

FAQ

What is an Appraisal?

An appraisal is a written report indicating an estimate or opinion of value of a specific property as of a specific date, supported by an analysis of comparable relevant data, prepared for an identified party. A fee is collected; the appraiser accepts responsibility for his/her research and must comply with the standards of professional practice.

Why get an Appraisal?

An appraiser is required to provide a completely objective opinion of value, independent of any other business interests. A qualified appraiser has been awarded an AACI or CRA designation from the Appraisal Institute of Canada and has had years of education and field work. It is his/her job to keep up to date with changes in market trends and laws which affect real estate values, providing you with a thorough report giving you a professional opinion you can trust.

Clients typically look for a professional appraiser for an opinion on:

- The value for mortgage or lending purposes;
- The value to assist in investment;
- The value of property for litigation purposes;
- The value of property for expropriation purposes;
- The current value of property being bought or sold;
- The hypothetical value of a property to be built;
- The value of a property with damages resulting from various causes;
- Consultative services and feasibility studies.

What types of Appraisal Reports are performed?

There are 3 types of reports – a Narrative Report, a Short Narrative Report and a Form Report and all must contain:

- The estimate of value
- The purpose of the appraisal
- The effective date of the appraisal
- The certification and signature
- The condition of the neighborhood
- Property Identification and its ownership
- An analysis and interpretation of the data and the assumptions made, by one or more of the three approaches to value
- Extraordinary and/or limiting conditions

How is Value Estimated?

There are 3 basic methods used to arrive at an estimate of value.

- The Cost Approach – Estimate the cost to build a new building identical to the subject dwelling being appraised and subtract any accumulated depreciation. The depreciated building value is then added to the estimated land value.
- The Income Approach – is used for income-producing properties. The basis is to discount or convert the future income stream from the property into a present cash worth.
- The Direct Comparison Approach – based on the theory that a prudent purchaser would pay no more for a property than is required to purchase an equally desirable substitute. The value estimate is based on the selling price and listings of comparable properties.

What is Highest and Best Use?

It is defined as “that use which is most likely to produce the greatest net return over a given period of time”. Net return may involve net income, as from an investment property, or satisfaction and amenities, as from a house. The following are considerations used when determining the Highest and Best Use:

- The use must be legal;
- The use must be within the realm of probability; it must be likely, not speculative or conjectural;
- There must be a demand for such a use;
- The use must be profitable;
- The use must be such as to deliver the return for the longest period of time.

Why call an Appraiser when purchasing/selling a House?

When you hire a member of the Appraisal Institute of Canada, you are hiring a professional you can trust, who will work for only one person: you. It is his/her job to determine the market value of any property so that you can get the best value possible.

What improvements can add to the Value of a House?

Ensuring that your house is in good repair and well maintained is a must. However, renovations done on a house with maintenance problems will have a much lower impact on its resale value.

Most renovations will not increase the market value of a house by more than the amount spent.

Poorly done renovations may not have any positive impact or worse, actually may reduce the value of a house.

What is the difference between an Appraisal and a Building Inspection?

An appraisal is an opinion of a property's market value while a building inspection is a thorough examination of the physical condition of the structure and its components.

What is the difference between an Appraiser and a Real Estate Agent?

Real Estate Agents typically provide a market analysis and no fee is charged for this service; a commission is paid by the vendor upon sale of property. A professional Appraiser provides an opinion of value of various types of property. There is a fee based on the type of property, complexity and purpose of the appraisal. This fee is not based upon a predetermined value estimate and you will receive an objective, independent value of your property. Ethically, an appraisal assignment cannot be accepted contingent on a pre-determined value.