

Absorption Rate Analysis

Resale Application



By ROSSI

How many homes are absorbed by the market on a monthly basis?

Example of application:

Your **Right Price Analysis** on a seller's home determines a **Price Point of \$539,000**.

The sellers inform you that they want to list their property with you for **\$589,999**.

To explain the effect of current market activity and validate the **Price Point** derived from your **RPA**, you create an **Absorption Rate (AR) Analysis** as follows:

First, determine the number of like-kind homes that have sold in the last 12-months at **their expected price of \$589,999**.

8 Properties sold and closed in the last 12 months

Second, divide this number by 12 to determine the number of properties absorbed by the market on a monthly basis.

8 / 12 = .67 absorption rate

Third, you search the numbers of like-kind homes that are currently on the market (for sale) at **their expected price of \$589,999**.

17 Properties are currently on the market

Fourth, divide this number by the absorption rate to determine how many months it will take to absorb what is currently for sale at **their expected price of \$589,999**.

17 / .67(AR) = 25.37 month supply

Fifth, determine the number of like-kind homes that have sold in the last 12-months at **your RPA Price Point of \$539,000**.

27 Properties sold and closed in the last 12 months

Sixth, divide this number by 12 to determine the number of properties absorbed by the market on a monthly basis.

$$\underline{27 / 12 = 2.25 \text{ absorption rate}}$$

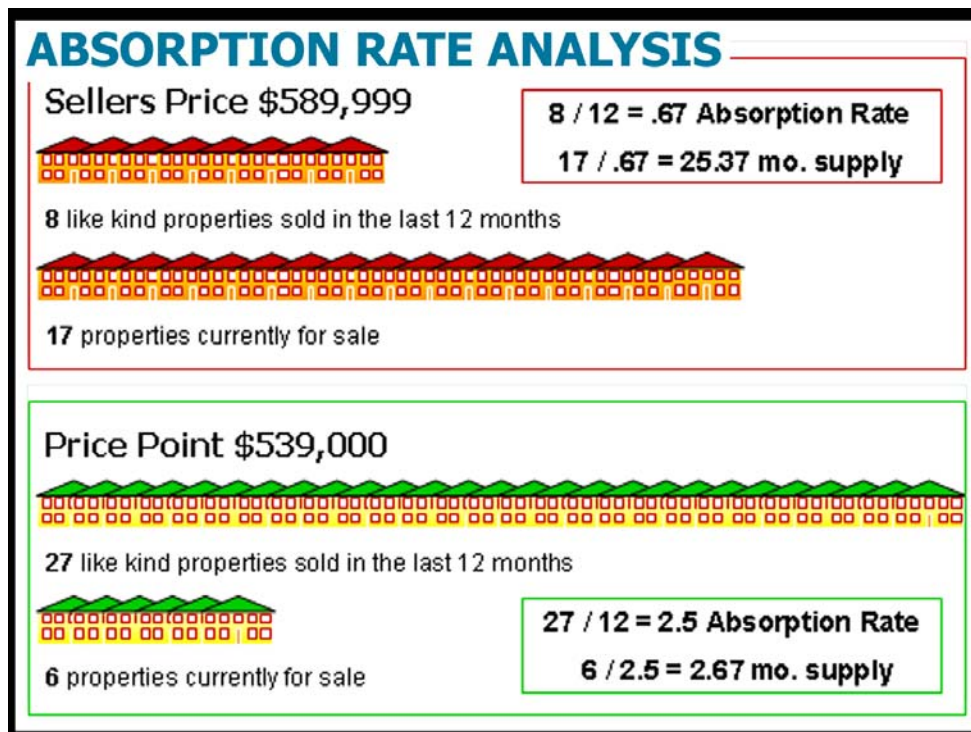
Seventh, you search the numbers of like-kind homes that are currently on the market (for sale) at **your RPA Price Point of \$539,000**.

6 Properties are currently on the market

Eighth, divide this number by the absorption rate to determine how many months it will take to absorb what is currently for sale at **your RPA Price Point of \$539,000**.

$$\underline{6 / 2.25(AR) = 2.67 \text{ month supply}}$$

VISUAL:



Dialogue:

Mr. and Mrs. Seller, I appreciate your desire to get the highest price for your property and I am sure you would like to do this in the shortest amount of time with the least inconvenience.

As I have shared with you, my Right Price Analysis determined that the current Price Point on your property is \$539,000. Further analysis of the market shows us, at this Price Point there is a 2.67 month

supply currently for sale. This means that if no other properties come on the market, these properties should be absorbed, or sold, in the next 2.67 months placing your home in position for a faster sale.

However, if you offer your property on the market for the \$589,999 price, the analysis shows us there is a 25.37 month supply meaning your home is likely to sit on the market for over 2 years before it sells.

Based on this information, and your timeline, how do you want to position your home for sale to the market?

If they say, "We choose the higher price. Bring us an offer and we'll come down." Then you say, "Fine, I'll take a 25 month listing and there will be no sign or marketing for the first 22 months."

Absorption Rate Analysis is a tool that will set you apart from the pack.

Enjoy and Keep Smiling,



ROSSI