

Absorption Rate Positioning

Seller: _____

Address: _____

Property Description: _____

Profile Buyer for this property: _____

Step #1: Define the “**Playing Field**” through “**Buyer’s Eyes**” (MLS search criteria) – Neighborhood, zip code, price range, size, floor plan, lakefront, schools, etc.

Note: In Step #1, pretend you are sitting with a buyer and about to select homes to look at. You are going to load the buyer’s search criteria into the MLS system. Where would this property show up in a search? What categories or criteria would a buyer use for this type of property? What would be the other properties (that are similar to this) a buyer would want to see. Buyers tend to search based on 3 general criteria: Style, Location, and Price Range.

Step #2: Sold properties in the past 12 months: 25 (Success patterns/refine search?)

Once you have loaded in your search criteria (Step #1); ask the computer “How many properties that fit these criteria have sold in the last 12 months?” In this example there are 25 properties that have sold. At this point you can decide if you want to narrow your search by limiting the criteria even more – for example, only 4 bedroom, 2-story homes, in Anderson Farm subdivision.

Next, look for “success patterns”. Is there a pattern for those that are selling? For example: all or most are ranch style (1 level homes); main-floor master suites; on more than 1 acre; top floor condos; etc. The market will speak to us. We need to be listening! You may want to refine your search at this point. You want to “drill down” and really understand why buyers are buying these particular homes – what are the features that are selling them – or is it simply price?

Step #3: Sales rate (absorption rate) per month of similar properties: approx. 2/mo

If 25 homes sold in 12 months, they are selling at the rate of approximately 2 per month ($25 \div 12 = \text{approx. } 2 \text{ per month}$).

Step #4: Number of properties currently for sale: 17 (+ your house) = 18

Here you ask the computer for how many homes that match these criteria are currently for sale. In this example, there are 17 properties that match the criteria. When we add your seller’s house into the mix, a buyer will have 18 choices. These other 17 homes are your competition.

Step #5: At current sales rate, time required to sell all of current properties: 9 months

If there are 18 houses for sale that fit these criteria, and they are selling at the rate of 2 per month, it will take 9 months to sell all of the current inventory (18 homes ÷ 2/mo. = 9 months). At this point, you can ask your seller, "Will 9 months work for you?"

Step #6: Odds of Selling within 30 Days through "**Buyer's Eyes**":

2 (Monthly sales rate #3) ÷ 18 (properties for sale # 4) = 11.1 % Odds of Selling this month

Earlier, we had stated the seller's goals – to get to _____ on time. Using the calendar, we had calculated that to meet their timing goals, we need to have a contract on their house in the next 30 days. (If, it takes an additional 60 days for the buyer to obtain financing and close, then a contract in 30 days means a closing in 90 days.)

Here we are showing them that the odds of their house going under contract in the next 30 days are 11.1%. At this point, the seller may start to panic because the odds are not very high – although they will be impressed that you can show them their odds with this level of precision. At this point in time, it is very important to make two points:

*Point #1: "You know, most buyers do not buy homes based strictly on price. They buy based on **value** – which is the relationship of their perception of **quality and price**. There are 5 key factors they consider in buying a home and I'll show you what those are."*

*Point #2: "Our goal is to help you with a **value positioning strategy** that will increase your odds from 11.1% to potentially 100%. Would you like to see how it works?"*

Step #7: Value positioning your property vs. the competition through "**Buyer's Eyes**":

1. Condition: _____ Rating: _____
2. Location: _____ Rating: _____
3. Size (lot and house): _____ Rating: _____
4. Features/Amenities: _____ Rating: _____
5. Price: _____ Rating: _____

In Step 7, you will use your expertise with the MLS photos, descriptions, and google maps, to select the top 6 houses (out of the 18) that a buyer will want to see first. Again, project yourself into the roll of working with a buyer to pick the best 6 of the 18 houses. Of the 6 houses, one of them is your seller's house.

Next you will want to personally visit the other 5 competing properties. The reason you want to do this is because the buyers will do it and you want to position your seller's house for the market using "Buyer Eyes". You may want to consider taking the seller with you on this tour of the competition.

*As you tour the competition, rate your listing on a 1 to 6 scale – with 1 being first place and 6 being last place. For example, you might rate your listing as a "3" on condition but with some reconditioning and staging you could get it to "2" which means it would be in second place on condition. Generally a seller can improve condition and price but not location. Size (e.g. adding a room) and features/amenities (e.g. granite) can generally only be improved with a large investment of time/money. Sellers usually have to compensate for location, size, and features/amenities with price. Again, most buyers do not buy strictly on price. They buy based on **value**, which is their perception of the relationship of these 5 factors.*

Step #8: Value positioning through "Buyer's Eyes"

100% Odds of Selling within 30 Days = Position your house in the Top 2

50% Odds of Selling within 30 Days = Position your house in the Top 4

33% Odds of Selling within 30 Days = Position your house in the Top 6

If the seller wants to be under contract within 30 days, they need to position their house as one of the top 2 that a buyer has to pick from. If they do this, two houses are going to sell this month and they should be one of them. If they are in the top 4 and two are selling this month, they have 50% odds of selling, etc.

Remember, markets are very dynamic and it is recommended you track all showings, buyer/Realtor comments, and re-do your value positioning and absorption rate analysis every two weeks.

(Adjust for seasonality & market trends.)

The above analysis is based on 12 months of data. If you have a seasonal market, or market conditions are changing, you should do this same analysis using the last 3 months as a "snapshot" of current market conditions. You may discover that the market has slowed (perhaps you need to be in the Top 1 to be under contract in 30 days) or the market has sped up (and you need to be in the Top 3 to be under contract in 30 days).