

The Worth of a Home

by Phillip W. Weiss

A home is worth whatever the market will bear. If owner A lists his (or her), let's say, 1,700 square-foot ranch-style home for, let's say, one billion dollars and buyer B offers a dime, which is the highest offer tendered, and then both parties agree to a price of, let's say, ten dollars, then that home is worth ten dollars.

Now, let's say owner A lists the same home at the same price of one billion dollars and then launches an aggressive ad campaign targeting the one hundred wealthiest persons on the planet earth, all multibillionaires, and from among that exclusive group the highest offer tendered is five hundred million dollars, and then both parties agree to a final figure of seven hundred fifty million dollars, then the exact same property is now worth seven hundred fifty million dollars.

The worth of the home is entirely dependent on the market and the market consists of those who can afford to buy. Thus, the lower the selling price, then the larger the market and the larger the pool of potential buyers; and the higher the selling price, then the smaller the market and the smaller the pool of potential buyers.

In this era of gentrification, the breadth of the market and the pool of potential buyers have significantly contracted as more and more potential buyers have been priced out of the market. Now, why would somebody want to pay seven hundred fifty million dollars for a property that to someone else is worth ten dollars? The answer to that question is: they can afford it. But whatever the reason for wanting to buy, the price paid indicates what the home is now worth. And when the buyer who is now owner decides to sell and puts the property back on the market, then the process of determining its worth starts all over again.