

2022 Level II
Sales Comparison Practice Problem # 2

Your subject home is 20 years old. It contains 2,400 square feet. There is a 2 car attached garage, 2 baths, and has a full basement. It also has 1 fireplace and is located on a lake and has a Cedar wood exterior.

Sale # 1 was five months ago for \$210,000. It is 20 years old and has 2,400 square feet. There is no basement but it has a 2 car attached garage. It has cedar wood siding and is located on the water. It also has 1 fireplace and 2 baths.

Sale # 2 was 2 weeks ago for \$240,000. It is 15 years old and has 2,250 square feet. There is a full basement and a 2 car attached garage. It is located on the water and has a brick exterior. It also has 2 fireplaces and 2 baths.

Sale # 3 was eleven months ago for \$195,000. It is 25 years old and has 2,600 square feet. There is no basement but it has a 3 car attached garage. It is not located on the water but has cedar wood siding. It has 2 fireplaces and 2 baths.

Sale # 4 was 20 months ago for \$172,500. It is 22 years old and has 2,520 square feet. There is a full basement and a 1 car attached garage. It is not located on the water and it has a brick exterior. It has 1 fireplace and 2 baths.

The following elements contribute significantly to value and the contributory value of each has been extracted from paired sales analysis:

Time: \$500 per month

Age: \$1,600 per year

Floor area: \$40.00/square foot

Garage: \$3,000 for an extra bay

Fireplace: Adds \$3,000

Brick: Sells for \$15,000 more than non brick homes

Basement: Adds \$10,000

Location: On the water: Adds \$22,700

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SALE #	SUBJECT	SALE # 1		SALE # 2		SALE # 3		SALE # 4	
SALE PRICE			\$210,000		\$240,000		\$195,000		\$172,500
DATE OF SALE	CURRENT	5 MONTHS		CURRENT		11 MONTHS		20 MONTHS	
TIME ADJ		\$500/MONTH	\$2,500		\$0	\$500/MONTH	\$5,500	\$500/MONTH	\$10,000
TIME ADJ SALE PRICE			\$212,500		\$240,000		\$200,500		\$182,500
OTHER ADJ									
AGE	20	20	\$0	15 -	(\$8,000)	25 +	\$8,000	22 +	\$3,200
BASEMENT	FULL	None +	\$10,000	FULL =		None +	\$10,000	FULL =	\$0
GARAGE	2 CAR	2 CAR =	\$0	2 CAR =		3 CAR -	(\$3,000)	1 CAR +	\$3,000
SIZE	2,400	2400 =	\$0	2250 +	\$6,000	2600 -	(\$8,000)	2520 -	(\$4,800)
FIREPLACE	1	1 =	\$0	2 -	(\$3,000)	2 -	(\$3,000)	1 -	\$0
LOCATION	WATER	WATER =	\$0	WATER =		NO +	\$22,700	NO +	\$22,700
EXTERIOR	CEDAR	CEDAR =	\$0	BRICK -	(\$15,000)	CEDAR =	\$0	BRICK -	(\$15,000)
BATHS	2	2 =	\$0	2 =		2 =	\$0	2 =	\$0
NET ADJ			\$10,000		(\$20,000)		\$26,700		\$9,100
ADJ PRICE			\$222,500		\$220,000		\$227,200		\$191,600

I WOULD USE \$222, 500 BASED ON ONLY ONE ADJUSTMENT FROM THE COMP TO THE SUBJECT. CLOSEST TO OUR SUBJECT.

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Sale # 1) Basement—Our subject has a basement and our comp does not. We have to adjust the comp to come to the subject. Since our comp does not have a basement but our subject does. We have to add for the value of a basement which is \$10,000. This is the only adjustment that needs to be made since everything else the subject has the comp has the same.

Sale # 2) Our subject is 20 years old and the comp is 15 years old. That means our subject has had 5 more years of depreciation than the comp. Each year is worth \$1,600. 5 years times \$1,600 per year equals \$8,000. This is a deduction of \$8,000 because our subject is older. We have to deduct the value each year has to make the comp a 20 year old house like the subject. The next item is the square feet. We have less square feet in our comp so we have to bring it upward since it is inferior to our subject so it is added. 150 square feet times \$40/square foot = \$6,000. The next adj is the fireplace. Our comp has 2 and the subject has 1. We have to deduct the value of 1 fireplace from the comp since it is superior to our subject. The value is \$3,000. We have 1 more adj to make and that is for the brick. Our subject has cedar wood and the comp has brick which is superior so we have to subtract the amount of value that brick adds to a home, which is \$15,000.

Sale # 3) The first adj is time per this class. It sold 11 months ago and our research in the market shows time is an increase of \$500 per month. This gives us \$5,500 to add since it is inferior to our subject. The next adj is the age. The comp is 25 years old and as such is 5 years older than our comp. This makes it an inferior adjustment which is upward. The subject is 5 years older at \$1,600 per year for an addition of \$8,000. The next adjustment is the basement. Our subject has one and the comp does not. This makes it inferior and the value to add for a basement from our research is \$10,000. The next adj made is for the 3 car garage which is 1 more bay than our subject which makes the comp superior for which we adjust downwards to the subject. The amount from our research for an extra garage bay is \$3,000. Next we have the square foot to adjust for. Our comp has 2,600 and our subject has 2,400 so the comp is superior to our subject and must be adjusted downward. The value of a square foot is \$40.00. The comp has 200 more square feet at \$40 to equal a deduction of \$8,000. Continuing on the fireplace is next. Our comp has 2 and our subject has 1 so the comp is superior to our subject the adj is a deduction. The value is \$3,000. The last adj we make is for water location. The subject is on the water and the comp is not so it is inferior to our subject. We add inferior adjustments. The amount of the adj based on our research is \$22,700.

Sale # 4) The first adj is time per this class. It sold 20 months ago and our research shows time is an increase of \$500 per month. This gives us \$10,000. (\$500 times 20 months). The next adjustment is for age. The subject is 20 years old and the comp is 22 years old. Therefore the comp is inferior to our subject because it is older. We have to add 2 years of age value to the comp to bring it to a 20 year old home. The amount for each year is \$1,600 and we have 2 years which makes a + adj of \$3,200. The next adj is for the garage. Our subject has a 2 car and the comp has a 1 car. The value of a one car is \$3,000. The next adjustment is for size. The subject is 2,400 square feet and the comp is 2,520 square feet which makes the comp superior to our subject. The adj is \$40/square feet times 120 square feet or \$4,800. Our subject is on a lake and the comp is not which makes the comp inferior to the subject so we have to adjust the comp upwards. The amount to add is \$22,700. The last adj is for brick. Our subject is cedar and the comp is brick so it is superior to our subject and must be adjusted downwards. The adj is \$15,000.