



# DETAILED SUPPORT FOR VARIOUS ADJUSTMENTS IN APPRAISAL REPORTS

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# Topics covered

- Selecting a Unit Indicator to make adjustments to – lowest variance
- Adjustments for surplus land – marginal utility
- Location adjustments - based on items important to buyers or renters
- External obsolescence adjustments – paired sales and survey method
- Gross living area adjustment – scatter chart and paired sales
- Condition adjustment – survey method
- Conditions of sale adjustment – survey method and paired sales
- Neighborhood cost new adjustment – from new construction comp
- Adjustments for market conditions – aggregate different searches
- Outbuilding adjustments – price per square foot from paired sales, then regression
- Property rights adjustments – ranking the influence of lease terms

# Marc's Background

Degree in Industrial Engineering, learned about a probability wheel

Appraising since 1983

Residential, then multifamily, then commercial

King, Snohomish, Island Counties = 99%

Used Stepwise Regression in my Residential Demo for SRA 1986

Did not use Regression in my Commercial Demo for SRPA 1989

Prepared seminars for Seattle Chapter of the Appraisal Institute

Became instructor for the Appraisal Institute, North Seattle College,  
and The Appraisal Foundation

Testified as an expert witness ~13 times in court (Jury and/or  
Judge), ~4 times in mediation or arbitration, 6+ depositions in other  
cases

# Seminar Goals

Hopefully you will be able to use some of the following examples to support one or more adjustments in your reports.

Much of my work has the potential to be used in court. I try to explain and support my adjustments so another appraiser can easily follow my logic, and also include a visual tool that would let me explain my reasoning to a jury or judge.

The visual tools can be a table, chart, graph, photograph or combination of these.

# Selecting a Unit Indicator



What unit indicator should be used to make adjustments to?

Total price, price per SF, price per room, or?

Try to figure out what the market participants are using to base their decisions on.

An analysis of the variance between several indicators can help.

## SUMMARY OF BUILDING COMPARABLES

Comp No.	Address	Sale Price	Date of Sale	Site Size (SF)	# of Floors	GBA (SF)	Price/ SF of Land	Price/ SF GBA	Assessed Value when sold	Price/ AV
1 - sold	14216 132nd Ave NE, Kirkland	\$1,100,000	11/21/16	58,567	2	10,534	\$18.78	\$104.42	\$594,600	185%
2 - sold	10015 Ashworth Ave N, Seattle	\$1,400,000	04/25/18	14,919	2	5,112	\$93.84	\$273.87	\$674,200	208%
3 - sold	2441 NE 125th St, Seattle	\$1,450,000	11/17/17	58,370	2	9,652	\$24.84	\$150.23	\$1,497,000	97%
4 - sold	19117+19025 60th Ave W, Lynnwood	\$1,485,000	09/01/16	45,735	2	7,559	\$32.47	\$196.45	\$1,005,600	148%
		List Price								
5 - pending	1107 2nd St, Mukilteo	\$1,250,000	not closed	24,780	2	7,762	\$50.44	\$161.04	\$798,900	156%
Subject	somewhere nearby	n/a	n/a	43,000	1	7,100	n/a	n/a	\$662,000	n/a

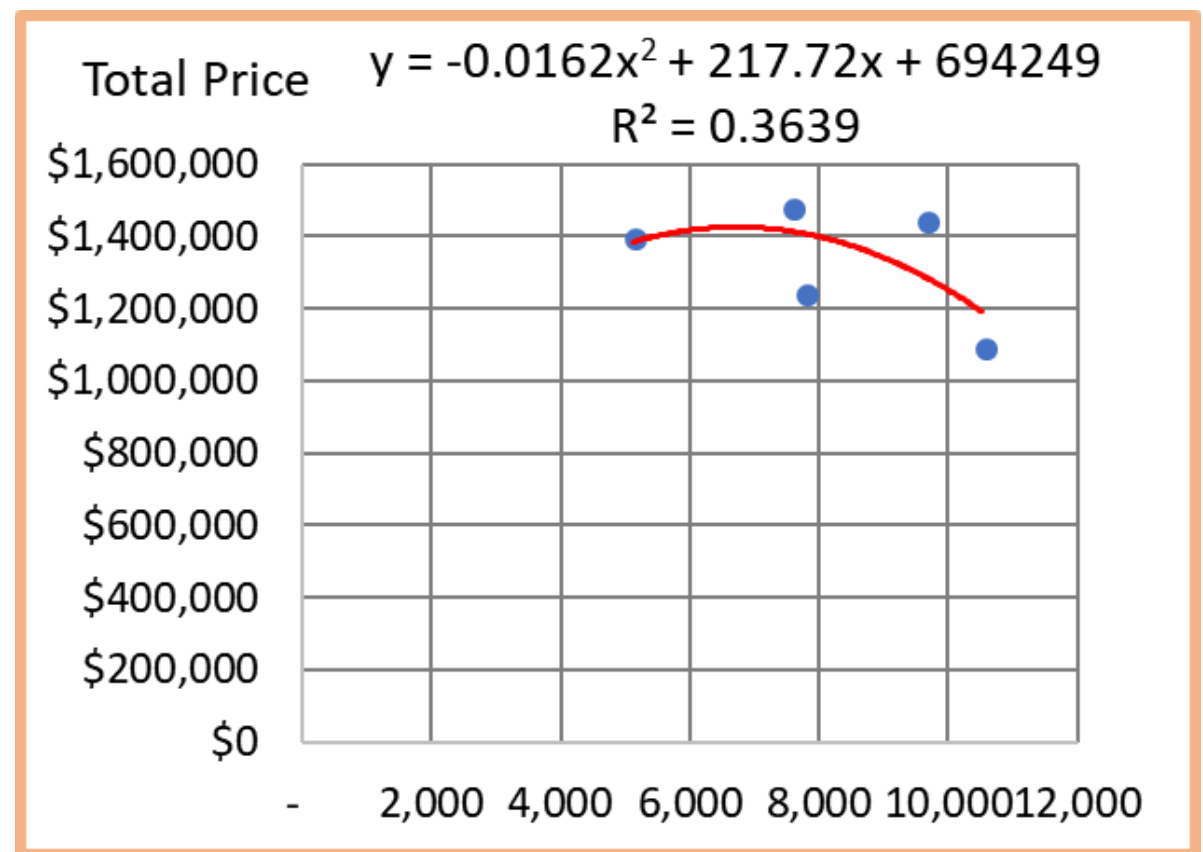
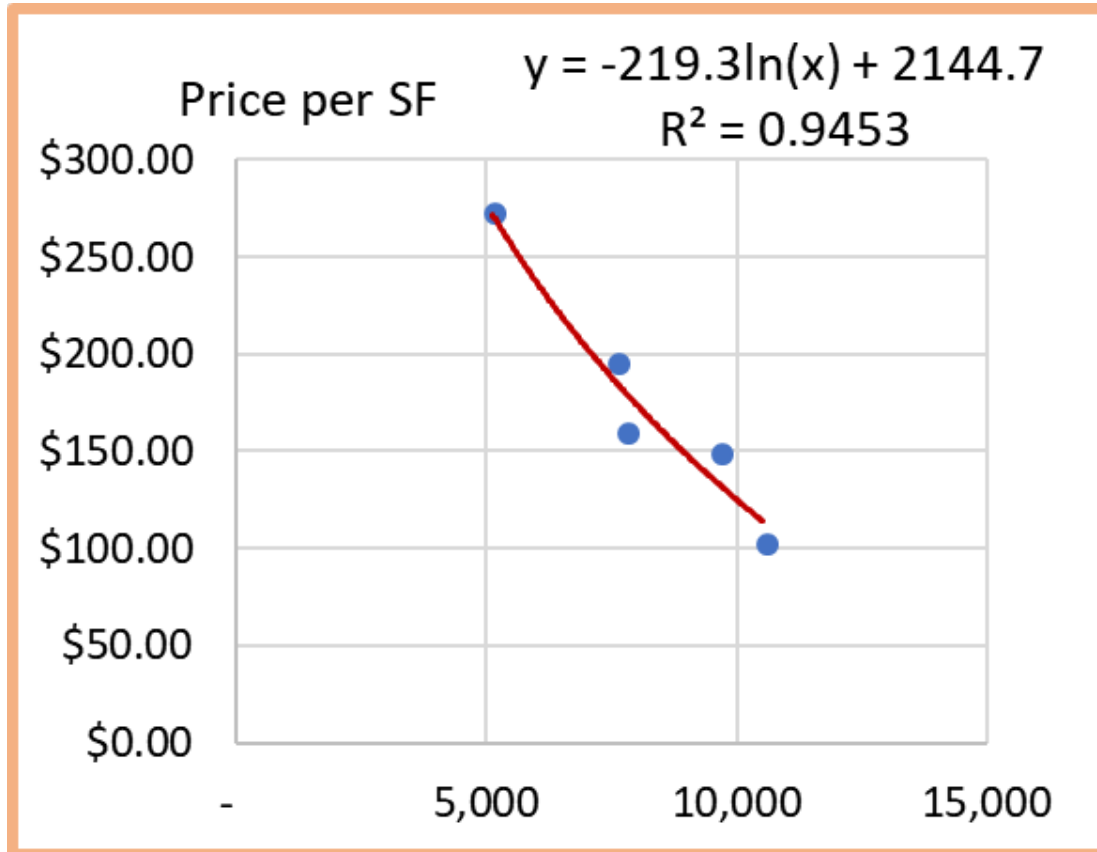
# Variance

	Sale Price	Price/ SF of Land	Price/ SF of GBA	Price/ Assessed Value
Maximum	\$1,485,000	\$93.84	\$273.87	208%
Minimum	\$1,100,000	\$18.78	\$104.42	97%
Difference	\$385,000	\$75.06	\$169.45	101%
<b>Variance</b>	<b>35%</b>	<b>400%</b>	<b>162%</b>	<b>104%</b>

# Variance after removing the least comparable Sale # 2

	Sale Price	Price/ SF of Land	Price/ SF of GBA	Price/ Assessed Value
Maximum	\$1,485,000	\$50.44	\$196.45	185%
Minimum	\$1,100,000	\$18.78	\$104.42	97%
Difference	\$385,000	\$31.66	\$92.03	88%
<b>Variance</b>	<b>35%</b>	<b>169%</b>	<b>88%</b>	<b>91%</b>

# How close does the data fit the curve?



# Another example is from a waterfront appraisal

Should I adjust by price per waterfront foot (WFF) or by price per square foot (SF)?

How can I tell if the assessor is valuing the land by WFF or by SF?  
Maybe whole numbers

Can I use two methods to value the waterfront site within the sales comparison approach?

The following tables show the comparables and the variance for three indicators.

**LAND COMPARABLES**

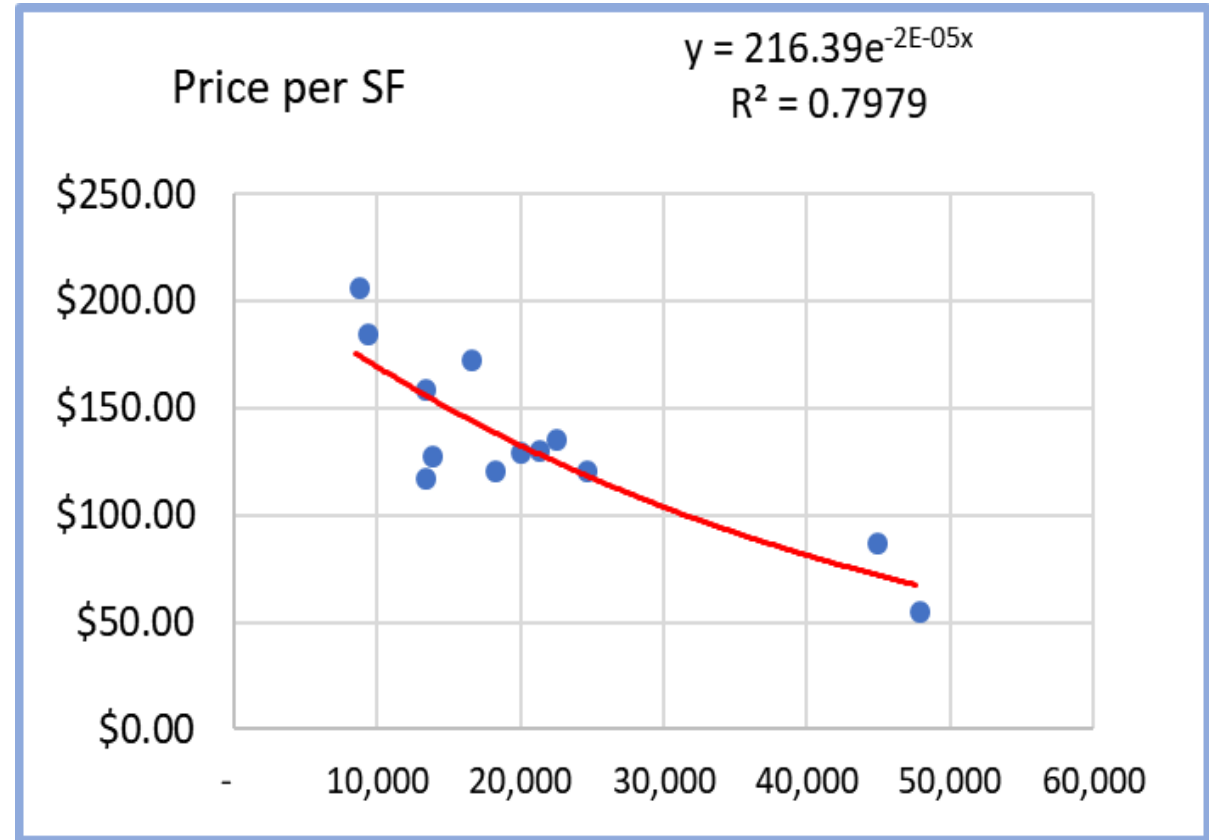
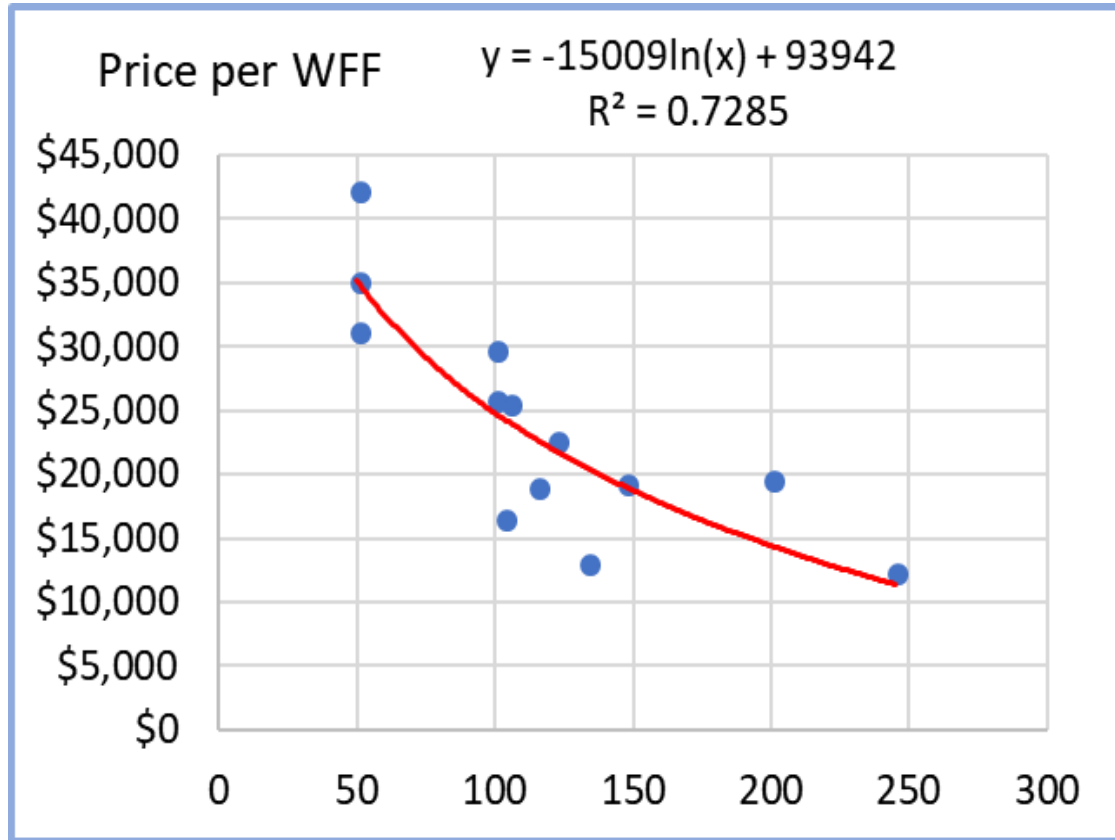
<b>Comp No. Closing Date</b>	<b>Address</b>	<b>Sale Price or est. sale price for active listings</b>	<b>Less Building Value</b>	<b>Price paid for Site</b>	<b>WFF</b>	<b>Site Price/ WFF</b>	<b>Site Size SF</b>	<b>Site Price/ SF</b>
		<b>Land</b>						
<b>1 - sold 11/22/17</b>	<b>211 E Lk Sammamish Shore Lane NE</b>	<b>\$1,600,000</b>	<b>\$30,000</b>	<b>\$1,570,000</b>	<b>50</b>	<b>\$31,400</b>	<b>13,168</b>	<b>\$119.23</b>
<b>2 - sold 9/8/17</b>	<b>3201 E Lk Sammamish Shore Lane SE</b>	<b>\$1,763,155</b>	<b>\$0</b>	<b>\$1,763,155</b>	<b>133</b>	<b>\$13,257</b>	<b>13,642</b>	<b>\$129.24</b>
<b>3 - sold 4/13/17</b>	<b>3429 E Lk Sammamish Shore Lane SE</b>	<b>\$1,800,000</b>	<b>\$40,000</b>	<b>\$1,760,000</b>	<b>50</b>	<b>\$35,200</b>	<b>8,485</b>	<b>\$207.42</b>
<b>4 - active listing</b>	<b>4233 E Lk Sammamish Shore Lane SE</b>	<b>\$1,710,000</b>	<b>\$0</b>	<b>\$1,710,000</b>	<b>103</b>	<b>\$16,602</b>	<b>9,170</b>	<b>\$186.48</b>
<b>5 - sold 11/8/16</b>	<b>637 E Lk Sammamish Pkwy SE</b>	<b>\$3,950,000</b>	<b>\$10,000</b>	<b>\$3,940,000</b>	<b>200</b>	<b>\$19,700</b>	<b>44,694</b>	<b>\$88.16</b>
<b>6 - sold 3/11/16</b>	<b>18868 SE 42nd St, Issaquah</b>	<b>\$2,650,000</b>	<b>\$50,000</b>	<b>\$2,600,000</b>	<b>100</b>	<b>\$26,000</b>	<b>19,800</b>	<b>\$131.31</b>
		<b>House</b>						
<b>7 - sold 3/16/17</b>	<b>415 E Lk Sammamish Pkwy SE</b>	<b>\$2,800,000</b>	<b>\$600,000</b>	<b>\$2,200,000</b>	<b>115</b>	<b>\$19,130</b>	<b>17,993</b>	<b>\$122.27</b>
<b>8 - sold 10/23/17</b>	<b>109 E Lk Sammamish Shore Lane NE</b>	<b>\$3,265,000</b>	<b>\$1,150,000</b>	<b>\$2,115,000</b>	<b>50</b>	<b>\$42,300</b>	<b>13,178</b>	<b>\$160.49</b>
<b>9 - sold 8/25/17</b>	<b>485 E Lk Sammamish Pkwy SE</b>	<b>\$3,300,000</b>	<b>\$530,000</b>	<b>\$2,770,000</b>	<b>122</b>	<b>\$22,705</b>	<b>21,065</b>	<b>\$131.50</b>
<b>10 - pending listing</b>	<b>903 E Lk Sammamish Shore Lane SE</b>	<b>\$3,500,000</b>	<b>\$650,000</b>	<b>\$2,850,000</b>	<b>147</b>	<b>\$19,388</b>	<b>16,361</b>	<b>\$174.19</b>
<b>11 - sold 9/29/17</b>	<b>333 E Lk Sammamish Pkwy SE</b>	<b>\$4,743,000</b>	<b>\$1,750,000</b>	<b>\$2,993,000</b>	<b>100</b>	<b>\$29,930</b>	<b>24,449</b>	<b>\$122.42</b>
<b>12 - sold 9/16/17</b>	<b>815 E Lk Sammamish Shore Lane SE</b>	<b>\$4,810,000</b>	<b>\$2,120,000</b>	<b>\$2,690,000</b>	<b>105</b>	<b>\$25,619</b>	<b>47,665</b>	<b>\$56.44</b>
<b>13 - active listing</b>	<b>415 E Lk Sammamish Shore Lane NE</b>	<b>\$5,225,000</b>	<b>\$2,165,000</b>	<b>\$3,060,000</b>	<b>245</b>	<b>\$12,490</b>	<b>22,289</b>	<b>\$137.29</b>
<b>Subject portion</b>	<b>somewhere nearby</b>	<b>n/a</b>	<b>0</b>	<b>n/a</b>	<b>10.00</b>	<b>n/a</b>	<b>2,590</b>	<b>n/a</b>

# Variance Comps 1 to 13

	Sale Price of Site	Price/WFF	Price/SF of Site
Maximum	\$3,940,000	\$42,300	\$207.42
Minimum	\$1,570,000	\$12,490	\$56.44
Difference	\$2,370,000	\$29,810	\$150.98
<b>Variance</b>	<b>251%</b>	<b>239%</b>	<b>268%</b>



# How close does the data fit the curve?



# Surplus Land

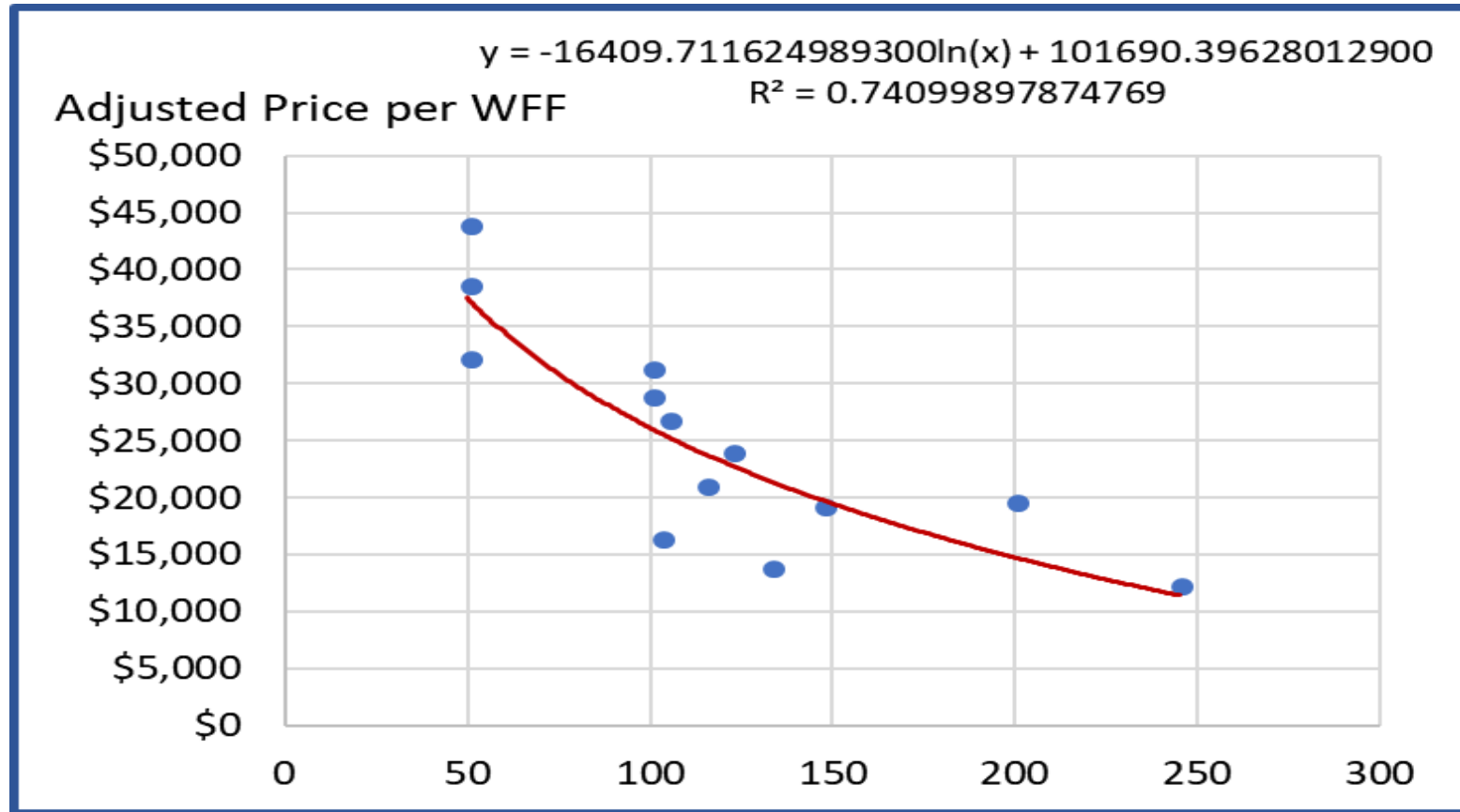
Owner wants to sell 10 waterfront feet of their 200 WFF site to their neighbor.

Method 1 – Use Regression analysis of the price per waterfront foot and price per square foot

Method 2 – Use grouped paired sale data using the price per waterfront foot

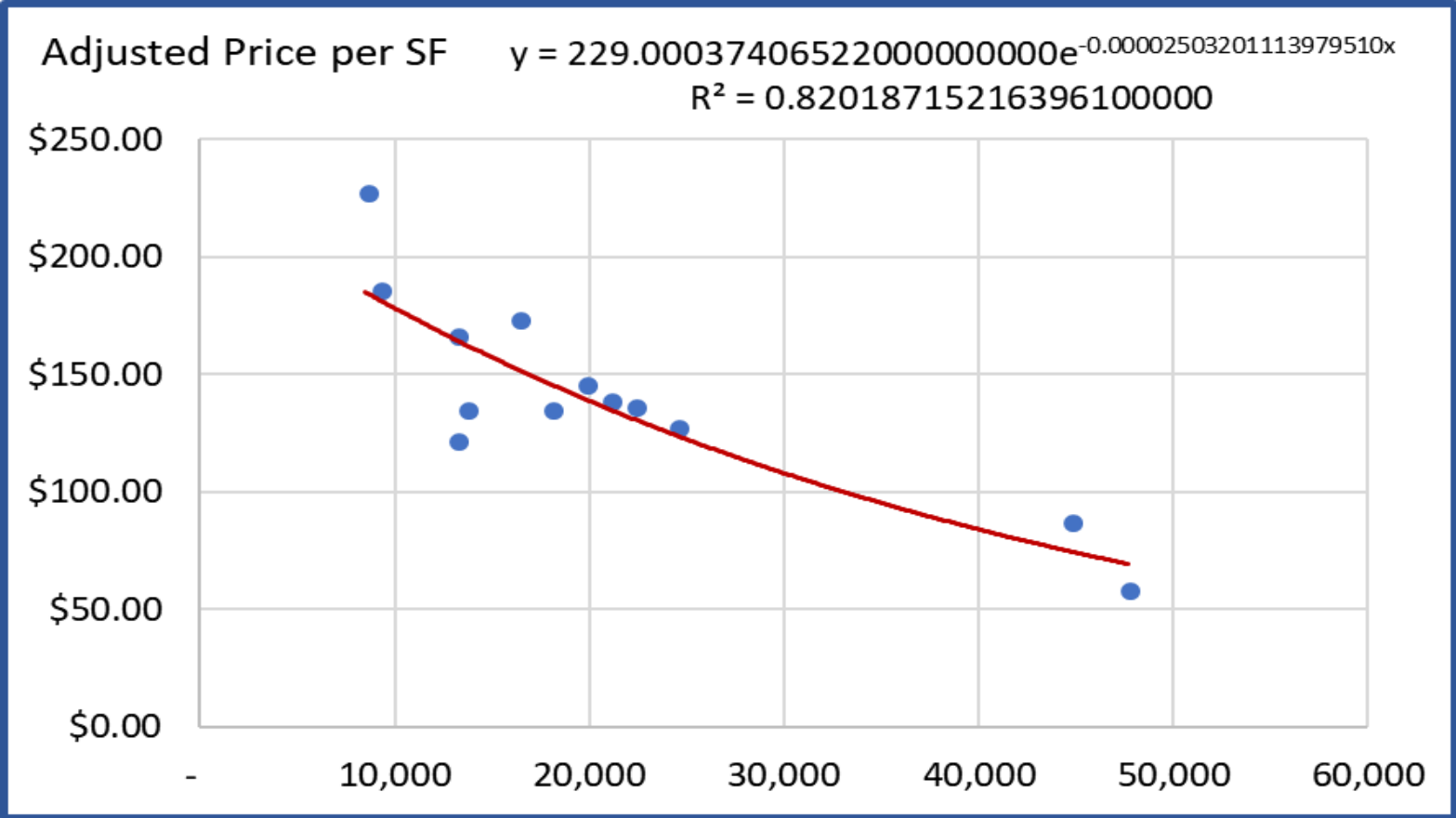
Reconcile the two

# Land Comparables adjusted for market conditions



WFF	Predicted \$/WFF	Predicted Price	
200	\$14,746.54	\$2,949,307	
190	\$15,588.24	\$2,961,766	
10		-\$12,459	<b>Difference</b>

# Land Comparables adjusted for market conditions



Square Feet	Predicted \$SF	Predicted Price	
44,694	\$74.81	\$3,343,529	
42,104	\$79.82	\$3,360,747	
2,910		-\$17,218	<b>Difference</b>

A tip before I continue. You must convert the displayed regression formula to one you can use for accurate calculations

Original exponential regression formula excel showed for adjusted price per SF was  $y = 229e^{-3E-05x}$

The image shows a screenshot of an Excel spreadsheet with a trendline label and the 'Format Trendline' task pane. The trendline label displays the formula  $y = 229e^{-3E-05x}$  and the coefficient of determination  $R^2 = 0.8202$ . The task pane is titled 'Format Trendline La..' and has two tabs: 'Label Options' (selected) and 'Text Options'. Under 'Label Options', there are four icons: a document, a pentagon, a chart with a plus sign, and a bar chart. The 'Number' section is expanded, showing a 'Category' dropdown set to 'General', a 'Format Code' field containing 'General', and an 'Add' button. There is also an unchecked checkbox for 'Linked to source'.