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Why MLS listings are important to appraisers - Dennis Chanski

June 09, 2023 - Appraisal & Consulting



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When completing an appraisal there are many steps that appraisers must go through, from preparing to complete an inspection all the way through to signing and submitting the report. One of the biggest and most important aspects of completing an appraisal is to identify the best comparable sales to use in developing a credible opinion of value.

While realtors use the Multiple Listing Service (MLS) to list, promote, sell, and identify houses for their clients, appraisers use the MLS as one of the most important tools to identify potential comparable sales and to analyze the market for the assignment they are working on. The challenge is that realtors use the MLS to promote the listings for their clients to sell, while the buyer's realtors use the MLS to search the MLS for their clients' next home.

We as appraisers are looking at those same listings and comments as indicators in determining if a listing that is closed, active, or under contract is credible and supportive to use in developing an opinion of value for our assignment. In addition to the comments, a visual walk-through of the house or the MLS photos are also just as important in determining if a house is potentially comparable.

Many times, a listing whether it be a closed sale, active or under contract may quantitatively compare to the subject that is being appraised based on location, room count, gross living area, site size, etc.; however, sometimes the listing comments or photos may not include enough detail about the property. The verification of data is also important whether it be through public town records or through speaking with a realtor. Being able to speak with the listing or selling agent is important because they have been inside the listing, and they can usually shed a lot of information that may not have been included in the comments or seen in the listing's photos. The challenge is that from my experience, a considerable number of calls or emails that I make are not returned or answered. I understand that everyone is busy, and it is frustrating not to get any response which may eliminate a good potential comparable if information needing to be verified or quantified cannot be.

In addition, searching a town's land records is also an option and another credible source to validate information or questions an appraiser has; however, the town records do not typically provide detailed information about the condition of a property. Identifying sales from the assessor records is also something that can be researched, but if they have not been transacted with a realtor, verifying the condition and any other information on the sale can be challenging if you are unable to make contact with someone involved in the transaction.

Most times financing is used in purchasing a house, which means typically going through a lender which typically means having an appraisal completed. An appraisal for financing is used to protect the investment of the lender. As in any appraisal assignment, we as appraisers need to identify the best sales to support the developed opinion of value, which brings us back to the MLS.

Comments in a listing are not only used to sell a house but they are also used by appraisers in determining if a sale could be potentially used as a comparable for an appraisal on a house. The range of comments can be extremely detailed on the dates of all the updates and significant

changes and renovations that have been made on the house to “has an apple tree in the backyard.”

As a realtor your goal is to promote your listing as best as possible to sell the listing for your client. In researching writing MLS comments, every article I have seen focuses on writing to sell the listing, and rightfully so, because that is your job for your client. I have spoken with several local realtors in my area about writing a listing. Every one of them said without hesitation they did not think about the comments in the MLS listing being used by an appraiser after the sale has closed. Although the comments in the MLS listing are generally useful in helping to determine if a listing is useful as a potential comparable, there are more than just the comments.

Next to comments, images of the listing are equally useful, as those images will help to determine if the listing is of similar, better, or worse than the house being appraised. Most listings have a considerable number of photographs which will assist in the process of determining if a listing is a potential comparable, but other times there are limited photos of the house and more of the backyard.

The MLS is just as important to appraisers as it is to the realtors, and we use the best information available to us in selecting potential comparable sales, and we completely understand that the realtor’s main goal is to use the listing to promote their listing, but remember when putting your listing together, your listing today may possibly be used as a comparable for your next sale.

Dennis Chanski, SRA, is on the board of directors for the Connecticut Chapter of the Appraisal Institute.

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