

Appraisal Guidelines

Sales Comparison Analysis

- The sale prices of comparable sales should be within the neighborhood price range reflected in the appraisal.
- The inclusion of any comparables located in excess of one mile from the subject should be explained.
- If the subject property is a new or proposed construction, a minimum of *two sales not constructed by the subject builder* should be included. Additionally, at least one resale should be included. The builder's name for each comparable sale must be provided in the data source section.
- Favorable financing that is deemed atypical to the subject market should be addressed. If appropriate adjustments cannot be reasonably derived, minimal weight should be accorded that is comparable.

For example: If a non-qualifying assumption is included in the report, either as supplemental documentation or due to the absence of more relevant data, it should be clearly explained and appropriately weighted.

- The contract and closing dates, whenever available, should be identified. Whenever a comparable sale exceeds the recommended 6month guideline, a detailed explanation should also be provided.
- Specific rather than generic descriptions are strongly recommended.
- Site or view enhancements or deterrents should be reflected (wooded, park view, backs commercial use, abuts busy street, etc.).
- Actual lot size or lot dimensions should be reported.
- The implementation of any market condition adjustments, reflecting either appreciation or diminution in value, must be fully substantiated.

For example: Including pending sales and listings (adjusted for typical negotiations), along with published data from local MLS or Board of Realtors, as well as a minimum of three closed sales, should adequately justify any adjustments relating to changing market conditions.

- Briefly explain why the comparable sales selected for analysis represent the best available data, i.e., similarity in site improvements, site influence, quality, square footage, etc. *When a value estimate is not well supported by one of the three sales, a minimum of four closed sales is required.* The fourth sale may be a dated or pending sale that provides further support for the value conclusion.
- "Best" available comparables:
 - At least one comparable proximate, or in the same neighborhood, as the subject.
 - At least one comparable with similar likeness, meaning type and quality of construction as well as design and appeal.
 - At least one comparable of similar actual and effective age, meaning within approximately 20%
 - At least one comparable with similar external influence, meaning unique views and/or locations. Examples include mountains, lakes, railroad tracks, highways, airports, etc.
- Any adjustments that may be perceived as subjective by the reader of the appraisal report must be thoroughly explained. *Design* and *appeal* adjustments must be justified as market recognized.

- It is important to remember that living-area or square-footage adjustments reflect adjustments to the “shell space” only.
- Any net or gross adjustments that exceed 15% or 25%, respectively, must be explained. Strong emphasis should be accorded to the comments on the Sales Comparison Approach, thereby allowing the reader to fully follow the logic employed. The market-value estimate derived in this approach should be clearly substantiated by the data and analysis contained in the appraisal.