

The Sales Comparison Approach to Value

**A Self-Study Course for
Assessors and Appraisers**

**Revised by Property Tax Division
Oregon Department of Revenue
June 2007**

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Foreword

Up to this point, you have studied the cost approach to value. Another valuation method is the sales comparison approach (also called the market approach) where market data is used to estimate value by comparing the subject to similar properties that recently sold. Similarities and differences in units of comparison such as financing terms, market conditions, location, and physical characteristics are evaluated to arrive at a range of value for the subject. The next three lessons of this course will provide the information you will need to use this valuation method.

The sales comparison approach relies on these economic principles:

- Supply and demand—where the interaction of economic factors determines property prices.
- Substitution—a potential owner will pay no more for a property than the amount for which a property of like utility may be purchased.
- Contribution—the value of a component is measured by its contribution to the whole rather than by its cost.

The most numerous property types in an assessment jurisdiction are usually its residences. The sales of real property usually consist predominantly of residential properties. It is widely accepted by the public, the courts, and by competent evaluators that market price comparison is the method most likely to provide the best evidence of value for residential property and is the method preferred by the Oregon Tax Court. Therefore, assessment valuations of residential properties should be based upon sales price comparisons of similar properties gathered from the available sales information.

This instructional material is aimed at helping the new and inexperienced appraiser understand and utilize the sales comparison approach to value. The objective of this instruction is to enable the learner to:

- Decide if the sales comparison approach is most likely to provide the best evidence of value of a given property.
- List the subject property's characteristics as they are essential to selecting comparable sales data.
- Collect and interpret sales data regarding comparable properties.
- Conduct property inspections, observing and comparing the characteristics of the property using a form.
- Select appropriate units of comparison.
- Make the calculations and judgments necessary to estimate market value by applying adjustments to the sales prices of the comparable properties.

To ensure that the basic method of valuation by the sales comparison approach will not be obscured by complicated or confusing details, alternative methods used to cope with adverse situations have been omitted from this course. When the learner has achieved some degree of competency in the basic application of the sales comparison approach, the more complex valuation issues will become more easily understood.

Table of Contents

Lesson 1

Finding and Verifying Sales Data	1-7
Answers.....	1-15

Lesson 2

Conducting a Property Appraisal.....	2-1
Answers.....	2-9

Lesson 3

The Final Value Estimate	3-1
Answers.....	3-19

Appendix Materials

Exhibit A—OAR 150-308.215(1)-(A).....	1-3
Exhibit B—Sales Comparison Grid	1-7
Exhibit C—Description of Subject Property.....	1-9
Exhibit D—Description of Comparable #1.....	1-11
Exhibit E—Description of Comparable #2	1-13
Exhibit F—Description of Comparable #3.....	1-15
Exhibit G—Adjustment Values for Demonstration Project	1-17

Lesson 1: Finding and Verifying Sales Data

How to Classify Property

Before you attempt to appraise a property, you must first make a decision as to what class of property it is that you are appraising. You will learn to do that in this section.

Refer to Exhibit A located in the Appendix of the Sales Comparison Approach course. Read through OAR 150-308.215(1)(A) regarding property class as a part of the assessment roll. OAR stands for Oregon Administrative Rule, 150 is the numerical designation for the Department of Revenue, 308.215(1)(A) refers to the statute number ORS 308.215(1)(A).

Administrative Rules are adopted by the Oregon Department of Revenue when a particular law needs further clarification for administrative purposes. In this case, the law, ORS 308.215(1)C cites items that are to be included as part of the assessment roll and lists one of the items as “The property class designation, in accordance with the classes of property established by regulation by the Department of Revenue.”

This is the common factor to be used when determining which sales to consider in the sales comparison (market) approach.

For instance, a 5-acre parcel of land with no improvements where the highest and best use is for other than farm, range or timber production, offering a potential for further development, would probably be classified as “4-0-0 Tract land only.”

1.1

How would a single family residence on a city lot be classified?

Code

Designation

1.2

What classification would apply to a commercial building on a lot located outside the city?

Code

Designation

1.3

A property owner has 360 acres of wheat land, of which 180 acres is in summer fallow. There are no improvements on the land. The classification of this property would be what?

Code

Designation

1.4

Although it is fairly straightforward, classification is important because it is the first step in the sales comparison approach to value. It is the method used to find properties that have the best possible opportunity to become good comparable properties for sales comparison.

Ideally, two properties are comparable only if they are of _____(the same/different) classifications.

Gathering Sales Data

The next thing to do in the sales comparison approach is to find sales data on properties you may want to use as comparables. (Refer to the Introduction unit, Lesson 2, “Selecting Your Approach,” for a discussion on the definition of comparable properties.) There are several sources for such information.

The assessor’s office sales data files are the most commonly used source of obtaining an initial list of recent sales. Other important sources of data (deeds, contracts, mortgages) are the recorded property instruments on file in the county clerk’s office.

By law, all instruments conveying or contracting to convey fee title to any real estate shall state on the face of such instrument the true and actual consideration paid for such transfer, stated in terms of dollars. The stated consideration must

be noted on the instrument before the county clerk can accept the instrument for recordation.

Other sources available for market information are published news such as newspaper classified advertisements, professional magazines and journals, multiple listing service (MLS) reports, real estate brokers, appraisers, attorneys, bankers and other lenders. The best source of verification is a direct interview of the buyer, seller or broker.

1.5

One of the primary sources of sales data is the records of property instruments on file in the _____ (Assessor's Office/ County Clerk's Office)

The sales accumulated from the records in the clerk's office should form the basis of a sales data file in the assessor's office.

The pertinent data should be noted in a sales data record (either electronic or manual systems). This would include such items as:

- a. The instrument number or the book and page number where the instrument is filed.
- b. The property account number as indicated on the assessment roll.
- c. The names of the grantor and grantee, their addresses, if available, and the name and address of the person confirming the sale.
- d. The date of the transfer.
- e. The amount of consideration shown in the deed or contract.
- f. The amount of consideration as determined by confirmation, with adjustments.
- g. The year for which assess values are pertinent.
- h. The property classification code number.
- i. The types of encumbrances or liens assumed by the purchaser and their amounts.
- j. The type of financing used if readily available. Include the amount of down payment, interest rate, and duration of the mortgage.
- k. The assessed value of land, improvements and the total.

- l. The nature and value of any personal property included in the transaction.
- m. Other data that might be available.

1.6

The names of the _____ (realtor and broker / grantor and grantee) are among the items that should be noted on the sales data record.

Verifying Sales Price

Although there is a great amount of information available from the deed records, you will need to confirm the sales price and the conditions surrounding the sale. Remember, a verified sale is more reliable than an unverified sale.

Confirmation may be made by contacting either the grantor or grantee, or if neither is available, the broker handling the transaction may be able to give you enough information to lead you to a conclusion of the validity of the sale as an arm's length transaction between a willing buyer and a willing seller.

Important information can be gathered by asking specific questions such as:

- What was the length of time the buyer looked for the property?
- What did the buyer find that was comparable?
- What was the sales price and were any special considerations included?
- Why did the seller want to sell?
- How long was the property offered for sale to the market?

1.7

If neither the grantor nor the grantee is available to confirm the sale conditions, you may be able to get sufficient information from the _____ (broker / current MLS listings).

1.8

You must carefully sort the information you accumulate and confirm all sales prices. Do not rely on any data which you have been unable to

confirm. Unreliable information could lead you to a miscalculation when arriving at your value conclusion.

Other sources of sales data and possible confirmation of sales data are:

1. _____
2. _____
3. _____
4. _____

To be considered as a potential comparable property, a sale must meet certain criteria:

- Both the buyer and seller are well informed and act in their best interest.
- The property has been exposed to the market for a reasonable length of time.
- The consideration was made in terms of cash or comparable financial agreement and does not involve undue compulsion, is not between relatives or business partners, is not a foreclosure or estate sale. Government transactions may not represent real market value.

However, it should be pointed out that a sale that does not meet all the criteria above should not automatically be considered an untrue representation of real market value. For example, a sale between business partners or relatives may have been based on an estimate of value by a real estate professional's appraisal.

1.9

You verify a sales price by checking an additional source. For instance, suppose you have an indicated sales price on the Johnsons' house of \$275,000 from the records in the county clerk's office. You then go to the real estate agent who sold the Johnsons' house and are told the sale price was \$275,000. You have just verified the sales price of the Johnson house.

The Smiths sold their house. You go to the buyer of the Smiths' house, who tells you the sales price was \$210,000.

1. Where might you go for additional verification of the sales price of the Smiths' house?

2. Why would you verify the sale?

1.10

You have been given at least three possible sources for verification of the selling price of a property. When you get a price from one source, you confirm it by _____.

1.11

The Parkers sell their house. You call them and ask how much they sold the house for and are told it sold for \$230,000. You enter the sales price on your sales data card. What did you do wrong?

1.12

You are trying to verify the sales price on the Parker house. The Parkers tell you \$230,000. You check with the grantee (buyer) and they tell you the sales price was \$200,000. Now you are not sure what the selling price was. What would be the best thing to do?

- a. Take the \$230,000 figure as the selling price.
- b. Take the \$200,000 figure as the selling price.
- c. Check an additional source.

1.13

Let's say you get sales prices on a piece of property from more than two sources. Two of the sources give the same or nearly the same price. You should take, as the sales price, the two figures that are the same. For example: The Parkers tell you they sold their property for \$230,000 and the county clerk's records show an apparent sales price of \$200,000. You are not satisfied, so you ask the buyer. They tell you they paid \$230,000. You should use the \$230,000 figure as the sales price and enter it on the property record card.

You verify a sales price when you get the same or nearly the same sales price from two sources. To verify a sales price means _____

1.14

You call a local real estate broker and they tell you that Brown's house sold last month for \$180,000. You call the buyer and ask them what they paid. They report that the selling price was \$180,000.

1. What were you doing when you asked the buyer how much they paid for their house?

2. Why did YOU ask?

1.15

Suppose you find an apparent sales price on the Barretts' house of \$240,000. You call the real estate broker who sold the house. They tell you that the house sold for \$258,000. You are not satisfied, so you see the buyer who says, "Yes, I paid \$258,000 for the house."

1. Which figure will you use as the sales price on this property? _____

2. Why? _____
- _____

Verifying Conditions of a Sale

If you have a sale you think is out of line, verify the conditions of the sale. This means finding out if an unusual condition is causing a sale to be out of line.

For example, suppose you verify the sale price on a property you want to use as a comparable. The sale price is a lot higher than you think the property is worth. So you ask the buyer about the circumstances of the purchase. You have verified the conditions of a sale—finding out, if you can, why a sale is out of line.

1.16

Suppose you have four comparables. Three of them, all in the same development, sold for \$245,000 to \$255,000. The fourth sold for \$215,000.

1. Is the \$215,000 sale out of line? _____
(Yes / No)

2. Should you try to verify the conditions of the sale? _____ (Yes / No)

1.17

Finding out why a sale is out of line is called _____ of a sale.

A sale that is out of line because of an unusual condition is unlikely to be repeated. So you cannot accept it as evidence of fair market value.

Unusual conditions that cause a sale to be out of line are:

- A forced buyer or seller
- An uninformed buyer or seller
- A sale between relatives
- A forced sale
- A property with hidden value

We are going to consider these conditions one at a time. First, we will examine "forced buyer or seller" as an unusual condition.

1.18

A forced buyer is someone who has to take the first property that comes along—even if it is overpriced. For example, the Martins bought a house for \$208,000. You verified the sale, but you believe the house is worth no more than \$190,000. Mr. Martin tells you he settled on this one in a hurry because his wife was due to have twins when they moved into town. The Martins were forced buyers.

You cannot accept this sale price as evidence of fair market value because:

- a. The Martins paid \$208,000 for the house.
- b. The Martins were forced buyers.
- c. You do not think the house was worth the price.

1.19

A forced seller is someone who has to sell at any price—usually less than the market value. For example, you want to qualify the sale of the Kellys' house, so you call the broker who handled the sale. From them you learn that Mr. Kelly was being transferred to California in two months.

The house was listed at \$195,000, dropped to \$180,000 and the Kellys panicked into selling at \$170,000 a month later. Similar houses were selling for \$185,000 to \$199,000 when listed for a reasonable length of time.

You cannot accept this sale price as evidence of fair market value because the Kellys were _____ (forced / willing) sellers.

1.20

1. Someone who has to buy the first property that comes along—even if it is over-priced—is called a _____.
2. Someone who has to sell at any price is called a _____.

1.21

One condition under which a sale price could not be accepted as evidence of fair market value is a forced _____ or _____.

1.22

An uninformed buyer is someone who buys a property without first checking market values. For example, you confirm a sales price of \$180,000 for a house you believe is worth no more than \$165,000. You attempt to verify the sale with the buyer. You ask if they checked the sales prices of similar houses. They say no, they had not had an opportunity to do that. That is an uninformed buyer.

You cannot accept this sales price as evidence of fair market value because:

- a. The buyer was an uninformed buyer.
- b. The buyer paid too much for the house.
- c. You did not verify the sale.

1.23

An uninformed seller, like an uninformed buyer, is not knowledgeable of market values. They set a price on their house without first trying to find out what it is actually worth. For example, suppose you verify a sales price of \$220,000 on the Fullers' house. The price appears low, so you check with a real estate broker who knows about the sale. They tell you the Fullers had already

decided on a listing price and did not list with a realtor. The broker further stated that the house was worth at least \$239,000. You've just verified that the Fullers are uninformed sellers.

1. Can you accept this sale as evidence of fair market value? _____ (Yes / No)
2. Why? _____.

1.24

Which unusual conditions are found in each sale below?

- forced buyer
 - forced seller
 - uninformed buyer
 - uninformed seller
1. A sale by a person who had to settle an estate in a short period of time. _____
 2. A sale to a person who paid the asking price because they were new to the area. _____
 3. A sale by a person who sold below market value because they did not think it was worth more than they asked. _____
 4. A sale to a person who could not immediately find any other place to live. _____

1.25

In your own words, list two conditions under which a sales price could not be accepted as evidence of fair market value.

1. _____
2. _____

1.26

A 70-year-old man sells his house to his son. Would you expect the son to pay:

- a. The market value?
- b. Higher than the market value?
- c. Less than the market value?

1.27

A sale between relatives may be an unusual condition that throws a sale out of line with market value. For example, you verify a sale between Smith and Smith. The verified sale price appears to be low. You check with Smith, the buyer. He informs you that he bought the house from his brother. Your verification has confirmed that this sale is not an arm's length market transaction.

Can you accept this sale as evidence of fair market value? _____ (Yes / No)

1.28

A sale between a father-in-law and daughter-in-law is referred to as a sale between _____.

1.29

When the sheriff holds an auction and sells a property for unpaid debts, we call that a forced sale.

You verify the sale of a house to the Greens. The sale price of \$195,000 seems low. You go to the county clerk's office and find the sale to be a foreclosure sale, sometimes referred to as a sheriff's sale.

1. This sale (was / was not) a forced sale.
2. Should you accept this sales price as evidence of fair market value? _____ (Yes / No)

1.30

We have just learned another condition under which a sales price could not be accepted as evidence of fair market value. That condition is a _____.

1.31

Using the terms you have learned, name the unusual condition found in each sale below.

1. A father sells property to his daughter and her husband. _____.
2. The county sells property for back taxes. _____.

1.32

In your own words, list four conditions under which a sales price could not be accepted as evidence of fair market value.

1. _____

2. _____

3. _____

4. _____

1.33

A property transaction may include hidden value that is not readily apparent. For example, a sale price of \$1,000,000 on a 100-acre farm which is not worth more than \$600,000. You call the buyer. The sale included the oil rights on the land purchased by a major oil company. This is an example of hidden value—a use for the property that people generally would not know about.

1. Would \$1,000,000 have been a fair price to pay if the property was just going to be used as a farm? _____ (Yes / No)
2. Can you accept the sale price as evidence of fair market value of other farms? _____ (Yes / No)

1.34

Another condition under which a sales price could not be accepted as evidence of fair market value is a property with _____.

1.35

REVIEW

Each sale below has an unusual condition. Choose the condition from the following list.

- Forced buyer or seller
 - Uninformed buyer or seller
 - A sale between relatives
 - A forced sale
 - A property with hidden value
1. A person sells their house for less than its current real market value because they need money for their business. _____
_____.

2. A person sells a piece of land to their nephew at half of its value. _____.
3. A buyer pays more for a property than for what it would otherwise sell if offered on the market. They are aware that a new highway will soon be built in front of the property. _____.
4. A person pays more than the current real market value for a house because they do not want to rent and they do not have the time to look for other available houses. _____.
5. A person sells a property for a low price because they are not knowledgeable of local market conditions. _____.
6. A person pays too much for a property because they do not take the time to obtain market information. _____.
7. A property is sold at auction for less than market value to pay back taxes. _____.

1.36

The sale price of a property appears to be too high. You attempt to verify it. There are no apparent unusual conditions. Should you accept this sales price as evidence of fair market value? (Yes / No)

1.37

In your own words, list the conditions under which a sales price could not be accepted as evidence of fair market value.

1. _____
2. _____
3. _____
4. _____
5. _____

Lesson 1: Answers

1.1

Code: 1-0-1

Designation: Residential Property

1.2

Code: 2-0-1

Designation: Commercial Property

1.3

Code: 5-0-0

Designation: Farm and range land

1.4

The same

1.5

County Clerk's

1.6

Grantor and grantee

1.7

The broker

1.8

1. Real estate offices
2. Mortgage loan companies
3. Multiple listing bureaus
4. Local newspapers

1.9

1. Either of these: The seller (the Smiths) or the real estate broker.
2. To make sure you have the correct sales price, the correct date of agreement, and that it was an arm's length transaction. (your own words)

1.10

Checking a second source (your own words)

1.11

You did not confirm the sales price by checking an additional source.

1.12

Check an additional source—because you are not sure.

1.13

Getting the same price from two sources (your own words)

1.14

1. You were confirming the sales price. (your own words)
2. To make sure you had the right sales price. (your own words)

1.15

1. \$258,000
2. You confirmed the sales price when you got the same price from two sources. (your own words)

1.16

1. Yes. (It is \$30,000 less than the lowest of the other three.)
2. Yes

1.17

Verifying the conditions of a sale

1.18

The Martins were forced buyers.

1.19

Forced

1.20

1. Forced buyer
2. Forced seller

1.21

Buyer.....seller (either order)

1.22

The buyer was an uninformed buyer.

1.23

1. No
2. The Fullers are uninformed sellers.

1.24

1. Forced seller
2. Uninformed buyer
3. Uninformed seller
4. Forced buyer

1.25

1. Forced buyer or seller
2. Uninformed buyer or seller (either order)

1.26

Your answer might have been any one of the three, but lower than the market value is probably what you would expect.

1.27

No

1.28

Relatives

1.29

1. Was
2. No

1.30

Forced sale

1.31

1. A sale between relatives
2. A forced sale

1.32

1. A forced buyer or seller
2. An uninformed buyer or seller
3. A sale between relatives
4. A forced sale

1.33

1. No
2. No

1.34

Hidden value

1.35

1. Forced seller
2. Sale between relatives
3. Property with hidden value
4. Forced buyer
5. Uninformed seller
6. Uninformed buyer
7. Forced sale

1.36

Yes

1.37

1. A forced buyer or seller
2. An uninformed buyer or seller
3. A sale between relatives
4. A forced sale
5. A property with hidden value

Lesson 2: Conducting a Property Appraisal

Introduction

You have learned when to use the sales comparison approach, and how to classify property, obtain market information, verify sales prices, and verify conditions of sales.

Now you are ready to learn the process of how to inspect property and record what you discover. Conducting a property inspection is about the same regardless of the classification of the property. For learning purposes in this course, we will use residential property for our example. But you will be able to apply what you learn to property of any classification, if market data is available.

Highest and Best Use

The highest and best use of a property is defined in the Oregon Administrative Rule (OAR) 150-308.205(A)(e) as:

“Highest and best use” means the reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, and financially feasible, and that results in the highest value. —See *The Appraisal of Real Estate*, 12th edition (2001).

Usually, the current use of an improved property will be its highest and best use. However, the appraiser must determine the highest and best use for each subject property they are to appraise as it defines the appraisal problem so appropriate market data can be collected and analyzed. An incorrect determination of a property’s highest and best use will lead to the use of misleading comparable properties in the sales comparison approach to value.

Questions an appraiser might ask to help determine highest and best use could be:

- Who are the potential buyers for this property?
- What are the potential uses of this property?
- Does the improvement contribute value to the site?

An example of a poor comparable property would be the comparison of two single-family

residences; one that is a small tract home in an older urban development, and the other a farm property of several acres with farm use outbuildings that is located in the rural countryside.

The Sales Comparison Grid - Exhibit B

Many things affect the value of a property. Most assessor offices have an appraisal data collection form for property inspections. There are many kinds of forms. Most are designed to work with the computer system used by a particular county. To make it easy to learn, we have created a sample form for residential appraisal. The process and methodology you learn here should apply to most systems. The teaching form is titled “Sales Comparison Grid” and is located in the Appendix section of these lessons as Exhibit B.

Notice that the Sales Comparison Grid is divided into two general areas for recording property characteristics: Land and Improvements (buildings). These areas are then further divided into sections where details about the subject property are identified.

2.1

The first area we will cover is land. As you can see from the form, land is described in terms of five major headings.

What are these?

1. _____
2. _____
3. _____
4. _____
5. _____

Subject Property Details—Observing and Recording Land Data

You will learn the steps used to arrive at an estimate of real market value using the sales comparison approach. To help you learn, we are going to use one subject property as an example. Find “Exhibit C – Description of Subject Property” in the Appendix. Our example is a single-

family dwelling located in a suburban area of a large metropolitan city. The house is a two-story wood-frame building of average quality construction and in better than average overall condition.

The next step is to perform a physical inspection of the subject property. Imagine that we drive to this particular property. We will use our blank Sales Comparison Grid form to guide our appraisal inspection process. We first consider the land on which this house is located.

2.2

First, think about the subject's LOCATION. The Sales Comparison Grid has three descriptive items listed in this area for consideration: Area, Values, and Desirability. You want to record the information you observe about Location on the form. In our example, all property characteristic information will be found in Exhibit C.

LOCATION			
Area	<input type="checkbox"/> Urban	<input type="checkbox"/> Suburban	<input type="checkbox"/> Rural
Values	<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Declining
Desirability	<input type="checkbox"/> High	<input type="checkbox"/> Average	<input type="checkbox"/> Low

This is what we see when we inspect the property:

"It is located in a suburban area near the city of Salem. Values are increasing in the highly desirable neighborhood due to its close proximity to the Willamette River."

Here is the way we would record this information based on our observation. Record it onto the Location section of your form. Your completed form should compare to the one in the Answer Section located at the end of this lesson.

Area: Suburban

Values: Increasing

Desirability: High (due to its close proximity to the Willamette River)

2.3

Now we consider NEIGHBORHOOD CHARACTERISTICS.

NEIGHBORHOOD CHARACTERISTICS			
Built-Up	<input type="checkbox"/> Over 75%	<input type="checkbox"/> 25-75%	<input type="checkbox"/> Under 25%
Schools Proximity	<input type="checkbox"/> Average	<input type="checkbox"/> Below Average	
Public Transportation	<input type="checkbox"/> Available	<input type="checkbox"/> Not Available	
Conformity	<input type="checkbox"/> Homogeneous	<input type="checkbox"/> Non-Homogeneous	
Adverse Conditions	<input type="checkbox"/> No	<input type="checkbox"/> Yes	_____

As we approach the subject, we look at the neighborhood and the other houses in it. We notice that the area is nearly built out. About 90 percent of the area is already developed. Most homes are about 10-20 years old. Our records show that the sales prices for the neighborhood are in the range of \$250,000 to \$350,000. Most of the homes appear to be in average to above average condition for their age.

We want to observe whether the houses in the area conform to one another; that is, are they all the same general type, **homogeneous** or **non-homogeneous**? Homogeneous is defined as, "A market area where the property types and uses are similar and the inhabitants have compatible cultural, social, and economic interests."

We also note if there are schools within close proximity and if public transportation is available. We observe if there are any **adverse conditions** that may influence market values in the neighborhood. An example of an adverse condition would be a residential property located directly under the flight path of an airport, noise or odor from an adjacent industrial plant, etc.

Record the information you observe about Neighborhood Characteristics, using information from Exhibit C, on the Sales Comparison Grid. Compare your completed form with the one found in the Answer Section.

2.4

The third consideration for land characteristics is ZONING.

ZONING			
Classification	_____		
Compliance	<input type="checkbox"/> Legal	<input type="checkbox"/> Illegal	<input type="checkbox"/> Legal Nonconforming

By checking with the city planning office, you found that the area is zoned R-1, single-family residence only. This is the primary use and there appears to be no exceptions in the neighborhood. All of the houses conform to the current zoning regulations. Make the appropriate notations on your form and compare it with the one in the Answer Section.

2.5

The next areas of consideration are LAND IMPROVEMENTS AND SERVICES.

LAND IMPROVEMENTS AND SERVICES			
Road/Street	<input type="checkbox"/> Public	<input type="checkbox"/> Private	<input type="checkbox"/> None
	<input type="checkbox"/> Paved	<input type="checkbox"/> Gravel	<input type="checkbox"/> Dirt
Sidewalks/curbs	<input type="checkbox"/> Yes		<input type="checkbox"/> No
Utilities Typical for Market Area	<input type="checkbox"/> Yes		<input type="checkbox"/> No
	<input type="checkbox"/> Public	<input type="checkbox"/> Sewer	<input type="checkbox"/> Power & Water
	<input type="checkbox"/> Private	<input type="checkbox"/> Septic	<input type="checkbox"/> Well/Spring
			<input type="checkbox"/> Community

Characteristics which need to be considered in this section are: types of roads/streets, if there are sidewalks and curbs, information about the utilities to the subject property, and if the utilities are typical for the market area.

Information in Exhibit C reports that the subject property has access provided by a paved public street and has curbs and sidewalks. Utilities appear to be typical for the market area with public sewer, power, telephone, cable, and water supplied to the property.

Use the above information to complete the LAND IMPROVEMENTS AND SERVICES section of the appraisal form. Compare your form with the one in the Answer Section.

2.6

Having completed previous sections of the form, you now consider the LOT FEATURES of the subject property.

LOT FEATURES			
Size	_____	Base Value	\$ _____
Landscaping	Good / Avg / Fair	Base Value	\$ _____
Topography	<input type="checkbox"/> Level	<input type="checkbox"/> Sloping	<input type="checkbox"/> Steep
View	<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Limited <input type="checkbox"/> None

In this section we will note specific characteristics of the site such as: lot size, landscaping,

topography, and view. The subject property's lot size is 80x100 feet, rectangular in shape, and level per the information in Exhibit C. Landscaping is considered good and of professional quality. The lot has a limited view.

Enter this information on your form and check your form against the one found in the Answer Section. At this time, do not be concerned with the "Base Value \$ _____" areas on the form. We will be working with the value amounts later in Lesson 3.

Our inspection of the neighborhood and lot is finished. This section of the form should be as complete as possible. Next, continue your property inspection by observing and recording building characteristics.

Observing and Recording Improvement (Building) Characteristics

2.7

The Sales Comparison Grid has six headings where observations of building characteristics can be recorded. What are the six headings on the form?

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

By further examination of Exhibit C, you count 11 rooms including four bedrooms, two full bathrooms and a half bath, a kitchen, living room, family room and dining room. You probably noticed that the form has a **Year Built** field and an **Effective Year Built** field. What does an Effective Year Built mean?

Effective Year Built

2.8

When you state that a man is 35 years old, you are generally referring to his actual age.

A house was built eight years ago. Eight years is the _____ age of the house.

2.9

If you are over 35, and you can still run as well as a 22 year old, your effective or functional age for running is 22.

The saying, "A man is as old as he feels," refers to _____(actual / effective) age.

2.10

1. The number of years a house has been built is its _____(actual / effective) age.
2. The condition and utility of a house is its _____(actual / effective) age.

For the subject property described in Exhibit C, the actual year built is 1997, but because it has been maintained in better than average overall condition, the market would most likely recognize it as similar in value to a comparable house that was built in 2002. Therefore, the Effective Year Built is 2002, or effectively five years newer than its actual age.

Note: Effective age is derived from market studies and is an advanced appraisal subject not covered by this training material.

2.11

The first heading on the Improvements side of the Sales Comparison Grid is titled GENERAL DESCRIPTION and is used to record data about the general overall maintenance and construction quality of the structure and details square footage information.

GENERAL DESCRIPTION			
Single Family	Multi-Family: 2 / 3 / 4		
Year Built _____	Effective Year Built _____		
General Construction Quality	<input type="checkbox"/> Good	<input type="checkbox"/> Average	<input type="checkbox"/> Fair
General Overall Maintenance	<input type="checkbox"/> Good	<input type="checkbox"/> Average	<input type="checkbox"/> Def. Maint.
Total Finished Living Area	_____ sq. ft.		

Identify the remaining characteristics in the GENERAL DESCRIPTION section of the form using information from Exhibit C and compare your answer with the completed form shown in the Answer Section.

2.12

The next step in the inspection is an examination of the EXTERIOR of the structure. Data will be

collected concerning foundation type, exterior wall materials, roof style, and overall quality and condition of the windows, rating them as good, average, or fair.

EXTERIOR			
Foundation	<input type="checkbox"/> Conc/Block	<input type="checkbox"/> Slab	<input type="checkbox"/> Crawl Space
Exterior Walls	_____		
Roof	<input type="checkbox"/> Gable	<input type="checkbox"/> Hip	<input type="checkbox"/> _____
Windows	<input type="checkbox"/> Good	<input type="checkbox"/> Average	<input type="checkbox"/> Fair

Note from Exhibit C that the foundation of the subject house is continuous concrete, and the exterior walls are a wood composite with some stone trim. The roof style is gable and the windows are of average quality per class of the house. Complete the form using this information.

2.13

You have observed the previously discussed building exterior characteristics while approaching the house. Now it is time to inspect the INTERIOR of the subject property.

INTERIOR			
Bedrooms	# _____		
Bathrooms	# _____ Full _____ Half	Total \$ _____	
Heating	<input type="checkbox"/> FA <input type="checkbox"/> A/C	<input type="checkbox"/> Wall	<input type="checkbox"/> Elec <input type="checkbox"/> Gas
Electrical	<input type="checkbox"/> Good	<input type="checkbox"/> Average	<input type="checkbox"/> Fair
Fireplace(s)	# _____	Type _____	
Exterior Brick Chimney	Y / N	<input type="checkbox"/> 1-Story	<input type="checkbox"/> 2-Story

Characteristics of particular interest to appraisers will be the number of bedrooms, bathrooms, and type of heating and air conditioning (HVAC). Note if the electric fixtures are of good quality and enough outlets are provided. Are there alternate heating sources such as wood or gas fireplaces, pellet stoves, and is there an exterior brick chimney?

Record all the pertinent information on the form. Again, do not be concerned with the "Total \$ ___" area for the Bathrooms field as we will be working with the value amounts in Lesson 3. Compare your completed form with the one in the Answer Section.

2.14

The last three headings in the Subject Property Improvement Characteristics section are: KITCHEN, YARD IMPROVEMENTS, and

GARAGE/PARKING. Kitchens have a higher cost per square foot than the remaining rooms of the house due to the cost of cabinets, countertops, and appliances. These features are usually of high importance to potential buyers when considering the purchase of a residential property and weigh heavily toward the overall quality of construction determination by the appraiser. During an inspection of the subject property, appraisers should pay close attention to the quality and condition of the kitchen's features.

KITCHEN			
Condition	<input type="checkbox"/> Good	<input type="checkbox"/> Average	<input type="checkbox"/> Fair
Appliances	<input type="checkbox"/> Good	<input type="checkbox"/> Average	<input type="checkbox"/> Fair

The appraiser considers the overall kitchen size, quality, condition and design. Note the quality and condition of the kitchen appliances as well. Rate the kitchen features on the Sales Comparison Grid as good, average, or fair in comparison to other properties of similar property class and actual age. Exhibit C reports that the subject property's kitchen and built-in appliances are average per class. Complete this section of the form.

2.15

For purposes of this lesson, **YARD IMPROVEMENTS** have been grouped together into a single category and rated as good, average, or fair.

YARD IMPROVEMENTS		
<input type="checkbox"/> Good	<input type="checkbox"/> Average	<input type="checkbox"/> Fair

Items considered in this section would be exterior improvements to the house such as decks, patios, driveways, and sheds. During an actual appraisal utilizing the sales comparison approach, an appraiser would most likely provide a more detailed list of objects. Larger improvements such as swimming pools, tennis courts, and pole buildings would particularly be compared as individual items rather than included in an overall general rating.

Exhibit C states that the Yard Improvements for our subject property are rated average. Mark your form accordingly.

2.16

The last section of common units of comparison on the Sales Comparison Grid is **GARAGE/PARKING**.

GARAGE/PARKING		<input type="checkbox"/> None	<input type="checkbox"/> Oversized
Attached / Detached / Bsmt:	# Cars		
Carport:	# Cars		
RV pad:	<input type="checkbox"/> Yes		

The appraiser documents garage details to note if garages are attached or detached, the number of cars the structure was built to store, and note if the garage is oversized so as to provide space for a small shop or storage area. The form also provides an area to itemize carports and recreational vehicle storage space.

After you have added the information regarding garage and parking details from Exhibit C to the Sales Comparison Grid, your form should be complete with all descriptive attributes of the subject property properly recorded. You now have a listing of pertinent land and building property characteristics recently sold properties need in order to be considered as comparable properties in the sales comparison process.

The Comparison Process

We just completed a survey of the subject property's characteristics using the Sales Comparison Grid for both **qualitative** and **quantitative** data. The qualitative data is based on subjective measures, where the data is usually described in the form of words. Example categories we observed that would be qualitative are the desirability of the location and description of view.

Quantitative analysis is more objective and is based on interval data that can be measured and compared with much more precision, usually in the form of numbers. The adjustment process of the sale prices of comparable properties in the sales comparison approach can include data analysis techniques such as paired data or "matched pairs" analysis, statistical analysis, graphic analysis, trend analysis, or cost analysis such as cost-to-cure and depreciated cost.

An example of the quantitative data analysis characteristics would be living area square footage and numbers of bedrooms and bathrooms. Qualitative data must also be converted into a

quantitative form to properly adjust for such items as view or lack of it, location, etc. Generally, this is accomplished by using matched pairs techniques.

Units of Comparison

In order to evaluate whether the comparable properties qualify as good comps, you need to evaluate them using like units of comparison. Vacant land can be valued using acreage, square footage, or front foot factors. Residential improved properties can be stratified into common units such as square footage of living area, number of rooms, number of bedrooms, or effective age. Apartment houses can be compared using the number of units, rooms, size of building, and gross income multipliers. Other properties such as some commercial and industrial uses can be compared by either gross or net leaseable square footage of the improvement.

Final Selection of Comparables

The subject property and sold properties are analyzed for comparability considering factors and trends that affect value. You can select comparables on the basis of reason, whim, or impulse. We think reason should be your choice. Fortunately, we have some guides for selecting comparables.

Let's review the **four conditions** a comparable must meet:

1. It must be reasonably similar.
2. It must reflect the current market.
3. The sales price must be verified.
4. The conditions of the sale must be verified.

2.17

Answer the following questions.

1. I know how to verify a sale price. _____.
(Yes / No)
2. I know how to verify the conditions of a sale. _____.
(Yes / no)

2.18

The last three conditions a comp must meet are: reflecting current market, having a verified price, and verifying conditions of a sale.

What is the first condition a comp must meet? (Your own words) _____
_____.

2.19

The best comparable is one that is _____ (most / least) like the subject property.

2.20

Suppose you have eight possible comparables. Three comparables are usually a sufficient number of properties for an appraisal.

How will you choose the three comparables you will use in the appraisal from among the eight possibilities? _____
_____.

2.21

Suppose your subject property has the following description:

Built 7 years ago, has 5 rooms, 1 full bath, 1 half bath, average quality. There are five properties that have been recently sold. These five properties are all similar to the subject property except for the differences listed below:

Sale #1—effective age about 25 years

Sale #2—one bathroom only

Sale #3—in a slightly better neighborhood

Sale #4—needs paint

Sale #5—has seven rooms and one bath

Which sales should be dropped from consideration as comps? Why? _____

2.22

How many comparables should be used in making an appraisal? Suppose there is only one comparable which sold for \$280,000. How certain are we that this represents the going price for properties like this?

- a. Pretty certain
- b. Not very certain
- c. Very certain

2.23

Suppose there are two recent sales of properties that can potentially be used as comparables. One sold for \$280,000. The other sold for \$320,000. How can you decide which of these two sales prices is the one that is nearer the market value for such properties? (Your own words) _____

_____.

2.24

Suppose there are three good comparables: \$280,000, \$320,000, \$300,000. If we determine the average of these prices is the closest representation of the market value for such properties, what would be our estimate of value for our subject property?

In the above example, \$280,000 and \$320,000 are the lower limit and upper limit of value for the property. This concept is known as bracketing. If all sales are comparable to the subject, consider averaging if sales are similar in time. If not, select the most recent sale and the one most comparable to the subject to place the most weight on.

2.25

We recommend that a minimum of three comparables should be selected. If there are three or more comparables this is easy. If there are not, we use what we have. In other words, if you can find only two comparables, you should

- a. Use them.
- b. Keep looking for a third comparable.
- c. Give up the cost comparison approach.

Finding the Probable Price Range

After you have selected your comparables, you can estimate the probable range for the value of the subject property. The range is bracketed by the lowest and highest price comparable.

2.26

Suppose you have four comparables with these selling prices: \$340,000, \$320,800, \$360,000, \$380,000. The probable value of the subject property is between \$_____ (low) and \$_____ (high).

2.27

What is the probable range from the following comparable prices?

\$180,000, \$200,000, \$190,000, \$185,500

_____ to _____

You begin your estimate of value for the subject property by assuming that it will fall within the range of the comparables. It is probably worth as much as the lowest priced comparable, but is probably not worth more than the highest priced comparable.

In the next lesson, you will learn how to decide whether the subject property does fall within the range of the comparables. You will also learn how to conclude to a fair market value estimate for the subject property and how to allocate the final value estimate between land and building (improvement) values.

Lesson 2: Answers

2.1

1. Location
2. Neighborhood Characteristics
3. Zoning
4. Improvements and Services
5. Lot Features

2.2

LOCATION			
Area	<input type="checkbox"/> Urban	<input checked="" type="checkbox"/> Suburban	<input type="checkbox"/> Rural
Values	<input checked="" type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Declining
Desirability	<input checked="" type="checkbox"/> High	<input type="checkbox"/> Average	<input type="checkbox"/> Low

2.3

NEIGHBORHOOD CHARACTERISTICS			
Built-Up	<input checked="" type="checkbox"/> Over 75%	<input type="checkbox"/> 25-75%	<input type="checkbox"/> Under 25%
Schools Proximity	<input checked="" type="checkbox"/> Average	<input type="checkbox"/> Below Average	
Public Transportation	<input checked="" type="checkbox"/> Available	<input type="checkbox"/> Not Available	
Conformity	<input checked="" type="checkbox"/> Homogeneous	<input type="checkbox"/> Non-Homogeneous	
Adverse Conditions	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes _____	

2.4

ZONING			
Classification	<u>R-1</u>		
Compliance	<input checked="" type="checkbox"/> Legal	<input type="checkbox"/> Illegal	<input type="checkbox"/> Legal Nonconforming

2.5

LAND IMPROVEMENTS AND SERVICES			
Road/Street	<input checked="" type="checkbox"/> Public	<input type="checkbox"/> Private	<input type="checkbox"/> None
	<input checked="" type="checkbox"/> Paved	<input type="checkbox"/> Gravel	<input type="checkbox"/> Dirt
Sidewalks/curbs	<input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No
Utilities Typical for Market Area	<input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No
	<input checked="" type="checkbox"/> Public	<input checked="" type="checkbox"/> Sewer	<input checked="" type="checkbox"/> Power & Water
	<input type="checkbox"/> Private	<input type="checkbox"/> Septic	<input type="checkbox"/> Well/Spring
			<input type="checkbox"/> Community

2.6

LOT FEATURES			
Size	8,000 sq. ft.	Base Value _____	
Landscaping	<input checked="" type="checkbox"/> Good / Avg / Fair	Base Value _____	
Topography	<input checked="" type="checkbox"/> Level	<input type="checkbox"/> Sloping	<input type="checkbox"/> Steep
View	<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input checked="" type="checkbox"/> Limited <input type="checkbox"/> None

2.7

1. General Description
2. Exterior
3. Interior
4. Kitchen
5. Yard Improvements
6. Garage/Parking

2.8

Actual

2.9

Effective

2.10

1. Actual
2. Effective

2.11

GENERAL DESCRIPTION	
<input checked="" type="checkbox"/> Single Family	<input type="checkbox"/> Multi-Family: 2 / 3 / 4
Year Built <u>1997</u>	Effective Year Built <u>2002</u>
General Construction Quality	<input type="checkbox"/> Good <input checked="" type="checkbox"/> Average <input type="checkbox"/> Fair
General Overall Maintenance	<input checked="" type="checkbox"/> Good <input type="checkbox"/> Average <input type="checkbox"/> Def. Maint.
Total Finished Living Area <u>2,164</u> sq. ft.	

2.12

EXTERIOR			
Foundation	<input checked="" type="checkbox"/> Conc/Block	<input type="checkbox"/> Slab	<input type="checkbox"/> Crawl Space
Exterior Walls	<u>Wood / Hardiplank</u>		
Roof	<input checked="" type="checkbox"/> Gable	<input type="checkbox"/> Hip	<input type="checkbox"/> _____
Windows	<input type="checkbox"/> Good	<input checked="" type="checkbox"/> Average	<input type="checkbox"/> Fair

2.13

INTERIOR				
Bedrooms	#	<u>4</u>		
Bathrooms	#	<u>2</u> Full <u>1</u> Half	Total	
Heating	<input checked="" type="checkbox"/> FA	<input checked="" type="checkbox"/> W/C	<input type="checkbox"/> Wall	<input type="checkbox"/> Elec <input checked="" type="checkbox"/> Gas
Electrical	<input type="checkbox"/> Good	<input checked="" type="checkbox"/> Average	<input type="checkbox"/> Fair	
Fireplace(s)	#	<u>1</u>	Type	<u>Gas</u>
Exterior Brick Chimney	Y	<input checked="" type="checkbox"/> N	<input type="checkbox"/> 1-Story	<input type="checkbox"/> 2-Story

2.14

KITCHEN			
Condition	<input type="checkbox"/> Good	<input checked="" type="checkbox"/> Average	<input type="checkbox"/> Fair
Appliances	<input type="checkbox"/> Good	<input checked="" type="checkbox"/> Average	<input type="checkbox"/> Fair

2.15

YARD IMPROVEMENTS			
	<input type="checkbox"/> Good	<input checked="" type="checkbox"/> Average	<input type="checkbox"/> Fair

2.16

GARAGE/PARKING			
	<input type="checkbox"/> None		
<u>Attached</u> / Detached / Bsmt:	# Cars	<u>2</u>	<input type="checkbox"/> Oversized
Carport:	# Cars		
RV pad:	<input type="checkbox"/> Yes		

2.17

1. Yes—If your answer is no, review Lesson 1, Verifying Sales Price (Problems 1.7–1.15).
2. Yes—If your answer is no, review Lesson 1, Verifying Conditions of a Sale (Problems 1.16–1.37).

2.18

It must be similar to the subject property. (Your own words)

2.19

Most

2.20

Use the comparables that are most like the subject property. (Your own words)

2.21

Sale #1—too great difference of age

Sale #5—not comparable size or facilities (7 rooms vs. 5 rooms)

2.22

b. Not very certain. (You cannot be very certain with only one sale, but may be the only data available.)

2.23

Without further information regarding these sales, there is no really good way to make such a decision. (Your own words)

However, if the sales are comparable, they can be used to bracket a range of value.

2.24

Most people would average the three sales prices to arrive at an estimated market value of \$300,000 for these properties, if they are similar. If not, it would be better to place most weight on the sale most comparable to the subject property.

2.25

a. Use them (They are the best data available.)

2.26

\$320,800 . . . \$380,000

2.27

\$180,000 to \$200,000

Introduction to Lesson 3

Now that you have learned how to inspect a property to gather property characteristic data, we will demonstrate the process of comparing the subject property to properties that have recently sold and how to arrive at a final opinion of value estimate.

In this lesson, you will learn to make market-derived adjustments to comparable sales to account for the differences between the subject property and the comparable sales. The adjustments can include differences due to time of sale, location or lot feature, physical characteristics of the improvements, or any other adjustment recognized by the local market.

Important note: the adjustments, however the value of the difference is expressed, are always applied to the sales prices of the comparable properties. What you are doing, in effect, is adjusting the sales price in a step-by-step process so that the comparable properties and the subject property can be evaluated as similar properties with the differences reduced to a minimal consideration.

This is accomplished by adjusting the sales price downward by a market-derived value or percentage if the comparable is superior in some respect to the subject. And, if the comparable is inferior in some element of comparison to the subject, then the sales price is adjusted upward. Never adjust the subject property in the sales comparison approach.

- If the Comp is **inferior** to the Subject, adjust the Comp **upward**.
- If the Comp is **superior** to the Subject, adjust the Comp **downward**.
- If the Comp is **equal** to the Subject, make **no adjustment**.

In this lesson, as in those previously studied, residential properties are used for demonstration purposes. The same methods can be used for any type of property for which comparable sales can be found.

The physical descriptions of our subject property and three comparable properties to be used in our lesson are located in the Appendix as:

- Exhibit C – Description of Subject
- Exhibit D - Description of Comparable #1
- Exhibit E – Description of Comparable #2
- Exhibit F – Description of Comparable #3

You will be referring to these descriptions to complete the Sales Comparison Grid form.

Review the descriptions for the subject property and all three comparable properties. You must be able to compare and contrast each element of comparison with the subject property. We will take you through the process of completing the Sales Comparison Grid step-by-step, beginning with a “field inspection” of the properties.

Lesson 3: The Final Value Estimate

Performing a Field Inspection of the Properties

Even though you may be familiar with the neighborhood where the subject and the comparable properties are located, the information in your office records may not be complete or up-to-date. Relying on records is no substitute for a physical inspection of the subject as well as each comparable sale.

3.1

When you conduct a field inspection, take the Sales Comparison Grid form (Exhibit B) with you. The form provides a pattern to follow for inspecting and recording appropriate property characteristics for both the subject and the comparable sales.

It is _____(easier / more difficult) to work if you have a pattern to follow.

When appraising a subject property using the sales comparison approach, the first step is to inspect the subject so that you are thoroughly aware of all its features. Conduct an on-site inspection of the property and become familiar with the neighborhood (market) where the subject is located. Use a blank grid form to collect and record the subject's property characteristics.

3.2

Observe each comparable's location and neighborhood. If a comparable is in a neighborhood you visit often, you will already have some familiarity with it. If you are not well acquainted with these areas, the best way to observe the neighborhood is to:

- a. drive directly to the comparable
- b. drive around the neighborhood before going to the comparable
- c. ask someone who lives in the area

3.3

Should you go into each comparable and inspect it? This depends on what you know about each

property already. The less you know about the interior of a comparable, the _____ (more / less) important it is that you conduct an interior inspection.

Completing the Sales Comparison Grid Form—Sales Data

3.4

We will now continue to fill in all the property characteristic data on the Sales Comparison Grid form. Start by reviewing the **Sales Price** and **Sales Date** data found at the end of each comparable property description.

Rating: Superior (S), Similar (=), Inferior (I) Adjust comparable property to the subject property.					
Comp # 1		Comp # 2		Comp # 3	
Sales Price:		Sales Price:		Sales Price:	
Sales Date:		Sales Date:		Sales Date:	

Fill in that information in the proper location on the form for Comp #1, Comp #2, and Comp #3. When you have finished, compare your answer to the completed section of the form in the Answer Section at the end of this lesson.

Adjusting the Sales Prices for Time

The appraisal principle of change deals with the transitional nature of property. Change is reflected in the market as appreciation or depreciation in property value. If all the comparable properties sold recently, perhaps within the past two weeks, then you most likely would not need to take into consideration any changes in value due to time.

However, the comparable properties we have selected for use in our sales comparison approach project sold during various periods of time. Comp #1 sold three months ago, Comp #2 sold four months ago, and Comp #3 sold two months ago.

If you refer to Exhibit G—Adjustment Values for Demonstration Project, you notice our time trend analysis for this neighborhood indicates an adjustment of one percent per month is required to bring a sales price current to today's market. During an actual appraisal situation, you

must perform a market change (time) analysis from which the correct adjustment for change is derived for the property you are appraising.

3.5

The market for the subject is _____ (appreciating / depreciating) according to the information stated in Exhibit G.

3.6

Now indicate the PERCENT ADJUSTMENT FOR CHANGES OVER TIME to each Sales Price for each comparable property. What percentage does the Sales Price need to be adjusted for:

Comp #1? _____ (2% / 3% / 4%)

Comp #2? _____ (2% / 3% / 4%)

Comp #3? _____ (2% / 3% / 4%)

3.7

The Sales Price of Comp #1 must be adjusted for changes over time by multiplying the value by _____ (1.03 / 1.04 / 1.02) to arrive at a SALES PRICE ADJUSTED FOR CHANGE.

3.8

Multiply each Sales Price by the appropriate adjustment factor for changes over time to arrive at the SALES PRICE ADJUSTED FOR CHANGE. What are the adjusted sales prices for each of our comparable properties?

Comp #1 \$ _____

Comp #2 \$ _____

Comp #3 \$ _____

Completing the Sales Comparison Grid Form—Description Column

Continue to complete the form systematically for all three comparable properties by filling in the information in the Description column for both the Land and Improvements property characteristics.

Reading through the description of Comp #1 (Exhibit D), the Location section states,

“The property is a single family dwelling of average quality construction and shows some deferred maintenance for its age. It is located in

a suburban area near the city of Salem. Values are increasing in the highly desirable neighborhood due to its close proximity to the Willamette River.”

From this information we conclude that Comp #1 is located in a suburban area, values are increasing, and desirability is high. Following is the completed portion of the form:

LAND		Comp # 1	
		Sales Price:	\$ 286,000
		Sales Date:	3 mo. ago
PERCENT ADJUSTMENT FOR CHANGES OVER TIME			3%
SALES PRICE ADJUSTED FOR CHANGE			\$ 294,580
LOCATION		Description	Rating
Area	<input type="checkbox"/> Urban <input checked="" type="checkbox"/> Suburban <input type="checkbox"/> Rural	Suburb	
Values	<input checked="" type="checkbox"/> Increasing <input type="checkbox"/> Stable <input type="checkbox"/> Declining	Incr	
Desirability	<input checked="" type="checkbox"/> High <input type="checkbox"/> Average <input type="checkbox"/> Low	High	

3.9

Next, review the LOCATION information in Exhibit E for Comp #2 and Exhibit F for Comp #3. Complete the Description columns in the LOCATION section of your form for Values and Desirability. (We will complete the Rating and Adjustment columns later in this lesson.) Compare your form to the one in the Answer Section.

3.10

Now work through the NEIGHBORHOOD CHARACTERISTICS, ZONING, and LAND IMPROVEMENTS AND SERVICES sections of the form in the same manner as you did above, filling in data in the Description columns. When you are finished, compare your form with the one in the Answer Section.

3.11

The LOT FEATURES section of the Land side of our example form compares the properties by Size, Landscaping, Topography, and View. We will work through Comp #1 together.

The size of the subject property as stated in Exhibit C is 80 x 100 feet or 8,000 square feet. What is the size in square feet of Comp #1 in Exhibit D? _____ sq. ft. (7,000 / 8,000 / 9,000)

3.12

The description of Landscaping for Comp #1 states, “Landscaping is considered fair with most of the lot covered by a lawn and a few shrubs.”

Therefore, the Description for Landscaping in the Comp #1 column will be _____.
(Good / Avg / Fair)

3.13

The Lot Features of Comp #1 states, “The property is a level rectangular lot...” Therefore, the Topography of Comp #1 is _____.
(Level / Sloping / Steep)

Factors and trends that typically affect residential market values include any potential benefit to the residential site if it has a territorial, water, or mountain view, as these are generally more desirable to the market. The influence of supply and demand of these features also has an influence on the real market value of the property. Therefore, to derive a value adjustment that an amenity such as view may add to a property, use market-derived data and paired data analysis (matched-pairs).

The value of a particular property characteristic can be concluded by using the paired data analysis technique. This is a quantitative analysis method using sales or rental data on nearly identical properties. Ideally, the sold properties are the same with the exception of one sold property has a specific attribute and the other sold property does not.

This is a more accurate and preferred method of making adjustments for differences in features if enough comparable sales are available. This technique may be impractical when only a narrow sampling of sufficiently similar properties is available for analysis. If no matching pairs are available, an adjustment using the depreciated replacement cost is the next best method.

3.14

Although our subject property and Comp #1 are located near a major river, our property description for Comp #1 indicates that there is no view of the river. Therefore, we will mark the Description column for View as _____.
(Excellent / Good / Limited / None)

3.15

We are now finished with the Description column for the land property characteristics for Comp #1. Compare your partially completed

Sales Comparison Grid form with the one in the Answer Section.

3.16

Next, complete the LOT FEATURES section of the Sales Comparison Grid for Comp #2 and Comp #3 using the property descriptions found in Exhibits E and F. When you are finished, compare your form with the one found in the Answer Section.

Completing the Sales Comparison Grid Form—Rating Column

Before we continue with the Improvement Characteristics section of our form, we will learn how to complete the Rating column and the Adjustment column on the Land side of the form. Once the Land section is complete, we will turn to the comparison of the comparable properties' improvements with the subject property.

3.17

When you have a subject property and a comparable that are almost identical, the value of the comparable will most likely be:

- about the same as the value of the subject property
- much more than the value of the subject property
- much less than the value of the subject property
- none of the above

3.18

Suppose a subject property and a possible comparable are nearly identical. You discover that the possible comparable property has a desirable feature that the subject property does not have. This most probably means that the selling price of the comparable is _____(higher / lower) than the market value of the subject property.

3.19

Suppose you have a possible comparable that is the same as the subject property except that the comparable has a finished basement valued at \$43,000.

You can derive a closer estimate of the value of the subject property by:

- a. adding \$43,000 to the sale price of the comparable
- b. subtracting \$43,000 from the sale price of the comparable
- c. using the comparable sale price as is
- d. none of the above

3.20

Suppose a possible comparable sale has features that make it more valuable than a subject property. You can adjust the sale price of the comparable to a more accurate figure by:

- a. adding the value of the features to the sale price of the possible comparable
- b. ignoring the value of the feature
- c. subtracting the value of the feature from the sale price of the possible comparable
- d. adding the value of the feature to the price of the subject property

A possible comparable sold for \$228,000. It is very similar to the subject property. However, the comparable is air conditioned and the subject property is not. The market contribution may equal or be greater or less than the cost of adding air conditioning.

You determine that it will cost \$6,000 to add air conditioning to the subject property. Therefore, using the technique of paired data analysis, you conclude that the sales price of the comparable property was \$6,000 more than if it had not had air conditioning.

3.21

A good adjusted sales price for the possible comparable is:

- a. \$222,000
- b. \$230,000
- c. \$228,000
- d. none of the above

3.22

Suppose a possible comparable lacks one of the desirable features of the subject property. This means that the sale price of the comparable is most probably _____ (higher / lower) than the market value of the subject property.

3.23

What if your subject has one bathroom more than a possible comparable property? The properties are very similar in all other ways. You could get an adjusted sale price more representative of the market value for the subject property by:

- a. adding the value of an extra bath to the price of the subject property
- b. subtracting the depreciated value of an extra bath from the sale price of the comparable
- c. adding the market value of an extra bath to the sale price of the comparable
- d. subtracting the value of an extra bath from the sale price of the comparable

3.24

Assume the subject property has one feature that makes it more valuable than the possible comparable. You should adjust by:

- a. adding the market value of the subject property feature to the sales price of the comparable
- b. subtracting the market value of the subject property feature from the sales price of the comparable
- c. subtracting the market value of the subject property feature from the price of the subject property
- d. adding the market value of the subject property feature to the price of the subject property

3.25

The sales price of the _____ (subject property / possible comparable) is adjusted to make the property usable as a comparable.

3.26

If the subject property has desirable features that a possible comparable lacks, you adjust the sales price of the comparable by _____ (adding / subtracting) the value of the desirable features.

3.27

If the possible comparable has features that make it more valuable than the subject property, you get the adjusted sales price by _____ (adding / subtracting) the market value of the features (to / from) the sale price of the possible comparable.

Look at your adjustments this way. The subject property is always 100 percent. For your comparable to indicate the value of the subject, you would have to do the following:

Comp. is better than subject	-	Subtract	to obtain an indication of the subject's value
Comp. is poorer than subject	+	Add	
Comp. is equal to the subject	=	No adjustment	

Our Sales Comparison Grid form uses a qualitative comparison rating system of Superior, Similar, or Inferior. Note that suggested symbols for each rating are on the form.

Superior is 'S'

Similar is '='

Inferior is 'I'

These types of comparisons are referred to as **qualitative adjustments**. *The Dictionary of Real Estate Appraisal* (Fourth Ed.) defines qualitative data as, "Data that is based on subjective measures, where the data tends to fall into nominal or ordinal categories; usually represented in the form of words. An amenity such as view may indeed affect market value but is nevertheless difficult to measure and quantify."

Later you will learn how to develop a quantitative (or dollar) adjustment which recognizes the market contribution of the qualitative adjustment.

In the LOCATION section of the form, you observe that the information in the Description column for Comp #1 is listed as follows:

Area is Suburban

Values are Increasing

Desirability is High

3.28

How do the features of the sold properties compare with the subject property? If the features of Comp #1 are superior to the subject property, put an S in the Rating column. If they are similar, put an equal sign in the column, and if they are inferior, put an I in the column for each feature. Compare your form to the one in the Answer Section.

3.29

Continue to complete the Land portion of the Sales Comparison Grid form for Comp #1, filling in the Rating column for the:

- NEIGHBORHOOD CHARACTERISTICS,
- ZONING,
- LAND IMPROVEMENTS AND SERVICES, and
- LOT FEATURES

When you have finished capturing the information for Comp #1, complete the Rating columns for Land Characteristics for Comp #2 and Comp #3. Check your form with the completed one in the Answer Section.

The judgmental decisions you just made are the kind appraisers make all the time. You are learning there is a **systematic basis** for making judgments. When you determine that a comparable is similar, inferior, or superior to the subject property, you need to be able to explain your conclusions.

3.30

As an appraiser, you will often be called upon to explain why you made the judgment you did. Which of the following provides a sound basis for your decisions?

- a. "I don't know. It just seemed the thing to do."

- b. "As an appraiser, it is my job to know; just don't ask me to explain it."
- c. "I have the records right here to show the basis of my judgment."

Completing the Sales Comparison Grid Form—Adjustment Column

Take out "Exhibit G—Adjustment Values for Demonstration Project." This is a listing of invented adjustments based on costs for various features. (Actual costs for your area are derived from market analysis of matched pairs, cost factor services, contractors' costs, real estate brokers, etc.) Developing value adjustment factors that convert qualitative observations to dollar adjustments is referred to as **Quantitative Analysis**. For demonstration purposes, use the values in Exhibit G to adjust the comparable properties' sales prices to the subject property.

Remember, the comparable properties similar to the subject property, are rated "equal." You note that all of the Rating columns for Comp #1, Comp #2, and Comp #3 for LOCATION, NEIGHBORHOOD CHARACTERISTICS, ZONING, and LAND IMPROVEMENTS AND SERVICES are "equal." Therefore, all of these characteristics need no adjustment to the comparables' sales prices. The value adjustment for each element of comparison rated as "equal" will be "0."

However, in the LOT FEATURES section, some characteristics are rated inferior (I) or superior (S). We will use the values from Exhibit G to make our adjustments for differences in property characteristics.

3.31

The size of the subject property is 8,000 square feet. Once again, what is the lot size of Comp #1?

_____ sq. ft. (7,000 / 8,000 / 9,000)

3.32

Since Comp #1 is rated similar to the subject property for Size, no adjustment is needed. What value should be entered in the Adjustment column for Comp #1 for size?

_____ (\$0 / +\$5,000 / -\$5,000)

3.33

We will next consider a feature that requires an adjustment to the comparable property. According to the description of Comp #2 (Exhibit E), the size of the lot is 78 x 90 feet or 7,020 square feet. Since the size of the subject property is 8,000 square feet, how is the size of Comp #2 rated in comparison to the subject? _____ (superior / similar / inferior)

3.34

How is the adjustment calculated for the difference in size? Look at Exhibit G, the Site Base Value section. You will note that three lot sizes have been valued in the right hand column.

Site Base Value	Adjustment/Value
(Based on size, includes system development charges)	
9,000 sq. ft.	\$120,000
8,000 sq. ft.	\$115,000
7,000 sq. ft.	\$110,000

The value for our subject property, a lot that is 8,000 square feet in area, is \$115,000. Enter that value in the Subject Property Characteristics section for Land Size: **Base Value**. According to our land schedule above, the value of a 7,000 square foot lot, such as Comp #2 (rounded), is \$110,000. What is the difference in value between a lot that is 8,000 square feet and a lot that is 7,000 square feet? _____ (\$10,000 / \$5,000 / No difference)

This is the most important concept you will need to know when using the sales comparison approach: "How is the sales price of the comparable property adjusted to the subject?"

3.35

Comp #2 is smaller in size and, therefore is inferior when compared to the subject property. Since we adjust the comparable to the subject, what is the value adjustment we need to enter in the Adjustment column for size, for Comp #2?

_____ (+\$5,000 / -\$5,000 / \$0)

3.36

What is the size of the lot for Comp #3? _____ sq. ft. (7,000 / 8,000 / 9,000)

3.37

What is the value adjustment for size for Comp #3? _____ (+\$5,000 / -\$5,000 / \$0)

3.38

Once you have completed the Adjustment columns for Size, the next element of comparison on our Sales Comparison Grid is Landscaping. Read through Exhibit G and enter the Base Value for Landscaping for the subject property. _____ (\$3,000 / \$5,000 / \$7,000)

3.39

Using the descriptions information pertaining to the quality of landscaping for each property for Comp #1, Comp #2, and Comp #3 (Exhibits D, E, and F), and the Landscaping schedule in Exhibit G, determine a landscaping base value for each property. Calculate the adjustment for each comparable, if any, and enter the adjustment into the appropriate column on the Sales Comparison Grid form. Check your answer with the one in the Answer Section.

3.40

Continue completing the LOT FEATURES section of the Sales Comparison Grid form for Comps #1, #2, and #3. For characteristics that are inferior or superior to the subject, enter a value and indicate whether it should be added or subtracted from the sales price. Compare your form with the completed one in the Answer Section.

3.41

Notice the line labeled NET ADJUSTMENT FOR LAND at the bottom of each comparable Adjustment column. Total the adjustment column for each comparable property and enter the total adjustment for the land characteristics under each comparable. Your totals should match those from the form shown in the Answer Section.

How confident do you feel about completing the Improvement characteristics portion of the Sales Comparison Grid form on your own? Use the same techniques for making adjustments on the building side of the form as you did for the land information side.

Remember, if the comparable property has a similar characteristic to the subject property, there

will be \$0 adjustment for that element of comparison. Adjustment amounts for characteristics that are either superior or inferior to the subject property are not the total value associated with that characteristic, but the value **difference** associated with the comparison of each item.

3.42

Complete the form through the GARAGE/PARKING section. Compare your completed form to the one in the Answer Section at the end of this lesson.

Completing the Sales Comparison Grid Form—Final Adjusted Sales Price

Now that you have determined what characteristics require adjustments and a value amount for each one, you are ready to total the columns and determine a Final Adjusted Sales Price for each comparable property.

3.43

Total each comparable adjustment column on the improvement side of the Sales Comparison Grid form. Enter the amount for each comp at the end of the column in the space called, NET ADJUSTMENT FOR IMPROVEMENTS.

What is the total NET ADJUSTMENT FOR IMPROVEMENTS for:

Comp #1? \$ _____

Comp #2? \$ _____

Comp #3? \$ _____

Bring forward the NET ADJUSTMENT FOR LAND that you calculated at the bottom of each comparable property's land characteristics adjustment column. Enter each net amount of adjustment in the appropriate place on the Sales Comparison Grid form.

3.44

Calculate the FINAL ADJUSTED SALES PRICE for each comparable property by taking the **Sales Price Adjusted for Change** for each comp and add or subtract the net adjustment values for the improvements and land characteristics in each column. What is the FINAL ADJUSTED SALES PRICE for:

Comp #1? \$ _____

Comp #2? \$ _____

Comp #3? \$ _____

The result indicates how the sales price of each sold property that has been adjusted for the differences now compares to the subject property's market value. The adjusted sales prices of the comparables and the market value of the subject property can be measured against each other as equally as possible.

3.45

Now round each Final Adjusted Sales Price to the nearest \$100. What is the total FINAL ADJUSTED SALES PRICE (ROUNDED) for:

Comp #1? \$ _____

Comp #2? \$ _____

Comp #3? \$ _____

Narrowing the Probable Value Range—Reconciliation

If the adjusted sales prices of the comparable properties are similar, the appraiser has a supported range of probable value indications for the subject property. As you gain appraisal experience, you will quickly learn to narrow the value range of the subject property to a single value using qualitative analysis to determine the most probable position of the subject within this range. Your analysis gives the comparables that are most similar to the subject the greatest weight.

The appraiser should not rely solely on the net adjustment, calculated by totaling the positive and negative adjustments and subtracting (or adding) that amount from the sales price.

A comparable property may have a low net adjustment resulting from several large adjustments that are both positive and negative, resulting in a near zero overall net change, but a large gross adjustment. Another comparable property with a few all positive or all negative adjustments may have a greater net adjustment but a relatively small gross adjustment.

For example, Comp B has several positive adjustments that total \$45,000 and a few large negative adjustments that total -\$40,000. The net adjust-

ment is only \$5,000 with the gross adjustment being \$85,000. Comp C has no positive adjustments and a few small negative adjustments that total -\$7,000. If the sales are similar otherwise, in reconciliation the comparable property that required the larger gross adjustments may not be the best indicator of the subject's value. The comparable property that required fewer total adjustments usually is given more weight in the reconciliation of the final value estimate.

Let's review. You have learned how to inspect the subject, the comparable properties, and to make comparisons. You have adjusted the sales prices for changes over time and made value adjustments to the comparable properties to account for qualitative and quantitative differences between the subject and comparable sales. After making all these adjustments for differences in the elements of comparison, you arrived at final adjusted sales prices for each comparable property.

3.46

Within what value range do the rounded adjusted sales prices indicate our subject property's real market value should fall?

The value of the subject property in this case must lie between

\$_____ and \$_____.

3.47

You have already derived that the value of the subject property lies between \$308,200 and \$335,500. Where within the range best represents the subject?

- The subject property value is halfway between \$308,200 and \$335,500.
- The subject property value is closer to the value of Comp #1.
- The subject property value is closer to the value of Comp #2.
- The subject property value is closer to the value of Comp #3.
- Any of the four is possible.

A subject property whose estimated value lies within a range of three comparables' adjusted values may be halfway between the high and

the low valued property or may lie closer to one value than the others.

For example, suppose you are comparing a new mid-sized car with a new economy compact model and a new large luxury car. You estimate that the value of the mid-sized car lies somewhere between those for the compact and the luxury models.

3.48

You would probably decide that the mid-sized model's value is:

- a. closer to the compact's value
- b. closer to the luxury car's value
- c. close to the middle of the range

Let's examine the possibilities one at a time. First, look at the situation when the value of the subject property is halfway between the sales prices of two comparables.

For example, you have narrowed the value range of the subject property between \$308,200 and \$335,500. Suppose you give equal weight to both comps, and therefore estimate the subject property's value lies halfway between.

3.49

Your value estimate for the subject property should be:

- a. \$321,850
- b. \$309,530
- c. \$299,000
- d. Some other amount

Here's how we arrive at the halfway mark.

Step 1: Subtract the smaller figure from the larger.

$$\begin{array}{r} \$335,500 \\ - \underline{\quad 308,200} \\ \$ 27,300 \text{ remainder} \end{array}$$

Step 2: Divide the remainder above by 2.

$$\$27,300 \div 2 = \$13,650$$

Step 3: Add the answer from Step 2 to the lower of the two original amounts.

$$\begin{array}{r} \$308,200 \\ + \underline{13,650} \\ \$321,850 \end{array}$$

3.50

Using the method above, find the midpoint between \$275,000 and \$310,000.

\$ _____.

3.51

Find the midpoint between \$542,500 and \$652,500. \$ _____.

We have been working with situations in which we judged the value of the subject property as lying halfway between the values of two comparables. Let's look at another situation.

Suppose we determine that two of the comparable properties' adjusted sales prices best represent the value of the subject property. And, **through appraisal judgment**, we determine that the value of the subject is closer to one of the adjusted sales prices than the other. How do we calculate a value that is not halfway between two amounts but closer to one of them?

3.52

Assume that we determine the final estimate of value is one-third of the way between Comp D and Comp E. If Comp D has an adjusted sales price of \$420,000 and Comp E has an adjusted sales price of \$432,000, what would be the amount that is one-third of the distance between the two prices?

- a. \$426,000
- b. \$424,000
- c. \$430,000
- d. None of the above

Here is how we estimated the real market value:

Step 1: Subtract the smaller figure from the larger.

\$432,000 Comp E
-420,000 Comp D
 \$ 12,000 remainder

Step 2: Divide the remainder above by 3.

$\$12,000 \div 3 = \$4,000$

Step 3: Add the answer from Step 2 to the lower of the two original amounts.

\$420,000
+ 4,000
 \$424,000 Real Market Value
 Estimate

Review

3.53

Now we will review what you have learned. What is your final value estimate in this case for a subject property using the sales information below? \$_____.

Property	Sold For	Rated As
Comp #1	\$343,000	+
Comp #2	\$339,000	=
Comp #3	\$344,000	+

3.54

Place a final value estimate on the subject property in this example.

Property	Sold For	Rated As
Comp #1	\$155,500	-
Comp #2	\$152,500	-
Comp #3	\$160,000	+
Comp #4	\$164,500	+

You estimate that the subject property's value lies in the middle of the narrowed range giving equal weight to comparable #1 and #3. Therefore, you set the final value estimate at \$_____.

Here is how we estimated the real market value:

Step 1: Array the comparables from the lowest value to the highest value.

\$152,500 (-), \$155,500 (-), \$160,000 (+),
 \$164,500 (+)

Conclusion of Value: Since the lowest two comparables are poorer (-) as compared to the subject, and the two higher valued comparables are rated better (+) than the subject, with no other qualitative data, the subject's real market value must be halfway between the two middle comparable sales.

Step 2: Subtract the smaller figure from the larger.

\$160,000 Comp #3
-155,500 Comp #2
 \$ 4,500 remainder

Step 3: Divide the remainder above by 2.

$\$4,500 \div 2 = \$2,250$

Step 4: Add the answer from Step 2 to the lower of the two original amounts.

\$155,500
+ 2,250
 \$157,750 Real Market Value
 Estimate

3.55

Determine a final opinion of value estimate on the subject property in this example.

Property	Sold For	Rated As
Comp #1	\$159,000	+
Comp #2	\$154,000	-
Comp #3	\$162,000	+
Comp #4	\$166,000	+

In this example, estimate that the subject property's value lies **closer to the low end** of the narrowed range based on available qualitative information. Therefore, you set the final opinion of value estimate at

- a. \$155,665
- b. \$156,500
- c. \$154,000
- d. \$159,000

Here is how we estimated the real market value:

Step 1: Array the comparables from the lowest value to the highest value.

\$154,000 (-), \$159,000 (+), \$162,000 (+),
\$166,000 (+)

Conclusion of Value Range: Since the lowest valued comparable, Comp #2, is poorer as compared to the subject, and Comp #1 is rated better than the subject, available qualitative data suggests that slightly more weight should be given to Comp #2 due to similarities to the subject, you estimate that the value is closer to the low end of the value range of \$154,000 to \$159,000. The subject's real market value is estimated to be one-third between the values of Comp #2 and Comp #1.

Step 2: Subtract the smaller figure from the larger.

\$159,000 Comp #1
 $\underline{-154,000}$ Comp #2
 \$ 5,000 remainder

Step 3: Divide the remainder above by 3.

$\$5,000 \div 3 = \$1,665$

Step 4: Add the answer from Step 2 to the lower of the two original amounts.

\$154,000
 $\underline{+ 1,665}$
 \$155,665 Real Market Value
 Estimate

Final Value Estimate

3.56

You now have learned one technique for estimating property value using comparable sales data. Use what you have learned to estimate the real market value for the subject property described

in Exhibit C using the Sales Comparison Grid form that you completed in Problem 3.45. Fill in all the blank sections at the top of the form including the Final Estimate of Value and Conclusion of Value Basis areas.

Remember, you must:

- 1) Array your data and compare it with your subject
- 2) Narrow the value range
- 3) Estimate the final opinion of value

What is your Final Estimate of Real Market Value for the Subject Property in Exhibit C and the basis for your conclusion of value? \$ _____

Explanation: _____

Your answer may not be the same final estimate of value found in the Answer Section. You are using appraisal judgment to arrive at an opinion of value; therefore there is not a single final and exact answer.

How did we arrive at our final value?

Review the information in the paragraphs preceding Problem 3.46: Narrowing the Probable Value Range—Reconciliation.

In part it states, "If the sales are similar otherwise, in reconciliation the comparable property that required the larger gross adjustments may not be the best indicator of the subject's value. The comparable property that required fewer total adjustments usually is given more weight in the reconciliation of the final value estimate."

When we analyze our Final Adjusted Sales Prices, the values for Comp #1 and Comp #2 are: \$335,500 and \$315,100. However, Comp #1 required several adjustments for elements of comparison, Comp #2 had a more modest number of adjustments, and Comp #3 had a minimum number of adjustments. Therefore, it is reasonable to conclude on the basis that the subject's market value is within the range of the adjusted sales prices for Comp #2 and Comp #3.

Another method of comparison would be to calculate the percentage of the overall adjustment for each comparable for each Sales Price Adjusted for Change.

3.57

Add together the net adjustments for improvements and for land to obtain an overall adjustment for each comparable property in our project. What is the overall adjustment for:

Comp #1? \$ _____

Comp #2? \$ _____

Comp #3? \$ _____

3.58

Now calculate the percentage the overall adjustment of each comparable is to the Sales Price Adjusted for Change.

Comp #1 ____%

Comp #2 ____%

Comp #3 ____%

These comparisons clearly indicate that Comp #2 and Comp #3 are much more similar to the subject property than Comp #1. Again, we have narrowed our range of value to the final adjusted sales prices for Comp #2 and Comp #3.

3.59

What is our range of values? Between \$ _____ and \$ _____.

The next step is to derive where within the range best represents the value of the subject property. Qualitative analysis suggests the subject property is more similar to Comp #3 than to Comp #2. Therefore, we place more weight on Comp #3 by estimating a final value that is one-third of the way between these two values.

Here is how we estimated the real market value:

Step 1: Array the comparables from the lowest value to the highest value.

\$308,200 to \$315,100

Step 2: Subtract the smaller figure from the larger.

\$315,100 Comp #2

-308,200 Comp #3

\$ 6,900 remainder

Step 3: Divide the remainder above by 3.

$\$6,900 \div 3 = \$2,300$

Step 4: Add the answer from Step 3 to the lower of the two values in Step 1.

\$308,200

+ 2,300

\$310,500 Real Market Value Estimate

Therefore, our opinion of value estimate for the subject property is \$310,500.

If you estimated the Subject Property is nearer in value to Comp #2 than to Comp #3, your estimate may have been \$312,800.

If your opinion was that the Subject Property was midway between the two comps, your estimate would have been \$311,650.

Introduction to Allocating the Total Property Value between Land and Improvements

After estimating a final total value for a property, for assessment purposes in Oregon you must allocate the total value between the land and the improvements. It is said, that under the theory of Highest and Best Use, land value is the foundation upon which all real estate value is based, while improvements may either add to or subtract from the value of the whole. Land, being permanent or a non-depreciating asset, has a value separate from that of any buildings on it. Buildings and structures tend to depreciate or wear out physically as well as economically. Oregon property assessment law requires the real market value estimate—shown on the assessment and tax rolls—includes an estimate of the land value as well as one for the improvements (buildings and structures). In this section, you will learn techniques used to allocate the final value estimate between land and buildings.

It would be handy if there existed some guide to tell you just how to allocate the value between

land and buildings. For example, if you knew that land is 35 percent of the total value, you would know that a \$350,000 property is really a \$227,500 building located on a \$122,500 site. However, the relative value of land is not the same from one market to another, nor even in the same market from one location to another. In addition, the change in market value level as the result of time and factors attributed to supply and demand have market values constantly in a flux of change. Land values typically vary considerably from one neighborhood to another.

For example, suppose you wanted to build a house on a lot 100 feet by 100 feet. Farmer Miller will sell you 10,000 square feet of his pasture for \$250,000. No utilities are provided. Therefore, there is the need to drill a well for water, install a septic system, and bring electricity and phone service to the lot. In a nearby town, in a newer housing development, the builder wants \$250,000 for a 10,000 square foot site with all on-site improvements stubbed out into the lot including sewer, water, electrical, natural gas and telephone.

3.60

If you build your house on Miller's land, your land value would be a different percent of your total value than if you build in the new development, assuming that identical houses are built on each lot.

Why? Explain in your own words: _____

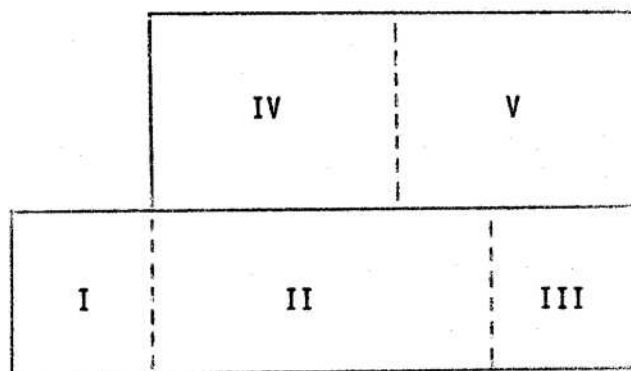
Assuming the installation of a well, septic, etc., costs an additional \$75,000 and that both lots have \$250,000 homes built on them, then the land allocation for the Miller property would be \$325,000, or 57 percent. In contrast, for the property built in the newer housing development, the land allocation would be \$250,000 or 50 percent.

By now, it is clear that there is no quick formula for allocating land values and building values. However, Oregon property assessment law requires an assessor to separate the total real market value into land and building values as

shown on the assessment and tax rolls. Because of this requirement, Oregon assessors and their staffs must track, develop land value tables, and maintain land values for all types of property including residential, commercial, industrial, rural, etc.

The assessor maintains a set of maps of their county. Land values for each neighborhood are determined by studying prices paid for vacant land including value increments (adjustments) for better or poorer factors such as zoning, location, size, view, river frontage, etc. From this information, land studies are conducted using various techniques resulting in land values schedules which are used to value the land component of the overall value estimate.

Below is a simple map such as a tax assessor's office might use.



Let's assume for mass appraisal work the assessor has divided the county into five sections. Then, from the available sales data, lot value schedules for each section are developed using the sales comparison approach. Adjustment factors such as location, zoning, size, view, etc., are derived using paired data analysis. When the appraiser reviews a property in Section IV, they refer to the schedule of land values established for that market area and use it to allocate the overall value estimate between land and improvements.

Therefore, when conducting a complete reappraisal of a market area, the first step that an appraiser must do using the sales comparison approach and paired data analysis, is to establish an appropriate land value schedule with adjustments for better (superior) and/or poorer (inferior) features.

3.61

This means that:

- a. The appraiser must value all lots in the section area before appraising a single lot.
- b. The appraiser must use the sales information that has been gathered for that market area and develop land value schedules before appraising a single lot.
- c. The appraiser simply allocates the total value.

Using the sales comparison approach and paired data analysis, the appraiser will develop a land valuation schedule with adjustments which will be in the form of price per square foot, price per front foot, or site value. Once that is completed, the schedule will be used to value the land component for each tax lot or parcels within the market area.

Residential and commercial land prices are typically thought of in terms of sales price per square foot. Larger parcels such as rural tract or farms are usually analyzed on a sales price per acre. Occasionally, sales prices may be extracted on the basis of dollars per front foot for property that is water-related, e.g. oceanfront or riverfront property. Some commercial and industrial land may also be analyzed on that basis, e.g. deep-water port industrial property.

Remember that the purpose of an appraisal is to reflect or mirror the thinking in the market place. Through the confirmation process, the appraiser must determine the appropriate unit of comparison for the particular appraisal assignment.

Suppose the typical sales price per buildable site in a new residential neighborhood is \$95,000. The typical site is irregular in shape and ranges in size from 8,000 square feet to about 9,000 square feet. The few lots that back up to an open space area, which will remain undeveloped, are sold at a premium of \$100,000. The development also has a few oversized lots of 10,000 to 11,000 square feet which are large enough to accommodate the development of an RV pad.

The sales indicate that the market is willing to pay \$100,000 for these oversize lots as well. One of the oversized lots backs up to the open space area. Records indicate that it sold for \$105,000.

Your appraisal assignment is to establish a current land valuation schedule for this neighborhood.

3.62

Using the sales comparison approach, what is the value of the typical lot? Why? (Explain in your own words.)

- a. \$105,000
- b. \$95,000
- c. \$90,000
- d. \$100,000

3.63

Using the sales comparison approach and paired data analysis, what is the market adjustment for an oversized lot?

- a. \$100,000
- b. \$10,000
- c. \$105,000
- d. \$5,000

Note: Since market change was determined to be flat or not changing, no adjustment for market change was required. If analysis indicated a need for a change adjustment, apply the adjustment to the sales price of the comparables prior to any other adjustments for differences in property characteristics.

3.64

Again, referring to the information above, what is the market derived adjustment for a lot being adjacent to the greenway or open space?

- a. \$100,000
- b. \$10,000
- c. \$105,000
- d. \$5,000

3.65

Using the market factors extracted above, what would a land valuation schedule look like for our subject neighborhood?

Base Land Value \$ _____
Size Adjustment \$ _____
Open Space Enhancement \$ _____

3.66

Using the developed land value schedule, what would the indicated real market value of a vacant site in our subject neighborhood be if the lot was oversized and backed up to the greenway?

- a. \$100,000
- b. \$10,000
- c. \$105,000
- d. \$5,000

Conclusion of the Sales Comparison Approach to Value

This concludes the programmed instruction course using the sales comparison approach to

estimate value. You now have the ability to make value estimates based upon comparing properties which have sold to properties being appraised which have not sold. You have also learned how to establish the land value portion of the overall value estimate for the property using sales comparison and paired data analysis technique.

As you acquire experience in the use of the techniques which you learned here, you will gain speed in making value estimates and will also learn to estimate value with the same degree of accuracy and refinement as used by competent fee appraisers. Moreover, you will be able to apply these techniques to estimate the value of other types of property, such as farms and commercial properties. In fact, you can use these techniques on any type of property where adequate sales information exists, since the availability of sales information is the limiting factor. The adjustments will be different with other types of property; the techniques will be the same. These techniques are also used to develop re-valuation standards for mass appraisal purposes such as those used by Oregon's assessment officials.

Lesson 3: Answers

3.1

Easier

3.2

b. Drive around the neighborhood before going to the comparable.

3.3

More

3.4

Comp # 1	Comp # 2	Comp # 3
Sales Price: \$ 286,000	Sales Price: \$ 312,000	Sales Price: \$ 310,000
Sales Date: 3 mo. ago	Sales Date: 4 mo. ago	Sales Date: 2 mo. ago

3.5

Appreciating

3.6

Comp #1: 3%

Comp #2: 4%

Comp #3: 2%

3.7

1.03

3.8

Comp #1 \$294,580

Comp #2 \$324,480

Comp #3 \$316,200

3.9

LOCATION	Comp # 1		Comp # 2		Comp # 3	
	Description	Rating	Description	Rating	Description	Rating
Area	<input type="checkbox"/> Urban	<input checked="" type="checkbox"/> Suburban	<input type="checkbox"/> Rural			
Values	<input checked="" type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Declining			
Desirability	<input checked="" type="checkbox"/> High	<input type="checkbox"/> Average	<input type="checkbox"/> Low			
	<i>Suburb</i>		<i>Suburb</i>		<i>Suburb</i>	
	<i>Incr</i>		<i>Incr</i>		<i>Incr</i>	
	<i>High</i>		<i>High</i>		<i>High</i>	

3.10

NEIGHBORHOOD CHARACTERISTICS				Comp # 1		Comp # 2		Comp # 3	
Built-Up	<input checked="" type="checkbox"/> Over 75%	<input type="checkbox"/> 25-75%	<input type="checkbox"/> Under 25%	75%+		75%+		75%+	
Schools Proximity	<input checked="" type="checkbox"/> Average	<input type="checkbox"/> Below Average		Avg		Avg		Avg	
Public Transportation	<input checked="" type="checkbox"/> Available	<input type="checkbox"/> Not Available		Yes		Yes		Yes	
Conformity	<input checked="" type="checkbox"/> Homogeneous	<input type="checkbox"/> Non-Homogeneous		Same		Same		Same	
Adverse Conditions	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes		No		No		No	
ZONING				R-1		R-1		R-1	
Classification	R-1			R-1		R-1		R-1	
Compliance	<input checked="" type="checkbox"/> Legal	<input type="checkbox"/> Illegal	<input type="checkbox"/> Legal Nonconforming	Legal		Legal		Legal	
LAND IMPROVEMENTS AND SERVICES				Same		Same		Same	
Road/Street	<input checked="" type="checkbox"/> Public	<input type="checkbox"/> Private	<input type="checkbox"/> None	Same		Same		Same	
	<input checked="" type="checkbox"/> Paved	<input type="checkbox"/> Gravel	<input type="checkbox"/> Dirt	Same		Same		Same	
Sidewalks/curbs	<input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No	Same		Same		Same	
Utilities Typical for Market Area	<input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No	Same		Same		Same	
	<input checked="" type="checkbox"/> Public	<input checked="" type="checkbox"/> Sewer	<input checked="" type="checkbox"/> Power & Water	Same		Same		Same	
	<input type="checkbox"/> Private	<input type="checkbox"/> Septic	<input type="checkbox"/> Well/Spring	Same		Same		Same	
	<input type="checkbox"/> Community			Same		Same		Same	

3.11

8,000 sq.ft.

3.12

Fair

3.13

Level

3.14

None

3.15

LOT FEATURES				Comp # 1		
				Description	Rating	Adjustment
Size	sq. ft.	Base Value \$		8,000		
Landscaping	<input checked="" type="checkbox"/> Good	Avg / Fair		Fair		
Topography	<input checked="" type="checkbox"/> Level	<input type="checkbox"/> Sloping	<input type="checkbox"/> Steep	Level		
View	<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input checked="" type="checkbox"/> Limited	None		

3.16

LOT FEATURES				8,000	7,020	9,000
Size	8,000 sq. ft.	Base Value		Fair	Avg	Good
Landscaping	<input checked="" type="checkbox"/> Good	Avg / Fair		Level	Level	Level
Topography	<input checked="" type="checkbox"/> Level	<input type="checkbox"/> Sloping	<input type="checkbox"/> Steep	None	Good	Ltd
View	<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input checked="" type="checkbox"/> Limited			

3.17

a. about the same as the value of the subject property

3.18

Higher

3.19

b. subtracting \$43,000 from the sale price of the comparable

3.20

c. subtracting the value of the feature from the sale price of the possible comparable

3.21

\$222,000

3.22

Lower

3.23

c. adding the market value of an extra bath to the sale price of the comparable

3.24

a. adding the market value of the subject property feature to the sale price of the comparable

3.25

Possible comparable

3.26

Adding

3.27

subtracting . . . from

3.28

LAND				Comp # 1		
				Sales Price:	\$ 286,000	
				Sales Date:	3 mo. ago	
					3%	
					\$ 294,580	
				Description	Rating	Adjustment
LOCATION						
Area	<input type="checkbox"/> Urban	<input checked="" type="checkbox"/> Suburban	<input type="checkbox"/> Rural			
Values	<input checked="" type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Declining			
Desirability	<input checked="" type="checkbox"/> High	<input type="checkbox"/> Average	<input type="checkbox"/> Low			
				<i>Suburb</i>	=	
				<i>Incr</i>	=	
				<i>High</i>	=	

3.29

LAND				Comp # 1		Comp # 2		Comp # 3	
				Sales Price:	\$ 286,000	Sales Price:	\$ 312,000	Sales Price:	\$ 310,000
				Sales Date:	3 mo. ago	Sales Date:	4 mo. ago	Sales Date:	2 mo. ago
					3%		4%		2%
					\$ 294,580		\$ 324,480		\$ 316,200
PERCENT ADJUSTMENT FOR CHANGES OVER TIME SALES PRICE ADJUSTED FOR CHANGE									
LOCATION				Description Rating Adjustment		Description Rating Adjustment		Description Rating Adjustment	
Area	<input type="checkbox"/> Urban	<input checked="" type="checkbox"/> Suburban	<input type="checkbox"/> Rural	<i>Suburb</i>	=	<i>Suburb</i>	=	<i>Suburb</i>	=
Values	<input checked="" type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Declining	<i>Incr</i>	=	<i>Incr</i>	=	<i>Incr</i>	=
Desirability	<input checked="" type="checkbox"/> High	<input type="checkbox"/> Average	<input type="checkbox"/> Low	<i>High</i>	=	<i>High</i>	=	<i>High</i>	=
NEIGHBORHOOD CHARACTERISTICS									
Built-Up	<input checked="" type="checkbox"/> Over 75%	<input type="checkbox"/> 25-75%	<input type="checkbox"/> Under 25%	<i>75%+</i>	=	<i>75%+</i>	=	<i>75%+</i>	=
Schools Proximity	<input checked="" type="checkbox"/> Average	<input type="checkbox"/> Below Average		<i>Avg</i>	=	<i>Avg</i>	=	<i>Avg</i>	=
Public Transportation	<input checked="" type="checkbox"/> Available	<input type="checkbox"/> Not Available		<i>Yes</i>	=	<i>Yes</i>	=	<i>Yes</i>	=
Conformity	<input checked="" type="checkbox"/> Homogeneous	<input type="checkbox"/> Non-Homogeneous		<i>Same</i>	=	<i>Same</i>	=	<i>Same</i>	=
Adverse Conditions	<input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes		<i>No</i>	=	<i>No</i>	=	<i>No</i>	=
ZONING									
Classification	<u>R-1</u>			<i>R-1</i>	=	<i>R-1</i>	=	<i>R-1</i>	=
Compliance	<input checked="" type="checkbox"/> Legal	<input type="checkbox"/> Illegal	<input type="checkbox"/> Legal Nonconforming	<i>Legal</i>	=	<i>Legal</i>	=	<i>Legal</i>	=
LAND IMPROVEMENTS AND SERVICES									
Road/Street	<input checked="" type="checkbox"/> Public	<input type="checkbox"/> Private	<input type="checkbox"/> None	<i>Same</i>	=	<i>Same</i>	=	<i>Same</i>	=
	<input checked="" type="checkbox"/> Paved	<input type="checkbox"/> Gravel	<input type="checkbox"/> Dirt	<i>Same</i>	=	<i>Same</i>	=	<i>Same</i>	=
Sidewalks/curbs	<input checked="" type="checkbox"/> Yes			<i>Same</i>	=	<i>Same</i>	=	<i>Same</i>	=
Utilities Typical for Market Area	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			<i>Same</i>	=	<i>Same</i>	=	<i>Same</i>	=
	<input checked="" type="checkbox"/> Public	<input checked="" type="checkbox"/> Sewer	<input checked="" type="checkbox"/> Power & Water	<i>Same</i>	=	<i>Same</i>	=	<i>Same</i>	=
	<input type="checkbox"/> Private	<input type="checkbox"/> Septic	<input type="checkbox"/> Well/Spring	<i>Same</i>	=	<i>Same</i>	=	<i>Same</i>	=
	<input type="checkbox"/> Community			<i>Same</i>	=	<i>Same</i>	=	<i>Same</i>	=
LOT FEATURES									
Size	<u>8,000 sq. ft.</u>	Base Value	\$ _____	<i>8,000</i>	=	<i>7,020 I</i>	=	<i>9,000 S</i>	=
Landscaping	<input checked="" type="checkbox"/> Good <input type="checkbox"/> Avg / Fair	Base Value	\$ _____	<i>Fair I</i>	=	<i>Avg I</i>	=	<i>Good</i>	=
Topography	<input checked="" type="checkbox"/> Level	<input type="checkbox"/> Sloping	<input type="checkbox"/> Steep	<i>Level</i>	=	<i>Level</i>	=	<i>Level</i>	=
View	<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input checked="" type="checkbox"/> Limited <input type="checkbox"/> None	<i>None I</i>	=	<i>Good S</i>	=	<i>Ltd</i>	=

3.30

c. "I have the records right here to show the basis of my judgment."

3.31

8,000 sq. ft.

3.32

\$0

3.33

Inferior

3.34

\$5,000

3.35

+\$5,000

3.36

9,000 sq. ft.

3.37

-\$5,000

3.38

\$7,000

3.39

Landscaping	<u>Good</u> / Avg / Fair	Base Value	\$ 7,000	Comp # 1	Comp # 2	Comp # 3
				Fair I +4,000	Avg I +2,000	Good = 0

3.40

LOT FEATURES				Comp # 1			Comp # 2			Comp # 3		
Size	8,000 sq. ft.	Base Value	\$15,000	8,000	=	0	7,020	I	+5,000	9,000	S	-5,000
Landscaping	<u>Good</u> / Avg / Fair	Base Value	\$7,000	Fair	I	+4,000	Avg	I	+2,000	Good	=	0
Topography	<input checked="" type="checkbox"/> Level <input type="checkbox"/> Sloping <input type="checkbox"/> Steep			Level	=	0	Level	=	0	Level	=	0
View	<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input checked="" type="checkbox"/> Limited <input type="checkbox"/> None			None	I	+15,000	Good	S	-10,000	Ltd	=	0

3.41

NET ADJUSTMENT FOR LAND	\$	+19,000	\$	-3,000	\$	-5,000
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3.42

GENERAL DESCRIPTION				Comp # 1			Comp # 2			Comp # 3					
Description	Rating	Adjustment		Description	Rating	Adjustment	Description	Rating	Adjustment						
Single Family Multi-Family: 2 / 3 / 4 Year Built 1997 Effective Year Built 2002 General Construction Quality <input type="checkbox"/> Good <input checked="" type="checkbox"/> Average <input type="checkbox"/> Fair General Overall Maintenance <input checked="" type="checkbox"/> Good <input type="checkbox"/> Average <input type="checkbox"/> Def. Maint. Total Finished Living Area 2,164 sq. ft.				Avg = 0 Fair I +20,000 2090 I +5,550			Avg = 0 Avg I +10,000 2275 S -8,325			Avg = 0 Good = 0 2100 I +4,800					
EXTERIOR				Conc = 0 Cedar = 0 Gable = 0 Avg = 0			Conc = 0 Hp&stone = 0 Gable = 0 Avg = 0			Conc = 0 Wood = 0 Hip = 0 Avg = 0					
Foundation <input checked="" type="checkbox"/> Conc/Block <input type="checkbox"/> Slab <input type="checkbox"/> Craw Space Exterior Walls <u>Wood / Hardiplank</u> Roof <input checked="" type="checkbox"/> Gable <input type="checkbox"/> Hip <input type="checkbox"/> _____ Windows <input type="checkbox"/> Good <input checked="" type="checkbox"/> Average <input type="checkbox"/> Fair				4 = 0 2 / 1 = 0 No A/C I +1,500 Avg = 0 2 Gas S -2,500 2-Sty S -1,600			4 = 0 3 Full S -2,000 Same = 0 Avg = 0 Stkd S -4,500 2-Sty S -1,600			4 = 0 2 / 1 = 0 Same = 0 Avg = 0 Sgl = 0 1-Sty S -800					
INTERIOR				Avg = 0 Avg = 0			Avg = 0 Avg = 0			Avg = 0 Avg = 0					
Bedrooms # <u>4</u> Bathrooms # <u>2</u> Full <u>1</u> Half Total \$10,000 Heating <input checked="" type="checkbox"/> FA <input checked="" type="checkbox"/> A/C <input type="checkbox"/> Wall <input type="checkbox"/> Elec <input checked="" type="checkbox"/> Gas Electrical <input type="checkbox"/> Good <input checked="" type="checkbox"/> Average <input type="checkbox"/> Fair Fireplace(s) # <u>1</u> Type <u>Gas</u> Exterior Brick Chimney Y <u>(N)</u> <input type="checkbox"/> 1-Story <input type="checkbox"/> 2-Story				Condition <input type="checkbox"/> Good <input checked="" type="checkbox"/> Average <input type="checkbox"/> Fair Appliances <input type="checkbox"/> Good <input checked="" type="checkbox"/> Average <input type="checkbox"/> Fair			Fair I +4,000 Avg = 0 Good S -4,000								
KITCHEN				Attached / Detached / Bsmt: # Cars 2 <input type="checkbox"/> Oversized Carport: # Cars RV pad: <input type="checkbox"/> Yes			2 Car+ S -3,000 No = 0 Yes S -2,000			2 = 0 No = 0 No = 0			2 Car+ S -3,000 No = 0 No = 0		
YARD IMPROVEMENTS				Condition <input type="checkbox"/> Good <input checked="" type="checkbox"/> Average <input type="checkbox"/> Fair											
GARAGE/PARKING															

3.43

Comp #1 +\$21,950

Comp #2 -\$6,425

Comp #3 -\$3,000

3.44

Comp #1 \$335,530

Comp #2 \$315,055

Comp #3 \$308,200

3.45

Comp #1 \$335,500

Comp #2 \$315,100

Comp #3 \$308,200

3.46

\$308,200 and \$335,500

3.47

e. Any of the four is possible.

3.48

c. close to the middle of the range

3.49

a. \$321,850

3.50

\$292,500

3.51

\$597,500

3.52

b. \$424,000

3.53

\$339,000

3.54

\$157,750

3.55

\$155,665

3.56

Final Estimate of Value: \$310,500

Conclusion of Value Basis:

Comp #3 is the most similar in comparison to the subject property with strong support from Comp #2. Comp #1 was the least similar and required the greatest amount of adjustment. Concluded the final estimate of value to be one-third the distance within the range of value between Comp #3 and Comp #2.

3.57

Comp #1 +\$40,950

Comp #2 -\$9,425

Comp #3 -\$8,000

3.58

Comp #1 = 14% (40,950 ÷ 294,580 = 0.1390)

Comp #2 = 3% (9,425 ÷ 324,480 = 0.0290)

Comp #3 = 3% (8,000 ÷ 316,200 = 0.0253)

3.59

\$308,200 and \$315,100

3.60

The Miller lot will require a considerable input of monies and labor to install the utilities needed to support a house. Once the additional cost of a well, septic, electricity and phone are added to the purchase price of the land, the total land allocation is higher than that for the ready-to-be-built-on site in the newer housing development.

3.61

The appraiser must use the sales information that has been gathered for that market area and develop land value schedules before appraising a single lot.

3.62

b. \$95,000

Analysis of sales of typically sized lots with no additional features indicates the base lot is worth \$95,000. Furthermore, analysis indicates that all sales are recent and that market change is currently flat or not changing in this market area.

3.63

d. \$5,000

Following is how we determined the market value for this adjustment:

Using sales comparison and matched pairs analysis:

Oversize Lot sales \$100,000

Typical Lot Sales 95,000

Value of Excess Land \$ 5,000

3.64

d. \$5,000

Following is how we determined the market value for this adjustment:

Using sales comparison and matched pairs analysis:

Open Space Lot sales \$100,000

Typical Lot Sales 95,000

Value of Open Space Feature \$ 5,000

3.65

Base Land Value \$95,000

Typical Lot description: Irregular shaped, 8,000 to 9,000 sq. ft in size, no additional features.

Size Adjustment: Oversized lot +\$5,000

Oversized lots range in size from 10,000 to 11,000 square feet and have the potential to support an RV parking space.

Open Space Enhancement: +\$5,000

Open space or greenway enhancement will be applied to those lots that back up to the greenway.

3.66

c. \$105,000

The base lot is \$95,000, the adjustment for size is +\$5,000, and the adjustment for open space is +\$5,000. Therefore, the indicated real market value of the site is $\$95,000 + \$5,000 + \$5,000 = \$105,000$. In addition, the one sale of a lot adjacent to the Greenway and is oversized indicates the real market value to be \$105,000.

Completed Sales Comparison Grid

SALES COMPARISON GRID

Subject Property Address 1936 Mossy Rock Court, Salem, OR

Owner Joe & Jane Smith

Map and Tax Lot 08 3W 05DA 00802

Final Estimate of Value \$310,500

Comparables Address
 # 1 1815 Fern Drive, Salem, OR
 # 2 2121 Steens Circle, Salem, OR
 # 3 936 21st Street NE, Salem, OR

Conclusion of Value Basis: Comp #3 is the most similar in comparison to the subject property with strong support from Comp #2. Comp #1 was the least similar and required the greatest amount of adjustment. Concluded the final estimate of value to be one-third the distance within the range of value between Comp #3 and Comp #2.

Rating: Superior (S), Similar (=), Inferior (I)

Adjust comparable property to the subject property.

SUBJECT PROPERTY CHARACTERISTICS

LAND

**PERCENT ADJUSTMENT FOR CHANGES OVER TIME
 SALES PRICE ADJUSTED FOR CHANGE**

LOCATION

- Area Urban Suburban Rural
 Values Increasing Stable Declining
 Desirability High Average Low

NEIGHBORHOOD CHARACTERISTICS

- Built-Up Over 75% 25-75% Under 25%
 Schools Proximity Average Below Average
 Public Transportation Available Not Available
 Conformity Homogeneous Non-Homogeneous
 Adverse Conditions No Yes

ZONING

- Classification R-1
 Compliance Legal Illegal Legal Nonconforming

LAND IMPROVEMENTS AND SERVICES

- Road/Street Public Private None
 Paved Gravel Dirt
 Sidewalks/curbs Yes No
 Utilities Typical for Market Area Yes No
 Public Sewer Power & Water
 Private Septic Well/Spring
 Community

LOT FEATURES

- Size 8,000 sq. ft. Base Value \$115,000
 Landscaping Good Avg / Fair Base Value \$7,000
 Topography Level Sloping Steep
 View Excellent Good Limited None

Comp # 1		Comp # 2		Comp # 3	
Sales Price:	\$ 286,000	Sales Price:	\$ 312,000	Sales Price:	\$ 310,000
Sales Date:	3 mo. ago	Sales Date:	4 mo. ago	Sales Date:	2 mo. ago
	3%		4%		2%
	\$ 294,580		\$ 324,480		\$ 316,200
Description Rating	Adjustment	Description Rating	Adjustment	Description Rating	Adjustment
<i>Suburb</i>	= 0	<i>Suburb</i>	= 0	<i>Suburb</i>	= 0
<i>Incr</i>	= 0	<i>Incr</i>	= 0	<i>Incr</i>	= 0
<i>High</i>	= 0	<i>High</i>	= 0	<i>High</i>	= 0

<i>75%+</i>	= 0	<i>75%+</i>	= 0	<i>75%+</i>	= 0
<i>Avg</i>	= 0	<i>Avg</i>	= 0	<i>Avg</i>	= 0
<i>Yes</i>	= 0	<i>Yes</i>	= 0	<i>Yes</i>	= 0
<i>Same</i>	= 0	<i>Same</i>	= 0	<i>Same</i>	= 0
<i>No</i>	= 0	<i>No</i>	= 0	<i>No</i>	= 0

<i>R-1</i>	= 0	<i>R-1</i>	= 0	<i>R-1</i>	= 0
<i>Legal</i>	= 0	<i>Legal</i>	= 0	<i>Legal</i>	= 0

<i>Same</i>	= 0	<i>Same</i>	= 0	<i>Same</i>	= 0
<i>Same</i>	= 0	<i>Same</i>	= 0	<i>Same</i>	= 0
<i>Same</i>	= 0	<i>Same</i>	= 0	<i>Same</i>	= 0
<i>Same</i>	= 0	<i>Same</i>	= 0	<i>Same</i>	= 0
<i>Same</i>	= 0	<i>Same</i>	= 0	<i>Same</i>	= 0

<i>8,000</i>	= 0	<i>7,020 I</i>	+5,000	<i>9,000 S</i>	-5,000
<i>Fair I</i>	+4,000	<i>Avg I</i>	+2,000	<i>Good</i>	= 0
<i>Level</i>	= 0	<i>Level</i>	= 0	<i>Level</i>	= 0
<i>None I</i>	+15,000	<i>Good S</i>	-10,000	<i>Ltd</i>	= 0
NET ADJUSTMENT FOR LAND		\$ <u>+19,000</u>	\$ <u>-3,000</u>	\$ <u>-5,000</u>	

SALES COMPARISON GRID

SUBJECT PROPERTY CHARACTERISTICS

Rating: Superior (S), Similar (=), Inferior (I)

Adjust comparable property to the subject property.

IMPROVEMENTS

GENERAL DESCRIPTION

Single Family Multi-Family: 2 / 3 / 4

Year Built **1997** Effective Year Built **2002**

General Construction Quality Good Average Fair

General Overall Maintenance Good Average Def. Maint.

Total Finished Living Area **2,164** sq. ft.

Comp # 1			Comp # 2			Comp # 3		
Description	Rating	Adjustment	Description	Rating	Adjustment	Description	Rating	Adjustment
<i>Avg</i>	=	0	<i>Avg</i>	=	0	<i>Avg</i>	=	0
<i>Fair</i>	I	+20,000	<i>Avg</i>	I	+10,000	<i>Good</i>	=	0
<i>2090</i>	I	+5,550	<i>2275</i>	S	-8,325	<i>2100</i>	I	+4,800

EXTERIOR

Foundation Conc/Block Slab Crawl Space

Exterior Walls Wood / Hardiplank

Roof Gable Hip _____

Windows Good Average Fair

<i>Conc</i>	=	0	<i>Conc</i>	=	0	<i>Conc</i>	=	0
<i>Cedar</i>	=	0	<i>Hp&stone</i>	=	0	<i>Wood</i>	=	0
<i>Gable</i>	=	0	<i>Gable</i>	=	0	<i>Hip</i>	=	0
<i>Avg</i>	=	0	<i>Avg</i>	=	0	<i>Avg</i>	=	0

INTERIOR

Bedrooms # 4

Bathrooms # 2 Full 1 Half Total **\$10,000**

Heating FA C Wall Elec Gas

Electrical Good Average Fair

Fireplace(s) # 1 Type Gas

Exterior Brick Chimney Y (N) 1-Story 2-Story

<i>4</i>	=	0	<i>4</i>	=	0	<i>4</i>	=	0
<i>2 / 1</i>	=	0	<i>3 Full</i>	S	-2,000	<i>2 / 1</i>	=	0
<i>No A/C</i>	I	+1,500	<i>Same</i>	=	0	<i>Same</i>	=	0
<i>Avg</i>	=	0	<i>Avg</i>	=	0	<i>Avg</i>	=	0
<i>2 Gas</i>	S	-2,500	<i>Stkd</i>	S	-4,500	<i>Sgl</i>	=	0
<i>2-Sty</i>	S	-1,600	<i>2-Sty</i>	S	-1,600	<i>1-Sty</i>	S	-800

KITCHEN

Condition Good Average Fair

Appliances Good Average Fair

<i>Avg</i>	=	0	<i>Avg</i>	=	0	<i>Avg</i>	=	0
<i>Avg</i>	=	0	<i>Avg</i>	=	0	<i>Avg</i>	=	0

YARD IMPROVEMENTS

Good Average Fair

<i>Fair</i>	I	+4,000	<i>Avg</i>	=	0	<i>Good</i>	S	-4,000
-------------	---	--------	------------	---	---	-------------	---	--------

GARAGE/PARKING

None

Attached / Detached / Bsmt: # Cars **2** Oversized

Carport: # Cars

RV pad: Yes

<i>2 Car+</i>	S	-3,000	<i>2</i>	=	0	<i>2 Car+</i>	S	-3,000
<i>No</i>	=	0	<i>No</i>	=	0	<i>No</i>	=	0
<i>Yes</i>	S	-2,000	<i>No</i>	=	0	<i>No</i>	=	0

NET ADJUSTMENT FOR IMPROVEMENTS	\$	<u>+21,950</u>	\$	<u>-6,425</u>	\$	<u>-3,000</u>
NET ADJUSTMENT FOR LAND BROUGHT FORWARD	\$	<u>+19,000</u>	\$	<u>-3,000</u>	\$	<u>-5,000</u>
FINAL ADJUSTED SALES PRICE	\$	<u>335,530</u>	\$	<u>315,055</u>	\$	<u>308,200</u>
FINAL ADJUSTED SALES PRICE (ROUNDED)	\$	335,500	\$	315,100	\$	308,200
TOTAL ALLOCATION OF LAND	\$	118,000	\$	140,000	\$	142,000
TOTAL ALLOCATION OF BUILDINGS	\$	196,900	\$	175,100	\$	161,100
RATIO OF LAND TO BUILDINGS		35:65		44:56		46:54

The Sales Comparison Approach to Value

Appendix

**Revised by Property Tax Division
Oregon Department of Revenue
June 2007**

Exhibit A

150-308.215(1)-(A)

Real Market Value and Property Classification as Part of Assessment Roll

(1) In addition to the assessed value of property, the assessment roll must show:

(a) The real market value (RMV) of the land, excluding all buildings, structures, and improvements thereon;

(b) The RMV of all buildings, structures, and improvements; and

(c) The total RMV for each parcel of real property not required to be assessed as a unit.

(d) For properties subject to ORS Chapter 100, for example, condominiums and time shares that are required to be assessed as a unit, the assessment roll must show the RMV as well as the assessed value of each unit.

(2) The assessment roll must include the property classification code number for each parcel of real property in the county, except for those properties assessed by the department under ORS 308.505 to 308.605. The assessor must classify and assign a property classification code number to each parcel as provided in section (8) of this rule.

(3) The assessor must maintain the proper classification on each parcel of property.

(4) A county must separately identify and adjust land and improvement values for each property class for each market area to bring real property to RMV.

These adjustments to value must be developed from market studies or by any other method approved by the department as provided under ORS 309.200.

(5) The class code numbers that this rule establishes must be used for computing the real property class ratios required by ORS 309.200.

(6) An assessor must obtain written approval from the Department of Revenue before deviating from the basic property classes defined in section (8) of this rule.

(7)(a) All classification must be based upon highest and best use of the property. The term "highest and best use" is defined in OARs 150-308.205-(A) and 150-308.205-(D). The class associated with the property may or may not be its current use.

(b) Unique properties can be classified under the "miscellaneous" category in section (8). The "miscellaneous" category can also be used for property requiring a separate trend.

(c) The property classification system must not be used to categorize market data that is more accurately described by other characteristics, such as the quality class of the improvements, market areas, or neighborhoods.

(d) The property class for mixed-use or transitional properties will be assigned based upon the use that contributes the most to the real market value on the current assessment date.

(A) A mixed-use property is one in which different parts of the property are used differently, such as a commercial use on one part, and a residential use on another part.

(B) A transitional use property is one in which the real market value on the current assessment date, at its current highest and best use, is being influenced in the market by an anticipated change in future use, such as residential property that is likely to sell for a commercial use in the future, but is not in commercial use on the assessment date.

(8) DEFINITIONS FOR PROPERTY CLASSIFICATION SYSTEM.

BASIC PROPERTY CLASSES

First Digit	Second Digit	Third Digit
0-Miscellaneous	0-No Significance	0-Vacant
1-Residential	1-Residential zone	1-Improved
2-Commercial	2-Commercial zone	2-Condominium
3-Industrial	3-Industrial zone	3-State responsibility
4-Tract	4-Unzoned farmland	4-Partially exempt
5-Farm	5-Exclusive Farm Use (EFU)	5-Taxable leased
6-Forest	6-Small Tract Forestland (STF)	6-Waterfront
7-Multi-family	7-Permanent Farm-Use Disqual. due to ORS 215.236	7-Mobile home parks
8-Recreation	8-Mult. Spec. assessments	8- (Left blank)
9-Exempt	9-Potential development	9-Manufactured Structure

1-0-0 Residential land only is an unimproved property that has residential use as its highest and best use, and the primary zoning is residential.

1-0-1 Residential property is an improved property that has residential use as its highest and best use.

2-0-0 Commercial land only is an unimproved property that has commercial use as its highest and best use, and the primary zoning is commercial.

2-0-1 Commercial property is an improved property that has commercial use as its highest and best use. This highest and best use is as income-producing property. Examples of commercial property include, but are not limited to: retail stores, supermarkets, discount stores, department stores, convenience marts, financial institutions, office buildings, small retail laundries, dry cleaners, medical and dental office buildings, recreational vehicle parks, hospitals, restaurants, theaters, automobile service stations and truck stops, automotive service centers, parking garages, car dealerships, hotels, and motels.

3-0-0 Industrial land only is an unimproved property that has industrial use as its highest and best use, and the primary zoning is industrial.

3-0-1 Industrial property is an improved property that has industrial use as its highest and best use. Industrial property includes, but is not limited to, those properties described by ORS 306.126, OAR 150-306.126(1) and ORS 308.408. Industrial property is typically located in an industrial zone, but may be located in areas with other types of zoning, for example, if it is a pre-existing or conditional use. Property-use characteristics typically include assembly, processing or manufacturing products from raw materials or fabricated parts and includes factories that render service, for example, large non-retail laundries and dry cleaners. Examples of industrial property include, but are not limited to, steel plants, foundries, chemical plants, and assembly plants; saw mills, plywood plants, and wood pulp or paper mills; high technology facilities, research and development facilities, science parks, and light and heavy manufacturing facilities; storage and distribution warehouses; natural resource processing and refining facilities such as natural gas wells and rock quarries. Classification of property as industrial is a separate determination from appraisal responsibility. Department or county responsibility for appraising industrial property is described in OAR 150-306.126(1).

4-0-0 Tract land only is parcels of varying sizes of unimproved acreage where the highest and best use is for development to a suburban or rural homesite, but the land is not divided into urban-type lots.

4-0-1 Tract property is parcels of varying sizes of improved acreage where the highest and best use is for a suburban or rural homesite, but the land is not divided into urban-type lots.

5-0-0 Farm and range land is vacant land where the highest and best use is for the production of agricultural crops, feeding or management of livestock, or any other agricultural use, and the land is not specially assessed for farm use.

5-0-1 Farm and range property is land improved with buildings where the highest and best use is for the production of agricultural crops, feeding or management of livestock, or any other agricultural use, and the land is not specially assessed for farm use.

5-4-0 Non-EFU zone farm and range land is vacant land that is under special farm-use assessment by application.

5-4-1 Non-EFU zone farm and range property is land improved with buildings that is under special farm-use assessment by application.

5-5-0 EFU zoned farm and range land is vacant land that is under special farm-use assessment by zoning.

5-5-1 EFU zoned farm and range property is land improved with buildings that is under special farm-use assessment by zoning.

6-0-0 Forestland is vacant land with a highest and best use for growing and harvesting trees of a marketable species.

6-0-1 Forest property is land improved with buildings with a highest and best use for growing and harvesting trees of a marketable species.

6-4-0 Forestland is vacant land for which the highest and best use is one other than growing and harvesting of trees of a marketable species but the land has been designated as forestland by application.

6-4-1 Forest property is land improved with buildings for which the highest and best use is something other than growing and harvesting trees of a marketable species but the land has been designated as forestland by application.

6-6-0 Small Tract Forestland property is vacant land that is under special forestland assessment as Small Tract Forestland by application.

6-6-1 Small Tract Forestland property is land improved with buildings that is under special forestland assessment as Small Tract Forestland by application.

7-0-0 Multi-family land is unimproved land that has multiple housing (five or more living units) as its highest and best use, and the primary zoning is multi-family.

7-0-1 Multi-family property is an improved property that has multiple housing (five or more living units) as its highest and best use. Multi-family property includes property developed as a manufactured housing park.

8-0-0 Recreation land is unimproved land that has recreational use as its highest and best use.

8-0-1 Recreation property is an improved property that provides recreational opportunity as its highest and best use.

Use of Second Digit

0 - Indicates highest and best use and zoning are the same.

1, 2, 3 - Indicates highest and best use and zoning are nonconforming. Example: A property has an improved residence and its highest and best use is for residential use, but it is located in a commercial zone. The property class would be 1-2-1.

4, 5 - Indicates special assessment for farm-use and forest-use lands.

6 - Indicates special assessment for Small Tract Forestland.

7 - Indicates property permanently disqualified from farm or forestland use due to ORS 215.236 (non-farm dwelling).

8 - Indicates property carries more than one special assessment, for example, combination of farm-use and designated forestland or other combination of special assessments; or indicates government-restricted multi-unit rental housing that is specially assessed under ORS 308.701 – ORS 308.724.

9 - Indicates property has potential for further development, for example, it has been subdivided or it is sub-dividable.

Miscellaneous Property: Class 0-0-0

The first digit denotes the major class: Miscellaneous Property.

The second digit indicates the basic class to which the property relates:

0-0 Miscellaneous Property

0-1 Miscellaneous Residential

0-2 Miscellaneous Commercial

0-3 Miscellaneous Industrial

0-4 Miscellaneous Tract

0-5 Miscellaneous Farm

0-6 Miscellaneous Forest

0-7 Miscellaneous Multi-family

0-8 Miscellaneous Recreational

0-9 Miscellaneous Exempt

The third digit is unique to the class:

0- Unbuildable size, Department of Environmental Quality, easement or right-of-way

1- Improvement only

2- Mineral interest

3- Centrally assessed

4- Historic

5- Open space

6- (Left blank)

7- Timeshare property

8- Enterprise zone

9- Manufactured structure

0-0-9 Real property manufactured structure

0-1-9 Personal property manufactured structure

Exempt Property: Class 9-0-0

The first digit defines the property as exempt.

The second digit identifies the type of property or ownership:

9-0 Student housing

9-1 Church

(9) Starting with the 2006–07 tax year, each assessor must pre-prepare an annual plan that outlines how the county will comply with the provisions of this rule no later than the January 1, 2009, assessment date. The plan must be submitted as part of the sales ratio study and accompanying appraisal plan submitted under ORS 309.200 and 309.203. The plan must address how the county complies with and intends to comply with the provisions of this rule for the initial tax year and all subsequent tax years up to the 2009–2010 tax year.

Stat. Auth.: ORS 305.100, 308.215 Stats. Implemented: ORS 308.215 Hist: Eff. 3/70, Amended 9/71, 11/73, 1/1/77, 12/78, 12/31/79, 12/31/84, 12/31/87, 12/31/89, 12/31/91, 12/31/93; Amended and Renumbered from OAR 150-308.215(1) to OAR 150-308.215(1)-(A), 12/31/94; Amended 12/31/95, 12/31/97, 12/31/00, 6/30/02, 6/30/05, 7/31/2006.

Exhibit B—Sales Comparison Grid

SALES COMPARISON GRID

Subject Property Address _____

Owner _____

Map and Tax Lot _____

Final Estimate of Value \$ _____

Comparables Address
 # 1 _____
 # 2 _____
 # 3 _____

Conclusion of Value Basis: _____

Rating: Superior (S), Similar (=), Inferior (I)

Adjust comparable property to the subject property.

SUBJECT PROPERTY CHARACTERISTICS

LAND

**PERCENT ADJUSTMENT FOR CHANGES OVER TIME
 SALES PRICE ADJUSTED FOR CHANGE**

LOCATION

- Area Urban Suburban Rural
 Values Increasing Stable Declining
 Desirability High Average Low

NEIGHBORHOOD CHARACTERISTICS

- Built-Up Over 75% 25-75% Under 25%
 Schools Proximity Average Below Average
 Public Transportation Available Not Available
 Conformity Homogeneous Non-Homogeneous
 Adverse Conditions No Yes _____

ZONING

- Classification _____
 Compliance Legal Illegal Legal Nonconforming

LAND IMPROVEMENTS AND SERVICES

- Road/Street Public Private None
 Paved Gravel Dirt
 Sidewalks/curbs Yes No
 Utilities Typical for Market Area Yes No
 Public Sewer Power & Water
 Private Septic Well/Spring
 Community

LOT FEATURES

- Size _____ Base Value \$ _____
 Landscaping Good / Avg / Fair Base Value \$ _____
 Topography Level Sloping Steep
 View Excellent Good Limited None

Comp # 1		Comp # 2		Comp # 3	
Sales Price:		Sales Price:		Sales Price:	
Sales Date:		Sales Date:		Sales Date:	
Description Rating	Adjustment	Description Rating	Adjustment	Description Rating	Adjustment

NET ADJUSTMENT FOR LAND

\$ _____ \$ _____ \$ _____

SALES COMPARISON GRID

SUBJECT PROPERTY CHARACTERISTICS

Rating: Superior (S), Similar (=), Inferior (I)

Adjust comparable property to the subject property.

IMPROVEMENTS

GENERAL DESCRIPTION

Single Family Multi-Family: 2 / 3 / 4

Year Built _____ Effective Year Built _____

General Construction Quality Good Average Fair

General Overall Maintenance Good Average Def. Maint.

Total Finished Living Area _____ sq. ft.

Comp # 1			Comp # 2			Comp # 3		
Description	Rating	Adjustment	Description	Rating	Adjustment	Description	Rating	Adjustment

EXTERIOR

Foundation Conc/Block Slab Crawl Space

Exterior Walls _____

Roof Gable Hip _____

Windows Good Average Fair

INTERIOR

Bedrooms # _____

Bathrooms # _____ Full _____ Half Total \$ _____

Heating FA A/C Wall Elec Gas

Electrical Good Average Fair

Fireplace(s) # _____ Type _____

Exterior Brick Chimney Y / N 1-Story 2-Story

KITCHEN

Condition Good Average Fair

Appliances Good Average Fair

YARD IMPROVEMENTS

Good Average Fair

--	--	--	--	--	--	--	--	--

GARAGE/PARKING

None

Attached / Detached / Bsmt: # Cars Oversized

Carport: # Cars

RV pad: Yes

NET ADJUSTMENT FOR IMPROVEMENTS	\$ _____	\$ _____	\$ _____
NET ADJUSTMENT FOR LAND BROUGHT FORWARD	\$ _____	\$ _____	\$ _____
FINAL ADJUSTED SALES PRICE	\$ _____	\$ _____	\$ _____
FINAL ADJUSTED SALES PRICE (ROUNDED)	\$ _____	\$ _____	\$ _____
TOTAL ALLOCATION OF LAND	\$ _____	\$ _____	\$ _____
TOTAL ALLOCATION OF BUILDINGS	\$ _____	\$ _____	\$ _____
RATIO OF LAND TO BUILDINGS	_____ :	_____ :	_____ :

Exhibit C—Description of Subject Property

LAND CHARACTERISTICS

Location

Address: 1936 Mossy Rock Court, Salem, Oregon

The subject property is a single family dwelling of average quality construction and in better than average overall condition. It is located in a suburban area near the city of Salem. Values are increasing in the highly desirable neighborhood due to its close proximity to the Willamette River.

Neighborhood Characteristics

Community facilities are all located within a convenient distance to the subject property and include adequate schools of all levels. Shopping facilities are conveniently located, and the neighborhood is serviced by a municipal bus system.

The subject neighborhood is from 10 to 20 years old with most residential development occurring within that time frame. The area is approximately 90 percent built up and is generally composed of average quality, well-maintained single family dwellings similar to the subject property. There were no adverse conditions noted in the area.

Zoning

Development in the area is consistent with current zoning and includes primarily three and four bedroom, single family dwellings in the R-1 (Residential Single Family) zone.

Improvements and Services

Access is provided by a paved public street with curbs, gutters and sidewalks. All public services including sewer, water, power, and other utilities are available and in use throughout the area.

Lot Features

The subject property is a level rectangular lot approximately 80 x 100 feet. The owner has obviously spent much effort on landscaping, with a good balance between flower gardens, trees and shrubbery. The lot is within three blocks of the Willamette River, and affords a limited view of the river. The lot is not located within a 100-year flood zone per the city's flood zone map.

IMPROVEMENT CHARACTERISTICS

General Description

Year Built: 1997 Effective Year Built: 2002 2-Story
Finished Living Area: 2,164 square feet

Exterior

Foundation: Continuous Concrete
Exterior Walls: Wood / Hardiplank with stone trim
Roof: Gable with gutters and downspouts
Windows: Average per class

Interior

Bedrooms: 4
Heating: Forced Air gas with Air Conditioning
Electrical: Average per class
Fireplace: Single gas fireplace
Utility Room: Average per class
Kitchen: Average per class with built-ins average per class
Bathrooms: 2 Full Baths, 1 Half Bath
Other: Living, Family & Dining Rooms

Yard Improvements

Porch, driveway, patio: Average

Garage/Parking

Garage: Attached, 2-car

General Construction Quality: Average

General Exterior Condition: Good

General Interior Condition: Good

Exhibit D—Description of Comparable #1

LAND CHARACTERISTICS

Location

Address: 1815 Fern Drive, Salem, Oregon

The property is a single family dwelling of average quality construction, and shows some deferred maintenance for its age. It is located in a suburban area near the city of Salem. Values are increasing in the highly desirable neighborhood due to its close proximity to the Willamette River.

Neighborhood Characteristics

Community facilities are all located within a convenient distance to the property and include adequate schools of all levels. Shopping facilities are conveniently located, and the neighborhood is serviced by a municipal bus system.

The neighborhood is from 10 to 20 years old with most residential development occurring within that time frame. The area is approximately 90 percent built-up and is generally composed of average to good quality, generally well-maintained single family dwellings. There were no adverse conditions noted in the area.

Zoning

Development in the area is consistent with current zoning and includes primarily three and four bedroom, single family dwellings in the R-1 (Residential Single Family) zone.

Improvements and Services

Access is provided by a paved public street with curbs, gutters and sidewalks. All public services including sewer, water, power, and other utilities are available and in use throughout the area.

Lot Features

The property is a level rectangular lot approximately 80 x 100 feet. Landscaping is considered fair with most of the lot covered by a lawn and a few shrubs. The property is situated within three blocks of the Willamette River but has no view of the river. The lot is not located within a 100-year flood zone per the city's flood zone map.

IMPROVEMENT CHARACTERISTICS

General Description

Year Built: 1997 Effective Year Built: 1992 2-Story

Finished Living Area: 2,090 square feet

Exterior

Foundation: Continuous Concrete

Exterior Walls: Cedar, Lap

Roof: Gable with gutters and downspouts

Windows: Average per class

Interior

Bedrooms: 4

Heating: FA gas

Electrical: Average per class

Fireplace: Two gas fireplaces with a 2-story exterior brick chimney

Utility Room: Average per class

Kitchen: Average per class with built-ins average per class

Bathrooms: 2 Full Baths, 1 Half Bath

Other: Living, Family & Dining Rooms

Yard Improvements

Porch, deck, driveway: Fair

Garage/Parking

Garage: Attached, 2-car oversized with work area and RV pad

General Construction Quality: Average

General Exterior Condition: Fair

General Interior Condition: Fair

Sales Date: 3 months ago

Sales Price: \$286,000

Exhibit E—Description of Comparable #2

LAND CHARACTERISTICS

Location

Address: 2121 Steens Circle, Salem, Oregon

The property is a single family dwelling of average maintenance and built of average quality construction materials. It is located in a suburban area near the city of Salem. Values are increasing in the highly desirable neighborhood due to its close proximity to the downtown core shopping and business center and potential view of the Cascade Mountain Range.

Neighborhood Characteristics

Community facilities are all located within a convenient distance to the property and include adequate schools of all levels. Shopping facilities are conveniently located, and the neighborhood is serviced by a municipal bus system.

The neighborhood is from 10 to 20 years old with most residential development occurring within that time frame. The area is approximately 90 percent built up and is generally composed of average quality, generally well maintained single family dwellings. There were no adverse conditions noted in the area.

Zoning

Development in the area is consistent with current zoning and includes primarily three and four bedroom, single family dwellings in the R-1 (Residential Single Family) zone.

Improvements and Services

Access is provided by a paved public street with curbs, gutters and sidewalks. All public services including sewer, water, power, and other utilities are available and in use throughout the area.

Lot Features

The property is a level rectangular lot approximately 78 x 90 feet. Landscaping is considered average with most of the lot covered by a well-kept lawn, a few shrubs, and several small evergreen trees. The property is located several blocks from the Willamette River and has a good view of the Cascade Mountain Range. The lot is not located within a flood zone per the city's 100-year flood zone map.

IMPROVEMENT CHARACTERISTICS

General Description

Year Built: 1997 Effective Year Built: 1997 2-Story
Finished Living Area: 2,275 square feet

Exterior

Foundation: Continuous Concrete
Exterior Walls: Composite (Hardiplank) with stone trim
Roof: Gable with gutters and downspouts
Windows: Average per class

Interior

Bedrooms: 4
Heating: FA gas with air conditioning
Electrical: Average per class
Fireplace: Stacked fireplaces with an exterior 2-story brick chimney
Utility Room: Average per class
Kitchen: Average per class with built-ins average per class
Bathrooms: 3 Full Baths
Other: Living, Family & Dining Rooms

Yard Improvements

Porch, deck, patio, driveway: Average

Garage/Parking

Garage: Attached, 2-car

General Construction Quality: Average

General Exterior Condition: Average

General Interior Condition: Average

Sales Date: 4 months ago

Sales Price: \$312,000

Exhibit F—Description of Comparable #3

LAND CHARACTERISTICS

Location

Address: 936 21st Street NE, Salem, Oregon

The property is a better-than-average maintained single family dwelling located in a suburban area near the city of Salem. It is constructed of average quality materials. Values are increasing in the highly desirable neighborhood due to its close proximity to the Willamette River.

Neighborhood Characteristics

Community facilities are all located within a convenient distance to the property and include adequate schools of all levels. Shopping facilities are nearby and a municipal bus system has a route only two blocks away.

The neighborhood is from 10 to 20 years old with most residential development occurring within that time frame. The area is approximately 95 percent built-up and is generally composed of average quality single family dwellings. There were no adverse conditions noted in the area.

Zoning

Development in the area is consistent with current zoning and includes primarily three bedroom, single family dwellings in the R-1 (Residential Single Family) zone.

Improvements and Services

Access is provided by a paved public street with curbs, gutters and sidewalks. All public services including sewer, water, power, and other utilities are available and in use throughout the area.

Lot Features

The property is a level rectangular lot approximately 90 x 100 feet. Landscaping is considered good with a pleasant mixture of a well-kept lawn, several shrubs, and a few small trees. The property is situated within one block of the Willamette River and has a limited view of the river. The lot is not located within a 100 year flood zone per the city's flood zone map.

IMPROVEMENT CHARACTERISTICS

General Description

Year Built: 1998 Effective Year Built: 2003 2-Story

Finished Living Area: 2,100 square feet

Exterior

Foundation: Continuous Concrete

Exterior Walls: Good quality painted siding

Roof: Hip with gutters and downspouts

Windows: Average per class

Interior

Bedrooms: 4

Heating: Electric FA with A/C

Electrical: Average per class

Fireplace: Single gas

Utility Room: Average per class

Kitchen: Average per class with built-ins average per class

Bathrooms: 2 Full Baths, 1 Half Bath

Other: Living, Family & Dining Rooms

Yard Improvements

Porch, deck, patio: Good

Garage/Parking

Garage: Attached, 2-car oversized with work area

General Construction Quality: Average

General Exterior Condition: Good

General Interior Condition: Good

Sales Date: 2 months ago

Sales Price: \$310,000

Exhibit G—Adjustment Values for Demonstration Project

Below is a list of adjustment costs and values for use in Lesson 3 of the Sales Comparison Approach to Value. These values are for demonstration purposes only for this project. For an actual appraisal, you would use adjustment values extracted from your market area obtained from several sources including cost factor books, contractors, sales people, and catalogs.

Adjust sales for changes over time at 1 percent per month.

Site Base Value	Adjustment/Value
(Based on size, includes system development charges)	
9,000 sq. ft.	\$120,000
8,000 sq. ft.	\$115,000
7,000 sq. ft.	\$110,000
Landscaping	
Good	\$7,000
Average	\$5,000
Fair	\$3,000
View	
Limited	\$15,000
Good	\$25,000
General Overall Maintenance	
Good Upkeep	\$10,000
Average Maintenance	No Adjustment
Deferred Maintenance	\$10,000
Finished Living Area - per sq ft	\$75
Air Conditioning	\$1,500
Fireplace	
Direct Vent, gas	\$2,500
Stacked, masonry	\$7,000
Exterior brick chimney - per story	\$800
Bathroom	
Half Bath	\$2,000
Full Bath	\$4,000
Yard Improvements (driveway, deck, patio, etc.)	
Good	\$12,000
Average	\$8,000
Fair	\$4,000
Garage/Parking	
Oversized with work area	\$3,000
RV pad	\$2,000