



RELOCATION APPRAISAL BASICS

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Although the terms real estate and real property are used synonymously, they are not really the same. Real estate is the physical land and any structures on that land. Real estate is considered to be tangible and immobile. Real property includes the real estate plus the interests, benefits, and rights inherent in the ownership of the physical real estate. These rights are called the “bundle of rights” and include the right to use, to sell, to lease, to enter, to bequest, and to refuse any of the rights. Relocation appraisers value the real property, in other words they value the real estate and the rights of ownership.

There are various forms of ownership, the most often valued forms are “fee simple” or ownership simple, and “leased fee” or leased ownership. Most relocation appraisals are of the fee simple.

A relocation appraisal is the act or process of developing an opinion of some type of value. A relocation appraisal report is the physical reporting of that opinion.

There are many different types of value; the most common to real property appraisers for use in mortgage financing is market value. However, the value determined for relocation appraisal purposes is usually the most probable sales price or the anticipated sales price. Each of these types of values has subtle differences and it is important that the user of a relocation appraisal report be aware of the type of value being reported. Further, the value can be “as is” or “as completed”, as in the case of future renovations.

There are three main methods of determining real property value, the cost approach, the sales comparison approach, and the income approach. Most relocation appraisals use only the sales comparison approach.

The sales comparison approach to value is based on the principle of contribution and the premise that each component of a property contributes a part of the total value. This method of valuation is completed by the appraiser using the following steps:

- The subject property is viewed, the house exterior is measured to determine the gross living area, and the interior and exterior are photographed
- The appraiser researches comparable properties similar to the subject, in the same market area, that have already been sold
- The appraiser researches properties similar to the subject that are presently listed for sale
- The appraiser determines the value by a comparison all of these comparables to the subject property using various comparison adjustment methods
- The appraiser reconciles this value with past and present market trends and, reports that value in an appraisal report

These are the core essentials of appraising real property and the bedrock foundation for determining accurate property values.

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