

COMMONLY ASKED QUESTIONS ABOUT REAL ESTATE APPRAISALS AND APPRAISERS

What is an appraisal?

An appraisal is the act or process of estimating value. It involves research into appropriate market areas; the assembly and analysis of information pertinent to a property; and the knowledge, experience and professional judgment of the appraiser.

What is the role of the appraiser?

The role of the appraiser is to provide an accurate and impartial, third-party estimate of real estate value – providing assistance to those who own, manage, sell, invest in and/or lend money on the security of real estate.

What qualifications must appraisers have?

At minimum, all states require appraisers to be state licensed or certified. However, the Appraisal Institute enables appraisers to go beyond these minimum requirements to currently earn a professional MAI general designation, or SRA residential designation.

Appraisal Institute-designated members have fulfilled rigorous educational and experience requirements and must adhere to strict standards and a professional code of ethics.

How do well-credentialed appraisers add value to real estate transactions?

They bring knowledge, experience, impartiality and trust to the transaction. In so doing, they help protect real estate buyers from overpaying for property and lenders from over-lending to buyers.

What are the components of an appraisal?

An appraisal generally consists of: a legal description of the property; description of the interior and exterior of the property; square footage measurements; listing of comparable properties “as near the subject property as possible;” description of the neighborhood; and information regarding current real estate activity and/or market trends in the neighborhood.

What are the most important considerations in the valuation of real estate property?

The value indicated by recent sales of comparable properties, the current cost of reproducing or replacing a building, and the value that the property’s net earning power will support are the most important considerations in the valuation of real estate property.

What is the range of services appraisers provide?

In addition to residential and/or commercial appraisals – and depending upon an appraiser's designation and qualifications – he or she can provide/assist with some or all of the following:

- ◆ Estate planning and estate settlements
- ◆ Tax assessment review and advice
- ◆ Advice in eminent domain and condemnation property transactions
- ◆ Dispute resolution – including divorce, estate settlements, property partition suits, foreclosures, and zoning issues
- ◆ Feasibility studies
- ◆ Expert witness testimony
- ◆ Market rent and trend studies
- ◆ Cost/Benefit or investment analysis, e.g. financial return on remodeling
- ◆ Land utilization studies
- ◆ Supply and demand studies

When hiring an appraiser, what types of questions should I ask?

The following questions would be appropriate:

- ◆ What professional designations do you have and from whom?
- ◆ Are you licensed or certified in the state in which you live?
- ◆ How long have you been in practice?
- ◆ What level of experience do you have in this particular market and with this type of property?
- ◆ Are you familiar with property in this neighborhood?
- ◆ What types of clients have you had (homeowners, estates, lenders, relocation companies)?

When in need of an appraiser, why should I hire a member of the Appraisal Institute?

Appraisal Institute members earn professional designations that mandate stringent educational requirements, considerable professional experience, and adherence to standards of professional practice that exceed those required by state or federal law. Moreover, members' required participation in continuing education programs -- including those that emphasize the most-up-to-date valuation techniques -- make Appraisal Institute-designated members *the preferred source for high-quality appraisal services*.

How can I obtain additional information about appraisals, appraisers and the Appraisal Institute?

The Appraisal Institute maintains an informative website that is continually updated. The website address is: www.appraisalinstitute.org

Or, you can contact the Appraisal Institute

- < By mail – at 875 North Michigan Ave., Suite 2400, Chicago, IL 60611
- < By phone – at (312) 335-4100
- < By fax – at (312) 335-4400