



## **What can be learned from analyzing seasonal factors in the real estate market?**

*Seasonality* charts display the regular and predictable changes which recur every calendar year. Any predictable change or pattern in a time series that repeats or recurs over a one-year period can be said to be seasonal.

Seasonal effects are different from cyclical effects. Seasonal factors occur within a calendar year. Cyclical effects, such as changes in interest rates, unemployment rates or stock market performance may span time periods shorter or long than one calendar year.

Seasonality can be seen in many time series, and it's more common than you might think. For example, if you live in a climate with cold winters and warm summers, your home's heating costs probably rise in the winter and fall in the summer. You would reasonably expect the seasonality of your heating costs to recur every year. Similarly, a company that sells sunscreen and tanning products would see sales jump up in the summer, but drop in the winter.

By comparing today's market performance to typical seasonality factors, we can help sellers and buyers better understand market dynamics. With this understanding, you can help sellers develop appropriate pricing and marketing strategies. Your buyer clients will be better prepared to work with you in negotiating the best possible price and terms for their purchase transaction.

## **What are we measuring in the seasonality reports we publish each month?**

*New Listings Seasonality* compares the numbers of new listings that have entered the market every month since January of 2002.

*Active Listings Seasonality* measures the number of listings actively on the market for each month beginning in 2002.

*Units Sales Seasonality* shows the numbers of monthly sales achieved.

*Days of Inventory* measures how long it would take this month's entire inventory of listings to sell at this month's current rate of sale. Lower numbers of days of inventory represent a fast market; high numbers are typical in a normally-paced or slow market.

**January, 2007**  
**This month's analysis**

**Total Unit Sales Seasonality**

- Unit sales were lower in January of 2007 than they were in January of 2006.
- Sales were comparable to those achieved in 2004
- We continue to have a good supply of buyers.

***What this means***

There are no indicators that the market is about to pick up, although there appears to be a good supply of ready, willing and able buyers. Prices are under continued pressure. This is a buyer's market.

Sellers are continuing to reduce prices. As properties are selling at less speculative prices, new comparable sales establish new levels of pricing, and there will continue to be downward pressure on prices all year.

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**Active Listings Seasonality**

- Listing inventory continues at unprecedented levels, with 9742 listings on the market at the end of January. There have never been this many listings on the market in Tucson.
- There has not been a comparable inventory build-up in at least the last 9 years.
- This is a buyer's market.

***What this means***

We have never had a market like this, with such high numbers of unsold houses. We can expect longer market times and continued aggressive bargaining by buyers. Even the low interest rates and strong employment that exist in Tucson will not rapidly reduce inventories.

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**New Listings Seasonality**

- New listings continue to enter the market at a pace that is even faster than last year's.
- New listings must compete with sellers who are aggressively reducing their prices
- Unless a house is prepared properly, well located and priced attractively, it will be passed over by today's savvy purchasers.

### ***What this means***

There is continued interest in buying and selling in Tucson. Rates are creeping up, but are still historically low. Listings continue to come on the market at a heady pace, and this very high inventory level will put a lid on price increases. This is a buyer's market.

### **Days of Inventory**

- We now have 11.4 months of inventory, the highest it has been since January of 1999.
- By any measure, this is an over-abundance of listings.
- We expect supplies to continue at unusually high levels through the entire year.

### ***What this means***

Inventories are not being taken down, even by good sales and price reduction activity. Motivated parties are completing transactions. Buyers are passing over unmotivated sellers and ignoring properties in poor condition. In coming months, inventories may drop as some unsuitable properties leave the market. However, there are some early indicators that foreclosures will increase as rates rise and adjustable rate mortgages are re-set.

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## **Action Steps**

### **Buyers**

Keep the sense of urgency ever-present. There may be many, many houses on the market, but only ten might be suitable for each buyer.

- Be sure they eliminate unsuitable houses from their mental check-list. The fewer the choices, the more likely they are to act.
- Track activity on houses they have been shown.
- Tell them right away when one of their selections has gone to another buyer
- Let them know of every sale in their price range every week. Even if the property wasn't their dream home, they need to understand that good houses sell quickly.
- Show them that there are eager sellers in the market, even in times of high inventories.
- Confirm your relationship with the buyer by getting the Buyer Broker agreement signed, and explaining the ways in which you support the formulation of offer strategies.
- Diligently complete CMAs on properties in which they are interested and help them negotiate favorable price and terms. This market is running in their direction, but they shouldn't miss out on a chance to buy the perfect house by relying on false assumptions about value.

## Sellers

### At the listing table

- Calculate the expenses necessary to hold the property (house payment, specialty maintenance, extra house cleaning services) for 90 days and 120 days. This is the basis of a flexibility factor when considering an offer.
- Remind them of the real estate truism that “Your first offer is your best offer”. No offer should be dismissed out of hand.
- Show them the competition in their price band. Many purchasers are not restricted to a single school service area or neighborhood, and will look at properties beyond a particular neighborhood.
- Take them to inspect the two or three most attractive competitive properties, even if they aren’t in their neighborhood. They need to be familiar with their competition.
- Let them know that other sellers reduced their list price in order to draw attention to their property.
- Remember that appraisers are under pressure to use up-to-the minute comparables. There will be no flexibility in appraised values in the coming year.

### Properties listed more than 50 days

- Complete a new CMA
- Let them know other sellers are reducing prices every day, which changes the competitive landscape for your seller.
- Call the selling agent on properties that sold in their price range in *any* neighborhood. Collect information about why the purchaser selected that particular home. Was it location, condition, room count, special amenity? Let the seller know what influenced the buying decision of other buyers in their price range
- Call the showing agent on all showings. Is the house still in the running with their purchasers? If not, have they bought something else? Where and why?
- Chart the showings. Did they peak in the first three weeks? Have they disappeared in the last two weeks? This means that the pool of buyers who were available at the time the property was listed has now seen the house and you are waiting for new buyers to come into the market.
- Discuss pricing strategy in light of the new CMA, the new competition that has entered the market and the exposure to all the current available buyers in the price range. Tell them where they need to be listed to get a sale in the next 30 days.
- Discuss staging, functional and cosmetic obsolescence. Ask for necessary changes.