

## What is 'Value' in Real Estate?

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What is a parcel of real estate really worth? How do we determine value? It's not a precise science and it depends on who is valuing the property. The county tax assessor places a value on a parcel for property tax purposes and it's called the assessed value. We recently surveyed sales prices for single family homes from Diamond Head to Hawaii Kai for the last 90 days. We found in that sampling of 95 homes, 33% sold at a price that was greater than their assessed value while 66% sold for less than their assessed value.

What about appraised value? That depends on the purpose of the appraisal and can vary widely. If the purpose is to determine the value for a loan to purchase or refinance the property, it will probably differ from an appraisal ordered by a court to settle an estate or a divorce proceeding. In all cases, an appraisal reflects the appraiser's opinion of value on the day of the appraisal. It's a snapshot.

When you discuss value with a real estate professional you're talking about market value. We try to determine what the property will sell for given the current market conditions. We analyze prices that similar homes have recently sold for and what are competing properties listed for and how long they have been on the market. Market value is determined by a willing seller and a willing buyer. In most cases, sellers feel that their property has a greater value than what the buyer feels it's worth so motivation plays a large factor. If the property is bank owned (REO), the bank is concerned with disposition value or what the property will sell for in a short time. They are not emotionally attached and will reduce their asking price until it sells.

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