

Using the original condensed formula to calculate the price per SF for the full site with 44,694 feet uses the following math in excel format: =229*EXP(-0.00003*44694)

Resulting in a figure of \$59.91 per SF

To get an accurate result you have to convert the displayed formula from 'general' to 'number', increase decimals to 20, and remove comma format.

Using the reformatted formula with 20 decimals is
=229.000374065220*EXP(-0.00002503201113979510*44694)

Resulting in a figure of \$74.81 per SF. This visually matches the trendline.

Conclusion of Method 1 - regression

This analysis suggests that there is no significant loss in value to sell the subject 10 feet of waterfront to the neighbor. The analysis suggests the smaller site increases in value by \$12,459 to \$17,218.

There is some logic that a slight reduction in frontage and site size may not significantly reduce the utility of the site for a single-family house; it may not significantly alter the water view from the house on the site.

A benefit of the smaller site is that the reduced waterfront feet will lower the assessed value of the site and therefore lower real estate taxes, while not significantly reducing the utility of the entire property.

Reconciled to minus \$15,000.

Method 2 – paired group sales A

Paired Sales		Three comparables had 50 WFF		
				Marginal value per WFF
Highest Price	\$3,940,000	200		
Minus Comp 1	\$1,617,100	50		
Difference	\$2,322,900	150	\$15,486	
Highest Price	\$3,940,000	200		
Minus Comp 3	\$1,936,000	50		
Difference	\$2,004,000	150	\$13,360	
Highest Price	\$3,940,000	200		
Minus Comp 8	\$2,199,600	50		
Difference	\$1,740,400	150	\$11,603	
Highest Price	\$3,940,000	200		
Minus Avg 1, 3 & 8	\$1,917,567	50		
Difference	\$2,022,433	150	\$13,483	

Method 2 – paired group sales B

Paired Sales		Five comparables had 100 to 115 WFF		
			Marginal value per WFF	
Highest Price	\$3,940,000	200		
Minus Comp 4	\$1,710,000	103		
Difference	\$2,230,000	97	\$22,990	
Highest Price	\$3,940,000	200		
Minus Comp 6	\$2,899,000	100		
Difference	\$1,041,000	100	\$10,410	
Highest Price	\$3,940,000	200		
Minus Comp 7	\$2,442,000	115		
Difference	\$1,498,000	85	\$17,624	
Highest Price	\$3,940,000	200		
Minus Comp 11	\$3,142,650	100		
Difference	\$797,350	100	\$7,974	
Highest Price	\$3,940,000	200		
Minus Comp 12	\$2,824,500	105		
Difference	\$1,115,500	95	\$11,742	
Highest Price	\$3,940,000	200		
-Avg 4, 6,7,11 & 12	\$2,603,630	104.6		
Difference	\$1,336,370	95.4	\$14,008	

Method 2 – paired group sales C

Paired Sales		Three comparables had 122 to 147 WFF		
			Marginal value per WFF	
Highest Price	\$3,940,000	200		
Minus Comp 2	\$1,851,313	133		
Difference	\$2,088,687	67	\$31,174	
Highest Price	\$3,940,000	200		
Minus Comp 9	\$2,936,200	122		
Difference	\$1,003,800	78	\$12,869	
Highest Price	\$3,940,000	200		
Minus Comp 10	\$2,850,000	147		
Difference	\$1,090,000	53	\$20,566	
Highest Price	\$3,940,000	200		
Minus Avg 2, 9 & 10	\$2,545,838	134.0		
Difference	\$1,394,162	66	\$21,124	

Method 2 – paired group sales D

Paired Sales		One comparable had 245 WFF		
				Marginal value per WFF
Highest Price	\$3,940,000	200		
Minus Comp 13	\$3,060,000	245		
Difference	\$880,000	-45	-\$19,556	

The first group showed the extra 150 waterfront feet was purchased for \$11,603 to \$15,486 per WFF, an average of \$13,483.

The second group showed the extra 85 to 100 waterfront feet was purchased for \$7,974 to \$22,990 per WFF, an average of \$14,008.

The third group showed the extra 53 to 78 waterfront feet was purchased for \$12,869 to \$31,174 per WFF, an average of \$21,124.

The fourth group showed the extra 45 waterfront feet was purchased for minus \$19,556 per WFF.

Conclusion of Method 2 – paired sales

I was expecting that the second (B) and third (C) groups average marginal value per waterfront foot would decline in each successive group.

The logic being that a site with 50 waterfront feet is adequate for most buyers. Therefore, any additional frontage would be valued at reduced prices per waterfront foot.

There were some individual paired sales in group two (B) that were below those from group one, however there were some that were higher, bringing the average of the five paired sales marginal price per waterfront foot slightly higher than the first group.

Conclusion of Method 2 – paired sales, continued

The third (C) group was expected to be between \$3,000 to \$8,000 per marginal waterfront foot. The small difference between these sites with more than an adequate 122 to 147 waterfront feet, and the highest priced property with 200 waterfront feet, should logically not have much contributory value. However this was not the case.

Individual marginal values and the average marginal value in group C were generally higher than the first two groups.

The fourth group showed that the marginal price per waterfront foot for the extra waterfront feet of comparable 13 had negative value.

Reconciled to \$15,000 per WFF or \$150,000 for 10 feet.

Reconciled value from sales comparison approach

The two methods used to value the subject piece of surplus land supported a value of -\$15,000 and \$150,000. Both methods have reasonable support and are weighted. If they were given equal weight they would indicate a value of \$67,500. This is \$6,750 per marginal waterfront foot.

Method 2 is based on the price per waterfront foot and is considered to better capture the valuation of the subject portion of land. It is given roughly two thirds of the weight and Method 1 is given one third. This results in a reconciled value of \$95,000 [$\$150,000 \times 0.665 + -\$15,000 \times 0.335$].

Location

I support location adjustments based on a weighting table that considers items that likely affect prices. For subdividable land in Covington that could be developed into a residential plat, I used the median price per SF of nearby houses, the median price of nearby houses, and the nearby school's performance rating as support for the adjustment.

First indicator: The median sale price per square foot in a one mile radius for the subject and each comparable was extracted from the NWMLS. The search was limited to detached houses sold in the prior 12 months. Likely buyers of the subject property are land developer or homebuilders/land developers. They consider what price range future houses can sell for on each piece of land they buy. The price per square foot is a measure of potential profitability.

Second indicator: The median sale price within a one-mile radius for the subject and each comparable was obtained from the NWMLS. Typically, higher sale prices allow for higher profit amounts. Developers and builders add up the retail prices of possible future houses on raw land or land with entitlements they are considering buying. This allows them to understand the potential gross income, expenses and net income for a subdivision of the property. This information helps them make an offer to purchase the land at a low enough price to have a financially successful project.

Third indicator: The average 6th grade math and 'English language arts' score of the public elementary school attended by children in future houses on the subject site and each of the comparable's sites, was determined using a Washington State public website. The future house will be single family detached homes likely with young school age children. This will be a decision point for some of the future buyers and land developers and house builders will likely consider it.

Other things to consider

None of these individual aspects of location are perfect indicators for the entire location adjustment. The weighting I used for the Covington land was 30% for the price per square foot, 40% for the median sale price, and 30% for school rating.

The following table was developed in excel and shows how the subject compares to each property with an indicated adjustment.

On the bottom line, 'Adjustment before rounding' uses the weighting times the % adjustment for each indicator and arrives at the precise mathematical answer.

There are other location influences that are not captured by the three indicators used here. This supports reconciling actual large adjustments downward from the mathematically precise answer.

Support for Location Adjustment				
	Median Sale Price per Square Foot in one mile radius			
Subject	\$215	\$215	\$215	\$215
	Comp. 1	Comp. 2	Comp. 3	Comp. 4
	\$195	\$212	\$225	\$218
Difference	\$20	\$3	-\$10	-\$3
% adjustment	10%	1%	-4%	-1%
	Median Sale Price in one mile radius			
Subject	\$359,950	\$359,950	\$359,950	\$359,950
	Comp. 1	Comp. 2	Comp. 3	Comp. 4
	\$407,500	\$439,900	\$384,975	\$450,000
Difference	-\$47,550	-\$79,950	-\$25,025	-\$90,050
% adjustment	-12%	-18%	-7%	-20%
	Elementary School Average 6th grade Math + ELA score			
Subject	47.9%	47.9%	47.9%	47.9%
	Comp. 1	Comp. 2	Comp. 3	Comp. 4
	41.1%	82.0%	47.9%	72.2%
Difference	6.8%	-34.1%	0.0%	-24.3%
% adjustment	17%	-42%	0%	-34%
Reconciled Adjustment	5%	-15%	-5%	-15%
Weights				
Price per Square Foot	30%			
Median Price	40%			
School District	30%			
Adjustment before rounding	3%	-19%	-4%	-19%

Conclusion of Location

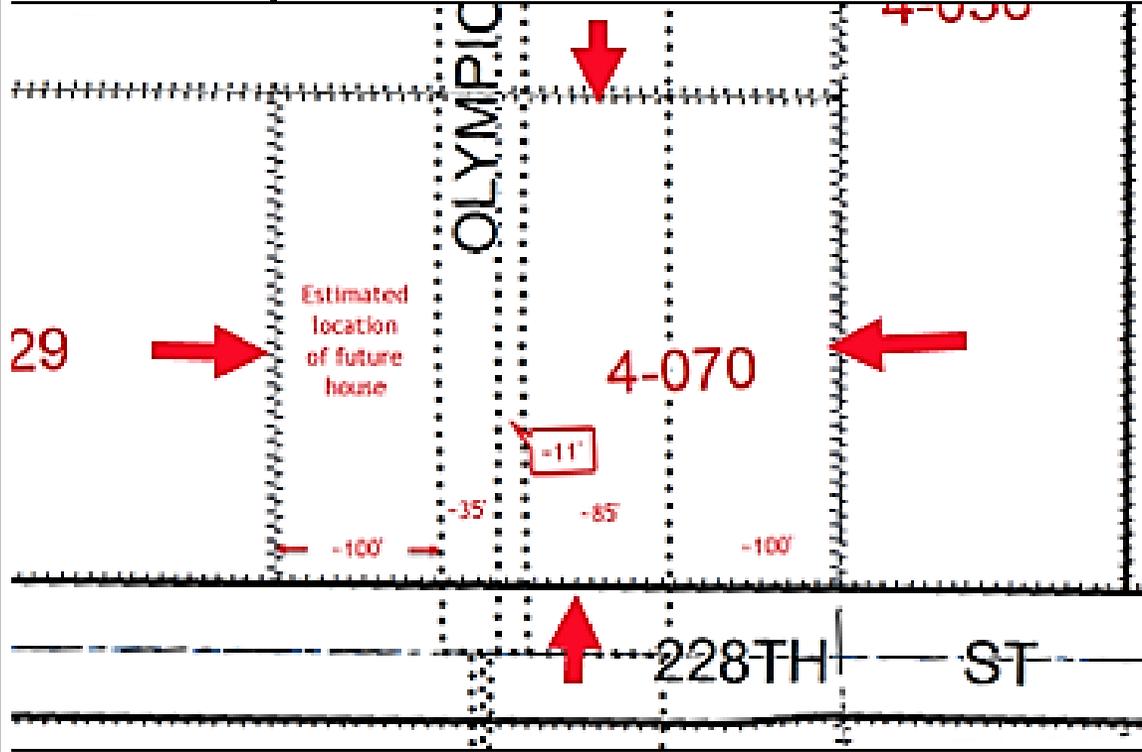
For multifamily properties I often use the median price of houses within one mile radius as one location item and the Walkscore as the other location item.

For retail properties I often use the average daily traffic count noted in Costar as one location item, and the median household income within a one mile radius as the other location item.

For single family properties I have used the median price of houses within one mile radius as one location item, speed bumps on the access road as another item, the distance to Medina where the billionaires are concentrated as an item, and others.

External Obsolescence

Subject is on a busy street, bisected by powerline easement and Olympic gas pipeline easement



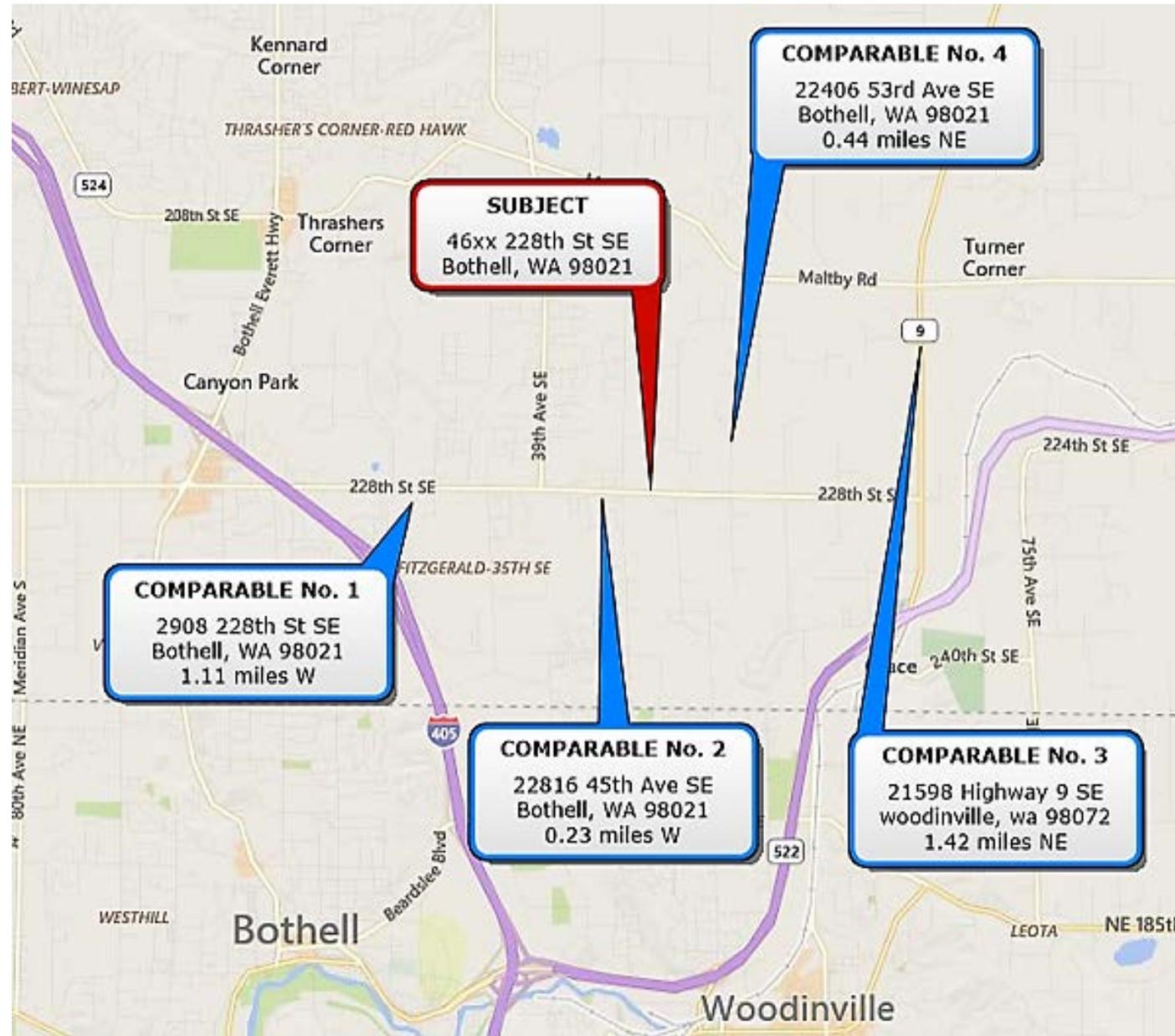
Two studies were completed to estimate a possible negative adjustment for the subject building pad being next to the Olympic Pipeline easement and close to power lines.

First: Using the survey method, I talked with several of the brokers involved with the land sales and got their opinion of the likely drop in value for this location item. Two thought it would not have any significant negative affect due to the shortage of lots and houses for sale. One thought it could have a negative effect on price of 5% to 10% in some instances.

Second: I looked for sales along the pipeline in the past three years and then found similar properties nearby that did not have this influence.

- Pair 1. The house at 4601 224th St SE Bothell has the pipeline easement along its east property line and sees the powerlines next to the pipeline easement. It sold for \$750,000 in June 2016. Three comparables not next to the pipeline easement or powerlines adjust to a range of \$725,000 to \$767,000. Indicates no impact on price.
- Pair 2. A second house at 20217 45th Dr SE Bothell has the pipeline easement and powerlines running through its property. It sold for \$525,000 in August 2016. Three comparables not next to the pipeline easement or powerlines adjust to a range of \$503,000 to \$530,000. Indicates no impact on price.
- Both of these paired sales support a zero dollar location adjustment for the subject being next to the Olympic pipeline easement and power lines.

Location of subject and comparables



Conclusion of external obsolescence

Subject is on a busy street with a 10,110 average daily traffic count in 2016 as shown on the Costar map.

Since several of the land comparables used in this report also have frontage on a busy street, the effect on value of being on a busy street is adequately accounted for.

For the subject, any downward pressure on its price from traffic is at least partially offset by its location across the street from a new park.

A minus 10% adjustment was made to Comp 4. It was on a quiet paved private street.

Market Conditions

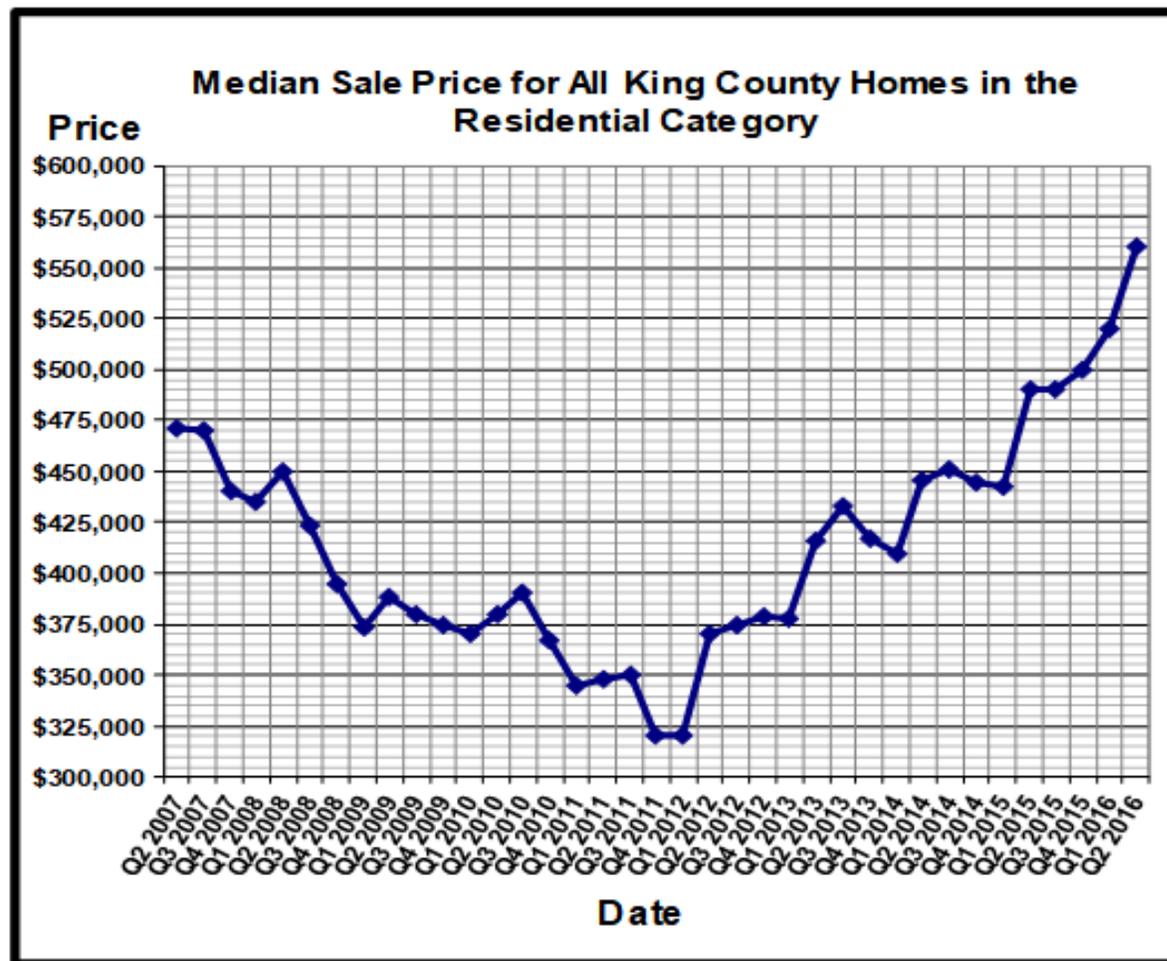
Downtown Seattle high end condo – 6/2016

To support an adjustment for changing market conditions I typically use NWMLS statistics and create a County wide median residential quarterly sale price table and graph, then a city table with median annual prices, then two graphs with properties like the subject.

The first property specific graph is the median monthly sale price on the vertical axis and monthly dates on the horizontal axis.

The second property specific graph is the median monthly sale price per square foot on the vertical axis and monthly dates on the horizontal axis.

In this assignment, paired sales were also researched and discussed.



King County - All Homes in Residential Category through 6-2016

Time Period	Median Sale Price	Average Sale Price	# of Sales	Change % per Quarter	Change \$ per Quarter
Q2 2007	\$470,750	\$579,623	7,394		
Q3 2007	\$469,950	\$586,695	6,390	-0.2%	-\$800
Q4 2007	\$440,000	\$539,930	4,302	-6.4%	-\$29,950
Q1 2008	\$435,000	\$533,730	3,649	-1.1%	-\$5,000
Q2 2008	\$449,925	\$559,330	4,660	3.4%	\$14,925
Q3 2008	\$423,475	\$514,484	4,418	-5.9%	-\$26,450
Q4 2008	\$395,000	\$484,517	3,045	-6.7%	-\$28,475
Q1 2009	\$373,888	\$449,679	2,206	-5.3%	-\$21,112
Q2 2009	\$388,000	\$464,369	4,100	3.8%	\$14,112
Q3 2009	\$380,000	\$457,757	4,964	-2.1%	-\$8,000
Q4 2009	\$375,000	\$452,371	4,711	-1.3%	-\$5,000
Q1 2010	\$369,900	\$453,922	3,638	-1.4%	-\$5,100
Q2 2010	\$380,000	\$465,428	5,316	2.7%	\$10,100
Q3 2010	\$390,000	\$479,663	3,841	2.6%	\$10,000
Q4 2010	\$367,250	\$454,478	3,833	-5.8%	-\$22,750
Q1 2011	\$344,950	\$419,469	3,536	-6.1%	-\$22,300
Q2 2011	\$348,500	\$438,058	5,133	1.0%	\$3,550
Q3 2011	\$350,000	\$433,055	5,006	0.4%	\$1,500
Q4 2011	\$320,000	\$398,253	4,377	-8.6%	-\$30,000
Q1 2012	\$320,000	\$393,971	3,982	0.0%	\$0
Q2 2012	\$370,000	\$437,898	6,077	15.6%	\$50,000
Q3 2012	\$375,000	\$455,754	6,100	1.4%	\$5,000
Q4 2012	\$379,000	\$462,356	5,599	1.1%	\$4,000
Q1 2013	\$377,900	\$453,258	4,411	-0.3%	-\$1,100
Q2 2013	\$416,000	\$500,225	7,100	10.1%	\$38,100

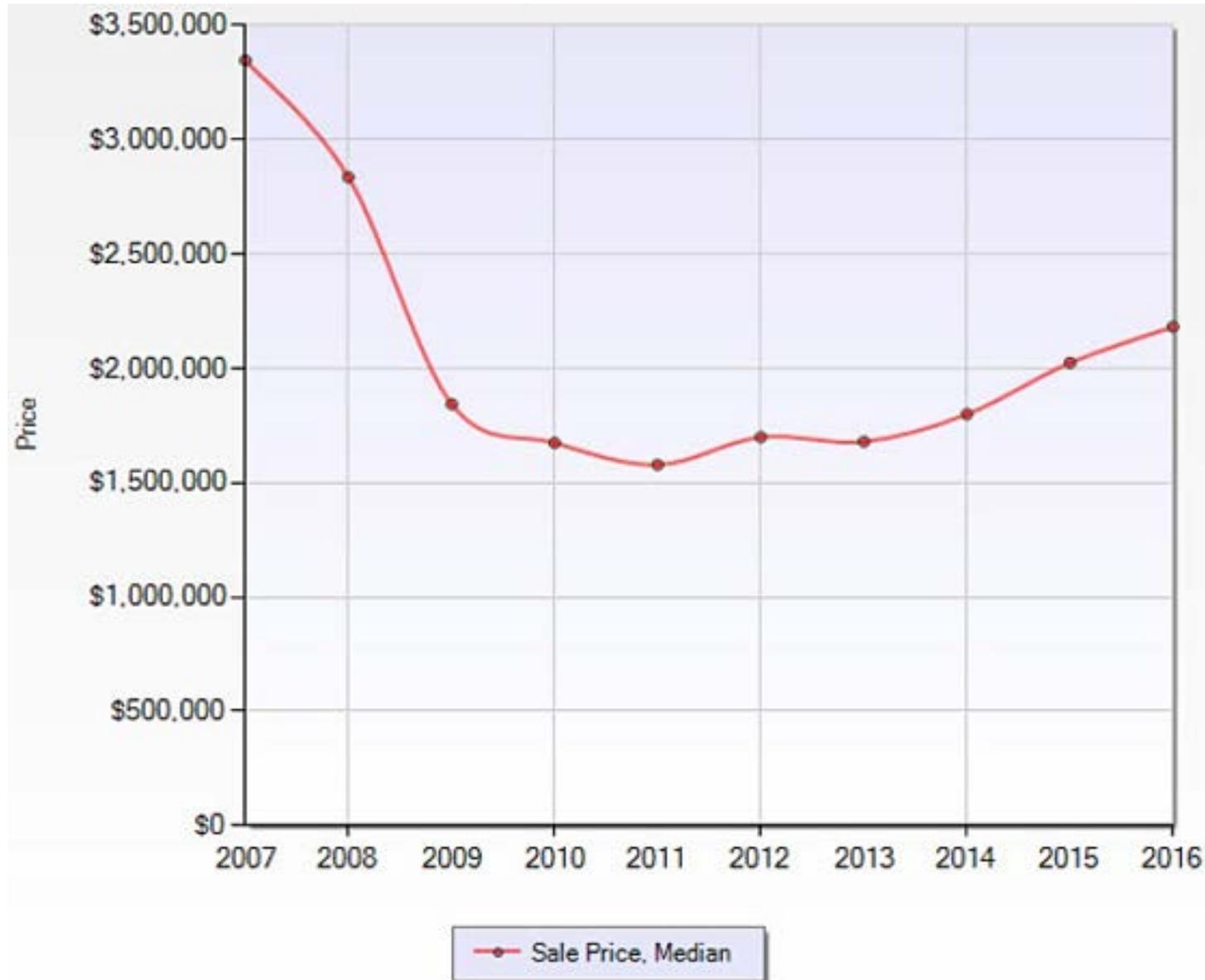
Calculations for monthly Increase due to changing market conditions

1st time period	2nd time period	# of months		total change	monthly change
Q2 2007 \$470,750	Q1 2012 \$320,000	58	=	-32.0%	-0.6%
Q1 2012 \$320,000	Q2 2016 \$559,950	51	=	75.0%	1.5%
Q2 2014 \$446,000	Q2 2016 \$559,950	24	=	25.5%	1.1%
Q2 2015 \$490,000	Q2 2016 \$559,950	12	=	14.3%	1.2%
Q4 2015 \$500,000	Q2 2016 \$559,950	6	=	12.0%	2.0%

CITY OF SEATTLE

	2011	2012	2013	2014	2015	2016	Forecast
Population	612,100	616,500	626,600	640,500	662,400	686,800	official 2016
change	3,440	4,400	10,100	13,900	21,900	24,400	increasing
% change	0.6%	0.7%	1.6%	2.2%	3.4%	3.7%	similar
Median House Price	\$365,000	\$399,500	\$444,599	\$477,000	\$550,000	\$625,000	increasing
change	-\$34,950	\$34,500	\$45,099	\$32,401	\$73,000	\$75,000	stable
% change	-8.7%	9.5%	11.3%	7.3%	15.3%	13.6%	similar
Median Condo Price	\$244,000	\$247,000	\$280,000	\$295,000	\$350,000	\$385,000	increasing
change	-\$36,000	\$3,000	\$33,000	\$15,000	\$55,000	\$35,000	stable
% change	-12.9%	1.2%	13.4%	5.4%	18.6%	10.0%	similar
S.Family bldg permits	316	498	822	898	810	337	stable
M.Family bldg permits	2,857	6,799	5,855	6,547	10,530	2,877	stable
Taxable Retail Sales (millions)	\$15,751.60	\$17,162.50	\$18,258.20	\$19,995.20	\$22,407.44	\$5,480.08	1st Q 2016

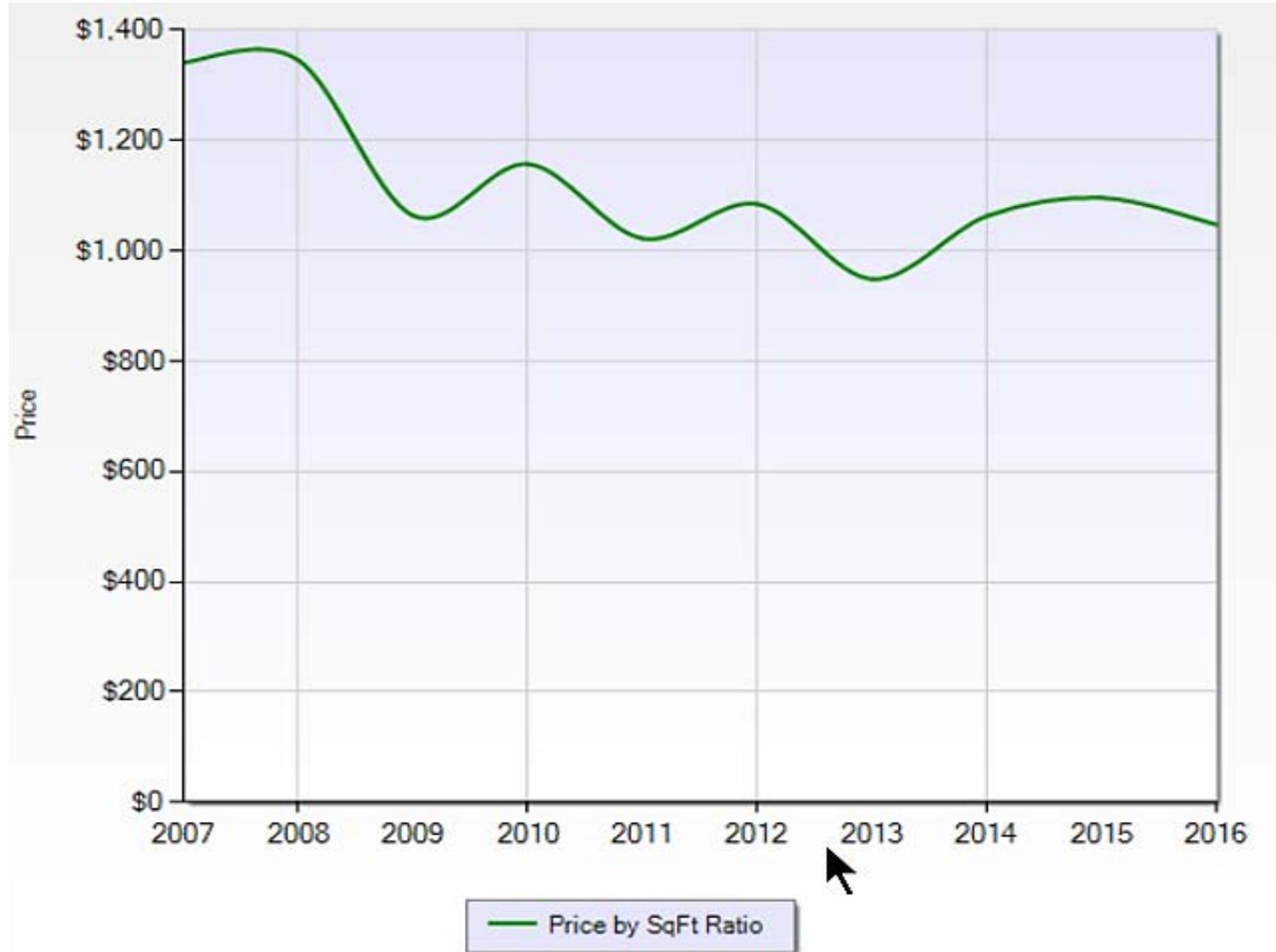
147 condo sales \$1,300,000+ in ¼ mile radius



21.2% over past 18 months = average of 1.2% per month

7.8% over past 6 months = average of 1.3% per month

353 condo sales \$1,300,000+ in ¼ mile radius
includes NWMLS sales that closed while listed plus the rest



Minus 1.5% over
past 18 months =
average of 0% per
month

Minus 4.7% over
past 6 months =
average of minus
.08% per month

Paired sales – resales in same building

Unit xx04 sold 2/3/2016 for \$2,399,000. Prior sale through the NWMLS on 9/5/2012 was for \$1,500,000. This is a 60% increase over 41 months with an average increase of 1.5% per month.

Unit xx00 sold 4/26/2016 for \$2,450,000. Prior sale through the NWMLS on 2/28/2014 was for \$1,920,000. This is a 22.5% increase over 20 months or 1.1% average increase per month.

Conclusion market conditions

Annual median condominium price and price per square foot data supports a range from -0.8 to 1.3% per month for changing market conditions. The median sale price per square foot showed a prolonged downward trend, possibly due to large older units selling as the market comes out of the recession.

Resales in the subject building support a range of 1.1% to 1.5% increase per month. This may have included some upgrades between sales, however, interior photos and the listings only mentioned minor items.

Comparables all sold in the past four months with prices above \$2,300,000. A central figure of 0.7% per month was used as the adjustment amount between contract dates (estimated for the subject as 30 days prior to the date of valuation).

Gross Living Area

Gross living area using slope on chart and paired sales

Subject was a ~3,200 SF single-family house in Mukilteo with view of Puget Sound. It was in the \$600,000 to \$900,000 price range.

Appraiser for the other side of the court case had used \$140 per SF as the above grade and daylight basement adjustment amount.

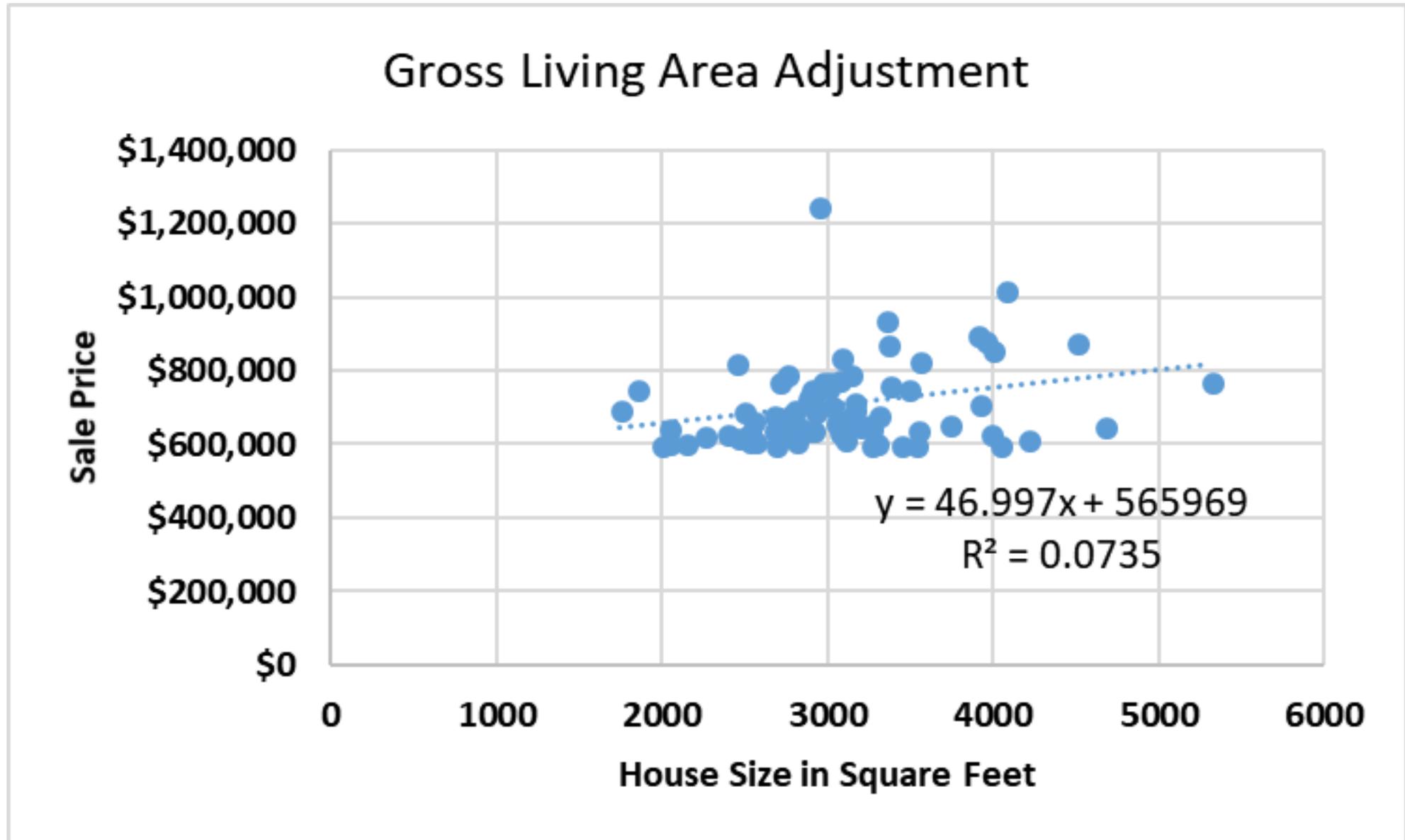
The other appraiser's support came from the slope portion of an excel linear regression trendline equation.

I redid this analysis and removed all view properties. My regression equation had a slope of ~\$47 per marginal SF (MSF).

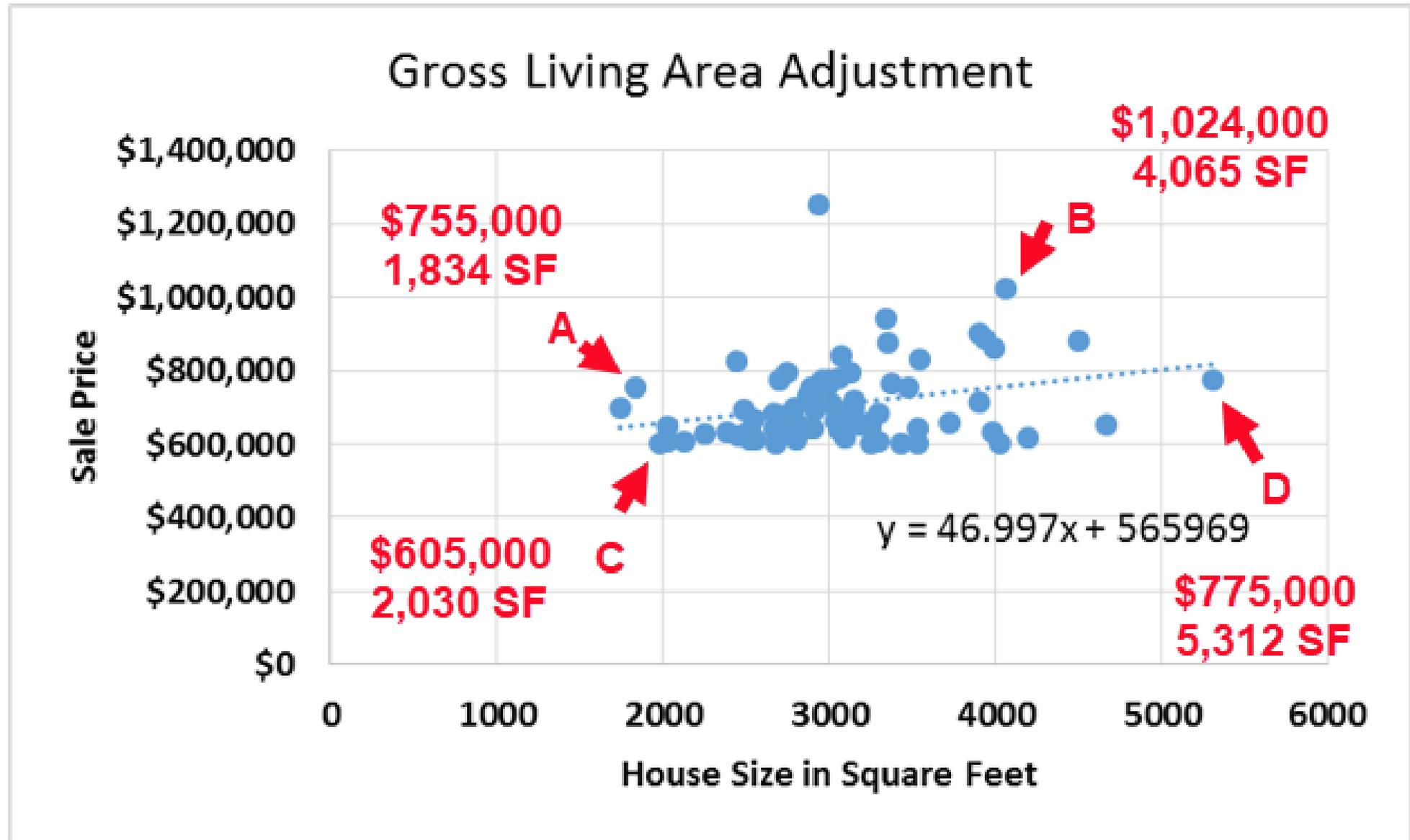
Paired sales from within the dataset were analyzed.

Depreciated cost new analysis was done and the three indicators were reconciled.

77 house sales => \$600,000, no view



Paired Sales



A and B, another 2,231 SF increased the price \$269,000, \$120.57 per MSF

C and D, another 3,282 SF increased the price \$170,000, \$51.80 per MSF

A and D, another 3,478 SF increased the price \$20,000, \$5.75 per MSF

C and B, another 2,035 SF increased the price \$419,000, \$205.90 per MSF

Average year built is 1988, median year built is 1993.

What does a cost manual show for the marginal value per SF for new houses?

Analysis from *Residential Cost Handbook from Marshall & Swift*

Very Good 2 Story with siding 2,000 SF base cost is \$123 = \$246,000

Very Good 2 Story with siding 4,000 SF base cost is \$106 = \$424,000

Difference is \$178,000 for additional 2,000 SF, \$89 per marginal SF new

Conclusion gross living area

The various methods supported ~\$47 from regression, a range from ~\$6 to ~\$206 from paired sales, and less than ~\$89 from a cost new handbook.

Regression R^2 indicates the line does not do a very good job at representing the relationship of price based on size. It does, however, represent a contribution from all the data.

Paired sales analysis represents only a small fraction of the sales. Some could have shown a negative price per MSF. It could have been more reliable if houses were better matched, then adjusted for other items of difference except living area. Then calculate the price per MSF.

The comparables were ~28 years old. Using a total economic life of 70 years, suggests the houses are 40% depreciated. \$89 less 40% is ~\$53.

I used \$50 per SF for my above grade living area adjustment

And \$40 per SF for my basement adjustment

Condition

Is MLS Very Good or Remodeled better than good? In Fannie Mae UAD terms, is a C2 better than C3 or C4?

I have come across residential listings where the MLS rating or listing agent's verbal comments did not match buyers reactions.

Appraisers on the other side of court cases made minus adjustments to comparables with significant updating without finding out what the buyer thought about the updating and condition.

Listings for both of the following houses left the condition rating blank.

A 1910 house in Seattle sold for \$7,700,000 in 2014. The listing noted it was "meticulously updated"; interior photos looked grand with no deferred maintenance. The buyer filed a \$1,200,000 permit to remodel the house to their tastes 5 months after closing.

A 1919 house in Seattle sold for \$3,850,000 in 2014. The listing noted it was “extensively updated with desired amenities and luxury surfaces...Terrific kitchen with marble counters, top-notch appliances...”; interior photos showed no deferred maintenance. The buyer was going to spend \$1,000,000 to replace the kitchen, and totally redo the interior to their tastes.

A 1963 house in Lynnwood sold for \$425,250 in 2017. The listing had building condition marked good with comments saying it had an updated kitchen. Appraisal I was reviewing marked the condition as Good/Updated and made a minus \$25,000 condition adjustment. Buyer’s agent said the kitchen cabinets were poorly installed and the buyer was redoing the kitchen and both baths. I argued the condition was average and dated, and made a +\$25,000 adjustment since the subject had recently remodeled kitchen and bath with some good quality finishes.

Conclusion condition

The adjustment for condition should reflect the buyer's response not the listing agents marketing comments.

When the market shows that buyers for the comparables are updating the house interiors right after the sale regardless of the condition, no condition adjustments are needed. I describe the condition of the subject or a comparable as good/dated or average/dated on the Appraisal Institute Report Form.

I often ask the following questions when confirming a commercial or residential comparable: Did the buyer have to fix any deferred maintenance after they purchased the property? If yes, approximately how much did they spend?

Conditions of Sale

A deficiency in all form appraisals is the lack of a dedicated adjustment line for conditions of sale.

From The Appraisal of Real Estate, 14th edition, page 45

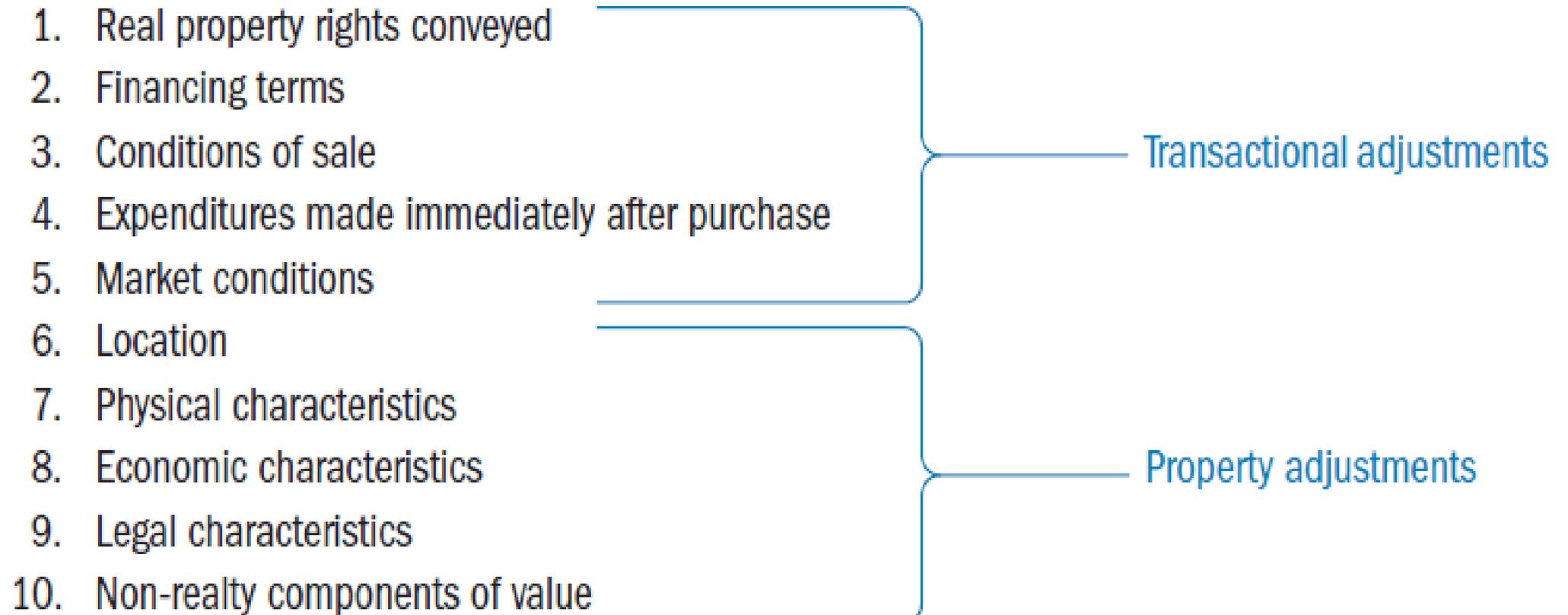
“The sales comparison approach is most useful when a number of similar properties have recently been sold or are currently for sale in the subject property’s market. Using this approach, an appraiser produces a value indication by comparing the subject property with similar (i.e., comparable) properties. The sale prices of the properties that are judged to be most comparable tend to indicate a range in which the value indication for the subject property will fall.”

The appraiser estimates the degree of similarity or difference between the subject property and the comparable sales by considering various elements of comparison:

- real property rights conveyed
- financing terms
- conditions of sale
- expenditures made immediately after purchase
- market conditions
- location
- physical characteristics
- economic characteristics
- legal characteristics
- non-realty components of value

From The Appraisal of Real Estate, 14th edition, page 392

Figure 18.2 Transactional and Property Adjustments



From The Appraisal of Real Estate, 14th edition, page 127

	Subject Property	Comparable 1	
	1597 N. Avenue B	3579 Second Steet	
Sale price			\$565,000
Rights transferred	fee simple	fee simple	\$0
Subtotal			\$565,000
Financing	cash to seller	contract	— \$50,000
Subtotal			\$515,000
Conditions of sale	arm's-length	arm's-length	\$0
Subtotal			\$515,000
Expend. after purchase	none needed	none needed	\$0
Subtotal			\$515,000
Market conditions	now	2 mos.	0.3%
Current, cash-equivalent price			\$516,545

Current, cash-equivalent price			\$516,545
Location	good access	good access	\$0
Building design	one story/ avg.	one story/ avg.	\$0
Const. quality	brick/ avg.	brick/ avg.	\$0
Improvement age	8	12	+ \$41,324 (8.0%)
Imprv. condition	average	average	\$0
Abv.-gd. bldg. area	9,086	8,000	+ \$11,364 (+2.2%)
Finished office	25.00%	25.00%	\$0
Basement sq. ft.	0	0	\$0
Functional utility	average	average	\$0
Other	none	none	\$0
Total adjustment			+ \$52,688
Adjusted price			\$569,233

From The Appraisal of Real Estate, 14th edition, pages 366, 382, 390

Conditions of sale adjustment is for “motivation”

An example is a transaction of real property between family members that may not be consistent with the definition of market value

Short sale, bank-owned real estate

Bought by a real estate broker, price discounted by her/his commission

What is typical motivation? Look at the definition of value you have agreed to use. Key features of the definition of market value for FDIC insured financing includes following phrases or words: “probable price”, “competitive and open market”, “buyer and seller each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus”, “buyer and seller are typically motivated”, “both parties are well informed or well advised”, “reasonable time is allowed for exposure in the open market”, payment in cash or financial arrangements comparable thereto, “price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

From The Appraisal of Real Estate, 14th edition, page 58
Market Value

The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.

Examples

In reviewing an appraisal completed for the other side in a potential court case, two house comparables were used that needed an adjustment for conditions of sale OR ... to be removed as comparables. No positive adjustment was made to either comparable for untypical conditions of sale.

One comparable was sold through the NWMLS by executors of the estate. Owner on the listing: 'estate of Donna X'. They needed a quick sale and sold the vacant house as is. A Bargain and Sale Deed was used to transfer ownership, the same Deed often used by banks to sell foreclosed properties. Listed for \$300,000 on 7/26/2017, accepted \$340,000 all cash in 9 days.

Another comparable sold through the NWMLS by executors of the estate. Owner was undisclosed on the listing. Seller on Deed was 'The Heirs and/or devisees of Maxwell X, deceased'. A typical Statutory Warranty Deed was used to transfer ownership. Listed vacant for \$368,000 on 12/15/2016, accepted \$390,000 with conventional financing in 4 days.

How large of an adjustment is supported when the seller is not a typical owner and/or needs a quick sale?

Two other sales of similar houses in the neighborhood were researched that were sold with the owners still living in the houses.

One house was listed at \$450,000 on 9/19/2017, and sold for \$360,000 cash with 36 DOM. Sellers were heavy smokers; they needed a quick sale to close on a contingent house they were purchasing in Texas; the agent had a non-cash offer at \$425,000 that would take another 10 days to close. Suggested adjustment \$50,000 to \$65,000.

Conclusion conditions of sale

Another house was listed at \$439,950 on 8/17/2017, and sold for \$399,950 cash with 10 DOM. Sellers needed a quick sale to close on a contingent house they had an offer on. Suggested adjustment \$40,000.

One last example comes from a small apartment building in Stanwood. Some data services were reporting the sale as arms-length. It turns out it was parents selling the property to their daughter and son-in-law for a price that fit what payment they could make on a loan. Since the subject was also a small apartment in Stanwood the sale could not be ignored. It was discussed and then excluded as a comparable.

Neighborhood cost new

Results from cost handbooks need refinement

Marshal & Swift Residential Cost Handbook (page 2) and Marshall Valuation Service commercial cost handbook do not cover all costs reflected in the sale price of new properties such as-

- Costs of buying or assembling land

- Pilings or hillside foundations priced separately

- Costs of planning or preliminary concept and layout for large developments inclusive of entrepreneurial incentives or developers' overhead and profit

- Interest or taxes on the land, feasibility studies, environmental impact reports, hazardous material testing, appraisal or consulting fees, etc.

Discounts or bonuses paid for financing, operating start up funds, project bond issues, permanent financing, developmental overhead, or fixture and equipment purchases, etc.

Yard improvements including septic systems, walls and fencing, landscaping and yard lighting, pools or other recreational facilities, which can be priced separately from Section C.

Off-site costs including sidewalks, curbs and gutters, utilities, park fees, jurisdictional hookup, tap-in, impact or entitlement fees or assessments, etc.

Marketing costs to create the first occupancy including model or advertising expenses, leasing or brokers' commissions, temporary operation of property owners' associations, fill-up or membership sales costs and fees.

General contingency reserve where a percentage of the total cost is set aside for some unknown future event...

How do you account for the items not included?

I use a neighborhood multiplier extracted from a similar new building that has recently sold near the subject.

Complete a cost approach on the new building and then find out what multiplier it takes from your cost handbook result to reach the actual sale price.

Example - A nearby new 2-story house, listed in the NWMLS, had 1,725 SF, 3 bedrooms, 2 baths; it closed in June 2018 for \$409,999. Its vacant infill site with 4,651 SF was listed for \$60,000 and closed in May 2017 with 5 days of marketing time.

The cost manual indicates a final cost of ~\$309,000 for the property including the \$60,000 site. Extracted neighborhood multiplier is 1.40.
 $(409,999 - 60,000) / (309,000 - 60,000)$

What accounts for the difference?



The \$101,000 (rounded) is likely comprised of some or all of the following (first three are from the net proceeds NWMLS financial tool for this property):

Minus ~\$20,500 Real estate commissions, estimated at 5%

Minus ~ 7,300 Excise tax, 1.78%

Minus ~ 3,200 Escrow, title, recording, document prep, land taxes

Subtotal 31,000

Leaves ~\$70,000 for the following other costs and profit:

Mitigation Fees for Traffic, Parks and Schools

Capital Facilities charges for water and/or sewer improvements

Taxes and loan interest on the site

Entrepreneurial Profit, 10% is \$41,000, 15% is \$61,500.

Conclusion neighborhood cost new

The cost approach is one of the three main approaches to estimate market value for the property being appraised.

For typical properties, it therefore should be supporting a value that is similar to the value from the sales comparison approach and the income approach.

The resulting indicated value from the cost approach needs to include the components of a property that the other approaches include.

To easiest way to use the figure from a cost manual to arrive at a credible estimate of market value is to apply an additional multiplier to capture everything the cost manual does not include. The builder estimates all the costs on an individual basis.

Incomplete Data

What can you do when there does not appear to be enough data for a trend?

Problem I wanted to solve was the price trend for buildable lots with no water view on an island.

NWMLS statistics work for houses but not for vacant lots.

Many lots sell after their listing(s) expire or are canceled.

Many lots sell without being listed. Often a potential buyer makes an unsolicited offer through the mail.

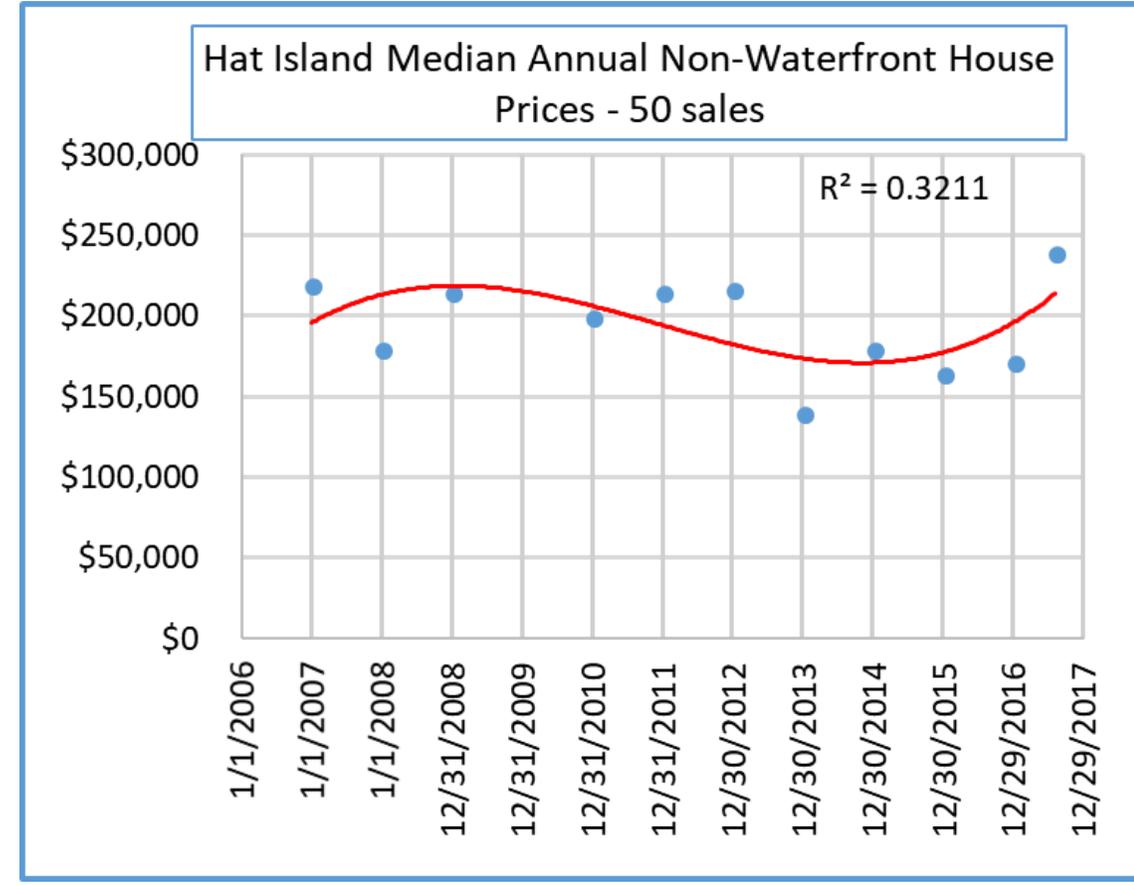
County records do not always know if a lot has a view or not.

Searching for lots that do not have an address is a problem. You can't reliably search by City alone.

A significant number of island lots are for recreation only and will not support a house.

Some vacant lot sales include a second parcel with a house.

NWMLS data vs combined Realist & NWMLS data for houses



Recent

Presets Customize Save

Criteria Chart Data

Time Frame

Custom

	Start	End
Month	January	December
Year	2006	2017

Statistic

Sale Price, Median

Chart Type: Column

Group By

Primary Year

[Advanced Options](#) · [Style Options](#)

No listings were generated by the primary statistic.

Time frame is from Jan 2006 to Dec 2017
 County is 'Snohomish'
 City is 'Hat Island'
 Property Sub Type is 'Residential'
 Sale Type is one of 'MLS', 'For Sale By Owner', 'Seller Rep. Agmt.'
 Matrix Testing is no
 Status is not 'Incomplete'
 Style Code is one of '40 - Res-Less thn 1 Ac', '41 - Res-Over 1 Acre'
 View is not one of 'Bay', 'Canal', 'Jetty', 'Lake', 'Ocean', 'Partial', 'Sound', 'Strait'

Here are some of my solutions

Search for sales by section township range in Metroscan. Export to excel.

Search for sales by putting a polygon shape around the island in Realist and also in the NWMLS. Export to excel. Large islands will require the combination of more than one polygon shape search in Realist as each is limited to less than 7 square miles.

Search for sales by the island's name in Realist and in the NWMLS. These results can miss sales. Export to excel.

Merge all of the data into one excel worksheet and remove duplicates.

Repeat for each island.

More solutions

In the combined excel worksheet for an island's sales, sort the data to isolate buildable non-view lots. There were about 166 columns of data.

Sort by date and see if a house sale and lot sale have the exact same sale date, then see if those have the same Auditor's file number. If yes, the price is not a lot comparable.

Insert columns for analysis such as waterfront, water view, sale added by NWMLS search, land assessed value divided by SF of site, house or lot analysis, confirmed buildable lot sale, confirmed house sale.

Yellow or white columns on the next page are Realist or NWMLS columns moved close together. Tan/orange columns were added by me for analysis.

	CH	CI	CJ	CK	CL	CM	CN	CO	CP	CQ	CR	CS	CT
1	Gross Area (TAX MLS)	Lot Sq Ft	Land Assed Val/SF by Campos	Water View	Water front Influence	Added from NW MLS	Auditor No	Parcel ID	Last Mkt Rec Date	Last Mkt Sale Price	House or Lot Analysis by Campos	Lot sale by Campos	House sale by Campos
2		9,583	\$0.31				200601121068	382100000600	1/12/2006	\$56,667	lot per assr	\$56,567	
3		7,405	\$0.41				200601121068	382100000200	1/12/2006	\$56,667	repeat		
4		9,583	\$0.31				200601121068	382100000700	1/12/2006	\$56,667	repeat		
5		7,405	\$0.41				200601121068	382100000300	1/12/2006	\$56,667	repeat		
6		10,890	\$0.51				200601190685	466200007000	1/19/2006	\$16,700	lot per mls	\$16,700	
7		36,590	\$0.08				200602160580	466800000400	2/16/2006	\$3,500	quit claim deed		
8				yes	yes	yes		4663000250002	2/24/2006	\$3,000	lot per mls, rec lot	\$3,000	
9	2,256	10,454	\$4.54	yes			200603310209	466200001900	3/31/2006	\$230,000	house per mls		\$230,000
10		10,454	\$0.53				200604170069	466900004000	4/17/2006	\$13,500	lot per mls	\$13,500	
11		27,878	\$0.11				200605040752	466400000800	5/4/2006	\$4,500	lot per mls	\$4,500	
12								4662000125	5/8/2006	\$30,000	lot per mls	\$30,000	
13								4662010500	5/8/2006	\$37,500	lot per mls	\$37,500	
14	1,862	7,841	\$6.06	yes			200605080767	467100010000	5/8/2006	\$219,500	house per assr		\$219,500
15		8,712	\$0.46				200605100326	466100010700	5/10/2006	\$7,000	lot per assr	\$7,000	
16		10,454	\$0.53	yes			200605150177	466700006200	5/15/2006	\$35,000	lot per mls	\$35,000	
17								4665000002	5/18/2006	\$15,500	lot per mls	\$15,500	

Analysis

Deeds were viewed online for each sale that did not go through the NWMLS. Any non-market deeds were excluded as comparables.

To determine if a non-NWMLS lot sale had a view I looked on Realist and viewed nearby listings to determine if they might have a water view.

To determine if a non-NWMLS lot sale was buildable, I tried to find expired or canceled listings of the lot or ones next to it that answered the question.

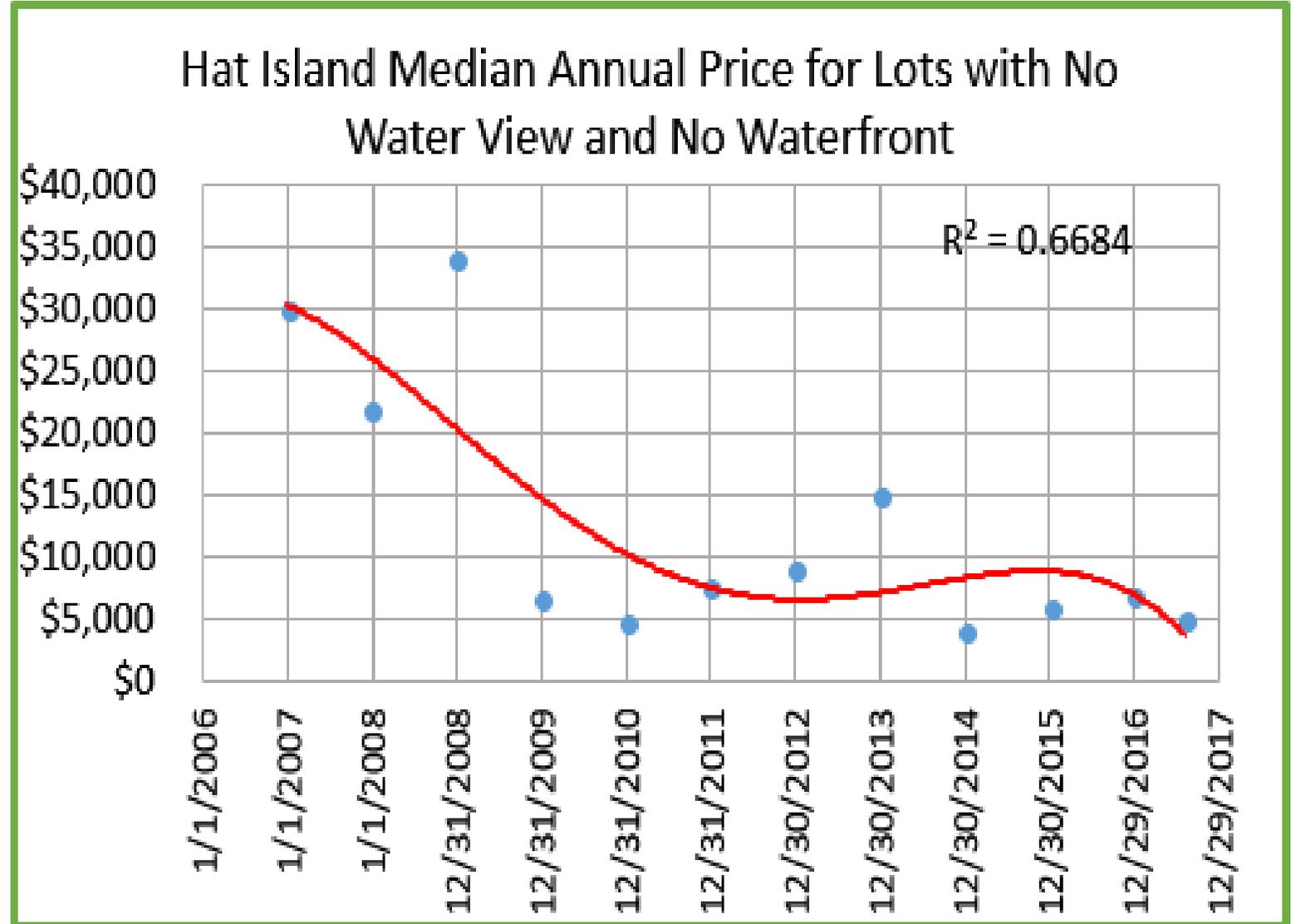
Sometimes Realist noted a house on the property. I looked at its year built and determined if it was there when the sale took place. If not, the price represented a lot sale.

One island had 298 transactions to determine if they were lot sales with no water view.

Conclusion make incomplete data complete

There are 125 Hat Island lot sales with No Water Views and No Waterfront

Year	Median Annual Lot Price With No Water View
12/31/2006	\$30,000
12/31/2007	\$22,000
12/31/2008	\$34,063
12/31/2009	\$6,609
12/31/2010	\$4,650
12/31/2011	\$7,692
12/31/2012	\$8,975
12/31/2013	\$15,000
12/31/2014	\$4,050
12/31/2015	\$6,000
12/31/2016	\$7,000
8/4/2017	\$5,000



Outbuildings

Value for varying amounts of outbuildings

Client had main house with attached garage, two commercial shops, guest house with attached garage [legal accessory dwelling unit (ADU)], sport court, in-ground concrete pool with built-in slide. I got the assignment to value the property and ascertain the contributory value of the commercial shops with their conditional use permit. Zoning was residential 5 acres.

Search for comparables included houses on acreage in three counties with large outbuildings used for business and hopefully with an ADU, pool and sport court.

I asked for the full fee upfront.

One thing was clear from the beginning: For each comparable I needed to get the buyer's version of what they paid for the additional items beyond the site and house.

SUMMARY OF BUILDING COMPARABLES

Comp No.	Address	Sale Price	Date of Sale	Site Size (Acre)	Year Built	Main House SF	Houses + Shops + Garage SF
1 - sold	13413 106th Dr SE, Snohomish	\$1,365,000	10/14/16	5.800	1996	3,863	7,518
2 - sold	16519 SE 326th St, Auburn	\$1,325,000	06/24/16	4.412	2007	5,900	12,370
3 - sold	32918 176th Ave SE, Auburn	\$1,315,000	11/08/16	4.780	2000	3,880	7,246
4 - sold	28616 NE 47th Pl, Redmond	\$1,000,000	09/15/16	5.066	1984	1,770	6,240
5 - sold	26926 175th Pl SE, Monroe	\$815,000	11/18/16	5.000	1996	3,155	7,842
6 - sold	35209 172nd Ave SE, Auburn	\$750,000	08/12/16	4.950	1988	3,640	7,080
Subject	south King County	n/a	n/a	~5	19xx	~3,000	~12,000

Analysis of comparables in an array

Comparable with the most total enclosed building space was not the highest priced sale. It was the newest house and therefore had the least physical depreciation.

The ideal amount of total building space was around 7,500 SF.

Few buyers need more than 7,500 SF of total building space.

Do attached garages have most contributory value, then the ADU next, then shops?

Does building space above 7,500 SF add anything to value?

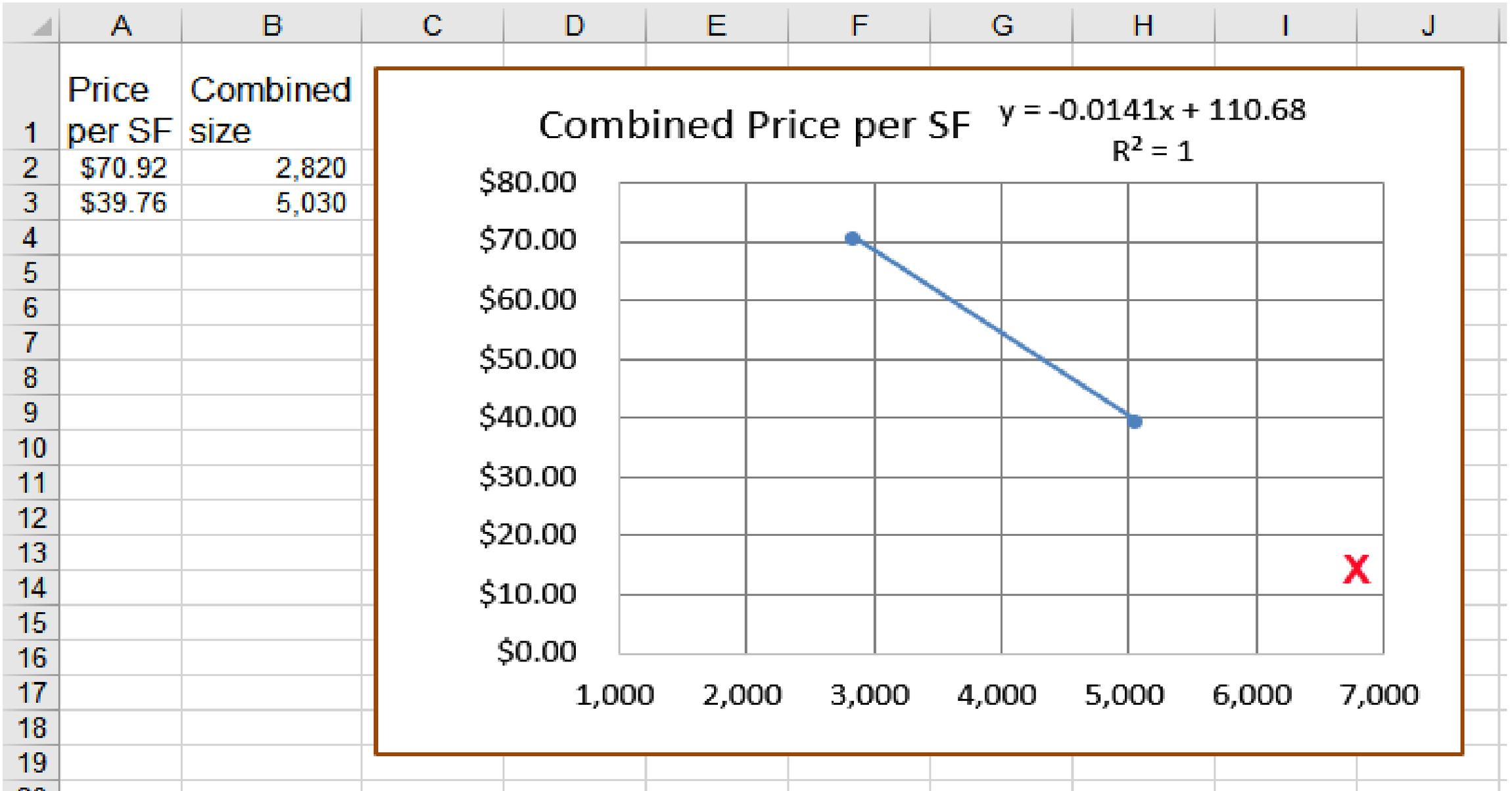
A possible answer to the last question is that the expectation of future additional deferred maintenance for the excessive building space puts downward pressure on today's price. If future repair costs are affecting price then the subject's in-ground pool and sport court adds more future repair costs.

Contributory value for comparables' outbuildings

Buyer broker for the largest house sale thought the 4,020 SF detached wood framed garage with an attached 1,010 SF ADU added ~\$200,000 to the sale price. The contribution for these two items was \$39.76 per SF. This property had an attached 1,440 SF 4-car garage. None of the outbuildings were used for business.

Buyer broker for the lowest priced house sale thought the 1,920 SF detached heated metal shop with a detached 900 SF ADU added ~\$200,000 to the sale price, close to their combined construction cost. The contribution for these two items was \$70.92 per SF. This property had an attached 620 SF 3-car garage. ADU was rented for a limited amount of rent (renter did yard care to pay the rest of the rent). Shop was used to store collector cars and motorhomes.

Information graphed



Conclusion outbuildings

Subject ADU plus shop space totaled ~6,900 SF.

Regression formula for the subject's price per SF is $-0.0141 \times 6,900 + 110.68$.

This equals \$13.39. Times 6,900 SF this estimates a market value for these items of \$92,391, \$92,000 rounded.

Since the two comparables had contributory values of \$200,000 for their shop or detached garage and ADU space, \$92,000 for the subject appears too low.

I used adjustment amounts of \$25 per SF for the ~5,200 SF shop space (includes detached garage space for one of the comps) and \$50 per SF for the 1,700 SF detached ADU.

\$130,000 for shops plus \$85,000 for ADU equals \$215,000 for both.

Property Rights

Commercial and residential appraising has to deal with the effects of leases on value

If you are appraising a fee simple property can you use leased fee comparables?

If you are appraising a leased fee property can you use fee simple comparables?

Which property type would you expect to sell for a lower price or lower price per square foot?

One example comes from appraising a ~40 year old restaurant property in Everett. The one-page long-term lease has one option left to renew for another 5 years, lease decision will be made next year. The tenant constructed the building & site improvements, they are leasing the site. A person who inherited the property wants to know the value of the property, and the value of the site alone since they are not sure they will own the tenant constructed building at the end of the lease.

LAND COMPARABLES

Comp No.	Address	Sale Price	Closing Date	Total Site Size	Price/SF	Assessed Value Land	Price/AV
		Solds					
1 - sold	9815 Evergreen Way, Everett	\$1,450,000	3/31/2011	54,450	\$26.63	\$1,414,500	103%
2 - sold	13108 39th Ave SE, Everett	\$1,100,000	3/6/2012	55,321	\$19.88	\$833,000	132%
3 - sold	19303 Highway 99, Lynnwood	\$1,400,000	4/16/2012	41,818	\$33.48	\$611,800	229%
		Active Listings					
4 - sold	7124 Evergreen Way, Everett	\$775,000	not sold	30,056	\$25.79	\$649,300	119%
5 - sold	9901 Evergreen Way, Everett	\$2,200,000	not sold	71,438	\$30.80	\$1,337,900	164%
Subject	nearby on Evergreen Way	n/a	n/a	41,000	n/a	\$800,000	n/a



Internal paired sales used for support

The comparables were placed in an adjustment grid and all other adjustments were made except for property rights.

Preliminary indicated prices per SF from the comparables were \$25.13, \$22.88 (leased fee), \$27.48, \$25.73, \$26.67.

Pairing them supported -\$2.25 (25.13 – 22.88), -\$4.60, -\$2.85 and -\$3.79 per SF from fee simple to leased fee. I used \$1.50 or about 5%.

ADJUSTMENT GRID FOR LAND COMPARABLES - By Price per Square Foot											
	Subject Evergreen Way	Comp. No. 1 SOLD		Comp. No. 2 SOLD		Comp. No. 3 SOLD		Comp. No. 4 Active Listing		Comp. No. 5 Active Listing	
List Price per Unit		\$28.93		\$21.62		\$35.87		\$25.79		\$30.08	
List Price to Sale Price Discount		-8.0%	-\$2.30	-8.0%	-\$1.74	-6.7%	-\$2.39	-8%	-\$2.06	-8%	-\$2.41
Sale Price per Unit		\$26.63		\$19.88		\$33.48		\$23.73		\$27.67	
		Description	Adjustment	Description	Adjustment	Description	Adjustment	Description	Adjustment	Description	Adjustment
Real Property rights conveyed	leased fee	fee simple	-\$1.50	leased fee	\$0.0	fee simple	-\$1.50	fee simple	-\$1.50	fee simple	-\$1.50
Adjusted price			\$25.13		\$19.88		\$31.98		\$22.23		\$26.17

Second example

Another example where I had to make adjustments for property rights was an appraisal of a 1,495 SF log home on an Indian Reservation, on a site owned by the tribe that was to be granted a new ground lease at market rates for 15 years. Lender had a loan on the house.

House comparables on ground leases included three closed sales from \$25,000 to \$120,000, 2 pending sales from \$39,950 to \$99,999, and one active listing at \$85,000. None were log homes.

Fee simple or deeded house comparables included three closed sales from \$140,000 to \$388,000. Two were log homes, one was outside the Reservation boundary.

Property rights adjustments for the leased comps considered some had prepaid leases for certain number of years and also which of two lessor groups they were in. Negative adjustments ranging from -\$5,000 to -\$15,000 were made for these superior items.

Conclusion property rights

Adjustments to the fee simple comparables included a negative adjustment to move the house (ranged from \$45,000 to \$60,000) and a deduction for their site values (ranged from \$90,000 to \$150,000).

Final indicated prices from the comparables in the adjustment grid were for the specified leasehold value of the subject improvements.

I find these types of assignments quite difficult. There are a limited number of sales of residential leasehold properties. The ones that sell often have different lease terms that require adjustments... Can I refer any future leasehold assignments to you?

Thank you for attending