

How Proper Valuation Techniques Can Increase Your Equity!

As many of us are perhaps aware, property valuation is both an art and a science. Having good appraisal skills is, more often than not, critical to achieving the one thing that Sellers want most of all – *getting the best possible price* (“highest seller equity capture”) for their home.

We often hear statistics dragged out in support of a particular agent’s performance: items such as the number of transactions a particular listing agent did during the past year, or how many fewer days than average it takes to sell this agent’s listings (on average), or how many more dollars than average that agent’s listing inventory receives when sold. I use these types of statistics shamelessly in all of my personal promotion materials, as you have just seen, and I do without apology. These types of statistics, for all their faults and inaccuracies, resonate with many prospective Sellers. But these statistics are not the whole story

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It is my opinion (and one that would be disputed by many agents, no doubt) that most agents who make use of traditional Comparative Market Analysis methodologies often leave some Seller monies on the table. This is because the Comparative Market Analysis is a “gross estimation process”. Gross estimating can miss many adjustable differences between the subject property and its comparables, and these adjustable differences can cost Sellers thousands of dollars.

The factors affecting property values can be complex and must be applied carefully and with the recognition that adjustment differentiation occurs for a wide variety of reasons. For example, the absence or presence of a fireplace in one home may adjust for \$800 (+/-) but, in a different home with other factors at play, may adjust for \$1,600 (+/-). Adjustments should be made, at the very least, for differences in:

- ✓ square footage of the home.
- ✓ garage square footage (if oversized).
- ✓ quality differences.
- ✓ feature differences.
- ✓ basement finish differences.
- ✓ number of bedrooms/bathrooms.
- ✓ lot differences.
- ✓ locational differences.
- ✓ functional differences.
- ✓ adverse influence differences.

When I complete a property valuation on behalf of a client, it is very rare that I get an argument over price from a Seller with any real motivation to sell. The home generally will not sell too fast (because it is underpriced) or too slowly (because it is overpriced). Typically it sells in an appropriate time frame and at a price that represents the Seller’s highest equity capture under current market and motivational circumstances.

It is this process of professional valuation, and then professional marketing to reinforce in the minds of prospective Buyers that good value is to be found in the home, that will enable the Seller to receive the best possible price for their home. ***This is, after all, what you are paying your agent to do on your behalf.***

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From my point of view, this process moves me from the rationalization that I am doing a "good" job for my Seller to one of "knowing" that I have done the "best" job possible for my clients.

I always provide a complete copy of my property valuations to my clients so that I can discuss with them the nature and amounts of all adjustments, and the effect of these adjustments on the value of the home. If you are receiving other estimations of market value, ask the agent preparing them to provide you with the adjustments that were made to arrive at the estimated market value of your home.

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