

WHAT IS A COMPARATIVE MARKET ANALYSIS (CMA)

Before putting a home on the market many home sellers obtain a Comparative Market Analysis, also referred to in the industry as a CMA. This is used to determine the value of a home and market trends.

WHAT SHOULD BE INCLUDED IN A CMA?

Although reports can vary, standard CMA reports contain the following data:

Active Listings

Active listings are homes currently for sale. These listings matter only to the extent that they are your competition for buyers. They are not indicative of market value because sellers can ask whatever they want for their home. It doesn't mean any of the prices are realistic. The offered sales prices do not reflect market value until they sell.

Pending Listings

Pending listings are formerly active listings that are under contract. They have not yet closed, so they are not yet a comparable sale. Unless the listing agent is willing to share information about the pending sale — and many are not — you will not know the actual sold price until the transaction closes. However, pending sales **do** indicate

the direction the market is moving. If your home is priced above the list price of these pending sales, you could face longer DOM

Sold Listings

Homes that have closed within the past six months are your comparable sales. These are the sales an appraiser will use when appraising your home for the buyer, along with the pending sales (which will likely have closed by the time your home is sold). Look long and hard at the comparable sales because those are your market value.

Off-Market / Withdrawn / Canceled

These are properties that were taken off the market for a variety of reasons. Usually the reason that homes are removed from the market is because the prices were too high. The median prices of this group will almost always be higher than the median prices of comparable sales. However, listings cancel also for the following reasons:

1. Seller's remorse. The sellers decided they cannot part with their home and no longer want to sell.
2. Priced too high. Nobody made an offer or the only offers received were low-ball offers, which were rejected.
3. The DOM (Days on Market) were too long. Agents sometimes withdraw listings so they can put them back as a new listing and fool buyers.
4. Repair requests. The homes were once under contract and after the home inspection, the buyer requested repairs which the seller refused.

5. Seller fired the agent. It's not uncommon for unhappy sellers to fire an agent and hire a new agent.

Expired Listings

This group will reflect the highest median sales price because they did not sell and were probably unreasonably priced. Some of the expired listings could also show up as an active listing, listed by a new agent at a new price. Listings also expire because they were not aggressively marketed or because the home was in need of repairs.

EXAMINING COMPARABLE SALES

Comparable sales are those that most closely resemble your home. It is difficult to compare a tri-level home to a single-story home. Select the homes from this list that are mostly identical to your home in size, shape and condition, such as:

Similar square footage

Appraisers compare homes based on square footage. The variance among a group of median-priced homes ideally should not exceed more than 200 to 400 square feet, plus or minus.

Similar age of construction

Ideally, the age of the home — the year it was built — should be within a few years of other comparable sold homes. Mixed-age subdivisions

are common. If your home was built in 1969 and there are brand new homes up the street, you cannot command the same price as theirs.

Similar amenities, upgrades and condition

Appraisers will deduct value from your home if other homes have upgrades and yours does not. A home with a swimming pool will have a different value than a home without a pool. A completely remodeled home is worth more than a fixer upper. Homes with one bath are worth less than homes with two or more baths. Deferred maintenance will count against you.

Location

Everybody knows that real estate is valued on “location, location, location,” but have you considered what that means? A home in a subdivision of newer homes, for example is worth more than a similar home on a street with older homes. Homes located on busy streets are worth considerably less than homes on quiet streets. If your home sits across the street from power lines, look for other homes with power line exposure or those located along railroad tracks, among other undesirable locations. Compare your home to those in similar locations.