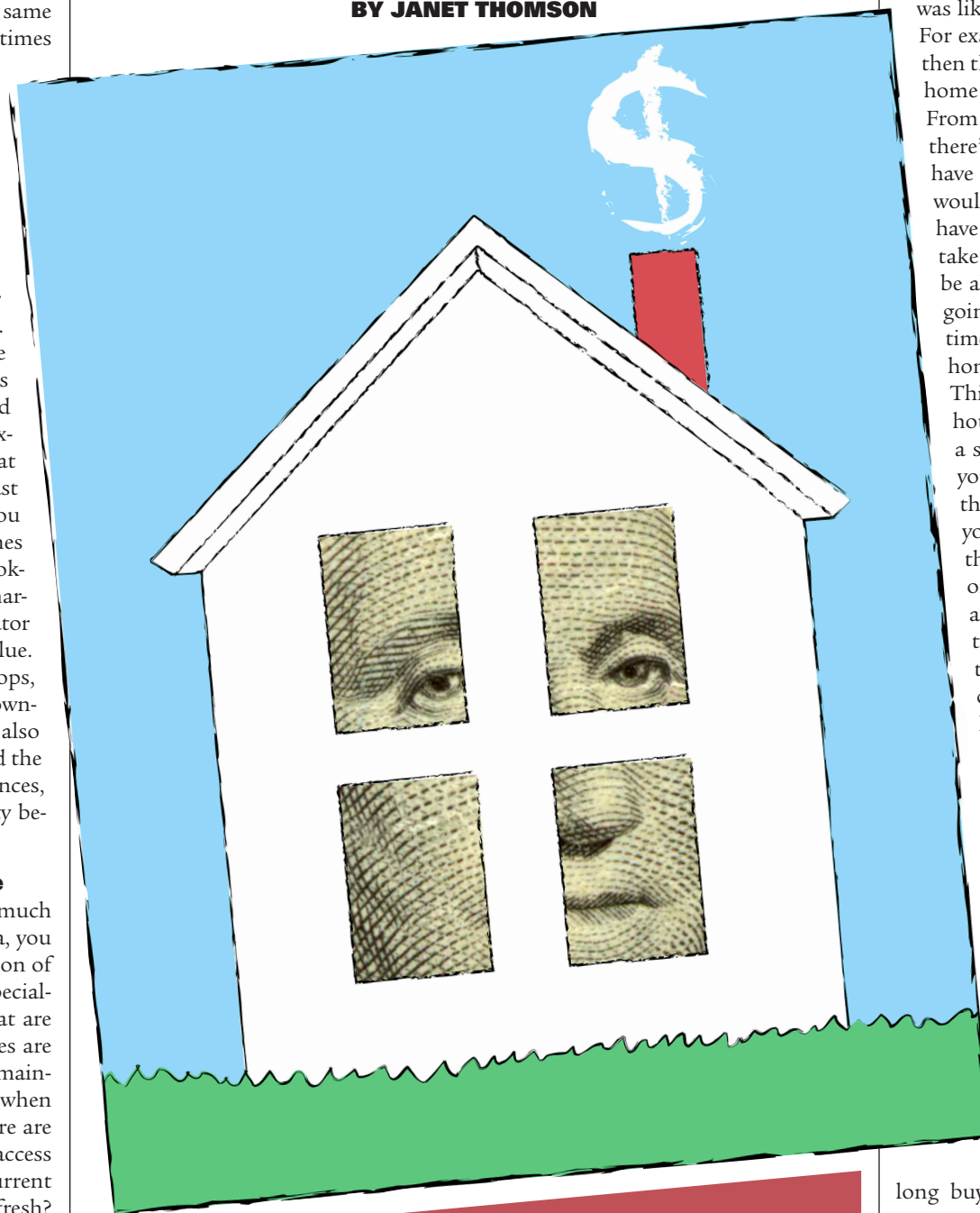


Factors that Determine Your HOME'S VALUE

BY JANET THOMSON



The location of your home is a very important component when determining its market value.

The goal of any seller is getting top dollar for their property. However, many homeowners have an inflated idea of what their homes are actually worth. Anne Burroughs, of Montague Miller & Co. (www.anneburroughsrealtor.com), tells sellers that “once you put your house on the market, it’s no longer your home – it’s a commodity.” And, “therefore, you have to divorce yourself from your feelings for the house.” Burroughs says that because sellers are married to their homes, the parameters they use to approximate their home’s value are not the same used by REALTORS®. Sometimes those numbers work out and sometimes they don’t.

Location Matters

The location of your home is a very important component when determining its market value. According to Burroughs, the homes that are closest to your home are going to be your best comparable properties. When doing your comparative analysis, you’re looking for homes similar in characteristics, and located within a very close proximity. Ideally, you want to look at what homes sold for in the past six months. In some instances, you might find large expensive homes next to very modest ones. So, looking at properties with similar characteristics is a very good indicator for determining a home’s true value. In addition, conveniences like shops, transportation, proximity to a downtown area and major roads will also determine your home’s value. And the closer you are to these conveniences, the more appealing your property becomes, Burroughs adds.

The Condition of Your Home

Once you’ve figured out how much homes are selling for in your area, you then need to evaluate the condition of those homes, says Burroughs, especially if you’re looking at houses that are brand new. Although some homes are fully updated, while others have maintained their original finishes, when doing a comparative analysis there are certain variables you can use to access the value. For example, how current are the finishes? Is the paint fresh? Has new carpet been installed? Does the home have granite countertops, tile or hardwood floors? It’s imperative that you compare your home as close as possible to other homes that are in the same condition. This is particularly important when you’re looking in areas where the houses were built in the 1970s and 1980s. Furthermore,

by averaging the tax assessment, dollar per square footage, and absorption rate (also referred to as the soft number) of homes that sold within six to twelve months, the homeowner is better equipped to estimate the value of their property.

Market Climate

When evaluating the market climate in your area, you want to look at how long it takes for homes to sell in that particular location. Burroughs believes that you can accomplish this by looking at how many homes sold the previous year in order to get a sense of what it was like over the last twelve months. For example, if six homes were sold, then that means that on average one home was sold every two months. From a competitive standpoint, if there’s a neighborhood where you have three homes for sale, and you would be the fourth, then you have to assume that it’s going to take all four of those homes to be absorbed. That means that it’s going to take eight months (or times two months) for all four homes to sell, says Burroughs. This essentially equates to one house sold every two months. As a seller, you must then decide if you want to be the first one of those four houses to sell, or do you want to be the last. And, if the homes are comparable, the one that is the lowest price is always going to sell first. So, if there is economic uncertainty, the pool of potential buyers diminishes, often resulting in lowering the price in order to sell the property.

A common mistake that sellers make is over pricing their homes. Burroughs says that sellers use subjective information like “how much they paid for their homes, how long they lived in the house, and how much money they need to move on to the next property,” to help them determine their home’s value. Sometimes the numbers work out, but if the property languishes on the market too long buyers begin to wonder what’s wrong with it. If you want to sell your property within a reasonable amount of time, make sure you’ve gotten your numbers right. Working with the expertise of a qualified REALTOR® can make the process less painful. ■

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