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A consistent issue is the use of private verses MLS sales

September 10, 2010 - Appraisal & Consulting

A consistent issue is the use of private verses MLS sales. There are those that advocate only using MLS sales and others who feel that some or all of the sales can be privately sold.

The source must be adequate to verify that the sale was truly comparable and a valid arms-length transaction. A non-MLS sale can be hard to adequately verify.

Appropriate adjustments must be made for financing concessions, terms and conditions of sale, date of sale, location and physical characteristics of the property. The sale must meet the definition of market value.

A market value sale must have a buyer and seller typically motivated and acting in their own best interest; they must be well informed or well advised parties; the property must have had reasonable exposure to the market; the payment must be in cash; and the price must represent a normal consideration unaffected by special or creative financing or sales concessions.

When MLS data is used the verification of these items is much easier and the sale is thus very transparent and easy to verify by a reviewer. The best source for verification is a party to the transaction. Very few public records sources verify all the issues that must be addressed by the appraiser.

Public sources will provide names of the buyer and seller but do not verify that they were unrelated parties. A different last name does not mean that individuals are not related. Information on concessions requires a party to the transaction. The deed will not provide such information.

Information about the physical characteristics at the time of sale is required.

Assessor's data can be helpful but care must be taken. A valid sale for assessment purposes is not necessarily the same thing as a sale that meets the definition of an arms-length transaction. Assessor's information on the condition of the interior of a property is only significant if it was inspected at a time proximate to the sale.

The appraiser must verify how and for how long a property was exposed to the market. This is clear and visible with MLS sales. In a private sale talking to the seller is the only reliable source of this information.

When an appraiser has gathered all this information a private sale may be as valid a tool as an MLS sale.

With a private sale it is not adequate to simply state in the report that the sale has been verified. It must be presented in such a way that it can be replicated by a client or reviewer. For example, if the appraiser talked to the seller, their name and phone number should be included as well as all of the individual verification sources.

Gathering and reporting the information needed on a private sale can be very time consuming and in the end individual clients may not accept the data preferring a source such as MLS that is easy for them to verify. It is important to remember that every appraisal report is likely to be reviewed

several times during its endless life. They will check and double check everything in the report. If information cannot be verified by the reviewer the appraiser may be asked for additional or even new data.

Before going through the work involved in adequately verifying a private sale the appraiser should be certain the client will accept the use of such sales.

Regardless of other issues private sales may provide additional data supporting neighborhood price ranges and general sales activity.

The appraiser is obligated to consider all appropriate data and come to a reasoned and supportable conclusion.

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