

Understanding Comparable Sales Data In The Pricing Decision

Professional appraisers consider many factors in the process of estimating the value of a home. The single most important component is undoubtedly comparable sales data. In situations where there are numerous comparable sales, establishing a home's market value is a relatively simple matter. The elements considered in establishing acceptable comparability are area or location of the home, the size of the home, and the amenities in the home. Having examined these factors, establishing market value is a matter of comparing "like properties" with "like properties" – homes with similar amenities in similar neighbourhoods that have recently sold.

In a very busy market, finding acceptable comparables is seldom difficult. However, when market activity slows (as it has in the London market over the past several years) or when the property is unique, it can sometimes be difficult to find recent sales of similar properties in the same neighbourhood.

Many agents believe that the only properties that can be used as comparables to establish market value are those strictly within your own neighbourhood. This is ideal, of course, but sometimes not possible. Professional appraisers often are forced to go outside of a particular neighbourhood and find another "similar" neighbourhood. Similarity here would refer to homes built at approximately the same time to the same standards and with similar amenities and sale prices to those of your home – i.e. equivalent homes with equivalent sale prices. As an example of how this might work in London, for example, there is acceptable comparability between homes in some parts of Westmount and in some parts of Stoneybrook, depending on the style of the home.

You will be provided with a Comparative Market Analysis to assist you in establishing the market value of your home during the listing process. In this Analysis, I will have identified comparable homes to yours in three categories. Each of the categories is included to provide you with a different "take" on current market data as it relates to your home. The first, and most important, category is a survey of recent sales of similar properties to yours. This will establish for you the prices that these homes have obtained in the market and will give you a better understanding of the price that you might reasonably expect to receive. Each of these sale prices will need to be adjusted, of course, to reflect differences in amenities, quality of construction and locational factors. These adjusted sale prices are the foundation upon which the market value of your home is established.

The second category is a survey of comparable homes to your currently on the market. This is important as these home represent your competition. Prospective purchasers of your home will both be viewing these properties and using the listing price of these properties to compare with yours to determine whether to view your home. For this reason, the correct positioning of your home within this pool of similar properties is critical.

Greg Thompson, e-PRO, C-CREC, MVA, Realtor
Royal LePage-Landco Realty, 425 Dundas Street, London, ON N6B 1V9

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The third category of comparable sales data is a survey of similar homes to yours that have recently been on the market, but which failed to sell and have since been removed – expired listings. These properties, and the prices at which they were listed, quite obviously set an upper limit on the price which you might reasonably expect from the sale of your home.

From the information provided in these three sets of data should come the rationale for establishing a listing price that is realistic under current market conditions but which still meets your needs and expectations.

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