

The price is right: how you can take the guesswork out of valuing your home

Jessie Hewitson
outlines the tactics
estate agents use
when deciding on a
property quotation

How much is your home really worth? If you ask the property website Rightmove, you will get a figure based on asking prices. Invite an estate agent round and they will give you a different one based on the deals that they have in the pipeline. Pay for a surveyor, who will be looking purely at comparable properties that have sold, and you may get yet another different value.

Ultimately, its true value is whatever a buyer is prepared to pay for it, but predicting that amount is not straightforward. It is part logical — you can calculate the average price per square foot in the local area and multiply it by the size of a home — but also part emotional. Does the buyer feel that they have the upper hand in the market? Is the property close to a school to which someone would do anything to send their child? Is the way the home is decorated going to appeal to a broad range of buyers? Here we unpick the complexities of arriving at a valuation.

How do estate agents value a home?

A price is usually decided by looking at “comparables” — homes that have sold recently that are similar to the one being valued — combined with a judgment made by the estate agent on the property’s condition, desirability and

what is happening in the local market.

“A good agent will know their area and know what has sold,” says Anthony Payne, the founder of LonRes, a company that provides London estate agents with sales and rental data. “This is easy when you have a reasonable turnover [of homes selling], but very difficult when you have low levels of turnover. Agents can be in a situation when the last comparable was a year, 18 months or two years ago... They have to look at comparables in areas that are farther away, and inevitably there is an element of guesswork.”

When an agent is valuing a property, the price a vendor wants can affect the valuation. “For mortgage purposes, you don’t look at what a vendor wants and look at comparables only,” Payne says.

Demand can alter the value too. Adrian Black, the founder of YOUhome, an estate agency, says that in 2015 demand from overseas investors increased the price that people were prepared to pay for two-bedroom flats

in central London. “In a static or declining market it’s even more important to get the right price,” Black says. “The longer it takes a home to sell, the more it can cost the seller. Sellers often feel that they are losing money if the home isn’t valued at what they believe [it is worth], but in fact they’ll have saved in the long run because it prevents them chasing the market down.”

Overvaluing

An investigation by *The Times* last week found that estate agents are routinely overvaluing properties to win business in a slow market.

The issue of overvaluing is not always straightforward, however. Some sellers may instruct agents known for setting high asking prices in the hope that they can achieve them. Agents would also argue that a valuation in some cases has

to incorporate what a seller wants to achieve, which may be more than the comparables suggest that it should fetch.

“An agent I know has taken on a big country estate,” Payne says. “He believes it should be valued at £7.5 million, but the seller wants it valued at £9 million to £9.5 million. He put it on at the price they wanted. It is a unique property and you simply never know for sure what price it will achieve.”

“I see this as: ‘Have a go, and if it doesn’t work drop the price and there’s no harm in trying.’ I know of properties where the vendor has said they want to put it on at a higher price and they achieve it.”

Clare Coode, a buying agent at Stacks Property Search, warns clients against selecting an agent based only on the valuation. “Some will overvalue simply to get properties on their books,” she says, adding that the agent may then suggest lowering the asking price once



Source: The Times {Bricks and Mortar}
Edition:
Country: UK
Date: Friday 12, April 2019
Page: 10,11
Area: 718 sq. cm
Circulation: ABC 405558 Daily
Ad data: page rate £16,645.00, scc rate £75.00
Phone: 020 7782 5000
Keyword: Stacks Property Search

they have the instruction.

“A good agent is one who gives you a value and is honest about your chances of achieving it. They should be able to tell you what their back-up plan is if the property does fail to sell within a set time.”

In a flat market overcooked prices can become a deterrent to buyers. “Unless it’s a prime property, no one will pay over the odds,” says Rupert Reeves, a partner at Carter Jonas in Newbury, Berkshire.

To protect yourself against overvaluing, seek at least three valuations from different agents to provide points of comparison. “While a bullish valuation that promises an extra £50,000 might be seductive, interrogate how and why the agent thinks that’s realistic,” Reeves says. “And don’t be afraid to ask how likely it is that the price will have to be reduced.”

Go low or high?

Get the value of your property right and you can still sell quickly. Get it wrong and you could end up in a state of property purgatory, unsure when you will move. Some sellers go a bit higher to chance it, but sometimes the opposite can work.

“One of the best agents in Cornwall sometimes aims to value a house just below the market value to spark a bidding war, thus achieving a higher end price than it would have otherwise achieved — a risky strategy that only works when the agent really knows their market,” says Coode, who adds: “In the absence of more than one bidder, the value of a house is the compromise between the lowest sum of money the seller is prepared to accept and the highest sum the buyer is prepared to pay.”



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Ways to pay your agent

Fixed fees Some estate agents charge a fixed fee, rather than a percentage of what they sell your home for.

Sliding scale A sliding scale is where an agent’s commission goes up and down depending on the price they achieve. For example, if they value your house at £400,000, you might agree 1 per cent commission if it sells for less than £350,000, 1.5 per cent if it achieves between £350,000 and £400,000, and 2 per cent if it sells above the valuation.

Bonus scheme This is a one-off lump sum you agree to pay an agent dependent on the price achieved. You could agree to pay them £100 more, or less, for every £10,000 they achieve above, or below, the asking price.

Short contract term If an agent is confident in their asking price, you should always ask for them to reduce their contract term to a month. “If they are giving a correct valuation, they should be able to sell your property within that month,” says Marta de Sousa, who runs Lux Reality, a property-development company.

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This five-bedroom house in Warwickshire is on sale for £1.475 million through Savills

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In Stamford, Lincolnshire, this house is £1 million (Strutt & Parker)