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Alaska REAL ESTATE

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THE VALUE OF YOUR HOME

Since most of you reading this article are wondering how much your property is worth in Dollar numbers, we will not spend too much time on philosophy.

However, “Value” actually means a lot more than “Dollars”, and “Home” means a lot more than “Real Estate”.

Before even considering selling your real estate asset, take a moment to review it in the context of your life-plan, your family, your personal goals and your all-around beliefs about happiness. After all, selling your “Home” is not just a financial decision.

So, let us assume that you need to sell your real estate asset in 2016 which is, after all, an interesting financial environment this year. Your Realtor’s insights can be most valuable here.

The price of Oil, now around \$40 bbl, compared to over \$100 bbl just 2 years ago, has significantly impacted the State economy as most of you know. Oil Companies have begun layoffs and many other support industries are in a shrinkage mode also. The State finances are necessarily being re-

stricted since most of their revenue comes from Oil.

While overall MLS statistics show a market equally healthy to last year, with similar activity and a steady absorption rate, this is somewhat deceptive.

In the actual market we are seeing an acceleration of inventory above \$500,000 with longer marketing times and a deceleration in buyers in that upper price range.

Under \$500,000, the market remains very healthy with single family homes moving well, though condos and townhomes are showing slowdown signs.

From a strictly financial point of view, I suggest that your 2016 sale will produce a higher net than 2017, but the following matters are paramount in pricing and selling your home, irrespective of timing.

Financial Definition of “Value”:
Your home, or other real estate asset, is worth whatever a buyer is willing to pay in the market.

I want to stress a point, overlooked by many. There is a preoccupation in Anchorage with ‘price per square

foot’. Price per square foot is a narrow mindset that can arouse your emotions unnecessarily.

It may surprise you to know that in some places, price per square foot is never discussed when deciding the value of real estate. Location, ambience, presentation of the home, and market forces are greater factors in determining what your real estate is worth than price per square foot.

Valuing real estate on a square footage basis is like valuing a new-born baby by its technical data. Are short, heavy boys with black hair worth more than tall, read-headed girls with a cute smile? You tell me. The value of real estate is not what the appraiser calculates, not what the municipal assessment reads, not what the comparative sales indicate - the value of real estate is what a purchaser is willing to pay for it. That is why it is called a Real Estate “Market”.

How much money you can obtain for the sale of your property is, therefore, a professional judgment that must be deter-

mined with regard to the “market”, not with regard to someone else’s property.

If you are selling your home in 2016, you must get more than one opinion on value. Then use your gut instinct to sense which real estate professional makes the most sense. The “engineering” approach with multiple calculations is good for building a bridge across the Inlet. A purely “sensory” approach is good for artwork in the Gallery. What you need lies somewhere between the two, intelligence and judgment.

Staging: Would you put your motor vehicle on Craig’s List for sale as-is, or would you make it sparkle? The answer is obvious.

Presentation is worth money. Think of your home as a bunch of pieces organized together to suit the way you live. That’s fine, except when you want to sell it. Moving those pieces around, even abandoning some of the pieces, is worth \$10,000 or more in the price you can ask for your home.

Paint and floor coverings remain the most obvious of items you should fix, and earn back more than you spend - guaranteed! Other upgrades may or may not justify the expense.

Appraisals: Some will argue that it is no use pricing your home higher than the “Comps” of local sales because the property will inevitably be appraised by the Lending Institution, but wait a minute - - -

We have to change Alaska Belief Systems here! The only reason an Appraisal is required at all for the sale of your home is that the Buyer needs to borrow money. This is the Buyer’s problem, not yours. If the buyer actually had money for the marketplace, he wouldn’t need to borrow.

It may surprise you that in the vast majority of States, the Buyer pays for that expense, though tradition still holds sway in Alaska. Sellers should start rejecting this risk item, a \$700 outlay, and put the responsibility on the Buyer.

Furthermore, Appraisers are trained to work in a manner which will put pressure on Sellers if the local “comps” do not support the sales price. Sellers should think carefully about how they might handle this pressure and discuss it with their real estate representative. An appraiser is a real estate ‘engineering’ graduate, and is constrained by the rules of the bank, not the marketplace of value.

A low appraisal does impact the Buyer’s ability to obtain financing, but there are ways to protect sellers from incurring the punishment for this Buyer problem.

Conclusion: When selling your home you want the best possible “Net” in a reasonable amount of time. Call me for an appointment and I will explain how we can get this done.

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