

How to Run Comparables (Comps)

The proper way to run comps is with a realtor using MLS listings that have sold. If you don't have realtor comps pulled from the MLS- you can find your own comps using nearby recent similar sales pulled from a website such as Zillow, Totalview, or Redfin.

Use 3-5 solds (retail)

-don't mix retail/foreclosure properties

-don't use houses that are still listed (their asking price is just what they would like to get for it, not necessarily what it will sell for)

Use listings of houses that were sold in the last 3 months (expand further back if needed but the more recent the sale the more accurate the comp.)

Houses being compared must have the same number of bedrooms/bathrooms

Square footage should be + or – 20%

-Example- If you have a 1200sqft house you could go up to 1440sqft and as low as 960sqft.

Houses should be within ½ mile radius of each other. Use your judgment and search houses only in like neighborhoods within that radius.

Compare only same style homes (2 story/ranch/2 car garage/basement, etc)

Keep the age of the houses close to one another:

-The newer the house, keep the age within 5 years.

-The older the house (50 years), the less the age matters for the comps but stay within 10 years

Example on How to Find Comps Once you have the 3 Solds:

1. First, take the price of each property sold and divide it by its square footage to give you the price per square foot. Your Prospective House- 1200sqft

3 Comps

1300sqft- Sold for \$116,000 → $\$116,000/1300 = \89.20 price per square foot

1100sqft- Sold for \$95,000 → $\$95,000/1100 = \86.40 price per square foot

1250sqft- Sold for \$103,000 → $\$103,000/1250 = \83.40 price per square foot

2. Then, add all three totals (price per square foot) and divide that number by three to give you the average price per square foot.

$\$89.20 + \$86.40 + \$83.40 = \$258 \rightarrow \$258/3 = \86 average price per sqft.

3. Take the average price per square foot and multiply that by the square footage of your prospective house.

$\$86 * 1200 = \underline{\$103,200}$ is what your house is worth.

4. Make any necessary adjustments. Sometimes it isn't possible to find comps that are identical to the subject house. In that case, you will need to adjust the ARV if there are any differences such as a garage, pool, better curb appeal, etc. The amount to be adjusted depends highly on the area and what is most important to homeowners in that region.