

THE DIFFERENCE BETWEEN AN APPRAISAL AND A COMPARATIVE MARKET ANALYSIS (CMA)

Appraisal

Only a licensed, trained appraiser, with no interest in a property, can do an appraisal. An appraisal looks at similar properties which have sold recently. To be similar a property should have approximately the same number of heated and cooled square feet, same number of floors, same age, same types of amenities and be in a similar neighborhood. It is rare to find an exact match, so the similar properties are adjusted to more closely match the subject property.

Adjustments take the form of placing a value on square feet based on number of floors, and then adding or subtracting values so that a more exact comparison can be made. In addition, the appraiser looks at the current condition of the subject property and will adjust its value based on its condition relative to other similar properties. Because there is judgment involved in making these adjustments, even appraisals using the same properties for comparison can vary in their result.

CMA (Comparative Market Analysis)

CMAs are typically done by licensed Realtors. CMAs look not only at recently sold properties but at properties currently on the market and ones which did not sell (withdrawn or expired listings). Sold properties give a view of the market during a specific time period, but they do not give much guidance as to the direction of the market. How properties have been selling in an area, the price of comparable properties currently for sale and the size of the inventory of properties in that price range are some of the factors the Realtor uses to price a home.

Realtors who are active in the market also have another advantage. They have usually had the chance to view the homes which have sold and are for sale. Based on having seen a home, they can more easily decide if it really is a comparable. Appraisers do not go to open houses and do not place any weight on house style and street appeal.

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