



THE COMPARATIVE MARKET ANALYSIS OR CMA

By
Mark
Powell



Generally, there are three ways to assess a property's value or recommended sales price; The Comparative Market Analysis (CMA), the Broker Price Opinion (BPO), or the standard Residential Appraisal Report.

Although there are many similarities between the three, there are also significant differences. The Comparative Market Analysis is the standard assessment tool used by most Realtors to help them educate their sellers and buyers on a property's values.

Typically, a CMA is prepared by an experienced agent with knowledge of the local market. A CMA can therefore be a very useful tool in a real estate transaction to help a home seller determine an appropriate sales price. Pricing a home appropriately is imperative to sellers. Research shows that overpricing a home and then dropping the price several times while it sits on the market usually leads to selling it at a much lower price than what a seller originally should have asked for. Moreover, the longer a home stays on the market, the deeper the discount is likely to be off the original price.

A CMA is also very important for buyers preparing to make offers on homes. A CMA is used by buyers to make sure their offer is in line with current similar sold comparables. A buyer may lose out on a property if their offer is too low, or they can be stuck with paying too much for a home.

A typical CMA starts with an interior and exterior inspection of the property. The agent will also research information about comparable homes in the area, usually using the Multiple Listing Service. The search parameters generally include sold listings within the last 6 months, active listings, pending sales and contingent listings (which include short sale properties that are waiting for bank or lender approval).

Unlike the BPO or appraisal report which generally use 3 sold comparables and 3 active comparable properties, the CMA can highlight as many comparables needed within a certain geographic area. Once all comparables are adjusted for size, age, condition, location, view and a few other categories, the agent who prepared the CMA will suggest a selling price. Sometimes a price range may be used rather than a set price if there are substantial price differences within the area. The recommended sale price that is derived from a CMA is somewhat subjective, so the agent may also include brief statement on the perceived selling points a home.

A Comparative Market Analysis cannot be used for lending purposes, but an appraisal report can. With a CMA, the agents experience and familiarity with the local area is paramount in determining a properties fair market value and if done correctly, the CMA should be inline with the appraisal report.

Mark Powell is Broker/CEO of San Diego based real estate company Discovery Property Group, Inc. He can be reached at markpowellhomes@hotmail.com. 

MinnesotaREO.com
MinnesotaREO.com
659 Bielenberg Drive, Suite 100
Woodbury, MN 55125
(651) 209-8444 • mike@mikeolsen.com