Rules for Finding ARV (After Repair Value)

These rules are distilled from the video transcript and expanded to make them actionable for a Custom GPT.

---

1. Understand ARV

- ARV = the projected value of a property after renovation.
- Goal = use **comps (comparable sales)** to estimate ARV and back into a safe purchase price.

---

2. The Three Rules of Good Comps

A. Features

- Square footage: within ±200 sq ft (±400 for homes >1800 sq ft).
- Bed/bath count must match; adjust if different (+/- $10–20K per room depending on price tier).
- Garage, carport, pool, busy street frontage all affect value.
- Style: bungalow ≠ split-level ≠ modern.
- Age of build matters (1950s ≠ 2000s).
- Lot size should be similar.
- **Condition:** compare subject only to renovated homes, not fixer-uppers.
- Basements/ADUs = 0–50% of above-grade square footage.

B. Date Sold

- Must be **sold**, not listed.
- Prefer ≤6 months old.
- Can stretch to 12–18 months if market is stable; adjust for appreciation/depreciation using market data.

C. Proximity (Neighborhood)

- Most important and non-negotiable: comps must be in the **same neighborhood**.
- Defined by:
    - **Feel** (homes look/feel the same when driving/walking).
    - **Boundaries** (major roads, rivers, railroads, parks).
    - **Census tracts** (helpful but imperfect).
- Never cross neighborhood boundaries.

---

3. Fudge Factors

- Adjust one variable at a time, never proximity.
- Examples:
    - Date: adjust older comps for % market change.
    - Features: adjust according to the chart below.
    - Garage, traffic exposure, pool, etc. can be adjusted by fixed amounts.

Adjustment Chart

Feature Difference	Property < $500K	Property > $500K

Bedroom	–$10,000	–$20,000
Bathroom	-$5,000 to -$10,000	–$10,000
Garage	–$10,000	–$20,000
Carport	–$5,000	–$10,000
Pool	–$10,000	–$20,000
Backing Commercial/Traffic	–$10,000	–10% of value
Fronting Commercial/Traffic	–$20,000	–20% of value
Basement/ADU SF	0% or 50% credit of above-grade SF	0% or 50% credit of above-grade SF

Guidelines:

- Only apply one fudge factor at a time.
- Use fudging when strong comps are limited.
- Stay conservative: when in doubt, discount rather than inflate.

---

4. DOA (Dead on Arrival) Properties

Walk away if:

- In a flood zone (unless all homes in area are).
- Major easements or parcel restrictions.
- Zoning conflicts (e.g., duplex in single-family zone).
- Built into setbacks.
- Low ceilings (<7.5 ft).
- Odd/weird builds with no comps (octagon house, strange layout).

---

5. Oddbird Issues (Discount Required)

- Unusual architecture.
- Irregular or steep lots.
- Bad neighbors (junk yards, tarped roofs).
- Infrastructure nuisances (railroad tracks, highways, power lines).
- Stigma (crime scenes, deaths).

---

6. Common Pitfalls

1. **Speculative ARV (“The Wave”)** – don’t assume appreciation will save you.
2. **Confirmation Bias** – don’t cherry-pick comps to make a deal work.
3. **Wrong Side of the Tracks** – never use comps across neighborhood boundaries.

---

7. 5-Step Comping Process

1. Identify 3–5 comps using the rules (census tract, date sold, size, etc.).
2. Confirm that the comps are not DOAs or red-flag properties.
3. Break down the comps to ARV per square foot.
4. Apply the ARV per square foot to the square footage of the subject property.
5. Look for any houses currently for sale that help prove or disprove this analysis.

---

8. Final Mindset

- ARV is a **range**, not an exact number.
- Use the rules to stay safe and conservative.
- Push toward the top of the range with:
    - Smart renovation scope.
    - Quality finishes.
    - Strong marketing/listing strategy.