Unit 12 Outline

**Learning Objectives**

Study of this unit should enable the student to

* identify the property characteristics that are included in the sales comparison approach matrix;
* determine the suitability of properties as comparables;
* compute adjustment values;
* determine whether a dollar adjustment or percentage adjustment is appropriate;
* adjust the sales prices of comparable properties to reflect their differences from the subject property;
* complete a sales comparison analysis; and
* enter data on the Sales Comparison Approach section of the URAR form that complies with the requirements of the Uniform Appraisal Dataset (UAD).

**Unit Outline**

I. Overview

A. Basics of the Sales Comparison Approach—appraiser collects, classifies, analyzes and interprets market data to determine the most probable selling price of a property

II. Gather, Record, Verify, and analyze the Necessary Data

1. Comparison grid—Sales Comparison Approach section of the URAR form (Figure 12.1)

B. Compliance with UAD—reporting appraisal data that is more specific, consistent and accurate

 1. List of descriptive or factual data about the subject and comparables

1. Address
2. Proximity to Subject
3. Sale Price
4. Sale Price/Gross Liv Area
5. Data Source(s)
6. Verification Source(s)

 2. Remaining items on the list may require plus or minus adjustments

a. Sale or financing concessions (Figure 12.3) with description of current market in addendum (Figure 12.2)

b. Date of sale/time (Figure 12.4)

c. Location (Figure 12.5)

d. Leasehold/fee simple

e. Site

f. View (Figure 12.6)

g. Design (style)

h. Quality of construction (Figure 12.7)

i. Actual age

j. Condition

k. Above-grade room count/gross living area

l. Basement and finished rooms below grade

m. Functional utility

n. Heating/cooling

o. Energy-efficient items

p. Garage/carport

q. Porch, patio, deck

 r. Space for additional entries

III. Form Opinion of Value by Each of the Three Approaches—appraiser would compare the value reached by sales comparison approach to the values reached by cost and income approaches

IV. Form Opinion of Value by Sales Comparison Approach

 A. Adjustment process—four major categories:

1. Date of sale

2. Location

3. Physical features

4. Terms and conditions of sale

B. Types of adjustments—dollar or percentage

C. Compute adjustment values—Sales Price Adjustment Chart (Figure 12.8)—matched pairs analysis (MPA) technique

1. Time adjustment

2. Location

3. Commercial area

## Exercise 12-1

D. Sequence of adjustments—those affecting the overall property value made first, followed by those affecting only individual property features

## Exercise 12-2

E. Record information—Sales Comparison Analysis section of the URAR form (Figures 12.11 and 12.12)

## Exercise 12-3

F. Net adjustments—total the dollar amount of the positive and negative adjustments for each comp

G. Adjusted sales price of comparables—net adjustment figure added to or subtracted from sales price to arrive at adjusted value

1. Net adjustment %—divide total net dollar adjustment by comp’s sale price

2. Gross adjustment %—divide total dollar adjustment by comp’s sale price

## Exercise 12-4

J. Opinion of value—determine market value using the adjusted values compiled

## Exercise 12-5

V. Application of Sales Comparison Approach

A. Simple to use and understand

B. Frequently used in court cases, such as divorce or estate settlements

C. Limited by the availability of comparable properties and the accuracy of appraiser's judgment in determining the value of adjustments

## Summary

Review Questions