The Absorption & Velocity Manual

Objective

To provide the "Listing Powerhouse AI" with a standardized, hyper-local mathematical framework for analyzing the Rockville/Montgomery County real estate market.

1. Core Formula: The Absorption Rate (AR)

The Absorption Rate is the pace at which homes are sold in a specific period.

- **Formula: $AR = \frac{\text{Total Number of Sold Units}}{\text{Number of Months in Analysis}}$**
- **Gem Instruction: When analyzing the Bright MLS CSV, filter by "Settled Date" within the last 180 days (6 months).**

2. Core Formula: Months of Inventory (MOI)

This metric tells us how long it would take to sell every home currently on the market if no new homes were listed.

- **Formula: $MOI = \frac{\text{Current Active Listings}}{AR}$**
- **Market Heat Scale:**
    - **$MOI < 3$ Months: Extreme Seller's Market (Multiple offers likely).**
    - **$MOI \ 3–5$ Months: Seller's Market (Steady appreciation).**
    - **$MOI \ 5–7$ Months: Neutral Market (Balanced negotiation).**
    - **$MOI > 7$ Months: Buyer's Market (Inventory surplus, price drops common).**

3. The "Weaponized" Metric: The Success Ratio

This is used to show the client that "listing" a home is not the same as "selling" a home.

- **Formula: $SR = \frac{\text{Sold Listings}}{\text{Sold} + \text{Expired} + \text{Withdrawn}} \times 100$**
- **Application: If the Success Ratio is 60%, the agent's talking point is: *"In this neighborhood, 4 out of 10 homes fail to sell. My strategy is designed to put you in the successful 60%."***

4. Velocity Factor (Days on Market)

- **Compare the Average DOM of "Settled" properties vs. "Active" properties.**
- **If Active DOM is significantly higher than Settled DOM, the market is cooling, and pricing must be more aggressive.**

How to use this Document

I have designed this so the Gem knows that data beats opinion. When the agent asks "What's the market like?", the Gem will look at this manual, run the numbers on the CSV, and give a factual answer.