



HOW MUCH IS YOUR HOME REALLY WORTH?

Many homeowners find it confusing that there are various numbers floating around that indicate their home value. But don't we want to know market value? Here are a few sources of those numbers:

Property tax assessment. Each jurisdiction uses a formula to establish home values for a tax assessment, but this price rarely correlates with the market value of your home. Your tax assessment can be higher or lower than the current market value. In California Proposition 13 provides that formula. Trust me, don't use this as an indicator of value.

Zillow, Realtor.com, and the other web based models. Read the find print and you will notice that the supposed values have many disclaimers. A computer doesn't know what makes a house a home: floorplan, condition, feel, location, amount of sunlight, amount of privacy, etc. Be very careful when relying on web-based tools.

Appraisal. Many folks believe a Realtor can provide an appraisal. Technically, an appraisal can only be provided by a licensed appraiser, and over 99% of all Realtors are not licensed appraisers. An appraiser has strict guidelines that can be much different than a buyer uses when determining what to offer. It can be useful, but can easily be wrong.

Homeowners insurance value. Insurance estimates are based on the cost of replacing your home (and remember that land really doesn't burn down, decay, etc.), so this value is skewed compared to market value.

Mortgage balance. Your mortgage balance simply reflects your home loan. The difference between your loan payoff and the market value of your home is your equity.

Neighbor's home value. Even if your neighbor's home is similar to yours, it's not likely to be identical. They could have sold it to a family member at a steep discount.

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Cost when you purchased the home, or cost to build today. Again, this is not the way to determine market value. This number can be “all over the board”.

Desired value. You can always try to put your home on the market for your desired price, but if you’ve over- or under-priced it, you’re shortchanging yourself because you’re either selling too low or your house could sit on the market and eventually sell for less than if you priced it correctly in the beginning. Remember, the asking price is usually not the market value because 20-30% of all listings either expire, have price reductions, or sit.

Comparative Market Analysis (CMA)

Michael can provide a comparative market analysis with recent market data to help you estimate your home value. When you sell your home, an appraisal will be required by the buyer's' lender. So keep in mind that your home needs to appraise for at least the selling price or, depending on how your contract is written, you'll have to renegotiate the sale. Or the buyers will need to come up with extra cash.

A CMA is both an art and a science. While it's based on data, it also requires local market knowledge and intuition about which homes to compare and how to interpret the prices. Most REALTORS® will look for recent sales of homes that are similar to yours, preferably within the past two or three months, up to about six months. In addition, look at other homes currently on the market and homes that didn't sell that were taken off the market to compare values.

The comparison of your home with others should include not only the size and the number of bedrooms and baths, but also the condition of your home, the neighborhood and the proximity to amenities. If you do not understand the comparisons a REALTOR® is making, ask to see some of the homes currently on the market or look online at photos of the properties.

Another tool to utilize is an absorption analysis so you can see supply and demand

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trends. Is the market trending down in terms of supply, and how does that affect you? Michael can provide this analysis and explain it all. This is a powerful tool that only an experienced agent knows how to provide and use.

While it may be tempting to list your home with the REALTOR® who tells you it can sell at the highest price, a smarter way to sell your home is to price it as accurately as possible from the beginning. Numerous studies constantly show that an overpriced home that lingers on the market will end up selling for less than the estimated correct price. Ouch!

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