



September 2020

janicewoodman.co.nz

Should you trust online property valuations?

Didn't your mother ever tell you... *"You shouldn't believe everything you read online."*

A growing number of properties are being marketed without a price right now and that creates a real dilemma for home buyers trying to decide how high to bid to. Many buyers are now turning to online property valuations as a guide on pricing. While these reports often contain useful information, it is important not to consider them as a definitive guide, but rather as just one piece of the fair market value puzzle.

What are the main issues with online valuations?

1. No one has physically looked at the property.

Are you going to trust the opinion of a computer program to decide how much you should pay for the biggest asset you will ever buy? One that might take you 25 - 30 years to pay off. Are we that reliant on computers already?

2. Computers can't measure the intangibles.

When it comes to property, a computer algorithm can't consider the condition and other factors that influence value like access, sun aspect, charm or the general feel of the home. Some houses you walk into and fall in love with and it can be hard to explain exactly why.

3. No two houses are the same.

If you are comparing apartments or terraced houses with other similar properties, then values may be easy to estimate. But it gets very difficult to determine price if your area has lots of standalone

properties, of varying age, that have had extensive renovations over the years. In this circumstance, it's hard to compare apples with apples.

Once you go further and add in all the micro-location variables it becomes nearly impossible: School zones, sun aspect, driveway access. The list goes on. The result is a wide possible variance in value.

4. The market moves quickly.

In our information age markets move fast, real fast. Online property valuations are based off settled sales that happened months ago.

That doesn't mean you shouldn't take notice; it just means you should keep your eyes on what's happening at the coalface. What did that property you saw last week sell for? Go along to property auctions when you can, even if you aren't buying to see what properties are selling for today.

5. Properties are worth different amounts to different people.

Are you going to live in the home or are you an investor? Do you have family living close by? Is it in a school zone you want to get in to? Do you have a deadline to move by? These are the sorts of factors that can lead to one buyer being prepared to pay a lot more than another for the same home. Consider your own situation and work out what is important to you.

6. If you obey the machine, you might end up paying too much.

We have seen online valuations which grossly over-estimated the selling price of a property too.

You aren't buying a pair of shoes here and you are going to have to put in some serious hours to learn your market and become an expert on pricing if you want to avoid making a poor decision. Visit lots of property, talk to salespeople, find out what similar houses have sold for even if you didn't like them. It all helps to paint a picture and fine-tune your own value instincts.