

Accurate property valuation key to speedy, successful sale

The highest appraisal is not necessarily the best appraisal; the valuation of a property is one of the key factors in determining how long it remains on the market and for a seller it's crucial that an accurate, market-related price be ascribed to a home.



House in the Hen and Chicken Estate in Cape Town's southern suburbs.

The goal of a valuation is to determine a property's market value: the most probable price that the property will fetch in a competitive and open market. If it's priced higher than similar properties in the area, it'll be unlikely to sell until the price has come down.

Barbara Manning, area specialist in Bishopscourt for Lew Geffen Sotheby's International Realty, cautions that while it may be tempting, sellers shouldn't accept appraisals at face value and opt for the highest simply because it is the highest; they must determine how the agent arrived at the recommended selling price and also do their homework by looking online to check the pricing of comparable homes in their area.

"Ask agents for their recent area sales information, any statistics they may have on recent suburb sales from the Deeds Office and how your home slots into the market, as well as for a breakdown of how they arrived at their final valuation figure and what factors were taken into account to get there."

Why homes are unrealistically-priced

Manning says that there are two main reasons that homes enter the market unrealistically-priced; sellers choosing to go with inflated valuations or unrealistic expectations from sellers, which is often the case because there is usually an emotional component to selling a residential property, particularly if it's a primary residence.

“In real estate the practice of offering extremely optimistic appraisals in order to obtain sole mandates does unfortunately happen, but it’s one most agents eschew – until stock becomes extremely scarce as we are now seeing in Cape Town.

Grahame Diedericks, manager principal for Lew Geffen Sotheby’s International Realty in Midrand, Johannesburg, says this practice also becomes more prevalent when the market is extremely flat, as these conditions also increase competition between agents in the quest for sole mandates.

“Gone are the days when realtors could just put a board up and get inundated with listings as one could before 2008 and for a brief time in 2014.”

Predictable script

Says Manning: “It’s a predictable script and usually easy for sellers to identify in hindsight, but by then they’re contractually locked into mandates.

“The inevitable result is that after a period of little buyer interest, the seller will be advised that market conditions have changed, that there is pressure from the prevailing economy, etcetera, and it will then be suggested that the price be reduced – usually to a more realistic level that other more ethical realtors had previously suggested in the original round of valuations – and the seller eventually completes the sale after an unnecessary delay.”

Diedericks adds: “At the end of the day it’s a terrible waste of time; sometimes as long as six months if the seller has been promised the world and is convinced that his or her property is worth the inflated price.”

Manning says that if a home stays on the market for a considerable time, even up to a year, because it is over-priced, there is also a good chance that it will eventually sell for below market value.

“The bigger the gap between the market price and the listed price, the greater the likelihood that someone will put in a cheeky offer – and that it will be accepted by an increasingly distressed seller!”

Sellers incorrect perceptions

With all the market fluctuations in recent years and the fact that the Western Cape’s property market is at odds with the national market as well as the general economy, Manning says that it’s understandable that sellers often have incorrect perceptions of the value of their homes.

Diedericks concurs, saying: “Sellers are sometimes reluctant to accept realistic valuations, believing their homes could fetch higher prices, but if they have requested appraisals from established, reputable agencies they should bear in mind that these professionals will have an in-depth knowledge and understanding of the current market.

“It’s therefore always advisable to commission a minimum of two but preferably three valuations which, coupled with their own research, will give home owners a clearer indication of the true market value of their properties.”

Elements which determine value

Lew Geffen, chairman of Lew Geffen Sotheby's International Realty says: "Unlike many consumer goods that are quickly used, the return on property is generally realised over a longer period of time, which is why an appraisal of a property's value is more complex and must take various factors into consideration.

"In addition to current economic and social trends, legislation, bylaws and environmental conditions that influence an estimate, there are four other elements which determine value: demand, supply, utility (or the property's ability to satisfy the buyer's needs) and ease of transferability.

"Finally, agents also have to take into account factors like the overall condition of the property, the number of bedroom and bathrooms and available secure parking."

Geffen concludes: "Sellers should also bear in mind that even if they do find buyers willing to pay an inflated price, unless they're paying cash, financial institutions won't necessarily approve mortgages for more than properties are worth. This alone will ensure that their homes remain on the market for much longer than is practical or desirable."

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