

What Property Buyers Look for in Values

Overpricing, underpricing and market-related are terms that are often bandied about in the prevailing tough market conditions, but what should a seller see in his house's actual value?

Mike Spencer, principal of Platinum Global, says homes are valued for a number of reasons and the values may vary depending on the reason why the valuation is done:

- Replacement cost – for insurance purposes
- Selling/Buying
- Estates and family-related transactions
- Divorce
- Emigration
- Security
- Development

"These are just some of the reasons why people buy and sell property. Buildings frequently do not have the same value to the buyer and seller. For example, a house that is going to be demolished to build a block of flats would have a value as a family home to the seller, but only a ground value to the buyer. The site would actually be of more value to him if there were no buildings on it as he now has to incur the cost of demolishing the house before he can build," he says.

"When selling or buying a house there is a lot of emotion involved. The seller has often put a great deal of time, effort and love into his home whereas the buyer will not see any value in these personal emotions."

Spencer says buyers buy homes by comparison and buy what appears to be the best buy for them taking into account their personal needs, wants, desires and importantly affordability. Buyers are frequently the best judges of value and price. They see many homes and are able to compare what each one offers to the price that is being asked.

"Sellers, on the other hand, are often unrealistic in their expectations, mainly because they are not comparing the price of houses that have been sold but rather the asking prices of houses that are currently in the market. These homes are actually the seller's competition and until they are actually sold, they are no indication of what people are prepared to pay. The best way to value a home is to look at sales registered at the Deeds Office."

He also cautions against valuing a home on the amount the house has been insured for. "Selling prices are normally much lower than insurance values (often 30% or more) and based purely on the price a willing buyer is prepared to pay. No knowledgeable buyer would buy an old house if he can build a new one for the same price," he says