

Sellers: the importance of understanding the Appraisal Process

We hear it all the time, "But my home has several upgrades and updates, vaulted ceilings, hardwood floors, granite, new appliances"... the list goes on. What does this all really mean with the sale price and the ability to get a contract?

To put it plain and simple all of those upgrades add the desirability. Yes, it adds value your home, because you will receive an offer much quicker than the another home that does not have the upgrades and is in comparison. It enables you to have more negotiating power, that is where your value comes in.

The reality in current market conditions is that the market is demanding a higher price as we see multiple offers and escalations. This is coming to play because of the law of supply and demand. Lack of inventory, great rates, motivated buyers are frustrated with little to choose from. The appraisers job is to prove what HAS HAPPENED to the market, ie, past tense. NOT what IS HAPPENING.

When we go on a listing appointment and we show the potential competition within an entire zip code, there are only a few homes in comparison. Yes, could we list at a higher price and most likely get that number, more than likely. BUT, remember that appraiser? They are looking at what HAS SOLD (previously), it doesn't matter that you may receive multiple offers with escalations. It also does not matter that you are upgraded. The appraisers are not able to take "normal" upgrades and updates in to much consideration because they have to rely on tax records and agent photos of the previous listings.

The importance of understanding the appraisal process and listing your home at the proper price is crucial to you NOT "chasing the market" If you list too high, be prepared to negotiate when that appraisal comes back. It is very difficult and most of the time impossible to contest an appraisal. *Don't be a market chaser, it can cost you thousands of dollars listing to high and having to reduce.*