

Benefits of Appraisals

Why Do I Need An Appraisal On My Commercial Property?

Real estate appraisals are beneficial for many reasons, and Commercial Investment Appraisers prepares appraisals for many purposes. Here are some of the most common reasons and benefits for having commercial property appraised:

- **Disposition**

When it comes to selling commercial real estate, the typical investor/owner is usually biased, and may believe that their property is worth more than it actually is. Even a real estate agent who assists the property owner in setting a sale price for a real estate asset may set it too high, since a higher sale price means a bigger commission to the agent. Overpricing the asset could result in the property sitting on the market for an extended amount of time. On the other hand, when a property price is set too low because of a lack of knowledge of property values, the owner could suffer significant financial losses. This is why a commercial real estate appraiser should be used. An appraiser does not have any vested interest in the property, and will estimate a reasonable selling price for the owner based solely on market support.

- **Estate Planning**

Estate settlement can sometimes be challenging for those related to the deceased, but nevertheless, is necessary with the passing of those who hold real estate assets. Often times, there are several properties within real estate portfolios that require an opinion of market value, and any real property held by the estate must be valued by a competent real estate appraiser. Since the date of inspection of the real estate is usually different from the date of death, a forensic retrospective appraisal which establishes the "fair market value" is used, and the appraiser should be qualified and possess the competency to perform such an appraisal. Those who use appraisals for estate purposes include beneficiaries of the estate, attorneys, trust administrators, estate planners, executors, accountants, court-appointed receivers, corporations, partnership entities, and enrolled agents.

- **Tax Dispute**

The real estate market can be quite volatile, with property values fluctuating indiscriminately. Often times, this can produce incorrect real estate assessments by the governing authorities, resulting in property taxes that are higher than they should be. When an owner files for an assessment appeal, they should do so with a reliable appraisal from a local appraiser. Without proof of a lower assessment, a reduction in taxes is unlikely for the property owner.

- **Mortgage Underwriting**

When making a real estate purchase using borrowed capital or refinancing an existing loan, the lender will most likely require an appraisal. The lender needs the confidence in knowing that they can dispose of the asset for at least the loan amount, if the borrower stops making payments and the asset is foreclosed upon.

- **Insurance**

Insurance companies often require an insurable value appraisal to support the replacement cost for an asset when providing property insurance coverage. Cost estimating services are typically used by the appraiser, and only those insurable components of the property are used in the valuation. Typical insurance exclusions can include the underlying land, site improvements, and basements, among other property components.

- **Acquisition**

When purchasing real estate, a buyer will obviously want to get the best deal possible. Prior to negotiation, it is sometimes wise for the buyer to obtain an appraisal confidentially, without releasing the value to the seller. That way, the buyer can negotiate a sale price knowing that he is not paying more than the market value for the property, and may even be able to acquire the property for a price below the market value. (It would be in the seller's best interest to obtain his own appraisal, as well.) Other times, a buyer and seller may agree to hire an appraiser together and use the appraised value of the property to determine the sale price.

- **Divorce**

In a divorce settlement, the division of marital assets that include real estate holdings usually requires an appraisal. The real estate appraiser is typically retained by the lawyer, administrator or arbitrator, and an opinion of value that can be supported in court is estimated based on the date of separation. The most common options in the case of divorce include selling the assets and dividing the proceeds, or buying out the other spouse.

- **Internal Decision Making**

There are various other reasons for acquiring an appraisal on a real estate asset. Appraisals are used to set rent schedules, to determine the feasibility of construction or renovation projects, to facilitate corporate mergers, to develop an opinion of value for forced sale or auction proceedings, for counseling clients in decisions for investment goals, and to assist lenders evaluate their assets when foreclosure is imminent, as well as many others.

Source URL (modified on 02/04/2014 - 14:47): <http://wmdappraisals.com/content/benefits-appraisals>