

What is an Appraisal?

An appraisal is an opinion of value. The appraisal starts with the inspection of the property. The appraiser must actually see and inspect the property being appraised in order to determine the true status of the property.

After the inspection and research of all required data, the opinion or estimate of value is arrived at through a formal process that typically uses three "approaches to value". The three approaches to value are the Sales Comparison Approach, Cost Approach and the Income Approach.

The Sales Comparison Approach compares the subject property to other similar properties that have sold (called comparables or comps) and adjusts for the differences between the comparables and the subject property. This is an excellent approach for older properties and when there is adequate sales history to use for comparables.

The Cost Approach determines the depreciated replacement cost of the buildings plus the value of the land. This approach is generally only applicable for agricultural land or newer residential properties.

The Income Approach is based upon the Income Producing potential of the subject property as compared to the income producing potential of other sold properties. This approach is widely used for residential properties used as rentals and agricultural producing properties.

If more than one approach is used in an appraisal then the approaches are reconciled and a final value opinion is given.

There are many reasons a person would need an appraisal. The most common reason being mortgage financing. Other reasons include, contesting property taxes, settling an estate, to be used when buying or selling real estate, to protect your rights in a condemnation case, lawsuits, divorce and many more.

An appraisal will develop a reliable and credible value in order to make informed real estate decisions.

What Does an Appraiser Do?

An appraiser provides a professional unbiased opinion of market value, to be used in making real estate decisions. Appraisers present their formal analysis in appraisal reports.

The gathering of the information for this report includes inspecting the property, researching the sales history and deed records of the property, determining lot/land value, researching the comparable sales and their sales history, and if applicable determining depreciated cost value of the property as well as any income potential of the property and comparables.

Where does an Appraiser get the information used to estimate value?

Gathering data is one of the primary roles of any appraiser. Data is divided into two basic types. Specific Data is gathered from the property itself, this includes location, condition, amenities, size and other data that is gathered by the appraiser during the inspection. General Data is gathered from various sources. Sold properties are gathered from county records and careful research and verification of sales of local real estate agents. Tax records, deed records and other public information is obtained from the local courthouse. Sales and listing terms of the subject property are obtained from the real estate agent or attorney. Census, geographical and community data is gathered from online sources as well as local municipalities. This is just a small listing of some of the areas in which the appraiser gathers data. The appraiser also gathers data from past experience in creating appraisals for other properties such as doing matched pairs analysis.