

Getting A Personal Property Appraisal

by Diane Day, CPF

Appraising is the process of estimating the value of an item at any given time.

While there are many areas of appraising, the items that framers are usually most concerned with is that of personal property. The “Personal Property” classification includes antiques, decorative arts, and fine arts, as well as general residential contents.

What is an Appraisal?

An appraisal is an impartial report of the value of your art by a qualified person. This is determined by an analysis of the current market in which the object would be sold. Comparative market information for similar or like-sold items are considered and evaluated to determine the appropriate value.

A professional appraiser of art relies on his or her extensive understanding of the art market for the kind of item being evaluated. An appraisal should be objective and unrelated to any personal wishes or interests of the client or appraiser.

The same piece of art may have various appraisal values depending on the purpose of the appraisal. For example, the value for insurance purposes can be very different from an appraisal for resale purposes.

The key points of an appraisal report are:

- The type of value being determined and how the appraisal is to be used.
- Detail of the procedure and resources relied upon to make the evaluation.
- A detailed description of the property being appraised, written out in such a way to make a photograph unnecessary for identification.
- An indication of no financial interest on the part of the appraiser. However, if there is a financial interest on the part of the appraiser, it needs to be stated.
- The appraiser’s qualifications and signature, as well as the date.

Too often or too late, people discover that the appraisal that they had done is inaccurate or misleading. A report should always be a formal, typewritten document that gives information you asked for in a complete and organized manner that you can understand. Do not accept anything less.

Finding a Qualified Appraiser

It is not required for personal property appraisers to be licensed or certified by a state or Federal government. It is a self-regulated

profession, so compliance with codes of ethics is voluntary and it is up to the appraisal associations to monitor their members for compliance. Therefore, it is the consumer's responsibility to evaluate an appraiser's credentials.

Being an expert on a particular type of art does not necessarily make that person an expert on evaluating an item's correct worth. A qualified appraiser should have a working knowledge of the type of art, as well as how to value it correctly for your needs.

A appraiser should be aware of the industry's latest professional standards. Find out what general appraisal background, as well as what formal education the appraiser has had. Ask for a copy of the appraiser's resumé. What continuing education courses has the person taken to stay current? Is the person a member of a professional organization that offers education, tests, and accredits its members?

Ask if he or she has been tested or was grandfathered into the organization. Some organizations require appraisers to have a college degree plus experience, and pass examinations covering areas of value theory, technical expertise, and principles of ethics and appraising.

Basically, you should interview the your potential appraiser to determine if his or her experience and knowledge qualifies him or her to value your personal property. The bottom line is to select an appraiser who has relevant experience, education, and skill, as well as integrity.

Independent Appraisers vs. Auction Houses or Dealers

Appraisers in private practice make their money by giving clients for-

mal written reports. Their reports are usually impartial, based on analysis of relevant market information. They are selling their time and knowledge.

Auction houses and dealers make their money by buying and selling property, not evaluating it. According to the Appraisal Information Exchange, auction houses can write reports, but remember that they exist primarily to make money by buying and selling. Also, they may base their evaluations primarily on auction sales data.

In the case of auction houses, they may offer free verbal appraisals that are more often pre-sale auction estimates. These estimates are what an auction house believes the piece would get at the next auction.

Dealers who give free verbal estimates may be wishing to attract sellers of items they wish to deal in. Remember that it is not in the dealer's best interest to give out the maximum possible worth of an item in case he or she wants to buy the item from you for resale. However, if you are only after a "ballpark" figure, an auction house or dealer may be just the right source.

How Appraisers Charge for Their Services

Be sure to ask what the person charges. There are no set fee schedules, but most ethical appraisers charge an hourly rate for their services. Another accepted fee option is separate rates for different steps of an appraisal, such as field work, market research, and report writing.

In the U.S., you can expect to pay between \$50 to \$200 per hour for a reputable appraiser. There are

many unaffiliated appraisers that will charge much less. However, their reports may not hold up if they are challenged at a later date.

You can limit the cost involved in an appraisal report by limiting the scope of the appraisal. Some appraisers may want to work up an elaborate presentation that is more than you may require.

Discuss your needs with the appraiser and together you can come up with the minimum amount of work required to get a meaningful document and avoid unpleasant billing problems later. Because some people have been known to cancel an appraisal after considerable work has been done, be prepared to leave a non-refundable deposit.

An appraiser who charges a percentage of the item's value is not the person you want to do business with. This is a definite conflict of interest. Many associations prohibit fees based on a percentage of the value in their code of ethics. (Note: The IRS will not accept an appraisal based on this type of fee.)

Appraisal Updates

Changes in the market can have different effects on different properties so it is recommended that an appraiser be consulted every few years to check the value on an appraisal report. An informed, professional appraiser will be able to tell you if the value on an appraisal report you have is still current or needs to be updated. ■

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