

Understanding the Real Estate Market



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the ATEES

Educate

Supply & Demand
Appreciation
Absorption Rate

Demonstrate

Stats
Absorption Rates

Validate

Prep for the
individual market

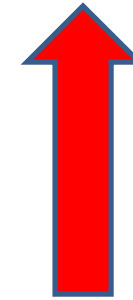
3 houses go on the market



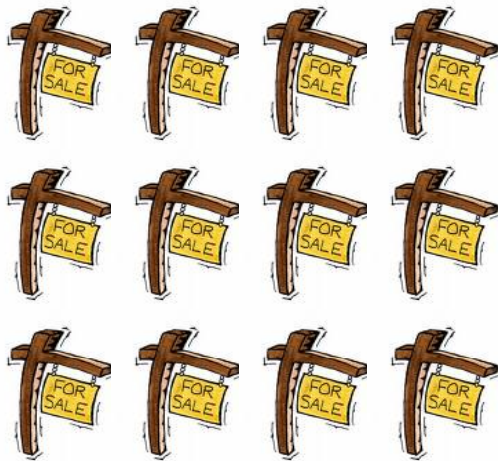
4 houses go off the market



Prices go up



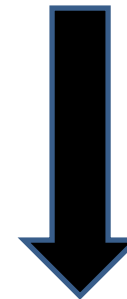
12 houses go on the market



4 houses go off the market

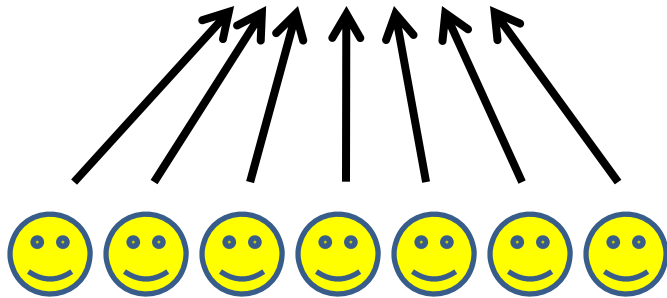


Prices go down

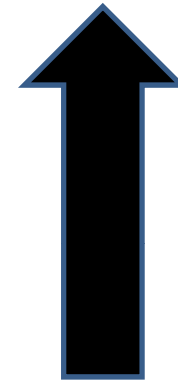


Supply and Demand

Appreciating Market

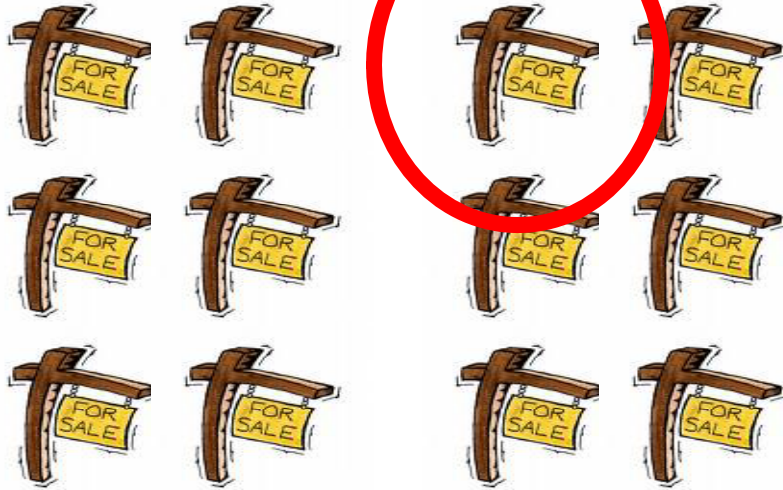


Prices go up

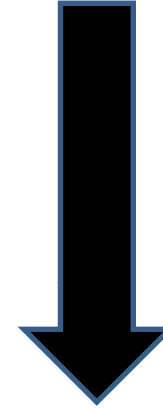


How is an offer made?

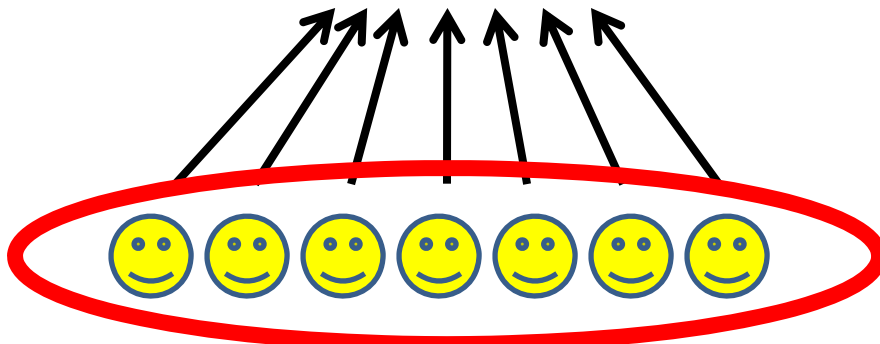
Depreciating Market

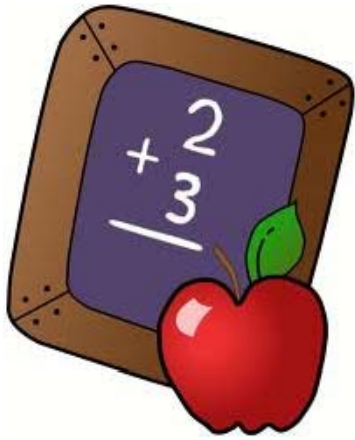


Prices go down



How is an offer made?





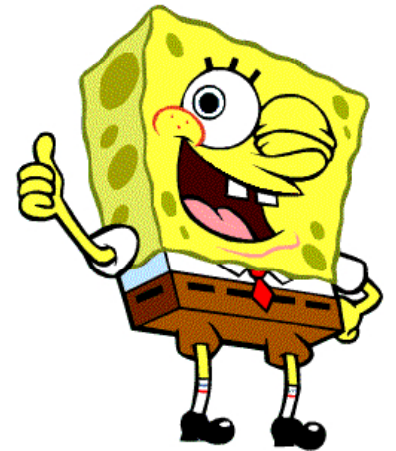
How long does it take to sell a home?

$$\frac{\text{Sales}}{\text{Time Frame}} = \text{Rate Houses Absorbed}$$

$$\frac{\text{Inventory}}{\text{Rate Absorbed}} = \# \text{ months of Inventory}$$

Absorption Rates

- 12 homes sold in the last 12 months means that the market will absorb 1 per month
 - $12/12 = 1$
- If there are 10 on the market there is a 10 month supply
 - $10/1 = 10$
- Pricing affects absorption rates



Determining Market Value

- Competition – Supply & Demand
- Absorption Rate

Sellers
Market

- 1 to 4 months inventory

Normal
Market

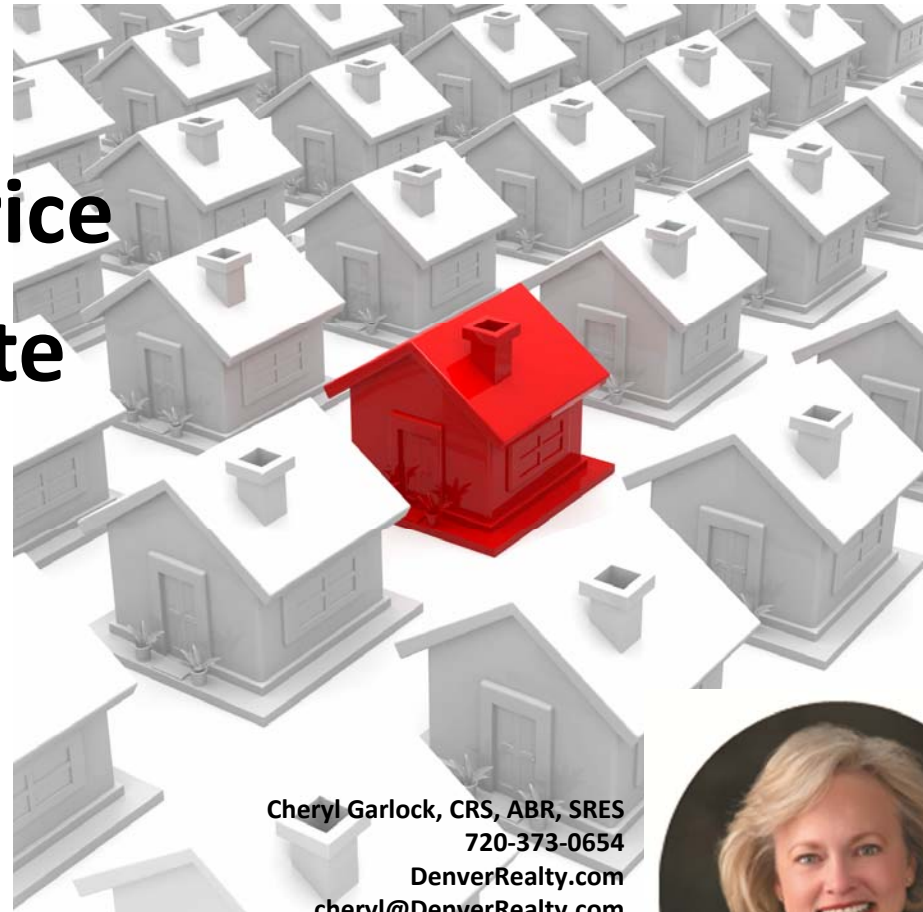
- 5 to 6 months

Buyers
Market

- 7+ months

Housing numbers you need to know

- **Inventory**
- **Average Sales Price**
- **Appreciation Rate**
- **Days On Market**
- **SP:LP**
- **Absorption Rate**



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I'll provide these to you during our meeting.