

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).

