WICKED LOCAL Homes

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33 New York Avenue • Framingham, MA 01701
(508) 626-3800
www.wickedlocalhomes.com

MANAGING EDITOR:
Susan C. Brickman .... (508) 626-3942
sbrickman@cnc.com

PRODUCT MANAGER:
Dave Petruska .... (508) 626-3949
dpetrusk@cnc.com

REAL ESTATE ACCOUNT EXECUTIVES:
Lisa Miles (*lmiles@cnc.com*) .... (508) 626-3837
Lynn Green (*lynn.green@cnc.com*) .... (508) 626-3833
Ben Porter (*bporter@cnc.com*) .... (508) 626-3912

CLASSIFIED ADVERTISING ..... (888) 828-1515 ext. 4

CIRCULATION .... Call (800) 982-4023

NEWS RELEASES / LETTERS TO THE EDITOR
Fax: .... (508) 626-4400
e-Mail: sbrickman@cnc.com

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Sale of 2000 home should be goldmine

SALES, *from page 1*

price dropped 12 percent, hardly noticeable considering the price for a home in Holliston last year was up nearly 35 percent from 2000.

While sales in Hopkinton dropped 8 percent in 2006 from the previous year, the median sale price rose 4 percent and was up 50 percent compared to 2000.

On the other hand, the median sale price in Hudson dropped 4 percent from a year ago as sales dropped 26 percent in 2006 from 2005, but yet again, the median sale price was up 50 percent from seven years ago.

Compared to 2000, the median sale price of a home in Marlborough was up 46 percent in 2006 and down just 3 percent from 2005, despite a decrease in sales in 2006 from 2005 of 20 percent and a decline of 26 percent from 2000.

Sales in Natick, down 7 percent from 2005 and 6 percent from 2000, saw just a 6 percent drop in the median sale price from the year before and a 36 percent increase from 2000.

And in Newton, hardly anything changed from 2005. In fact, there was one more sale in 2006 than in 2005 and the median sale price remained steady at $750,000. Sales were down 9 percent from 2000, but the median sale price for both 2005 and 2006 was up 39 percent.

In Northborough, the median sale price dropped just 2 percent in 2006 from 2005, and was up 63 percent from 2000, when sales were 34 percent higher. Sales from 2005 to 2006 did fall nearly 19 percent, as fewer new homes were built in that small community.

Sales took a big hit in Southborough, dropping 33 percent in 2006 from the previous year and 41 percent from 2000, but prices from 2005 to 2006 rose about 2 percent and were up 39 percent from 2000. The median sale price of $594,000 - meaning half the homes sold for more than that figure and half for less - did dissuade buyers from scouting out affordable homes there last year.

The median sale price of $675,000 in increasingly expensive Sudbury also had its affect on sales in 2006, bringing the number of units sold down 17 percent and the median sale price down 9 percent from the high of $745,000 in 2005. Compared to 2000, sales were down 43 percent and the median sale price was up 23 percent from seven years ago.

Waltham saw sales drop 19 percent from 2005 to 2006, despite a decline of 3 percent in the median sale price. But the number of sales was down just 3 percent from 2000, even though median sale prices in that city doubled in seven years.

There was very little change in Wayland in the last two years, with sales dropping just four units in 2006 from 2005, and rising by four units compared to 2000, according to MLS PIN. The median sale price from 2005 to 2006 dropped just 5 percent, but rose 36 percent since 2000.

Sales in Wellesley, where prices rose 58 percent since 2000 while sales dropped by only 20 units, were down just 1 percent in 2006 compared to the prior year. The median sale price, too, saw little change, dropping just 4 percent over the course of the year.

Although sales dropped 24 percent in Westborough in 2006 from the year before and the same amount from 2000, the median sale price rose 10 percent in 2006 from the previous year and a whopping 57 percent from 2000.

High prices in Weston reduced sales 29 percent in 2006 from 2005, but affected prices barely: the median sale price dropped just 10 percent. Sales were down 32 percent from 2000, but at that time, the median sale price price was 32 percent less than the median $1.25 million it was in 2006.

Despite the cries of crash and burn, homeowners who purchased in MetroWest to have a house for themselves and/or family probably will not have much to worry about, especially if they purchased prior to the excessive boom years of 2004-2006. The buyers who probably are not happy with the stabilization of sales and prices are investors who thought they could make a quick buck buying two or three years ago.

Buyers in the real estate market for the long term - for a place to live - should be breathing a sigh of relief. Their properties have appreciated in the last seven years many fold and, if they haven't pulled all the equity out of their homes, they should be sitting on a goldmine.

Real estate probably not best idea to pay for college

By Linda Goodspeed
DAILY NEWS CORRESPONDENT

FINANCIAL
Q&A

Q Our neighbor bought a condo for his son who was in college. They sold the condo after he graduated and used the profits to help pay his tuition. The dad said it was a great investment. I've since heard of other people doing the same thing – buying real estate and using it to pay for their children's college education. I'm wondering what you think of this investment strategy.

A My feeling is that real estate is almost always a good investment – with a couple of qualifiers. Those caveats include how much you paid for the real estate and what your goal and time frame for the real estate is.

If your goal is to live in the property and you paid a fair market price for it, the real estate will almost always be a good investment. You have to live somewhere and owning real estate gives you the opportunity to build up equity and add to your net worth, not to mention the opportunity to take advantage of the tax benefits of owning real estate.

If your goal is to make money on the real estate – i.e. buy an investment property – there are a lot more qualifiers, including how much you paid for it, how long you hold it, the state of the rental market, the state of the resale market if and when you go to sell it, as well as how much time you have or want to invest in being a landlord.

Rental property can be an excellent investment, but most generally over the long term. My parents bought an apartment house when us kids were small to help fund our college education. At that time there were few college savings options and it was a great investment for them. They still have it and it has given them a very good retirement income as well helping to pay college tuition bills.

But it takes a long time to reap that kind of return. If you have teenage children, investing in a rental property probably won't give you the income stream you will need in a very few short years to pay their tuition bills. And if your goal is to sell the property and use the profits to pay for their college education, remember real estate is cyclical. Ten years ago, you could buy a rental property and sell it six or seven years later and turn a handsome profit. If you bought five years ago and now need to sell – well, good luck. The real estate market has changed. Prices are declining and properties are not moving the way they once did.

There is also a lot of work to being a landlord: Dealing with tenants, continual repair and maintenance. Periods of non-occupancy. If you are handy and can make repairs yourself, that will be a big help. If you have to hire everything done, that will eat up a lot of your profits. And do you really want to spend the time dealing with tenants, marketing the property, screening tenants, responding to complaints?

It is true there are tax benefits to owning rental property, but these are overrated especially compared to other college savings options. You can deduct mortgage interest payments, maintenance, and other expenses on federal income tax returns. But if you pay $1,000 for maintenance and get back only $200 from the IRS, you're still out $800. And once you start making a profit on the property (don't count on this for a few years), those profits are taxed at income-tax rates and could bump you up to a higher tax bracket. And when and if you sell the property, any profit you make will be taxed as long-term capital gain.

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