

# THE FORSYTHE APPRAISALS FLASH

## Appraisal Insights for Real Estate Professionals

### ASSESSED VALUE VERSUS APPRAISED VALUE: KNOW THE DIFFERENCE.

-Alan Hummel, SRA, SVP/Chief Appraiser

*What? How could the appraisal come in with a value lower than the assessed value? As appraisers, this phrase can be heard multiple times throughout one's career, and is asked by homeowners, mortgage and non-mortgage clients alike.*

While any properties' assessed value can often times be at or under "market value", it can also be "over-assessed" or above market value.

**Market Value** is the definition of value typically sought in an appraisal assignment dealing with single-unit or small, multi-unit residences. Market Value is generally defined as the price that a "typical" buyer and a "typical" seller, neither under any undue duress, would pay for a property, in terms of cash, as of a specific date. Market Value is essentially what we think of when we want to mortgage, sell or purchase a property. This value is typically based upon what other like-style and utility homes would sell for in the same or very similar location.

**Assessed Value** is also based upon similar style and utility properties in the same or similar area. However, it is an "ad-valorem" value, which means literally for taxation purposes. Assessed values are generally developed utilizing mass appraisal models, which more closely imitate computer generated statistical programs. Because a large number of properties are assessed each year, it is unlikely that every property is inspected by assessment officials. As such, estimates are made for condition and quality of the property based upon the last inspection, (which may have been years ago or never.) Information regarding improvements to the property, changes in the property, or deferred maintenance may not be accurately reflected and therefore not appropriately considered within the valuation process.

In addition to understanding how properties are taxed in each jurisdiction, which can result in an appraised value being less than the assessed value, it is possible that a particular property was simply "over-assessed". When this occurs, the property owner may wish to challenge the assessment. As with the various methods of determining the ad-valorem value of property, there are also a myriad of procedures to protest one's property taxes. A phone call or a visit to your local assessing authority website should answer any questions on how that process works in your area.

Keep in mind that typically your assessed value is based more on mass valuation of similar properties at the beginning of the tax year (January 1st), while the appraiser may value the property as of any given date. Often in more volatile markets, the assessed value may or may not reflect market value for lending or selling purposes.



April 30, 2007  
FORSYTHE APPRAISALS  
SERVES AN AREA NEAR YOU!

Austin, TX  
Boston, MA  
Chicago, IL  
Cleveland, OH  
Colorado Mountain  
Colorado Springs, CO  
Columbus, OH  
Dallas, TX  
Des Moines, IA  
Denver, CO  
Detroit, MI  
Duluth, MN  
Hartford, CT  
Houston, TX  
Indianapolis, IN  
Las Vegas, NV  
Los Angeles, CA  
Nashville, TN  
Miami, FL  
Milwaukee, WI  
Orlando, FL  
Phoenix, AZ  
Providence, RI  
Rochester, MN  
Sacramento, CA  
Saint Cloud, MN  
San Antonio, TX  
San Diego, CA  
San Jose, CA  
Seattle, WA  
Southern Minnesota  
Spokane, WA  
Tampa, FL  
Tucson, AZ  
Twin Cities, MN