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The focus on price per s/f compared to the comparable sales used in the appraisal report - by Dennis Chanski

April 11, 2025 - Appraisal & Consulting



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Over the past several weeks, I have completed appraisal assignments for private clients. Interestingly, after submitting these appraisals, I received several phone calls – not to question the value, content, or any incorrect information, but rather to discuss the price per s/f compared to the comparable sales used in the report.

Additionally, I received several inquiries from potential clients considering tax appeal assignments. While conducting their own research online, they also questioned the disparity in price per s/f when trying to determine their property's value.

What I have found is that when consumers review their appraisal reports or attempt to analyze data online, they often focus on price per s/f. At first glance, this may seem like an obvious and straightforward indicator of value – if all factors were equal. However, in New England, we rarely see large tract housing developments with hundreds or thousands of homes that have similar gross living areas and lot sizes. Instead, property types can vary drastically. For example, depending on the geographic location, you might find a 3,000 s/f 1800's farmhouse on 30 acres next to a 1,200 s/f 1990's ranch on a single acre.

While price per s/f may seem like a logical benchmark, it is not a simple or definitive measure of value. Many factors influence this figure, including gross living area, condition (new construction, renovation status, or remodels), and key features such as the number of bedrooms and bathrooms. External factors – such as outbuildings, pools, location, and lot size – also play a significant role. Consumers often calculate price per s/f by dividing the sale price by the home's total s/f, but they do not account for the many possible differences between properties that can impact this metric.

For instance, one client I worked with recently questioned how his home's price per s/f had decreased from \$190 in his 2021 appraisal to \$156 in the most recent one. After discussing it, he didn't consider or factor in that he had added 1,100 s/f to his home in 2023, increasing the gross living area – thereby lowering the price per s/f even though the home's overall value had increased.

While price per s/f can be a useful reference point, it does not account for critical aspects such as architectural style, age, condition, layout, or unique features like detached garages, barns, or swimming pools. It is a helpful tool in real estate appraisals, but it should always be interpreted alongside other key factors, including location, condition, and market trends. When consumers understand that this metric encompasses all aspects of a property, they may not put as much emphasis on this one factor – whether they are buying, selling, or reviewing an appraisal.

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