

What is the Difference Between Market Value, Appraised Value & Tax Value?

Values directly related to homes are referred to in several different ways that can be confusing to a buyer or seller. Besides market value -- homes are also described by their appraised value, their assessed value and by values calculated using automated-valuation models.

Market value is defined as the price at which a house will sell within a reasonable period of time. It is the price at which a buyer is willing to buy and a seller is willing to sell. Buyers and sellers determine market value!

Appraised value is the *true* market value of a property, so that the lender can make an informed decision when providing a loan. That is typically accomplished by using recent sales of comparable homes in the area, along with a physical inspection of the house and neighborhood, to deduce market value. The mere fact that a buyer is willing to pay more or less does not necessarily, by itself, establish the *true* market value of the home.

That brings us to the most confusing value of all:

Tax value. Ideally, assessed tax value should be the same as market value. Typically, however, it is not. Tax assessors are required to determine the value of properties in their jurisdictions each year; they are not required to adjust the assessed value of those properties to reflect market value. In real estate, we generally don't look at assessed value, as these values usually don't give us an accurate picture of the market today.