

## The Real Estate Clock For AGENTS ONLY

2022 Workshop on How to Explain the

Real Estate Market Cycle

in a Changing Market

BONUS: Pool of Buyers Script and SPRS Script

What SMART Buyers and Sellers Know...

**Because their AGENT Educated them** 

Psst... that is YOU



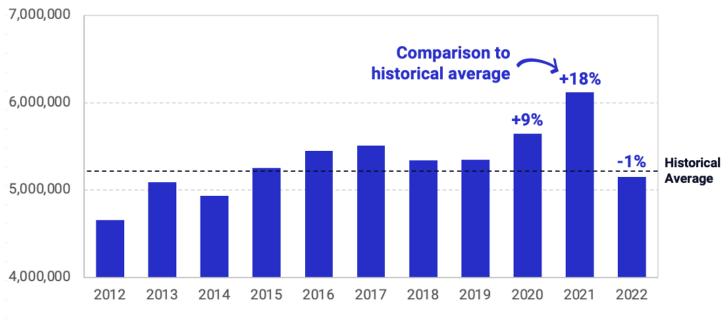


"The pandemic years, especially 2021, were a strange aberration where *everyone* moved, house prices skyrocketed, and nearly every real estate business posted record revenues."

#### Another way to look at that same data....



#### U.S. Existing Home Sales



Source: NAR www.mikedp.com

### What Smart Sellers and Buyers Know Regardless of Market Conditions Sometimes it's just the RIGHT time to Buy or Sell



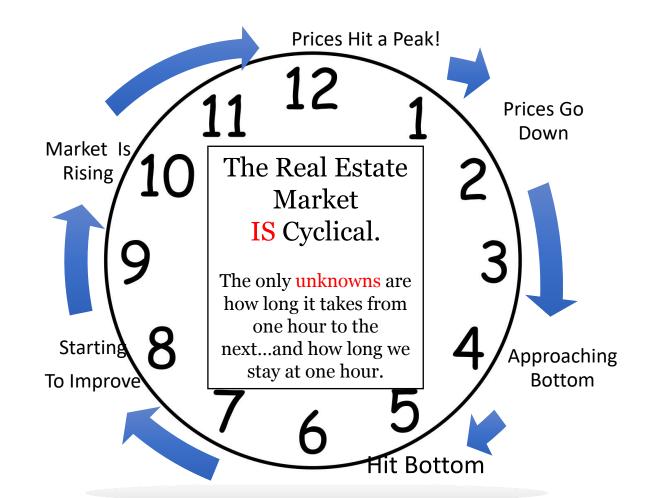
AND... Smart Sellers & Buyers know:

The Real Estate Market

Is Cyclical... like a CLOCK

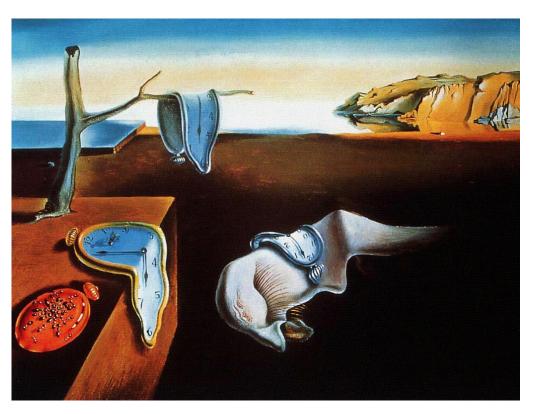






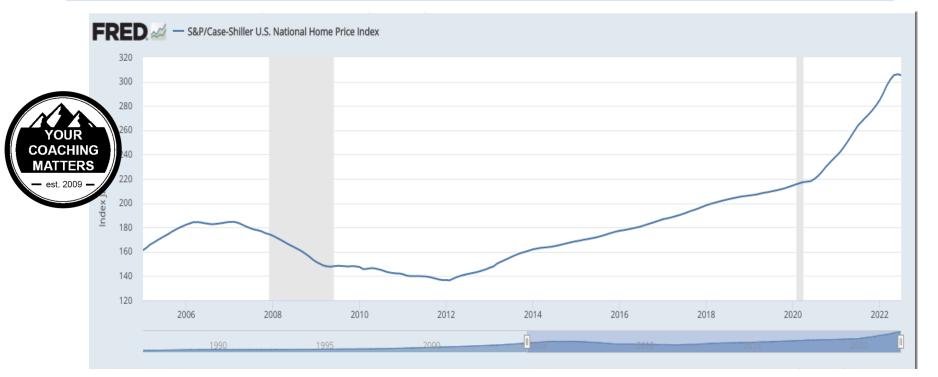
## Clocks in the Cycle are not Round

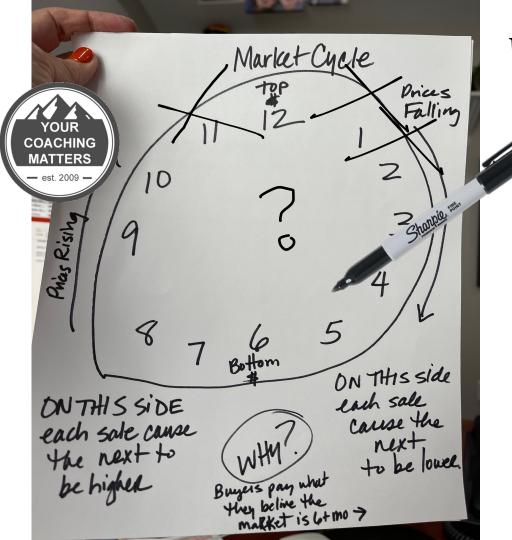




Dali – The persistence of Memory

We have had a good 10-11 year UP-cycle that followed a relatively SHORT 5 year down-cycle – What is Next? Who knows... All we CAN control is what we Advise NOW, based on NOW.



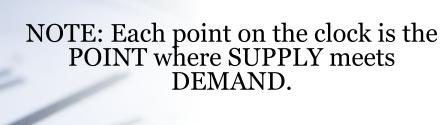


When you show this to Sellers and Buyers, you won't do it as a PowerPoint...

This is MUCH more impactful with a Marker Yellow pad or Easel pad if Presenting to a group. Ask THEM where we are on the clock...

It is a POWERFUL conversation!

Your Coaching Matters 770-726-1256



That is what causes prices to be where they are.

It's what will cause prices to CHANGE.

We have gone UP for 11 years because there was not enough supply for the demand.

We went down for 5 years because there was too much supply for the demand.

a



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#### ☆ S&P/Case-Shiller U.S. National Home Price Index (CSUSHPISA)

DOWNLOAD 🕹

#### Observation:

Jul 2022: 305.31900 (+ more) Updated: Sep 27, 2022

Index Jan 2000=100. Seasonally Adjusted

Frequency: Monthly

1Y | 5Y | 10Y | Max

1992-01-01

to 2022-07-01 EDIT GRAPH 🔅



# If it's all Supply and Demand....

What changes Supply?







EXISTING HOMEOWNERS SELLING HOMES



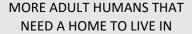
INVESTORS SELLING
INVESTMENTS



BANKS SELLING FORECLOSURES OR ALLOWING SHORT SALES

# What changes Demand?







THE INCOME THOSE
HUMANS HAVE AVAILABLE
TO USE FOR HOUSING
INFLATION IS PART OF THIS
EQUASION



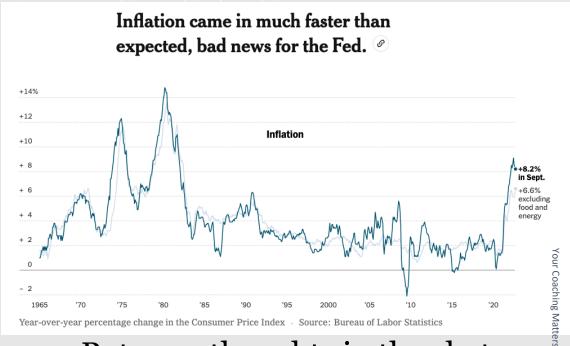
INVESTORS NEEDING A
PLACE TO PUT MONEY THAT
GIVES A RETURN



**COST OF HOME MORTGAGES** 

# What changes do YOU see in supply and demand now... and coming soon?

Remember the comment: Inflation has a part in demand?



Put your thoughts in the chat And we'll discuss some of them. When Prices are RISING, every time there is a new sale/closing, buying the NEXT house puts you in the best position you an be in other than YESTERDAY!

When Prices are coming DOWN, for Sellers, the next house will sell for even LOWER, so you better be the NEXT SALE to get the highest price.



#### Why?

BUYERS ARE WILLING TO PAY WHAT A HOUSE *IS GOING TO BE WORTH LATER*... when they will be the owner.

Not what it's worth NOW.

When the market is RISING Buyers Pay OVER market value...
because the market is rising.
Even if the house isn't "worth" what they are paying for it today...
It WILL be in a few months.

GETTING a house is the point in those times.

BUT if Buyers think the market is declining, the OPPOSITE is true. They don't want to pay "Market Value" now...

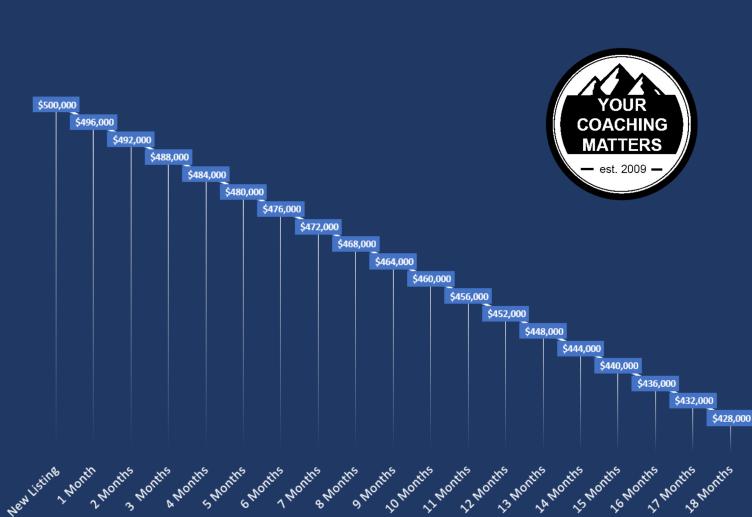
They want to pay what the house WILL be worth later...

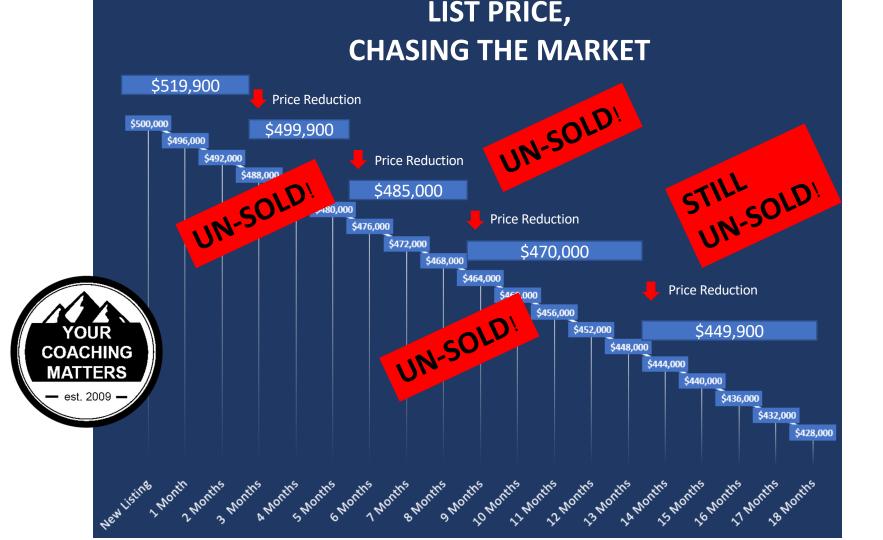
They don't want to "Overpay" when it's worth LESS later.

They want to "UNDERPAY."



#### **HOME VALUE IN A DECLINING MARKET**



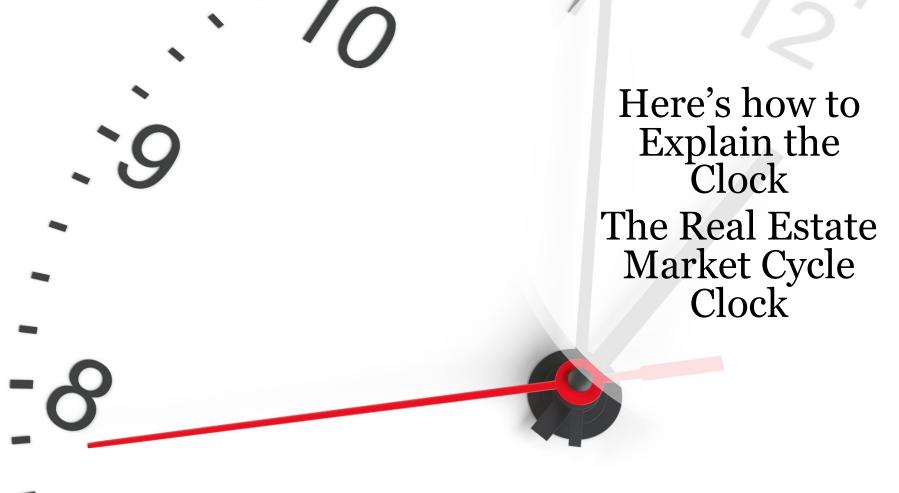






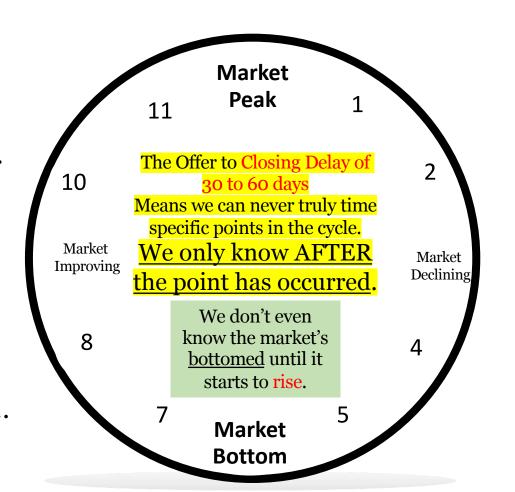
#### Stats from stlouisfed.org Note: The Last ONE year – we are simply FLAT





When we show the Clock to a Buyer or Seller, what we say about it Matters. People will ask: When do we know we're at a Peak or a Bottom?

That's A Million Dollar Question...





Where do YOU think we are in YOUR market?

Put your guess in the Chat and why.

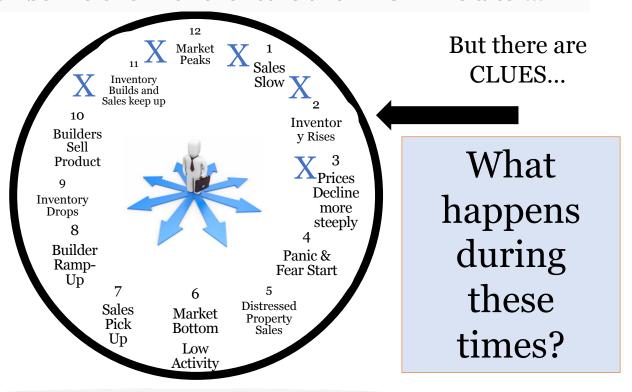
#### Ask your CLIENT: Where Do You Think We Are on the clock?



Have your Client Mark it with an "X" \*Remember no one knows for sure until MONTHS after...

#### NOTE:

These are not exact but happen within a few hours of each # on the clock plus ... some happen Simultaneously.



# What SMART Buyers and Sellers Know: The Prices are The same on Both sides of The Clock!



#### When Is the "Best" Time to Sell?









#### When is the "Best" Time to Buy?

Even though prices are the same on both sides of the circle... the BEST time:



While prices are still declining or when we've just passed the bottom... but no one KNOWS that for sure when the bottom is until it's over.

#### Why?

- Sellers have lower confidence
- Press may be negative
- Inventory is higher, more to choose from.
- Interest rates are known\*\*
- Sellers are more flexible
- Less competition among other buyers
- Lots of room to go UP in price when market rises
- Could get a better house for the same \$\$

# A Word about Interest Rates – They Matter a LOT when they go up this fast....



What if Buyer A
paid \$450K on the left side of the
clock at 3.75% but Buyer B bought
same house and same price on
right side at 6.75%?

Both put down 10%. 30 yr. loan. No difference there.

BUT
Buyer A P&I \$1876/mo.
And Buyer B P&I \$2626/mo.

#### When is the Best Time to Buy or Sell?

REALITY: The BEST time to ACT is when YOU are ready.



MOST BUYERS TRY TO BUY – when the "Frenzy" happens – from 10-12

MOST SELLERS TRY
TO SELL – when
sales at at their lowest
#'s

#### Why NOW?

- Interest Rates
- If you are going to live there through the next cycle, it doesn't matter when. The real point is to Get stuck where you want to be THROUGH the next cycle. Think about that.
- Competition

Notice that ANYWHERE on the clock... if you hold the home long enough, you win! The market ALWAYS cycles again!

#### SMART Buyers and Sellers know...

If you miss the "best time"... it's still A GOOD TIME when you are in the WRONG **HOME NOW!** Get stuck where you want to be stuck. Not where you don't want to be stuck



# Buyers: What is the danger of Making low offers?

Low offers can COST YOU MONEY when the market is rising!



#### Why?

- Is your X on left side?
- Each time someone outbids you on a home... <u>prices</u> <u>just went up</u>. The house you missed is now a comp in a rising market for the next house, which probably will be MORE.
- This means, the longer you wait to buy the MORE YOU PAY in a rising market
- Sellers become LESS flexible as market rises

**BUYERS:** To get the BEST PRICE in a rising market YOU want to be the NEXT SALE!

#### Sellers: The danger of Pricing too High!

Pricing too high can COST YOU MONEY when the market is

peaked or falling!



#### Why?

- Is your X near the top?
- Each time someone else sells for a lower price, YOUR PRICE will fall.
- BUYERS buy where we are GOING on the clock... not where we ARE. Why? THEY will own the home at the next hours.... Not YOU.
- The longer you are on market, the more flexible you have to be in price.

SELLERS: To get the BEST PRICE in a peaked or falling market...
YOU want to be the NEXT SALE!

Why Not Try it HIGHER?

Because of the "Pool of Buyers"



Pool of Buyers.

This is a conversation with Sellers



Where on the clock do you have the MOST BUYERS buying? TOP of the clock.



If you don't sell RIGHT AWAY when listing, the Pool of Buyers has REJECTED YOUR PROPERTY.

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# Here's how it works



When you list, there is a POOL OF BUYERS waiting for a property like yours to come on market. They have not bought YET. Imagine them swimming in a Pool and ALL the listings that have not sold are floating around them. Homes they have rejected.

IF you are like the others they have rejected, they will reject YOU too. And you become one of those homes floating round waiting for another buyer to get in ... ONE AT A TIME.

You SPLASH in the <u>pool</u> and they swim over and check you out.



And just like bait on the hook too long... you start to get... well... smelly.



Buyers who DO arrive at the pool now wonder WHY you didn't sell yet.

What is wrong with you?

All the GOOD listings sell fast but YOU are sitting around in that pool... just floating around.

So... what do you do??

YOU NEED TO SPLASH AGAIN.

How?

**SPRS** 

### **SPRS**

#### Systematic Price Reduction Strategy

This is a MARKETING PROGRAM, not technically a price reduction program...

#### Why do I say that?

#### NAR said long ago that:

- Homes that get NO showings in a short time on market are probably 10%+ overpriced... and will ultimately sell for 10%+ less than original asking price.
- Homes that get showings but no offers in a reasonable time are probably 5%+ overpriced... and will ultimately sell for 5%+ less than original asking price.

BUT... SPRS is not about going down huge Percentage POINTS necessarily... it's about SPLASHING...





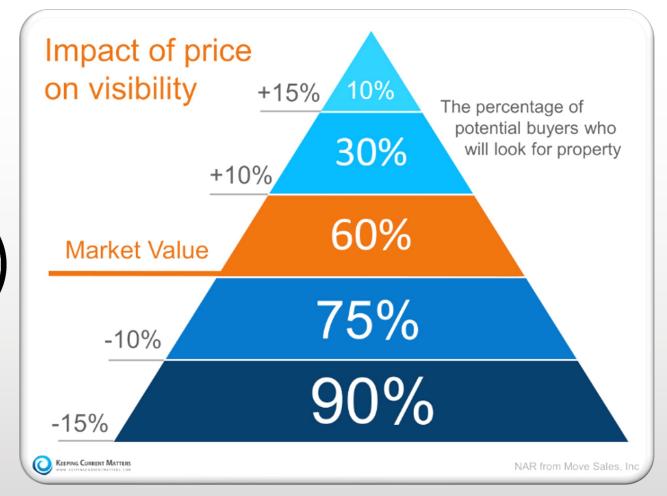
Every time you do
a Price Change, no
matter how
SMALL, a New
Email goes out to
every Buyer and
Agent that has
your property's
criteria saved.

EVERY TIME. Just like commercials or billboards you see REPEATEDLY, your property will keep coming up. Which creates curiosity and a desire to SEE your property.

You LOOK interesting. Because you just KEEP SPLASHING in the pool! Notice that Splashing Properties don't get stagnant. Splashing
Properties get
SHOWN more.
And you can't
sell if they won't
come to SEE IT.



# SPRS is about SPLASHING in the pool





## Last thing: There ARE other ways to get More showings...

**UNDERPRICE** Your Property Strategy

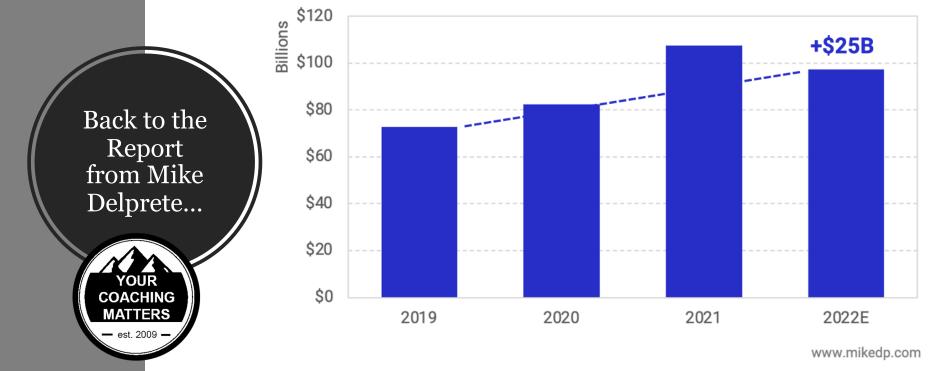
Properties that are UNDERPRICED will get MORE buyers looking.

Supply & Demand works here. There is More Demand for what looks like a "Deal."

YOUR HOME can look like SUPER high demand... and that can cause a BIDDING WAR.

Which is always the BEST way to get the highest possible price.

#### **Commission Pool**



## Donna's Crystal Ball



- ➤ Demand of normal Buyers will decrease due to higher costs to buy and own
- ➤ Supply may also decrease as more potential Sellers do not sell but rent homes with low payments instead
- ➤ This is a double-edged sword. It creates a better balance on supply and demand, yes. And It means that prices may not go down a lot BUT the number of transactions WILL go down
- ➤In other words, while it might have been EASY to find the # of transactions you did in 2021 and 2022, that number may become harder to get in 2023-2024+
- ➤ We will start seeing some Sellers hold loans. We will see attempts at loans being assumed (remains to be seen how hard that will be).
- ➤ We will see buy downs of interest rates which is simply pre-paying the interest, make no mistake about it. It's the same money...

## Donna's Crystal Ball



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- In other words, while it might have been EASY to find the # of transactions you did in 2021 and 2022, that number may become harder to get in 2023-2024+
- ➤THE PIE IS SHRINKING so getting your part of the remaining pie is going to get Harder UNLESS YOU PREPARE NOW.

Therefore... your SYSTEMS to generate business must be ROCK SOLID starting NOW. And if you've been BUYER HEAVY.... You may want to CHANGE that now.

# How I can help

Group Coaching Mastermind \$89/month - bit.ly/YCMGROUP

GCM Plus 150toLife

\$150/month - https://bit.ly/150toLife

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# Thank you for being here

I believe in Real Estate.

I believe in the Real Estate Industry.

I know we call all weather this storm if we keep focused.

If you want to talk to me personally, my email is

Donna.Stott@YourCoachingMatters.com