



Department of Local Government Finance

The Sales Comparison Approach

Part C

2020 Level I Tutorials



Sales Comparison Approach

- From an analysis of value indicators, a unit of measurement is selected that most clearly reflects the purchaser's behavior in the marketplace.
- As a general rule, the best market indicator is the one with the lowest variance.
- If there is more than one comparable that meets this standard, then the median comparable should be used.





Sales Comparison Approach

- The unit of measurement chosen is used as the starting point for adjustments.
- The next step is market analysis to select the attributes to be adjusted and the size of the adjustments.





Sales Comparison Approach

- For instance, if you are working with apartment buildings, you might use price per apartment, price per room or square footage.
- For a general-purpose commercial building, you might use sale price per square foot.





Sales Comparison Approach

- For residential properties, you might use number of bedrooms or bathrooms, exterior finish, foundations, garages or location (on water or golf course).





Sales Comparison Approach

- Let's try a simple problem where you will determine the indicated value of a subject property using the comparable properties and the value of the chosen attributes.



Level I
Sales Comparison Approach
Class Problem # 2
ADJUSTING COMPARABLE SALES

You are reviewing an appeal of a three bedroom, two bath ranch style house that has 2,420 square feet. This subject house has a full basement and an attached two car garage. You have located 5 recent comparable sales in the same neighborhood.

- Sale # 1: This is a four bedroom, three bath ranch style home containing 2,600 square feet of living area. It has a full basement and an attached three car garage. Sale price is \$275,000.
- Sale # 2: This is a three bedroom, two bath ranch style home that has 2,400 square feet of living space. It is on a crawl space and has a one car attached garage. Sale price is \$230,000.
- Sale # 3: This is a three bedroom, two and one half bath residence containing 2,400 square feet of living area. It has a full basement and a three car attached garage. Sale price is \$245,000.
- Sale # 4: This is a three bedroom, two and one half bath home located on a crawl space. It contains 2,600 square feet of living area and has a two car attached garage. Sale price is \$245,000
- Sale # 5: This is a four bedroom, two bath home with 2,500 square feet of living space. It has a full basement and a three car attached garage. Sale price is \$262,250.

You have determined that the following elements of comparison are influential on value: Bedrooms, bathrooms (both full and half), garage bays, and basement. You have conducted a paired sales analysis and determined the contributory value of these elements as follows:

Bedrooms:				\$8,000
Bathrooms:	Full	\$3,000	Half	\$1,000
Garage bay:				\$4,000
Basement:				\$15,000

Using the grid, determine the estimation of value for the subject property.



Level I
Sales Comparison Approach
Class Problem # 2
ADJUSTING COMPARABLE SALES

	SUBJECT	SALE # 1	SALE # 2	SALE # 3	SALE # 4	SALE # 5
SALE PRICE						
BEDROOMS	3					
BATHROOMS	2					
GARAGE	2 CAR					
FOUNDATION	BSMNT					
NET ADJ.						
ADJ SALES PRICE						
SQ FEET	2,420					
SALE PRICE/SF						



Level I
Sales Comparison Approach
Class Problem # 2 Answer
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

Level I
Sales Comparison Approach
Class Problem # 3
Time Adjustment Problem

Sale # 1 Sold one year ago for \$62,000 and resold 7 months ago for \$65,100.

Sale # 2 Sold one year ago for \$67,000 and resold 5 months ago for \$72,225.

Sale # 3 Sold one year ago for \$65,000 and resold 1 month ago for \$71,500.

Sale # 4 Sold one year ago for \$67,250 and resold 3 months ago for \$73,300.

Determine the indicated percentage adjustment for time per month _____

Determine the indicated percentage adjustment for time per year _____

A	B	C	D	E	F
SALE #	FIRST SALE SELLING PRICE	SECOND SALE SELLING PRICE	% CHANGE	MONTHS BETWEEN SALES	PERCENT CHANGE MONTH
1					
2					
3					
4					

PERCENT PER MONTH

PERCENT PER YEAR



Level I
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
 PERCENT PER YEAR

1%
 12%

1.0%





- Now we will spend some time working the Sales Comparison Practice Problems 1 - 3

Level I
Sales Comparison Approach
Practice Problem # 1
Market Analysis of Attributes

You have analyzed the market and have determined that the following are important attributes in a home. Basement--Bedroom--Garage--Bathroom. You used market information to arrive at the following information.

Sale # 1) Sold for \$144,000. It has 1,800 square feet, 3 bedrooms, a full basement, a two car garage and 2 bathrooms.

Sale # 2) Sold for \$153,300. It has 2 bathrooms, no basement and 3 bedrooms. It also has a 1 car attached garage and the home has 1,980 square feet.

Sale # 3) Sold for \$163,800. It has a full basement and a 2 car garage and 1 bathroom. There are 3 bedrooms and a total of 2,100 square feet.

Sale # 4) This home has 1,700 square feet, no basement but has a 2 car garage and 2 bathrooms. It has 3 bedrooms and recently sold for \$127,500.

Sale # 5) This home sold for \$140,600. It contains 1,900 square feet, 2 bedrooms, a full basement, a 2 car garage and 1 bathroom.



Using the grid below, develop the dollar amount to add for each attribute based on a cost of selling price per square foot.

Element of Comparison	House #1	House #2	House #3	House #4	House #5
Sale Price					
Square Footage					
Basement					
Bedrooms					
Garage					
Baths					
Price/Square Foot					

Basement: _____ per square foot

Bedrooms: _____ per square foot

Garages: _____ per square foot

Bathrooms: _____ per square foot

Level I
Sales Comparison Approach
Practice Problem # 1 Answer
Market Analysis of Attributes

What you want to do is find two houses with everything exactly the same except for the item you are looking for. 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.



Level I
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



Level I
Sales Comparison Approach
Practice Problem # 2
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									
TIME ADJ									
TIME ADJ SALE PRICE									
BEDROOMS									
BATHS									
GARAGE									
FIREPLACE									
HEAT									
NET ADJ									
ADJ SALES PRICE									

ESTIMATED VALUE INDICATED BY THE SALES COMPARISON APPROACH:



Level I
Sales Comparison Approach
Practice Problem # 2 Answer
Sales Comparison

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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



Level I
Sales Comparison Approach
Practice Problem # 2 Answer
Sales Comparison

	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



Level I
Sales Comparison Approach
Practice Problem # 3
Adjusting Comparable Sales

You are valuing a subject property for an assessing official. The subject property is 12 years old in average condition. It has an attached garage. It fronts a golf course. Your property has 1,800 square feet and is of average quality. You have researched the market and found three comparable sales.

#1.) This home sold for \$95,800 2 years ago. It is in good condition with 1,700 square feet. This home has an attached garage and fronts a golf course. It is 12 years old and in good condition and average quality.

#2.) Sold 18 months ago. It is a good quality home with 1,600 square feet and a detached garage. It does not front a golf course and is 10 years old and in good condition. The sale price was \$94,900 and the quality is good.

#3.) This home sold for \$83,900 18 months ago. It is 8 years old, in average condition and does not front a golf course. It has 1,650 square feet and a detached garage and is average quality.

Time:	\$100 per month decrease
Age:	\$1500 per year
Condition:	\$5000 difference between Average and Good
Location:	Fronting a golf course sell for \$5000 more
Floor Area:	\$48/Sq Ft
Garage:	\$800 less for detached garage
Quality:	\$4000 between average and good

Value the subject property and round to the nearest \$100



	Subject	Sale # 1		Sale # 2		Sale # 3	
Sale Price							
Time Adj							
Time Adj Sale price							
Age	12						
Condition	Avg						
Fronts Golf Course	Yes						
Floor Area (SF)	1800						
Garage	Att						
Quality	Avg						
Net Adjustment							
Adjusted Sale Price							



Level I
Sales Comparison Approach
Practice Problem # 3 Answer
Adjusting Comparable Sales

	Subject	Sale # 1		Sale # 2		Sale # 3	
Sale Price			\$95,800		\$94,900		\$83,900
Time Adj		2 yrs	(\$2,400)	18 Mos.	(\$1,800)	18 Mos.	(\$1,800)
Time Adj Sale price			\$93,400		\$93,100		\$82,100
Age	12	12	\$0	10	(\$3,000)	8	(\$6,000)
Condition	Avg	Good	(\$5,000)	Good	(\$5,000)	Avg	\$0
Fronts Golf Course	Yes	Yes	\$0	No	\$5,000	No	\$5,000
Floor Area (SF)	1800	1700	\$4,800	1600	\$9,600	1650	\$7,200
Garage	Att	Att	\$0	Det	\$800	Det	\$800
Quality	Avg	Avg	\$0	Good	(\$4,000)	Avg	\$0
Net Adjustment			(\$200)		\$3,400		\$7,000
Adjusted Sale Price			\$93,200		\$96,500		\$89,100

The comparable with the least amount of adjustments is Comparable #1
 If you used the median comparable, Comparable #1 would also be the answer
 The amount you would assign to the subject property is \$93,200





Sales Comparison Approach

- This concludes the sales comparison approach tutorial and is a reminder that should you have questions you can email these questions to the DLGF.
- Please send emails to Level1@dlgf.in.gov

