

## Tip Sheet: Price Trend Analysis

### Overview

The Price Trend Analysis (PTA) is an effective tool you can use with sellers to paint a picture of market pricing trends. It is an integral part of the entire pricing process and gives you a starting point for discussion on setting an actual price.

With a simple, visually attractive format, the PTA:

- Gives sellers a better understanding of market trends;
- Not only provides pricing information, but also addresses sellers' concerns about length of time it will take to sell;
- Helps set expectations for sellers about what they may experience in the real estate market;
- Establishes Weichert as the only company that provides a market trend summary that includes pricing and inventory analysis;
- Is easy for sellers to interpret; and
- Is useful under all market conditions.

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### Instructions for Completing the Price Trend Analysis (PTA)

<b>Preparation:</b>	
<p>There are certain things you should do before completing the PTA:</p> <ul style="list-style-type: none"><li>• Conduct the first step of the listing appointment with sellers to gather as much information about the subject property as possible.</li><li>• Obtain a copy of the subject property's tax records so that you can compare other properties to the assessments of the subject property.</li><li>• Log onto the Price Trend Analysis Calculator from the Weichert Toolkit on Weichert University online. Keep this open while you are searching the multiple listing service and you can enter your comparable information directly onto the "Calculation" tab page.</li><li>• Log onto your local multiple listing service to obtain comparable property information.</li></ul>	
<b>Completing the PTA</b>	
<b>Section 1: Complete Subject Property Information</b>	
<b>Step 1</b>	Complete the subject property information fields "Your Property" and "Town/State."
<b>Step 2</b>	Do not fill in the "List Price" field until you have discussed the results of the market pricing analysis with the sellers. Ultimately the sellers will decide on a list price based on the information you provide them by using the PTA tool.
<b>Step 3</b>	Document the date you complete the PTA by indicating it in the "Information Gathered As of" field.
<b>Step 4</b>	Remind your sellers who did all the hard work in preparing this Price Trend Analysis by indicating your name in the "Prepared by" field.

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### Section 2: Identify Comparables for Each Category Column on the PTA

There are four comparable category columns for you to use to gather information:

- **Comparative Closed Sales – 12 Months Ago**
- **Comparative Closed Sales – 6 Months Ago**
- **Comparative Under Contract List Prices – Past 30 days**
- **Comparative Active List Prices – 0-60 Days**

For each category column, complete the following steps.

<b>Step 1</b>	Search the multiple listing service for comparable properties for the category type.
<b>Step 2</b>	Choose up to three properties that most closely match the subject property.
<b>Step 3</b>	Type directly into the PTA Calculator (“Calculation” tab) the addresses, prices and days on market for each comparable.

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<b>Section 3: Current Inventory Analysis Snapshot</b>	
<p>This section of the "Calculation" tab of the PTA provides sellers with some additional market information to help them make their pricing decisions:</p> <ul style="list-style-type: none"> <li>• <b>Current Active Listings</b></li> <li>• <b>Current Pending Sales in the past 30 days</b></li> <li>• <b>Average Days on Market</b></li> </ul> <p>This information can be researched based on a parameter important to the seller or the pricing of the house such as style, amenities, overall town information, specific neighborhood, residential community, subdivision, price, etc.</p>	
<b>Step 1</b>	<p><b>Current Active Listings</b></p> <p>Search your multiple listing service for the current active listings according to the selected parameter.</p> <p>For each listing, input the number of days on the market into the fields under Current Inventory Analysis Snapshot, "Corresponding Days on Market for Current Active Listings" section of the "Calculation" tab.</p> <p>Once you input all the individual days on market, the PTA Calculator will automatically compute:</p> <ul style="list-style-type: none"> <li>• The average days on the market</li> <li>• The total number of current active listings</li> </ul>
<b>Step 2</b>	<p><b>Current Pending Sales in the past 30 days</b></p> <p>Search your multiple listing service for the number of pending sales according to the selected parameter.</p> <p>Input the number of pending sales into the "Calculation" tab in the field labeled "Number of Current Pending Sales in the past 30 days."</p>
<b>Step 3</b>	<p><b>Notes</b></p> <p>This section of the calculator allows you to make notes about the analysis done. You can note the parameter used in this analysis, the date(s) it was initially done and refreshed, or any other pertinent information. This information will appear here for your reference, but not on the seller's final version of the Price Trend Analysis.</p>

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<b>Section 4: Determine a Price Guide</b>	
<b>Step 1</b>	<p>Click on the “Price Guide” tab of the PTA Calculator for a price guide. You will see detail information here and will be prompted with a “Important Note!” sign that will remind you that you should consider other factors in pricing besides the hard, mathematical calculation.</p>
<b>Step 2</b>	<p>The data you entered into each of the fields in the category columns on the “Calculation” tab of the PTA calculator will generate:</p> <ul style="list-style-type: none"> <li>• Market Absorption Rate</li> <li>• An analysis of monthly percentage difference in average prices; and</li> <li>• A price guide. *</li> </ul> <p>*The price guide is calculated accordingly:</p> <ul style="list-style-type: none"> <li>• It takes into account the percent difference between the average comparable prices you used in the four comparable category columns on the “Calculation” tab.</li> <li>• The suggested lowest price point of the guide is the product of the average of all the comparable figures you used multiplied by the lowest difference among the comparable categories.</li> <li>• The suggested high price point of the guide is the product of the average of all the comparable figures you used multiplied by the highest percent difference among the comparable categories.</li> </ul> <p>The price guide is for your review and information and does not appear on the final PTA.</p>
<b>Step 3</b>	<p>The price guide is only one ingredient in the pricing process. Other factors to be considered in pricing are:</p> <ul style="list-style-type: none"> <li>• Sellers’ motivation</li> <li>• Condition of home</li> <li>• Location</li> <li>• Uniqueness of the property</li> <li>• Style of home</li> <li>• Amenities, updates and improvements</li> <li>• Days on market of similar properties</li> <li>• Supply and demand of homes</li> <li>• Seasonal effects</li> <li>• Economic conditions of the area</li> <li>• Availability of money (interest rates and products)</li> <li>• Special market conditions</li> </ul> <p>If you are having difficulty establishing pricing, you can review your data with your manager or mentor.</p>

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<b>Section 5: Finalize PTA Calculations, Print a Copy and Save It</b>	
Once you have input all information into all fields on the "Calculation" tab and viewed the information in the "Price Guide" tab, you can easily print out the results of the PTA analysis.	
<b>Step 1</b>	Click on the "Print PTA" tab on the PTA Calculator to view the results of your analysis. All the fields on the PTA are automatically completed and the math has been done for you.
<b>Step 2</b>	Click on the print command to print a copy. If you have a color printer the PTA will print in color. If not, the PTA will print nicely in black and white.
<b>Step 3</b>	<p>By saving the PTA you not only keep an accurate copy for your records, but also develop a history of price information for your sellers.</p> <p>To save a copy of the final PTA:</p> <ul style="list-style-type: none"><li>• Click on "File."</li><li>• Click on "Save As."</li><li>• Select where you want to save it on your computer.</li><li>• Type in file name using a recommended naming convention like <b>PTA (name of seller) (date)</b>. Example: <b>PTA Smith 103105</b></li><li>• Click on "Save."</li></ul>

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<b>Section 6: Pricing Strategies</b>	
<b>Additional Research</b>	<p>The PTA is a starting point for the pricing discussion. However, it may be necessary to dig a little deeper into the market data to provide your sellers with a clearer picture of activity. Nothing prevents you from providing additional information that help sellers in their decision making process.</p> <p>Actually there are no limits to the additional research that can be done to address sellers' needs and concerns. Some sales associates have used the following to further support the trends uncovered in the Price Trend Analysis:</p> <ul style="list-style-type: none"><li>• History of active listings – actually looking at the entire history of active listings in the seller's price range, determining what was expired, re-listed, withdrawn, pending, new, etc.</li><li>• Number of expired listings</li><li>• Market absorption rate</li><li>• Number of price reductions</li><li>• Ratio of asking price to closed/settlement price</li><li>• Number of current closed/settlement sales in the seller's price range</li><li>• Ratio of days on market to listing price</li><li>• Average price of current closed/settled properties</li><li>• Average price reductions for houses listed in the seller's price range</li></ul>
<b>Analysis</b>	<p>Once you complete the PTA and any additional research, analyze the information to develop a pricing strategy to share with sellers. Observe market trends, account for sellers' motivation and condition of the home and take into account other factors that you think will affect price. Put yourself in the sellers' shoes and anticipate their questions and concerns. By fully analyzing the information gathered, you will be prepared to effectively conduct the pricing discussion.</p> <p>Remember to bring all the specific back-up information from the multiple listing service, newspapers, Internet, and other sources with you to your appointment. Some sellers will want you dig down to a very intricate level of detail. Also doing all this hard work just to prepare for price discussions will show sellers how dedicated you will be during the entire listing period.</p>

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<b>Section 6: Pricing Strategies, continued</b>	
<b>Guide the Pricing Discussion</b>	<p>Sellers consider you the expert in the field and will be looking to you to not only provide data, but to really explain its significance in relationship to their needs of selling their own home.</p> <p>Make the pricing discussion personal to their situation. Respond to their questions and provide support. Point out that the market will ultimately set the price of their home, by working together you can come up with a price that is not only attractive to the market, but will meet their needs to move on.</p> <p>Doing all the hard work to prepare and conduct the price discussion will show sellers how dedicated you will be during the entire listing period.</p>

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<b>Section 7: Refreshing the PTA Throughout the Listing Period</b>	
<p>The PTA is not a static tool. The initial completion of it assists the pricing discussion for a new listing. However the data it provides continues to live and breathe throughout the listing period.</p> <p>By refreshing or revisiting the PTA during the listing period you are able to keep sellers aware of ever changing market trends that affect the sale of their homes and also opens up the discussion for price reductions.</p> <p>The PTA Calculator allows you to keep records of the PTA information you provide to sellers. This will enable you to provide a history of market information that you can share with your sellers ongoing.</p>	
<b>Step 1</b>	The first time you complete a PTA, save it via the PTA Calculator. Be sure to name the file appropriately as described in Section 5, Step 3.
<b>Step 2</b>	After a few weeks into the listing you can go back into the PTA Calculator and retrieve the one you used to price the house. You can update the "Current Inventory Analysis Snapshot" or the entire PTA. Update the information that will help the sellers understand the current market conditions better.
<b>Step 3</b>	Enter the new data into the fields on the PTA Calculator ("Calculation" tab).
<b>Step 4</b>	If updating the entire PTA, click on the "Price Guide" tab to view an updated suggested price guide.
<b>Step 5</b>	Click on the "Print PTA" tab to view the results of your analysis.
<b>Step 6</b>	Click on the print command to print a copy.
<b>Step 7</b>	Save a copy of this PTA, by clicking on file, save. Change the naming convention to reflect the date you updated this information. Example: <b>PTA Smith 112505</b>

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### Sample Dialogues for Pricing a Home:

“Mr. and Mrs. Seller, I would like to show you what the pricing trend is now that we are seeing a shift in some areas in terms of increased inventory and days on the market. This will help you determine how aggressively you would like to price your home based on your timeframe and my marketing plan.”

“Mr. and Mrs. Seller, I have prepared a Price Trend Analysis for your home to analyze current market trends in sales. You’ll notice that homes are currently averaging 60 days on the market. That may seem like a long time. I believe this is happening because sellers are currently too aggressive in their pricing. Remember, buyers for these priced homes are less abundant and they compare one home to another more closely. Wouldn’t you prefer to show your home for a shorter period of time at a more realistic price than current homes on the market?”

### Sample Dialogues for Updating Market Trends:

“Mr. and Mrs. Seller when we listed your home three weeks ago the list price you chose seemed to be fitting for the real estate market at that time. Recently I have done some further research to investigate what is happening now in the market and how that may affect the sale of your home.

Let’s review what’s happening by revisiting the original Price Trend Analysis on your home. As you can see from updated data in the “Current Inventory Analysis Snapshot” on the Price Trend Analysis inventory is building in your price range. The number of available homes has actually doubled in just three weeks. We need to strategize how we can make your home more desirable under these market conditions. One way to draw immediate attention is to improve the list price. Let’s re-evaluate the list price and discuss possible price adjustments that will not only draw more attention to your home, but also fit your needs.”