Sales Comparison Approach

Class Problem # 1 Answer

Paired Sales Analysis

Listed below are five sales of comparable single family residential propertie that have recently occurred in a neighborhood. Using the given data belov determine the appropriate lump sum dollar adjustment (Contributory value for the following elements:

Bedroom:	$4,000
Bathroom:	$2,000
Foundation:	$10,400
Extra parking bay in garage:	$4,900

Sale	# 1	# 2	# 3	# 4	# 5
Sale Price	$ 140,400	$ 126,000	$ 130,000	$ 124,000	$ 135,500
Sq. Feet	1,800	1,650	1,800	1,600	1,800
Bedrooms	4	3	4	3	4
Bathrooms	2	2	2	1	2
Foundation	Basement	Crawl Space	Crawl Space	Crawl Space	Basement
Garage	2 Car	2 Car	2 Car	2 car	1 Car

(NOTE: Variations in square footage are due to the different number of rooms and do not require adjustment; this is allowed for in the adjustments for bedrooms and bathrooms.)

Class Problem # 1 Suggested Solutior

Bedroom: Sale 2 and Sale 3 are identical except Sale 3 has one extra bedroom.

Sale 3	4 bedrooms	$130,000
Sale 2	3 bedrooms	($126,000)
	indicated adjustment	$4,000

Bathroom: Sale 2 and Sale 4 are identical except Sale 2 has one extra bathroom.

Sale 2	2 bathrooms	$126,000
Sale 4	1 bathrooms	($124,000)
	indicated adjustment	$2,000

Foundation: Sale 1 and Sale 3 are identical except Sale 1 has a basement.

Sale 1	Basement	$140,400
Sale 3	Crawl Space	($130,000)
	indicated adjustment	$10,400

Extra parking bay: Sale 1 and Sale 5 are identical except Sale 1 has a 2 car garage.

Sale 1	2 car garage	$140,400
Sale 5	1 car garage	($135,500)
	indicated adjustment	$4,900

Sales Comparison Approach

Class Problem # 2 Answer

SALES COMPARISON APPROACH TO VALUE

ADJUSTING COMPARABLE SALES

	SUBJECT	SALE # 1		SALE # 2		SALE # 3		SALE # 4		SALE # 5	
SALE PRICE			$275,000		$230,000		$245,000		$245,000		$262,250
BEDROOMS	3	4	($8,000)	3		3		3		4	($8,000)
BATHROOMS	2	3	($3,000)	2		2 1/2	($1,000)	2 1/2	($1,000)	2	
GARAGE	2 CAR	3 CAR	($4,000)	1 CAR	$4,000	3 CAR	($4,000)	2 CAR		3 CAR	($4,000)
FOUNDATION	BSMNT	BSMNT		CRAWL	$15,000	BSMNT		CRAWL	$15,000	BSMNT	
NET ADJ.			($15,000)		$19,000		($5,000)		$14,000		($12,000)
ADJ SALES PRICE			$260,000		$249,000		$240,000		$259,000		$250,250
SQ FEET	2,420	2,600		2,400		2,400		2,600		2,500	
SALE PRICE/SF			$100.00		$103.75		$100.00		$99.62		$100.10

IT APPEARS THE SQUARE FOOT VALUE OF THE COMPS WOULD BE $100.00/SQUARE FOOT.

THEREFORE, 2,420 SQUARE FEET TIMES $100.00/SQUARE FEET EQUALS **(Subject estimated Value)** $242,000

Sales Comparison Approach

Class Problem # 3 Answer

Time Adjustment Problem

A	B	C	D	E	F
SALE #	FIRST SALE SELLING PRICE	SECOND SALE SELLING PRICE	% CHANGE	MONTHS BETWEEN SALES	PERCENT CHANGE MONTH
1	$62,000	$65,100	5.0%	5	1.0%
2	$67,000	$72,225	7.8%	7	1.1%
3	$65,000	$71,500	10.0%	11	0.9%
4	$67,250	$73,300	9.0%	9	1.0%

PERCENT PER MONTH	1%	0.9%	
PERCENT PER YEAR	12%	1.0%	1.0%
		1.0%	
		1.1%	

(C - B) / B = D

D / E = F

Sales Comparison Approach

Practice Problem # 1 Answer

Market Analysis of Attributes

	HOUSE # 1	HOUSE # 2	HOUSE # 3	HOUSE # 4	HOUSE # 5
Sale Price	$144,000	$153,300	$163,800	$127,500	$140,600
Square Footage	1800	1980	2100	1700	1900
Bedrooms	3	3	3	3	2
Basement	Yes	No	Yes	No	Yes
Garage	2	1	2	2	2
Baths	2	2	1	2	1
Price/Square Foot	$80.00	$77.42	$78.00	$75.00	$74.00

Basement:	$5.00 Per Sq. Ft.	1 & 4
Bedrooms:	$4.00 Per Sq. Ft.	3 & 5
Garages:	$2.42 Per Sq. Ft.	2 & 4
Bathrooms:	$2.00 Per Sq. Ft.	1 & 3

What you want to do is find two houses with everything exactly the same except for the item you are looking Then net the two square foot prices to arrive at the value for the item. Example: You are wanting to know what value a basement adds to the value of the home. Use sale number #1 and sale # 4
Both have 3 bedrooms, both have a two car garage, both have 2 bathrooms. The only thing they differ in is the basement which is the item you are trying to get a value for. So Sale # 1 has a price of $80.00 per square foot and sale #4 has a price of $75.00 per square foot. The difference in the two sales is $5.00 per square foot. That is what we are looking for--$5.00 per square foot for the basement. We are saying that a basement adds $5.00 per square foot to the cost of the structure.

Sales Comparison Approach

Practice Problem # 2 Answer

Sales Comparison

Your subject property has three bedrooms, one bath, an attached 2 car garage and no fireplace. It has forced hot air heat.
You have analyzed the market and found 4 sales to use as comparables.
You have also found that sales prices have increased 5% each year for the last 5 years.

Sale # 1: 4 bedroom, 2 bath with an attached 2 car garage. It has a large fireplace, hot water heat & sold 2 years ago for $172,500.
Sale # 2: 3 bedroom, 1 bath with a 1 car attached garage. No fireplace and has forced hot air heat. Sold recently for $171,850.
Sale # 3: 3 bedroom and 2 baths. An attached 2 car garage with an average fireplace and hot water heat. Sold 2 years ago for $176,500.
Sale # 4: 4 bedroom, 2 baths and an attached 2 car garage. It has a large fireplace and hot water heat. Sold 1 year ago for $185,000.

Estimate a value for the subject property rounding to the nearest $100.

ADJUSTMENT AMOUNTS:

4TH BEDROOM	$8,000
EXTRA BATH	$5,000
1 CAR GARAGE	$9,000
2 CAR GARAGE	$13,200
AVERAGE FIREPLACE	$4,000
LARGE FIREPLACE	$4,800
FORCED HOT AIR HEAT	$4,500
HOT WATER HEAT	$5,600

	SUBJECT	SALE # 1		SALE # 2		SALE # 3		SALE # 4	
SALE PRICE			$172,500		$171,850		$176,500		$185,000
TIME ADJ		2 YRS @ 5%	$17,250		NONE	2 YRS @ 5%	$17,650	1 YR @ 5%	$9,250
TIME ADJ SALE PRICE			$189,750		$171,850		$194,150		$194,250
BEDROOMS	3	4	($8,000)	3	$0	3	$0	4	($8,000)
BATHS	1	2	($5,000)	1	$0	2	($5,000)	2	($5,000)
GARAGE	2	2	$0	1	$4,200	2	$0	2	$0
FIREPLACE	NONE	LARGE	($4,800)	NONE	$0	AVERAGE	($4,000)	LARGE	($4,800)
HEAT	FORCED	HOT WATER	($1,100)	FORCED	$0	HOT WATER	($1,100)	HOT WATER	($1,100)
NET ADJ			($18,900)		$4,200		($10,100)		($18,900)
ADJ SALES PRICE			$170,850		$176,050		$184,050		$175,350

ESTIMATED VALUE INDICATED BY THE SALES COMPARISON APPROACH: $176,100

Sales Comparison Approach

Practice Problem # 3 Answer

Paired Sales Analysis

	Subject	Sale # 1		Sale # 2		Sale # 3	
Sale Price			$95,800		$94,900		$83,900
Time Adj		2 yrs	$12,000	18 Mos.	$9,000	18 Mos.	$9,000
Time Adj Sale price			$107,800		$103,900		$92,900
Age	12	12	$0	10	($3,000)	8	($6,000)
Condition	Avg	Good	($5,000)	Good	($5,000)	Avg	$0
Fronts Golf Course	No	Yes	($5,000)	No	$0	No	$0
Floor Area (SF)	1500	1700	($9,600)	1600	($4,800)	1500	$0
Garage	Att	Att	$0	Det	$800	Det	$800
Quality	Avg	Avg	$0	Good	($4,000)	Avg	$0
Net Adjustment			($19,600)		($16,000)		($5,200)
Adjusted Sale Price			$88,200		$87,900		$87,700

If you round each one you will get $88,000
If you use the median you will get $87,900 rounded to nearest $1,000 is also $88,000