

Buying a home is the biggest financial decision most of us will ever make. Whether it's a main residence, a seasonal vacation property or an investment, purchasing real property is a detailed financial transaction that requires multiple parties to make it all happen.

Practically all the parties participating are very familiar. The real estate agent is the most recognizable face in the transaction. Next, the mortgage company provides the money required to finance the transaction. The title company sees to it that all details of the transaction are completed and that a clear title transfers from the seller to the buyer.

So who's responsible for making sure the real estate is consistent with the purchase price? In comes the appraiser. We provide an unbiased opinion of what a buyer could expect to pay - or a seller receive - for a property, where both buyer and seller are informed parties. A professional Illinois licensed appraiser- Mike Mila will ensure you as an interested party are informed.

Appraisals begin with the property inspection

To determine an accurate status of the property, it's our duty to first conduct a thorough inspection. We must physically see features, such as the number of bedrooms and bathrooms, the location, and so on, to ensure they really exist and are in the shape a typical person would expect them to be. To ensure the stated square footage has not been misrepresented and document the layout of the house, the inspection often includes creating a sketch of the floor plan. Most importantly, we look for any obvious amenities - or defects - that would affect the value of the house.

Following the inspection, an appraiser employs two or three approaches when determining the value of the property: a paired sales analysis, a replacement cost calculation, and an income approach when rental properties are prevalent.

Replacement Cost

Here, the appraiser pulls information on local building costs, labor rates and other elements to ascertain how much it would cost to replace the property being appraised. This estimate commonly sets the maximum on what a property would sell for. It's also the least used method.

Sales Comparison

Appraisers can tell you a lot about the subdivisions in which they appraise. We innately understand the value of certain features to the residents of that area. Then, the appraiser researches recent sales in close proximity to the subject and finds properties which are 'comparable' to the property in question. By assigning a dollar value to certain items such as upgraded appliances, additional bathrooms, an additional living area, quality of construction, lot size, we adjust the comparable properties so that they are more accurately in line with the features of subject.

For example, if the comparable has a fireplace and the subject doesn't, the appraiser may deduct the value of a fireplace from the sales price of the comparable home. But, in the case where the subject has something such as an extra half bath that a comparable doesn't have, the appraiser might add the value of that bath to the comparable property. Once all necessary adjustments have been made, the appraiser reconciles the adjusted sales prices of all the comps and then derives an opinion of what the subject could sell for. The sales comparison approach to value is usually awarded the most weight when an appraisal is for a home exchange.

### Valuation Using the Income Approach

In the case of income producing properties - rental houses for example - the appraiser may use an additional way of valuing real estate. In this situation, the amount of revenue the property yields is taken into consideration along with income produced by comparable properties to give an indicator of the current value.

### The Bottom Line

Examining the data from all applicable approaches, the appraiser is then ready to document an estimated market value for the subject property. Note: While this amount is probably the most accurate indication of what a house would sell for in an open market, it may not be the price at which the property closes. There are always mitigating factors such as the seller's desire to get out of the property, urgency or 'bidding wars' that may adjust an offer or listing price up or down. Regardless, the appraised value is often employed as a guideline for lenders who don't want to loan a buyer more money than the property would likely sell for in an open marketplace. At the end of the day: An appraiser from Mike Mila will guarantee you discover the most fair and balanced property value, so you can make the most informed real estate decisions.