nerej
CELEBRATING 55 YEARS

# Assessments and abatements

July 21, 2010 - Front Section

In a volatile real estate market, I am seeing many disconnects in valuations of properties.

For example, for fiscal 2010, the tax date was January 1st, 2009. If an assessor, regarding fiscal 2010, looks only at closings in the latter part of 2008 to determine the value as of January 1st, 2009, the result is likely to be an inflated valuation which could cause a serious problem.

In new condominium construction, with construction delays, the buyers may have signed a unit purchase and sale agreement in early 2007, but closed near the end of 2008. From early 2007 to the end of 2008, real estate values dropped significantly. The purchase price in a purchase and sale agreement signed in early 2007 would be much higher than the value of the unit when the closing occurred near the end of 2008.

However, if the buyers had refused to close at the original purchase price, they would have lost their deposits.

In other words, the buyers were being forced to close; the sales were not a fair picture of value.

Appraisals for lenders made near the end of 2008 that came in much lower than the contract price demonstrate the problem.

My conclusion is that assessors would be wrong to look only to the prices stated in the deeds in 2008.

In a volatile real estate market, the determination of fair market value is much more complicated.

I would be interested in hearing from readers on this issue.

Saul Feldman is a real estate attorney with Feldman & Feldman, P.C., Boston.