

PICK ME! I'M SORT OF CORRECT ABOUT A THIRD OF THE TIME!

If a REALTOR® made that pitch to you, would you rely on their advice? Of course not, but we see folks – buyers and sellers alike – who attempt to determine the value of a home using resources that are just that “reliable.”

There's not a week that goes by that someone doesn't trumpet the “value” of an individual property based on the tax assessment or on the estimate of value from any of several Internet sites that have developed automated valuation models – AVMs, for short. So, we decided to put them to the test, using 50 properties that went to settlement in Montgomery County in the second half of February 2010 and comparing the actual net sales price (the sales price less any seller-paid subsidy) to the predicted value from three popular AVMs as well as the taxing jurisdiction's current assessment. We bent over backwards to give the AVMs the best chance of being accurate, so we first limited our selection to resale homes only, figuring that many of the websites would not have accurate info about newly constructed homes. We chose a variety of resale condos, attached and detached homes ranging from a low price of \$123,570 to a high of \$1,768,000. To be as generous as possible, we looked at the “predicted” value **after** the properties had gone to settlement, knowing full well that the AVMs could have had the opportunity to update their models with the actual sales price, and thus be far more accurate than they might have been had we looked at their predicted values before the properties went to settlement. As for the tax assessment, we made sure we used the projected values for mid-2010. The chart at the bottom right shows the dismal results.

The first measure of accuracy was whether the site even had information about the 50 selected properties, and here they fared okay. As one might expect, every property had an assessed value, and the three AVM sites had a predicted value for about 8 in 10 properties. But things went downhill pretty fast from there.

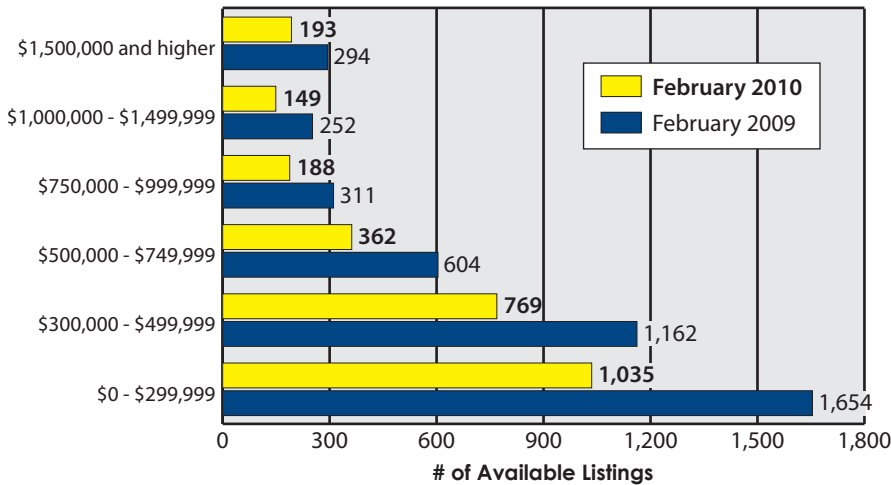
The “best” of the AVMs (Zillow.com) predicted values within 5% of the actual sales price just 35% of the time. The assessed value was within 5% of the sales price just 20% of the time. In general, they got within 10% of the sales price about half of the time.

There are lots of reasons why these resources are so consistently inaccurate and, if you look closely at the fine print on the AVM sites, you'll see even **they** don't claim to be accurate. No computer model can account for the new kitchen that was just put in, the updated landscaping, the bright purple paint in the family room, or the three cars up on blocks in the front yard of the house next door. They can't assess a seller's motivation to sell, or the lack thereof. A good REALTOR® will have a better handle on these factors and many more every time – and therefore a much better idea about what the value is every time. So we'll be blunt: these resources are **useless** for determining what a home is actually worth, and anyone who relies on their accuracy does so at their own peril.

MONTGOMERY CO.	Zillow	Eppraisal	CyberHomes	Tax Value
With a Value	86%	72%	82%	100%
OF THOSE WITH A VALUE				
Within 20% of SP	84%	64%	88%	78%
Within 10% of SP	51%	44%	59%	46%
Within 5% of SP	35%	22%	34%	20%
More than 5% high	51%	39%	20%	42%
More than 5% low	14%	39%	46%	38%

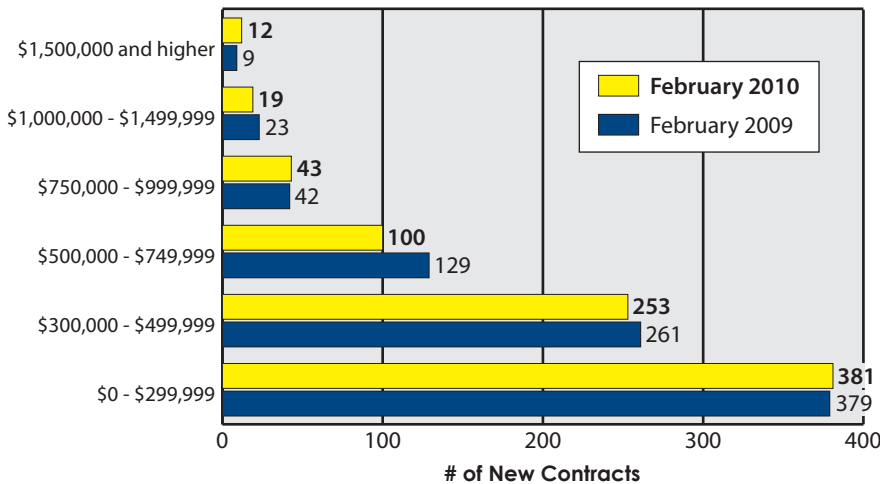
FULLY AVAILABLE LISTINGS

Montgomery County - February 28, 2009 vs. February 28, 2010



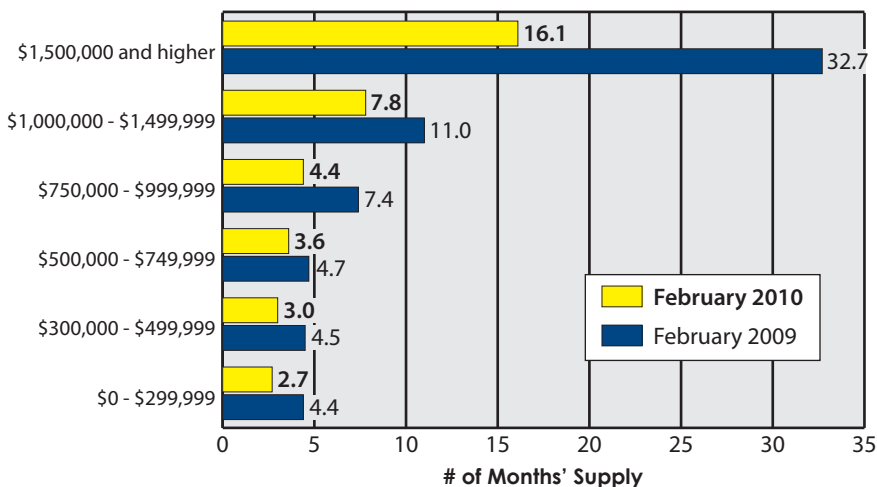
NEW CONTRACT ACTIVITY

Montgomery County - February 2009 vs. February 2010



MONTHS' SUPPLY

Montgomery County - February 2009 vs. February 2010



FULLY AVAILABLE LISTINGS

- The overall inventory **decreased by 37.0%** in February 2010 compared to last February, and the massive snowstorms undoubtedly played a role in this drop as sellers delayed putting their homes on the market until they could dig out.
- All price categories saw a decrease from the inventory levels of February 2009.
- 38.2%** of all homes on the market have had at least one price reduction since coming on the market.
- This time last year, 50.6% of all homes on the market had at least one price reduction.

NEW CONTRACT ACTIVITY

- The number of new contracts ratified in February 2010 was **down just 4.2%** from the number of contracts ratified in February 2009. Given the abysmal weather, we expected a much bigger overall drop.
- 32.8%** of all homes going under contract in February 2010 had a price reduction before going under contract. Last February, 55% had had at least one price reduction before going under contract.

MONTHS' SUPPLY

- The overall supply of homes on the market at the end of February was **3.3 months**, down significantly from 5.1 months at the end of February 2009. That's entirely because of the drop in available inventory, so it will be very interesting to see how this tracks as both the weather and the market heat up this spring.
- Supply decreased substantially for all price categories despite the drop in contract activity because of low inventory.



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