

View Automated Home Values With a Grain of Salt.

With the ongoing evolution of the internet, so have the tools available evolved in the real estate industry. Today the statistics of how homebuyers use the internet to search for housing is staggering. Nine out of ten shoppers ultimately rely on the internet as a major source of information to assist in a purchase and over 50% of shoppers begin their search online.

This growing popularity has produced a multitude of websites that shoppers can use as tools for gathering information. They include the major sites of Zillow.com and Realtor.com, as well as, an abundance of individual Realtor and leading franchise sites such as REMAX. As a result, information is available for properties actively on the market together with details about the communities and neighborhoods where they are located.

One tool that has grown out of the information available is Automated Valuation Models (AVM). These values are derived from computer algorithms that process data drawn from a variety of information publicly available including county tax assessors, comparable property sales and economic trends for defined geographical areas. In computer terms an algorithm is a set of rules created by programmers for gathering and interpreting data. Each AVM has its own proprietary algorithm.

Today numerous services offer both owners and buyers an estimated valuation for most residential properties in the United States. Among the notable valuation models are the Zestimates by Zillow and valuations offered on Realtor.com, Eppraisal.com and Trulia.com.

The rub of relying on such tools is consistency of reliability. Often there can be significant differences between these valuations and numbers provided that are out of synch with the reality of a market. At times the values offered on some websites are in the realm of reasonable. In other cases values reported can be too low or overly aggressive. The unfortunate reality is that it is difficult without a detailed market analysis to determine if an AVM is true to a market. The algorithm may not focus on the most current data or a clearly defined market niche resulting in using properties that are not truly comparable to the home where a value has been rendered.

Aside from the potential shortcoming of the way data is gathered and processed in automated valuations there are the distinctive characteristics of a home which an algorithm is incapable of "seeing" or understanding. Examples can be the level of interior finishes in a home, the caliber of landscaping, the positive or negative influence of neighboring homes and the overall condition of a property. These personalized features of a home can significantly influence the actual market price that a home is capable of achieving in a given market.

AVMs do have a value. They provide a piece of the puzzle that determines a sound estimate of a home's value. In contrast, relying solely on these valuations is risky business. The values shown can be high, low or close to accurate. Automated valuations have shown to reflect all these options. However, to arrive at an accurate valuation requires a detailed comparison of what is happening at the moment in a specific market. It also requires experience in the subtle factors affecting a local market together with an evaluation of those personalized ingredients that make every home unique in its own right.

The ability to blend all factors is what an experienced Realtor brings to the table. It is hard to argue with the benefit of professionally reviewing all elements that can possibly impact the value of a home. It is this seasoned blend of all factors that work to accurately derive a competitive price in an open marketplace.

