



nerelj

The real estate market is currently booming

July 09, 2015 - Appraisal & Consulting

The real estate market is booming as rates remain low and may edge up next year. Many towns have increasing values, especially in the eastern area of the state where there is a shortage of inventory and strong demand. It takes a lot of expertise and due diligence to keep up with what the market is doing to correctly appraise real estate. Appraisers look at a lot of historical data when doing an appraisal but are also required to look at pending sales and active listings, not just closed sales, to estimate time adjustments when doing an appraisal.

Unfortunately, what I see from reviewing many appraisals and speaking with many appraisers, is that there are only a few "leaders" in this profession and many "followers." Many appraisers don't show an increasing or decreasing market with time adjustments as it is really happening. Rather, they wait until they see everyone else is doing it before they are confident enough to show a changing market. Even worse, I see reports that state that the market is increasing but there are no time adjustments made to the sales, which is completely contradictory.

There are also many circumstances which would cause the sale price in a transaction to be below market value. The seller could be getting a divorce or has been relocated or is under some financial duress affecting his motivation to sell and the resulting sale price. These type of sales do not meet the definition of "market value" which states:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from the seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

This definition was taken directly from the Uniform Residential Appraisal Report.

The appraisers that belong to an appraisal organization like the Appraisal Institute or the MBREA are more likely to network with their peers and have access to information and knowledge to keep them current with the market and their profession.

Maria Hopkins, SRA, RA, is president of Maria Hopkins Associates, Paxton, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540