

THE DIFFERENCE BETWEEN AN APPRAISAL AND A COMPARATIVE MARKET ANALYSIS (CMA)

Appraisal

Only a licensed, trained appraiser, with no interest in a property, can do an appraisal. An appraisal looks at similar properties which have sold recently. To be similar it should have the same square feet, same acreage, same age and be in a similar neighborhood. In Greenwich, it is rare to find an exact match, so the similar properties are adjusted to more closely match the subject property. Adjustments take the form of placing a value on square feet and acreage, and then adding or subtracting value so that a more exact comparison can be made. In addition, the appraiser looks at the current condition of the subject property and will adjust its value to reflect its depreciation. Because there is judgement involved in making these adjustments, even appraisals using the same properties for comparison can vary in their result.

CMA (Comparative Market Analysis)

CMAs are typically done by licensed Realtors. CMAs look not only at recently sold properties but at properties on the market and ones which did not sell (withdrawn or expired listings). Sold properties give a view of the market during a specific time period, but they do not give much guidance as to the direction of the market. How properties have been selling in an area, the price of comparable properties currently for sale and the size of the inventory of properties in that price range are some of the factors the Realtor uses to price a home. For a more complete list see the first chapter, *What should be Considered in Pricing a Home*. Realtors who are active in the market also have another advantage. They have usually had the chance to view the homes which have sold and are for sale. Based on having seen a home, they can more easily decide if it really is a comparable. Appraisers do not go to open houses and do not place any weight on house style and street appeal. This limits them in some ways. House purchases, like almost all purchases, are made on an emotional basis, even though the purchase is usually justified on an intellectual basis. As a result of the different approaches, appraisals often have different results than CMAs. The difference can make an appraisal come out higher or lower than a CMA. Presently there is little CMA training provided to Realtors, as a result the results can vary even more widely than appraisals. This is why it is so important to choose the right Realtor to help you price your home and not just the one that suggests the highest price.



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