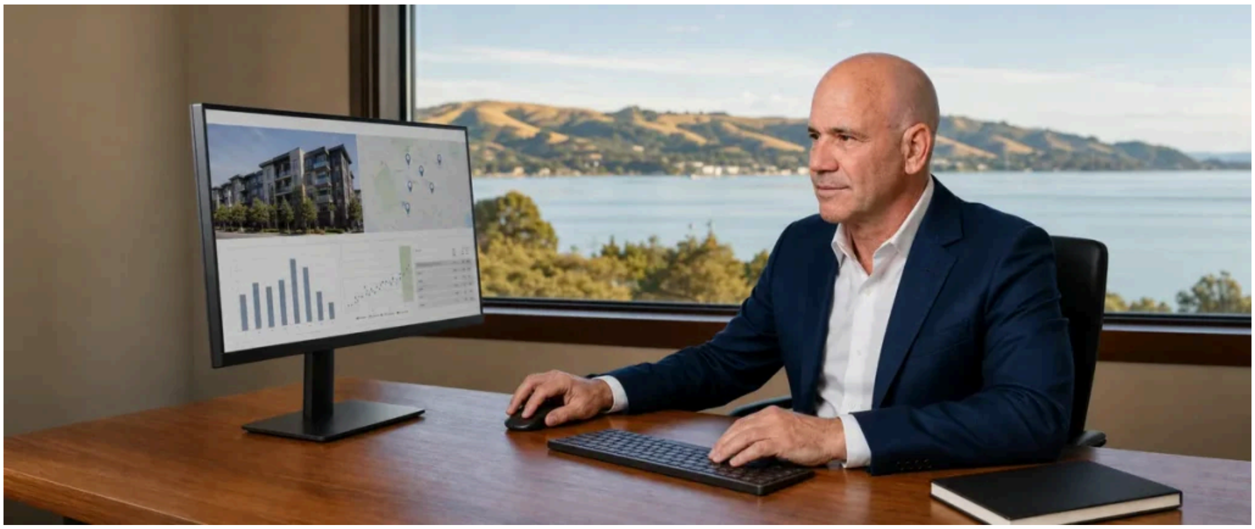
Do You Need a Broker Opinion of Value or an Appraisal for Your North Bay Property?



Use a Broker Opinion of Value when you need practical guidance about pricing, selling, or negotiating a commercial property. Use an appraisal when a lender, court, tax advisor, or other party requires a formal and independent opinion of value.

Both can help you understand what a property may be worth, but they serve different purposes. Choosing the right one begins with asking why you need the valuation.

What Is a Broker Opinion of Value?

A Broker Opinion of Value, or BOV, is a property value estimate prepared by a licensed real estate professional.

For a North Bay multifamily or commercial property, a BOV may review:

- Recent comparable sales
- Current competing properties
- Rental income and operating expenses
- Tenant mix and lease terms
- Property condition
- Location and zoning
- Current buyer demand
- Market trends and likely pricing

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A BOV is designed to show how the market may respond to the property today. It can also explain which factors may raise or lower the expected sale price.

In California, a value opinion prepared by a real estate licensee during the normal course of brokerage work is not considered an appraisal and should not be described as one. The California Department of Real Estate explains this distinction.

What Is an Appraisal?

An appraisal is a formal opinion of value prepared by a licensed or certified appraiser.

Appraisers must remain independent and follow professional standards when developing their opinions. These standards cover the research, methods, ethics, and reporting used in the assignment. The Uniform Standards of Professional Appraisal Practice provide the recognized standards for the appraisal profession.

An appraisal may consider:

- Property income and expenses
- Comparable sales
- Replacement or construction cost
- Physical condition
- Location and permitted uses
- Lease terms and occupancy
- The purpose and date of the valuation

The scope of the appraisal depends on the assignment and the needs of the client.

How Are a BOV and an Appraisal Different?

The main difference is their purpose.

A BOV is tied closely to the current real estate market. It helps an owner understand likely buyer interest, possible pricing, and how the property should be positioned for sale.

An appraisal provides a formal, independent opinion for a specific use and date. It may be required for financing, estate planning, tax matters, litigation, partnership issues, or other official purposes.

Other differences include:

- **Provider:** A broker prepares a BOV; a licensed or certified appraiser prepares an appraisal.
- **Market focus:** A BOV often emphasizes current buyer activity and sale strategy.

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- **Formality:** An appraisal follows formal professional standards and reporting requirements.
- **Cost and timing:** A BOV is often faster and less expensive. An appraisal usually requires a separate fee and more detailed reporting.
- **Use:** A BOV supports real estate decisions. An appraisal may be required by a lender or another outside party.

Neither one guarantees the price a property will receive. A sale price is ultimately determined through negotiations between a willing buyer and seller.

When Should You Request a BOV?

A BOV is often the right starting point when you are:

- Thinking about selling
- Setting a listing price
- Reviewing an unsolicited offer
- Planning a future sale
- Comparing a sale with holding the property
- Considering improvements before marketing
- Negotiating with a buyer
- Reviewing your real estate portfolio

A BOV can also help you prepare for a refinance by providing an early estimate of value. However, the lender may still require its own appraisal.

In the North Bay, local knowledge matters. Multifamily, office, retail, industrial, and mixed-use properties attract different buyers and are valued in different ways. Demand can also change between nearby communities or commercial corridors.

A broker who works in the local market can combine property data with current buyer feedback and transaction activity.

When Should You Request an Appraisal?

You may need an appraisal when:

- A lender requires one for a purchase or refinance
- A property is part of an estate or trust
- The owners are dividing a partnership
- The property is involved in a legal matter
- A tax professional needs a formal value
- An independent value is required for reporting or planning

The person requesting the appraisal should explain its intended use. An appraisal prepared for one purpose may not be suitable for another.

If the valuation involves a legal, tax, estate, or financial matter, speak with the appropriate attorney, CPA, or financial advisor before ordering the report.

Why Might a BOV and Appraisal Reach Different Values?

A BOV and an appraisal can reach different conclusions without either one being wrong.

They may use different effective dates, information, assumptions, or methods. A broker may focus on how active buyers are likely to respond in the current market. An appraiser must follow the scope and requirements of the appraisal assignment.

Commercial property values are also sensitive to:

- Changes in interest rates
- Lease expiration dates
- Tenant quality
- Vacancy
- Deferred maintenance
- Financing conditions
- Zoning and future uses
- The availability of comparable sales

The important question is not which number is higher. It is which report fits the decision you need to make.

Which Valuation Should You Choose?

If you want to understand how to price, market, or negotiate the sale of a property, begin with a BOV.

If you need a formal and independent opinion for financing, tax, estate, or legal purposes, you will likely need an appraisal.

In some situations, you may need both. A BOV can guide the sale strategy, while an appraisal can meet the needs of a lender or another outside party.

The bottom line is simple: use a BOV for market strategy and an appraisal for a formal valuation requirement.

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Do You Need Help Understanding Your Property's Value?

If you own a multifamily, office, retail, industrial, or mixed-use property in Marin, Sonoma, or Napa County, I can help you decide whether a Broker Opinion of Value is the right first step.

A BOV can give you a clearer view of current market value, likely buyers, and the issues that may affect a future sale. If a formal appraisal is needed, I can help coordinate the real estate side with your appraiser, lender, attorney, CPA, or other advisor.

[Schedule a 15-minute conversation about your North Bay property.]

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