

The power of comparative market analysis in real estate

By Yael Geffen

21 Aug 2023

Selling a property in a competitive market can be a daunting task and, in order to realise the best possible price in the shortest possible time, it's imperative that the seller understands the property's true market value, and this is where Comparative Market Analysis (CMA) can be a powerful tool.



Source: Supplied.

A CMA can guide sellers towards pricing their homes correctly from the start and also help them to make informed decisions about a number of important factors. Whether you're a first-time seller or a seasoned homeowner, understanding the significance of a CMA can make all the difference.

And by leveraging the expertise of a skilled real-estate professional and understanding the nuances of the CMA process, you position yourself to sell your property at the right price and with confidence.

In a nutshell, a CMA is a comprehensive evaluation of a property's value based on recent sales of similar properties in the same area and, by taking into account various factors, it provides sellers with a clear picture of how their property compares to others on the market and assists in setting a realistic listing price.

Why is CMA important?

- **Accurate pricing:** Overpricing a property can discourage potential buyers, while under-pricing can lead to financial losses. A well-prepared CMA helps determine the optimal price, attracting interested buyers and maximising the property's value.
- **Market insights:** A CMA provides valuable insights into the current market conditions, helping sellers understand trends, demand, and competition. This knowledge enables informed decision-making.
- **Competitive edge:** In a competitive real-estate market, a well-priced property stands out. CMA helps position your property effectively, increasing the chances of a quicker sale.
- **Negotiation power:** Armed with data from a CMA, sellers are better equipped to negotiate with potential buyers, ensuring a fair and mutually beneficial deal.

Although a CMA is a simple concept, it takes skill and a thorough knowledge of the market to prepare one accurately, which is why it's important to ensure you appoint an experienced agent with a strong track record in your area.

The agent will compile the CMA by:

- **Gathering data:** A real estate agent collects data on recent sales of comparable properties, active listings, and properties that failed to sell (expired listings) in the target area.
- **Comparing similarities and differences:** The agent identifies properties that are similar to yours in terms of size, location, condition, age, features, and amenities.
- **Making adjustments:** To account for differences, the agent makes adjustments to the comps' prices based on factors like square footage, number of bedrooms, upgrades, and condition.



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- **Calculating price range:** Using the adjusted comps, the agent calculates a price range for your property, considering various scenarios and market conditions.
- **Analysing market trends:** The agent analyses market trends, including inventory levels, average days on market, and the ratio of list price to sale price. These factors contribute to the final price recommendation.

Although the CMA is a very insightful document, it can't work miracles and sellers need to be objective and realistic because while an emotional attachment to the property is understandable, a CMA focuses on data-driven analysis.

Be open to adjusting your price expectations based on market realities. It's also important to be aware of the fact that timing matters because market conditions can change rapidly and, if the market is shifting, your CMA might need to be updated to reflect the latest data.

It's also important for sellers to understand and be aware of the following:

- **Adjustments:** The adjustments made to comparable property prices might seem arbitrary, but they're based on market perceptions. Discuss these adjustments with your agent to ensure transparency.
- **Keep comparables local:** Comparable properties should be as close to your property's location as possible. Factors like

neighborhood dynamics and school districts significantly impact value.

- **Active listings:** While active listings are part of the CMA, remember that their actual sale prices might differ. These properties are your competition, and your pricing strategy should consider them carefully.



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- **Expired listings:** Studying expired listings provides insights into what buyers are not willing to pay. This can guide you in avoiding common pitfalls.
- **Flexibility:** Be prepared to adjust your price based on buyer feedback and market response. A well-timed price adjustment can rejuvenate interest in your property.

In the intricate and dynamic world of real estate, having accurate information is a strategic advantage and comparative market analysis offers just that – an informed understanding of your property's value in relation to the current market. This knowledge can guide you towards setting a competitive listing price, attracting the right buyers, and ultimately achieving a successful sale.

Partner with a seasoned realtor who can provide a thorough and accurate CMA, ensuring that your selling journey is built on solid foundations of market knowledge and expertise.

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