

IS “COMING SOON” IN THE CLIENT’S BEST INTEREST?

You may have seen a sign in front of a home that says “Coming Soon,” or you may have heard the terms “pocket” or “whisper” listings. While those are not the same things, they all represent areas of possible concern when it comes to doing the right thing for a seller.

Let’s start with some basics.

1. We firmly believe that a seller will get the most for their property in the shortest amount of time when it is exposed to the broadest possible market. And doesn’t that make sense? After all, you never know where that buyer is coming from. No real estate company and no real estate agent has all the buyers, so why hide a listing?
2. A property receives the most traffic and the most exposure in the first few weeks on the market. We know that to be the case in good markets and bad, and everything in between. So “testing” or teasing the market in a limited way may not be the best idea.
3. A home shows best when it is fully ready for the market, when all improvements or repairs have been made. You don’t see a new car showroom with a model on the sales floor that needs a paint job.
4. This is the most important one: the seller of any home should give their informed consent to have their home marketed prematurely or to a limited audience.

So, with all that being said, and with inventory being tight in so many parts of the Washington, DC metropolitan area, we see a fair number of homes with a “Coming Soon” sign in the yard. There can be some very legitimate reasons for that – a home may be a couple of weeks away from being ready to go on the market and the seller wants to be sure that buyers looking in their area are aware that they will have another option in the near future, and they don’t want to run the risk they’ll lose that buyer to a home already on the market.

But remember that the people who are aware of that sign may be limited to the people who drive by. One of them may approach the seller to see the house before it’s fully ready to be shown – or even make an offer so they get the jump on other buyers. On the surface, that may seem like a good thing: the seller gets interest and maybe even an offer before the house is fully exposed to the market, and are spared the hassle of having to make the beds every day. But that seller doesn’t know what they’re missing. They don’t know how many potential buyers there are who might have been interested in their home if they had known it was on the market. If one was interested enough to make an offer, how many more might there have been if the home had been fully marketed? If the seller wants to entertain such an offer, it is of course their prerogative to do so, and they may place a higher premium on speed and convenience than price.

Other times, that “Coming Soon” sign may be up so that the listing agent increases their chances of selling the house themselves – putting them on both sides of the transaction. And that’s especially true of a “pocket” or “whisper” listing – when the agent only tells a handful of people that a house is available with no intention to expose it to the full market. And who is best served by that? There certainly are sellers who value privacy above all else and don’t want their home “on the market.” But in most cases, it’s hard to see how a seller benefits from a stealth listing, and lots of would-be purchasers are deprived of the chance to buy at the market price.

The point is simply this: a seller should know the pluses and minuses of marketing their home to a limited audience, and it should be their decision whether to cut off part of the pool of potential purchasers.

How Prevalent Are “Coming Soon” Listings?

Some areas of the country report as much as 30% of homes sold by REALTORS® are “off market” – sold prior to reaching the multiple listing system. The best estimate we can make for the greater DC metro area is about 5%, and that relatively low percentage is good for buyers and sellers alike. But that’s still 5,000 homes a year.

ABSORPTION RATE BY PROPERTY TYPE

The following tables track absorption rate by property type, comparing the rates in the just-completed month to the rates in the same month of the previous year. The absorption rate is a measure of the health of the market, and tracks the percentage of homes that were on the market during the given month and in the given price range that went under contract. [The formula is # Contracts/ (# Contracts + # Available).] An example: The absorption rate for detached homes priced between \$500,000 and \$749,999 in June 2014 was 16.3%. That compares to a rate of 27.0% in June 2013, and the decrease means the market was better in 2013 for that type of home. If the absorption rate was less in 2014 than in 2013, we have put the more recent absorption rate in **red**. This month there **was improvement for 5 of 14 individual price categories** with activity, and one remained the same.

Condo/Co-op	June 2013			June 2014		
	Absorption Rates	Listings	Contracts	Rate	Listings	Contracts
\$299,999 & under	55	67	54.9%	115	46	28.6%
\$300,000 - \$499,999	62	21	25.3%	100	23	18.7%
\$500,000 - \$749,999	3	1	25.0%	2	2	50.0%
\$750,000 - \$999,999	0	0	–	0	0	–
\$1,000,000 - \$1,499,999	0	0	–	0	0	–
\$1,500,000 & higher	0	0	–	0	0	–
Grand Total:	120	89	42.6%	217	71	24.7%

ABSORPTION RATES - CONDOS AND CO-OPS

- The overall absorption rate for condos and co-ops for June 2014 was **24.7%**, down significantly from 42.6% in June 2013.
- Safe to say the market for condos priced more than \$500,000 is virtually non-existent.

Fee Simple Attached	June 2013			June 2014		
	Absorption Rates	Listings	Contracts	Rate	Listings	Contracts
\$299,999 & under	22	38	63.3%	52	27	34.2%
\$300,000 - \$499,999	200	183	47.8%	399	164	29.1%
\$500,000 - \$749,999	28	12	30.0%	81	17	17.3%
\$750,000 - \$999,999	6	0	0.0%	10	0	0.0%
\$1,000,000 - \$1,499,999	1	0	0.0%	4	2	33.3%
\$1,500,000 & higher	0	0	–	0	0	–
Grand Total:	257	233	47.6%	546	210	27.8%

ABSORPTION RATES - ATTACHED HOMES

- The overall absorption rate for attached homes for June 2014 was **27.8%**, down significantly from June 2013's 47.6%.

Fee Simple Detached	June 2013			June 2014		
	Absorption Rates	Listings	Contracts	Rate	Listings	Contracts
\$299,999 & under	21	8	27.6%	21	11	34.4%
\$300,000 - \$499,999	170	105	38.2%	266	75	22.0%
\$500,000 - \$749,999	467	173	27.0%	703	137	16.3%
\$750,000 - \$999,999	202	34	14.4%	276	32	10.4%
\$1,000,000 - \$1,499,999	91	4	4.2%	97	6	5.8%
\$1,500,000 & higher	80	0	0.0%	80	2	2.4%
Grand Total:	1031	324	23.9%	1443	263	15.4%

ABSORPTION RATES - DETACHED HOMES

- June 2014's absorption rate for detached homes was **15.4%**, a decrease from the 23.9% rate from June 2013.
- And as we have seen in the other property types, the absorption rates are higher for the lower-priced categories.



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