

Why Do You Need a Real Estate Appraisal?

Contributed by John Harris

Anytime you buy or sell real estate, you need a real estate appraisal. The primary purpose is to find out exactly how much your property is worth. Banks and similar lending companies also require it, before a buyer can obtain a mortgage.

A real estate appraisal develops an "educated and trained opinion" on the value of the property. It also, in some circumstances, may ascertain the best use of the property, garnering the best selling price. For example, a long-time residential property may be in an area that has been rezoned for limited commerce, which could potentially bring in a higher sales price than marketing the real estate to potential residential buyers.

An appraiser differs from an inspector, who is looking for things that need to be corrected, repaired or replaced — things that are required by law to be completed before the property can be sold or to enhance your sale price. Though an appraiser will look at these same things, he/she is only interested in developing the value of the property.

A real estate appraisal is based on the highest and best use of real property — what use of the property will produce the highest possible value? The final appraisal must be both profitable and probable.

The real estate appraisal includes a definition of the type of value that is being developed — whether it is a market value (what most sellers need), a condemnation value, quick sale value, and so on.

The Process

The appraiser looks at each property individually, beginning with an objective inspection of the interior and exterior of the home or building, as well as driving through the surrounding neighborhood. The appraiser looks for the assets, as well as the detriments, of the property. For homes, gross living space, quality of construction, location, layout, the number of bedrooms and bathrooms, the lot size, condition of the home and land, central air conditioning, landscaping, number of fireplaces or the lack thereof, decks, pool, fencing, recent renovations, amenities provided by the surrounding neighborhood, and crime statistics of the area are all considered by the real estate appraiser.

Living space is calculated by measuring the outside of the home. It does not include such areas as the garage, porches, sheds, and so on. Basements are generally calculated separately from the living space. The contributory value of basements is determined by the local market, government regulation, if it is finished or not (and the quality of the finish), and so on.

The real estate appraiser usually only considers permanent buildings within his/her appraisal. Fixtures that can be relocated, such as above ground pools and sheds, are not included in the appraisal.

If you are the real estate seller, you should point out any features, amenities or improvements of your home that are not readily discernable.

Next, the real estate appraiser analyzes the available market data for your area and the surrounding neighborhood, including current and historical comparable sales, current offers for comparable homes, pending sales, and proposed improvements. The appraiser gathers data from a variety of sources, as well as his/her own personal knowledge of the local market. The appraiser then compares your real estate to the broader market.

Each real estate appraiser has his/her own process of analyzing, collecting and reconciling the needed appraisal data. If you get five different appraisals for your real estate, you may receive five different appraisal opinions. They should, however, all be within a similar value range, if they are completed within the same timeframe and under the same conditions.

Though the real estate appraisal is not for public consumption, it may be shared with all parties concerned. For instance, a buyer has offered \$150,000 for a home, but the buyer-side, commissioned appraisal value is only \$146,000. Sharing this appraisal with the seller means that the owner can do needed improvements to bring the price up or offer the real estate to the buyer for the appraisal amount.

For the highest appraisal possible, real estate sellers should have an inspection and appraisal done before putting the property on the market. First, the inspection in order to make any needed repairs or renovations. Then, get the appraisal to ensure you are getting the most for your real estate.

About The Author

John Harris is an expert researcher and writer on real estate topics such as economics, credit improvement tips, home selling advice and home buying preparations. For more on San Diego Homes for Sale visit <http://www.twtrealestate.com>.