

# How Much Should I Pay?

## Pricing Considerations



Real estate agents frequently use a Comparative Market Analysis (CMA) to estimate a property's probable selling price. CMAs help sellers decide on a listing price, whereas buyers use them to determine how much they want to offer for a property.

While sellers and buyers have naturally opposing price preferences, a CMA is designed to be a completely objective evaluation, based on recent and actual selling prices for comparable properties. Since real estate markets can change quickly, it's essential to recognize that a CMA only provides a "snapshot" for a particular point in time.

The **comparable properties** included in a CMA should be similar, recently-sold homes. When selecting "comps," the date of sale, location, and size of a home are the most important factors, but amenities, floor plan/style, age, number of bedrooms/bathrooms, garage size, improvements, and potential negatives may also be considered.

**When reviewing a CMA to structure an offer on a particular property, it's also helpful to examine the following:**

**Competing properties** are substantially similar homes that are currently listed for sale. Since they haven't sold yet, they're usually distinguished from other "comps" in a CMA. Sellers know they are competing against these properties, so it's important for buyers to factor them into their negotiating strategy.

**Absorption rates** are used to analyze the strength of a market, in terms of the supply and demand for current competing properties (the number of homes on the market relative to the number of homes sold). A low absorption rate indicates that sellers are in a stronger position whereas a high absorption rate is favorable for buyers.

**Days on market** may indicate how appropriately a property has been priced for sale, especially when compared to absorption rates. If, for example, the absorption rate is two months, but a competing property has been listed for over three months, a potential buyer of that property might have a stronger negotiating position.

**Sales price/list price ratios** for specific categories of homes may help buyers understand how much less than the listing price they can realistically expect to achieve.

**Each of these factors, and others, are important considerations in your negotiating strategy, particularly concerning price.** Your buyer's agent is your best resource for professional insights on current market conditions. With their assistance, you'll be in a better position to make an informed, realistic, and winning offer on your next home.

The Accredited Buyer's Representative (ABR®) designation is awarded by the Real Estate Buyer's Agent Council (REBAC), a subsidiary of the National Association of REALTORS® (NAR).

To learn more about REBAC and access various home buyer resources, please visit [REBAC.net](https://www.rebac.net).

