

Section 3: Comparable Market Analysis (CMA)


Part of the value you bring to sellers is assisting them in determining the correct price for their property.

Pricing can be easy with a properly prepared Comparative Market Analysis—CMA. Presenting your CMA and discussing pricing with the seller are the two major components of the listing appointment.

You've already learned the dominant role your mindset plays in success in real estate sales. It's the same with your seller.

Truth

Price has a large mindset component, both for you and the seller.



Pricing is a process. Learning how to do it well also requires understanding pricing strategies based on the Market-driving principles. It is also necessary to understand pricing strategies, such as creating and presenting a Comparative Market Analysis and the accompanying scripts. You will apply your knowledge, skills and expertise in pricing and presentation to secure the sellers' agreement on the list price—a price that will be accepted by the buyers.

Pricing is one of the essential real estate success skills. To become a pricing master, you must understand:

- 1. How markets work**
- 2. Local market conditions**
- 3. Pricing criteria**
- 4. Pricing principles and strategies**

1. How Markets Work

Two principles about markets and value provide a great foundation for pricing any real estate:

-Market Dynamics: Markets operate on the law of supply and demand. When supply is high and demand is low, prices fall. When supply is low and demand is high, prices increase.

-Determination of Value: Value is established based on an agreement between a willing seller and a willing buyer. The tug-of-war is always between what the seller wants and what the buyer is willing to pay.



2. Local Market Conditions

You must constantly study the conditions in your local market in order to price accurately and price to sell.

Here are some basic factors to watch:

- Inventory: How much is for sale, and is inventory rising or falling
- Days on Market (DOM): How long it is taking properties to sell
- Price per Square Foot: A good comparative indicator of prices—when a group of properties has common qualities and features
- Changes in the local market: Monitor changes in major employers, shopping, schools, other services in the community, and changes in local laws that impact housing.

3. Pricing Criteria

Getting the facts about pricing means evaluating a given property against other comparable properties.

This means comparing your client's 20-year-old 3-bedroom, 2-bath property in a neighborhood of similarly built homes with homes that sold recently and match, or come very close to matching the particulars of their home.

When looking for comparable properties, consider the following factors.

- Location
- Size
- Amenities
- Condition

4. Pricing Principles and Strategies

It is critical to understand the six critical strategies listed below. These lay the groundwork for pricing criteria efficiently. These are the guidelines you should follow when it comes to pricing.

With practice, you will absorb and internalize them. They will become part of you as a real estate agent—and make you an outstanding adviser to both buyers and sellers.

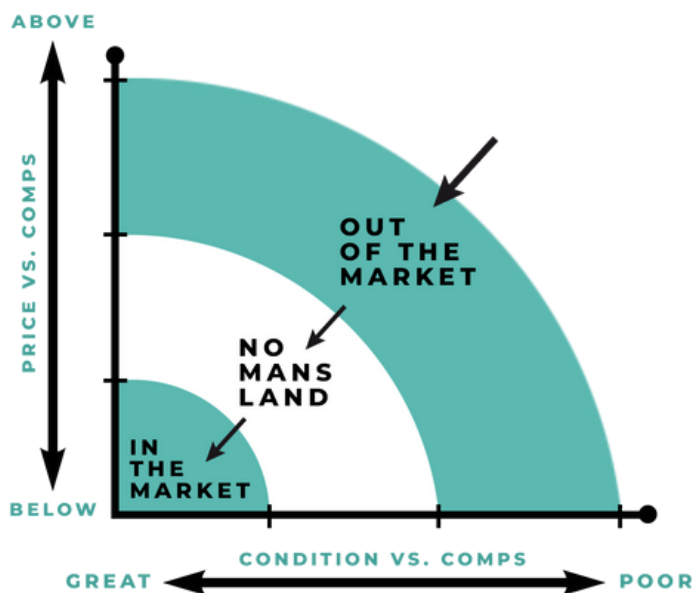
1. Know What Sells

There's little point in winning a listing if it does not sell. To get a home sold for the most money in the least amount of time, it must be priced "in the market." There are two determining factors:

- Price
- Condition

Competitively priced properties must be in the best possible condition both inside and out.

The following graphic shows the combined selling power of the right price and great property condition.



The percentage of buyers who will look at a property increases and decreases in direct proportion to the property's price compared to market value. Pricing above the market does not get you showings; pricing at or just below the market does.

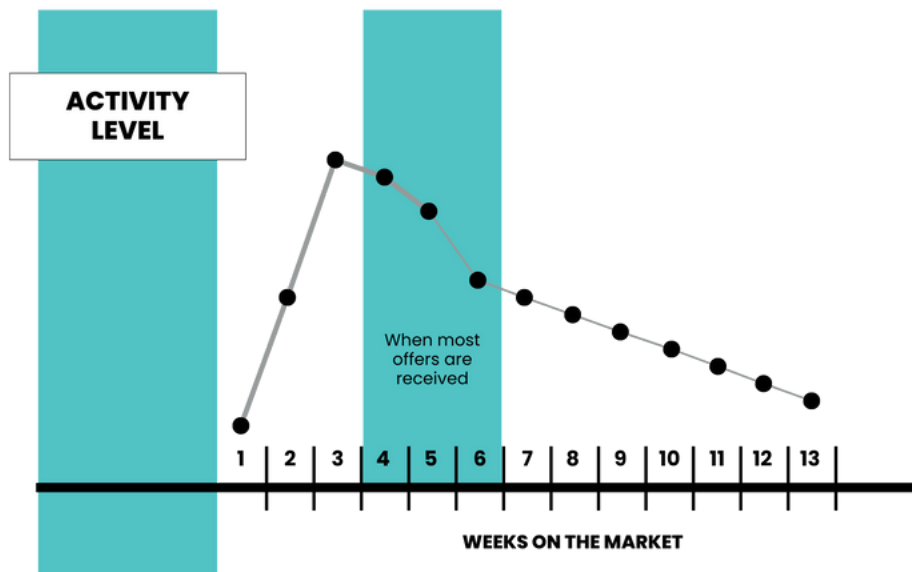
2. Know What the Seller (and You) Can and Can't Control

An important part of the pricing process is to help your sellers understand that agents and sellers do not determine the purchase price of their home. Instead, the market determines the price. Pricing to sell is based on understanding what is selling. Use the simple dialogue below:

SCRIPT: Mr./Ms. Seller, some of the things you can control during the selling process include the condition of your property, the availability of your home for showings, and your positioning in the market. In the end, value is determined solely by what a buyer is willing to pay in today's market, based on comparing your home to others currently on the market for sale. I don't determine value and neither do you. The market determines value. Does this make sense?

3. Understand the Window of Opportunity

The best time to sell a house is when it first hits the market! Sellers must be crystal clear on this that there is a window of opportunity that quickly opens and closes! The diagram below depicts how buyer interest spikes when a listing first hits the market and then drops after the first month.



4. Price to Reflect Market Movement

Pricing requires facts and numbers, yet it's also an art of persuasion. Choosing the right comparable properties is a big step in the right direction. But there's much more to it. Your job as the listing agent is to help your sellers understand how the right price impacts the marketability and stability of their home. Marketability and salability are also determined by the following:

1. Market Direction: Whether the market is appreciating or depreciating
2. Market Speed of Change: How quickly prices are changing and what the rate of change is

5. Don't Chase the Market: Price Ahead Of It

Your ability to be knowledgeable of the current market pays off when it comes to any kind of shift in the market—whether shifting up (appreciating) or shifting down (depreciating), and even in a stable market.

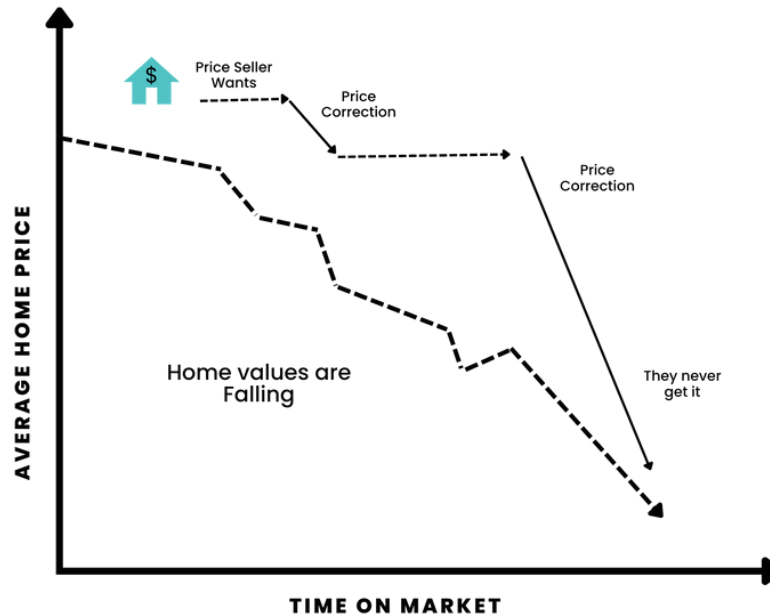
Rising market

In a rising market, sellers who feel time is on their side may price above the current market and hope the market will “catch up” and bring them the price they want— provided the market continues to rise. Sellers who want to cash in on improving prices in rising markets are still well advised to price at the market to get a sale now—and move on with their lives.



Declining market

When prices fall, sellers make a huge mistake by pricing too high in the hopes of attracting an offer and believing that if that strategy fails, they will lower the price later. The truth is that the majority of sellers who do this never recover from the missed opportunity. Sellers who set reasonable prices will benefit and get the buyers, while they "chase the market down".



6. Don't Be Afraid to Be Professionally Honest

Pricing right is hard work. But it's worthwhile because it gets your sellers to their objectives and you make money. Your best approach is to be professional and honest. It entails comprehending where the Customers are coming from and you must be professional to them and tell them the truth.

1. Market conditions
2. Property condition, features, amenities, location
3. Buyer and buyer agent feedback
4. Comparable property sales

Be honest Here's a short script to address pricing honestly.

AGENT: Do you want me to tell you the truth, or do you want me to tell you what you want to hear?


If a seller insists on a higher than market price, get an agreement now that if you have not had a reasonable offer you will reduce the price to your recommended price. Use a Post-dated Amendment for price-reduction scheduled as needed, stating the new price update.

AGENT: The first few weeks your home is on the market are the most critical and will attract the most serious buyers. If we don't get a reasonable offer at this time, the market is telling us the home is overpriced. If after three weeks this is what's happening, do you agree to reduce the price to my recommended price to meet market demands?

The CMA – Comparative Market Analysis

CMA is a process by which a property to be listed is evaluated against other comparable properties to determine a recommended list price. Use the CMA to present information to help sellers understand and accept the right price for their home. The CMA process includes the following:

1. Search: Search the MLS for properties that correspond to the "subject property" (the one you are pricing) using the five main criteria—location, size, amenities, condition and age.
2. Select: Select a small number of recently sold properties, and properties pending sale, that you believe represent the closest comparisons to your seller's property. The number of comparables available will be impacted by market conditions.



3. Decide: Decide on a price to recommend to your seller that takes into account:

1. The comparables
2. Your seller's motivation and goals

4. Review: Review the data, in a simple, readable format, with your seller to show why you've chosen the price you are recommending and how their property compares.

Pricing Recommendations

Show the sellers the following pages from your listing to present your price recommendation.

presentation to support your conclusion:

1. List of recent listings and sales most comparable to their own property: listings sold, pending, and active from their immediate neighborhood, covering a recent time period, usually the last 90 days.
2. Property details for each of your selections: detail sheets for the comparable properties. Tip: Print these from the MLS.
3. Conclusion: A summary page (see sample in your Listing Presentation Guide) that pulls your conclusions together supporting your price recommendation.

For the seller, your price recommendation should feel like a collaborative decision.

Here are some pointers to examine comparable homes:

TIP #1: When sellers want to go above your recommended price, be sure they know that any offer they accept must meet the test of the buyer's professional appraisal. A price that won't appraise will require additional money from the buyer or the seller.

TIP #2: Price per square foot can be a valuable tool, but only when comparables are very close together in terms of features, age, condition, and location—properties in a newer subdivision would be a good example.



HOW TO DO A CMA



Address:



Subdivision:



Square Feet (-300, +300)-



Lot size- If more than 20 results or larger than 10,000sqft



Number of Bedrooms



Number of Bathrooms



Number of stories



Year Built (-5 years, +5 years)



List of upgrades:

Create a Listing Presentation that will Seal the Deal

1. Create a Presentation Cover

You can never go wrong with an eye-catching presentation cover. Create your own Cover for or use our House Matchmaker template:



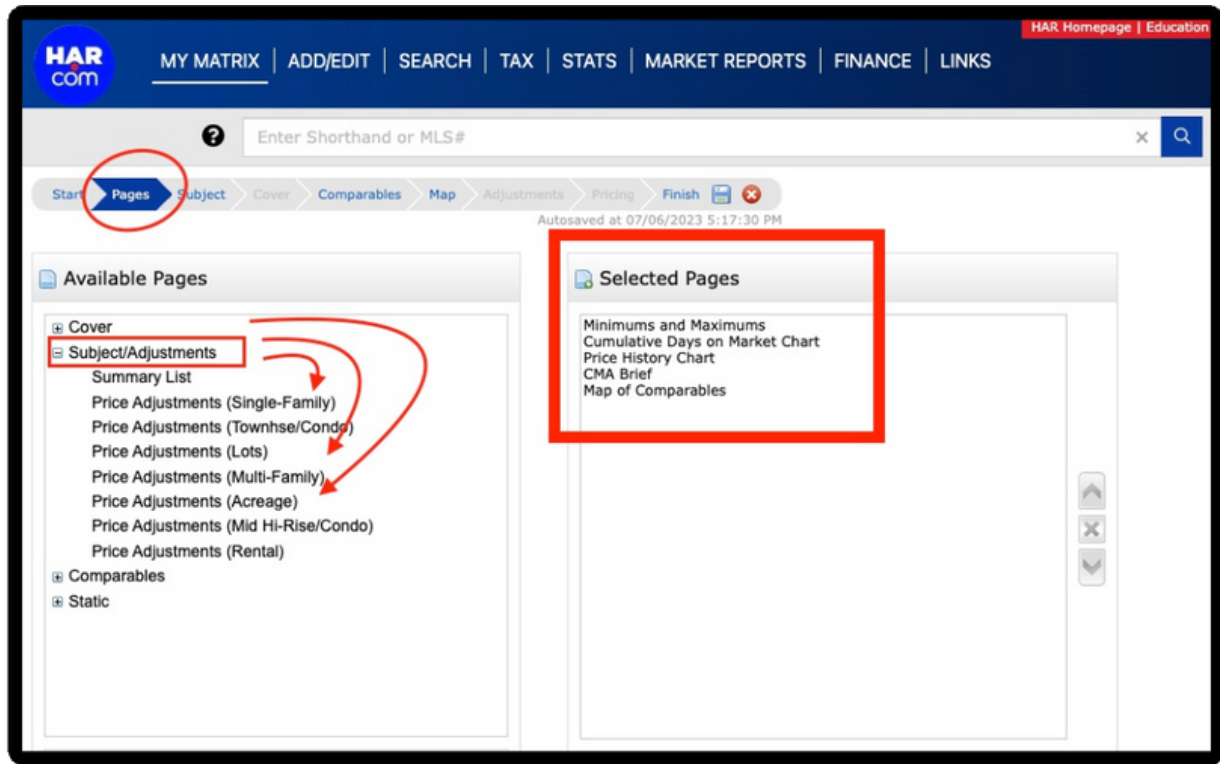
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2. Follow your CMA Cover with the Comps

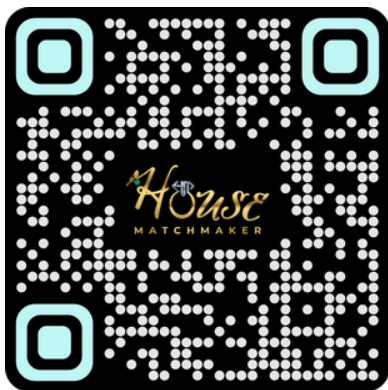
Once you have gathered/selected your comps on Matrix, prepare your packet by clicking "CMA" from the "ACTIONS" bar

TX	OH MLS #	Stat	AR	Office	Address	Subdivision	Lot Size	SF	Price	Prc/SF	YB	BR	Bth	DOM
1	24282323	A	25	CBAR01	19206 Canaras Court	Brenwood Trls Sec 01	4,944	1,828	\$265,000	\$144.97	2008	4	2/0	
2	49441446	A	25	OPBR01	4610 Redstone Bend Court	Windstone Colony Sec 7	7,785	1,758	\$282,000	\$160.41	2005	4	2/1	1
3	13464640	A	25	TMHR01	3707 Bent Springs Lane	Bridgewater Village Sec 01	5,060	1,968	\$289,900	\$147.31	2000	4	2/1	
4	43667143	P	25	SODH01	5911 Coonsay Drive	Brenwood Sec 8	5,250	1,364	\$230,000	\$168.62	2005	4	2/0	9
5	57908067	P	25	JPAS31	19511 Memphis Song Drive	Bear Creek Plantation Sec 0	8,189	1,927	\$275,000	\$142.71	2001	4	2/0	7
6	76940014	S	25	WALZ04	6615 Peaty Ridge Lane	Highland Creek Ranch Sec 0	5,271	1,506	\$258,000	\$171.31	2003	4	2/1	3
7	5958594	S	25	NBER01	3801 Carrizo Springs Court	Sundown Glen Sec 01	5,350	2,536	\$299,000	\$117.90	1992	4	2/1	24
8	29574326	S	25	RELM07	5003 Packard Elm Court	Ricewood Village Sec 1	4,362	2,690	\$300,000	\$111.52	2006	5	2/1	51

Below is a list of the suggested pages that we think you should include on your presentation. Feel free to modify as needed.



3. Finalize your Comparative Market Analysis Packet
[Download the rest of your listing presentation here!](#)



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Preparing Your Home to Sell!

Luis & Alma Flores

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(713) 517-5806 / (832) 352-6437

Key Market Factors

How long does it take to sell a home?

There is no easy answer – some homes sell in a few days, others may take several months. Recognizing the key factors influencing a sale can give you significant control over the number of days on the market.

The proper balance of these factors will expedite your sale:

Location:

- Location is the single greatest factor affecting value.
- Neighborhood desirability is fundamental to a property's fair market value.

Competition:

- Buyers compare your home against other homes on the market.
- Buyers interpret value based on available homes.

Timing:

- The real estate market may reflect a seller's market or a buyer's market.
- Market conditions cannot be manipulated; an individually tailored marketing plan must be developed accordingly.

Condition:

- Property condition affects the price and speed of sale.
- Optimizing the physical appearance and advance preparation for marketing maximizes value.

Terms:

- The more flexible the financing, the broader the market, the quicker the sale and the higher the price.
- Terms structured to meet your objectives are important to successful marketing.

Price:

- If the property is not properly priced, a sale may be delayed or even prevented.
- This competitive market analysis will assist you in determining the best possible price.



COMPARATIVE MARKET ANALYSIS



RESEARCHED AND PREPARED BY
TYPE HERE

PREPARED EXCLUSIVELY FOR
TYPE HERE

PREPARED ON
TYPE HERE

SUBJECT PROPERTY
TYPE HERE



AGENT NAME HERE

House matchmaker group
1333 West Loop South,
Suite 880, Houston, 77027
346-568-5825
EMAIL HERE

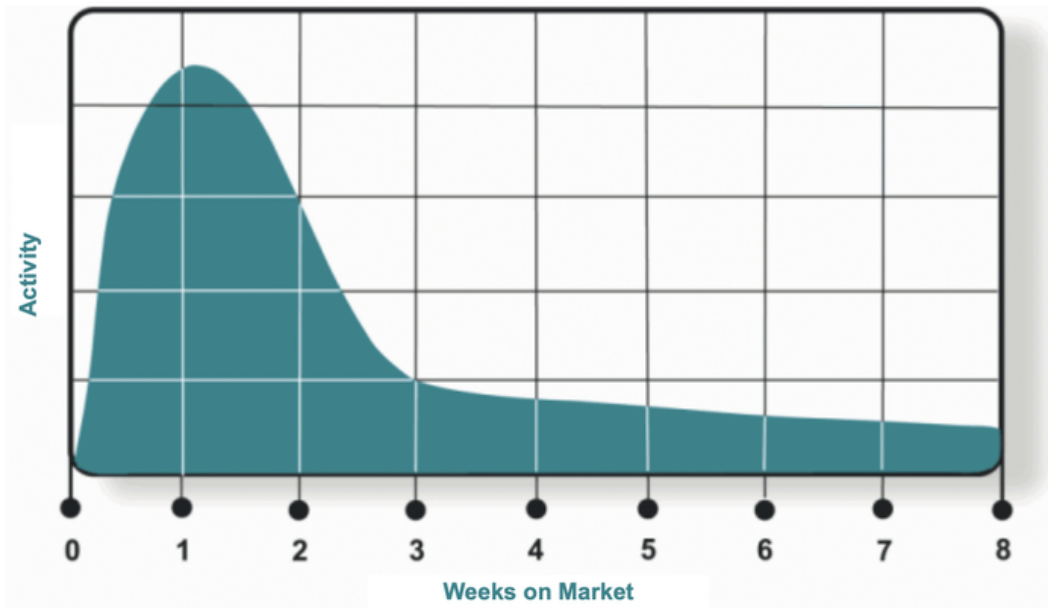
This represents an estimated sale price for this property. It is not the same as the opinion of value in an appraisal developed by a licensed appraiser under the Uniform Standards of Professional Appraisal Practice. Copyright: Houston Association of REALTORS® 2023 All rights reserved. Information is believed to be accurate but is not guaranteed.



COMPARATIVE MARKET ANALYSIS

ACTIVITY VS. TIMING

This chart highlights the importance of pricing correctly at market value.

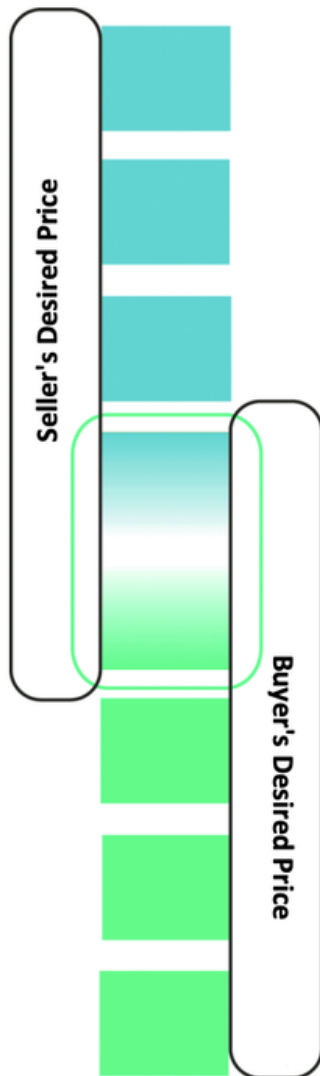


This chart illustrates the level of excitement and interest in a new listing over time. It also demonstrates the importance of pricing correctly. When a property is first listed, it generates a very high level of interest from prospective buyers, which reduces dramatically over time. It is important to be priced correctly from the beginning, during the peak of this curve.

COMPARATIVE MARKET ANALYSIS

SETTING THE PRICE

This chart highlights the importance of pricing correctly at market value. Comparative Market Analysis



When setting a price for your property, the listing level must strike a balance between the seller's need to achieve the best-possible return and the buyer's need to get good value. With many years of experience, a professional Real Estate Agent can help you set a price that will accomplish both objectives.

Establishing market value

The market value of your property is determined in exactly the same way as any other commodity – what a buyer is willing to pay for it in today's market. Despite the price you paid originally, or the value of any improvements you may have made, the value is determined by market forces.

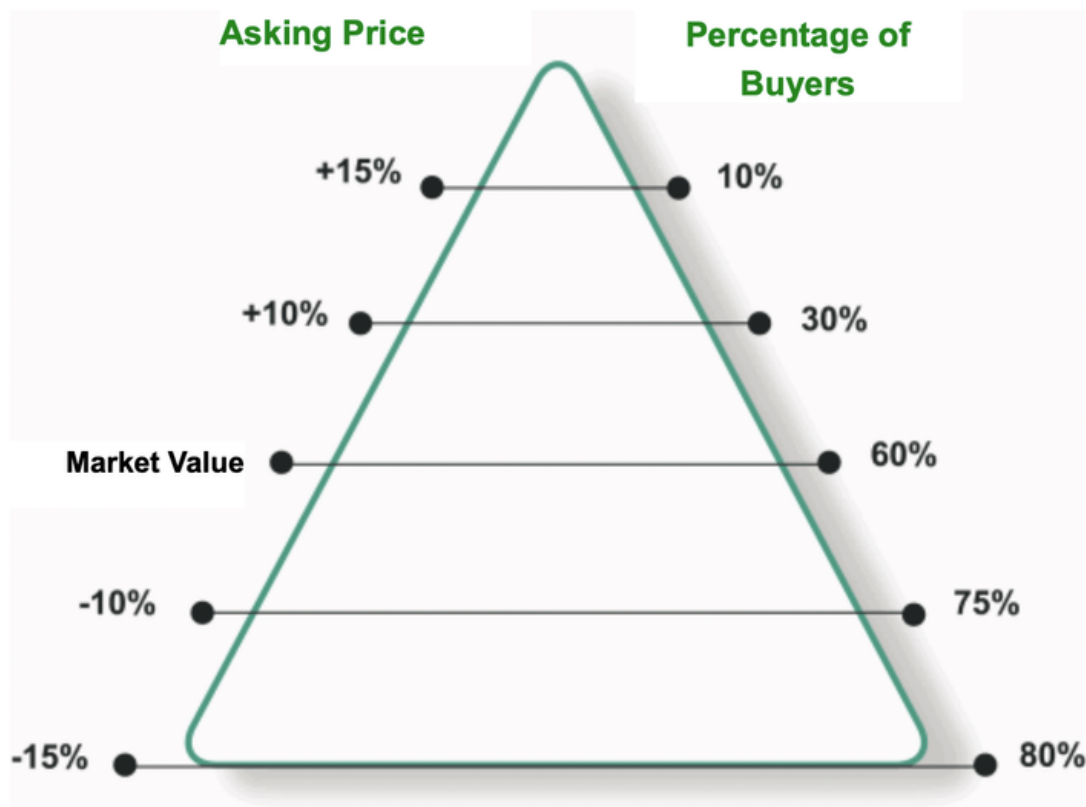
Look at the competition

Buyers look at about a dozen properties on average before making an offer on a property. As a result, they have a good overview of the market and will compare your property against the competition. If it's not in line with similar properties that are available, buyers won't consider it good value for money

COMPARATIVE MARKET ANALYSIS

THE IMPORTANCE OF PRICING

This chart highlights the importance of pricing correctly at market value.



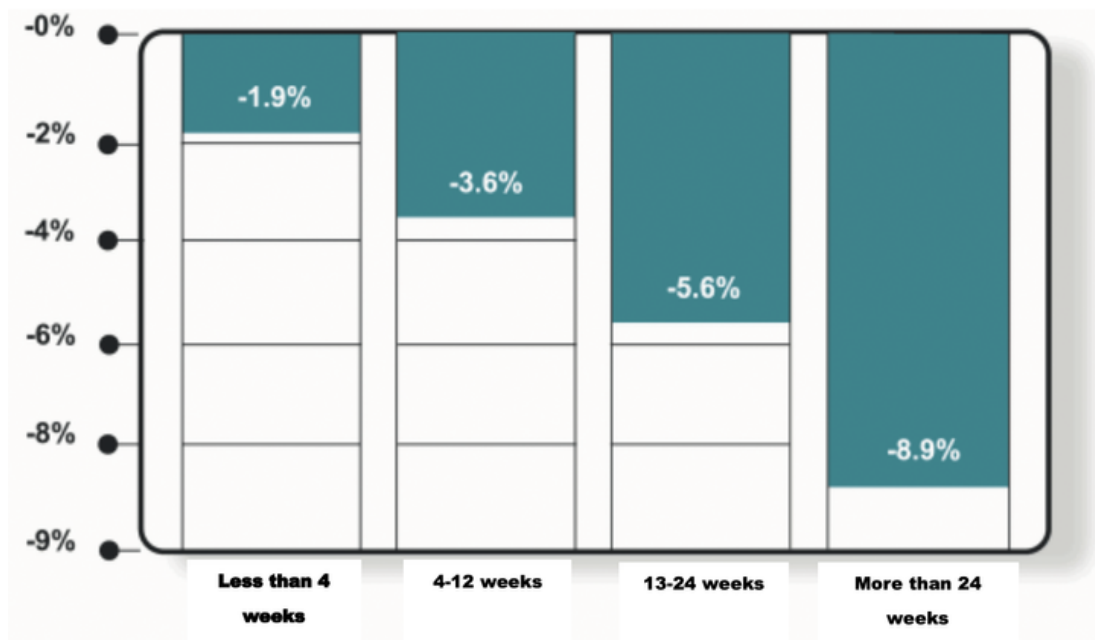
This graph illustrates the importance of pricing correctly. The centerline represents market value. As you move above this market value, you attract much smaller percentage of prospective buyers, greatly reducing your chances of a sale. Conversely, as you move below market value, you attract a much larger percentage of potential buyers.

COMPARATIVE MARKET ANALYSIS

THE EFFECT OF OVERPRICING

This chart highlights the importance of pricing correctly at market value.

This is the average percentage difference between the Selling and Asking Price by the length of time the home was on the market.

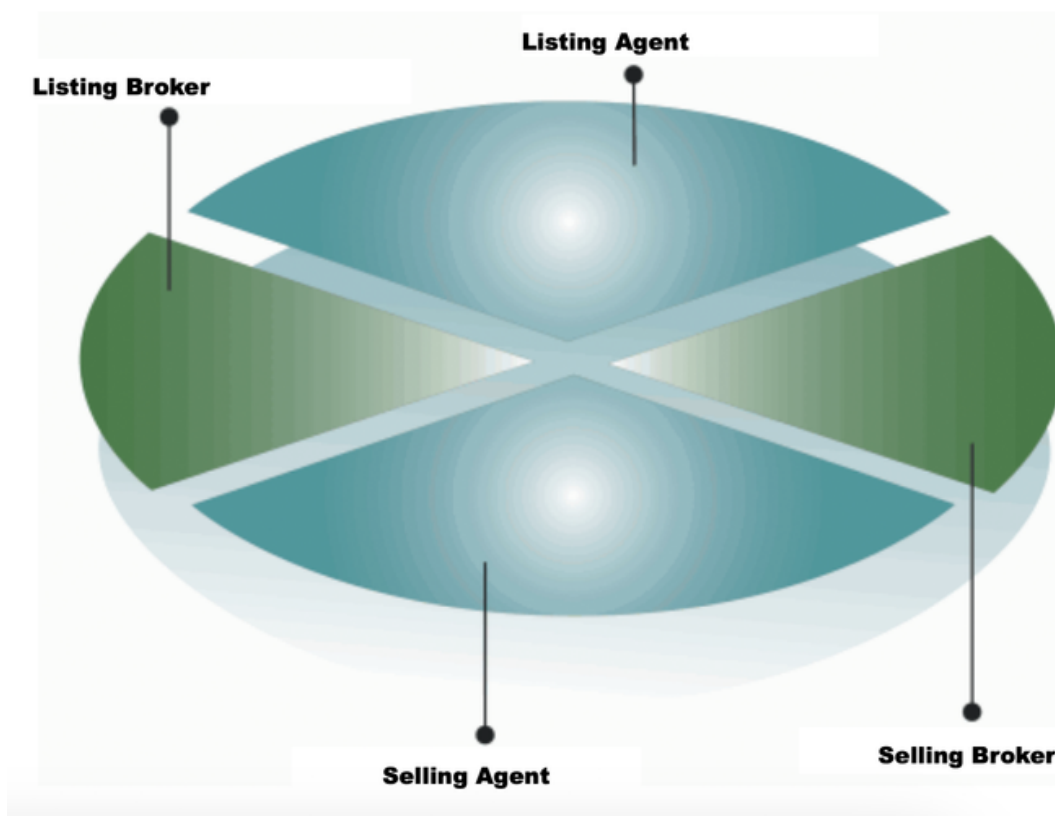


- - Put your best foot forward immediately
- - Establish a competitive asking price
- - Keep your home in top showing condition
- - Offer favorable financing terms

COMPARATIVE MARKET ANALYSIS

WHERE A COMMISSION GOES

This page describes how a commission is divided amongst all of the parties involved.



After a successful sale of your property, the real estate commission is shared among all who assisted in this important transaction. Generally, the commission is divided four ways: to the listing broker, the listing agent, the selling broker and the selling agent. In recognition of the important roles each played in the sale of your property, each is compensated by a percentage of the commission.

COMPARATIVE MARKET ANALYSIS

SOURCES OF BUYERS

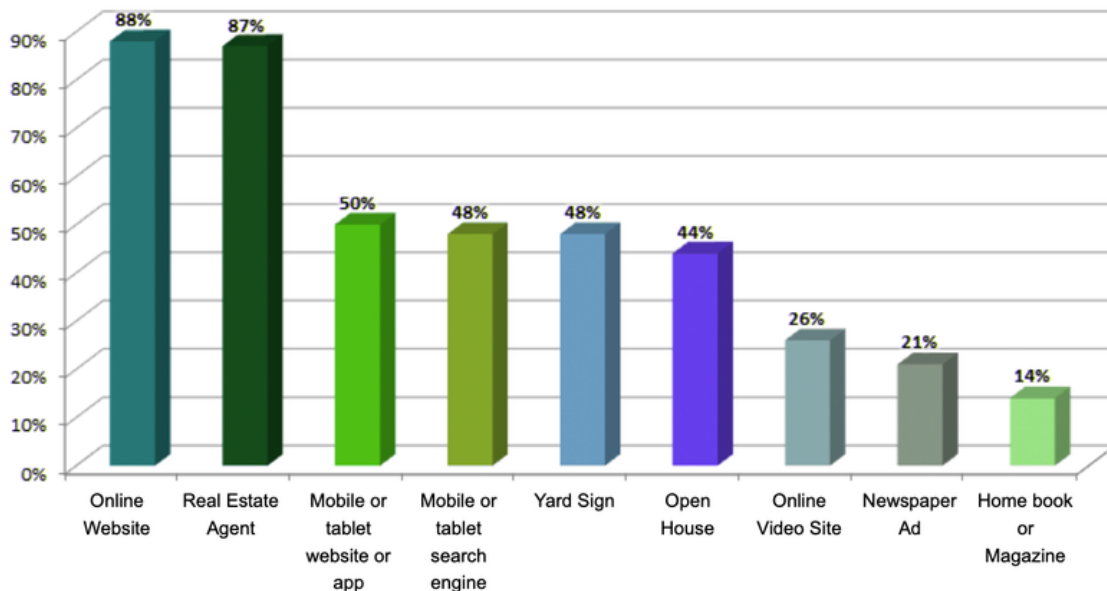
This page illustrates the primary sources of buyers for your property.

WHEN YOU WANT A BUYER, COME TO US FIRST

There are several excellent reasons for selecting a professional Real Estate Agent to handle the sale of your property. For starters, our long-standing real estate expertise gives us the ability to network with other firms' agents to promote your property to the widest possible audience, including the Internet. Selling your property depends on a lot more than advertising and signage – it takes referrals, word-of-mouth advertising, and networking.

Sources of Buyers

Source: National Association of REALTORS 2014 Profile of Homebuyers



COMPARATIVE MARKET ANALYSIS

THE BENEFITS OF USING A PROFESSIONAL REALTOR®

This page outlines the benefits of using a professional REALTOR® to sell your property.

You'll experience a wide variety of benefits when you hire a real estate professional. Successfully selling a property is a complicated exercise, and REALTORS® have the experience, resources and contacts to complete your sale quickly and smoothly.

Pricing

A REALTOR® will help you determine the selling price of your property at a level that accurately reflects its value in current market conditions and will not cost you missed opportunities.

Marketing

A REALTOR® will have many useful suggestions on ways to improve the marketability of your property, including cosmetic repairs and other items that will create a favorable impression among buyers.

Your property will enjoy a wider exposure among buyers when you use a REALTOR®. In addition to using flyers and organizing open house days, a REALTOR®'s extensive contact list of former clients, newly qualified buyers and other industry professionals can significantly reduce the time your property is on the market.

A REALTOR® will also allow you to tap into a highly productive and extensive industry network, such as a Multiple Listing Service or other industry marketing system.

Advertising your property efficiently is another area where a REALTOR® can play an important role. A REALTOR®'s experience in deciding on the most appropriate type and frequency of advertising for your property can be invaluable. For example, placing too many ads can create the impression that there may be something wrong with the property or that the seller is desperate.

Security

Security is a major consideration when showing your home. By using a REALTOR®, you can rest assured that all showings will be pre-screened and supervised.

Negotiating

When negotiating a purchase, most buyers prefer to deal with a middleperson who is objective, unemotional and professional. Buyers will often feel more comfortable with a REALTOR® than with the owner when they want to raise issues that need resolving before making an offer.

Monitoring, Renegotiating, Closing or Settling

A REALTOR® will guide you through the minefield of potential problems associated with the appraisal, inspection and financing process, including the often complicated escrow instructions. In addition, your agent can meet and instruct any specialists or tradespeople who may be required for repairs or other issues that need to be completed before closing.

COMPARATIVE MARKET ANALYSIS

MARKET ANALYSIS EXPLANATION

This is an explanation and overview of this market analysis.

This Comparative Market Analysis will help to determine the correct selling price of your home. Ultimately, the correct selling price is the highest possible price the market will bear.

This market analysis is divided into three categories:

1. Comparable homes that are currently for sale
2. Comparable homes that were recently sold
3. Comparable homes that failed to sell

Looking at similar homes that are currently offered for sale, we can assess the alternatives that a serious buyer has from which to choose. We can also be sure that we are not under pricing your home.

Looking at similar homes that were sold in the past few months, we can see a clear picture of how the market has valued homes that are comparable to yours. Banks and other lending institutions also analyze these sales to determine how much they can lend to qualified buyers.

Looking at similar homes that failed to sell, we can avoid pricing at a level that would not attract buyers.

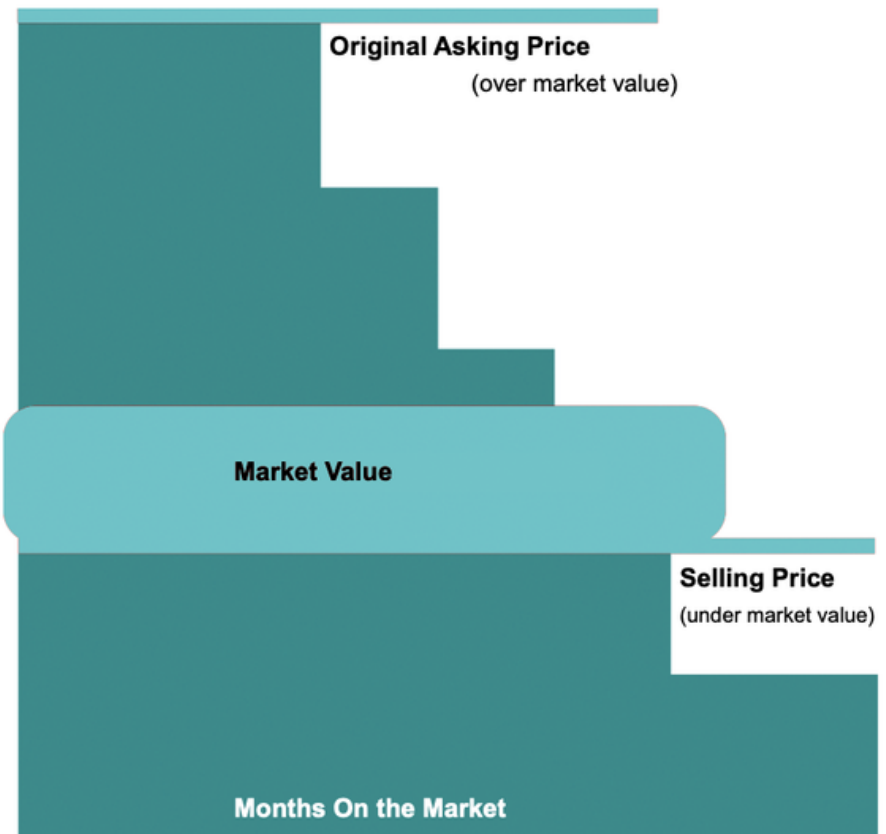
This Comparative Market Analysis has been carefully prepared for you, analyzing homes similar to yours. The aim of this market analysis is to achieve the maximum selling price for your home, while being able to sell your home within a relatively short period of time.

COMPARATIVE MARKET ANALYSIS

THE PITFALLS OF OVERPRICING

This chart highlights the importance of pricing correctly at market value.

Overpricing your house in the belief that you can reduce the price back later is a strategy that can backfire badly. For example, by the time you reduce your price, you may miss out on a surge of interest in properties like yours. Also, if prices are lowered, buyers may wonder if there's something wrong with the property that kept other buyers away. So to keep from selling your property at below market value and from wasting valuable time, don't fall into the overpricing trap.



COMPARATIVE MARKET ANALYSIS

STEPS TO A POSITIVE SHOWING

This chart highlights the importance of pricing correctly at market value.

You only get one opportunity to make a good impression, so you want to make it count. By following these guidelines, you'll enhance the attractiveness of your property and reduce the time it takes to generate serious offers.

First Impressions

How your property appears from the outside is important. To make a good first impression on a buyer, a clean driveway, a freshly mown lawn or a trimmed hedge will work wonders.

Do a critical inspection of the exterior of your property, paying special attention to the condition of your windows, shutters, screens and gutters. One of the first things a buyer will notice is the need for painting. If your property looks like it needs painting, many buyers will form an unfavorable impression. Elsewhere, little things count. Make sure the front door is spotless, including the doorknob, and that the windows gleam.

Cleanliness Counts

Once inside your property, one of the key factors that influences its appeal to a buyer is cleanliness. Most important is front hallway, the kitchen and the bathrooms. Do a room-by-room cleaning, and don't forget any out-of-sight areas because that's often where a discriminating buyer will look first.

The state of the carpets can also be a determining factor. At the very least, have your carpets cleaned, and if they are worn, it's wise to replace them, or remove them if there is hardwood underneath.

Less is More

Clutter makes a poor impression. In closets, cabinets, kitchen countertops and other storage areas like basements, remove anything not needed for daily housekeeping. To make each room in your property look larger, get rid of or donate unnecessary furniture. Walk through your property and think: "Less is more."

Repairs

Make sure everything is in good working order. Dripping faucets, squeaky steps and loose doorknobs can easily create a bad impression and reduce the value of your property. A few hours spent on repairs, whether by yourself or a tradesman, can pay big dividends when an offer is made.

Little Things Count

It's easy to improve the appearance of any room. You may want to replace worn rugs or small pillows, put new towels in the bathroom or brighten up a room with a vase of flowers.

Pull Together

Get all the members of your household to pull together when it comes to getting – and keeping – your property ready to view. By getting everyone into the habit of spending a few minutes tidying up every morning for an afternoon showing, you improve your chances considerably.

COMPARATIVE MARKET ANALYSIS

WHAT IT TAKES TO SHOW

This page describes what it takes to show your property.

Scheduling the Showing

If you're not on hand during a showing, the sales associate will use the property's lock box to enter. If you're available, sales associates will introduce themselves and give you a business card.

Timing

Ordinarily, you'll get plenty of notice about an appointment request. Some buyers, however, may ask to see your property as soon as possible. In such cases, a showing could take place within an hour or so. If a buyer requests a change to the timing of a scheduled showing, you'll be given as much notice as possible.

Special Instructions

Any special instructions you may have given to your listing agent, such as information on pets, parking or security, will be listed in your property file and thoroughly explained to the sales associate who requested the showing.

The Showing

If you're not on hand during a showing, the sales associate will use the property's lock box to enter. If you're available, sales associates will introduce themselves and give you a business card.

Privacy

The fewer people around during a showing, the better. It's also a good rule to let the buyer roam freely and discuss the property with the sales associate without interruption. A properly briefed sales associate will know the buyer's needs and will be able to point out the features that meet the requirements.

Contact Information

If you're not going to be available to approve an appointment request, it's important to notify your sales associate. By leaving a telephone number where you can be contacted, you can be notified immediately about an offer.

Previews

Occasionally, sales associates may schedule an appointment to view your property without a buyer. By familiarizing themselves with what's on the market, they will be an excellent position to alert a buyer to a property that fits the bill.

Unscheduled Appointments

Ask any people who show up to view your property without an appointment to telephone the listing agent to request a showing. Even if the person identifies himself or herself as a licensed sales associate, an appointment request must be made first through your listing agent.