

4 ways arms-length property valuations are shooting sellers in the foot

 By [Tony Clarke](#)

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Between online service providers, low-cost agencies and traditional real estate agents, sellers are spoilt for choice when it comes to getting a property valuation before they sell. For many, the relatively un-intrusive nature of a purely data-driven valuation may be an enticing option. However, arms-length appraisals often backfire when it comes to a sale.



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Just last month we had an agent value a property in Pretoria where the client had already paid for an online valuation. Our agent recommended a listing price of R200k higher than the online service provider. The seller followed this advice and sold within the month. If they hadn't been smart enough to bring a professional agent in, they would literally have undervalued their property by hundreds of thousands of rand.

The reason for the dramatic difference in property values boils down to the way purely data-driven valuation models work, and the unavoidable limitations that they have.

Outdated statistics

Access to current market data is a prime example. Valuations not performed by a professional real estate agent tend to rely solely on deeds office data, which is invariably two to three months out of date.

Property sales take up to three months to be registered at the deeds office in South Africa, and the market can change a lot in that time. When Ramaphosa became president, for example, property values jumped within a week, but deeds office data only reflected that jump three months down the line. Anyone relying solely on those figures would have been completely unaware of the sudden market optimism, and potentially missed out on a more profitable sale.

In contrast, professional real estate agents are at ground zero of property sales on a daily basis, enabling them to assist sellers in adapting to shifting buyer trends as and when they happen.

Little insight into competition

Another downside of using deeds office data is that it only shows sold properties. This is valuable from a broad trend perspective, but is almost irrelevant in terms of assessing the current market competition.

Sellers aren't competing against properties that have already sold. They're competing against properties currently on the market. Only professional estate agents can include current listings, pending sales, expired listings and recently sold properties in a comparative market analysis that clearly explains what sellers will be up against when their listing goes live.

Inaccurate comparisons

Incomplete data isn't the only downfall of statistics-driven valuations, however. Without viewing a property in-person, non-agent valuations often end up comparing apples to pears.

Properties are much more than just the sum of their parts. There are a huge number of subjective factors that contribute to their value, including lifestyle, flow and ambience. Without an in-person assessment – preferably supported by a good understanding of what buyers in the neighbourhood are looking for – it's impossible to quantify these intangible elements."

For this reason, purely statistical valuations often undervalue properties with "X-factor" and overvalue homes that need a bit of work to look and feel their best.

Location generalisations

Just as a recently renovated property may be worth more than its outdated neighbour, one home may be valued very differently to a supposedly identical one across the road.

Hyper-locality is a real thing in property. Views, elevation and even school feeder zones can vary dramatically within just a few metres. A good real estate agent is well aware of these factors and will account for them in their valuations, whereas purely statistical models can't tell the difference between north- and south-facing, let alone which side of the road gets better cellphone reception.

Automated property pricing can be a useful (if costly) first-line tool for sellers assessing their options, but these platforms fall short when it comes to market-ready valuations. As such, sellers should enlist the help of a professional real estate agent before settling on a listing price, regardless of whether or not they intend to sign a mandate.

Our role as real estate professionals isn't just to facilitate sales, it's to help people make better property choices. Providing accurate valuations and comparative market analyses that give sellers the support they need to sell quickly and at a good price is one of the most effective ways we can achieve that goal.

ABOUT TONY CLARKE

Tony Clarke is the MD of the Rawson Property Group.

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