



## WILL MY HOME APPRAISE?

**M**ost folks don't think about the hidden hurdle an appraisal can become until well into the buying or selling process. The appraiser may actually have the final say about a home's value as seen by banks.

With this in mind, we interviewed Adam Lehman, Certified Residential Appraiser, Yovino-Young, Valuation Consultants, to learn more about this process. The focus of the interview pertains to new sales and does not apply to refinancing of an existing loan as there are some differences.

### **Marvin Gardens: What is the overall role of the appraiser?**

Adam Lehman: We are the eyes and ears of the bank, reporting on the size, room count, condition and quality of the subject property (what the property consists of). It is our responsibility to analyze the market to determine if the purchase price is supportable by the market, on this particular date. We use comparable sales to determine if other people would be willing to pay a similar amount for similar properties. The appraisal has no shelf life, as it is a snapshot in time.

### **MG: How important is local knowledge?**

AL: It is everything! The appraiser needs to understand the value of different neighborhoods, styles and the housing stock, as well as having a working relationship with local Realtors in order to research potential comparable sales.

### **MG: When we talk about "comparable" properties, isn't it often difficult with our varied styles, locations and amenities to find recent closed sales of other houses that are really comparable?**

AL: This creates a tough problem that usually means making adjustments to the sales price of a comparable to bring it in line with the subject property, such as adding value when a comparable doesn't have a view or subtracting value when a comparable is larger. It may also require going further away in terms of location – making sure it is still a comp, or searching for older closed sales. Some lenders have rigid requirements that restrict comps to only the past 3 months and/or within a mile of the subject property, which is not reasonable in a diverse market such as ours.

### **MG: How much value, if any, do you give to views, historic nature of the home, condition, its micro-location (busy street, quiet location etc), and whether there were multiple offers?**

AL: *Views*: up to 20% of value; *Historic*: it carries a premium

because our market gives it extra value; *Condition*: huge factor because the pool of buyers increases and the comps should be of equal condition; *Micro-location*: in today's market, it matters a lot, whereas several years ago, it didn't seem to matter, for example, whether the property was under power lines, next to a sub-station or fire department; *Multiple offers*: a significant influence in my process as it clearly tells me that the house is special that has attracted more than one offer. I thus give more weight to the sales price.

### **MG: How important is cost per square foot when determining value?**

AL: I don't typically put much weight on price per square foot because of so many factors that influence the value found in our housing stock. I do not consider cost/sf except when I've finished my appraisal, then I will double check to see if the \$/sf is within the range of the other comps.

### **MG: When is the year built of a property considered?**

AL: It's more about the style of the house, and less about the physical age. For example, if I have a Mediterranean or Craftsman or Mid-Century Modern

home, I look for comps of a similar style. If it's absolutely brand new, then I look for newer homes, otherwise new-to-15-year old homes as comps.

### **MG: What do you do when the public record is different from your measurements; for example, when a lower level was finished after the house was originally built?**

AL: A number of factors come into play. I will ask myself how the buying market might view the space given the level of usability as well as access and finish. Whether a finished lower level is included in calculations of either gross living area or room count, depends on the aforementioned factors, but even if not, the space must be accounted for in other ways and given value accordingly. Typically, I've got to find at least one comparable sale with a similar finished space to support the value.

As Realtors, we use many of the same methods that appraisers do to arrive at the market value of a home for sale. Call with questions on how to navigate today's complex real estate market, or to arrange a consultation on the value of your property.

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