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Appraisal snapshot - Appraisals of the same prop. not the same

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Have you ever taken a photo of something, then returned a second time and taken another photo of the same scene, and they just didn't look the same? Perhaps a scene that you'd think shouldn't change...like a mountain view with a valley and a clear sky? You compare the photos and they are very similar, but still, different somehow... perhaps factors such as light, time of the season, or wind conditions subtly alter the photo, making it a different picture altogether.

This phenomenon occurs in real estate appraisal too, and it concerns people. Every once in a while I get a call from a lender with a borrower's question, "How can my home drop in value by \$20,000 in three months in a stable market - and with the same appraiser!" It sure sounds like an appraiser made a mistake.

It is tempting to blame such vagaries upon the fundamental appraisal principal: appraising is not a science but an art form. Yes, this is a subjective profession, but that is not the only reason that the appraiser could be correct in lowering the estimate of value in a short amount of time.

An appraiser is hired to take a "snapshot of the property" which includes a physical inspection and interpretation of the real estate market on that day. The sold comparables and listings that are available to use at that moment are parameters dictated to the appraiser. We all know sold comparables have a shelf life, typically 6 to 12 months in a stable market. Comparables used one day may not be available in 3 months and more comparables indicating a lower value may have just closed.

Lender requirements regarding comparable selection are designed to provide a credible, supportable appraisal value, perhaps even a conservative value due to underwriting restrictions. Since the Housing Meltdown, appraisers have been asked by lenders to produce much more supporting data in their reports. Complying with strict standards narrows the subjectivity of the appraisal result. Even if an appraiser may believe that a property is worth more, he may not be able to prove it.

And that is why the snapshot of the same place may be legitimately different.

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