

What Influences the Value of Your Home?

By Richard Stanley

Other than specifics about your home, such as size, condition, style and amenities, what factors can influence the value of your house, that is, those factors that you alone cannot change? Here are some examples:

1. **Overall market conditions:** Currently, the real estate market has softened. The volume of overall sales is less than half of what it was just a year or so ago. Fortunately, few foreclosed properties are for sale in the Los Feliz/Silver Lake area now. In a market heavy with foreclosed properties, lender sellers sometimes offer their distressed properties at prices that undercut prior sales of similar houses. They underprice to liquidate a property quickly—and they also set a new low comparable sale price for the next seller. If not checked, the market can be sent into a downward spiral as sellers race to an ever-lowering bottom. Only when the supply of distressed properties dwindles, will the market stabilize and possibly recover. Property owners have virtually no control in such a situation.
2. **Local economic and social conditions:** Think of the 1990s. The first five years of the '90s saw a major loss of jobs locally as the aero-space industry contracted at the close of the Cold War. Then came the 1992 riots, which put market values of homes in freefall for at least a year. Realtors told each other, "Stay alive 'til '95", and indeed, the bottom of that cycle was 1995. Another five years of recovery would pass before the market began to boom. In such markets, property owners can do little except to have faith that property values will improve eventually.
3. **Natural calamities:** Ironically, Los Feliz and Silver Lake have been lucky. We have not seen any natural calamities in memory that undermined our real estate market. The 1994 Northridge quake, arguably the worst in decades, seemed to accelerate the recovery from the then-prevailing recession as people began to spend, and to borrow to spend, to repair damaged properties. I have not noticed any negative effect from the recent Griffith Park fire. Any temporary difficulty in obtaining or renewing homeowners' insurance tends to be just that: temporary.
4. **Tight money:** The availability of loan funds at attractive rates puts direct pressure, up or down, on property values. The current difficulties in obtaining loans have been improving since the end of last year. Interest rates are declining and expected to continue to decline into the summer. The re-availability of low-cost loans to better-qualified buyers is great news to sellers—and will help to support property values.
5. **Municipal services:** The quality of a city's services—and its reputation for answering the needs of its citizens—have direct influences upon the property values within that city. L.A.'s neighborhood councils and their