



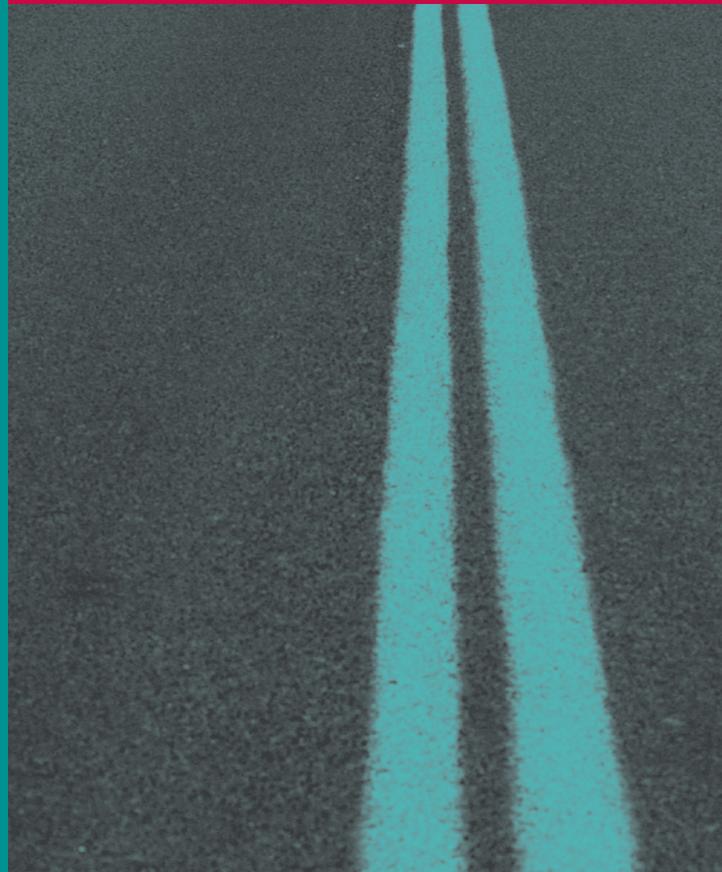
Appraisal
Institute®

*Professionals Providing
Real Estate Solutions*



Relocation & Destination Appraisals: Making the Most of a Corporate Transfer

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Just how much *is* your house worth?

Congratulations—you've been promoted, but it means relocating to another city! Some of your first thoughts after accepting the new position probably concerned the sale of your present home, and even the purchase of a new home in your next location. When it comes to the sale and purchase of a home, you and your employer will benefit from the services of a professional real estate appraiser.

Before you purchase your next home, you'll want to get the best price for your present home. Pricing your home to compete in the current market can greatly improve your chances for a timely, profitable sale. A qualified real estate appraiser can help you price your home by performing a detailed appraisal. A relocation appraisal by qualified professional has been shown to be the best means of estimating the price your home will bring on the open market.

What is a Relocation Appraisal?

The value of your home never remains the same. Its value today is probably not the same as when you bought it, and it probably won't be the same a year from now. As a result, your employer or a relocation company may obtain one or more appraisals to assess the anticipated sales price of your home in connection with your move. Sometimes an average of two or more appraised values is utilized (depending on the company's

policy) and an additional appraisal might be undertaken if there is any significant discrepancy.

A relocation appraisal is an estimate of the anticipated sales price at which your home will sell in the current market within a reasonable length of time, based on what appraisers call the sales comparison analysis. The appraiser inspects your home, analyzes the factors that influence the market, and reaches a value conclusion.

Marketing time depends on the conditions in your community, but the definition of anticipated sales price indicates “a reasonable marketing period, not to exceed 120 days and commencing on the date of appraisal (inspection), is allowed for exposure on the open market.”

The Appraisal Process

Real estate appraisers use different “approaches” in the analysis of real property. The sales comparison analysis is the most commonly used to value a single-family home. To apply this technique, the appraiser compares your home to similar homes in the area that have recently been sold. To be comparable, these homes should be similar to yours in size, style, condition, age and construction. If recent sales are scarce, then the appraiser may have to consider slightly older sales or look outside the immediate community to find comparables. Adjustments are made for any differences between the comparables and your home.

As appraisers gather and verify data about completed sales, pending sales (currently under contract) and competing properties, they study the terms of the sales closely: How long were the homes on the market before they were sold? Were the

sellers able to wait for the highest possible offer, or did conditions require an immediate sale?

Information about your home available from public records—e.g., the deed, taxes, zoning, transfers of ownership, restrictions, assessments—will be examined by the appraiser. Neighborhood characteristics including the proximity to needed services such as schools, employment centers and shopping will be studied. The appraiser will also consider the current market for homes like yours, buying trends that might affect a sale and the availability and terms of financing that influence people’s ability to purchase homes.

To ascertain your home’s condition and marketability, the appraiser will make a personal inspection, examining the site, exterior design and appeal; interior appearance and layout; plumbing, electrical, heating and cooling systems; maintenance and functional utility. The appraiser reports the “as is” condition of the property as of the inspection date. Should there be a question concerning a specific mechanical or structural component, the appraiser may suggest an inspection by an expert.

A qualified professional appraiser with experience in your community considers all relevant data to produce an estimate of the anticipated sales price for your home. When the property is unusual or market information is limited, different appraisers may have diverging opinions. In most cases, however, a narrow range of value will be reached.

You Can Help the Appraiser...

Providing the appraiser with information and records that you have available will facilitate the appraisal process. Relevant documents include:

- A plat plan or survey of the house and land
- Your property deed, which contains a legal description of the property
- Your most recent real estate tax bill
- Your mortgage, showing the type, terms, and whether or not it is assumable
- A factual record of recent sales and listings in the neighborhood, which can be verified by the appraiser
- Your title policy describing encroachments
- A list of personal property to be sold with the home
- A “brag” sheet listing major home improvements and upgrades, the date of their installation, and their cost

You may want to ask the appraiser some questions about the appraisal process. Professional standards of practice prohibit appraisers from discussing the details of the appraisal assignment with you if the appraisal was requested by your employer or relocation management company. Nevertheless, they can tell you what appraisers generally look for and how different property characteristics will be weighted in the analysis.

What's in the Appraisal Report?

The final value estimate must be fully documented and supported in a written appraisal report. All pertinent data about your property relevant to the appraiser's analysis should logically point to the value conclusion. These elements should be found in any comprehensive, professional appraisal report.

- An adequate legal description of the subject property
- The purpose or reason for the appraisal—in

this case, to estimate for your employer, the relocation firm, or you—the relocating homeowner—the anticipated sales price, based on the sales comparison approach to value

- The date on which the appraisal was made, known as the effective date of appraisal
- All pertinent data about the property, including photos of your home and the comparables used, a neighborhood map, and a floor plan
- The reasoning by which the final value estimate was reached, which includes application of the sales comparison analysis
- The appraiser's certification that the property has been inspected, the value conclusion is impartial and the appraisal fee is not contingent upon the amount of the appraised value

The Destination Appraisal

With the pricing of your current home settled, your next step may be purchasing a home in your new community. Because you may not be familiar with it, a “destination” (or “pre-purchase,” or “origination”) appraisal of the home you want to buy will reveal some interesting observations about its investment value. Naturally you want to purchase a home that meets your physical and emotional needs, but you should also view the purchase as an investment that will remain stable and even appreciate.

Obtaining a destination appraisal is a win-win strategy for you and your employer. It can guarantee both of you that your chosen destination home will be a good investment, should you be faced with another transfer—and sale—at a later date. You may gain from any appreciation, and your employer may minimize any losses, should your company purchase your home for resale.

A destination appraisal will require the cooperation of all parties involved. You might include in your purchase contract a clause that makes the purchase contingent on an appraisal of the home. If the broker and the seller can be convinced that their cooperation will hasten a sale at the most probable sales price, then the process can benefit all parties. You should let the broker know that a destination appraisal will be made, and urge the broker to share information that the appraiser will need.

As a smart consumer, you want to be sure that anything you buy is worth the price. Without a professional appraisal, some transferring buyers have paid more than they should have, or purchased less-than-desirable homes.

Selecting an Appraiser

Many corporate employers, relocation companies and the Employee Relocation Council all maintain lists of appraisers who perform appraisals for relocated employees. The users of such services monitor these appraisers for their expertise, accuracy and timeliness in producing reports.

Reputable appraisers will be unbiased and professionally disinterested in the subject property. Consequently, they are able to provide an objective value estimate. In fact, independent appraisers are just that—independent of the person or firm that hires them. A professional appraiser cannot participate in the listing or sale of your home.

When an appraiser is hired, the appraisal fee is agreed upon in advance. The appraiser's remuneration is not based on a percentage of the value conclusion, but solely on the amount of time required for assignment and the amount of work involved.

Your employer or relocation company may pay the appraisal fee, but the appraiser will not be motivated by the fee to reach a predetermined value estimate.

You may be given an opportunity to select one or more of the appraisers recommended by your employer or relocation firm. Even if no appraisers are recommended, there is a means of identifying those who are skillful and experienced. Ask appraisers about their qualifications, and seek out those who are members of the Appraisal Institute.

Members of the Appraisal Institute

Appraisers holding Appraisal Institute membership designations are recognized as highly qualified in their field. The Appraisal Institute currently confers the MAI and the SRA membership designations. The MAI designation is held by appraisers who are experienced in the valuation of commercial, industrial, residential and other types of properties and who advise clients on real estate investment decisions. The SRA designation is held by real estate solutions providers who are experienced in the analysis and valuation of residential real property.

How to Find a Member of the Appraisal Institute

It's easy to find a member of the Appraisal Institute. Simply go to www.appraisalinstitute.org and look for the "Find an Appraiser" option. You can search for designated members throughout the United States as well as abroad by name, city, county, state or metropolitan statistical area (MSA). You can also obtain the Appraisal Institute's Directory of Members on CD-ROM by calling 312-355-4100 or e-mailing directory@appraisalinstitute.org. The disk is

available at no charge.

For further assistance in finding a designated Appraisal Institute member in your area, call 312-335-4100, via e-mail at info@appraisalinstitute.org, or by visiting our Web site at www.appraisalinstitute.org.

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Today and throughout its 70-year history, the Appraisal Institute is the leading organization for professional real estate appraisers. Reflecting their unbiased and objective approach to real property appraisal and analysis, members of the Appraisal Institute are required to adhere to a strictly enforced Code of Professional Ethics and Standards of Professional Appraisal Practice. Appraisal Institute members may hold the prestigious MAI, SRPA and SRA designations.

The Appraisal Institute advocates equal opportunity and nondiscrimination in the appraisal profession and conducts its activities in accordance with applicable federal, state, and local laws.

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