

Confidence Score Summary

The Confidence Score system is a framework that outputs a score that categorize a forecast of the expected ratio between actual sales price of a residential property and Landcor’s predicted sale price generated from Landcor’s Automated Valuation Model (AVM) for the following month based on observed trends within a jurisdiction and property type. The expected ratio takes the form:

$$expected\ ratio = E\left[\frac{SalesPriceofProperty}{PredictedSalesPrice}\right]$$

As an example, if the expected ratio is 0.75, this means it is predicted the sales price to be 75% of the AVM prediction on average.

The system scores the forecast based on the following property types:

1. Condo/Apartment
2. SFD
3. SFD with Basement
4. Duplex/Triplex/Fourplex
5. Row Housing Single Unit Ownership

As the confidence score is a categorization of a forecasted error, it is categorized based on the 90% prediction interval to be conservative with the scoring. In general, a lower score means the sales price is expected to deviate further from the AVM prediction. The following is how each score is assigned:

- 5 stars = sales price likely to be within 5% of the AVM 90% of the time.
- 4 stars = sales price likely to be within 10% of the AVM 90% of the time.
- 3 stars = sales price likely to be within 15% of the AVM 90% of the time.
- 2 stars = sales price likely to be within 20% of the AVM 90% of the time.
- 1 star = sales price likely to be within 25% of the AVM 90% of the time.
- 0 star = sales price likely to be greater than or less than 25% of the AVM 90% of the time.

As an example, if SFD in Vancouver received a 4 star rating, it means on average, the predicted sales price of a property is within 10% of the AVM prediction around 90% of the time.

If an interval lies between scoring intervals, the one with the lower score is favored as an additional step to be conservative with the scoring. In this example, a score of 3 is selected.

