

## Appraisals & Market Value - Q & A

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**Q:** What is the difference between market value and appraised value?

**A:** Appraised value is a certified appraiser's opinion of the worth of a home at a given point in time. Lenders require appraisals as part of the loan application process; fees range from \$200 and up.

Market value is what price the house will bring at a given point in time. A comparative market analysis is an informal estimate of market value, based on sales of comparable properties, performed by a real estate agent or broker.

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**Q:** How do you find out the value of a troubled property?

**A:** Buyers considering a foreclosure property should obtain as much information as possible from the lender about the range of bids being sought.

It also is important to examine the property. If you are unable to get into a foreclosure property, check with surrounding neighbors about the property's condition.

It also is possible to do your own cost comparison through researching comparable properties recorded at local county recorder's and assessor's offices, or through Internet sites specializing in property records.

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**Q:** What are the standard ways of finding out what a house is valued at?

**A:** A comparative market analysis and an appraisal are the standard ways consumers, lenders and realty agents determined what a home is worth.

Your real estate agent will be happy to provide a comparative market analysis, an informal estimate of value based on comparable sales in the neighborhood. You also can research "the comps" yourself by checking on recent sales in public records. Be sure that you are researching properties that are similar in size, construction and location.

This information is not only available at your local recorder's or assessor's office but also through private companies and on the Internet.

An appraisal, which generally costs \$200 to \$300 to perform, is a certified appraiser's opinion of the value of a home at any given time. Appraisers review numerous factors including recent comparable sales, location, square footage and construction quality.

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**Q:** What's a house worth?

**A:** A home is worth what someone will pay for it. Everything else is an estimate of value. To determine a property's value, most people turn to either an appraisal or a comparative market analysis.

An appraisal is a certified appraiser's estimate of the value of the property at a given point in time. To make their determination, appraisers consider square

footage, construction quality, design, floor plan, neighborhood, availability of transportation, shopping and schools amenities, energy efficiency. Appraisers also take lot size, topography, view and landscaping into account.

A comparative market analysis is an informal estimate of market value, based on comparable sales in the neighborhood, performed by a real estate agent or broker. You can do your own cost comparison by looking up recent sales of comparable properties in public records. These records are available at local recorder's or assessor's offices, through private companies or on the Internet.

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**Q:** What standards do appraisers use to estimate value?

**A:** Appraisers use several factors when estimating value including historical records, property performance, condition of the home and indices that forecast future value. For detailed information on appraisal standards, contact the Appraisal Institute at 875 N. Michigan Ave., Suite 2400, Chicago, IL 60611-1980; (312) 335-4458.

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**Q:** What is the return on new versus previously owned homes?

**A:** Buying into a new-home community may seem riskier than purchasing a house in an established neighborhood, but any increase in home value depends upon the same factors: quality of the neighborhood, growth in the local housing market and the state of the overall economy.

One survey by the NATIONAL ASSOCIATION OF REALTORS® shows that resale homes do have an edge over new homes. The trade group's figures show the median price of resale homes increased 3 percent between 1994 and 1995, compared to 0.8 percent for new homes in the same period.

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**Q:** What is the difference between list price, sales price and appraised value?

**A:** The list price is a seller's advertised price, a figure that usually is only a rough estimate of what the seller wants to get. Sellers can price high, low or close to what they hope to get. To judge whether the list price is a fair one, be sure to consult comparable sales prices in the area.

The sales price is the amount of money you as a buyer would pay for a property.

The appraisal value is a certified appraiser's estimate of the worth of a property, and is based on comparable sales, the condition of the property and numerous other factors.

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**Q:** Can I find out the value of my home through the Internet?

**A:** You can get some idea of your home's value by searching the Internet. A number of Web sites and services crunch the numbers from historic public records of home sales to produce the statistics. Some services offer an actual estimate of value based on acceptable software appraisal standards. They also depend on historic home sales records to calculate the estimate.

Neither of these services produce official appraisals. They also don't factor in market nuances or other issues a certified appraiser or real estate professional

might in assessing the value of your home.

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