

chicagotribune.com

THE LOCAL SCENE

My home is worth how much?

By Mary Ellen Podmolik

May 30, 2008

Homeowners can't help but question what's happened to the value of their biggest investment, their homes, when they see the data released every month on the housing market.

Just last week, the National Association of Realtors reported that in April, the median price of homes, meaning half the homes were sold for more and half for less, dropped 6.3 percent from the same month a year ago.

The question "What's my house worth?" has become one of the more popular queries on real estate blogs.

The good news part of the answer is that just as Chicago-area homes did not experience the wild appreciation of areas like Florida, Las Vegas and the West and East coasts, the local market has not seen the dramatic price drops of those areas either.

The bad news is that even appraisers and real estate agents are having a harder time discerning a home's worth. The old rule of thumb, that houses appreciated 3 to 5 percent annually, no longer applies, although there are areas where home values have remained stable.

"You can't deal with national and even area statistics," said Hal London, president of Key Appraisals, Park Ridge. "There are certain pockets of neighborhoods that are holding their own. Even in a given neighborhood, you can have different markets on the same street. The bottom line is you don't know."

But with some computer research and a little legwork, homeowners can get an idea of their home's value.

Traditionally, real estate professionals start the process of valuing a home by looking at sales price data for comparable homes, called comps, over the past six to 12 months. But in the current market, that has become an apples-to-oranges comparison because a year ago the market looked much different.

The problem with looking at just six months of data is there might not be many comps to look at so more professionals also are looking at active listings to see how similar homes are being priced. But appraisers caution that while it's a starting point, the house hasn't sold yet so the market hasn't validated the price. And if an active listing isn't generating much interest from potential buyers, it means similar houses in the neighborhood are worth less than that listing price.

The Internet is a good place to start the research, both for information on recent sales data as well as estimated home values. Among the sites to investigate are chicagotribune.com, cyberhomes.com, realestateabc.com, trulia.com and zillow.com.

While some sites offer sales data, other use complex algorithms and closing sales prices to gauge the home value of individual properties. Professionals acknowledge that they check the various sites but caution homeowners against



this summer
GOLF'S ON US!

Stay at a Hilton Garden Inn and we'll reward you with a voucher for a complimentary round of golf for you and a friend. Choose from 400 great courses!

[click for details](#)

 Hilton Garden Inn

putting too much weight into the numbers. The value range can fluctuate dramatically, sometimes by as much as \$100,000, and can be inaccurate.

Sites that offer home values consider the square footage but not necessarily the number of bedrooms and bathrooms, which can affect worth. They don't consider factors like curb appeal or whether a kitchen has been remodeled.

Appraisers have found online appraisal tools less accurate in more established neighborhoods where there is a wide range of housing types and ages. Where they work best, appraisers say, is in cookie-cutter subdivisions.

The online values of condominiums within the same or similar buildings are sometimes more reliable, but the hitch is that one unit's value is directly tied to a neighbor's eagerness to sell his own unit.

Stacy Karel, a real estate agent at condochicago.com, likes to look at market absorption to help determine a home's value. For instance, if 12 properties sold in the past six months, that means two properties sold every month; she also figures the average sales price. If there are 30 active listings, it'll take 15 months to sell them. If a homeowner wants to sell a property quicker than that, she puts a lower-than-average price on the home.

Given the number of listings on the market — more than 133,000 in the eight-county metropolitan Chicago market — experts also advise homeowners to act like a buyer in their own neighborhood to help figure their own home's worth.

"A seller in today's marketplace must understand that homes are still selling and that's a good thing," said Chip Wagner, of A.L. Wagner Appraisal Group, Naperville. "The problem we have is the amount of listings we have out there. [You need to] not only look at the comps but understand your competition."

Check out area homes for sale with similar characteristics, and either visit the open houses or take the virtual tours of listed homes offered by real estate agency web sites. Talk with real estate agents at open houses, as appraisers increasingly are doing, to try and get a sense of how much interest a house is generating at a certain price

Square footage, a key factor in online appraisal formulations, is important, but a homeowner needs more information for a true comparison. The home should have the same number of floors and a similar number of bedrooms and bathrooms.

Location plays a bigger role than it did in real estate's headier days.

When the market was balanced or undersupplied, the fact that a house was on a busy street, had no back-yard privacy, backed up to a gas station, or sat in the shadow of a water tower, mattered little. In the current oversupplied market, any of those negatives could knock up to 5 percent off the value of a \$400,000 house, Wagner said.

Pay attention to amenities, too. A three-car garage in a high-end suburb has a higher perceived value than a three-car garage in a different neighborhood. The same goes for granite countertops and outdoor space.

Another factor to consider is the existence of new construction nearby and the competitive forces at play. If a builder is offering \$50,000 in incentives on a new home, the value of an existing, similar home in the neighborhood just plummeted.

"The value of the house would go down by more than the value of the concessions because your house is used," Wagner said. "A [new] house is kind of like a new car, it's got that new car shine."

— *Special to the Tribune*

Copyright © 2008, [Chicago Tribune](http://chicagotribune.com)