

What is a CMA?

"CMA" is an abbreviation real estate agents use for a Comparative Market Analysis. A CMA gives an estimated sale price for a property given current market conditions. It's prepared by a real estate agent and it usually comes in report form. Most residential real estate agents don't charge a fee for preparing a CMA.

An agent needs to walk through the property in question before preparing a CMA. Unless the home is enormous, the agent inspection part of the CMA shouldn't take long, nor does the home have to show like a model home. However, property condition does affect price. So if you plan to do work on the property, let the agent know.

After the agent previews the property, he or she researches the Multiple Listing Service for information about similar properties in the area that have recently sold. In order to arrive at a current price estimate, an agent should analyze information about listings that have sold and closed, those that are sold but haven't yet closed (the pending sales), active listings and expired listings.

Pending and sold listings give the most reliable indicator of current market price. Active listings are a gauge of the current competition in the marketplace. Expired listings are properties that were listed for sale but didn't sell. Usually expired listings didn't sell because they were priced too high for the market.

The agent then compares the property with listings found in the MLS search and by so doing arrives at a probable selling price. Keep in mind that the price derived from a CMA is somewhat subjective. Also, a CMA is not an appraisal. You need to hire a licensed appraiser to complete an appraisal.

Sellers should have a CMA done before listing their home for sale. Sellers who don't have a real estate agent often ask several agents to complete CMA's. This gives the seller an opportunity to meet different agents and to see how they work.

You may find that you want a CMA even if you aren't planning to sell. For instance, before embarking on a major renovation you might want to know how much you can spend without over-improving for the neighborhood. The agent who sold you the property should be happy to prepare a CMA for you if he or she is still active in the local housing market. If not, ask an acquaintance whose opinion you trust to recommend an agent.

Buyers should ask for a CMA on a property they are considering buying, particularly if they are new to the area and haven't had the opportunity to see many listings.

First-Time Tip: Regardless of whether you are a buyer or a seller, the agent who prepares your CMA should work actively in the area where the property is located. The Internet has made it possible for virtually anyone to access comparable sales information. However, this information could be inadequate without firsthand knowledge of the comparable properties and the local marketplace.

For example, property upgrades usually have a positive effect on sale price. But if the upgrades are inferior in quality or design they can lower rather than increase the price. Suppose the information on a sold listing shows a remodeled kitchen. Without having seen the property, it's difficult to know how the remodeling affected the price.

The Closing: Don't be surprised if a CMA gives a price range rather than a set price. You're more likely to see this in markets where there is variation in terms of property size, age, architectural style and condition.