

Discovering the **Market Trend** for Your Listing



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“How’s the market?” That’s likely the most common question asked to a real estate agent. The person asking is generally anticipating a one-word answer like, *“Great.”*

If it were only that simple.

The real estate market is a big pendulum. Sometimes it is swinging in favor of the sellers, sometimes in favor of the buyers, and sometimes in favor of no one. There’s no predicting the market’s pattern except to say, it is always swinging.

To make it even more complex, the market can be shining on one location/price/type of house while shunning another – **ALL AT THE SAME TIME.**

Your job to help the seller make good pricing decisions, which requires you to understand the “mood” of the market for your upcoming listing, compare that to the CMA, and then factor in the seller’s goal.

Our goal here is to teach you how to discover the market trend for your new listing.

So let’s get started...

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Discovering the trend of the market requires an examination of the current listings on the market vs. the rate at which these listings are selling. The result is expressed in months of inventory.

Many agents know this process as **Absorption Rate**. The question that Absorption rate answers is: If no more homes come on the market, how long will it take for all homes in this price point/location to be absorbed into the market?

In order to create the most current information, this formula has a slight twist to the traditional Absorption Rate. Here are the steps:

Step 1: Find the number of **current listings that compete against your new listing**. You do this by searching in the MLS the same general price point and the same general area.

Step 2: Find the number of houses (using the same criteria in Step 1) that have gone under **contract/pending* in the past 30 days**.

Step 3: **Divide** the number discovered in Step 1 by the number discovered in Step 2. That's your absorption number.

Example:

50 (homes on market) ÷ 25 (homes pending) = 2 (months of inventory)

**Traditional Absorption Rate uses closed houses*

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Determining the Market Trend

Okay, you have the number: now what? Here's how you read the number:

▶ **Less than 6 months of inventory means...**

The market is trending toward the seller. This condition means there are more buyers than there is inventory. The closer that number is to 0 the steeper the trend.

▶ **More than 6 months of inventory means....**

The market is trending toward the buyer. This means there is more inventory than there are buyers. The higher the number the steeper the trend.

▶ **6 months of inventory means....**

The market is balanced. There is equal amounts of buyers and sellers.

Keep in mind that the trend can help you moderate the CMA findings. For example: if the CMA indicated range is \$190,000 to \$200,000 and the market trend is toward the seller, then the seller could entertain a higher asking price if their goal is to get the highest price and the competition warrants that decision. AND the seller must be willing to take the risks (appraisal, market shifts, etc.)



Jo Mangum
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Trainer, Coach, Author

Educator of the Year 2015

Working in the real estate industry since 1993, Jo found that the only thing more fun than working with clients with their real estate needs was helping agents and managers accelerate their success through training and coaching. Today, she has written over 30 classes, developed two designation programs, written an award-winning book, *Pushy – Can I be a Top Salesperson and Still Keep My Friends?*, and was named the 2015 Educator of the Year. More importantly, Jo has made a positive impact on 1000's of agents.

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