



Absorption Rate—An Important Number to Know When Selling Real Estate

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If you are already working with an agent, this is not meant as a solicitation for that business.

When it comes to selling real estate, there is a very important number that needs your attention. That number is the market's *absorption rate*, a powerful tool that tells you approximately how long it will take for your home to sell at your asking price.

The absorption rate measures how well the housing market is doing at a specific moment in time. This number is based on what is known as the "months supply" of homes available for sale. If months supply rises, this is a sure indicator that consumer confidence is still in decline. If "months supply" lowers, then more people are entering the real estate market—creating more competition and, ultimately, more sales.

It's a simple fact that the longer your home lingers on the market, the more money you lose. Absorption rate helps you figure out exactly how to price your home for the fastest sale.

Let's say you're asking \$300,000 for your home. There are 100 other homes for sale at the same price, and they are selling at a rate of 10 per month.

100 homes ÷ 10 per month =
absorption rate of 10 months.

This means it's going to take ten

months at current marketing conditions—assuming the market remains at its current strength—to absorb that inventory. Because this is a "snapshot" number it doesn't even take into account new homes that will be listed in the next 10 months.

This is why it's so important to price your home correctly. The above scenario is a clear sign that the asking price is above what the market will bear for a quick sale. The lower the absorption rate, the faster the sale.

Nationally, absorption rates have been going down across the board. This is a positive sign that the real estate market is rebounding.

And it's important for sellers to understand the importance of the absorption rate! With this number in hand, you can have a good idea of how long it's going to take for your property to sell. Combined with other tools—such as a CMA (Competitive Market Analysis), you are armed with enough market information to price your home accurately.

Confused? Just give me a call at (360) 620-2690 or send an email to mollyells@windermere.com. I'll demystify absorption rates and show you how understanding absorption rates can help you get your home sold more quickly than your competition.

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