

A Cambridge Condo, Against Staying a Renter

2BR Condo, Mid-Cambridge, MA (address withheld)

Property	2 BR / 2 BA top-floor condo, 1,075 sq ft, 1910 building (renovated 2014), 1 parking space
List price	\$1,100,000 (listed Oct 13, 2026) • condo fee \$189/mo
Buy assumptions	20% down • 6.99% / 30-yr fixed • 15-year hold
Rent baseline	\$4,200/mo for a comparable 2BR • +3%/yr
Household	Illustrative family of three • \$175K income ($\approx$ Cambridge median family income) • 22% federal bracket, MFJ
Priorities	School placement within 5 years • commute under 30 min • parking • staying put
Report date	October 18, 2026

Neutral presentation: both paths side by side, the buyer decides

This report is an analytical framework based on public information and illustrative assumptions. It is not investment, tax, or legal advice. Consult a CPA on tax matters.

Goals & Inputs

1.1 Decision Context

A household of three is weighing buying a condo in Mid-Cambridge against renting a comparable two-bedroom for \$4,200 a month and investing the difference. Their priorities: a public-school placement within five years, a commute under 30 minutes, parking, and staying put. The household profile is illustrative and built on Cambridge medians: one parent is a research scientist in Kendall Square, the other works in university administration near Harvard Square; their child is three. Household income is \$175,000, close to Cambridge's median family income (\$175,457, ACS 2020–24).

1.2 Property Facts

Item	Detail	Source
Location	Mid-Cambridge, on a private way near Harvard Square	MLS listing
Type / size	Top-floor condo in a 3-unit building; 2 BR / 2 BA + study, 1,075 sq ft; in-unit laundry, central A/C, private deck, basement storage	MLS / listing agent
Year / fees	Built 1910, architect renovation 2014 • condo fee \$189/mo	MLS
List price	\$1,100,000 (\$1,023/sq ft); Redfin estimate ~\$1.13M	MLS / Redfin
Unit history	Sold Oct 2014 for \$699,900 → 3.8%/yr to today's list price	Public records
Property tax	FY26 rate \$6.67 per \$1,000; owner-occupants get a \$510,208 residential exemption	City of Cambridge
Parking	1 assigned off-street space	MLS
Disclosures	Cracked bedroom window; 2 pets allowed; minimum 6-month rentals	MLS

1.3 Buyer Inputs & Assumptions

Variable	Value
Purchase price	\$1,100,000 (list price; no negotiation assumed)
Down payment / loan	20% (\$220,000) / loan \$880,000 (under the \$962,550 Middlesex County conforming limit)
Rate / term	6.99% / 30-yr fixed (buyer input; not a rate quote)
Hold period	15 years
Rent baseline / growth	\$4,200/mo / 3% per year (Cambridge 2BR average ~\$4,040, Rentometer Apr 2026)
Tax profile	Federal 22% (illustrative \$175K income, MFJ); Massachusetts 5% flat
Assumption: appreciation	Base 3.5%/yr (this unit: 3.8%/yr since 2014; assessor reports FY26 residential values roughly flat)
Assumption: investment return	7%/yr (broad index fund, long-run nominal), compounded monthly
Assumption: transaction costs	Buy 2.5%; sell 5.5% (commission + MA deed excise)

Reading notes:

Renting leads, but not by much: After tax, renting ends ~\$109K ahead after 15 years, about 9% of either path's wealth. Price, rate, appreciation and the residential exemption can each move it.

Financial: Buy vs. Rent vs. Tax

\$5,849

Principal & interest / mo

\$7,143Pre-tax monthly cost (tax, fee,
insurance, upkeep)**~\$6,570**

After-tax monthly cost

\$4,200

Comparison rent / mo

2.1 Monthly Cost Build-up (Year 1)

Item	Per month	Notes
P&I (\$880,000 @ 6.99% / 30 yr)	\$5,849	~\$746/mo of this is principal in year 1
Property tax	\$328	(\$1.1M – \$510,208 exemption) × \$6.67/1,000. Without the exemption: ~\$611/mo
Condo fee	\$189	Small 3-unit association; assumed +3%/yr
Insurance	\$90	HO-6 estimate
Maintenance reserve	\$688	0.75% of value/yr: 1910 building with a low fee, so owners fund capital repairs directly
Pre-tax total	\$7,143	
Less: federal tax shield	–\$590	See 2.2
Plus: MA renter deduction given up	+\$17	See 2.2
After-tax effective cost	\$6,570	vs. rent \$4,200 → \$2,370/mo more

Cash needed at closing: down payment \$220,000 + buy-side costs ~\$27,500 ≈ \$247,500. Housing payment (PITI + fee) of ~\$6,456 is about 44% of gross income, at the upper edge of what conventional lenders approve.

2.2 Tax Considerations (22% federal bracket)

Mortgage interest: Federally, interest on the first \$750K of principal is deductible: 85% of this \$880K loan. Year-1 interest ~\$61K, of which ~\$52K is deductible.

SALT: With household MAGI well under \$500K, the full ~\$40K cap applies. State income tax (~\$8,260) plus property tax (~\$3,934) ≈ \$12,194, all deductible.

Federal shield = (interest \$52K + SALT \$12K – standard deduction \$32.2K) × 22% ≈ \$7,079/yr (\$590/mo). Only the amount above the standard deduction saves tax; a renter in this bracket simply takes the standard deduction.

Massachusetts: No state deduction for mortgage interest. Renters deduct 50% of rent up to \$4,000, worth \$200/yr at 5%, which a buyer gives up.

Home-sale exclusion (Section 121): Up to \$500K of gain (MFJ) is tax-free after 2 years of occupancy. The base case produces ~\$614K of gain over 15 years, so ~\$114K is taxable (~\$23K at 15% federal + 5% MA). The renter's investment gains are taxed at the same ~20%. Both are reflected in the after-tax row in 2.3.

2.3 15-Year Wealth Trajectory

Buy-side wealth = home net equity (market value – 5.5% selling cost – loan balance). Rent-side wealth = down payment + buy-side costs invested at 7%, plus each month's (after-tax ownership cost – that year's rent), compounded monthly.

	Year	Home value	Buy: net equity	Rent: portfolio	Difference (buy – rent)
	1	\$1,138K	\$205K	\$295K	–\$90K
	3	\$1,220K	\$301K	\$397K	–\$96K
	5	\$1,306K	\$406K	\$511K	–\$105K
	10	\$1,552K	\$711K	\$860K	–\$148K
	15	\$1,843K	\$1,090K	\$1,326K	–\$235K
15 (after-tax liquidation)		—	\$1,068K	\$1,177K	–\$109K

Base-case conclusion: At 6.99% and 3.5% annual appreciation, renting and investing the difference stays ahead: about \$235K on paper after 15 years, or about \$109K after taxes on both sides, roughly 9% of either path's wealth. Break-even appreciation is 4.5%/yr over 15 years (4.6% over 10, 4.8% over 7, 5.3% over 5). This unit has appreciated 3.8%/yr since 2014, below every break-even, so at list price the numbers favor renting.

2.4 Sensitivity: What Changes the Result

Change (all else at base case)	15-yr difference (pre-tax)	15-yr difference (after tax)
Appreciation 3.5% → 2%	–\$538K	–\$392K
Base case	–\$235K	–\$109K
Appreciation → 5%	+\$140K	+\$184K
Rate 6.99% → 6.00% from day one (e.g., a refinance, before its costs)	–\$71K	+\$43K
Purchase price → \$1,050,000	–\$148K	–\$29K
Purchase price → \$1,000,000	–\$60K	+\$50K
Purchase price → \$1,150,000 (bidding)	–\$322K	–\$189K
Rent growth 3% → 5%	–\$26K	+\$88K
Investment return 7% → 5%	+\$51K	+\$120K
Condo fee doubles to \$378/mo (e.g., to build reserves)	–\$307K	–\$175K
No residential exemption	–\$305K	–\$173K
Hold 10 years / 7 years	–\$148K / –\$119K	–\$75K / –\$77K

Reading it: At list price, renting leads. Buying moves ahead after tax only if something controllable changes: a price near \$1.03M (about \$68K off list), a rate at or below ~6.28%, or stronger appreciation or rent growth than assumed. Bidding above list, losing the residential exemption, or a rising condo fee moves renting further ahead.

SWOT (Buy-to-Occupy View)

S | Strengths

- Walk Score 93, Bike Score 100; Harvard Square and the Red Line ~15 min on foot
- Commute fits: Kendall Square ~22 min door to door by Red Line; Harvard on foot
- Deeded parking, in-unit laundry, private deck: hard to find in rentals nearby
- Residential exemption cuts property tax to ~\$3,934/yr
- Fixed-rate payment: no rent increases for 30 years

W | Weaknesses

- After-tax cost ~\$6,570/mo vs. rent \$4,200: \$2,370/mo more
- Housing payment $\approx$ 44% of gross income; little room for other debt
- \$247,500 of cash tied up
- 1910 building in a 3-unit association with a low fee: thin reserves, owners pay for big repairs
- Base case trails renting by ~\$109K after tax

O | Opportunities

- ~\$68K off list flips the 15-year result to buying
- A rate near 6.3% or below (now or by refinancing) flips it too
- Cambridge rents have historically risen faster than 3%; 5% rent growth favors buying by ~\$88K
- Section 121 shelters up to \$500K of gain

T | Threats

- A low fee in a small, old association can jump once reserves are funded
- Special assessments for roof, porches, or masonry on a 1910 building
- Flat residential values (FY26 assessor) if Kendall/biotech softness persists
- Bidding above list: \$1.15M leaves buying ~\$189K behind

3.1 Priority Check

Priority	What we found	Buy needed?
School within 5 years	Cambridge Public Schools assign kindergarten seats through a citywide lottery for Cambridge residents. Renting in Cambridge qualifies the same way as owning. Whether proximity preferences apply in the main lottery is to be confirmed with the Student Registration Center.	✗ No
Commute < 30 min	Kendall ~22 min by Red Line; Harvard ~15 min walk	— Either
Parking	1 assigned space included; many rentals charge extra or have none	△ Easier
Staying put	A longer hold lowers the appreciation buying needs to break even (4.5%/yr over 15 years vs. 5.3% over 5). But at the base case's 3.5% the gap widens with time: renting leads by ~\$75K after 10 years and ~\$109K after 15	△ Only if appreciation beats ~4.5%

The school goal, often the main reason families buy, does not require buying in Cambridge: residency is what counts. That leaves stability and parking as the real case for owning.

Micro-location + Market Macro & Risks

4.1 Micro-location

Dimension	Situation	Verdict
Walking & biking	Walk Score 93, Bike Score 100	✓✓ Car-optional daily life
Transit	Harvard (Red Line) ~0.7 mi; Transit rated "excellent"	✓ Strong
Schools	Citywide lottery; Cambridge Rindge & Latin (high school) is ~0.2 mi away	✓ Same access renting or owning
Building	1910 3-family, renovated 2014, owner-occupied, shared yard	△ Older structure, small association

Nearby amenities and travel times (straight-line × 1.3, rounded):

Category	Place	Distance	Walk	Bike / Transit
Library	Cambridge Public Library, main branch (4.8)	~0.2 mi	4 min	—
Park	Joan Lorentz Park (playground)	~0.2 mi	4 min	—
Grocery	Broadway Marketplace	~0.3 mi	6 min	—
Transit	Harvard station (Red Line)	~0.7 mi	14 min	Bike 4 min
Work	Kendall/MIT	~1.9 mi	—	Bike 11 / Red Line ~22

4.2 Market Macro

Values: The city assessor reports FY26 residential values roughly flat, held back by high rates and low inventory, while commercial values fell 4% amid lab vacancies and NIH funding cuts. **Taxes:** The residential rate rose 5% to \$6.67 per \$1,000; the residential exemption (\$510,208) keeps owner-occupied condo bills low. **Rents:** 66.5% of Cambridge homes are renter-occupied; the average 2BR rents for ~\$4,040, so the \$4,200 baseline for a comparable unit is reasonable.

4.3 Risk Register

#	Risk	Severity	Mitigation
1	Paying list price or above	High	The numbers turn on price: ~\$1.03M is roughly where buying pulls even after tax; bidding to \$1.15M leaves buying ~\$189K behind
2	Special assessments on a 1910 building with thin reserves	Med-High	Review reserves, recent repairs, and the master policy; inspect roof and porches
3	Tight affordability (~44% of gross income)	Med-High	Keep an emergency fund; avoid new debt; get a full pre-approval
4	Residential exemption not applied in year 1	Medium	File by the city deadline; budget the full-rate bill (~\$7,337) for the first year
5	Low condo fee (\$189) rising as the 1910 building ages	Medium	Read the association budget and fee history; a doubled fee costs buying ~\$66K over 15 years
6	Disclosed cracked window; older systems	Low	Inspection; negotiate repair credit

Pending verification: □ association reserves and any planned assessments • □ kindergarten lottery rules (proximity preference) with the Student Registration Center • □ lender rate and closing-cost quote; final debt-to-income • □ assessed value and residential-exemption timing for the first tax bill • □ actual household income and taxes (this report uses an illustrative profile); confirm with a CPA

Formulas & Verification

A buy-vs-rent answer is only as good as its assumptions, so this appendix shows where every number comes from: first every assumption, then each formula **with this deal's numbers substituted**, then the Excel / Google Sheets functions to re-run it yourself. Check any line, or plug in your own assumptions — that is the point, because appreciation, rent growth and how long you stay are judgments only you can make.

A.1 Every Assumption Used

Assumption	Value	Source / status
Purchase price	\$1,100,000	List price, no negotiation; ⚠ the final price may differ
Down payment / loan	20% (\$220,000) / \$880,000	Buyer input
Rate / term	6.99% / 30-yr fixed	Buyer input; ⚠ not a rate quote
Property tax	\$6.67 per \$1,000 above a \$510,208 exemption	City of Cambridge FY26; assessed value assumed to track market value
Condo fee	\$189 / mo, +3%/yr	MLS listing (confirmed)
Insurance (HO-6)	\$90 / mo, +3%/yr	Market estimate; ⚠ get a quote
Maintenance reserve	0.75% of value / yr	Default for an older building with a low fee
Federal bracket / std. deduction	22% / \$32,200 (MFJ)	Illustrative household
MA income tax	5% → ~\$8,260 / yr	Estimate on the illustrative income
Interest deduction limit / SALT cap	First \$750,000 / \$40,000	Current federal law
Rent baseline / growth r_g	\$4,200 / mo • 3%/yr	Buyer input; market check in 4.2
Appreciation g	3.5%/yr (base)	Assumption; sensitivity in 2.4, break-even in A.4
Investment return i	7%/yr, compounded monthly	Long-run broad-index assumption
Transaction costs	Buy 2.5% • sell 5.5%	Default (MA commission + deed excise)
Capital-gains tax	20% (15% fed + 5% MA); \$500K Sec. 121 exclusion	Current law; applied on both sides at year 15
Hold period	15 years	Buyer input

A.2 Formulas With This Deal's Numbers

Number	Formula	With this deal's numbers	Result
Monthly P&I M	$M = P \cdot r \div (1 - (1+r)^{-n})$	$880,000 \times 0.005825 \div (1 - 1.005825^{-360})$	\$5,849
Property tax (mo)	$(\text{value} - \text{exemption}) \times \text{rate} \div 12$	$(1,100,000 - 510,208) \times 0.00667 \div 12$	\$328
Maintenance (mo)	$\text{value} \times 0.75\% \div 12$	$1,100,000 \times 0.0075 \div 12$	\$688
Pre-tax monthly cost	P&I + tax + fee + insurance + maint.	$5,849 + 328 + 189 + 90 + 688$	\$7,143
Year-1 interest	$\Sigma 12 \text{ months of } (\text{balance} \times r)$	$=\text{CUMIPMT}(6.99\%/12, 360, 880000, 1, 12, 0)$	\$61,229
Deductible interest	$\text{interest} \times \min(1, 750,000 \div \text{loan})$	$61,229 \times (750,000 \div 880,000 = 0.8523)$	\$52,184
SALT allowed	$\min(\text{state tax} + \text{property tax}, 40,000)$	$\min(8,260 + 3,934, 40,000)$	\$12,194

Federal tax shield	(ded. interest + SALT - std. deduction) × bracket	$(52,184 + 12,194 - 32,200) \times 0.22$	\$7,079 (\$590/mo)
MA renter deduction lost	$\min(50\% \times \text{annual rent}, 4,000) \times 5\%$	$\min(25,200, 4,000) \times 0.05$	\$200/yr (\$17/mo)
After-tax monthly cost	$\text{pre-tax} - \text{shield} \div 12 + \text{renter ded. lost} \div 12$	$7,143 - 590 + 17$	\$6,570
Principal paid, year 1	$12 \times M - \text{year-1 interest}$	$12 \times 5,849 - 61,229$	\$8,956 (\$746/mo)
Loan balance, year 15	$B = P \cdot ((1+r)^n - (1+r)^k) \div ((1+r)^n - 1)$	$k = 180 \text{ months}$	\$651,114
Home value, year 15	$\text{price} \times (1+g)^{15}$	$1,100,000 \times 1.035^{15}$	\$1,842,884
Buy: net equity, yr 15	$\text{value} \times (1 - 5.5\%) - \text{balance}$	$1,842,884 \times 0.945 - 651,114$	\$1,090,412
Rent: starting portfolio	down payment + buy-side costs	$220,000 + 1,100,000 \times 2.5\%$	\$247,500
Rent: monthly contribution	after-tax monthly cost - that year's rent	Year 1: $6,570 - 4,200$ (rent × 1.03 each year; costs and shield recomputed each year)	\$2,370 (year 1)
Rent: portfolio, yr 15	$\text{portfolio} \times (1 + 7\%/12) + \text{contribution, each month}$	180 monthly steps; total cash put in \$582,482	\$1,325,514
Yr 15, buy - rent (pre-tax)	net equity - portfolio	$1,090,412 - 1,325,514$	-\$235,102
Buy: taxable gain	$(\text{sale} - \text{selling cost} - \text{price} - \text{buy cost}) - 500,000$	$(1,842,884 \times 0.945 - 1,127,500) - 500,000$	\$114,025 → tax \$22,805
Rent: taxable gain	portfolio - cash put in	$1,325,514 - 582,482$	\$743,032 → tax \$148,606
Yr 15, buy - rent (after tax)	(equity - buy tax) - (portfolio - rent tax)	$1,067,607 - 1,176,907$	-\$109,301

A.3 Check It in Excel / Google Sheets

To compute	Function (paste as is)
Monthly P&I	=PMT(6.99%/12, 30*12, -880000) → 5,849
Year-1 interest	=CUMIPMT(6.99%/12, 30*12, 880000, 1, 12, 0) → -61,229
Year-1 principal	=CUMPRINC(6.99%/12, 30*12, 880000, 1, 12, 0) → -8,956
Loan balance after 15 years	=FV(6.99%/12, 180, PMT(6.99%/12, 360, -880000), -880000) → 651,114
Home value after 15 years	=1100000*(1+3.5%)^15 → 1,842,884
Renter portfolio (exact)	One row per month: previous × (1+7%/12) + (after-tax cost - that year's rent); rent × 1.03 every 12 rows

Why month by month? Rent rises 3% a year while the owner's costs rise at their own rates, so the amount the renter can invest changes every year. A single FV() on the year-1 contribution gets the renter wrong; the monthly table in A.3 is what 2.3 uses.

A.4 Headline Numbers, End to End

- **Pre-tax \$7,143** = 5,849 P&I + 328 property tax + 189 fee + 90 insurance + 688 maintenance. Of that, \$746 a month is principal you keep.
- **After-tax \$6,570** = 7,143 - $(52,184 + 12,194 - 32,200) \times 22\% \div 12 + 200 \div 12$. That is \$2,370 a month more than \$4,200 rent.
- **Buy \$1,090,412** = $1,100,000 \times 1.035^{15} \times 0.945 - 651,114$; after tax \$1,067,607.

- **Rent \$1,325,514** = 247,500 compounded at 7%/12 for 180 months plus each month's contribution (\$2,370 in year 1); after tax \$1,176,907.
- **Break-even:** setting buy equity = rent portfolio and solving for g gives **4.48%/yr** over 15 years. The base case assumes 3.5%, and this unit has done 3.8% since 2014: both below it, which is why renting leads.

Rounding: Dollar amounts are rounded to the dollar and ratios to one or two decimals, so your own arithmetic may differ by a few dollars; that is rounding, not error. If the gap is larger, re-check the A.1 inputs, especially rate, appreciation and rent.

Disclaimer: This report is based on public information and illustrative assumptions; rents, appreciation, and tax figures are estimates and actual results may vary widely. Consult a CPA for tax matters (mortgage interest, SALT, Section 121). This is a neutral financial framework, not investment advice, and does not recommend either buying or renting. The rate shown is a case input, not a rate quote.

Data sources: MLS listing data, Redfin, City of Cambridge Finance Department (FY26) and Community Development Department (ACS 2020–24), Cambridge Public Schools, Rentometer, Walk Score, Google Places.