



The Market's Talking: Are We Listening?

Data

- A collection of facts from which conclusions can be drawn
- Collection or representation of facts in raw or unorganized form (such as alphabets, numbers, or symbols) that refer to, or represent, conditions, ideas, or objects.
- Data is limitless and present everywhere in the universe. In fact, as Dr. Norbert Wiener (co-founder of the science of cybernetics) once suggested, this world "... may be viewed as a myriad of 'To Whom It May Concern' messages."

Information

- Data that
 - (1) has been verified to be accurate and timely
 - (2) is specific and organized for a purpose
 - (3) is presented within a context that gives it meaning and relevance
 - (4) can lead to an increase in understanding and decrease in uncertainty
- The value of information lies solely in its ability to affect a behavior, decision, or outcome. A piece of information is considered valueless if, after receiving it, things remain unchanged



Knowledge

- Human faculty resulting from interpreted information
- Understanding that comes from combination of data, information, experience, and individual interpretation
- Knowledge is the sum of what is known and resides in the intelligence and the competence of people



Insight

- The application of knowledge that looks toward the future
- Intelligent forecasting based on experience

How do we impart our knowledge and insight to them so they can make intelligent knowledgeable decisions?



We must process large amounts of market data and collate it into meaningful information that is readily comprehensible

Then present it in a visually compelling manner so it is hard to refute from any logical or factual basis



We need to show them the realities of the local market not what the media has said or what information aggregators show

What is on-line is data and information only



Clients are looking for:

- Relevant information, supplied by a trusted source with appropriate and accurate analysis
- Perception of us will change to professional consultants rather than just 'sales people'.

WHAT **DO** CLIENTS NEED TO KNOW?

Buyers

- Probable selling price
- % of list price sellers are receiving
- Who's driving the bus?
- How long has it been on the market?
- _____
- _____
- _____

Sellers

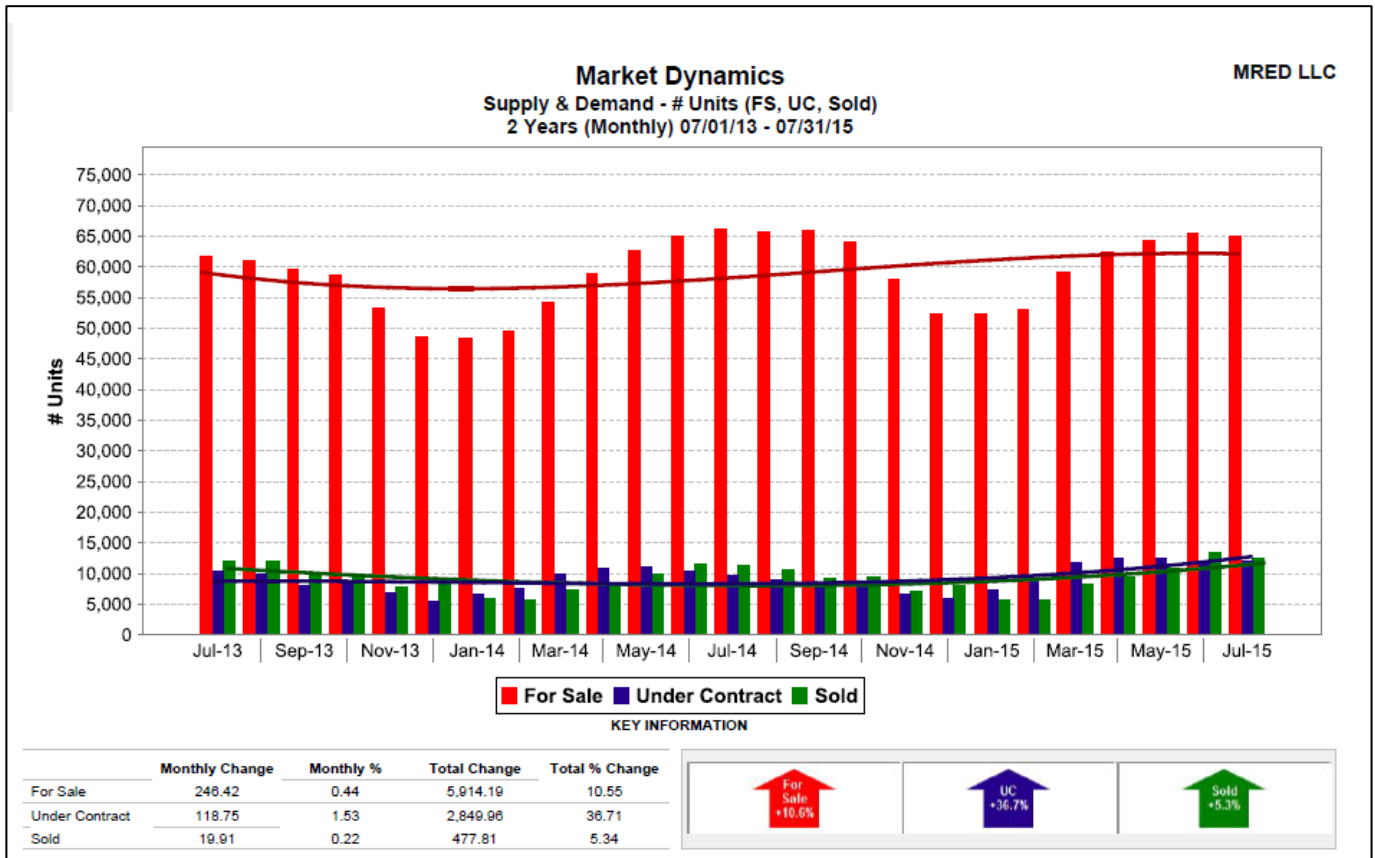
- Probable selling price
- % of list price to expect
- Price expectations - going up? going down?
- Months supply of inventory
- _____
- _____
- _____

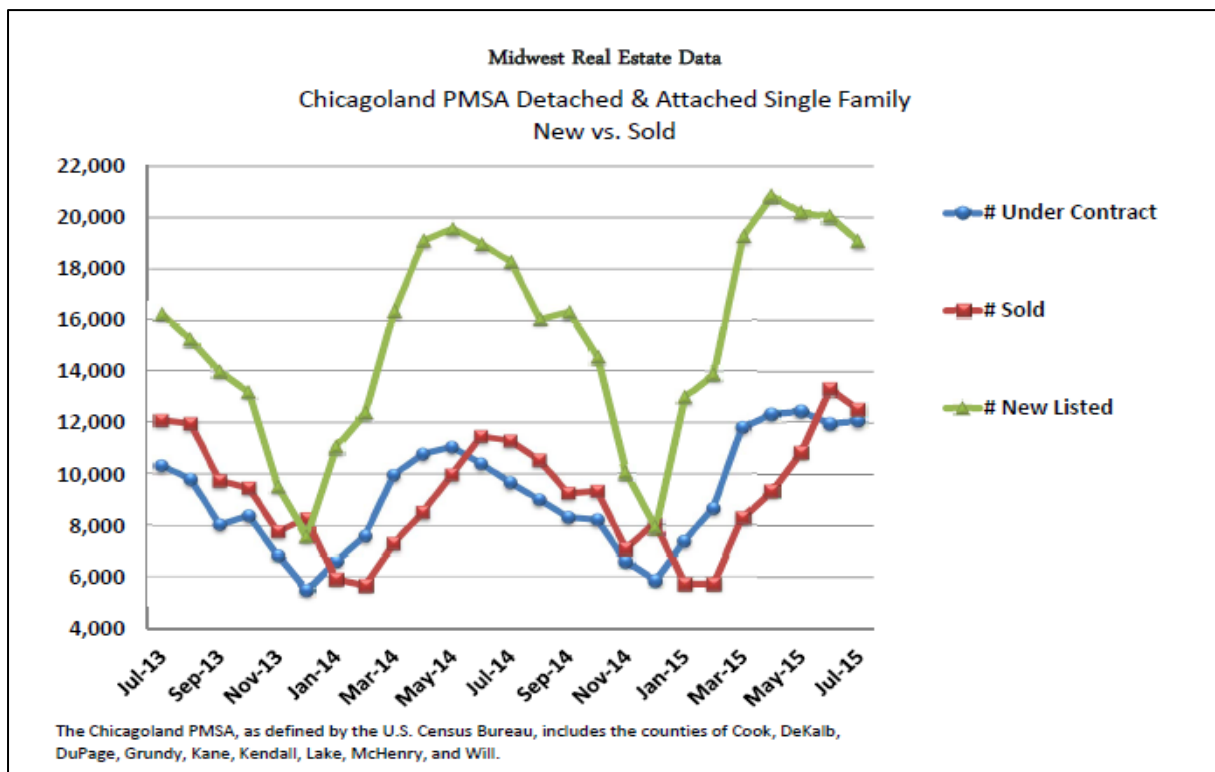
Note that the charts used on the following pages are from MRED since that is the author's MLS and the only one she has access to. All MLS's have similar analytics for you to use.

Supply and Demand

One of the biggest influences on a home's price is the supply and demand in the local real estate market.

- Supply and demand is a basic economic principal in which a product's price is either positively or negatively affected by the availability of the product.
- If there is a **high demand for a product that is in low supply**, the price of this product will escalate due to market conditions that will support a higher price.
- If there is **low demand for a product that is in high supply**, the price of this product will decrease due to market conditions that are influenced by the high availability of this product.

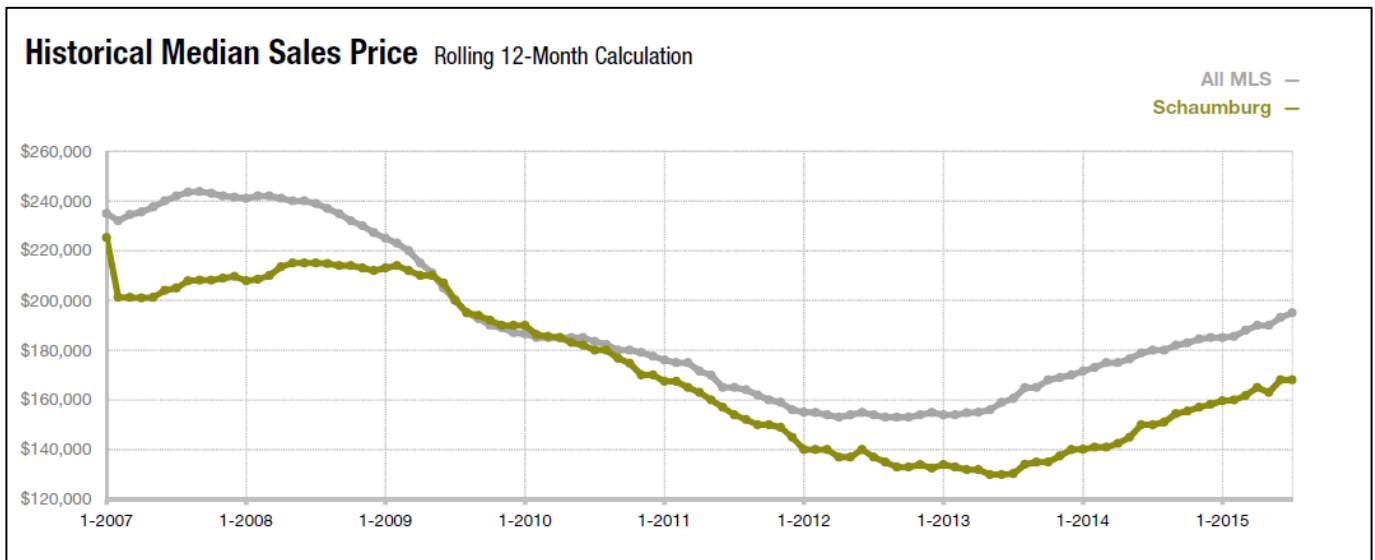
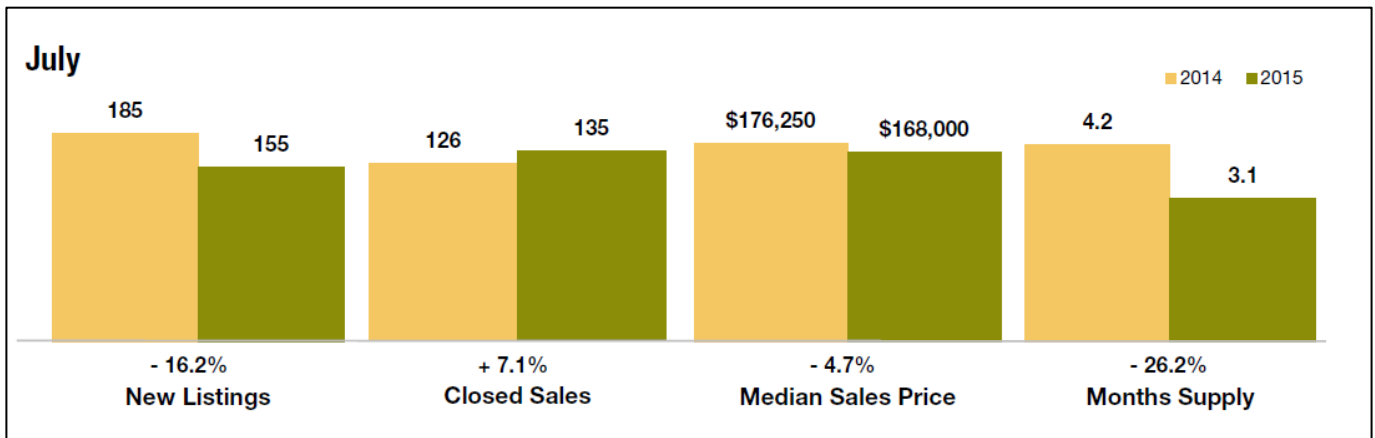




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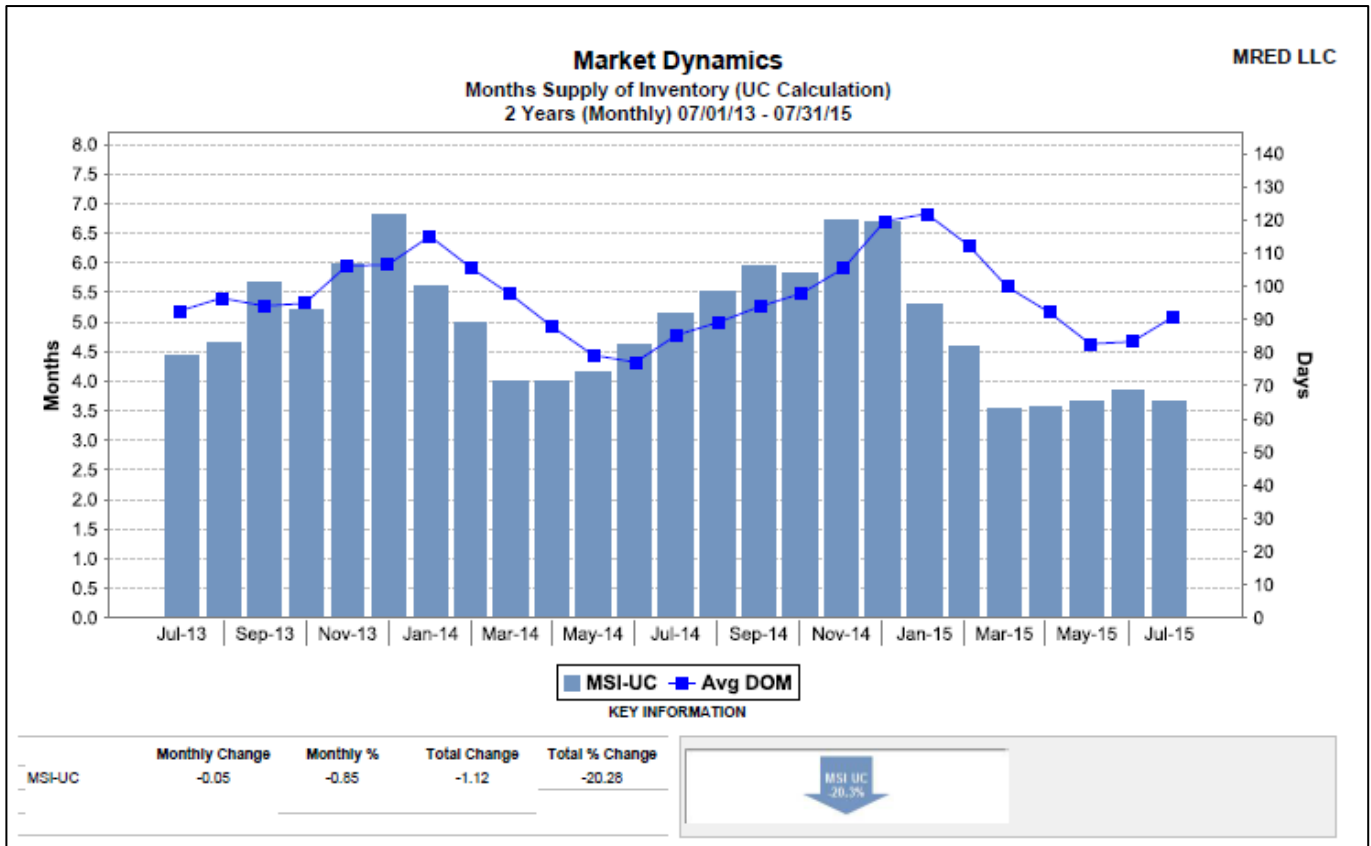
Key Metrics	July			Year to Date		
	2014	2015	Percent Change	Thru 7-2014	Thru 7-2015	Percent Change
New Listings	185	155	- 16.2%	1,084	1,140	+ 5.2%
Closed Sales	126	135	+ 7.1%	638	720	+ 12.9%
Under Contract	95	108	+ 13.7%	666	807	+ 21.2%
Median Sales Price*	\$176,250	\$168,000	- 4.7%	\$159,000	\$175,000	+ 10.1%
Average Sales Price*	\$212,500	\$211,716	- 0.4%	\$196,002	\$213,735	+ 9.0%
Percent of Original List Price Received*	96.0%	95.0%	- 1.0%	95.5%	94.9%	- 0.6%
Days on Market Until Sale	31	38	+ 22.6%	47	47	0.0%
Inventory of Homes for Sale	378	317	- 16.1%	--	--	--
Months Supply of Inventory	4.2	3.1	- 26.2%	--	--	--

* Does not account for seller concessions and/or down payment assistance. | Activity for one month can sometimes look extreme due to small sample size.



Absorption Rate - Months' Supply of Inventory

This is a figure that represents how long (in months) it would take to sell the remaining inventory at the present (monthly) sales rate. The number of properties that were "For Sale on the Last Day of the Month (FSLDM)" is, by definition, the remaining inventory for the month. This figure is then divided by the current sales rate for the month. Market absorption is one of the most reliable indicators of market conditions.



Average Days on Market

This is a measure of market sales activity for any given month, i.e. how long (on average) must properties "expect" to be on the market before they sell?

When the days on market are going down, it indicates the market is trending to a sellers' market with probable increase in prices.

Do These Scenarios Sound Familiar?

- All of the websites say our home is worth more than the price you recommend. Another sales agent we spoke with agreed. We want to get the most we can, so we're thinking about listing with him.**

Response: Let's take a look at what's happening in the market right now. Your home is certainly a cut above many others, but the sales of comparable properties I've shown you were similarly superior. Based on what you've seen online, do you think buyers will pay more than the last sale?

I would never want to criticize another agent, but some are so eager for a listing they'll tell you what you want to hear. If you really feel strongly, we can try it at the higher price for a couple of weeks and plan a price reduction strategy if it doesn't sell in that time frame.

- If all of these sites use the same public information, how can they come up with such different estimates?**

Response: These sites combine public record data and use it to calculate a value by means of proprietary formulas, called algorithms. They weigh and combine factors differently, hence the difference in estimates. Keep in mind that the data they use can be fairly out of date like past sales which may have been reported years ago and property tax assessed values.

- The _____ website I looked at says my home is worth \$350,000. That's the best price to list it at, right?**

Response: That website, like others, attempts to estimate value, not predict market price. Our market is in a transition period and the data that most sites use can't keep up.

- The _____ website says homes in the neighborhood are worth less than these list prices. With the market so down, aren't these homes overpriced?**

Response: Real estate is hyperlocal and the homes in this neighborhood have everything going for them in terms of location, lot sizes, and upgrades. Sellers in the area are generally not in the type of distressed situations that cause properties to sell at discounts. Frankly, homes in this area don't come on the market that often and sell fast when they do. Do you believe a seller would accept less than the last sale of a similar home? The websites you've seen rely on sales transactions that may be years in the past.

- I typed in "how much is my house worth" in the Internet browser and you wouldn't believe how many hits I got. Which of these is the best website?**

Response: Remember, these are primarily technology companies. Their goals are to capture leads and sell click-through advertising. They really don't have anything at risk if their estimates are off target.

- We've done a lot of work in our home - why doesn't that show up in those home value estimator sites?**

Response: Value estimator sites look at past sales data in the aggregate. It can't refine the value of a particular home because it doesn't have that information. A couple of sites do invite you to tweak the data on your own home, but they do that basically to collect your data and record the click-through information for sale to advertisers

Gathering (Mis)Information?

NAR research shows that both buyers and sellers spend time researching online before contacting a real estate agent. Although consumers see a lot of information about property prices, market trends, and transaction facts, the hours spent online also allow plenty of time for misperceptions to develop.

Media coverage can further distort the picture. We've been hearing about shortages of inventory and yet in some markets the prices are still down and it is a buyers' market rather than a sellers'.

- Nationwide, the median time on market is 11 weeks
- 56% of homes are sold within 95 percent or better of list price
- 86% of the homes that sold within one week had no price reduction

Sales Price as a Percentage of List Price, Time on Market

Sales price as % of list price	Nationwide median 11 weeks			
	% homes sold in 1 week	% homes sold in 5–8 weeks	% homes sold in 9–16 weeks	% homes sold in 17+ weeks
Over 100%	9%	2%	2%	4%
100%	50%	9%	9%	5%
99–95%	27%	48%	42%	22%
94–90%	3%	28%	27%	24%
Under 90%	12%	13%	20%	45%
Price Reductions	1 Reduction: 12% 2-3 Reductions: 2%	1 Reduction: 40% 2 Reductions: 10% 3-4 Reductions: 1%	1 Reduction: 33% 2 Reductions: 28% 3-4 Reductions: 12%	1 Reduction: 21% 2 Reductions: 26% 3-4 Reductions: 44%

Source: Profile of Home Buyers and Sellers 2012, National Association of REALTORS® Research

AVMs Meet the Real-World Market

Real estate professionals come face-to-face with market misperceptions at listing presentations and buyer counseling sessions. Before presenting reliable information about market conditions and pricing, the real estate agent must spend time explaining AVM values and limitations, and why they can be so far off the mark—high or low.

Real estate agents can't take the risk of proposing fuzzy pricing to clients and customers. Incorrect pricing leads to severe consequences for both buyers and sellers: a home languishing on the market, price cuts, below expectation sale proceeds, or for the buyer, overpaying.

Bottom line—the market sets the price. But a price or an offer based on good data helps buyers and sellers feel some control over the process and confirmed in making or accepting or rejecting an offer. Over-reliance on consumer AVMs could lead consumers into decisions that take a big (unnecessary) bite out of their wallets—as higher house payments, lower sale proceeds, more time on the market or lose a house in a multiple offer due to a too-low offer.

Data Issues

Reliance on public information presents two critical data issues: timeliness and availability.

- **Timeliness:** There is often a significant time lag involved in reporting transactions
- **Availability:** Where there is an abundance of sales of similar properties within a market area, AVMs tend to score high on accuracy. Conversely, a lack of data decreases accuracy.

For the Buyer

Real estate professionals know that price sets the search parameters, but doesn't make the final decision when it comes to choosing a location or a particular home. The websites can never replace the real estate agent's knowledge, experience, and market wisdom. Price estimates alone communicate neither a comprehensive picture of market conditions nor the value proposition of the home and certainly not the experience of living in the home and the neighborhood.

- During the counseling session, ask buyers what websites they consulted and how they are tapping into information about the buying process.
- Ask if they are comparing online estimates with current prices.

For the Seller

A wide gap between online value estimates and real-world prices can undermine the agent's credibility. What if the agent proposes a price below what the seller thinks the home is worth? The seller may think the agent is underpricing the home for a quick sale or doesn't understand the features and value of the home.

The real estate professional must clear away the noise of online value estimates and educate, or re-educate, the client about market realities.

- Take the time, before going on a listing appointment, to find out how consumer AVM sites like Zillow® estimate the value of the property. The sellers probably have already done so.
- Ask the seller, have you done much research about home prices or how to sell a house? What are some of the important things you found out? What price range do you think your home is in?
- For a reality check, consider including in the CMA an example of an overpriced property. Show its history in terms of days on the market, price reductions and expired listings.

If Over-Pricing is Harmful - Why Do Sellers Do It?

Lack of good information – they just don't have a good grasp on prevailing market conditions and/or comparable market data; thus, their information tends to be anecdotal in nature.

Seller's Syndrome – an affliction that causes many sellers to “irrationally” believe that their property is “special” and holds some kind of exalted position in the market relative to comparable properties and is generally immune to any negative market forces or conditions.

Desire to 'test' the market - the problem is, other sellers have already done that and the market is telling us what the probably sales price is.

Mistrustful of Sales People. Unfortunately there are still consumers who believe agents will underprice the property to get a quick sale and therefore quick cash. Unfortunately, this idea is fueled by the media and, regrettably, some agents as well who will take the property at any price just to have the listing.

What's Up With the Buyers?

- They think they have all the information they need from the Internet
- Under the impression all sellers are desperate
- They think "trashing-talking" the house will bring the price down
- Refusing to get pre-approved prior to making an offer
- Planning ahead to re-negotiate after contract is signed

Your ability to analyze and communicate the data

Has a direct bearing on how your clients
view the market

Difference between your seller
being on the market or in the
market

Difference between your buyer
missing the market or benefitting
from it