Assessment *or* Appraisal *or* Market Analysis

W h i c h o n e i s b e t t e r ?

Before we can answer that question it is important to know the differences and similarities.

What is market value? *It is that price a knowledgeable and willing buyer will pay a knowledgeable and willing seller for a property exposed to the open market for a reasonable length of time, with both parties not acting on impulse or under duress.*

What are the differences and similarities between an assessment, an appraisal, and a market analysis?

An assessment is a market value estimate of a large number of parcels as of a certain date. It is determined by analyzing sales over a period of time using mass appraisal techniques. Mass appraisal requires the valuation of large numbers of parcels at once using market sales over an extended period of time, usually three to five years. A statistical analysis is performed on all assessments in a particular category before the valuation process begins, and again after it is done. The main purpose of the analysis is to determine what level assessments are at in relation to sales, and the level of equity between assessments.

An appraisal is a market value estimate of a single property as of a certain date. It is determined by an analysis of recent sales, usually within six months, in the particular area the property is located. In rural areas it is sometimes necessary to expand the market area or time frame of sales. Once the appraiser selects a small number of similar sales, adjustments are made to the sales based on differences between the sales and the subject property. Once adjustments are made the adjusted sale prices are consolidated into a value estimate.

A market analysis is a market value estimate of a single property based on sales. It is determined by a general review of data from recent sales. There are usually no photographs of the sales or subject property, nor is there a site visit to these same properties. This type of estimate is usually less in depth, requires less time to prepare, is less costly, and possibly less reliable.

The key to accuracy of any of the above types of market value estimates is the author. If the author does not put forth the effort to obtain reliable and pertinent data, or properly analyze it, the result is not likely to be an accurate indicator of market value.

How will I know if my assessment is reliable? *The first step is reviewing data on file for your property. Make sure the data is as accurate as possible. Where it differs, be prepared to provide proof to change the file data, if necessary. The second step is to review data used to determine your assessment. That data includes sales or assessments of similar type properties along with the data for those properties. Come prepared with a short list of properties very similar to yours. If unsure, ask your assessor for help. Once the data is in front of you, compare it with your data and assessment. Once again, if unsure how to do it, ask your assessor for help. If there are no obvious inconsistencies between those properties and yours, your assessment is probably reasonable. Remember that market value is a range and not a specific value point. Multiple buyers are likely to have their own opinion of what they would pay for a particular property. The assessor's job is to attempt to find a value somewhere within that range of values.*

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How will I know if my appraisal is reliable? *Determining reliability becomes more difficult because of the methods used to convert sales into a value estimate. However, the recipient of an appraisal can make the task easier by doing the following: First, review the general data about the subject property and the surrounding neighborhood. This is usually on page one of the appraisal. If you have doubts about any of the data, or there are discrepancies, write them down on a separate sheet of paper. Second, review the data for your property as provided on the comparable sale page. Note any discrepancies or errors. Third, read all comments or notes by the appraiser throughout the appraisal. Note any concerns or questions about these comments. Fourth, verify the data for all the sale properties. This is more difficult but can be done. Sometimes photos are provided in the appraisal that you can use, along with the property address for the sales, to locate and view the actual sales used in your appraisal. It is not necessary to stop in and talk with these property owners. A simple drive by will give you a good idea if that property is similar, better, or worse than your property. As for the inside data, such as square footage, bedrooms and baths, your assessor may be able to help.*

Check the validity of each sale used in the appraisal. Occasionally a sale is used that is not an arm's length transaction. Your assessor can provide reasons a sale is not considered arm's length. If any sale used in the appraisal is not arm's length it may diminish the accuracy of the appraised value.

After researching the data, visiting the sale properties, and noting any errors or discrepancies, you will develop an impression as to the quality of the appraisal. If not, you still have options. You may continue your research or ask another appraiser if they would review your appraisal. Many will offer this service at a cost. The cost is usually much less than the cost of a full appraisal.

How will I know if my market analysis is reliable? *Similar to an assessment or appraisal, you must check and verify all the data used within. All three valuation methods are opinions. They should be well supported by the information provided. A lack of supporting data, errors, or inconsistencies in any value report reduces its reliability. The depth and detail of the report is also an indication of its reliability.*

SUMMARY

Regardless of the method used, the goal of an assessment, appraisal, or market analysis is to determine a reasonable market value as of a certain date. If done properly, all of these methods should produce value estimates within 10% or 15% of each other. PLEASE REMEMBER the reliability of any market value estimate is heavily dependent upon the author and the data used.

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