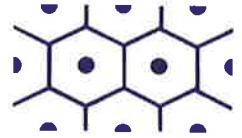


# newsletter



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## Update

A new (clean shaven) face joined our Residential Appraisal Department at the end of August. Larry V. Cotnam, B.Sc., the person behind it, is experienced in real estate sales with Royal Trust and of recent months has been helping us salvage our sanity whilst maintaining the 48 hour service we offer on residential mortgage appraisals.

A (friendly) competitor, upon finding recently that our commercial appraisers were again working on out-of-province assignments enquired if we (1) did any work in Nova Scotia? (2) garnered so much work in the other three Atlantic Provinces by advertising there? We replied (1) yes, but not so much as we would like, and (2) no, the out-of-province assignments undertaken this year (New Brunswick, Prince Edward Island, Newfoundland) were all recommendations from former clients, or for clients themselves.

Mulling it over, it occurred to us that there were two possible explanations why so much of our work is out of province: (1) that our reputation has spread throughout the Atlantic Provinces, or (2) that our reputation has spread throughout Nova Scotia, but not the other Atlantic Provinces.....we prefer the former.

## Psst....Want to buy a cheap appraisal?

Well actually not; but there are ways of reducing the cost of real estate consulting and appraisal services. The chances are that you can reduce their cost by 10% to 70% if you bear in mind the points enumerated in this article. At the very least, they should ensure that you get value for money.

### (1) Be specific about the service you want the consultants to provide.

If you are uncertain about the depth or type of report you require, discuss it with them first.

Although the following definitions are our own, and therefore not necessarily those employed universally, they should provide some bench marks:

Windshield Appraisal - This is issued in letter form and is generally based on an external inspection of the property and such information as is available in the firm's Data Bank. (This is often referred to as a Letter of Opinion by some firms.)

Essentially this type of appraisal is of a preliminary nature only and is utilized by the client as an input to broad decision making.

Form Appraisals - These are issued for mortgage purposes on residential and the smaller commercial properties.

Letter of Opinion - This type of appraisal is issued when the client does not require the depth of reporting detailed in an Appraisal Report. The property is inspected and the necessary investigations are carried out to establish the value.

Appraisal Report - This is issued in the form of a bound report. The property is inspected, and the detailed investigations are completed to establish the value. These reports can vary from a "bare bones" skeleton to a full-bodied report, depending on the purpose for which they are to be used.

This type of report is required for such purposes as expropriation, capital gains tax, mortgage financing, etc.

This type of report is also a worthwhile investment when the property is to be reappraised at intervals in the future, e.g. balance sheet, fire insurance, financing, etc., since the report can be *updated* simply by stripping out the outdated sections and replacing them with updated material.

(2) Speed ⇒ Higher Costs - If possible give the appraisal firm some lead time for Non-Residential assignments. Contrary to popular opinion most appraisers are not gifted with second sight and need to research the market to establish the property's value. They also need to establish facts about servicing, zoning, planning proposals, etc. Working round jobs to complete an expropriation report three days before the Court appearance does increase costs to the client and is best avoided.

(3) You pay for what you don't get - Apart from single family residential homes, which are billed on a scale fee basis, work is charged on an hourly or per diem rate.

You usually pay, therefore, for what you don't get. In general it is not possible in the Maritimes to obtain sale prices from the Registry Office. Since time expended "digging for data" is a costly exercise, most firms attempt to build some sort of data bank. Our data bank, for example, extends to approximately 11,000 sales and is up-dated daily.

The quality and cost of any appraisal will depend on the person completing it and the resource and data base of the firm. In our opinion you are entitled to question these points and inspect the facilities of the appraisal firm, particularly if the expected cost will approach or exceed \$1,000.

(4) Figures are figures, are figures, aren't they?

Well yes, but some are right and some are wrong. The famous observation on the impossibility of being half pregnant applies with equal force to an appraisal. However, most purchasers of appraisal services are ipso facto not qualified to determine if the property value detailed in the report is correct.

How do you judge the quality of an appraisal? Most purchasers only read the first page of the report, on which is written, in large type, the property value. This is unfortunate since the balance of the report will indicate the depth of research (or lack of it) on which this figure is based. We are appalled at times by some of the work we see accepted by otherwise intelligent purchasers of appraisal services.

#### The Residential Scene

The remainder of the Residential Scene article, contained in Volume 1 Number 1 of Newsletter will appear in the December issue.