

# Count the buyers Even a hot market has mathematical limitations

**A**s the Nashville residential property market continues to defy all logic and rational, many buyers have entered into the turbulent waters of home selling throwing all historical data into the wind. With it may go their chances of selling.

While the consensus among students of the housing market is that prices are higher than ever on a square foot basis, and homes are selling faster than ever before, there is one theorem that continues to hold its own, that being the absorption rate premise.

Even with the frenzy that has become the norm rather than the exception, there remain a finite number of buyers for a finite number of properties. While the laws of supply and demand currently lean toward the demand side, thereby causing prices to rise, it is impossible for buyers to appear out of thin air in price ranges that never before realized those prices.

For example, if an area is consuming 12 sales in a certain price range annually, or an average of one per month, and there are three houses currently on the market, that equates to a three-month supply. The best of the three will sell first, the second best second, etc. The word best refers to which house is best in the eyes of the buyer. All sellers think their houses are the best. And, they are the best, of course.

Even though prices per square foot are rising, many times the overall prices are not keeping up proportionately. Such is the case in Hillsboro Village where prices per square foot have doubled in some cases, but the sales prices have not.

A recent sale of an approximately 1,500-square-foot house was for \$252 per square foot, but the price is only \$389,000. A house with 2,600 square feet will not command a price

**REALTY CHECK**



**Richard Courtney**

of \$655,000. Not yet, anyway. And, if one came on for \$650,000, and there had been only one sale of \$650,000 in the past year, the absorption rate is, obviously, one per year.

It would be reasonable to assume that if three more houses came on the market at \$650,000, that there would be a three-year supply. If however, there is an absorption rate of three houses per month for houses between \$300,000 and \$350,000 and the average price per square foot is \$150, and that there are no houses on the market between \$300,000 and \$350,000, then a homeowner would be able to get more per square foot than the average for the demand for that price is there.

Conversely, if there has been only the one sale per year for over \$650,000 and a house includes wonderfully detailed square footage, but has three competitors, then some of them will remain on the market for over a year, regardless of the strength of the market.

**Remembering George Payne**

The Nashville real estate community was shocked and saddened by the sudden death of George Payne last week.

George was a Realtor with Fridrich and Clark Realty where he had

worked for the past 12 years. He was one of the few real estate agents to successfully transition from the commercial side to the residential arena.

For those who worked with George, he was a constant source of support. While his average home sale was over \$500,000, he was the first person to enlist in Fridrich and Clark's affordable housing program and was involved in Habitat for Humanity. He participated in the Greater Nashville Association of Realtors where he served on numerous committees.

However, what most will miss about George is his storytelling. A raconteur in the rambling style of Mark Twain, he never sacrificed detail for brevity. In most of his stories, he shared the adventures of his beloved children. The entire Donut Den breakfast club, Fridrich & Clark, and all points in between knew more about his children better than they did their own.

His oratorical skills were second to his golfing abilities as George had a low handicap and was highly recruited to participate in golf tournaments in the area. His team rarely returned without the hardware and prizes.

He could prepare a gourmet meal and grow award-winning, quality roses. In addition, he was an accomplished hunter and fisherman, holding the records for his catches.

The fact that he was omnipresent will leave voids from Belle Meade Country Club to Habitat for Humanity, from the Green Hills Donut Den to Woodberry Forest School, and from Ensworth Academy to Jackson Hole, Wyo.

He will be missed.

*Richard Courtney is a real estate broker with Fridrich and Clark Realty and can be reached at [Richard@richardcourtney.com](mailto:Richard@richardcourtney.com).*