

ESTIMATING VALUE

STUDY SHEET

Summary

There are several methods for estimating property values, including the sales comparison approach, the cost approach, and the income approach. A Comparative Market Analysis (CMA) is different from an appraisal. Many external factors impact the asking and sales price of property.

Top Takeaways

- An **appraisal** is the act or process of developing an opinion of value, and must be performed by a licensed appraiser.
- A **CMA** isn't an appraisal. Only a licensed appraiser may perform an appraisal.
- The **four factors of value** are demand, utility, scarcity, and transferability (DUST).
- **Forces impacting the value** of a given property include environmental/physical, social, political/governmental, and economic.
- The **sales comparison approach** to value is a method based on the value of similar properties in the market.
- The **cost approach to value** is weighted heavily when the property is unique, such as a movie theater or a winery. It's also used frequently in newly constructed or high value, unique homes.
- When appraisers reconcile their **appraisal value**, they may weigh one or more values (e.g., sales, income, or cost) more than others, then determine a weighted average of the three.

Appraisal

An estimate of value that's for a specific purpose, party, and property as of a specific date

Comparative Market Analysis (CMA)

An opinion of a property's market price range

Market value

The price the buyer and seller agree upon

Demand

How popular or desirable a property is

Utility

The function of the property

Scarcity

Relates to market supply

Transferability

The ease with which another person can purchase the property

Take a look back at your notes for these items:

- The characteristics of value—DUST
- Reconciliation
- Calculating price per square foot