

BE EMPOWERED BUT BEWARE THE AUTOMATED VALUATIONS

The property purchaser has access to more information about the market today than ever before but not all information is what it seems and it's important that consumers understand what they are getting when they research the market.

A common trap for new researchers is the “free property report” that finance institutions offer.

These offers generally imply that you can find out exactly what your home is worth. You can also download an app that will tell you what your home's worth as soon as you type in your address.

Great, right? Easy and free information.

Not so fast.

These “property reports” and apps all use an automated valuation model (AVM). This is an algorithm that draws on sales data at a particular point in time, along with any surveyor valuations and other publicly available information in order to come up with a number. That number is not tailored to your home specifically – it's a mathematical guesstimate. It does not take into account any improvements you have made.

An agent recently shared a story about a potential buyer at an auction who had procured a “free property report” from one of the major lending institutions, which valued the property at \$340,000.

The AVM relied on outdated comparable sales in the area and failed to take into account the \$60,000 of improvements that the vendor had made to the property, including adding a patio, putting a roof on the patio, and adding a landscaped garden.

The agent's appraisal, which was based on comparable sales, improvements to the property, as well as detailed knowledge of the neighbourhood and the general state of the market, was \$400,000.

The potential buyer believed in the power of the AVM and refused to budge over \$340,000. They missed out on the property, which sold for \$400,000.

By all means, begin your research with an AVM, but don't stop there. Get data directly from other sources.

The REIQ releases a quarterly report on residential housing prices, called the Queensland Market Monitor (you can see this report at REIQ.com). Talk to agents who specialise in your suburb.

Consumer Advice



Read widely and follow the real estate reports published in your local newspapers, online and on TV and radio. Following these independent sources is the best way to keep up with market movements.

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