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Price per what....? Why do banks accept reports with inaccurate adjustments?

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As an assessor in two South Shore communities I have the opportunity to see quite a few residential appraisal reports. Most are submitted with abatement applications and many aren't even relevant due to the date of value or comparables not being within the date of value for the fiscal year the abatement was filed for.

What I find most curious, though, is that most of these reports invariably have a \$20 to \$30 GLA adjustment in the sales comparison grid. The vast majority of the many sales I see have a price per GLA in the low \$100's to the mid \$200's. If this is the case how are these appraisers allocating only 5 to 20% of the price per GLA to an adjustment for the GLA when in the same report an average of more than 50% or 60% is attributed to the improvements of the property?

Has the world of convenience changed the way appraisers complete their job? I'd have to say the world of bank pressure has had a dramatic effect on what is being supplied to lenders by appraisers who are afraid to lose the clients they have. That being said even if an appraiser is working at break neck speed it is imperative to take the 10-15 minutes to figure what portion of the price per GLA of the comparables is attributed to the GLA of the improvements. Then a market derived GLA adjustment can be accurately applied to the all comparables uniformly.

Early in my career I struggled with how to find the correct GLA adjustment for my appraisals. The appraisal principles or procedures course I took many years ago always referred to using matched pairs to derive your market adjustment. It seemed like I never found those matched pair sales in enough time to get my reports out the door. After continuing to search for an answer to my problem I found it at a short afternoon MBREA sponsored round table meeting of experts. I was astounded to see a simple extraction technique that every appraiser should be aware of. I could not help but wonder why this was not taught in course 1 or 2 and why banks have been accepting reports with inaccurate adjustments for decades on end?

I can't say that I follow all the changes that keep being forced onto the residential appraiser but if residential appraisers don't figure out a way to prove the adjustments they are putting on their reports then it's time for the recipient of those reports to stop accepting them. But, it is a world of convenience we live in and if the number fits why look at the soul of the report. The value worked for its purpose, but did the customer get what they wanted? Some say yes, some say no.

One goal I have for MBREA this year is to bring tips and techniques like the one I learned into the classroom. I suspect many of you have a time saving "shortcut" you use that produces credible results. I invite you to share your secret with us so we can teach them to others. Contact the MBREA office to get the sharing process started.

Stephen Dunn, MAA, RA, the 2011 president of MBREA and is owner of Appraised Value, Kingston, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540