price point. To get to that price point, they **first determine the monthly payment they can afford, then they convert that payment into a price** (see chart at right).

When interest rates increase, a buyer has two choices. Either keep the loan amount the same and increase the monthly payment, or keep the monthly

payment the same and decrease the loan amount. This second option means that the buyer is choosing to borrow less, therefore spend less and is losing purchasing power.

It’s very similar to when people shop for a car. In order to keep the monthly payment at, say \$500, they can extend the length of the loan or increase their down payment. With buying a home,

it’s unusual to get a mortgage longer than 30 years and most people don’t have the extra cash to increase their downpayment. Therefore, if they don’t want to go up in payment, they need to go down in price.

Fortunately for Beth and Eric, it looks like there are still good options for them, and I am confident they will find a winner.

What does your monthly payment buy as interest rates change? (Excludes taxes, fees and insurance)			
	Monthly Payment		
Interest Rate	\$2,000	\$3,000	\$4,000
3.0%	\$474,000	\$712,000	\$950,000
4.0%	\$419,000	\$630,000	\$838,000
5.0%	\$373,000	\$559,000	\$745,000
6.0%	\$334,000	\$500,000	\$667,000
	Amount of loan		

Is it too late to buy now?

BY RON SITRIN

There’s one question all of our buyers are asking, **“have prices gone up too much, too fast, for me to buy now?”**

This is not an easy question to answer. Maybe it is, maybe it isn’t. It’s still too early to know.

For those getting ready to buy, it certainly feels a bit riskier than it did just six months ago.

There are three issues confronting today’s buyers:

- 1) Interest rates are likely to go up
- 2) Prices feel like they could go down
- 3) There are still not enough homes for sale to meet buyer demand.

For the buyer that is buying and selling at the same time, the real issue is just the interest rate. Whether the value of homes goes up or down, either way they own a home. This buyer just needs to focus on

continues on next page >

Rocket science makes for better coffee

Last week my family and I were urban exploring the Union Market District in NE DC. For foodies like us, it's so vibrant and has become one of our favorite parts of the city.

As we were walking around, something caught my eye. It was a vendor's booth with a really cool logo for a coffee roasting company.

I had to stop by and I'm glad I did. I had an instant connection with the owners of BlackNerd Coffee. Elliott, a former rocket scientist, and his wife Annie, a pharmacist, had started the company. We nerded out on all the different ways we love making coffee.

Elliott and Annie have a tough decision to make. In order to hit their next level of growth they need to buy a \$125,000 coffee roasting machine and sign a commercial lease to house it. As a small business owner, I understand the combination of fear and excitement that goes into making this decision. It's a classic risk-reward scenario, there is no guarantee of success, and **ultimately you have to decide if you are willing to bet on yourself.**

If they take the leap, they will need to sell a lot of beans to keep the bean counters happy. I bought their Colombian roast. It was excellent. If Starbucks tastes burnt to you, you will love these beans. They're roasted to taste great without adding milk or sugar.

I want to give these guys a shout-out because I know how hard it is to start and grow a business.



Ron and his new coffee buddy, Elliot, of BlackNerdCoffee.com

Looking for some fun? Check out the Union Market District. If you give me a heads up, I can meet you there and we can support BlackNerd Coffee together. Their booth is open most Sundays, 11am - 4pm, near the intersection of Morse and Union St NE.

Too late? (continued from previous page)

making the move while interest rates are still way below historical averages. There is no harm in them making the move now.

What about the first time buyer? This can feel a bit more tricky as they are worried about two things that are in conflict with each other. They worry about overpaying if prices should fall. They also worry about getting priced out should interest rates continue to climb. Whether they buy or not, either way, it feels like they can lose.

There is good news though if you plan on living in your home for the next 10 years. Historically, if you

purchase a home using a 30 year fixed mortgage, keep it for 10 years, you should end up in a positive equity position. There might be a few negative equity years in the beginning, however, two things work in your favor. First, real estate prices tend to be higher 10 years later. Second, 10 years of mortgage payments will put a nice dent in the loan balance.

Despite today's uncertainty, appreciation and debt reduction should make today's buyers very happy 10 years from now. The beauty of investing in real estate is that the longer you hold the home, the better your investment tends to be.



THE **RON SITRIN** TEAM

at **LONG & FOSTER**
REAL ESTATE

A Top 1% Producer Nationwide

Long & Foster Real Estate, Inc.
20 Chevy Chase Circle NW
Washington DC 20015



Ron Puts Up Hall-of-Fame Numbers!

He's in the

**Top
1%**

of Realtors Nationwide

While
less than

2%

of NCAA Athletes
Will Go Pro

*Ron's hoping to get his own
shoe line, Air Realtor.*

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. Ron's made a lot of friends on the journey from start-up to market leader – Can we help you buy or sell a property? Give us a call today!

The Ron Sitrin Team

Long & Foster Real Estate, Inc.
Have a question, story idea or comment? Give us a shout!

cell: **202.321.4677**

office: 202.364.1300 x2922

ron@ronsitrin.com

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

