

What's Your Property Worth?

By Francyne Shapiro-Lambert Vice-President,
Lambert Investments, Inc.



Appraising your property can be very subjective or objective depending upon the purpose for the evaluation. The property owner usually has a subjective value geared toward the reason for the appraisal (a lower value for tax purposes and of course a higher value when selling.) A neutral third party (an active appraiser or real estate broker) should be able to evaluate a property from a more objective standpoint.

A property being appraised for tax and/or estate purposes is subject to specific IRS tax codes, laws and governing regulations. This can be a very complex process and should be orchestrated by a tax attorney well versed in this practice and familiar with the specific nuances and location of the property. A property being appraised for financing can be appraised directly by the lender or an outside appraiser who is approved by the lender. Some institutions may require that the appraiser be a certified MAI Appraiser which means that the appraiser holds the necessary certification to satisfy the lender's requirements.

A real estate broker active in the area where the property is located and experienced in selling like-kind properties may informally appraise a property for sale. Here are some guidelines for comparable sales referred to as comps:

- Date of sale should be as current as possible
- The comps should be in the same proximity as the subject property
- Comps should be as similar as possible to the subject property in comparison to age, square footage of the structure and lot size, unit mix, gross income, operating expenses, parking, amenities and condition of the property (naturally these factors will vary as to the actual sales of like-kind property.)
- Seismic retrofit requirements for soft story now needs to be factored in to the value.

Demographics need to be addressed when valuing a property. Consideration should include:

- Population counts, and income levels in the area
- Local businesses and educational institutions
- Current Zoning and re-zoning (very important)
- Review of the general plan including proposed major developments
- The political environment including social and economic issues

Does making improvements and renovations add value to the property? The answer to this question depends on the nature of the improvements, the current market conditions, demand for the property, supply and of course location, location, location. A very important factor in valuation is specific knowledge of rent control. There are more variables to consider with historically low rents. It is important to have an accurate tenant history. Gross rent multipliers, cap rates and price per square foot may fluctuate considerably depending on the tenant history. Projected income is a real barometer if there are actually vacant units.

An appraisal should not be hard to read or overburdened with technical data. Current market conditions should always be considered. It is valuable to include the market trends and history. A value place on a property a year ago may not apply today. **AA**