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Value of Housing Characteristics

THE VALUE OF HOUSING CHARACTERISTICS[*]

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- *A house is made up of a large number of physical and locational attributes that can either add to, or subtract from, its value.*
- *This study uses a detailed data set of property sales from the Philadelphia area to assess how various attributes affect a home's value.*
- *The conclusions of this study are consistent with previous research based on more limited data. More importantly, this study provides a far richer level of detail about the effects of a home's attributes on selling prices.*

A house is made up of a number of attributes that determine its value or selling price. Because all properties are unique in any number of ways, determining how all of the physical and locational characteristics affect the value of a home can be difficult.

THE STUDY

This study uses data encompassing more than 28,800 residential property sales from 21 counties in the Philadelphia area (TReND MLS) over the period 1996 through the first quarter of 2003. Hedonic regression, a widely employed method of statistical analysis that has been the basis for a number of earlier studies of property value, was used to statistically disentangle the relative effects of property characteristics on a home's selling price. The study also examines how these characteristics differentially affect selling price across several counties. This study is unique in that a far more detailed collection of property characteristics and actual selling price (not listing price) have been used in the analysis.

FINDINGS

The results of this study generally are consistent with the conclusions of earlier research. For example, larger homes and homes with more bedrooms and bathrooms sell for more after controlling for all other physical, locational and quality features. More importantly, however, this analysis also provides estimates of *how much more* (or less) homes with particular characteristics can be expected to sell for. For example:

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[*] The cooperation and participation of TReND MLS in this project is gratefully acknowledged by the NATIONAL ASSOCIATION OF REALTORS®

[**] The complete report is available at www.realtor.org/research.nsf/pages/NatlcenterforRE

- each additional 1,000 square feet of **living space** increases selling price by about 3.3 percent;
- each additional **bedroom** adds about four percent to price;
- **bathrooms** have a dramatic effect on selling price with each full bath adding about 24 percent;
- **central air conditioning** adds about 12 percent to price;
- **nine foot ceilings** add about six percent to price;
- a **basement** increases value by nine percent;
- a **laundry** in the basement decreases value by two percent;
- **fireplaces** have a strong, positive effect on selling price with each fireplace adding about 12 percent;
- a **garage** adds about 13 percent to selling price;
- an in-ground **swimming pool** adds about eight percent to value while an above ground pool adds no value;
- close proximity to **golf** adds eight percent to the selling price.

Despite differences in the average home sales price in each of the counties, the estimated effects of house attributes on price were generally consistent with the conclusions from the analysis of the entire 21-county area. The effects of most characteristics also were similar when comparisons were made between sales during the period from 1996 to 1999 and the period 2000 through the first quarter of 2003.

IMPORTANCE FOR REALTORS®

Determining how different attributes of a house affect its value is important when selling or buying a home as well as in the financing (or refinancing) of the home. For example, homeowners must be keenly aware of the trade-offs when making remodeling decisions, especially if these renovations are done in anticipation of selling the home. Some characteristics affect a home's value while others do not. For REALTORS®, who often assist home sellers in the pricing of their home, determining which attributes add value (or detract from the home's value) is an important aspect of the overall marketing plan. This study, although based on data from only one metropolitan area, is consistent with earlier, less detailed, studies of home price determination. Consequently, the conclusions from this study can be used as a guide, along with local market expertise, in determining how different attributes of a home affect its value.