



HOME VALUE

How Much is Your Home Worth?

This question is best answered by a professional Real Estate Agent. Why? Because they have access to information that you will not have access to. Agents can create a Comparative Market Analysis (CMA) by pulling from records of home sales through the Multiple Listing Service (MLS). In order to access these records, one must be a licensed Realtor.

Realtors are also trained in which homes they should compare your home to in order to come up with a reasonably accurate amount. Even homes built in the same neighborhood by the same builders will have differences that will have an impact on the value of the home.

What needs to be considered

When other homes sold in the area

Most appraisers will not look beyond the last 3 months of homes sold. Homes sold in the last 3 to 6 months should only be considered if there is a lack of inventory.

Listing status of comparable homes

- Homes that are **active** are not a good source of value information because a seller can list their home for anything they want, even against the advice of their real estate agent. Those home are the competition and should be taken into account when deciding if you will list above or below them in order to compete.
 - **Pending** homes are also not the best source of value information because how much the house is in contract is for might be vastly different than the list price. This is information that will most likely not get disclosed until it has been recorded. There is also no guarantee that the house will not fall out of escrow. Pending properties are also the competition and how many days on market the property has been available is valuable information. You can also check to see if there were price reductions before the house went pending and the number and timing of those reductions.
 - **Withdrawn or expired** listings can also provide valuable information. Why didn't they sell? Were they over priced? What was the condition of the home? Did they go pending and then fall out of escrow?
 - **Sold** homes are where value can be determined for listing a home. Keep in mind that even the MLS will not have a complete record of all homes sold. For instance, a For Sale by Owner (FSBO) cannot use the MLS and so their home sale will most likely not be on the MLS. If you know of a FSBO that sold near your home, it would be a good idea to get more information about the sale to see if it would be a comparable.
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Location of other homes sold in the area

The general rule is to only compare houses within a half of a mile or less of each other. Appraisers will most often stay in a neighborhood or group of homes that are bounded by similar geographical boundaries such as railways, highways and major streets. In rural areas, they will also try to stay within so many miles of the home being compared depending on the size of the lots.

Lot size

Depending on location, the size of the lot will play a huge role in the value of a home. A home with an acre or more can cost considerably more than the exact same home on a standard size lot.

Size of the home

Cost per square foot of a home can be used to determine value if the two homes are mostly similar in every other way except square feet as long as the difference in size is not excessive. A good rule of thumb is to stay within a 10% variance either way, if possible.

Age of the home

Homes built in the 70's should not be compared to homes built in the 90's and homes built in the 90's should not be compared to those built in the 2010's, *even if they are next door to each other*. It is best to keep the time span to 10 years or less.

Condition of the home

- Were functions of the house such as the plumbing and electrical maintained?
- Is there a septic system and has it been maintained?
- Is there a well and has it been maintained?
- How old is the roof, what type is it and what is its current condition?
- Does the foundation have any issues that might be costly to fix?
- How old are the windows? Do they need to be replaced?
- Has the home been updated recently or will it need to be remodeled?

What desirable or undesirable issues are around the house?

- Are there airports, train tracks, shipping harbors and/or other noise factors nearby?
 - Are there parks, waterfronts or other beautiful scenery nearby?
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- How close is shopping, restaurants and other entertainment?
- How far is the commute to nearby areas of work or school?

What kind of market is it currently?

Sellers markets are where there is less inventory than there are buyers and homes are not sitting on the market very long. Because of the lack of inventory, you could list for 10% more than the sold amount of the most recent comparable. You could also list just below the higher, current active listings which can create a bidding war, driving the price above the list price of the active listing.

Buyers markets are where there is more inventory than there are buyers. Buyers can afford to be choosy and will be in more of a position to bargain. This is where taking a good look at other active and pending sales will be important. Depending on how fast you want to sell, you will need to price your home competitively against the other homes in the area in order to sell when you need to.

What doesn't matter

How much you paid for the home.

I know. You paid X number of dollars X number of years ago and you want that money back. But unfortunately, it doesn't matter in determining the current value of your home. Why? Value is determined by what a buyer is willing to pay and/or what their lender is willing to finance them for. If you could find a buyer willing to pay any price in cash, then this is a non-issue. But most buyers are financing their purchase, and the bank will not lend more than the current market value.

How much money you spent fixing it up.

Again, you spent X number of dollars fixing it up and you want that money or more to compensate you. Unfortunately, there is a limit to how much improvements will add value to the sale of the home. Most home improvements almost never make as much money back as you spent on the project. At one time, deck improvements were at 104% Return on Investment (ROI), but now that number is down to 57.7% ROI. Think of improvements as making the home more sellable. Your home will look better than the house that did little or no improvements and will sell faster.

There is also the risk that you have over improved the home for the neighborhood. Expensive features may make the house look great, but if none of the homes in your neighborhood has these features, then you will not recoup the expense of those features.



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According to the 2020 Cost vs. Value Report :

Minor Kitchen Remodel (Midrange)

- Average Cost: \$23,452
- Average Resale Value: \$18,206
- Return on Investment (ROI) is 77.6%

Major Kitchen Remodel (Midrange)

- Average Cost: \$68,490
- Average Resale Value: \$40,127
- ROI is 58.6%

Major Kitchen Remodel (Upscale)

- Average Cost: \$135,547
- Average Resale Value: \$72,993
- ROI is 53.9 %

Window Replacement (Vinyl)

- Average Cost: \$17,641
- Average Resale Value: \$12,761
- ROI is 72.3%

Master Suite Addition (Upscale)

- Average Cost: \$282,062
- Average Resale Value: \$145,486
- ROI is 51.6%

Bathroom Addition (Midrange)

- Average Cost: \$49,598
- Average Resale Value: \$26,807
- ROI is 54%

Bathroom Addition (Upscale)

- Average Cost: \$91,287
- Average Resale Value: \$49,961
- ROI is 54.7%

Bath Remodel (Upscale)

- Average Cost: \$67,106
- Average Resale Value: \$37,995
- ROI is 56.6%

Conclusion:

Determining the value of a property is a complicated process and if you don't have the resources or experience, then it is a huge risk as well. You might list too low and then not get the money you could have coming to you. Or you could list too high and risk not only not selling, but your house will get a stigma that buyers won't forget, even if you reduce the price later. Or your house could go pending at the high price, only to have the lender refuse to fund on it, making your deal fall out of escrow. At this point, anyone who was interested in your home will wonder why the home fell out of escrow and most likely assume there is something wrong with the house.

So if you need to know the value of your home, please contact a Realtor or two who have the resources and experience to give you the correct information.
