

The death of competitive market analyses as we know them

Finding the right home for your future buyer



by **Bernice Ross** (<http://www.inman.com/author/berniceross/>)



(<https://www.twitter.com/bross>)

Feb 22, 2016



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Key Takeaways

- The focus for homebuyers has shifted from bedroom bath, and price to lifestyle, affordability and commute time.
- Agents will use data analytics to augment their personal feature and lifestyle expertise in the future.

- Companies are already working on creating algorithms that will calculate the true cost of overall homeownership including the age of the home's features.

Competitive market analyses (<http://www.inman.com/2012/06/13/5-steps-building-a-worthy-cma/>) (CMAs) have been around for decades. Although commercial real estate usually relies on price-per-square-foot evaluations, residential real estate has been slower to adopt this approach for a variety of reasons.

Regardless of whether you use price per square foot or some other system of evaluation, the single-family CMA of today is about to change forever.

**The single family CMA of today is about to change forever.
(<https://twitter.com/share?text=The+single+family+CMA+of+today+is+about+to+change+forever.&url=>)**

In January, I wrote an article called, “The days of bedroom, bath and price are dead (<http://www.inman.com/2016/01/04/days-bedroom-bath-price-dead/>).” The article outlined how the data analytics revolution is reshaping the buyer decision-making process from being focused on bedroom, bath and price to a new focus on lifestyle, affordability and commute time.

As data analytics companies proliferate and their algorithms become more sophisticated, buyers will be able to search properties by the variables they rank as most important rather than being limited to a fixed format as they are today.

For example, a buyer might search using variables such as total monthly carrying costs (utilities, taxes, mortgage and insurance), school quality, proximity to his or her favorite hike and bike trail, percentages of live music venues or a host of other factors.

- Bedroom, bath and location will still be relevant but might not be as critical when weighted against other lifestyle variables

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Feature expertise vs. lifestyle expertise

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The best agents know the market so well that they price a property without looking at the comparable sales (<https://www.inman.com/2015/01/08/why-you-shouldnt-base-asking-price-on-comparable-sales/>).

For example, they know that a home with an unobstructed view is worth \$10,000 more than a home with a partial view and \$20,000 more than a home with no view. This approach might be best classified as “feature expertise.”

Many of the most successful brokers also excel in lifestyle expertise, a primary requisite for working the luxury market. The broker can help his or her client find the local food truck with the best Belgian waffles, the right person to groom the dog or where to get the healthiest plants and flowers at the best price for the garden.

In the future, agents will use data analytics to augment their personal feature and lifestyle expertise. This will open the door to new pricing models incorporating a wealth of factors that the consumer can rank based upon their preferences.

In the future, agents will use data analytics to augment personal feature and lifestyle expertise.
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text=In+the+future%2C+agents+will+use+data+analytics+to+augment+personal+feature+and+lifestyle+expertise.&url=)

Customizable algorithms

One of the most exciting innovations in data analytics is the ability to customize the search algorithm. MoveUp.com was an early innovator in this field.

Its automated home pricing model allows users to manipulate its algorithm by selecting comparable sales plus making adjustments for the level of market activity, interior and exterior condition, lot size, amenities and view, location and privacy, as well as the age of the property.

This feature provides a much more accurate picture of the property value, as opposed to a single number that you get from a Zestimate or other automated valuation models (AVM) that don't allow adjustments to the algorithm.

How utility costs can play into future pricing models

Now imagine that you can layer pricing data with the utility costs as part of your CMA. To illustrate how this works, MyUtilityScore.com is a new player that not only predicts how much your utility costs will be, but it also lets you adjust the algorithm by how many occupants live in a given property and the summer and winter thermostat settings, as well as whether the house will be occupied during the day.

For example, the area where my brother lives has an annual average utility bill (electric, gas and water) of \$2,904. Because we upgraded the appliances, the plumbing and the electrical, the amount MyUtilityScore

predicted for his cost was is \$1,792.

This amount is within a few dollars of what he actually pays on an annual basis, which translates into savings of approximately \$93 per month as opposed to the average for the area.

Assuming a 30-year mortgage with a 4 percent interest rate, the \$93 difference in the monthly payments would allow a buyer of our property to have the same payments as if he or she had purchased our property for \$20,000 less.

On the flip side, the buyer could afford to buy a house that was priced \$20,000 higher and still have the same carrying costs due to the difference in utility costs.

The true cost of ownership CMA

Companies are already working on creating algorithms that will calculate the true cost of overall homeownership. Here's how this could work on a listing appointment.

**Companies are already working on calculating the true cost of overall homeownership.
(<https://twitter.com/share?text=Companies+are+already+working+on+calculating+the+true+cost+of+overall+homeownership.&url=>)**

You load your data into a CMA platform that compares a wide variety of features — the overall cost of ownership, the value of the view, the deduction for the airport noise, the premium for good schools, etc.

The algorithm can also be adjusted to fit local market conditions, property condition, location and other factors that you or your clients deem relevant. For first-time buyers, the algorithm could also factor in the amount of down payment assistance the buyer might obtain for this property.

Theoretically, the algorithm could also project the cost of repairs over a 10-year period including when the water heater, the roof and other major systems would most likely have to be replaced.

To illustrate how this would impact pricing, assume that a property has a 25-year-old tile roof that has a 50-year life expectancy. That property should have no roof repairs over the next 10 years.

Now compare that to the same size property with a 12-year-old roof that has a 20-year life expectancy. The second property will have to replace the composition roof for \$24,000.

Consequently, the cost of ownership for the first property is \$24,000 less than the cost of ownership for the second property.

Although it still might be several years before this type of technology is widely available, the foundation pieces already exist.

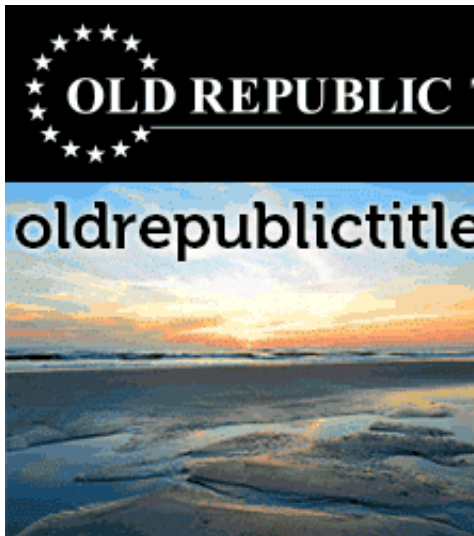
It's just a matter of time until this data can be factored into current pricing models that represent the real cost of ownership rather than the simple comparable sales price approach the industry currently relies on.

Bernice Ross, CEO of RealEstateCoach.com

(<http://www.realestatecoach.com/>), is a national speaker, author and trainer with over 1,000 published articles and two best-selling real estate books.

Learn about her training programs at www.RealEstateCoach.com/

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Maureen Green

Intrigued by MyUtilityScore, I entered my current address in Massachusetts but got a message my area isn't covered yet.

So I entered the address where I lived for 32 years in upstate NY. The results were a mess. It said my peak winter monthly natural gas bill was \$39. And that was when I pushed the thermostat slider up to 70 degrees. In reality, my winter gas bill never went below \$500 in those bleak snowy winters, and in record years, it topped \$800 per month. Before I use the widget for my listings, or I recommend the site to clients, I would need to see WAY better accuracy first. I can only imagine the client who thinks they'll get a bill for \$39 that ends up at \$600 or more.

That said, thank you for this article. I think it's great there will be customizable algorithms to match the value of criteria to what is most important to the buyer.

Like · Reply ·  3 · Feb 22, 2016 2:25pm



Brian Gitt ·

Founder & CEO at UtilityScore

I'm sorry to hear that Mareen's experience was not positive. A lot of factors contribute to a home's utility bills, including both the physical characteristics of the home and the occupants' lifestyle. UtilityScore factors in as many home characteristics (size, age, heating fuel, etc.) as are provided in public records. Occupant lifestyle also has a significant impact on utility bills. We would love to know more about Mareen's home in NY to better understand its size, age, and location, and factors perhaps not captured in public records. For example, if the home has additional square footage n... [See More](#)

Like · Reply · Feb 24, 2016 12:59pm



Sheri Daniel ·

Sales Agent at Wise Agent Realty

Has the author ever sold real estate? All the "NEW" factors have always been factored in by the good agents.....the automated systems will never know that a property is "beaten up" compared to the one down the street that has been cared for with love. And this does factor into the value.....

Like · Reply ·  31 · Feb 22, 2016 2:26pm



Debbie Cook ·

Realtor at Long and Foster Real Estate, Inc.

Yes This Author sold real estate for many many many years. Also managed real estate offices. I know her - she has always been on the "cutting edge" of residential real estate

Like · Reply ·  1 · Feb 23, 2016 8:52pm



Eddie L Bellett Jr

Makes sense to me Edd

Like · Reply · Feb 22, 2016 2:26pm



Bruce Brown ·

Real Estate Broker at Keller Williams Realty

"The best agents know the market so well that they price a property without looking at the comparable sales." I've met more than a few of these agents. Often when they are telling me my listing in their neighbourhood is way overpriced... a couple of days before it sells for asking price or more. The best agents spend hours carefully analysing the market value of a property even if they've worked on 7 houses on the same street over the last two months. Those who price a property without looking at any data might "think" they're the best agents; but they are dinosaurs.

Like · Reply · 18 · Feb 22, 2016 2:32pm



George Walsh ·

Sales Associate at Keller Williams Realty, Inc.

Yes. What is the definition of "best" agents? That definition is changing. The new "best" agents understand the new buyer dynamic.

Like · Reply · 2 · Feb 22, 2016 5:17pm



Hank Miller Team/Harry Norman Realtors

Seriously? Algorithms? How's all that working for the various sites puking out AVMs and having them be as accurate as a paper plane in a hurricane?

Might want to check in on how the appraisal business is doing with automation - you cannot account for the individual variables preset in every home - you should know better. Nothing beats an EXPERT pair of boots on the ground.

You're so off the mark here I don't know where to start beyond the fact that every single parcel of real estate is different and unique.

Like · Reply · 16 · Feb 22, 2016 2:33pm



Oscar Marti ·

FIU

OK, so is the "algorithm system" going to be implemented by the appraisers the lenders rely on? Or just the numbers?

Like · Reply · 1 · Feb 22, 2016 2:44pm

**Patrick Bissett ·**

Broker Associate at Keller Williams Realty of Coral Springs/Parkland

How people are living and working, commutes, proximity to major roads is now a bigger factor than ever. especially when gas prices were so high. If I agree with this article or not is irrelevant if all of my factors on why a buyer would pay top dollar if the appraisers dont agree and do it by the same method as always. I feel the CMA needs to reflect why a buyer may be willing to pay and what the lenders or appraisers are willing to finance and appraise.

Like · Reply · 2 · Feb 22, 2016 2:44pm

**Michael Pokryfka ·**

Regional Vice President at Coldwell Banker Honig-Bell

How's that working for zestimates?????

Like · Reply · 10 · Feb 22, 2016 2:48pm

**Thomas Baker ·**

Dream Fulfillment Specialist / Realtor at Thomas Baker Team

Zestimates, what a joke!

Like · Reply · 5 · Feb 22, 2016 4:12pm

**Anne Meczywor ·**

Lenox, Massachusetts

Depending on the market, an analysis of price and proper price positioning will remain a significant part of the ever-changing services real estate professionals will provide. There are many markets where algorithms are only good for a laugh, where in other places they are useful. Bottom line, as always: All real estate is local, and the consumer won't know what they don't know unless professional real estate services are used.

Like · Reply · 4 · Feb 22, 2016 2:50pm · Edited

**Eric Putoto ·**

Principal Agent at Platinum Real Estate Team - Re/max Real Estate

Bang on Bernice, great prospective!

Like · Reply · Feb 22, 2016 2:50pm

**Elizabeth Putnam ·**

Real Estate Broker at Mark Fields & Associates

Sounds like we are becoming appraisers. Humm?

Like · Reply · Feb 22, 2016 2:51pm

**Virginia Bacon ·**



Portola Valley, California

MyUtilityScore produces very misleading results. There is no definition of neighborhood and makes simplistic assumptions that are not grounded in reality. Too much liability here for me!

Like · Reply ·  3 · Feb 22, 2016 2:55pm



Brian Gitt ·

Founder & CEO at UtilityScore

UtilityScore will soon give listing agents the ability to update and customize the characteristics of their properties to help improve the accuracy of the algorithm for individual listings. We especially want sellers to “take credit” for efficiency measures in the home that reduce its utility bills compared to other homes in the area. An algorithm is only as good as the quality of its inputs, and, while public data is a great start, local insights from real estate professionals are essential to improving the accuracy of any algorithm-driven tool.

Like · Reply · Feb 24, 2016 1:01pm



Virginia Bacon ·

Portola Valley, California

Brian Gitt

Brian, you're on a slippery slope if you think it's the duty of listing agents to provide information about a seller's utility use. If it's material, this would be part of a seller disclosure and be backup by seller reports and invoices.

This is how sellers take credit for efficiency measures.

Like · Reply · Feb 24, 2016 3:04pm



Brian Gitt ·

Founder & CEO at UtilityScore

Virginia Bacon - Past bills are not a good indicator of future utility costs due to a number of factors including number of people living in the home, utility rate changes, etc. Therefore UtilityScore does not use past utility bills to predict future utility costs. We would be more than happy to talk offline if you have further questions.

Like · Reply · Feb 24, 2016 8:31pm

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Tom Marks ·

Real Estate Broker at Berkshire Hathaway HomeServices Real Estate Professionals

Thanks for your article Bernice. I had the opportunity to read your previous story. With technology advancing at such a furious pace, I have no doubt the algorithms being developed will be a factor in the home buying process in the near future. I would describe this currently as bleeding edge technology - a bit too new for clients to know about and request, and for agents/brokers to embrace. We will see this become more useful when it becomes cutting edge technology - people will be more aware this specific technology and it becomes more affordable for use by the people with boots on the ground. I do find it intriguing and look forward to how we can use this technology to better serve our clients...

Like · Reply ·  3 · Feb 22, 2016 3:06pm



The Jurgensen Group - Fairfax, Prince William, Stafford & Fredericksburg VA

One has to wonder, will the appraisal industry acquiesce to these new models? I seriously doubt it, given that banks still don't even accept electronic signatures and otherwise are living in the 90's (pre-Internet) - algorithms are fine for some things but not housing, one only need to turn to a Zestimate to see a living example (yes, even a blind squirrel finds an acorn once in a while and a stopped clock is right twice a day, BUT...)

Condition, lifestyle, even decor also impact value in a very substantial way - not to mention all the obvious things such as view, location, noise factors - bu... [See More](#)

Like · Reply ·  4 · Feb 22, 2016 3:07pm



Paul Butler ·

Realtor at Keller Williams Realty

I am a numbers and analytical guy with the best of them. How are these programs going to obtain the information on condition of all the features and facets of a home? Whoever it is whether it's owners agents or appraisers it's going to be the same subjective opinion that we have now on a market that changes every day. Selling real estate for 27 years in San Diego

Like · Reply ·  3 · Feb 22, 2016 3:08pm



Julie Carpenter ·

Bellingham, Washington

Appreciate the info. However, I have two "OLD SCHOOL" CMA's waiting for me to do: one date of death CMA for an estate and one for a divorce. Something tells me that clients

are still going to want our service and expertise for researching and preparing CMAs. It is up to us how we'll integrate the new tools that become available to help.

Like · Reply ·  4 · Feb 22, 2016 3:09pm



Don Reedy ·

Realtor and Internet Marketing at California Equestrian Properties

Bernice, I want to credit you with a great title. I stopped to read it. Beyond that, however, your magic wand isn't creating much magic in my eyes, and I both love and embrace technology. I'm afraid I'll have to agree with many of the comments already posted. Too simplified. Misses the mark with regard to how pricing is currently done...by good agents. Perhaps even greater in the miss department is that you seem to be touting how buyers can use this.

When you "data" into the hands of the inexperienced, you don't get good "information" coming out the other side.

Nonetheless, kudo for writing your thoughts.

Like · Reply ·  3 · Feb 22, 2016 3:11pm



Zaida S. Partin ·

Real Estate Broker, REALTOR® at Keller Williams Preferred Realty

For informational purposes only...In real estate, CMA stands for Comparative (not Competitive) Market Analysis.

Like · Reply ·  5 · Feb 22, 2016 3:29pm



Andre Cilliers ·

Owner / Broker at EXIT Hilton Head Realty

Zaida, same here in South Carolina. It's a Comparative Market Analysis.

Like · Reply ·  2 · Feb 22, 2016 5:23pm



Zaida S. Partin ·

Real Estate Broker, REALTOR® at Keller Williams Preferred Realty

I think it applies to all the US territory. LOL Well, at least we paid attention!

Like · Reply ·  1 · Feb 22, 2016 6:47pm



Duke John Wayne Rountree ·

Broker/Owner at Rountree Realty Corp.

Might be factor in big cities but do not see this happening anytime across rural America. Something to make you think about...and being used by buyers but not sure about replacing CMA, but you got me to read it so kudos on title.



Robert Scalia ·

Real Estate Broker at Real estate

I've been reading and listening to Inman's "death of" stories for the past 15 years or more. Wrong, Wrong, Wrong...and this is another. The good agent who listens to their Buyers factors in all of these items and the same good agent explains to their Sellers all the factors that give their homes value, or detracts from the value. A good CMA not only gives Beds and Baths, but the cover letter details the other value factors. Not impressed!

Like · Reply ·  9 · Feb 22, 2016 3:39pm



Rebecca MathRealty

Agreed! And all the legal issues/Fair Housing Laws they'll be tangled up with by assigning values for "good" schools, etc.

Like · Reply · Feb 24, 2016 4:36pm

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