Market Stats Terms & Definitions

Absorption Rate:

The absorption rate provides insight into how quickly or slowly houses are selling.

A high absorption rate may indicate that the supply of available homes will shrink rapidly, indicating that a homeowner will sell their property in a shorter period of time. Traditionally, an absorption rate above 20% signaled a seller's market in which homes are sold quickly. An absorption rate below 15% is an indicator of a buyer's market in which homes are not being sold as fast.

In market conditions with low absorption rates, you may be forced to reduce a listing price to entice a sale. Alternatively, you can increase the price without sacrificing demand for the home if the market has a high absorption rate.

Example of the Absorption Rate:

A city has 1,000 homes currently on the market. If buyers purchase 100 homes per month, the absorption rate is 10% (100 homes sold per month divided by 1,000 homes available for sale). This also indicates that the supply of homes will be exhausted in 10 months (1,000 homes divided by 100 homes sold/month).

Inventory:

The active supply of properties on the market. Whether you call it “Inventory,” “Active Listings” or “Homes for Sale,” they all refer to the same thing. It’s simply a raw count of the number of properties being actively marketed and categorized as “active listings.”

Months’ Supply:

Calculated by dividing the number of listings available by the absorption rate, months’ supply refers to the number of months it would take for the current inventory of homes on the market to sell given the current sales pace.

The bottom line - This statistic shows, if no new listings enter the market, how many months it will take to sell the listings that are on the market.

Many economists use the following as a gauge for how the market is doing:

• Buyers’ Market = 11 months or more

• Balanced Market = 6-10 months

• Sellers’ Market = 5 months or less

(A buyer’s market, balanced market, and seller’s market can co-exist at any time in any area. For example, there may be a seller’s market in a city, but for high-end listings in a specific sub-division, zip-code, etc. within the city, it may be a buyer’s market.)

Median Sales Price (Median Sold Price):

The price at which half the home sales occur for more and half for less. If there is an odd number of sales, then the median price will be the sales price of the middle sale, even if that middle price is nowhere close to the middle value.

For example, you have three sales of $1, $2, and $10 — the median sales price is $2. If you have an even number of sales, the median price is the middle point between the two middle-most sales. As you can see, as is almost always the case with statistics, small data sets or data sets filled with widely varying data points (such as all the different homes in Fort Myers, for instance) can generate misleading statistics, especially over the short term. Median price can be, and often is, affected by other factors besides changes in market values, such as short-term or seasonal changes in inventory or buying trends. The median sales price for homes (in all their infinite variety) is not like the price for a share of company stock (all the same), and monthly fluctuations in median price are generally meaningless. If market values are truly changing, the median price will consistently rise or sink over a longer-term than just 2 or 3 months, or even 2 or 3 quarters, and also be supported by other supply and demand statistical trends.

Average Sales Price (Average Sold Price):

Calculated by adding up all the sales prices and dividing by the number of sales. It is different from the median sales price, but like medians, averages can be affected by other factors besides changes in value, such as fluctuations in average unit size. Averages may also be distorted by a few sales that are abnormally high or low, especially when the number of sales is small. Average sales prices are usually higher than median sales prices, as averages are more affected (or distorted) by high-price sales. (Generally speaking, high prices can go much higher than the norm then low prices can go lower than the norm.)

Days on Market (DOM):

The number of days between a listing going on the market and accepting an offer. The lower the average days on the market figure, typically the stronger the buyer demand and the hotter the market. Note that this statistic is easily distorted by distressed home sales, which often have a very high DOM; by that minority percentage of listings that sell after multiple price reductions (one property that sells after being on the market for 12 months can sometimes play havoc with an overall average for a neighborhood); and by deals that fall through after offer acceptance (the listings come back on market and perhaps sell quickly, but the DOM clock keeps ticking throughout). Currently, appealing, well-priced new listings often accept offers within 7 to 14 days of coming on the market.

Price per Square-Foot:

Based upon the home's interior living space and should not include garages, unfinished attics, and basements, rooms built without a permit, outdoor space, patios, and lanais — though all these can still add value to a home. These figures are usually derived from appraisals or tax records.

There are often surprisingly wide variations of value within neighborhoods and averages may be distorted by one or two sales substantially higher or lower than the norm, especially when the total number of sales is small. Location, condition, amenities, parking, views, lot size & outdoor space all affect $/sqft home values.

List Price to Sell Price Ratio (Percentage of List Price):

The final sale price (what a buyer paid for the home) divided by the last list price expressed as a percentage. If it's above 100%, the home sold for more than the list price. If it's less than 100%, the home sold for less than the list price. As an example, if a home is listed for $100,000, and it sells for $98,000 – the list-to-sell ratio is 98%.

Dollar Volume:

The total sales prices of all transacted homes during a given period (month, quarter, year). It represents the broadest dollar-based figure for sales activity and does not divide out by unit count as the average sales price does.

The calculation for dollar volume is as simple as it gets. Just add up all sales prices for selected geography and set of housing variables.

It's always beneficial to compare the dollar volume transacted in the current period versus the same period one, two, or three years ago. If you go more than a few years into the past, consider adjusting for inflation.

Dollar volume is a good top-line measure of market activity. It's a handy metric to use in business planning and elsewhere because it basically defines the size of the pie. Different agents and brokerages then carve out and grow their slice of the pie, but dollar volume essentially establishes how big the pie is, and that is critical.

Shows to Pending:

The number of showings scheduled per listing that went into pending status during the selected reporting period.*

Shows per Listing:

The average number of showings scheduled on active listings per month.*

* In order to be included in the calculation of this metric, a listing must be enabled for ShowingTime services and must have a showing in its first 28 days on the market.