



Merri Ann Simonson
YOUR INFORMATION SOURCE



SAN JUAN
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UNDERSTANDING THE VALUATION PROCESS FOR YOUR REAL ESTATE

The definition of “market value” is rather boring sounding when you take into consideration that you are addressing one of the highest value assets that a property owner may have or the most expensive item that a buyer may purchase in their lifetime.

Emotions run high when it comes to the selling and buying of real estate. If we all could just buy low and sell high, life would be so much more rewarding.

Definition: Market Value is the price a property is most likely to command in a competitive and open market, with a willing buyer and a willing seller in an arms-length transaction, wherein the parties have each acted knowledgeable, prudently, and without compulsion and in their own best interest.

A Competitive Market Analysis (“CMA”) is an opinion of value produced by a real estate professional. Upon request, a real estate agent will process a CMA for the purpose of assisting a property owner with the valuation of their property when they are considering selling. A CMA may also be processed as a service for a buyer who is considering making an offer to purchase real estate.

The real estate agent will evaluate the property by reviewing all recent property sales and determining what a typical sized property is selling for given such factors as square footage, number of bedrooms, amount of land, size of view, waterfront, etc. Our islands can make this process a challenge as most of our properties were improved as owner designed construction and built very custom; finding similar properties can be difficult.

In addition to reviewing recent sales, adjustment factors may need to be applied such as current and predicted market demand, the appreciation or depreciation calculations, the cost approach based on present value of each component, the amount of comparable properties currently available, and the subject property’s special features.

Comparison against current unsold inventory is something an agent can consider but an appraiser is unable to heavily consider in the process of formulating an

opinion of value. This restriction on the appraisers insures that their approach to value is more conservative but may hinder their ability to report that the market is in transition. They are licensed to value **here and now**, not the market right around the corner; **good or bad**.

Completing the CMA allows the real estate agent to develop an opinion of the value. This is part science and part art; it requires experience and boots on the ground.

Consumers should be cautious when using on-line home value estimators as they do not function very well in San Juan County. These sites rely upon the various County Assessor's information and valuations to process their own calculation. The on-line estimators do not have representatives that physically inspect and evaluate the property nor do they have local market knowledge.

The assessor's office performs appraisals for the purposes of ad valorem taxation. This is part of the process for how we provide funding to all local government services. The assessor's appraisers only have access to the exterior of the improvements. They also use a "blanket" approach with comparable sales from the immediate neighborhoods, district or regions versus singular. The assessor's values assigned are for their tax purposes and are not used for lending or listing property for sale.

The website value estimators may be more reliable in Metropolitan areas where subdivisions of very similar homes are bought and sold on a regular basis. The website value estimators have historically performed poorly in small, low volume, custom construction markets such as San Juan County.

Due to the popularity of real estate websites with estimators, agents spend a lot of time explaining to buying clients why the values presented not reliable in our area. Below is the accuracy table as of August 2017 for San Juan County with a 2 star rating or a fair estimate. King County also has a 2 star. Our 2 star rating has not improved since 2014 when I first reviewed the chart.

Data Coverage and Zestimate Accuracy Table		Choose a location type below to change data:						
Washington Counties		Zestimate Accuracy	Homes on Zillow	Homes With Zestimates	Within 5% of Sale Price	Within 10% of Sale Price	Within 20% of Sale Price	Median Error
Columbia	★	1.9K	1.6K	--	--	--	--	
Franklin	★★★	23.8K	21.2K	55.3%	78.2%	91.3%	4.3%	
Garfield	★	411	326	--	--	--	--	
Kittitas	★★	24.9K	17.3K	34.1%	68.3%	95.1%	6.2%	
Okanogan	★	33.4K	13.8K	--	--	--	--	
San Juan	★★	14.7K	10.2K	27.1%	47.1%	62.9%	11.3%	
Skamania	★	5.5K	4.4K	--	--	--	--	
Thurston	★★★★	108.6K	95.5K	63.6%	83.3%	93.2%	3.4%	
Jefferson	★★	18.6K	15.9K	42.9%	63.3%	85.7%	5.9%	

Agents are not licensed appraisers and there is no regulation surrounding how they calculate a property's value; there is not a uniform calculation. However, it is an agent's duty as contained in the REALTOR Code of Ethics, to process an honest opinion and not to mislead the owner as to the market value of a property.

Further, requests for valuations for legal purposes such as divorce, estate planning, trust work, etc., are referred to local appraisers. A CMA is not an appraisal as defined in chapter 18.140 RCW but is prepared by a real estate licensee who is not state certified or licensed as a real estate appraiser.

We have three active appraisers in our area. I recommend Mike Paredes 360-378-5474, Mike Aikens 360-424-0331 and Sheila Bienenstock 206-915-5537.

If you are seeking an appraisal for loan application purposes, then the lender is the one that selects which appraiser to use as the report is for their benefit.

If you have any questions regarding our real estate market or the valuation process, please be sure to contact me.

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