

APPRAISED PROPERTY VALUE: FACT OR FICTION

**What every real estate agent should know about the
appraisal process**

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Realtor vs. Appraiser?

REALTOR

APPRAISER

DOES THE PURPOSE MATTER?

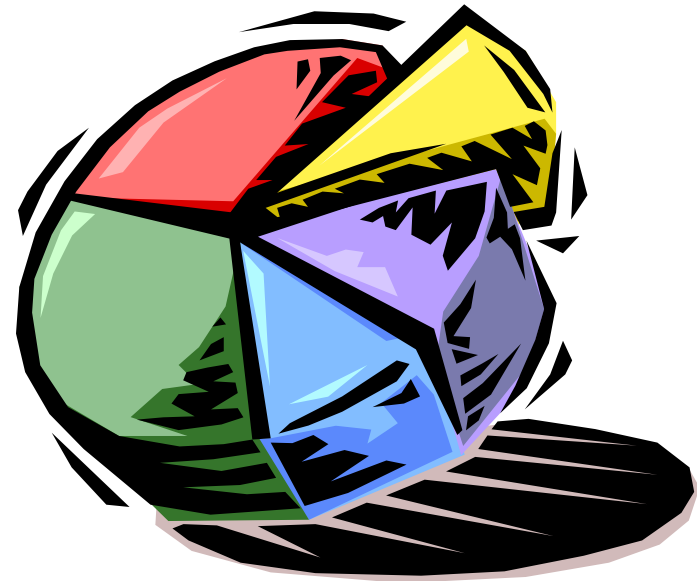


VS.

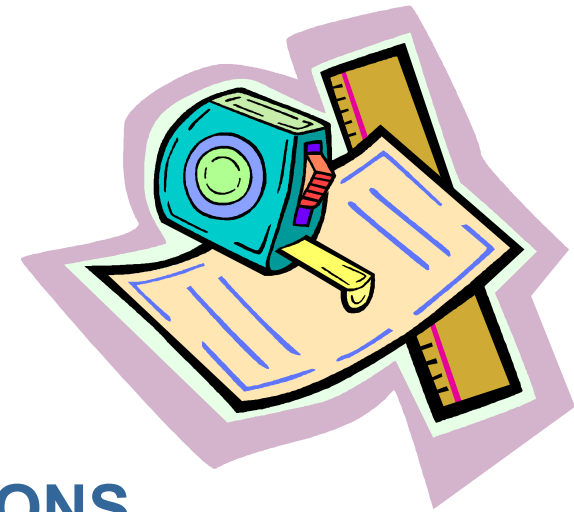


CONCERNS.....

1. **MLS DATA**
2. **ZONING**
3. **PUD OR PRD?**
4. **CONDOMINIUM**
5. **DEEDS**
6. **FIELD CARDS**



MLS DATA



SQUARE FOOTAGE:

- FOOT PRINT DIMENSIONS
- TOTAL LIVING AREA
- RAISED RANCH
- CAPE
- CONTEMPORARY
- ABOVE GROUND LEVEL?
- LOT SIZE
- VOL, PAGE, MAP, LOT, BLOCK

ZONING

- **CODES**
RESIDENTIAL
BUSINESS
COMMERCIAL
INDUSTRIAL
MIX USE

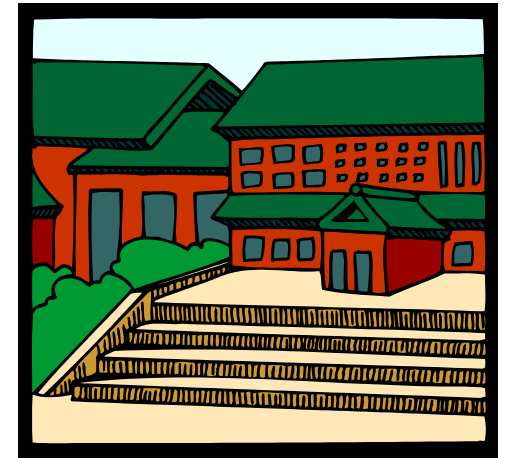


CONFORMING OR NON-CONFORMING?
LEGAL OR NOT LEGAL?

PUD OR PRD

- PUD: PLANNED UNIT DEVELOPMENT

WHO OWNS THE LOT?
SQUARE FOOTAGE



- PRD: PLANNED RESIDENTIAL DEVELOPMENT

CONDOMINIUMS



OWNER OCCUPIED RATIO TO RENTAL UNITS

DANGER ZONE: WHAT LENDER PRODUCT?

DOES IT MATTER IF THE CAPITAL IMPROVEMENT ACCOUNT IS INADEQUATE OR THERE ARE ASSESSMENTS?

DEEDS

- RESTRICTIONS
- EASEMENTS
- DEED INFO AND FIELD CARD INFO DO NOT EQUATE
- DOES IT MATTER WHAT TYPE OF DEED?



FIELD CARDS

Does it look like the property?

TYPICAL **ERRORS**:

- IMPROVEMENTS NOT NOTED
- IMPROVEMENTS NO LONGER IN EXISTENCE
- LAST DATE OF RE-EVALUATION
- SQUARE FOOTAGE AS A STATED NUMBER COMPARED TO FOOT PRINT



ERROR!

SUBJECT PROPERTY ANALYSIS

- **STYLE**
- **LAYOUT**
- **CONDITION**
- **LOT SIZE**
- **LEGAL OR ILLEGAL USE**
- **OUT BUILDINGS OR IMPROVEMENTS**
- **AGE**
- **SELLER CONCESSIONS**



SUBJECT PROPERTY ANALYSIS

- **STYLE**



**DOES ONE STYLE OVER
ANOTHER REALLY MATTER?**

WHAT ABOUT DEPRECIATION?

SUBJECT PROPERTY ANALYSIS

- **LAYOUT**

**IS THE LAYOUT TYPICAL OR
DOES IT HAVE SOME
DIFICIENCIES?**



SUBJECT PROPERTY ANALYSIS

- **CONDITION**
MUST THE APPRAISER USE “AS IS” AS OF THE DATE OF THE APPRAISAL OR TAKE INTO ACCOUNT REPAIRS THAT WILL BE MADE?

DEPRECIATION?
ANY IMPACTS: LEAD OR ASBESTOS, FOR EXAMPLE



SUBJECT PROPERTY ANALYSIS

- **LOT SIZE**
CONFORMS TO ZONING
WETLANDS
OFF SITE CONSIDERATIONS

**AT WHAT POINT DOES
ACREAGE MATTER?
DEPRECIATION?**



SUBJECT PROPERTY ANALYSIS

- **LEGAL OR ILLEGAL USE**

**CAN THE APPRAISER USE THE
ILLEGAL SQUARE FOOTAGE?
IS THE APPRAISER OBLIGATED
TO REPORT THIS?**



SUBJECT PROPERTY ANALYSIS

- OUT BUILDINGS OR IMPROVEMENTS

HOW IS VALUE APPLIED TO EACH IMPROVEMENT?



SUBJECT PROPERTY ANALYSIS

- AGE

HOW DOES AGE FACTOR IN TO VALUE?

EFFECTIVE VS. ACTUAL



New House

SUBJECT PROPERTY ANALYSIS

- **SELLER CONCESSIONS**

Repairs

Closing Costs

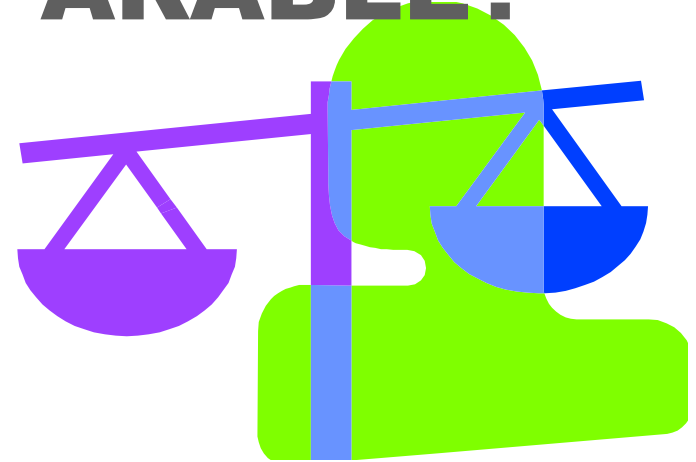
Credit at closing

**Buyer agent/agency
commission**



WHAT IS CONSIDERED A “GOOD” COMPARABLE?

- DATA SOURCE
- LOCATION
- ACREAGE
- CLOSING DATE
- ARMS LENGTH TRANSACTION
- STYLE
- WELL, SEPTIC VS. CITY
- SELLER CONCESSIONS
- TURN AROUND TIME (flips)



MULTI-FAMILIES

- RESIDENTIAL # OF UNITS VS. COMMERCIAL
- LEGALLY ZONED
- BEDROOMS EQUATE RENTAL INCOME
- AMENITIES
- LOCATION
- CONDITION
- GARAGES



FHA GUIDELINES

SAFETY ISSUES? (Safety and Health)

MISSING HANDRAILS

CRACKED/DAMAGED EXIT DOORS

CRACKED WINDOWS

DEFECTIVE PAINT CONDITION

DEFECTIVE FLOOR FINISHING/COVERING

DAMAGED PLASTER/SHEETROCK

POOR WORKMANSHIP

TRIP HAZARDS

CRAWL SPACE WITH DEBRIS/TRASH

ROOF

GUTTERS

GARAGE DOORS (automatic eyes)

EVIDENCE OF PREV. WOOD BORING PESTS

FOUNDATION

ELECTRICAL

SEPTIC AND WELL

LACK OF ALL WEATHER DRIVEWAY SURFACE



What Do You Know?

- **You are aware thru a home inspection that a deficiency was noted. No repairs were requested and it is not something the appraiser can readily see. You are the listing agent, do you tell or hope you are not asked?**

What Do You Know?

- You want to list a property that has a finished basement partially below grade.

What percentage of the basement can you include in the total square feet of the property?

What Do You Know?

- You want to list a unique property. There are no comparables. How do you arrive at a range of value?
 1. Locate other sold properties in the same area.
 2. Pluck it out of thin air.
 3. Hire an appraiser.

What Do You Know?

- **The well distance from the septic system is 55 feet. Will this comply with FHA requirements?**

What Do You Know?

- **If hook-up to public water is available, will the lender require it?**