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Real estate auctions and tax abatements

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The most common reason to file and obtain a tax abatement is that the local board of assessors has put an assessed value on the property which exceeds the fair cash value of the property.

The issue is: What is the fair cash value of the property?

It seems clear to me that an arms length auction of condominium units in a condominium community to buyers in fact establishes the fair cash value for each unit, whether sold at or after the auction.

Assessors often refuse to accept that an auction is a valid way to establish fair cash value. Assessors generally think of an auction as a "fire sale" of condominium units. In fact, I believe that an auction can be a good determination of the market.

The method used in assessing condominium units which a developer is trying to sell is the comparable sales method. An auction meets each of the requirements of the comparable sales method. Each unit is similar to the other units with adjustments for size, location and number of rooms. Auctions are actual sales, not just opinions of value.

An auction is a very efficient way of determining market value. It brings the entire market together at the same time and in the same room. Some people argue that by its very nature the auction causes people to bid below market. Others argue that the excitement of an auction causes people to over-pay. I submit that the bidding process at an auction produces the fair cash value of the property.

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