

Absorption Based Pricing

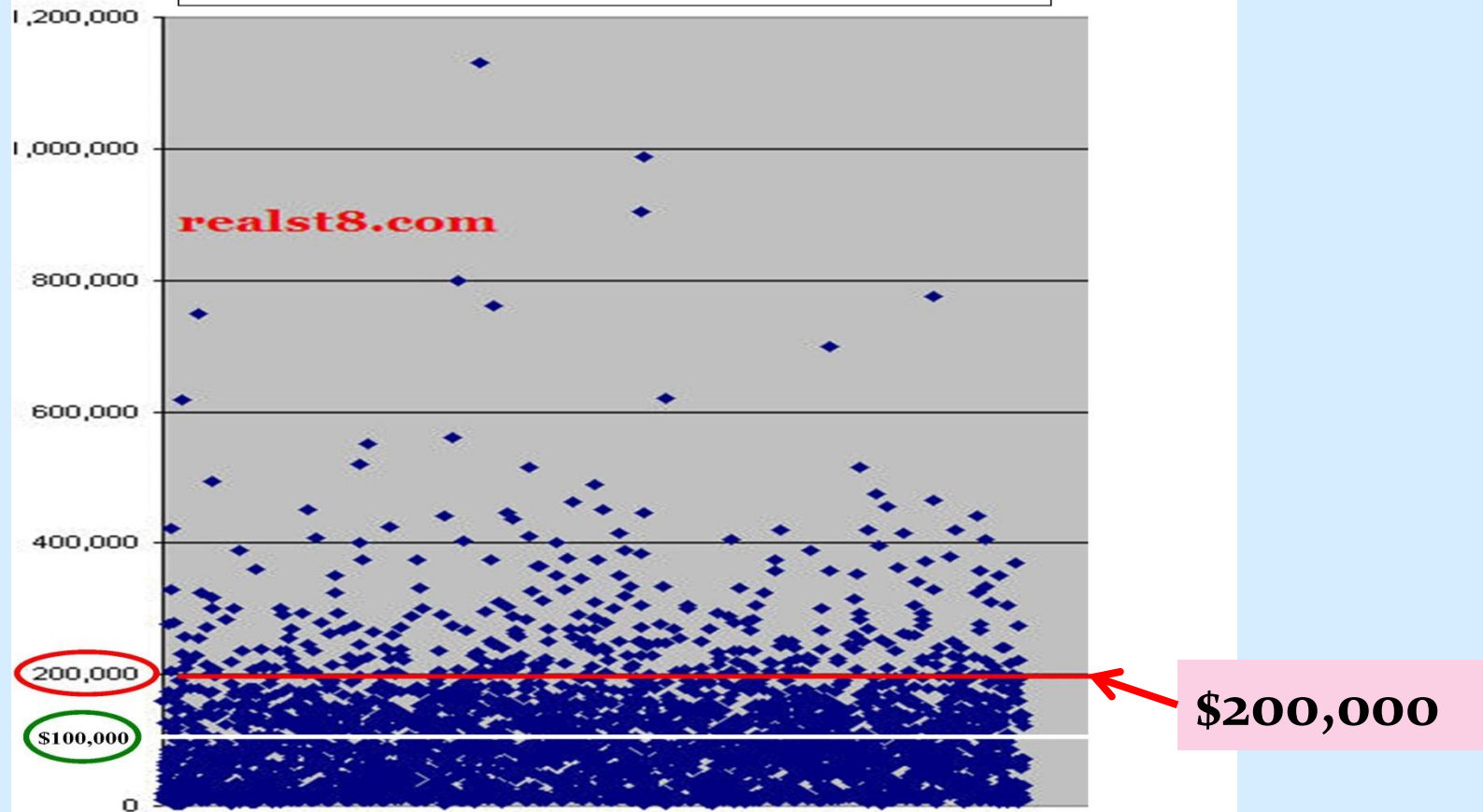


Sometimes Things Aren't
As Bad As They Could Be....

**And Sometimes Absorption Rate
Doesn't Tell The Whole Story**

**2009 = 491 LISTINGS AVERAGE SALES 121
ABSORPTION RATE = 4 MONTHS**

SOLD HOME PRICES



ALL 2009 Sold Homes South Bend, Indiana



How is the Market?

This is the question you get asked the most and the question every potential Buyer or Seller wants the answer to.

**The key to your credibility as a
“Professional” is to have a
30-second authoritative response.**

That response is the basis for this presentation.

If they don't ask, then it is the elephant in the room so answer it anyway!

How is the Market?

For qualified buyers:

There has never been a better opportunity

- they have the most choices in a home,
- get the most house for the least money,
- mortgages at very low interest rates.

**AVAILABILITY
VALUE
AFFORDABILITY**

How is the Market for Sellers?

Despite what you may hear homes are selling!

More homes per month in the last 6 months than in previous 24 months.

A seller needs to be realistic about this market.

Like the stock market, current prices are not what they were from 2004 to 2006. If a seller markets their home at a price based on a comparison to all the competing homes currently on the market, then ...

it is a good time to sell a home.

If you are a Seller and a Move-Up Buyer,

you are in the best Buyer's Market ever. The bargain you get in your new home will appreciate far more than any loss you take when you sell. The savvy Seller, will look at the sale and purchase as a single transaction, and see they are getting a great deal.

It is just a time to be realistic.

The other unasked questions are: Will my house sell? How soon? At What price?

FIRST, I NEED TO TELL YOU SOMETHING YOU ALREADY KNOW!

**THE CURRENT MARKET IS UNLIKE
ANYTHING WE HAVE SEEN IN THE PAST 30-YEARS.**

The problem is the banking crisis which has resulted in the current difficulty for buyers to get loans. This has resulted in reduced activity in the Real Estate Market for the past 2 and a half years.



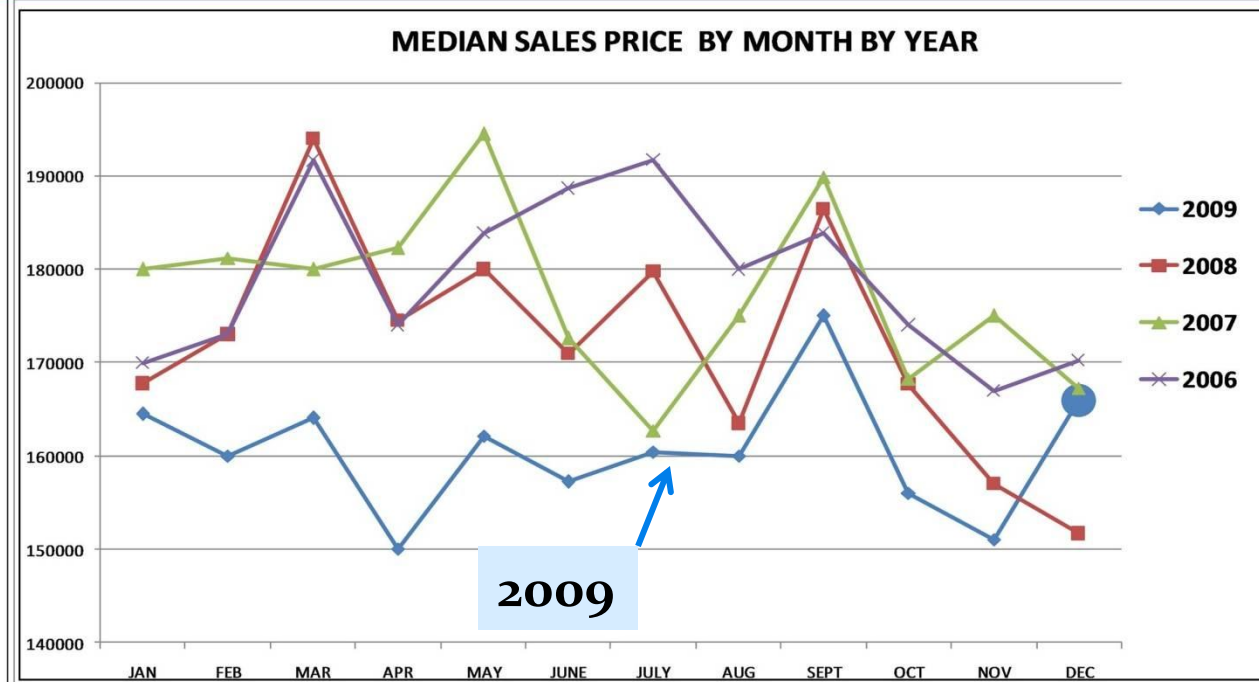
My job is to tell you about the current Las Cruces Real Estate Market, and then we will discuss the Market for homes in your price range.

Since 2006 the number of home sales has declined month over month & year over year until the last 6-months of 2009



	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL SALES
2009	71	87	107	95	124	126	119	132	121	145	126	97	1350
2008	114	120	107	132	133	136	160	132	99	118	84	77	1412
2007	142	151	215	181	193	204	185	208	140	142	133	108	2002
2006	139	171	197	204	236	256	246	239	233	179	177	158	2435
2006 MAXIMUM NUMBER OF SALES EVER													

In order to stimulate increased sales, the Median Price of Sold Homes decreased to levels lower than the previous few years.



	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	BY YEAR	% CHANGE
2009	164500	160024	164075	150000	162150	157250	160425	159975	175000	156000	151000	166000	160725	-6.56%
2008	167750	173000	194000	174500	180000	171000	179750	163500	186500	167700	156999	151700	172000	-2.82%
2007	180000	181200	180000	182250	194500	172600	162750	175000	189900	168210	175000	167250	177000	-1.67%
2006	170000	173000	191656	174000	183862	188675	191750	180000	183950	174000	167015	170215	180000	7.08%

THE LAW OF SUPPLY AND DEMAND FOR LAS CRUCES HOMES

Table #2 **2009 Absorption Rate**
Total Listings and Sales

2009			CALCULATION: IN 2009 THERE WERE 1350 SFH SOLD OR 112.5 HOMES PER MONTH (DEMAND) AT THE END OF 2009 THERE WERE 1319 HOMES FOR SALE-INVENTORY (SUPPLY) IN ORDER TO SELL 1319 HOMES AT THE RATE OF 112.5/MONTH IT WOULD TAKE 11.7 MONTHS = ABSORPTION RATE
RESIDENTIAL SFH MARKET	END OF YEAR TOTAL LISTINGS	END OF YEAR TOTAL SALES	
	1319	1350	

2009			
RESIDENTIAL SFH MARKET	END OF YEAR TOTAL LISTINGS	END OF YEAR TOTAL SALES	ABSORPTION RATE
	1319	1350	11.7
TOTAL LISTINGS AND SALES DIVIDED INTO PRICE RANGE			
< \$150000	298	566	6.3
\$150000 - \$200000	332	367	10.9
\$200000 - \$250000	132	183	8.7
\$250000 - \$300000	140	92	18.3
\$300000 - \$400000	195	84	27.9
\$400000 - \$500000	95	33	34.5
\$500000 - \$700000	79	16	59.3
< \$700000	48	9	64.0

IMPORTANCE OF ABSORPTION RATES

1. When Absorption Rates are low (less than about 6 months) this means that there is relatively a lot of demand for the available inventory.

A SELLER'S MARKET

2. When Absorption Rates are around 6 months this means that there is a relative balance of Supply and Demand (Listings & Sales).

THE MARKET IS FLOWING NORMALLY

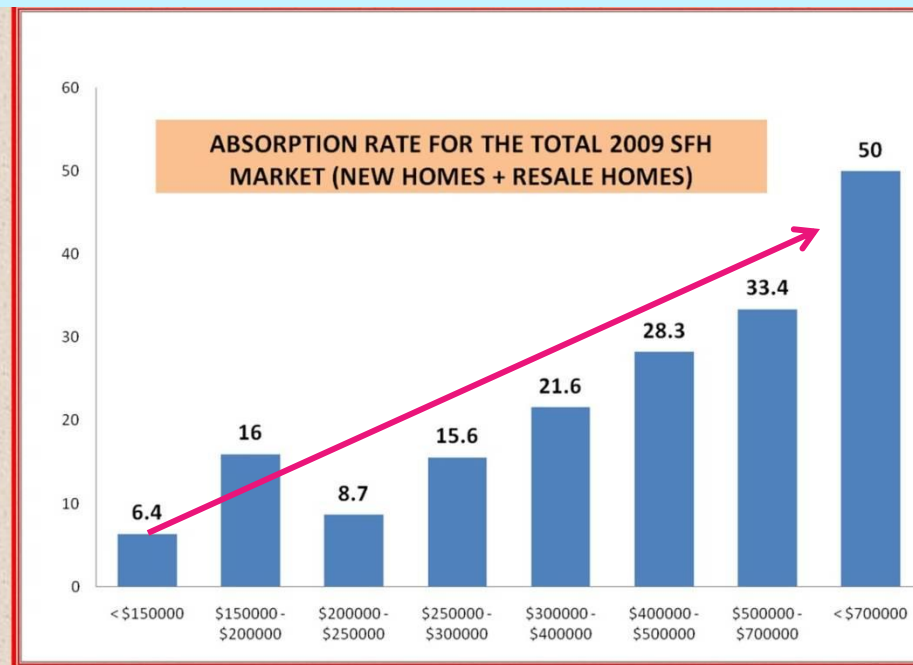
3. When Absorption Rates are HIGH (More than about 6 months) this means that there is relatively little demand for a relatively large amount of available inventory. **THE BUYER IS IN CONTROL OF THE MARKET.**

The Seller must do whatever it takes to make his product (home) attractive for the Buyers.

THE LAW OF SUPPLY AND DEMAND FOR LAS CRUCES HOMES

ABSORPTION RATE –

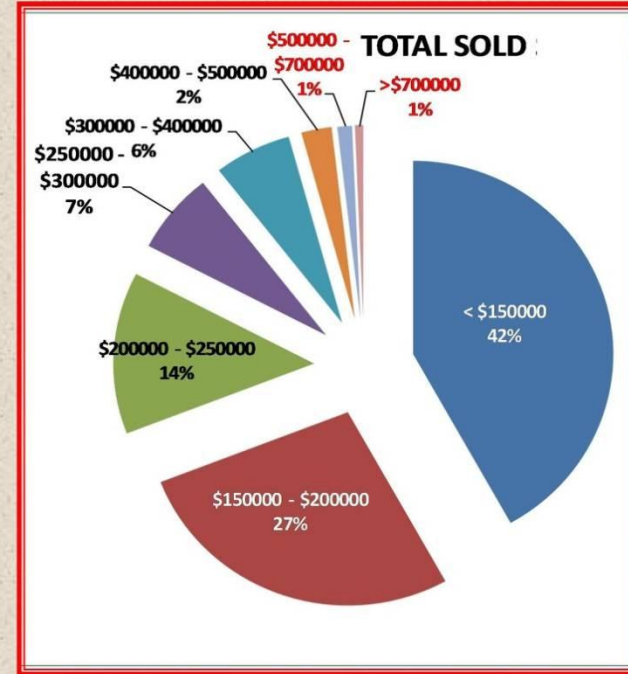
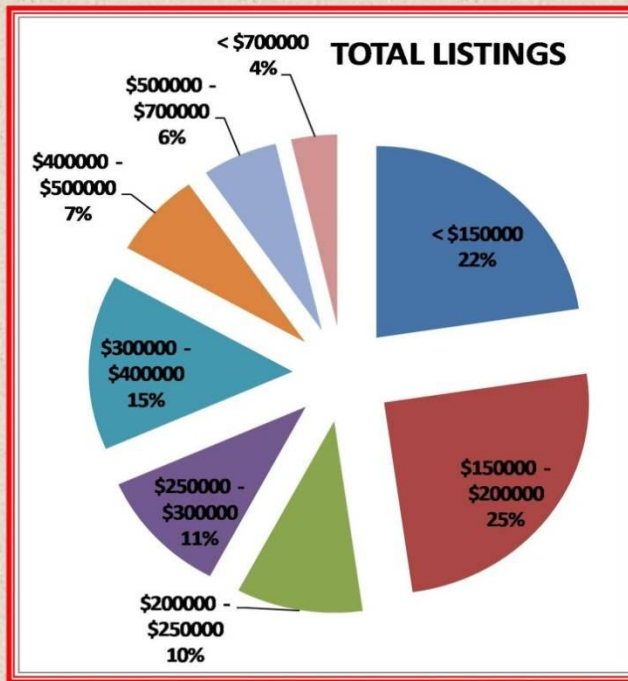
The number of months it will take to sell all of the homes currently listed for sale in each price range



As the Price Range increases there is a combination of increased Supply (listings) and decreased Demand (sales).



LISTINGS & SALES BY PRICE RANGE



Sitting side-by-side you can see that wedges that represent listings are much greater than the wedges that represent sales as the Price Range increases. This results in a long time to sell all the listings. **ABSORPTION RATES ARE HIGH.**

NOW, WE NEED TO LOOK SPECIFICALLY AT THE MARKET FOR HOMES IN YOUR PRICE RANGE

Traditionally we did a CMA which looked at homes recently sold and currently listed that were relatively comparable to your home and this worked as a pretty accurate guide for what your house would sell for.

Those were the days when we had supply and demand in balance, or even some excess demand, (a seller's market) then we could price at the same price as what we used as comparable or even as much as 5% over that price.

In this time of unlimited Information available to the agent, the buyer and you the seller, we can only use this information as a method of determining an approximate value or price range within which to list your home.

When we look at this information, we assume the Buyers know everything we do, & we must act accordingly. LETS'S TAKE A LOOK

MARKET FOR HOMES IN YOUR PRICE RANGE



Our Crystal Ball

Salability?

What Price To List?

Your Home's Value?

The Future?

How is the Market?

How Long To Sell?

Here Is A Little Glimpse Into Our Crystal Ball...

For homes in Las Cruces listed for sale between
\$300,000 and \$350,000
There is a 5.5% chance your home will sell this month

79

HOMES LISTED FOR SALE



4.33

HOMES SOLD PER MONTH



18

MONTHS OF INVENTORY
IS ON THE MARKET



5.5%



CHANCE OF SELLING
THIS MONTH

There are currently 79 homes for sale in the \$300,000—\$350,000 price range. In the past 6-months, 26 homes sold in this price range - an average of 4.33 per month. If demand remains the same it would take 18-months to sell the current inventory. **(The Absorption Rate).**

These numbers give you the odds of selling a random listing with a random agent. They represent a snapshot view of the Market. There are many factors to consider in determining which of the 4.33 homes out of the 79 listed homes will sell this month.

There are many things that can be done to increase your odds of your home being one of the homes that will be sold this month

MARKET FOR HOMES IN YOUR PRICE RANGE



Our Crystal Ball

Salability?

What Price To List?

Your Home's Value?

The Future?

How is the Market?

How Long To Sell?

Here Is A Little Glimpse Into Our Crystal Ball...

For homes in Las Cruces listed for sale between
\$350,000 and \$400,000
There is a 4% chance your home will sell this month

91

HOMES LISTED FOR SALE



3.5

HOMES SOLD PER MONTH



26

MONTHS OF INVENTORY
IS ON THE MARKET



4%
CHANCE OF SELLING
THIS MONTH

There are currently 91 homes for sale in the \$350,000—\$400,000 price range. In the past 6-months, 21 homes sold in this price range - an average of 3.5 per month. If demand remains the same it would take 26-months to sell the current inventory. **(The Absorption Rate).**

These numbers give you the odds of selling a random listing with a random agent. They represent a snapshot view of the Market. There are many factors to consider in determining which of the 3.5 homes out of the 91 listed homes will sell this month.

There are many things that can be done to increase your odds of your home being one of the homes that will be sold this month



**IT IS A WHOLE
NEW WORLD**

IT'S A COMPETITION

In both the Overall Market and the Market Price Range for your home,

DEMAND is very low 4.33 homes sell/month

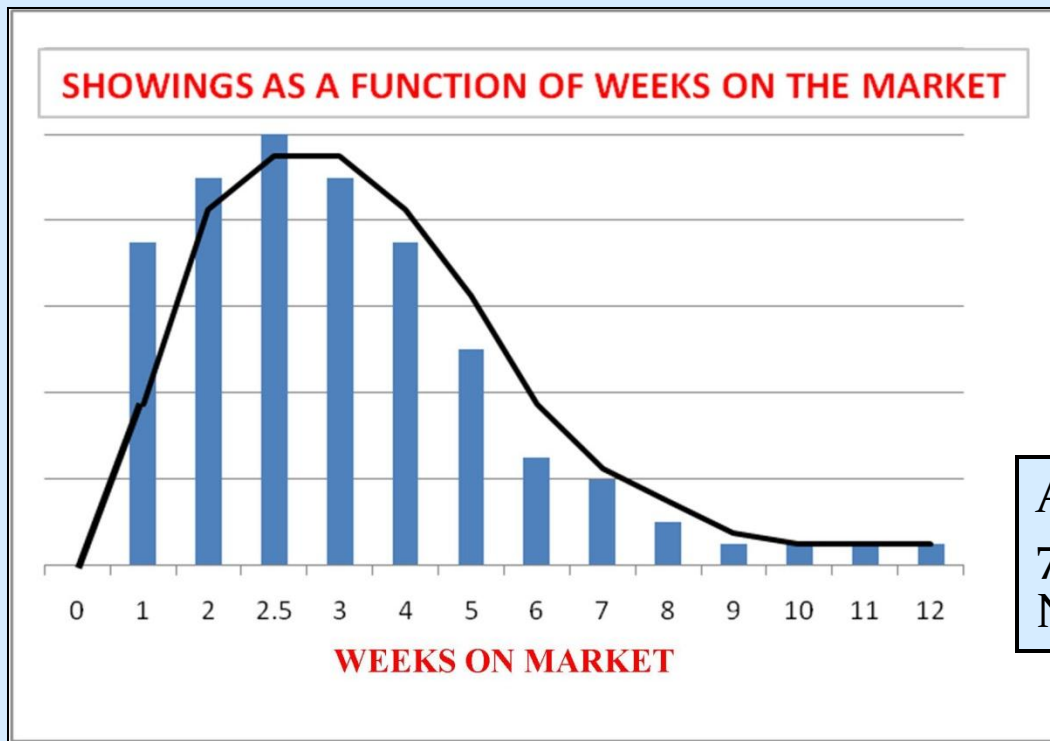
SUPPLY is very high 79 homes are available

It no longer matters what the home down the street sold for, or even what a similar house sold for last week or last month, nor does it matter what you think it's worth.

ALL THAT MATTERS ARE THE HOMES WE ARE COMPETING AGAINST TODAY!

Every Potential Buyer who has not yet purchased a home is watching each new listing as soon as it comes on the Market. With the Internet they have access to every bit of information about that home and every other home. They will compare, age, location, condition, amenities, and price as part of their selection process.

YOU ONLY GET ONE CHANCE TO MAKE A FIRST IMPRESSION



After 90 days
73% of homes
Never sell

The first 4-6 weeks as a new listing is your maximum exposure, to the pool of buyers willing and able to pay the right price for the right home. This is your best chance of selling your home.

YOU ONLY GET ONE CHANCE TO MAKE A FIRST IMPRESSION

IF YOU DO NOT PRICE AND POSITION YOUR HOME CORRECTLY FROM THE BEGINNING, and you have to do price reductions over time, this will not fool either agents or buyers.

You are stale merchandise. You can leave your home on the market and see if market comes to you. If you are one of lucky 27⁰%, your home might eventually sell.

You can remove it from the market, let it rest, and then relist at the then current Market Price, but it will still be remembered and you will end up chasing the Market downhill.

PRICING POND



YOU CAN GET YOUR HOME SOLD FAST EVEN IN THIS TOUGH MARKET BY USING THE CORRECT PRICING STRATEGY FROM THE BEGINNING OF THE LISTING . DO YOU WANT IT TO SELL OR TO SIT?

ABSORPTION RATE PRICING & POSITIONING

To have a 100% chance of selling your home this month you need to be in the top 4-5 homes that a buyer will look at. In the best 9 homes you have a 50% chance of selling this month, and in the top 14-homes you have raised your chance of selling your home this month from 5.5% to 33%.

TODAY, YOUR SELLER NEEDS TO BE A BUYER

Look at all the homes that are your competition one at a time.

Which do you think are the best VALUE

Age -Condition – Amenities – Location - Square Footage – Price

If a SELLER does a realistic comparison of their home against all the other homes on the market and then decide what they need to do so that their home rises into top tier of homes that a ready and willing buyer is willing to look at and consider purchasing.

ONLY THEN WILL THEIR HOME SELL!

ABSORPTION RATE PRICING & POSITIONING

NOTE:

We must note that for this presentation we used as an example a Price Range from \$300,000 - \$350,000.

BUT, the advantage to Absorption Rate positioning is that we can look for price range niches that have advantageous Absorption Rate values. This can create a pocket of a Seller's Market in the midst of the current strong Buyer's Market.

BRIDGE PRICING

WHAT IS THE PRICE OF GAS?



REMEMBER, THE NEAREST EXIT MAY BE BEHIND YOU

 <p>Tostitos Restaurant Style or Wavy Lays 10.5-13 oz., Select Varieties LIMIT 4</p> <p>1⁸⁸ ea.</p>	 <p>Nabisco Snack Crackers 5.5 10 oz., Select Varieties LIMIT 4</p> <p>1⁸⁸ ea.</p>
 <p>Budweiser or Bud Light 18 Pack Cans</p> <p>12⁸⁸</p>	 <p>Muscle Milk or Atkins Shakes 4 Pack 8.25 or 11 oz. Select Varieties</p> <p>3⁹⁸ ea.</p>
 <p>Bar-S Bacon 16 oz. Select Varieties LIMIT 2</p> <p>1⁷⁸</p>	 <p>Iceberg Lettuce LIMIT 2</p> <p>48¢</p>

YOU MUST BE THE PRETTIEST GIRL AT THE DANCE



REMEMBER, YOU ARE A BUYER. AND YOU WANT TO BUY THE HOME THAT GIVES YOU THE BEST VALUE – QUALITY AND PRICE.

Take every active listing surrounding the estimated price / price range of your home. Use listings that are both above and below your estimated price.

With a spreadsheet rate each of these homes by its qualities

Age – Size – Condition – Amenities – Location - and finally PRICE

YOU MUST BE THE PRETTIEST GIRL AT THE DANCE



You need to move your home down the spreadsheet until its qualities match its competition –

or if possible you can modify some of the “quality” items to move up the spreadsheet.

Whichever way you go **then set your price so you are “prettier” – A BETTER VALUE than your competition**

Price needs to be the equalizer .

NOTE: A seller that bought or refinanced at the peak of the market, and needs to sell NOW, must accept the fact that they are going to take a loss.

SELLERS MUST ADJUST THEIR MINDSET AND BE REALISTIC IN PRICING THEIR HOME TO SELL

You can set any price you want, it is just a matter of how long you want your home to be on the market before it eventually sells. Supply is high and Demand is Low, and the only way to sell their home is to PRICE IT CORRECTLY.

If you are a Seller AND a Move-Up Buyer ... you are in the best Buyer's Market ever. The bargain you get in your new home will return an appreciation far more than any loss you take when you sell. The savvy Seller, will look at the sale and purchase as a single transaction, and see they are getting a great deal. It is just a time to be realistic.