

Sales Comparison Approach
Practice Problem # 1
Market Analysis of Attributes

You have analyzed the market and have determined that the following are important attributes in a home. Basement–Bedroom–Garage–Bathroom. You used market information to arrive at the following information.

Sale # 1) Sold for \$144,000. It has 1,800 square feet, 3 bedrooms, a full basement, a two car garage and 2 bathroom

Sale # 2) Sold for \$153,300. It has 2 bathrooms, no basement and 3 bedrooms. It also has a 1 car attached garage and the home has 1,980 square feet.

Sale # 3) Sold for \$163,800. It has a full basement and a 2 car garage and 1 bathroom. There are 3 bedrooms and a total of 2,100 square feet.

Sale # 4) This home has 1,700 square feet, no basement but has a 2 car garage and 2 bathrooms. It has 3 bedrooms and recently sold for \$127,500.

Sale # 5) This home sold for \$140,600. It contains 1,900 square feet, 2 bedrooms, a full basement, a 2 car garage and 1 bathroom.

Using the grid below, develop the dollar amount to add for each attribute based on a cost of selling price per square foot

Element of Comparison	House #1	House #2	House #3	House #4	House #5
Sale Price					
Square Footage					
Basement					
Bedrooms					
Garage					
Baths					
Price/Square Foot					

Basement: _____ per square foot

Bedrooms: _____ per square foot

Garages: _____ per square foot

Bathrooms: _____ per square foot

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	HOUSE # 1	HOUSE # 2	HOUSE # 3	HOUSE # 4	HOUSE # 5
Sale Price	\$144,000	\$153,300	\$163,800	\$127,500	\$140,600
Square Footage	1800	1980	2100	1700	1900
Bedrooms	3	3	3	3	2
Basement	Yes	No	Yes	No	Yes
Garage	2	1	2	2	2
Baths	2	2	1	2	1
Price/Square Foot	\$80.00	\$77.42	\$78.00	\$75.00	\$74.00

Basement:	<u>\$5.00</u> Per Sq. Ft.	<u>1 & 4</u>
Bedrooms:	<u>\$4.00</u> Per Sq. Ft.	<u>3 & 5</u>
Garages:	<u>\$2.42</u> Per Sq. Ft.	<u>2 & 4</u>
Bathrooms:	<u>\$2.00</u> Per Sq. Ft.	<u>1 & 3</u>

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What you want to do is find two houses with everything exactly the same except for the item you are looking for. Then net the two square foot prices to arrive at the value for the item. Example: You are wanting to know what value a basement adds to the value of the home. Use sale number #1 and sale # 4. Both have 3 bedrooms, both have a two car garage, both have 2 bathrooms. The only thing they differ in is the basement which is the item you are trying to get a value for. So Sale # 1 has a price of \$80.00 per square foot and sale #4 has a price of \$75.00 per square foot. The difference in the two sales is \$5.00 per square foot. That is what we are looking for--\$5.00 per square foot for the basement. We are saying that a basement adds \$5.00 per square foot to the cost of the structure.