

Absorption Rate -

A Number Every Buyer and Seller Should Know
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Absorption rate is the length of time it would take to sell the current inventory at the current sales rate. Absorption Rate is important to know because it will determine how long it should take to sell a property. This tool can also tell you if you are in a Buyer's or Seller's market.

See examples:

Storm Lake, Iowa has 56 residential properties that are considered active (listed for sale on the Multiple Listing Service) and have no offers. In the last month, Storm Lake sold 9 residential properties.

Divide the active properties by the number sold in the last month and you have the absorption rate in months.

56 properties available / 9 properties sold in the last month = 6.22 months of inventory on the market. Historically the Storm Lake Iowa and Alta Iowa area have approximately 7 months inventory on the market on a 12 month average.

The result is 6.22 months of properties (inventory) on the market or at the current rate of sales it would take 6.22 months to get all the properties currently available sold.

Even though the above calculation shows 6 months of inventory that doesn't mean a poorly priced or poorly maintained property will sell.