

Wicherek & Associates Inc.
Charlottetown, PEI
902-314-7473

What is an appraisal?

An appraisal is the process through which an opinion of the value of a property is gained. There are three approaches to value:

- **The cost approach**, which is what it would cost to replace the improvements, less physical depreciation and other factors, plus the vacant land value.
- **The direct comparison approach**, which involves making a comparison to similar properties which have recently sold. This is normally considered the most accurate indicator of value.
- **The income approach**, which is typically used when appraising income producing properties, such as rental properties. This approach estimates what an investor would pay based on the income producing capabilities of a prospective property.

Why do I need a professional appraisal?

Anytime the value of your home or other real property is being used to make a significant financial decision, an appraisal can help.

If you're **selling** your home, an appraisal helps you set the most appropriate value. If you're **buying** a home, it makes sure you don't overpay. If you're engaged in an **estate settlement or divorce**, it ensures the property is divided fairly.

Often, your home is the single largest financial asset you will ever own and knowing its true value means you can make the right financial decisions.

What does an appraiser do?

An appraiser provides a professional, unbiased opinion of the market value of a property and presents their formal analysis in a comprehensive report.

What is the difference between an appraisal and a home inspection?

The home inspector's job is to provide an evaluation/report, which will include an evaluation of the condition of the home's heating system, central air system, interior plumbing, electrical systems, roof, attic, visible insulation, walls, ceilings, floors, windows, doors, foundation, structure, etc. An appraiser's job is to establish an estimated market value of the property based on current market conditions.

What does the appraisal report contain?

Each appraisal report must reflect a credible estimate of market value and will include, at the minimum, the following:

- The client and other intended users
- The intended use of the report
- The purpose of the assignment

- The type of value reported and the definition of the value reported
- The effective date of the appraiser's opinions and conclusions
- Relevant property characteristics such as location attributes, physical attributes, legal attributes, economic attributes, and the real property interest valued
- All known easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations, special assessments, ordinances, and other items of a similar nature
- Division of interest, such as fractional interest, physical segment, and partial holding
- The scope of work used to complete the assignment
- Photos of the property, the comparable sales, location maps

Which home renovations add the most to the property value?

The answer to this changes depending on the location of the home, as different markets value different amenities. As a general rule, the most value returned from renovating a home comes from painting and decorating. According to a survey conducted by the Appraisal Institute of Canada, painting and decorating returned an average of 73 per cent of the investment. In other words, a \$3,000 painting and decorating project would add approximately \$2,190 to the value of the home. Kitchen renovations were second, returning 72 per cent, and bathroom renovations were third with a 68 per cent return.