

## **The Price is Right .....or Deal or no Deal....a candid look at Property prices**

There are two commonly held adages in our profession

- 1.** *The ONLY reason a house fails to sell is the price*
- 2.** *All Estate Agents are crooks.*

I agree with the first and the second influences buyers' and sellers' beliefs, and therefore their reaction to a house price.

**The** majority of us take a pride in the work we do, and with a little maturity consider ourselves to be "experts" in our own fields – training and years of experience give us that.

However, when it comes to the value of a house, i.e. its retail value, everyone is an expert (except the Estate Agent). It is a given: we all know the value of our house. After all, we know what we paid for it, what we have spent on it over the years and the price that similar houses are offered for sale in windows of estate agencies, on the web and in the papers/magazines. (The unsold price!). The negative points about our house we have got used to, no longer notice; after all it is our "home". And, of course, we would like to make a little bit of profit on the sale. So yes, we know the value and therefore the sale price.

As a buyer, however, you also know what a house is worth – its value. Always less than is being asked by the seller/estate agent – another given. After all, as a seller you always ask more than you want to leave room to negotiate and we all know estate agents are crooks out to make money for themselves – the higher the price the higher their fees!

**Bring** in the expert, who may be a crook, but has the means to advertise and promote my house at not cost to myself – after all, it is the buyer pays his fees. The expert will look over the house, and with an expert eye take in the good and bad points of this particular property. He will compare, in his mind or with the aid of a computer, the many properties he has valued and the prices they eventually sold for. Most of us buy and sell around 7-10 houses in our life, and estate agent will sell hundreds, and be aware of many others visited but sold by other agencies.

It is not an exact science. When I first came into this business the French tended to value properties on a recognised (by area) square meter price based on the habitable space. This may be fine for apartments in Paris, or a new pavillon, but hard to justify with the myriad versions of the older French properties. The impression I got then was that they did not even take into account location, or level of decoration, garden etc. etc. Those days are behind us, and it is now very much a case of comparing, as much as possible, like with like.

**However** there are other factors that affect price. The buying potential of the purchasing clientele, i.e. mortgage ability, or cash availability. These factors have a dramatic affect on the price in real terms – and outside forces can change these.

Your Estate Agent will be well aware of this from the potential buyers he has contact with, whilst the seller may still believe the market is as it was when they purchased.

In this region of France further factors come into play. Essentially it is a very rural area with an aging population, relatively high unemployment and low average wages. For this reason property prices were on the low side compared with other regions and so, when the

boom years of the early 2000's came, property was scooped up, prices rose as demand rose and the upward price spiral flared. France was the destination of choice; papers, magazines and TV said it was the place to be, the thing to do, creating a wave of purchasing we all got caught up in.

The wave crashed with the banking debacle and many were left with houses that no longer had the same value. In a sellers' market it is scarcity that fuels the price, in a buyers' market surfeit. Another saying – to be successful you need to be ahead of the wave, not following it.

All of this the "expert" estate agent is aware of, he lives with it each day, and is probably struggling to stay in business. It is in his interest (don't forget the fees) to value a property accurately, in line with the current market situation. You, as the seller want to sell your house quickly to get on with the next phase of your life – if not, why put it on the market? He will value your house in the hope of attracting a buyer and effecting a quick sale. If he achieves that, however, he will probably be accused of undervaluing the property just to earn his fees quickly. He cannot win - value too high and he is not bringing you potential purchasers - hence adage 2.

What an estate agent can't do is magic up a buyer that is happy to pay 30+ % more than the local market value for your house on the basis that as a British seller in France you are returning to the UK where you will never be able to find anything unless you achieve x amount of euros to convert into x amount of sterling. It is comparable to me saying that I would love to sell my two bed cottage and move to the Ile de Ré - but that does not mean that my property is suddenly worth 300,000 + euros.

**This** leads us on to another factor which is harder to quantify: the area value. I touched on it above with the fact that for many years in this region of France the average value of property was below similar properties in other regions. We are used to this in the UK. What is spent to improve a property does not vary across regions, or only marginally. This has to be born in mind when looking to recover what has been spent on a property in order not to put that property out of the price bracket for that region. If it means that at this point in time, if your property is outside that bracket, then be prepared to take a loss or wait for times to improve, and they will, one day.

Having embarked on this article, more and more influences come to mind with regard to evaluating the price, and I could go on for ever - but in the end...

### **A house is worth what someone is prepared to pay to own it.**

In an ideal world a seller would market his house at the price he is prepared to accept and a buyer would offer to buy at the price he is prepared to pay – the agent gets the sums right and everyone walks away a winner.

Susan Dixon  
Papillon properties  
August 2011