

COMPING GUIDE

THE SECRET TO PULLING
THE RIGHT COMPS FOR *EVERY DEAL*



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WHAT IS COMPING?

"Comping", short for Comparables, is the process of finding Comps when analyzing a potential investment property. **Comps are recently sold properties which are similar to your target potential investment property.** Finding Comps helps you determine the **current value** of your target investment property *and* the After Repair Value (ARV), or **resale price**, of your target potential investment property.

WHY IS COMPING SO IMPORTANT? WHAT HAPPENS IF I GET IT WRONG?

Comping a property is a critical part of the analysis phase of a deal. Finding good comparables ultimately helps you determine the Maximum Allowable Offer (MAO) you can make on a potential investment property, along with what you think you can sell the property for.

THIS OFFER WILL BE BASED ON THINGS LIKE:

- 1) The amount of repairs a property needs
- 2) How much is owed on the property
- 3) ARV - What you think you will be able to sell it for, based on current comparables

If you get the comparables part wrong, you will probably get the ARV wrong, which could have a big impact on your profit margins.

If your ARV is too high, your property will likely sit on the market for an extended period of time, before you end up dropping the price for it to sell. This will incur additional holding costs that you may not have planned for, which will cause a decrease in your profit once the deal is closed.

If your ARV is too low, you may price your property too low. A low price means it will



sell very fast, although it may also mean that you left money sitting on the table.

Pulling the wrong comps and miscalculating ARVs and offers could also hinder your ability to find private lenders willing to lend on your deals.

While financing deals using private lenders is typically preferred over bank financing, you may be hard pressed to find private lenders who want to do business with you if you have a habit of miscalculating offers, ARVs, and profit margins.

Private lenders aren't going to do a credit check on you, but they are going to do their homework when lending on a property. If you cash them out and they make a good return on their investment, they will likely continue to lend on your deals. But if you significantly underdeliver based on bad comps and calculations, they will probably choose to take their money elsewhere.

WHERE DO I LOOK FOR COMPS?

There are several places you can look to identify comparable properties for your potential investment deal. Each has its own strengths and weaknesses.

The main three are:

- **Public Data**
- **The Multiple Listing Service (MLS)**
- **Realeflow**

PUBLIC DATA

Public Data is a free and easy way to get comparables for individual properties (but keep in mind - this process isn't scalable).

The primary way to access and use public data is through property portal sites like Zillow or Redfin. These sites collect public property information from counties across the U.S. as well as Multiple Listing Services to provide a website that allows you to see all the properties in a geographic area. You can then filter down to find properties that more closely match the subject property that you are evaluating.

Although these sites are very convenient, their ARV estimates can be dramatically different and data can be out of date. It's hard to accurately determine a property's true ARV using these types of sites, but they can provide a good starting point.

THE MULTIPLE LISTING SERVICE (MLS)

The MLS is a database of properties that are listed for sale, are pending sale, or have been recently sold through a real estate agent.

The data provided on the MLS is also the most accurate, up to date information available on currently listed, pending, and sold properties in the country.



To be able to access the MLS, you must be a licensed real estate agent, working with a Broker. If you are not currently a licensed agent, then you have to either:

- A) Spend the time and money to get licensed and find a broker to affiliate with OR ...**
- B) Find an investor-friendly real estate agent who has access to the MLS and is interested in working with you.**

If you're not licensed, then an investor-friendly real estate agent is the most traditional way of getting accurate comps for your potential investment properties. This works by reaching out to a real estate agent and providing them with the basic information about the property you are evaluating. Typically you can expect them to get back to you within 24-48 hours with a report on comps in the area as well as what they believe the ARV to be.

If you're not a licensed agent and don't have access to the MLS, then this is the most accurate way to pull comps, as real estate agents are experts in your individual market and have access to the MLS.

The main disadvantage here is the timeliness of the response from the agent that you're working with. Pulling your comparables may not be at the top of their list amidst listing properties for sale and showing homes to potential buyers.

When making offers on properties, speed is key. If it's a good deal, typically the first one to put a good offer in, wins, so you don't want to be waiting around for someone else to deliver the information that you need to make an informed buying decision.

Also, as you use a real estate agent more and more for comps, there could be some expectation that you will use them as the listing agent on the resale of the property.





comparable properties within a 1 year time frame, at most, because, again, you are looking for the best gauge of the current market. Depending on the area, prices can fluctuate yearly.

NEIGHBORHOOD / DISTANCE

When looking at properties you want to find properties that are in the same neighborhood or close to it.

Start your radius at a .25 - .5 mile radius around the property you're evaluating and, if necessary, go out as far as 1 mile if it's a more rural or spread out area.

Also, make sure that you are looking in the same city. Some neighborhoods can be one city on one end of the neighborhood and another city at the other end of the neighborhood, or even across the street in some instances.

City services and school districts can vary based on the city and can dramatically affect home values, so always be aware of that.

SIZE OF PROPERTY

When looking at recently sold properties, you want to find properties that are similar in size to your subject property. Find properties that are within +/- 10% of the subject property's size.

For example, if your subject property is 1,200 sq ft, you would be looking for properties that are within 1,080 - 1,320 sq ft.

If you are adding square footage to the subject property during the rehab phase of the deal, make sure to take that into account and look for properties that will match the final square footage.





STYLE OF PROPERTY

When you are looking at recently sold properties you want to find properties that are the same style of home as the subject property. For example, compare single story to single story, slab foundation to slab foundation, colonial to colonial.

Another major consideration is the number of bedrooms and bathrooms.

Always make sure you're looking at homes that are +/- 1 bedroom and bathroom of the subject property. For example, if you are looking at a 3 bedroom, 2 bathroom property, you want to find properties that are 2-4 bedroom and 1-3 bathroom. If

you are in an area with a lot of inventory to choose from, always choose the properties that most closely resemble your subject property. In this case, that would be a 3 bedroom, 2 bathroom house.

If you are adding on a bedroom or bathroom during the rehab phase of the deal, make sure to take that into account and look for properties that will match the final bedroom and bathroom count of your property.

YEAR BUILT

When you are looking at recently sold properties you want to find properties that are similar in age to the subject property. There is no set scale, but a good rule of thumb is as follows:

- Look for homes built within the last 5 years for homes built within the last 5 years
- Look for homes built within +/- 5 years for homes built 5-15 years ago
- Look for homes built within +/- 10 years for homes built 15-20 years ago
- Look for homes built within +/- 15-20 years for homes built within 50+ years ago

SPECIAL CONSIDERATIONS

Finally, when you are looking at recently sold properties you want to look out for a few special considerations that could throw off your ARV or, worse yet, leave you with a property that is worth less than other similar homes in the area.

The first consideration is to look at the property's proximity to high noise and traffic areas like train tracks, schools, business commercial districts, airports, or high traffic roads. Any of these areas could affect the value of a property by up to 5-10%, depending on the market.

The second thing to look for are any special features that may be missing from your property that are frequently found in

other similar properties in the area. These could be things like air conditioning, fireplaces, swimming pools, off-street parking, etc. If your property is lacking these features and they are common in the area, you will either have to add them to your investment property during the rehab phase or adjust your ARV and MAO to accommodate not having them.

The third thing to consider is the actual comparables that you choose. Do not pick out the highest comparable properties in the neighborhood. You always want to be somewhere in the middle when determining the ARV. If you pull the highest ARV in the neighborhood, your property could be at risk of sitting on the market longer, which would raise your holding costs and ultimately affect your profit. If you choose the lowest price in the neighborhood it will force your MAO lower decreasing your odds of getting your offer accepted. You could also be leaving money on the table if you choose the lowest.

NINJA TIP:

You are trying to determine the price at which your property will sell the fastest while netting you a healthy profit. If you get greedy, you can expect your property to sit on the market longer, which will also affect the speed at which you can turn over your money, which is critical to being a successful real estate investor. The faster you turn a property the quicker you can get another under contract with that same money.



ONCE YOU'VE FOUND COMPS, NOW WHAT?

At this point, you're going to choose 2 sets of comps.

First, you will choose 3-4 lower comps, which represent the current condition of your subject property and support your offer.

This is information that you will bring with you to the negotiating table with sellers and/or lenders if you are attempting to buy a property by negotiating a short sale, for example. Use these comps to justify your offer by showing them what their house is worth compared to other similar properties, in similar condition, in the neighborhood.

You will also select 3-4 comparable properties that you are confident represent your subject property's After Repair Value. These comparables will help you determine what you will sell the property for once you have rehabbed it. This is information that your private lender will want to see when you are attempting to line up private funds.

NOW IT'S TIME TO PRINT OUT A COMP REPORT.

Your report should have your subject property at the top and the comparable properties listed below, including the following information:

- Address
- Proximity
- Property Type
- Year Built
- Total Square Footage
- Lot Square Footage
- # of Bedrooms
- # of Bathrooms
- Sale Date
- Sale Price
- Price per Square Foot
- Days on Market

See Appendix A for a sample of what this looks like.

NINJA TIP:

When showing the comparable properties to a seller asking market value for their home, if the comparables in the area are nicer and include photos you can show those and contrast the condition of their home to the comparables to help justify your lower offer.

APPENDIX A: SAMPLE COMP REPORT



Subject Property

Status	Address	City	Proximity (mi)	Property Type	Yr Built	Total SF	Lot SF	# Beds	# Baths
n/a	1702 David Ave	Cleveland	n/a	Single Family	1966	1,530	13,042	4	2

Comparable Real Estate Sales

Status	Address	City	Proximity (mi)	Property Type	Yr Built	Total SF	Lot SF	# Beds	# Baths	Sale Date	Sale Price	PSF	DOM
Sold Retail	1264 David Ave	Cleveland	0.05	Single Family	1967	1,640	15,643	4	2	1/15/2021	\$155,000	\$95.00	65
Sold Retail	1734 Sycamore Ave	Cleveland	0.6	Single Family	1961	1,583	17,362	4	2	12/2/2022	\$148,000	\$94.00	86
Sold Retail	26433 Sagamore	Cleveland	0.75	Single Family	1976	1,732	14,753	4	2.5	3/25/2020	\$161,000	\$93.00	123



COMPING QUICK REFERENCE GUIDE

Find 3 or 4 recently sold properties that are similar to the subject property that you're researching. Here are the things to look for...

1. Sales Data

- a. Look for property data that comes from MLS sources.
- b. Look for homes sold within the last 3-6 months
- c. Look for traditional retail sales, not foreclosures (REO's), estate sales, etc.

2. Neighborhood/Distance

- a. Look in the same neighborhood
- b. Look outside the neighborhood if it's rural or comps aren't easily available.
- c. Look for homes within a .25 to .5 mile radius around the subject property.

3. Size of Property

- a. Look for homes that are within +/- 10% of the subject property square footage
- b. If expanding the property, use the estimated final square footage

4. Style of Property

- a. Look for properties that are the same style (i.e. ranch to ranch, split level to split level.)
- b. Look for properties that are +/- 1 bedroom and bathroom of your property
- c. If adding bedrooms or bathrooms, use the final bedroom/bathroom count

5. Year Built

- a. Look for homes built within the last 5 years for homes built within the last 5 years
- b. Look for homes built within +/- 5 years for homes built 5-15 years ago
- c. Look for homes built within +/- 10 years for homes built 15-20 years ago
- d. Look for homes built within +/- 15-20 years for homes built 50+ years ago

6. Special Considerations

- a. Is it near anything that might affect the value like railroad tracks, commercial zones, or busy schools and roads? Adjust ARV by 5-10% if present.
- b. Is it missing any special features common to the neighborhood like basements, central air conditioning, fireplaces, pools, etc?



ABOUT THE AUTHOR

Greg Clement is the founder of Realeflow, which is also the parent company of Leadflow. Greg has been investing in residential real estate for 15 years and has coached and trained hundreds of real estate investors across the US.

PERSONAL NOTE FROM GREG

Comping is part science and part gut instinct. The more you do it, the better you will get at it.

In the meantime, network with local realtors to get someone in your network that can pull comps accurately for you, while you learn. Once they provide you with a report, try to come up with the same number they did. There's nothing wrong with learning as you go and asking plenty of questions!

Happy comping!

Greg



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