

The NuCasa Advantage

How to Determine Your Home's Worth

While sellers differ in the reasons they want to sell a home, they all have one thing in common - the goal is to sell their home, fast and for best price possible. Before you list your home for sale you have to establish the price. Prior to this step, you need to have some idea of what the house is worth. This does not mean the amount you bought it for or how you have since upgraded your home. Rather, the worth of your home really depends upon the price a buyer will pay. This translates into the "market value" of a home.

When it comes to real estate, "Market value is the price at which a particular house, in its current condition, will sell within 30 to 90 days."

Three criteria make up this definition;

- Specific house
- Present condition
- 30 to 90 days



To determine a home's value, most people use an appraisal or comparative market evaluations.

An appraisal, conducted by a certified appraiser, is a professional opinion of a property's market value, based on recent sales of comparable properties, location, square footage, construction quality, floor plan, shopping, schools, transportation, etc. On average, this type of evaluation costs \$300 - \$500. Lenders require an appraisal as part of the mortgage application process.

A comparative market evaluation (CMA), performed by a Real Estate Professional, is a free, informal estimate of market value, based on sales of comparable properties.

Specific house

Market value is limited to your specific house. The location and neighbourhood of your particular home is the starting point for this determination. The exact same house in another city, or another neighbourhood across town, does not matter for your determination.

For example, a house in St. Albert could be worth \$375,000. But if the exact same home was located in Edmonton, it may only be valued at \$300,000.

Home prices also fluctuate significantly from city to city and from neighbourhood to neighbourhood. Therefore, when considering the market value of your home, it must be compared to similar homes in the same or adjoining neighbourhoods.

Present condition

The second factor in determining market value is the condition of your home. Is it in "showing" condition? Does it need some improvements? The condition of your home determines the number of buyers who may want to view and purchase the property. This relates to the time your home will remain on the market before it sells. Most home buyers want a reasonably priced home that is in good condition. They may look less favourably on a home that requires major work.

Some people determine a market value by subtracting the amount of estimated fix-up costs from the selling price. This may not be the best way to evaluate a home. A home in good condition sells for \$80,000. A home you may like needs \$4,000 in repairs. This may not equate to a market value of \$76,000 (\$80,000 - \$4,000). Why not?

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Homes that require work take longer to sell. To attract more buyers, the price may have to be reduced beyond the cost of the repairs. It is all a matter of how much someone is willing to pay for these repairs. Additionally, determining market value for a home that needs some work, is not an exact science. Some Real Estate Professionals suggest subtracting approximately two to three times the amount of the fix-up costs.

30 to 90 days

In most markets, a home will sell within 30 to 90 days. If it does not, the price is probably too high. Even homes that are "perfect" will not sell in this time if the price is too high.

On the opposite end: if a house sells within a short period, perhaps the asking price was too low. Or, it could be a hot market. When there are housing shortages or fear of rising prices, many homes are purchased within a matter of days of the listing.

Professional opinion is essential

The real estate market is always changing. This includes the entire picture and particular areas as well. Many factors determine the value of a home including type of market, market conditions, recent sales in your neighbourhood, condition of the home, your urgency to sell, financing, additional items (such as redecorating allowance, appliances), and outstanding repairs.

In a buyers market, the supply of homes on the market exceeds demand. In this case, buyers take their time in choosing a home, and when they negotiate they have more leverage.

In a seller's market, the number of potential buyers exceeds the supply of homes on the market. Prices may be higher or perhaps climbing. Buying decisions must be made quickly. Conditional offers may be rejected.

In a balanced market, the number of homes on the market is roughly equal to the demand. Homes sell within a reasonable time period. Prices generally remain stable. There is less tension among buyers and sellers. There is a reasonable number of homes to choose from. Price is very important when you are selling your home. A home that is overpriced could remain on the market too long. Price reductions may be necessary to bring it in line with current pricing. In the end, the seller may receive less than if the home was priced correctly. If the price is too low, the home could be perceived as inferior. It could also linger on the market for an extended period of time. It may garner some attention. However, buyers may offer a price even less than the asking price, in anticipation of future problems with the home. On the other hand, some sellers may require a quick sale and accept of a lower price for a valid reason.

A Real Estate Professional can help you establish a fair "worth". Real Estate Professionals are trained professionals who have certification in numerous areas including real estate law, economics, marketing and professional practice. Usually, the price of a home is set slightly higher than the worth, to give a little "bargaining room."

Also keep in mind that when you list with a Real Estate Professional, you are entering a legal relationship. When you sign the listing agreement, you give your agent the authority to put your home on the market for a specified time. If the house sells during this time, you must pay the Real Estate Professional the agreed commission. Additionally, if the homes sells shortly after the specified period in the contract, due to the Real Estate Professional's efforts, you must also pay the commission.