

## ENDING CONFUSION

Are you ever confused by words like *home inspection, appraisal, assessment, evaluation, competitive market analysis*? Most people are. I will attempt to give you mini definitions that should sort this out for you.

*Home inspections* are used to find defects in the construction of the home, including roof, foundation, plumbing, heating, wiring etc. These are performed by licensed Home Inspectors, not realtors or appraisers.

*Appraisals* are opinions of value done by accredited professionals that are educated and certified by the Appraisal Institute of Canada. Their services are commonly requested by banks and mortgage companies so that the banks can determine that the value of the property is sufficient for their financial security. The beneficial by-product of this appraisal is that the buyer knows whether or not they are paying a fair and reasonable price for the property. Certified appraisals are primarily for purposes of establishing market value but they also determine replacement cost of the home. Market value and replacement cost are most often not the same. If you are needing to know your property's value for legal or income taxation purposes, you are best advised to use this type of appraisal.

An *assessment* is done by government employees working with the B.C. Assessment Authority. It is their job to put a value on our homes and other properties based on this year's value to be used for next year's taxes. These are very general opinions and should never ever be used to establish a sale or purchase price.

*Evaluations and Competitive Market Analysis (C.M.A.'s)* are interchangeable terms. These are done by realtors and are the most common way consumers determine market value. They use a similar process to the Certified Appraisers. Firstly, they view the property and establish the size of the home and land. They note both the good and not so good features of the home. Realtors then search out the sales that have occurred on the recent market. Hopefully, finding three sales to get an average. They are aiming to find homes that are most like the evaluation subject and in the most similar areas. They make value adjustments upward for things like new kitchens and downward for things like needing work, repair, paint etc. The art of this process is assessing what we call Buyer Appeal, and in knowing which market trends are creating particular added value to certain types of properties.

Hope that helps!