

## WHAT IS A COMPARABLE PROPERTY?

Let's analyze this term – comparable (**adj. equal in likeness**). Now let's apply this term to help define our problem – what is a comparable property? ...*But didn't you say that real property was unique in that no two properties are the same?* Rather than deal with a contradiction, it would make sense to qualify characteristics and attributes of a property that could possibly vary, to better understand the **comparison** of any two.

If you were to review the organization of [My Property](#) you will note that property characteristics and attributes are organized into three main headings:

1. **Property Description** (e.g. building type, living area, address, tenure)
2. **Features and Amenities** (e.g. flooring coverings, layout, pool/spa equipment)
3. **Equipment Services & Utilities** (e.g. heating type, rental equipment)

The reason for grouping these characteristics and attributes is to clearly define each by relationship. This makes it far easier to establish a **subjective value** for any characteristics or attribute. A **subjective value** is the price that an individual will pay for real property respective of its cost. This includes the present worth of all future benefits that the lease will accrue

Because a Tenant bases his/her ultimate decision on emotional and subjective values illicited by a property, we can argue that ultimately subjective evaluation leads to market evaluation – (successive market prices in the lease of comparable properties forms a model to estimate the market value of a particular property.) This model commonly referred to as a **direct comparison approach** of determining value. This approach simply relies on the **principle of substitution** in that an informed tenant will pay no more for any single attribute or feature of a property, than he/she could acquire from a property with similar characteristics and attributes.



From this model, we can conclude that:

- A Comparable Property must have limited variations in the physical characteristics and attributes compared to your property in order for a prudent Tenant to place a similar value of rent based on their **equality in likenesses**.

### DISCUSSION

*“Our model has shown that in open market conditions comparable properties attract similar interest from tenants based on the principle of substitution. Because the rates of occupancy for accommodation are determined in an open market (where supply is directly proportional to inventory and price), we must caution that when market inventory exceeds demand, the principle of competition will yield a correction in price of any comparable (now competing) property.”*