

The Zen of Stat Gathering: Pre-Research

The following are the statistics you will need to gather in advance of this certification. Every market is different: check with your Broker, Marketing Director or person who already gathers information for your company. Depending on the pace of your market you may be looking at one-year patterns for average-paced markets, to 90-day intervals for very fast-paced areas. You can measure the market once you have made the decision of which market you want to specialize in.

Understanding Where you are in the Sales Cycles – Is your market increasing or decreasing in the following areas?

Track inventory levels for all single-family homes

It's important to look at inventory levels on a monthly basis, and it is important to keep those in a database. The most valuable information you can possibly have is looking at where the active inventory has been and where it's going. This is a very difficult piece of information to capture from MLS data because active inventory really needs to be captured at a specific point in time and held in a database. Don't be discouraged if you don't have this information at your disposal. Start today and within one year you will be able to measure inventory levels and see where your trend lines are headed.

Median sales price and average sales price

This is easy to calculate and can provide some historical perspective.

Days on the market

Is it going up or down? Fortunately, this is also a stat you can get with historical perspective on most Multiple Listing Services. So, for example, look at sales in the \$1 million range two years ago, and discover what the days on the market were during that year. Next, take last year, and then start measuring monthly this year - you should be able to see a trend line by price point. Recognize that the high-end price points may react differently in the marketplace than lower price points. It is probably important for you to just take a peek at the entire market, and then you can understand days on the market.

Percent of asking price received

Measure this stat for your entire market so you can start to see the difference by price bands. Take the sales price of a particular property and divide it into the original listing price – that will show you the percent of price that was received. Let's say for example, that is 98% of your marketing for your overall market. That would be an example of a fairly strong sales market where there is a lot of movement in the marketplace.

The Top Tier

Measure the top tier of your market; every market is unique and different. The top tier in a market is normally considered the top 10% of listings. For example, a community with 100,000 people may have 1,500 properties that sell every year. You will want to analyze the top 10% or 150 of those sales.

Once you have initially looked at the number of sales, move to the dollar volume of the sales. You will start to see natural price bands or price breaks in your market.

Analyze the price bands or breaks within the Top Tier. Let's say your Top Tier begins at \$1,000,000. Create ten bands with approximately 10% of the sales within each band. The lower bands will be narrow price ranges, i.e. \$1,000,000 to \$1,200,000, while the top band may be wide, i.e. \$6,000,000 to \$9,000,000.

Examine the sales just below the top tier to see if there is market opportunity. You may find a faster sales rate, higher percent of asking price received and more units.

Listing inventory in Top Tier:

- > Number of active listings
- > Average asking price
- > Median asking price
- > Average price per square foot
- > Median price per square foot

Sales in Top Tier

- > Number of sales
- > Average sold price
- > Median sold price
- > Average price per square foot
- > Median price per square foot
- > Percent of asking price received
- > Days on market
- > Measure by community
- > Off-MLS sales
 - o FSBO
 - o Build to suit
 - o Developer sales

Calculate Absorption Rates for each Price Band

1. Pull the MLS data on the active listings for each price band.
2. Next, pull the MLS data on the properties sold in each price band over the past year.
3. Do a simple calculation - divide the number sold by the number of listings. Then, multiply by 12 to attain months of supply. The sold properties may not be the same as the active, but this is a valuable estimate of demand relative to supply.

Example 1: 5 active listings divided by 10 sold properties = $.5 \times 12$ months = 6 months of supply.

Example 2: 10 active listings divided by 5 sold properties = 2×12 months = 24 months of supply. This allows you and your client to see how many months of supply remain in each price band and shows how quickly or slowly the market is (absorbing supply) moving in each price point.

Selling with Stats

Adds Credibility and Increases Confidence

Mastering these marketing facts will help you impact buyers and sellers. We've talked about how important credibility is. You will need to know every luxury sale that took place in your market and the details of who, what, where, when and why about it. Luxury buyers and sellers want to be in the know about who's buying and selling. Are there celebrities in the area? What were the selling prices and if so were there concessions? This is a very inquisitive group; it is almost like a hobby to them to keep up on the market. And when you know the stats, you can keep them informed with confidence.

Substantial Knowledge About the Market by Price Range

It's important to understand exactly what's happening by price range, and you should also know how many sales occurred within each specific band of your marketplace. Generalizations can be very misleading in this market.

Provides for Sound Business Decisions

Once you have this data and continue to track it each month it will become much easier for you to make sound business decisions. You will know which listings you want and which listings you'll want to decline taking. It is better to say no to a listing that will cost you an incredible amount of time, energy, money and effort if it has little likelihood of selling.

Provides Good Advice for Clients

Providing guidance based on sound data will help your buyers and sellers make good decisions. For example, "Is now the right time to buy?" or "Are we in a market where waiting six months will do more good?" We always want buyers to buy on our timetable, but they will respect you and follow you in a lifetime relationship if you give them candid statistical advice. Likewise, if you can see that the market is moving very rapidly in a certain direction you can create a sense of urgency and influence of buyer or sellers to ACT NOW!

Making Stats Sizzle

Mastering the stats means you can confidently communicate the information in a way that makes your clients take notice. Take the charts and graphs you've created and put them into a report which you can use to position yourself as an expert.

- > Create a trend report
 - o Monthly or bi-monthly
 - o Invaluable prospecting, follow-up tool
 - o Single most important thing to maximize success
- > Press releases
- > Blog posts
- > Speaking circuit
- > Regular articles: become the go-to person for the media
- > Use Canva.com to create infographics
- > Create market videos

Summary: Scrutinizing the Market

You should feel very confident in how to analyze your local market as well as how to successfully leverage those stats with both buyers and sellers.