



Real Home Value Calculator: **Assessed Value vs Market Value**

Understanding a home's true market value is about more than pictures, software assessments and price-per-square-foot. Whether you're a current homeowner thinking of selling or are house-hunting, it's crucial you understand what factors affect home valuation. By partnering with a local market expert, sellers will avoid pricing their house out of the market (the kiss of death in real estate) and buyers will ensure they get a good deal on their next home.

So, how do you accurately calculate a home's value? After all, the value a home is assigned by its town or county and the one it's given when it's listed are often dramatically different from one another. Which one is accurate and what does it all mean? Read on to learn more.

Assessed Value vs Market Value: What's the difference?

When it comes to home value, you'll often hear two terms, assessed value and market value.

A home's assessed value is often the lower number of the two, and is the value given by your municipality or county. Investopedia defines assessed value as "the dollar value assigned to a property to measure applicable taxes."¹ Although property tax laws vary, assessors commonly arrive at this number by taking into account the following:

- What comparable/similar homes are selling for in your area.
- The value of recent improvements.
- Income from renting out a room or space on the property.
- How much it would cost to rebuild on the property.

A home's market value, or Fair Market Value, is the price a buyer is willing to pay or a seller is willing to accept for a property. A skilled real estate professional will arrive at the value using a variety of metrics, including:

- External characteristics, such as lot size, home style, the condition of the home and curb appeal.
- Internal characteristics, such as the number of rooms and their size, the type and condition of the heating or HVAC system, the quality and condition of construction, the flow of the home, etc.
- The sales price of comparable homes that have sold in your area.
- Supply and demand; that is, how many buyers and sellers are in the area.
- Location; that is, the quality and desirability of your neighborhood and other community amenities.

Why are these values often so different? An assessor usually estimates your property's market value during a reassessment or if you make a physical change or improvement to it.² As a result, a property may not be reassessed for many years. While your home's market value may fluctuate with the market, your home's assessed value is more likely to remain steady.³

What Actually Determines a Home's Value?

You've likely heard the motto of real estate: "Location, location, location." This means a home's value relies on its location. While the home and structures on the property will likely depreciate over time, the land beneath it tends to appreciate. Why? Land is in limited supply and a growing population puts increased demand on the housing supply. As a result, values increase.⁴

Other factors that affect your home's value include the function and appearance of the property, how well the home and other structures are maintained and whether the home is a lifestyle property, such as a ranch style with mountain views or beach bungalow.

Sources: 1. Investopedia
2. New York State Department of Taxation and Finance
3. Realtor.com
4. Investopedia

Ultimately, the best indication of a home's value is the overall supply and demand of the market. This is why we recommend you use the worksheet below with your real estate professional to take all these factors — the assessed value, local market conditions, and home features — and determine the Fair Market Price of the home you're interested in buying or selling.

Home Assessment Worksheet

Last updated:
CMA Assessment:
Area Average Sales Price:
Area Average Price/Square Foot:

Structure:

Is the architecture and exterior structure of the home consistent, superior or inferior to other homes in the area?

Does the era or genre (Modern, Victorian, Ranch, Cottage, etc.) add a premium based on current design trends?

How does the floor plan and room size proportions of the home compare to other homes on the market?

Interior Structure:

How does the kitchen compare to others on the market?

- Updated or outdated

- Floor plan

- Appliance packages

How does the Master Suite compare to others on the market?

- Size

- First/second floor

- Updated or outdated

- Access to Master Bath

How does the Master Bath compare to others on the market?

- Updated or outdated

- Shower and bath

- Flooring

Outside Areas:

Are there views, outdoor living areas or recreational areas?

- Pools

- Ponds

- Patios

How does the landscaping and hard-scaping (e.g., built elements such as walkways, patios, decks, etc.) compare to the market?

Overall Condition of Home

What is the level of repair needed to compete with other homes?

Does the home need to be staged? How does it show?

What curb appeal projects are necessary to be consistent with others on the market?

If you want to accurately assess a home's value, it's crucial to know about the market activity of our local area. We can help! Give us a call to get the scoop on the local market.

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