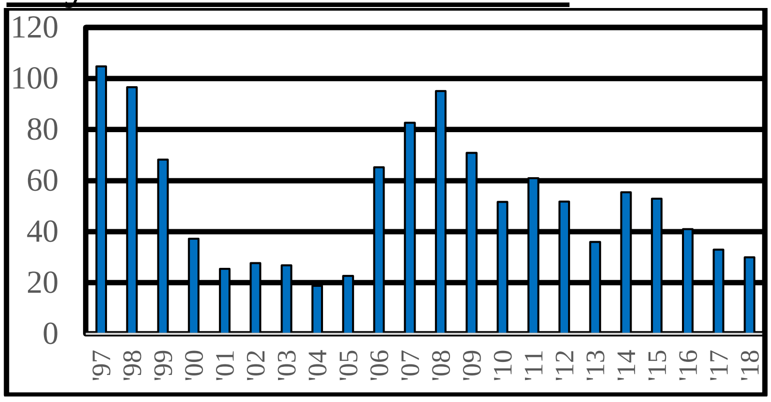
EXCERPTS *by DAVID RATHGEBER*

Series S Number 29

Days on the Market – DOM



Average Days on the Market for SOLD Homes

DOM should be an important statistic, but the interpretation is too tricky: The calculation can be done for all homes on the market, or for only those homes that have sold recently. In the latter case, days to agreement, days to removal of contingencies, or days to closing might be the figure that gets reported. To further compound the problem, some MLS systems compute DOM using only the current listing of a home, some account for previous un-sold listing entries of the same home, some systems provide both figures, and some provide no information at all.

To add still another level of problem-compounding-complexity: The most useful, DOM at the current price, is often difficult or impossible to determine. And finally, at the risk of TMI, no one ever tells you which number they are reporting! To be useful, DOM should be calculated as days to agreement, at the final price, for recently sold homes. The MLS computer-weenies all know how to calculate an average, but none of them know or even care whether it is useful to anyone.

Using DOM in an ideal world for home sellers:

- DOM for all homes currently on the market including previous listings thereof can be doubled and used as a worst-case scenario for planning purposes.
- The number of days it took to sell half the homes that have recently sold (i.e. the median) can be used to indicate when a seller should start to consider a price reduction.

When the market speaks, sellers need to listen, but remember that any sold data lags by 1 or 2 months, plus the time needed for data assembly and publication.

There is a general relationship between price and time on the market: The higher the price, the longer the time on the market. "Overpriced" is defined as the relationship between a home's asking price and its actual market value. But note well: When a home enters the market, no one knows the real market value. (No, not even Zillow!) **Does your home need a price reduction?**

Instead of using any published DOM, check whether average prices are rising or falling annually as well as seasonally, and be sure to consider the all-important Months Supply.

Showing Traffic

The very best market indicator for home sellers is the number of showings your home receives every week. Reasonable expectations vary greatly by the health of the market, seasonality, price range, and proximity to Washington D.C. which is the center of our region's market. But if no one came to see your home in the last 2 weeks you very likely are in trouble: The answer is most likely on the sheet that comes out of the printer from the MLS. Often, but not always, it is your home's asking price. This is not rocket science, just attention to details, which includes knowing which details need attention. There is *no magic* involved in selling a home.

Interest Rates

Interest rates are an important factor in a real estate transaction. Familiar to all, they do not need much explaining: Lower is better for everyone. It is striking to calculate that *at the very same monthly payment*, one can buy 50% more home at a 4% interest rate compared to 6%!

Keep an eye on changes in interest rates. They can have an important effect on the real estate market, but sudden changes sometimes can have the opposite effect from that reasonably expected: For example, a sudden increase can sometimes trigger buying activity, albeit temporary.

Also, real estate markets do not move in lock-step with mortgage rates: There can be a significant time lag between interest rate changes and resultant changes in market activity. Finally, the great differences in home price appreciation and depreciation in different markets across the country are indeed notable, even though mortgage rates are nearly uniform.

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