

## SO...HOW MUCH IS THAT HOUSE WORTH?

Whether working with buyers or sellers, right now that question is among the most difficult to answer for even the most experienced REALTOR®. And the reality is that this market is changing daily and, in most of the metro area, prices are declining. In that context, how does a seller best determine the “right” price at which to sell his/her home, and how does a buyer determine what to offer?

As important as the answer is, it is just as important to know how **not** to go about determining the value of a home in today’s market. And there isn’t a week that goes by that we don’t encounter a prospective seller or buyer who

wants to hang their hats on one or both of the following methods: **web sites** that purport to predict the market value of a property and/or the **tax assessed value** of a home. So we decided to put these to the test with current, real world data to see just how good these tools are. We selected 140 properties that went to settlement in February 2008 and compared the actual, recorded sales price to the predicted value of those same properties on Zillow.com, the most popular Internet site that provides predictions of market value. We made the same comparison to the 2008 tax assessed value of those same 140 properties. (You will find more details about the 140 properties on page 2.)



### Zillow.com

The folks at Zillow provide a “zestimate” of value for a remarkable number of properties in the United States. By their own definition, a zestimate is the “estimated market value. It is not an appraisal. Use it as a starting point to determine a home’s value.” Yet time and again, we see consumers who zero in on the estimated value as gospel – and they shouldn’t. This is a summary of our analysis of the actual net sales price of the 140 homes that settled in February 2008, compared to the estimate provided by zillow.com.

- Zillow underestimated the actual value of 20% of the properties and overvalued 74% of the homes. There was no estimate provided on the remaining 6%.
- The values ranged from underestimating by 33% and overvaluing by 97%.
- The predicted value was within 5% of the actual sales price – high or low – just 25% of the time. The predicted value was within 10% of the sales price – again, high or low – just 40% of the time.

### Tax Assessed Value

Every jurisdiction in the metro area has a requirement to assess properties at 100% of their fair market value. That is a very tall task given the number of properties, but unlike Zillow, there are actual human beings that work on the massive amounts of data and make a serious attempt to determine value. Yet, obviously, there is no way that those hard-working tax assessors can physically inspect even a tiny fraction of the properties in their jurisdictions. Is it therefore any wonder that they miss the mark pretty often?

- The tax assessed value was below the actual sales price for 38% of the 140 properties we examined, and was over the actual sales price for 62% of the properties.
- The values ranged from 71% under the actual sales price to 72% over the actual sales price.
- The assessed value was within 5% of the actual sales price just 25% of the time. The assessed value was within 10% of the actual market value just 44% of the time.

## The 140 Properties

As discussed on page 1, we wanted to get a broad geographic and price range distribution. The 140 homes we selected represented almost 6% of all homes that went to settlement in February 2008 in MRIS, the region's multiple listing system. 30 were from Fairfax County; 30 were in Montgomery County, Maryland; there were 20 each from Loudoun and Prince William Counties in Virginia as well as 20 from Washington, DC. There were also 10 each from the City of Alexandria and Arlington County. We made sure that within each jurisdiction we pulled homes from every price range. Within these parameters, the homes were selected randomly, and only after our list of 140 homes was compiled, did we do the research to find their "zestimated" value and their current tax assessment.

## The Results

As a long-time reader of this space knows, it has long been our contention that market conditions vary widely even within our metropolitan area. We also know that prices are falling in almost every jurisdiction, so we were more than curious to see how – or whether – a very popular and sophisticated web site that updates its information daily reflected this clear trend. Similarly, we wanted to know whether tax assessors, who change their valuations annually or even less frequently, could keep up with this rapidly changing market. After all, the assessed value impacts the tax bite of every homeowner, not just the ones who are contemplating selling.

So...how did they do? Can one rely on Zillow or the tax assessed value to determine the market value of a property? We compiled the table below, and have charted the performance of Zillow and the tax assessors within each jurisdiction. You can be the judge.

## Summary

Please don't rely on these sources of information as a predictive tool – we have yet to meet a buyer or a seller who wants to get within 10% of the actual value of a home less than half the time!

	Washington DC	Montgomery Co. MD	Arlington Co. VA	City of Alexandria VA	Fairfax Co. VA	Loudoun Co. VA	Pr. William Co. VA
<b>TOTAL # OF PROPERTIES</b>	<b>20</b>	<b>30</b>	<b>10</b>	<b>10</b>	<b>30</b>	<b>20</b>	<b>20</b>
<b>WWW.ZILLOW.COM</b>							
Number with "Zestimate"	18	28	10	10	28	18	19
Within 5% of Sales Price	16.7%	32.1%	30.0%	30.0%	<b>32.1%</b>	14.3%	<b>10.5%</b>
Within 10% of Sales Price	<b>22.2%</b>	42.9%	<b>50.0%</b>	<b>50.0%</b>	46.4%	<b>50.0%</b>	26.3%
Within 20% of Sales Price	<b>50.0%</b>	67.9%	70.0%	70.0%	67.9%	<b>77.8%</b>	52.6%
Greatest % Over Value	<b>91.7%</b>	<b>46.0%</b>	57.4%	58.0%	70.6%	67.9%	63.8%
Greatest \$ Over Value	<b>\$423,500</b>	\$237,000	\$346,500	<b>\$95,600</b>	\$258,000	\$319,500	\$277,500
Greatest % Under Value	<b>-4.4%</b>	<b>-33.0%</b>	-16.4%	-31.6%	-12.4%	-14.8%	-6.5%
Greatest \$ Under Value	<b>-\$38,200</b>	-\$388,000	-\$161,500	<b>-\$946,500</b>	-\$117,000	-\$167,000	-\$60,000
<b>TAX ASSESSMENT</b>							
Number w/Current Assessment	20	30	10	10	30	20	20
Within 5% of Sales Price	20.0%	30.0%	30.0%	30.0%	<b>36.7%</b>	25.0%	<b>5.0%</b>
Within 10% of Sales Price	55.0%	43.3%	50.0%	<b>60.0%</b>	53.3%	30.0%	<b>20.0%</b>
Within 20% of Sales Price	80.0%	76.7%	<b>90.0%</b>	80.0%	76.7%	80.0%	<b>40.0%</b>
Greatest % Over Value	64.5%	<b>33.3%</b>	55.4%	46.4%	66.0%	<b>71.9%</b>	57.0%
Greatest \$ Over Value	<b>\$420,010</b>	\$174,310	\$89,070	<b>\$119,301</b>	\$212,700	\$184,900	\$200,600
Greatest % Under Value	-20.6%	-21.0%	-16.4%	-29.6%	<b>-15.4%</b>	-27.3%	<b>-71.6%</b>
Greatest \$ Under Value	<b>-\$47,780</b>	-\$430,420	-\$152,200	<b>-\$888,723</b>	-\$125,730	-\$307,100	-\$400,350

**NOTE:** Values in **black** indicate the best performance within a category; values in **red** indicate the worst performance within a category. As an example, Zillow's "zestimate" of value was within 5% of the actual sales price for **32.1%** of the selected properties in Fairfax County and was within 5% of the actual sales price for only **10.5%** of the properties selected in Prince William County.



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