What Is My Property Worth?

Contributed by Carlton Johnson

Is your home really an asset? Ask this question in any social setting and you will probably be met with puzzled gazes, because it is obvious to anyone that knows anything about anything that your home is not only an asset but it is your most prized asset. To most people their home is the one thing they know they can't go wrong on, they have put their money into bricks and mortar and there is no way they will not see a healthy profit. The question, what is my property worth? Is normally met by eager anticipation from those who believe they have accrued a significant amount of equity.

For a long time, nobody has questioned the validity of the statement that their home is an asset. Perhaps we as homeowners have been too quick to accept this statement without truly understanding what an asset is. To fully understand what an asset is in relation to property it may help to understand that an asset, in property terms, is often linked to what is known as good debt, once we understand what good debt is and its relationship with assets it will help us to have a better understanding of what true assets really are.

So, what is good debt?

Good debt is debt that you have incurred by purchasing something that appreciates in value and/or can provide you with passive income that pays for itself, and doesn't need you constantly putting money into it. What is even better is when good debt appreciates in value without costing you a penny in fact the best kind of good debt is good debt that puts money back in your pocket. In short good debt normally comes about when you have purchased a true asset, which is a product or service that meets the description above.

In this vein, your home could not be classed as an asset, because you live there and you have to pay the mortgage yourself through other means i.e. through working at your job for a wage to pay the mortgage or through the money you get from other assets. And even if you have paid off the mortgage, you would still have things to pay on the house, such as utility bills, taxes, repairs etc. So you will always need to have some income from some other means in order to finance the upkeep on your home.

However, many would still class their house as an asset because they think that whenever they want to they can release equity or sell up and move on after having made a huge profit? This theory appears logical enough, yet what has to be understood is that while this sleeping asset appreciates in value, so are the other sleeping assets (houses) around it so when you want to sell and move else where, even though you may be able to sell it for much more than you bought it for, you will not be able to cash this amount in as the likelihood is that wherever you are moving to will also have increased in value by a similar amount.

The only way you will truly be able to realise the value of your property is to either move to a smaller or less expensive property, remortgage and use the equity to invest in assets that will appreciate greater than your property, or when you die and meet your maker and leave the house to a loved one, however this third option is very drastic and I would not recommend it to anyone. As well as you not being around to enjoy the fruits of your labour, the tax man might be only too eager to grab his chunk of your property pie even before your loved ones have got their hands on it.

About The Author Carlton Johnson is an entrepreneur, property investor and author who specialises in helping others to reach their financial and personal goals through property investing and Internet marketing. For more information on property investing and developing in the UK you can visit his website at: http://www.UKPropertysuccess.com