

The November 2012 Preferred Client Newsletter will review the Realtor® prepared Comparative Market Analysis (“CMA”) and contrast with the lender’s appraisal (“Appraisal”) prepared by licensed and certified appraisers (“Appraisers”). Many buyers and sellers believe a CMA and an Appraisal are the same thing but they could not be more different.

Realtors® prepare a CMA for primarily two (2) reasons. CMAs are used during Realtor® presentations to owners to list their properties for sale. It is the property’s value in the open market that will set the List Price. Lenders also use these analyses to determine the price they will accept for a Short Sale or Bank Owned/REO Foreclosure property. The lender prepared CMA is sometimes called a Broker’s Price Opinion (“BPO”). CMAs and BPOs are prepared by licensed Realtors® and not by Appraisers.

The CMA market value is the Realtor®’s professional opinion of the property’s purchase price after marking all relevant adjustments. The important point is that these adjustments are not constrained by percentages, rules, etc. They are totally market driven. As an example and perhaps the most relevant in our market, buyers will pay a premium for a property with an unobstructed waterfront view over a poor, obstructed and/or non-existent view. Buyers will pay for a beautiful Gulf, Beach or Intracoastal Waterway view over a parking lot view. This view premium can easily exceed \$100,000.

Appraisals are a statistical calculation of value and are typically prepared in format known as the Uniform Residential Appraisal Report (for single family homes and townhomes) or the Individual Condominium Unit Appraisal Report (for condominiums). It sets forth the market value of the property based upon its highest and best use. Adjustment categories are limited and no adjustment may be more than 10% of the property’s value. The \$100,000 view above may not exceed \$50,000 for a \$500,000 property. An appraisal using these standards is required for mortgage financing and is the basis for the loan to value ratio set by the lender and/or the secondary market.

The takeaway is that an Appraisal is a statistical valuation of a property, using lender guidelines that may or may not approximate the property’s value in the open market. An experienced and competent Realtor® should be your only source for a CMA.

If you have any questions, please feel free to call any time.

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PREFERRED CLIENT UPDATE

Working Hard to Keep You Informed

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Before the Stampede

Next month, a stampede of professionals (like me) are going to be sending their valued clients (like you) a message that says something like, "Thanks for your business!"

It's a December tradition.

So just in case my message gets lost in the crowd, I'd like to take this opportunity to thank YOU for your business and support. It's a pleasure being your REALTOR®.

All the best.



Paul Gibson
 REALTOR®

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