BUY VS. RENT ANALYSIS

Primary Residence: Buy vs. Rent

The subject property — Spring Hill, Somerville, MA

Subject	Condominium unit, Spring Hill neighborhood, Somerville, MA (address withheld for privacy)
Asking price	$1,295,000 (listing, to be verified) • HOA $650/mo
Buy assumptions	20% down • 6.99% / 30-yr fixed • 15-year hold
Rent baseline	$4,200/mo comparable 2-bedroom (parking + water included) • 3%/yr growth
Tax status	Household of 3, married filing jointly • federal marginal bracket 12%
Report date	August 5, 2026 • V1

Neutral side-by-side, weighted toward long-term wealth building

SECTION 01

Goals & Inputs

1.1 Decision Context

You are weighing the purchase of the subject property in Spring Hill, Somerville, MA as a primary residence for a household of three, against continuing to rent a comparable two-bedroom at **$4,200/month.** Your stated priorities are a school placement for a child within five years, a commute under 30 minutes to Cambridge, parking, and a stable neighborhood; if you later move, you would sell or rent out the unit, whichever is financially better. The question this report answers is not "can the payment be made," but **over a 15-year hold, does buying build more wealth than renting and investing the down payment plus the monthly difference?** Per your requested tone, the two paths are presented side by side, with the long-term wealth trajectory given the heaviest weight.

1.2 Property Overview

Item	Detail	Source / status
Location	Spring Hill neighborhood, Somerville, MA — street address withheld from this report at your request	Buyer-supplied; ⚠ address not independently verified
Type	Condominium unit in a small multi-unit conversion (typical for the neighborhood)	MLS / Zillow listing summary
Size / layout	Listing summary indicates approx. 4 bed / 3 bath, ~2,436 sqft ⚠ **to be verified** — materially larger than the 2-bedroom rental you priced (see 2.5)	Zillow listing summary (search result)
Asking price	$1,295,000 ⚠ **to be verified** against the live MLS sheet before offering	MLS / Zillow
HOA	$650/month (buyer-supplied)	Buyer input; HOA budget & reserves not reviewed
Parking	Assumed one space; whether it is **deeded, assigned, or permit-only street parking** is unconfirmed and matters in Somerville	⚠ To be verified
School assignment	Somerville Public Schools; the district assigns by zone/lottery rather than by a guaranteed street-level catchment	⚠ To be verified with the district

1.3 Buyer Inputs & Assumptions

Variable	Value
Purchase price	$1,295,000 (asking; no negotiation assumed)
Down payment / loan	20% ($259,000) / loan $1,036,000
Rate / term	6.99% / 30-year fixed
Hold period	15 years
Rent baseline / growth	$4,200/month, one parking space and water included, tenant pays electricity / 3% per year
Ownership add-ons (buyer-supplied)	HOA $650/mo • insurance ~$150/mo • maintenance reserve $3,000/yr
Other expenses (buyer-supplied)	$6,000/yr — *assumption:* treated as recurring owner-side costs not itemized above (utilities the tenant would otherwise cover, parking/permits, snow removal)
Tax profile	Household of 3, married filing jointly, federal marginal bracket **12%**, derived from the household income you provided (withheld from this report)
Assumption: property tax	**Estimate** 1.00% of purchase price per year ($1,079/mo). Somerville's residential rate is roughly $10 per $1,000 of assessed value; assessed value is assumed to track the purchase price. ⚠ To be verified
Assumption: home appreciation	Base **3.5%**/yr (skill default range 3–4%); tested at 2.0% and 5.0%
Assumption: investment return	**7%** nominal (broad index, long-run); tested at 5%
Assumption: transaction costs	Buy closing ~3% ($38,850); sell ~6% of the future value

How to read this report: the gap between the buy side and the rent side here is unusually wide — roughly **$9,515/month** to own versus **$4,200/month** to rent. Results are therefore sensitive to **appreciation, rent growth, and hold period**, and Section 2.4 tests each one. Two further cautions: (1) the maintenance reserve you supplied ($3,000/yr) is below the skill's default for a condo of this price (0.5% of price ≈ $6,475/yr), so the true carrying cost is likely *higher* than modeled; (2) the rental you priced is a 2-bedroom while the listing summary describes a much larger unit — Section 2.5 re-runs the comparison against a like-for-like rent.

SECTION 02

Financial Analysis: Buy vs. Rent vs. Tax

$6,886 Principal & interest (P&I) / month	**$9,515** Pre-tax monthly carry (incl. tax / HOA / insurance)	**~$9,515** After-tax monthly carry (tax shield ≈ $0, see 2.2)	**$4,200** Comparison rent / month

2.0 Metrics Primer: What Do These Numbers Mean?

Metric	Plain-language meaning	This decision
P&I (principal & interest)	The mortgage payment itself. Part is interest (gone forever), part is principal (converts into your equity — forced savings).	$6,886/mo, of which only **~$879/mo** is principal in year one; ~$6,007/mo is interest.
Monthly carry	Everything ownership costs each month: P&I + property tax + HOA + insurance + maintenance + other. The honest number to compare against rent.	$9,515/mo pre-tax — **2.3× the $4,200 rent**.
Tax shield	The cash you save because mortgage interest and property tax reduce taxable income — but only if itemizing beats the standard deduction, and only worth your marginal bracket.	≈ **$0/month** here. See 2.2 — the mechanism does not engage at a 12% bracket.
Net equity (buy side)	What you would actually walk away with: market value, minus ~6% selling costs, minus the remaining loan balance.	$1.27M at year 15 under 3.5% appreciation.
Rent portfolio	What the renter accumulates by investing the down payment and closing costs, then adding each month's savings (owner carry − rent) at 7%.	$2.28M at year 15 — *only if the monthly difference is genuinely invested.*
Section 121	Live in the home 2 of the last 5 years and up to $500K of gain (married filing jointly) escapes federal capital-gains tax on sale.	Fully available at a 15-year hold — a real buy-side advantage.

2.1 Monthly Cost Build-Up

Item	Per month	Basis
Principal & interest ($1,036,000 @ 6.99% / 30 yr)	$6,886	Standard amortization, computed
Property tax	$1,079	*Estimate* — 1.00% of price/yr; ⚠ verify the actual assessment
HOA	$650	Buyer-supplied
Insurance	$150	Buyer-supplied (HO-6 condo policy)
Maintenance reserve	$250	Buyer-supplied $3,000/yr; *skill default would be ~$540/mo*
Other owner costs	$500	Buyer-supplied $6,000/yr, interpreted per 1.3
Pre-tax carrying cost	**$9,515**	
Less: tax shield (mortgage interest + SALT)	−$0	See 2.2 — no incremental value at this bracket
After-tax effective carry	**~$9,515**	**Of which ~$879/mo is principal repayment (forced savings)**

Against the $4,200 rent, owning costs **$5,315 more per month** in year one — about **$63,800 per year** of additional cash outflow, of which only ~$10,500 comes back as principal. Cash required at closing is **$297,850** (down payment $259,000 + ~3% closing costs $38,850), before moving costs and reserves.

2.2 Tax Considerations (12% federal marginal bracket)

- **Filing assumptions:** married filing jointly, household of three, one dependent child. The marginal bracket of **12%** is derived from the household income you provided, which is withheld from this report; no income figure, total, or effective rate is printed here.

- **Mortgage interest deduction:** interest is deductible only on the first $750,000 of loan principal. The loan is $1,036,000, so the deductible fraction is **~72%**; year-one interest is ~$72,100, of which ~$52,200 would be deductible in principle.
- **SALT:** the 2025 law raised the state-and-local-tax cap to **$40,000**, so the estimated ~$12,950/yr of property tax plus Massachusetts state income tax would fit under the cap with room to spare.
- **Why the shield is still ≈ $0:** these deductions only produce cash if itemized deductions exceed the standard deduction *and* there is tax left to offset. At a 12% bracket the household's standard deduction (≈$32,200 for a joint return) plus the Child Tax Credit already absorb essentially all federal liability. Deductions of this size cannot be converted into refunds — **the mortgage interest write-off, so often cited as the reason to buy, delivers close to nothing for this household.** This is the single largest difference between this analysis and a high-bracket buyer's, and the model conservatively carries the shield at $0/month.
- **Fairness to the rent side:** the renter forgoes these deductions but also pays no property tax, maintenance, or 6% selling cost, and pays long-term capital-gains rates on portfolio growth — which at this bracket is 0% or 15%, another quiet advantage for the rent path.
- **Section 121:** occupying the home 2 of the last 5 years excludes up to $500,000 of gain (joint) from federal capital-gains tax. At a 15-year hold this is fully available and is a genuine buy-side benefit — but it only matters if there is gain, which returns the decision to the appreciation assumption.

2.3 15-Year Wealth Trajectory

Buy-side wealth = market value grown at 3.5%/yr, less 6% selling cost, less the remaining loan balance. Rent-side wealth = the $297,850 of down payment and closing costs invested at 7%, plus each month's difference (owner carry − that year's rent) invested and compounded, with rent growing 3%/yr.

Year	Buy: home net equity	Rent: investment portfolio	Difference (buy − rent)
1	$234,000	$385,000	−$151,000
3	$348,000	$575,000	−$227,000
5	$471,000	$785,000	−$315,000
7	$605,000	$1,021,000	−$416,000
10	$828,000	$1,426,000	−$598,000
12	$994,000	$1,737,000	−$743,000
15	**$1,273,000**	**$2,275,000**	**−$1,003,000**

Base-case conclusion: on the stated inputs, **renting and investing the difference leads at every point in the 15-year window, and the gap widens rather than narrows** — from about $151,000 in year 1 to roughly **$1.0 million by year 15**. This is the opposite of the usual buy-vs-rent pattern, and the cause is structural rather than a matter of timing: at a $4,200 rent against a $9,515 carry, the renter invests over $5,300 every month at 7%, while the owner's principal repayment adds only ~$879/month and appreciation at 3.5% is applied to an asset whose 6% selling cost and 6.99% borrowing cost both work against it. Given your instruction to prioritize long-term wealth building, the financial verdict on these numbers is clear — the case for buying this particular unit has to rest on the non-financial factors in Section 3, not on the arithmetic.

2.4 Sensitivity: What Would Flip the Result

Change to a single variable	Year-15 gap (buy − rent)	Effect on the conclusion
Base case — 3.5% appreciation, 3% rent growth, 7% investing	−$1,003,000	Rent leads decisively
Appreciation 3.5% → **5.0%** (strong Boston-metro decade)	−$511,000	Halves the gap; **still does not flip**
Appreciation 3.5% → **2.0%** (soft decade)	−$1,404,000	Gap widens sharply
Rent growth 3% → **5%**	−$793,000	Narrows the gap; does not flip
Investment return 7% → **5%**	−$546,000	Narrows the gap; does not flip
Rent baseline $4,200 → **$4,750** (like-for-like, see 2.5)	−$795,000	Narrows the gap; does not flip

Hold 15 years → **10 years**	−$598,000 (at yr 10)	Shorter hold is *worse* for buying here

Reading: no single lever tested flips this result, and that is the most important sentence in the report. Even stacking the two most buy-favorable changes (5.0% appreciation *and* 5% investment returns) leaves renting ahead. The variable that *would* change the answer is not on this list — it is the **purchase price.** At the stated HOA, tax, and rate assumptions, the carrying cost only falls to the $4,200 rent level at a price near **$431,000**; even a rate drop to 5.5% at this price leaves the carry around $8,500/month. A meaningfully cheaper unit, a much larger down payment, or a substantially lower price are the levers with real leverage.

2.5 Two Data Checks That Matter

- **The rent baseline is comparing unlike things.** Rentometer puts the Somerville average 2-bedroom at **$3,486/month**, so your $4,200 baseline is already ~20% above the city average — a conservative, buy-favorable choice. But if the subject unit really is ~4 bedrooms, the like-for-like rental is closer to the **$4,749** Somerville 4+ bedroom average; that scenario is the row in 2.4 and still does not flip the result. *Source: Rentometer, Somerville MA average rent, 2026.*
- **The asking price sits well above the local median.** Somerville's median sale price is about **$1.0M** over the last three months, down 4.6% year over year, with condos at roughly **$1,049,000** and $724/sqft (up 8.4% YoY); homes sell in about 21 days with an average of 3 offers. A $1,295,000 asking price is roughly 23% above the citywide condo median — defensible for a large Spring Hill unit, but it means the appreciation assumption is being applied to a price at the upper end of the market. *Source: Redfin, Somerville MA housing market, May 2026.*

> **Affordability flag — read before anything else.** Separate from the buy-vs-rent comparison: a $9,515/month housing payment is far outside conventional debt-to-income underwriting limits for the household income you provided (withheld from this report). On these figures a lender is very unlikely to approve a $1,036,000 loan at 20% down, and the $297,850 of cash needed to close plus a $5,315/month cash shortfall against your current rent would have to come from assets not described in your inputs. Equally, the rent-side portfolio in 2.3 assumes the $5,315 monthly difference is actually invested — no household can invest a difference it never had. **Before treating either column as achievable, confirm your financing capacity with a lender and, if the purchase is being supported by gift funds, savings, or a co-borrower, send those details so the model can be re-run.**

SECTION 03

SWOT Analysis (Buy-to-Occupy View)

S | Strengths

- Housing-cost certainty: a fixed-rate payment is immune to Somerville's rent increases, which have no statutory ceiling
- Forced savings: ~$879/month converts to equity in year one, rising every year; $269,000 of principal repaid over 15 years
- Section 121: up to $500,000 of gain excluded from federal capital-gains tax at a 15-year hold
- Stability that matches your priorities — no landlord, no lease non-renewal during the school years, freedom to renovate
- Optionality on the move: an owner can sell or rent out, which is exactly the flexibility your notes ask for

W | Weaknesses

- **The gap is structural:** $9,515/month to own vs $4,200 to rent — a $5,315 monthly cash disadvantage
- Base case trails renting by ~$1.0M at year 15, and the gap *widens* over time
- The mortgage-interest deduction is worth ≈ $0 at a 12% bracket — the classic buy-side tax argument does not apply
- $297,850 of cash concentrated in one illiquid asset at ~23% above the citywide condo median
- 6.99% is a historically expensive rate; interest dominates the payment for the first decade

O | Opportunities

- Refinancing if rates fall: each 1pp drop cuts roughly $700/month off P&I and materially narrows the gap
- Negotiation room: Somerville's median sale price is down 4.6% YoY, so the asking price may not be the transaction price
- Green Line Extension (Union Square, 2022) is still repricing the neighborhood upward — a real appreciation tailwind
- Strong rental demand from Cambridge/Kendall employment supports the "rent it out instead of selling" option
- A lower-priced unit in the same neighborhood keeps every non-financial benefit at a fraction of the gap

T | Threats

- Appreciation below 3.5% widens an already large deficit — and the market is currently down YoY
- Financing risk: the payment likely exceeds standard DTI limits (see the flag in Section 2)
- HOA increases and condo special assessments in an older converted building
- Forced sale within a few years would crystallize the 6% selling cost against thin equity
- Concentration risk: nearly all household net worth in one unit in one small city

The asymmetry to notice: almost everything in the Strengths column is about *stability and control*, and almost nothing in it is about *money*. That is an honest description of this deal. If the household values a fixed housing cost and school-year stability enough to accept a seven-figure wealth difference over 15 years, buying is a defensible lifestyle choice — but it should be made with that price tag in full view, not on the belief that it also builds more wealth.

SECTION 04

Micro-Location + Somerville Macro & Risks

4.1 Micro-Location Analysis

All distances and travel times below are **estimates** from the neighborhood centroid, not from the street address, which is withheld. They are road- and transit-network approximations and should be confirmed on the ground.

Dimension	Situation	Verdict
Micro-location	Spring Hill is a quiet residential rise between Union Square and Davis/Porter — narrow tree-lined streets of two- and three-family conversions, set back from the Somerville Ave and Highland Ave arterials	✓✓ Mature, stable owner-occupier neighborhood
Walkability	Estimated Walk Score in the high 80s–90s; groceries, cafés, pharmacy and restaurants reachable on foot via Union Square and Highland Ave ⚠ **estimate**	✓✓ Genuinely car-optional daily life
Transit & commute	MBTA Green Line Union Square station (opened 2022) within walking distance; Porter Square (Red Line) and Harvard reachable by bus; Kendall Square and Harvard both comfortably inside 30 minutes door-to-door	✓✓ **Meets your under-30-minute Cambridge requirement**
Street-level factors	Interior hillside streets are low-traffic; arterial noise is limited, but on-street parking is tight and permit-controlled	△ Confirm the parking arrangement (see 1.2)
Schools	Somerville Public Schools; assignment is by district process rather than a guaranteed street catchment, so a specific elementary cannot be promised by location alone	△ **Verify directly — this is your five-year priority**
Nearby development	Union Square redevelopment and the Green Line Extension continue to add housing, lab and retail space adjacent to the neighborhood	✓ Supports values; some construction disruption

Amenity and commute quick-reference (from the neighborhood, rounded, **estimates**):

Category	Destination	Distance	Walk	Bike / drive / transit
Transit	MBTA Union Square (Green Line)	~0.5 mi	**10–12 min**	bike 4 min
Transit	Porter Square (Red Line + commuter rail)	~1.0 mi	20 min	bus 10 min
Commute	Kendall Square, Cambridge	~2.5 mi	—	**transit ~25 min** / bike 15 min
Commute	Harvard Square, Cambridge	~1.5 mi	30 min	bus ~15 / drive 10 min
Grocery	Market Basket (Somerville Ave)	~0.7 mi	14 min	drive 5 min
Dining	Union Square restaurant cluster + farmers market	~0.5 mi	10 min	bike 3 min
Schools	Nearest Somerville public elementary	~0.4–0.8 mi	8–16 min	⚠ assignment to verify
Library	Somerville Public Library, Central Branch	~0.6 mi	12 min	bike 4 min
Parks	Lincoln Park / Somerville Community Path	~0.5–0.9 mi	10–18 min	bike 5 min

Summary: the location does its job. Three of your four stated priorities — the sub-30-minute Cambridge commute, a stable walkable neighborhood, and everyday amenities within a ten-minute walk — are satisfied comfortably; parking and school assignment need confirmation. Location is a clear **plus** for this neighborhood. Note, though, that these advantages attach to the *neighborhood*, not to this unit: a rented apartment on the same streets delivers the same commute, the same walk score, and the same school-assignment odds.

4.2 Somerville Market Macro

Somerville is a dense, transit-rich inner-suburb of roughly 80,000 residents with a majority-renter housing stock, its demand anchored by Cambridge and Boston employment and, since 2022, by the Green Line Extension. Redfin reports a median sale price of about **$1.0M** over the last three months, **down 4.6% year over year**, with median price per square foot at **$724 (up 8.4% YoY)** — a market where smaller units are firming while larger, higher-priced homes have softened. Condos sit near **$1,049,000** median. Competition remains real (about 21 days on market, ~3 offers per home), so the softness is in price rather than in liquidity. On rents, Rentometer puts Somerville averages at **$2,627 (1BR), $3,486 (2BR), $3,942 (3BR) and $4,749 (4+BR)**. Both the $4,200 rent baseline and the $1,295,000 asking price sit above their respective city medians, and the 3.5% appreciation assumption should be read against a market that is currently negative year over year. *Sources: Redfin, Somerville MA housing market (May 2026); Rentometer, Somerville MA average rent (2026).*

Rent regulation position (relevant to your "rent it out instead of selling" option): Massachusetts has prohibited municipal rent control statewide since a 1994 ballot measure, and Somerville therefore has no rent ceiling or just-cause eviction ordinance of the kind found in California cities; local proposals to restore rent stabilization have been debated but, to our knowledge, none is in force. ⚠ **This point could not be confirmed within the approved research sources for this report and is stated as an unverified estimate** — confirm with a Massachusetts landlord-tenant attorney before relying on it. Practically, it cuts both ways: as an owner-landlord you would face no rent cap, and as a tenant you have no statutory protection against increases, which is precisely the cost-certainty argument in the Strengths column.

4.3 Risk Register

#	Risk	Severity	Mitigation
1	Financeability: the $9,515/mo payment likely exceeds conventional DTI limits on the stated household income	High	Get a lender pre-approval *before* spending more time on this unit; disclose gift funds, co-borrowers or assets so the model can be re-run
2	Base-case wealth deficit of ~$1.0M over 15 years, widening rather than narrowing	High	Re-target the search toward the ~$700K–900K condo range where the carry gap is manageable; treat the excess as the explicit price of ownership
3	Appreciation below the 3.5% assumption — the market is currently down 4.6% YoY	Med-High	Weight the 2.0% row in 2.4; avoid any scenario requiring a sale inside 5 years
4	Under-reserved maintenance ($3,000/yr vs ~$6,475/yr default) and HOA increases or special assessments in an older conversion	Medium	Review HOA budget, reserve study, minutes and assessment history in diligence; raise the reserve line
5	School assignment not guaranteed by address — your stated five-year priority	Medium	Confirm the current assignment process with Somerville Public Schools before committing
6	Parking status unconfirmed (deeded vs permit-only) in a permit-controlled area	Medium	Verify on the condo deed and master deed, not the listing sheet
7	Property tax and price both unverified within this report's research budget	Low	Pull the current listing sheet and the city assessment; re-run the model on the actuals

Pending Verification Checklist

- **Asking price ($1,295,000) and unit specs (~4 bed / ~2,436 sqft)** — taken from a listing summary, not a live MLS sheet; confirm before offering
- **Property address** — not independently verified within the research budget; the analysis proceeds on your stated inputs
- **Property tax** — modeled at an estimated 1.00% of price; confirm the actual Somerville rate and the unit's assessed value
- **Massachusetts / Somerville rent regulation** — the statewide prohibition described in 4.2 could not be confirmed within the approved sources; verify with counsel
- **HOA** — budget, reserve ratio, three-year special-assessment history, litigation, and master insurance policy scope
- **Parking** — deeded, assigned, or permit-only; and whether a space conveys with the unit
- **School assignment** — current Somerville Public Schools placement process and realistic odds for your child's entry year
- **Financing capacity** — lender pre-approval, actual rate and closing-cost quote (no PMI at 20% down); this is the gating item
- **Walk Score, transit times and amenity distances in 4.1** — neighborhood-level estimates, not address-level measurements
- **Your own weighting** of long-term appreciation, hold length, and how much housing stability is worth relative to the modeled wealth gap — the conclusion is most sensitive to these judgments

property's street address and the household income used to derive the tax assumptions have been intentionally omitted at the buyer's request.