Zillow or trulia?

WHAT AN INTRIGUING QUESTION!

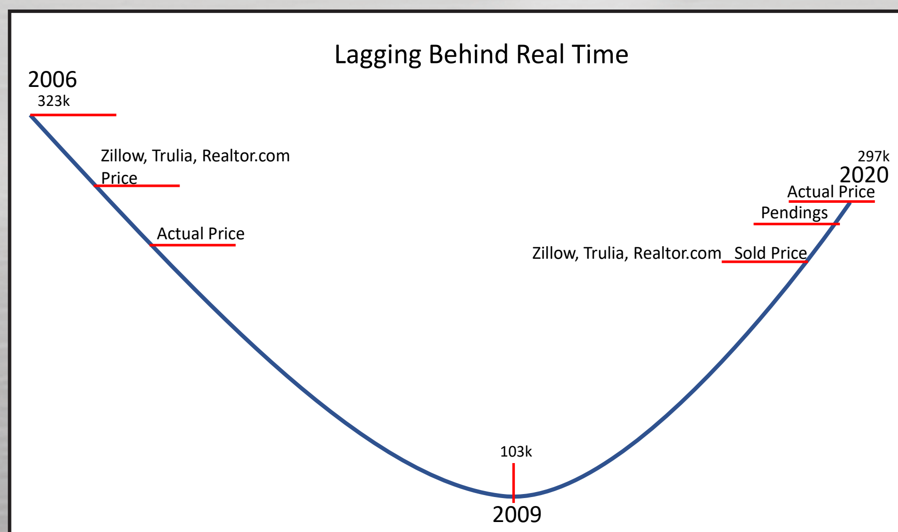
By Bobby Tarango & Mike Arias

I asked my wife, who is also in the business of the title of this article. She was also intrigued and wanting to know the answer. **The answer is NEITHER!**

There are many sites much like these. We have Zillow, Redfin, REX, RightMove, Idealists, Movoto, the list goes on and on. We as Californians love these sites because we equate our wealth with our real estate. When the market gets hot everyone has an opinion on real estate which can be anecdotal and general at times just like these valuation sites.

Now I'm not saying they can't be accurate. However, keep this in mind, when you hire a real estate professional or an appraiser to give you a valuation on your home they can't use any of those sites. They need to have access to real time data from their local multiple listing service, which the consumer does not have access to. Sites like Zillow are known as AVMs, automated valuation models. They might be fun to get a quick general idea but unless you're in a tract home where all the houses are the same it could be very difficult to put a value on your property based on some big data algorithms. Conditions don't show up in AVM valuation. There's physical condition, smell, busy street, next door neighbor, the 1,000 square foot room addition that is not permitted; The list can go on. When there is severe fluctuation in a market, the probability for error goes up. In 2007 when we were losing $15,000 to $20,000 a month most AVM Algorithms could not keep up with how fast the market was dropping. When you have a market moving up as fast as ours is right now you could leave money on the table if you're not careful. Though most of these sites are working hard on their algorithms to improve their valuations there is still a 15% to 33% discrepancy, which they do post on their sites.

The Graph below shows how these programs lag behind real time. In 2006 we reached our peak of $323,000. As the market started to deteriorate, the consumer kept checking those sites for value. You have to remember, the values were based on sold data which are transactions that may have gone into escrow 30,60,90 days ago. So the actual value was already $20,000 to $40,000 less. In essence they were chasing the market down. When the market is on an upswing such as ours, looking at sold data may not be where the market is. As you can see the Pending inventory (which are the homes in Escrow) are clearly ahead of the sold inventory. So in an upswing you could cost yourself tens of thousands of dollars. When I put a few thousand dollars in the stock market, I can do the research myself. If I want to put $100,000 I'm going to call a pro. The biggest investment in your life should garner the same attention.



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