

# MarketNotes

THE LATEST ON ANNAPOLIS REAL ESTATE

## Market Signals and Absorption Rate

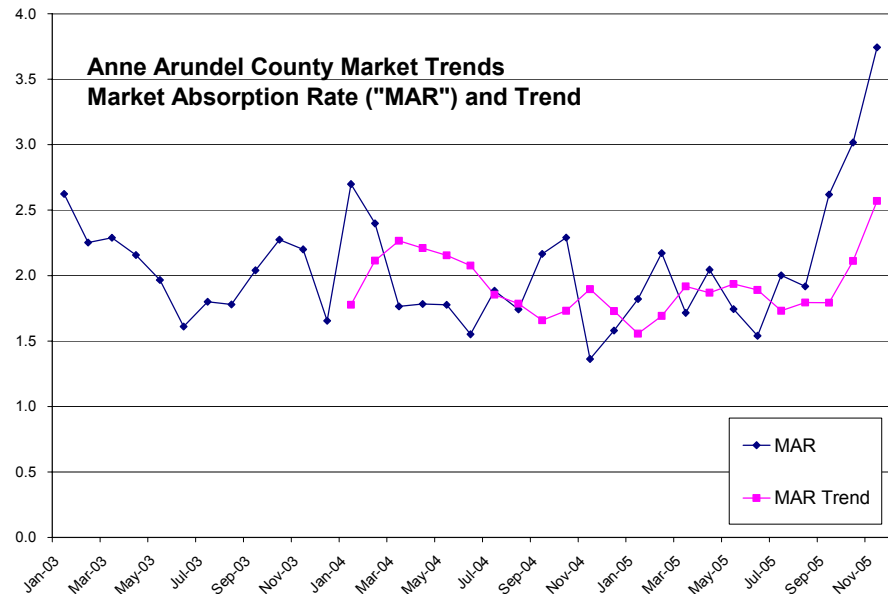
When it comes to selling a home in today's market, sellers should consider the signals the market is sending them about their home and monitor the absorption rate as an indicator of how long it may take for their home to sell.

### Market Signals

The seller sets the price. The buyer sets the value. The market sets the range. Sellers have control over the listing price and if the sellers set the price too high they may scare buyers away, and, if they set the price too low, they may give some of their savings away.

Sellers get market signals – often called feedback – as soon as they place their home on the market. Depending on the selling season (August and December are often the slowest real estate months), the first market signal was how soon did their first showing occur. The second – and ongoing – market sign is how often has their home been shown since listed. If the property isn't being shown, that's a pretty strong indicator from buyers in the market that they aren't interest in the property at that price. And, the sellers may have set the asking price too high for current market conditions. On the other hand, if the home has generated abundant interest, but no one has made an offer yet, it's time to look at absorption rate.

Eighty percent (80%) of the marketing of a home comes from setting the proper price. Your agent could rent a plane and advertise the property on a banner



trailing behind for days on end and spend every last marketing penny the agent has on promoting the property, but, if the property is overpriced by \$40,000 on a \$400,000 home, all the advertising money in the world won't make a difference.

### Market Absorption Rate

The market absorption rate ("MAR") gives sellers an indication of how long it takes the average home to sell. The MAR is calculated by dividing the number of listings in the market by the number of sales during that month.

For example, in November 2005, there were 2,373 listing and 374 sales; the MAR is calculated to be 3.7. While in June 2005, there were 1,684 listings and 1,093 sales; the MAR was 1.5 – less than half that of November. And, the MAR trend is increased and expected to do so again this coming month.

When the absorption rate increases from 1.5 to 3.7 (as calculated above), it means that the existing inventory of homes is taking longer

to sell and buyers may be getting fussier about the properties they're purchasing. When that happens, homes that are in the best condition and offered at the best asking price will inevitably sell before those that are not.

### Conclusion

Price, location and condition all play a role in the sale of home. When faced with a slow market and making pricing decisions – such as lowering the price – sellers may want to use facts instead of intuition to determine what to do. Sellers can make informed decisions as to how their property stacks up against the competition by monitoring these simple signals – showings as the key pricing indicator and market absorption rate as the indicator of how long it may take to get their home sold.

For a confidential, private, professional assessment of your home in today's market, please contact Stephen Howell at 410-923-3217.