



SCHWARTZ *Report*

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MARKET VALUE ALPHA BITS

A seller questionnaire I received recently got me thinking about who defines market value. While giving our agents high marks for their efforts, this seller lamented that the sale price of his property did not come close to the valuation he received from Zillow in 2013. My experience with Zillow's "zestimates", as they call them, is that they can be inaccurate, sometimes wildly so. The operation of the marketplace in 2017 was the ultimate determiner of value for this fellow's property. My dad used to say if, after due consideration, you reject the price that the market offers you, then you are buying the property back at your price and you will own it for a while. To put it bluntly, the market may not be kind but it is never wrong.

and can competently assess the validity of comparable data? Some think so and are spending millions in hopes that it can. Broker Price Opinions (BPO)* and Automated Valuation Modeling (AVM)** are touted as the wave of the future. However, they do not involve more than a cursory "drive by" inspection of the property in question or the comparable listings or sales used in the analysis. Therein lies the rub. The quality and validity of the data used can only be properly judged by local knowledge. I'm reminded of a line from the movie *The Dirty Dozen*. After reviewing a spiffily turned out line of troops, Major Reisman says to their commander: "They look good General, but can they fight?"

Referring to my [Real Estate Appraisal Principles and Terminology](#), I offer this definition of fair market value: "The price which a property will bring in a competitive market under all conditions requisite to a fair sale which would result from negotiations between a buyer and a seller, each acting prudently, with knowledge and without undue stimulus." However, everyone wants to know what that market value is before it is established. In today's world, some think that technology can be applied to make that determination before, and even sometimes after, the willing buyer and the willing seller have acted.

Can automation find a way to replace an appraisal performed by a licensed or certified appraiser who has physically inspected the property, knows the local market

The same can be said of the fighting quality of sales or active listings used to establish an automated value. They may look the same but can they hold up under rigorous scrutiny? Are they just down the street or across town? Why would someone in New Deli (yes BPO initiations are being outsourced to India) know or even care that a quarter of a mile in any area can make a world of difference in market value? Give me a Competitive Market Analysis (CMA) performed by a qualified Realtor who specializes in that market any day over any of these others.

Since 2009, we have also labored under the burden imposed by the Home Valuation Code of Conduct (HVCC) that mandates use of appraisal management companies (AMC) by lenders to select the appraisers who

determine value for lending purposes. The idea here was to remove the supposed undue influence on appraisal values by real estate people and mortgage originators. By putting an intermediary between the appraiser and the lender, AMC's were supposed to prevent those who stand to profit from a real estate transaction from putting undue pressure on the appraiser. This was done to eliminate one of the supposed causes of the 2008 sub-

prime mortgage meltdown. AMC's select appraisers on a rotating basis. The effect on consumers has been one of the unintended consequences of implementing the HVCC. Implementation has led to errors, missed comparable sales, low balled values, and appraisers being asked to work far beyond their home market place. Hence some appraiser from Cherry Hill could and has shown up at your listing in Middletown.

**Broker Price Opinion: According to RIS Media a BPO is prepared by a licensed real estate agent and is an estimate of the probable future selling price of a property. It can be used for a variety of purposes including loan modifications, short sales, foreclosure/ real estate owned purchases, value trend analysis, mediation and negotiation. These should normally not be used as the sole way to value collateral where a mortgage is being originated... Prices for these are very competitive (\$50.00 plus or minus) and you get what you pay for.*

***Automated Valuation Model: Again according to RIS Media, an AVM is a service or software that provides property valuations, frequently based on mathematical modeling. AVM's are commonly developed or used by lenders, servicer appraisal staff, and or investors. While AVM's are most often used by lenders or secondary markets to confirm valuations provided in appraisal reports, they should not be used as the sole method to value collateral in a real estate transaction where a mortgage is being originated...*

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for a detailed overview of the current real estate markets in New Castle & Kent County, DE, S. Chester County, PA and Cecil County, MD.

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27 Quick and Easy Fix Ups to Sell Your Home Fast and for Top Dollar

DE, MD, PA – Because your home may well be your largest asset, selling it is probably one of the most important decisions you will make in your life. And once you have made that decision, you'll want to sell your home for the highest price in the shortest time possible without compromising your sanity. Before you place your home on the market, here's a way to help you to be as prepared as possible.

To assist homesellers, a new industry report has just been released called "27 Valuable Tips That You Should Know to Get Your Home Sold Fast and for Top Dollar." It tackles the important issues you need to know to make your home competitive in today's tough, aggressive marketplace.

Through these 27 tips you will discover how to protect and capitalize on your most important investment, reduce stress, be in control of your situation, and make

the best profit possible. In this report you'll discover how to avoid financial disappointment or worse, a financial disaster when selling your home. Using a common-sense approach, you will get the straight facts about what can make or break the sale of your home.

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