



SEVEN WAYS TO KNOW VALUE IN THE TARGET AREA

There are seven ways to know value in your target area.

They are sold comparables, pending comparables, listed comparables, expired comparables, appreciation rates, new or planned development, and vacancy rates.



1. Sold Comparables

- ↳ Sold comparables are the first way to know value in the target area.
 - ∞ Sold comparables set the floor of retail value for real estate.
 - This means that if a sold comparable sold for \$125,000, a similar property should sell for no less than \$125,000 in a normal real estate market. Sold comparables are properties that have been sold and have actually closed escrow.
 - Sold comparables are useful for properties that have sold in the last six months. Anything beyond six months is not considered a good comparable.

2. Pending Comparables

- ↳ Pending comparables are the second way to know value in your target area.
 - ∞ Pending comparables indicate the direction of real estate value.
 - A pending comparable is a property that has sold but has not closed escrow. When the pending comparable closes escrow it will become a sold comparable.
 - If the sold comparables are indicating a value of \$125,000 and the pending comparables are indicating a value of \$127,000, then you are getting an indication that the direction of real estate values is going up.

3. Listed Comparables

- ↳ Listed comparables are the third way to know value in your target area.
 - ∞ Listed comparables set the ceiling of retail value for real estate.
 - Listed comparables are properties that are currently on the market and are similar to property in which you are considering investing.



- Listed comparables set the ceiling of value because they have neither sold nor closed escrow. They are merely an indicator of what sellers would like to get for their properties.

4. Expired Comparables

- ↳ Expired comparables are the fourth way to know value in your target area.
 - ∞ Expired listings indicate the value that is beyond the present market in terms of what retail real estate buyers are willing to pay for property.
 - Retail buyers will buy the lower-priced comparable properties first.
 - Expired comparables are properties that never sold, let alone closed escrow.

5. Appreciation Rates

- ↳ Appreciation rates are the fifth way to know value in your target area.
 - ∞ Appreciation rates give you a sense of how hot or cold the real estate market is.
 - Double-digit appreciation rates indicate a hot real estate market. Single-digit appreciation rates indicate a good real estate market. Zero or negative appreciation rates indicate a cold real estate market.

6. New or Planned Developments

- ↳ New or planned developments are the sixth way to know value in your target area.
 - ∞ By studying the path of new development and buying property in the path of that development, you can insure that you are buying property that is going to appreciate in value.

7. Vacancy Rates

- ↳ Vacancy rates are the seventh way to know value in your target area.
 - ∞ High vacancy rates indicate an area that may have problem properties.
 - Low vacancy rates indicate an area that may have profitable properties.