



STEPS TO VALUING REAL ESTATE

WHAT ARE THE STEPS

<https://www.abbahome.com/Sotheby's>



THE MARKET 'TYPE' CHANGES THE PROCESS

- There are three types of markets
- **Stable** (*0-5% of the time*). Some say that there is no such thing as a stable market (*balance – its either up or down*)
- **Downward market** (*supply*)
- **Upward market** (*demand*)
- *The same buyer overbidding today will turn and run another day. From crazed to savvy, from 'open to options' to picky*



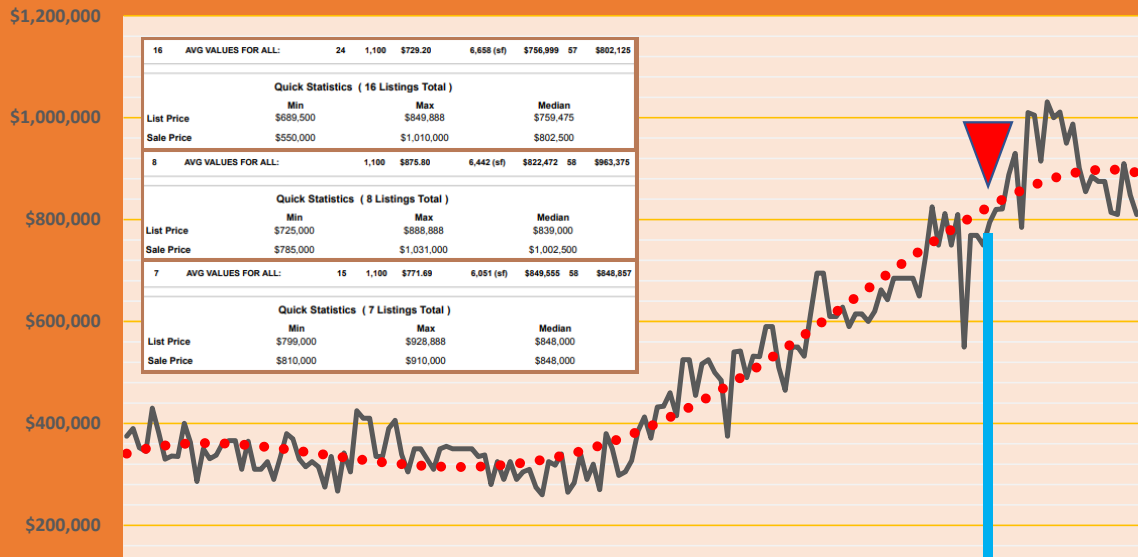
The anatomy of a Sale

- The market can change almost instantly even in a day, certainly a week or month. A sale which closes today is normally aged at a minimum 20-40 days. In a changing market (*down or up*) the pending sale is of the most value in determining value '**now**' (*assuming buyer is savvy*), otherwise one is using past history to solve a now valuation. This is where one can 'miss the market'. For example a realtor who farms a certain location can be astounded by happenings in the location he or she is most qualified in. In placing value attention must be paid to what kind of data and what context that data is within.
- (outliers; *in some areas there are some buyers who were overbid a few times who say "honey, I really like this house and don't want to look anymore if it is ok with you, can we just offer \$500K over even the high offers, I'll never complain or mention it again no matter what; I promise"*)

| | | | | | | | | | | | | |
|-------------------|-----|-----|-----|-----|----|-------|--------------|-----|-----|-----|-----|-----|
| -30 | -25 | -20 | -15 | -10 | -5 | today | +5 | +10 | +15 | +20 | +25 | +30 |
| - pending sales - | | | | | | SOLD | - listings - | | | | | |



- time line of a production built model : 2008 to 2019 -



| | | | | | | | | |
|---|---------------------|-------|----------|-------------|------------|-----------|-----------|-------------|
| 16 | AVG VALUES FOR ALL: | 24 | 1,100 | \$729,20 | 6,658 (sf) | \$756,999 | 57 | \$802,125 |
| Quick Statistics (16 Listings Total) | | | | | | | | |
| | Min | | | Max | | | | Median |
| List Price | \$689,500 | | | \$849,888 | | | | \$759,475 |
| Sale Price | \$550,000 | | | \$1,010,000 | | | | \$802,500 |
| 8 | AVG VALUES FOR ALL: | 1,100 | \$875.80 | 6,442 (sf) | \$822,472 | 58 | \$963,375 | |
| Quick Statistics (8 Listings Total) | | | | | | | | |
| | Min | | | Max | | | | Median |
| List Price | \$725,000 | | | \$888,888 | | | | \$839,000 |
| Sale Price | \$785,000 | | | \$1,031,000 | | | | \$1,002,500 |
| 7 | AVG VALUES FOR ALL: | 15 | 1,100 | \$774.89 | 6,051 (sf) | \$849,555 | 58 | \$848,857 |
| Quick Statistics (7 Listings Total) | | | | | | | | |
| | Min | | | Max | | | | Median |
| List Price | \$799,000 | | | \$928,888 | | | | \$848,000 |
| Sale Price | \$810,000 | | | \$910,000 | | | | \$848,000 |



— Sale Price ● Close Date ●●● Poly. (Sale Price)



**'REAL WORLD' SALES DATA FOR APPRAISAL OR CMA ESTIMATE CAN ONLY COME FROM FOUR DIFFERENT CATEGORY'S (ACTUAL DATA POINTS)
(THE 'FIFTH DEMENSION' CATEGORY OR NON-REALITY – CAN'T BE PUT ON PAPER)**



CLOSED SALES

Closed escrow, the most recent comparable data available with similar location, salient features, design / appeal and quality. No sale is perfectly perfect meaning there are a lot of factors that we don't know about dynamics.



PENDING SALES

Pending sales are critical category. Interactions between willing and active buyers that are real time. This category may tell a quite different story than aged sales no matter how fresh the sale.



LISTINGS

Generally speaking in the bay area listings have become a meaningless metric. Too often realtors employ a below market listing strategy. SP-to-LP ratios in theory are applicable but with this marketing strategy it is no longer.



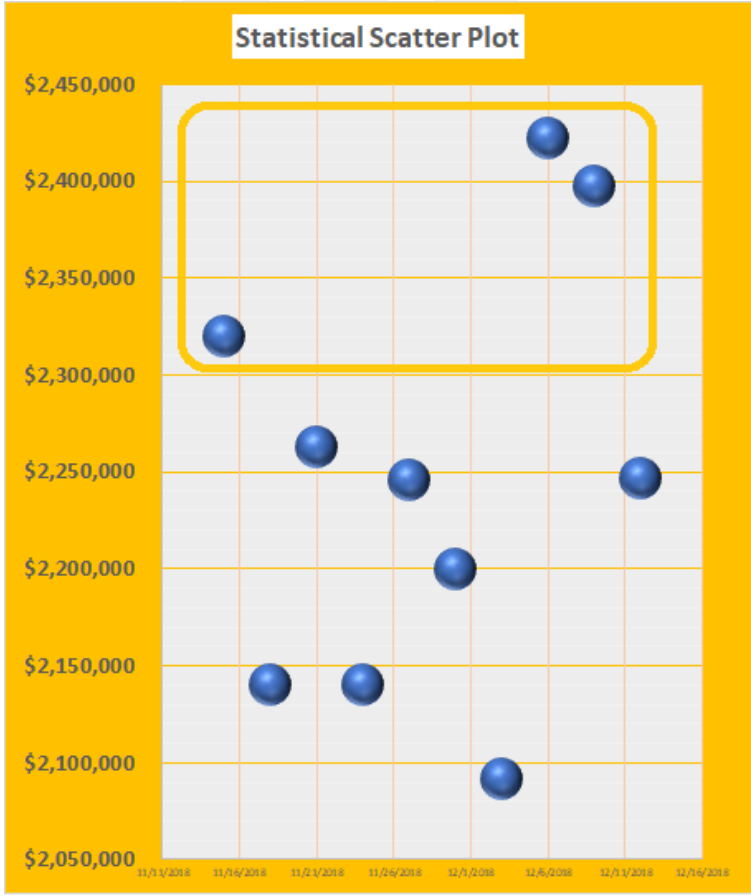
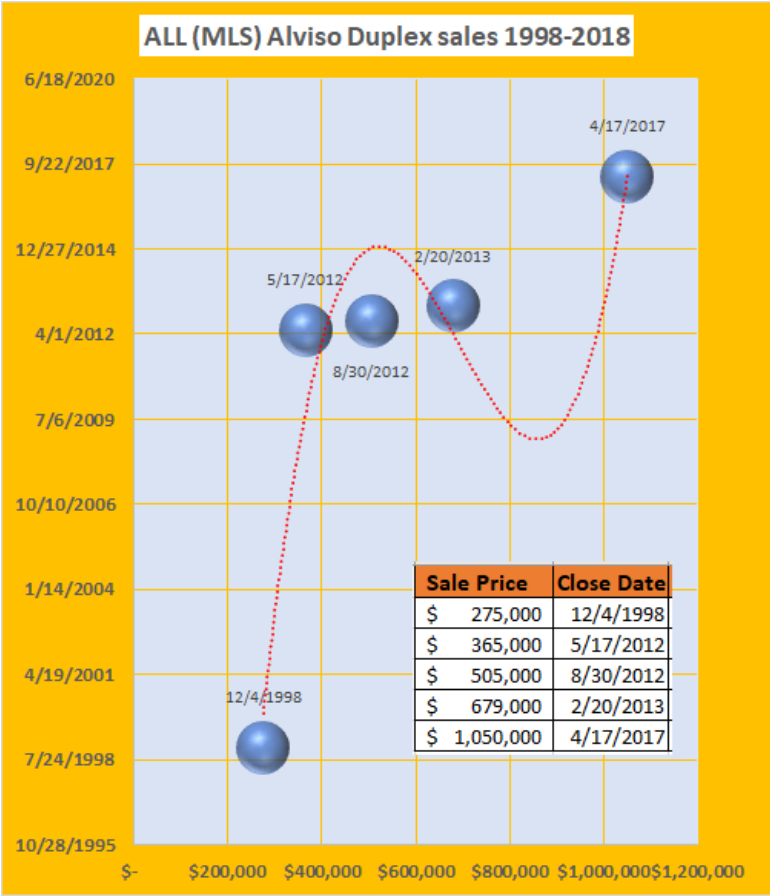
PRIVATE SALES

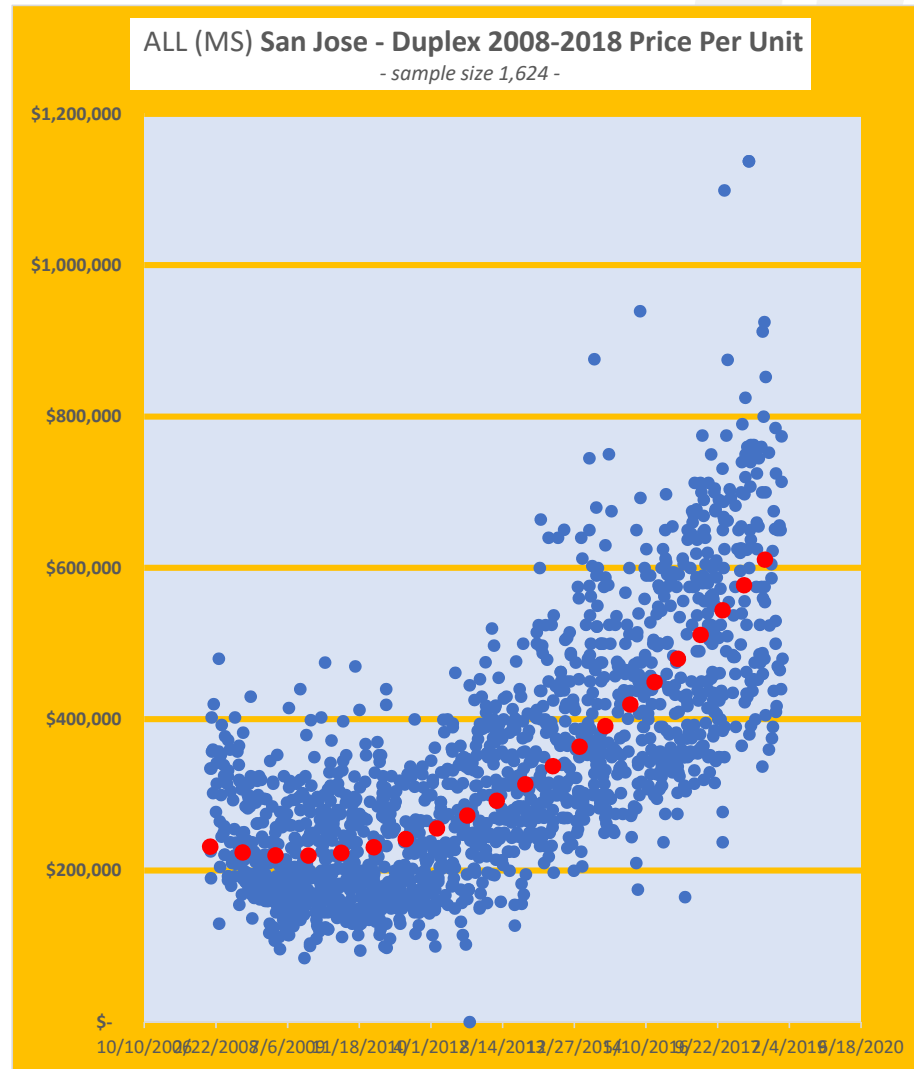
Intra-office sales that you may be privy to that are pending and not public.

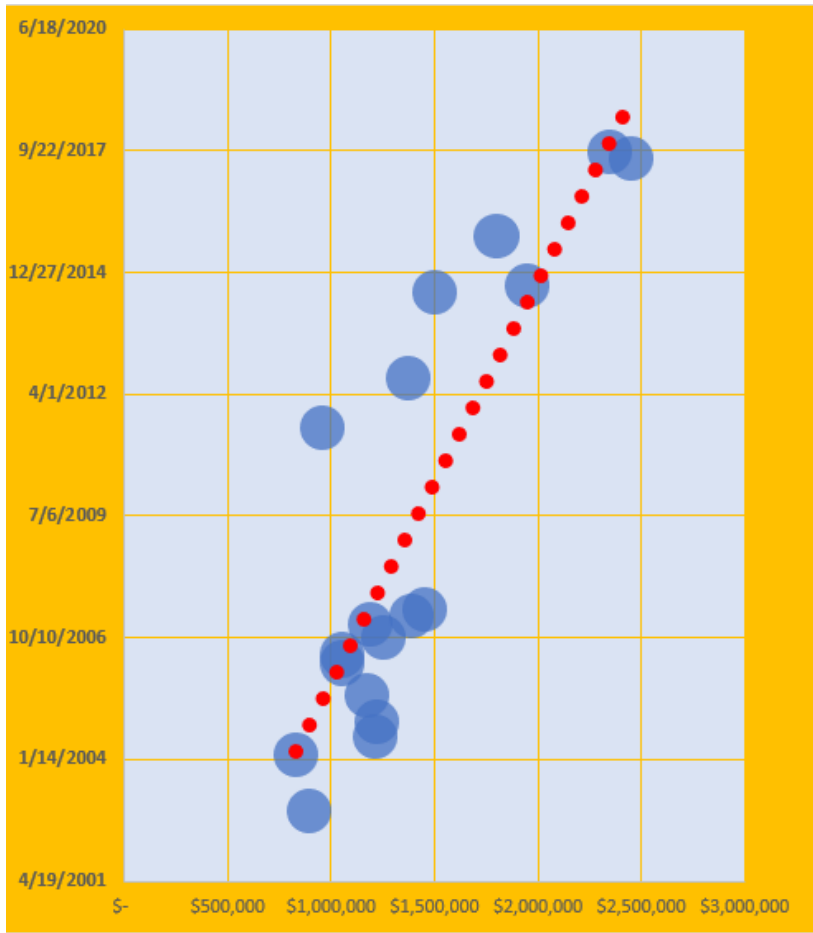
Private 'FISBO' sales may potentially be considered although generally is less verifiable and reliable.

NATURAL RULES OF THE REAL ESTATE UNIVERSE

| | |
|-----------------------------|---|
| Stay in the pocket | It is all about the 'micro climate' |
| Like kind – Design / Appeal | Spanish, Contemporary, Historic |
| Stay fresh | Ideally data is recent |
| Schools | Remember schools, <i>(not all buyers have children)</i> |
| Salient features | Bed, Bath, etc.. (cross check vs. others) |
| Condition | Condition quite often determines high or low portion of the range |









THANK YOU

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