

HOW TO... RUN COMPARABLE SALES LIKE A PRO

Undertaking due diligence when examining prospective purchases is a must, but how can you make sure you're getting the right info? **ANGELA YOUNG** [[@DepEdApi](#)]

Comparable sales analysis can be a great way of successfully ascertaining exactly what a particular property is likely to sell for (and therefore its "market value").

A list of comparable sales is simply information on similar properties that have sold recently within the locality of a property you're looking at.

This analysis is something Cate Bakos Property buyers' agent Amy Mylius undertakes several times a day, so she's honed her method pretty well.

When you're looking to purchase a property, she explains, agents often suggest a price that might not be reflective of what it's actually worth.

"Particularly in Melbourne, it's really tough because even though there are laws against underquoting, we still come up against it," she says.

That's why, instead of relying on what an agent tells you, it's wise to use data and research to figure out a property's value.

Property Mavens founder Miriam Sandkhuler points out that you need to obtain information across a number of sources in order to assess them both individually and in combination.

"Things to also consider include micro-economic factors such as location, local amenities, schooling, shopping and cafe strips, employment opportunities... these all influence price," she says.

When it comes to locating the relevant information, there are free sources and there are paid-for ones.

"We use CoreLogic RP Data, which is a

CHECKLIST

Factors that need to be the same (or as close as possible) to compare sales:

- ▶ Type of property (unit/townhouse/house)
- ▶ Number of bedrooms
- ▶ Land size
- ▶ Condition
- ▶ Location
- ▶ Number of units in the block
- ▶ Local amenities

Also – look for the most recent sales to ensure your information is timely.

Factors that can cause a comparable sale to be "out of line" with the market:

- ▶ Transfers between family members
- ▶ Underexposed "off-market" sales
- ▶ Multiple-property/single-transaction sales
- ▶ Divorce settlement
- ▶ Purchase by neighbours or other "special premium" parties.

TOP TIP

Jump on Google's Streetview and look around the vicinity of the comparable sales properties you've found. A whacking great big factory right opposite a house could be a reason for a bargain price!

subscribed service, so it's not necessarily something all buyers can access," Mylius says, "but [you can] just go on Realestate.com.au or Domain.com.au and look in the 'Sold' tab – all the properties that have sold will be in there, except the off-market properties.

"If the price is undisclosed, you can still give the agent a call and, if you

explain, they'll likely be happy to give you that sale price.

"If it's a very private sale and the vendor really doesn't want the price to be disclosed, I ask the agent just to give me a close range," she adds.

While there's a wealth of data available, Sandkhuler points out that no single source is perfect.

"Assessing price is part art and part science. It takes skill and not everyone will be good at it – costly errors can be made if buyers get it wrong," she warns.

One of the ways to mitigate that is, when choosing the recent sales, make sure you only compare apples with apples, as the old saying goes.

"I try and only focus on properties that have very similar characteristics, so I won't compare a house with a townhouse or apartment, I'll just try and compare houses with other houses," Mylius says.

"Land size is really important as well. A subdivided house won't compare to a house on a full block, because the land component's significantly different.

"I'll try my best to compare three bedrooms with three bedrooms, because it's very hard to put an exact price on how much extra a bedroom will add.

"Just get as close as possible to the property that you're looking at," she advises, "because once you start trying to extrapolate value, it makes it a little bit harder."

Things can also start to get a little more difficult if the property you're looking at buying is a bit of a one-off.

**Digging deeper**

Scan this QR code or visit bit.ly/1Sr0ze2 to see Amy Mylius and Kevin Turner chat more on comparable sales.



“I won’t compare a house with a townhouse or apartment.”

AMY MYLIUS

For unusual properties, Mylius suggests going a little further back in time to find some relevant sales.

“I usually say look within [the last] six months, but you might need to expand that to 12 months [for one-offs].

“Then... and this is quite challenging but sometimes necessary, try and figure out how much the market has moved... since the comparable sale sold.”

That data, of course, is available in the pages of this very magazine, so you don’t need to go any further than API.

Mylius also suggests expanding your search radius a little bit more.

“I usually try and look within a kilometre around my subject property, but you might expand that to two kilometres... be careful that you’re not going into an area that’s significantly different, because sometimes suburbs and their median prices can change dramatically if you’re going much further out or to a suburb that, say, doesn’t have a train station.”

Another thing that can skew analysis of comparables is a too-small pool.

“I try my best if I can to not ever rely on one sale, because there can be a lot of different reasons why one particular sale has gone for either a record price or a bargain,” Mylius says.

“Every auction or sale is different. You could have two buyers stretching way past their original budgets because they get competitive with each other.

“We saw that happen last weekend... there were two dads and they got really competitive and the property sold for about 10 per cent more than everyone thought it was worth!”

On the other hand, you could have a situation whereby an agent loses all of his buyers the day before an auction... but the vendor really needs to sell, so that property might sell for an absolute bargain.

“I try my best to draw on at least four comparable sales, ideally six or seven,” she says.

A bit of in-the-market experience can help you avoid hidden traps like micro-gluts in sales data.

“If you’re looking at, say, an apartment in Brunswick and there’s only one for sale at the time, and that property sells without many other properties similar, then [it] will very likely get a higher price because there’s nothing around,” Mylius says.

“If all of a sudden six apartments in Brunswick come up for sale at the same time, we call that a micro-glut – buyers have a lot more to choose from, the buyer pool’s diluted for each property, so the sale prices are likely to be lower.”

Off-market transactions also represent data worth chasing, and while the price info might not be publicly available, that doesn’t mean you can’t uncover it.

“We get them through RP Data, and we also know about them through our local agent relationships, so my best advice would be to speak to as many local agents as you can, whether it be at the opens or giving them a call during the week, and asking ‘Have there been any properties that have recently sold off-market? What did they sell for and what were the circumstances?’

“If an agent sells a property off-market and they only offered it to one buyer, I couldn’t use that as a comparable sale,

because one buyer doesn’t represent competitive bidding conditions. But if that agent offered it to their database and had three people interested, then that’s a valid sale to use.”

Striking up relationships with local agents is a great way to access more and more information in this vein.

“I think you’ve always got to preface your questions when you speak to an agent and say ‘I’m an active buyer in the area, this is what I’m looking for, and this is the reason I’m asking,’” Mylius says.

“Sometimes agents, and I even find it myself, they can get a bit defensive if you’re asking for information about off-markets or undisclosed prices.

“It might be a really sensitive sale. They’ve got to be careful as well, because they’ve got to protect their vendors.”

The recent changes by the Australian Prudential Regulation Authority (APRA) are a good example of the impact macroeconomic forces can have on the data you’re analysing.


“Since those changes we’ve seen quite a dramatic change in the sale prices,” Mylius reveals. “We’ve seen apartment sale prices stagnate in some areas, particularly for the newer, higher density ones, so I wouldn’t take an apartment from the end of last year and compare it to pre-APRA changes... the prices are quite significantly influenced by that.”

Mylius is keen for people to learn the ins and outs of comparable sale analysis.

“It’s a lot harder to put into practice than it is to talk about,” she admits.

“I think empowering people doesn’t necessarily detract from our business because there’s still a lot out there that people don’t know how to do themselves with property.

“At least this will help them in going in to speak to agents, and not necessarily relying on what agents are saying.

“I want to try and help enable buyers... help the people who can’t necessarily afford a buyers’ advocate. I think those people tend to be the most vulnerable.” 

DATA WEBSITES**Free...****Paid-for...**