SEP2023

Good Happenings

News & Insights from the Ron Sitrin Team

Back to School

Plus a bunch of stuff we've learned over the years

BY RON SITRIN

School buses are making their rounds and we can't help but notice it's the start of a new academic year.

Much like going back to school, entering the world of real estate is a journey of continuous learning—whether you're a first-time homebuyer engrossed in 'Real Estate 101', a seasoned investor jotting down the arithmetic of your next big deal, or a family penning a new chapter in a dream home. **This September issue is packed with enlightening articles and market updates** that celebrate this back-to-school season, offering tips and insights that are as fundamental as reading, writing, and arithmetic.

So, grab your notebook and let's dive in!

Reading: *Rich Dad, Poor Dad*

Sometimes simple stories are the most effective way to teach a lesson. One of my favorites is a short book titled "*Rich Dad, Poor Dad*" by Robert Kiyosaki.

Poor Dad makes a nice salary, buys nice things, but fails to properly invest for the future. Rich Dad, albeit starting on a lower salary, lives off less money and invests regularly. The story does a great job of showing how their disposable incomes change over time.

This book has topped the charts for over 20 years and has sold over 32 million copies. That's even better than George R.R, Martin's first Game of Thrones book!

I read it years ago, and even as a former CPA, it added helpful insights on how to create wealth and build for a financial future. It is a bit controversial in that it has a different take on what is an asset and what is a liability. In the book, the house you live in is a liability because you have to pay to own. I know that sounds a bit strange, especially coming from a Realtor, as our homes tend to appreciate and become our largest assets.

This book goes on to explain that things "you pay" to own are liabilities. Things that "pay you" are assets. **Financial freedom comes when your investments pay you more than you spend on your lifestyle.**

Rich Dad Poor Dad is a great book for a beginner. For those more seasoned, that want a blueprint to grow wealth through rental properties, the best book is "*The Millionaire Real Estate Investor*" by Gary Keller.

A bit of homework: A few years ago I gave a 20 minute presentation on building wealth through real estate. The video is not perfect, but it's good enough if you, or your kids, want a high level overview of how wealth is created in real estate. Scan the to code to watch!

Lessons for Real Estate

Arithmetic: Market stats by school district

We all took a lot of math classes over the years. Anyone remember their algebra or calculus? Not me. I will say, the basics come in handy all the time, especially when we are doing a market orientation for buyers and sellers. The math is pretty simple. It goes like this:

$$\frac{\textbf{Number of homes under contract}}{\textbf{Homes under contract + Homes for sale}} = \textbf{\% of current inventory under contract}$$

Over the years we have found that whenever the percentage is 40% or higher, that is a good indicator we are in a sellers' market. I've seen this ratio get as high as 60 - 70%. That typically means that multiple offers and bidding wars are on the way. When the ratio is 30% or lower, that indicates that the market is softening and there is a good opportunity for buyers to negotiate.

Curious how the market is doing near you? No worries… we did the math for you:

	Homes under contract	Homes for sale	Market strength ratio	Median sales price
BCC	**15**	**37**	**29%**	**$1,450,000**
Blair	**17**	**13**	**57%**	**$634,000**
Churchill	**16**	**47**	**22%**	**$1,400,000**
Eastern DC*	**44**	**110**	**29%**	**$930,000**
Einstein	**16**	**15**	**52%**	**$650,000**
Jackson Reed (NW)	**24**	**62**	**28%**	**$1,715,000**
NoVA schools	**130**	**233**	**36%**	**$1,365,000**
Quince Orchard	**13**	**15**	**46%**	**$858,000**
Walter Johnson	**18**	**27**	**40%**	**$1,130,000**
Whitman	**17**	**26**	**40%**	**$1,552,500**
Wooten	**11**	**16**	**41%**	**$1,060,000**

*Data based on detached single family homes on market/under contract. *Includes Rowhouses.*

Ron's take: Some of the ratios are weaker than I would have expected. It's too early to tell if this is from a slower than usual August, a normal season fluctuation, or a new trend. The same thing happened last fall and the market rebounded quickly in 2023.

What's it like at *your* bus stop?

If you would like to monitor the real-time market strength in your Zip Code, you can sign up to get free monthly updates simply by following the links behind these QR codes.

Montgomery County

District of Columbia

History: How the market changed in Real Estate

There's a lot to learn from history, but lucky for you there's no 300 page assigned reading on the recent real estate market. Here are the Cliffnotes:

1999-2006: The Boom Years

Remember the dot-com bubble and bust? That fallout led to many seeking real estate as an investment and the housing market got hot. Everyone wanted a piece of it, especially as interest rates remained steady at around 6.5%. The insatiable levels of demand led to a boom in the subprime lending market and mortgaged backed securities. We all know where this led. The movie, "The Big Short" is fun to watch and does a great job explaining what caused the housing collapse.

2007-2009: Housing Bubble Burst and Great Recession

When the monthly payments for subprime mortgages reset, many borrowers could no longer make their payments and their homes went into foreclosure. As a result of all the foreclosures, supply skyrocketed, demand waned and prices dropped. The 30-year fixed rates declined from 6% to as low as 4.5% by the end of 2008.

2010-2012: The Trough

Foreclosures peaked in 2010. The Fed kept interest rates low as unemployment remained high. Thanks to the "first time home buyer tax credit" buyers previously priced out of the market could now buy a home with none of their own money. This encouraged buying and housing prices slowly began to stabilize. During this periods the 30-year fixed rate hovered around 4-5% and housing supply remained high; demand was tempered by the struggling economy and tighter lending standards.

2013-2015: Early Recovery

Would you believe we thought we had an inventory shortage during these years? As real estate prices and the economy improved, the demand for entry level houses picked up significantly. The demand increased as interest rates remained low and the first wave of millennials started buying. The 30-year fixed rate fluctuated a bit, but generally stayed in the 4% range. As buyers returned to the market the supply began to moderate.

2015-2017: Continued Recovery

As demand continued to increase the supply of entry level homes tightened even as interest rates slowly started to climb up towards 5%. Increasing home prices caused many to be priced out of the market and rents rose significantly. The Fed enacted stricter lending laws to prevent a future housing bubble.

2018-2019: Market Cooling

Interest rates continued to rise and home price appreciation slowed. Inventory remained tight at the entry level. By the end of 2019 some economists were predicting a buyer's market for 2020. The 30-year fixed rate peaked around 5% in 2018.

2020-2021: Pandemic Era

When the pandemic hit the housing market froze. Then, to everyone's surprise, the real estate market took off like a rocket ship. Home prices surged and historically low interest rates kept housing affordable. There was a big demand shift from cities and condos to suburbs and houses as people wanted more space. The 30-year fixed rate fell to a record low below 3% encouraging many homeowners to refinance. Supply dwindled as homeowners didn't want to give up their 3% mortgage rate.

2022-2023: Today

The Fed began raising interest rates in the second half of 2022 to tame inflation. Buyers took a breather expecting home prices to cool off. We were all caught by surprise when the 2023 market got more competitive than ever and prices continued to climb while inventory remained near historic lows. The current 30-year rate is at around 7.3%. Few homeowners are willing to give up their 3% rate and buy at a 7% rate. This "married to your mortgage" phenomenon" is causing historically low inventory and keeping prices stable.

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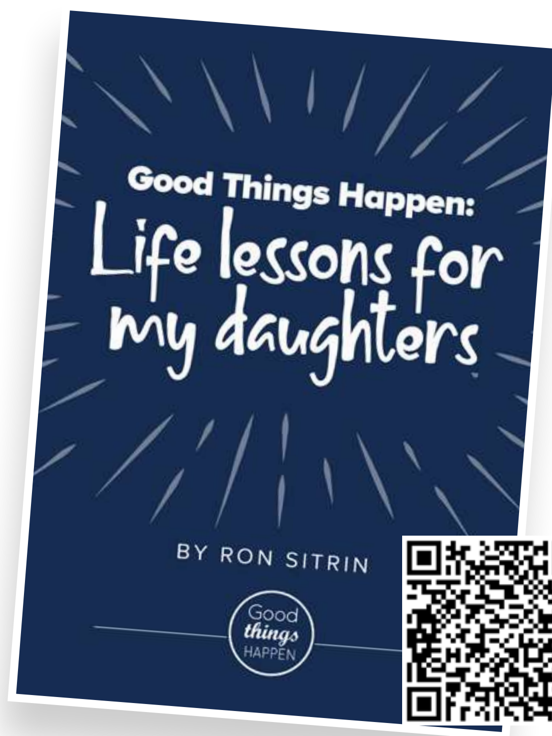
I could write a book. In fact, I have!

A writing assignment

BY RON SITRIN

I remember writing a lot of papers back in the pre digital era. No PCs, no typewriters, just sheets in a spiral notebook and a bic pen. I still prefer writing in longhand, but for a recent project – **a trove of life lessons and advice for my daughters** – I just knew it had to be digital if I wanted them to read it.

A side benefit of going digital is that it's easier to share. If you'd like to check it out, scan the QR code and have a look. If you see anything you like, please feel free to share.



Good Happenings

Good Happenings is a look at market trends, Ron Sitrin Team insights, great stories and good things we want to share. We hope you found it to be A+ material.

To learn more about the markets, your neighborhood or an update of your home's value, please give us a call today!

The Ron Sitrin Team
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Have a question, story idea or comment? Give us a shout!

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