

APPRAISERS MANUAL

SALES UTILIZATION AND FAIR MARKET VALUE

PREFACE

Sales Collection and verification is the single most important activity in the appraiser's office. There is no other activity necessary to the operation of the appraiser's office which is as important as the meticulous and regimented collection of sales data.

Ultimately, all valuation approaches, regression, cost/market, or income rely upon the analysis of **VALID, QUALIFIED, SALES** in order to properly value a subject property.

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MEETING LEGISLATIVE REQUIREMENTS

Decisions by legislators in recent years have mandated the assessment of real property at 100% of the "fair market value". This criteria has made it imperative for the property appraiser to have an accurate and supportable sales file from which the market approach can be properly implemented.

Regardless of how well or how accurate the data about a property may be, the data is useless without sales data against which the data may be compared.

The entire premise of the computerized appraisal system is that regardless of the appraisal approach used, the analysis of sales parcels is necessary in order to do the following:

- a. Develop regression equations
- b. Set cost/market base rates
- c. Determine depreciation schedules
- d. Determine income capitalization or discount rates

Without sales, the appraiser has to depend on the Cost and Income Approach to base his decisions. Therefore you need sales to support the Cost Approach. Sales also help to determine depreciation and obsolescence in the Cost Approach and cap rates in the Income Approach.

The basic sales information is available at the Registrar of Deeds. However, before a proper analysis can be made between the sales for the tax year and those of similar properties that did not sell, the sales must be checked or qualified to verify that an "arm's length" transaction has taken place and that the source of information is correct. The transaction must then be further checked to determine if all rights and benefits of property ownership were transferred and if any personal property was involved. This procedure is known as SALES QUALIFICATION.

STEPS IN SALES QUALIFICATION

Sales of some residential, but primarily agricultural, industrial and commercial properties often include personal property. There are also a number of intercompany or intra-family transfers "distress" sales, etc., many of which have limiting terms and conditions which affect the sales price. For these reasons and others, further qualification of sales of this type through conversations with one or more of the parties involved may be necessary to determine if the sales price should be adjusted for terms, personal property, etc., or disqualified entirely.

For this purpose, we have designed a SALES QUALIFICATION FORM which will help standardize the procedure and also build a source of useful sales data. Since recent sales are the BEST indication of MARKET VALUE and because of their affect on the entire mass appraisal process, their careful handling and qualification cannot be overemphasized.

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RATIO STUDY SHEET

COUNTY: _____ TOWNSHIP NUMBER: _____

DEED BOOK & PAGE NUMBER: _____ / _____

GRANTOR: _____

GRANTEE: _____

PROPERTY DESCRIPTION: _____



PARCEL I.D. NUMBER: _____

SALE PRICE: _____ STAMPS: _____

SALE PRICE VERIFIED BY CONFIRMATION LETTER: YES _____ NO _____

SALE DATE: _____ - _____ - _____ CHECK ONE OF THE FOLLOWING:

ASSESSED VALUE: _____ SPLIT _____
STRAIGHT TRANSFER _____

PROPERTY TYPE REJECTION CODE

	VACANT	IMPROVED
RESIDENTIAL	_____	_____
AGRICULTURAL	_____	_____
COMMERCIAL	_____	_____
INDUSTRIAL	_____	_____

Enter the appropriate code if this deed was rejected pursuant to the information obtained from the property record card.

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SALES QUESTIONNAIRE OFFICE OF THE TAX ADMINISTRATOR

Official County records indicate that you purchased the property as identified below:

Parcel Number :
Property Address :
Neighborhood Number :
Property Description :
Deed Reference : Book _____ Page _____ Date _____ Price: \$ _____

In order to maintain a continuing analysis of current sales data, it is our procedure to request information on real estate transfers in DAVIE County. We, therefore, ask your cooperation in completing and returning this form within ten (10) days.

1. Total Purchase Price \$ _____
2. Type of financing: Conventional _____, FHA _____, VA _____, Loan Assumption _____, Owner Financing _____, Cash _____, Other _____
3. Was a trade involved? Yes _____, No _____, Value \$ _____, Details: _____
4. Was this an auction sale? Yes _____, No _____
5. Was this sale: A forced sale, etc.? _____, A "Short Sale"? _____, Other? _____
6. Did the sale include a community boat slip? Yes _____, No _____, If yes, what is the value? \$ _____
7. If any furnishings, machinery, livestock, timber, a single-wide mobile home or other personal property was included in the sale price, please circle and state the value of such items. \$ _____
8. Were there special financial considerations which affected the total sale price such as concessions? Yes _____, No _____, \$ _____, Details: _____
9. Was this sale a transfer between relatives? _____, Between known affiliated companies or corporations? _____, A transfer of convenience (i.e., to correct defects in title, create a joint tenancy, etc.)? _____
10. Do you consider the total sales price to be the fair market value of the real estate on the date of sale? Yes _____, No _____
11. Have improvements been made to the property since the date of the sale other than regular maintenance? Yes _____, No _____, If yes, explain _____
12. List other information pertaining to the sale of this property, which may be pertinent to this transaction:

If you have any questions, please contact: Rebecca Hursey
Ph: 336-753-6140 Fax: 336-751-0154
Rebecca.Hursey@co.davie.nc.us

Name _____

Address _____

Signature _____

Date _____

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COMPARABLE LAND SALE REPORT

TAX ID# 1:
ID# 2:
ID# 3:

SECTION:

ZONING:

PROPOSED USE:

LOCATION/ADDRESS

CITY:

COUNTY:

STATE:

BUYER:

SELLER:

ENTERED BY:

VERIFIED BY:

DATE OF SALE:

DEED BOOK REF:

STAMPS:

SALES PRICE: \$

SITE DATA

SIZE ACS:

SF:

FF:

STREET FRONTAGES:

CORNER:

ZONING:

TOPOGRAPHY:

FLOOD PLAIN:

WATER:

SEWER:

RAIL:

OTHER:

IMPROVEMENTS:

DEMOLITION COST:

VALUE INDICATIONS

FINANCING:

PER ACRE:

LEASING DATA:

PER SQ FT:

SPECIAL UNIT VALUE (PROPOSED): \$

PER

NEW TAX ID #:

COMMENTS:

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COMPARABLE IMPROVED SALES REPORT

TAX ID# 1: AREA: IMPROVEMENT TYPE:
ID# 2:
ID# 3: PURCHASE PRICE:

COMPLEX NAME:

LOCATION/ADDRESS

CITY: COUNTY: STATE:
BUYER: SELLER:
ENTERED BY: VERIFIED BY:
DATE OF SALE: DEED BOOK REF: STAMPS:
SALES PRICE: \$

SITE DATA

SIZE ACS: SF: FF:
STREET FRONTAGES: CORNER:
ZONING: TOPOGRAPHY: FLOOD PLAIN:
WATER: SEWER: RAIL:
OTHER:

BUILDING FEATURES:

GROSS BLDG AREA: NRA: # OF UNITS:
GROUND FLR AREA: BSMT: # OF STORIES:
LAND TO BLDG RATIO:
MAJOR TENANT #1: SF:
MAJOR TENANT #2: SF:
MAJOR TENANT #3: SF:

CONSTRUCTION DETAILS:

YEAR BUILT: YR RENOVATED: CONDITION:
OFFICE AREA: MISC:
HEAT: A/C: ELEVATOR: SPRINKLERED:
EXTERIOR WALL: ROOF: CEIL HT:
COLUMN SPACING: OTHER DETAILS:

INCOME DATA:	RATE BASIC	1 YR PREV	2 YRS PREV
EFF GRS INC:	\$	\$	\$
EXPENSES:	\$	\$	\$
NET INCOME:	\$	\$	\$

MORTGAGE DATA:	FIRST	SECOND	THIRD
BALANCE:	\$	\$	\$
DEBT SER/YR:	\$	\$	\$
INTEREST RT:			
ORIG. TERM REM:			

VALUE INDICATIONS:
GRM: OAR: \$/UT: \$ \$/SF IMP:

COMMENTS:
The Sales Qualification Form

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Sales Qualification forms are a record of the sales research performed to establish the quality of a specific sale. Qualified sales are of inestimable value in establishing unit land values, base rates, depreciation schedules, and for checking the quality and degree of equalization of all work performed.

The first step in any sales qualification procedure is the deed qualification of ALL sales parcels. The sales should then be further qualified as necessary with the use of a sales qualification form.

STEP 1 DEED QUALIFICATION OF ALL SALES. This step entails examining deeds for any conditions or statements which might indicate the sale was not an "arm's length" transaction. For single family residences, this is usually all that is necessary to obtain accurate sales data.

Those deeds having ANY of the following conditions should be entered on the maintenance document as "U" or as an unqualified sale using the Deed Edit Sheet on page 37 of Chapter 6:

1. Quit claim, corrective or tax deeds
2. State documentary stamps, \$6.00 or less
3. Same family name as to grantee and grantor
4. Deeds from or to banks or loan companies
5. Deeds indicating a trade or exchange or conveying less than whole interest, i.e. life estates, etc.
6. Deeds including live stock or personal property, i.e. trucks, equipment, cattle, etc.
7. Multi-parcel sales unless the amount paid for each parcel is specified
8. Deeds including exchanges of real or personal property
9. Deeds to or from any of the following
 - Administrators
 - Executors
 - Guardians
 - Receivers
 - Sheriffs
 - Masters
 - Churches
 - Lodges
 - Fraternal Institutions
 - Benevolent Institutions
 - Clerks of Court
 - County Commissioners
 - Counties
 - Trustees of Internal Imp. Fund
 - Cities and/or municipalities
 - United States of America or Federal Agencies
 - Utility Companies
 - Educational Institutions
10. Foreclosures and Short Sales

STEP 2 SALES RESEARCH. By completing the sales qualification form, an orderly check of the sale can be performed relatively easily. The form should be completed as follows:

1. The individual qualifying the sale signs their name and dates the form in the upper right hand corner.
2. Then the parcel number of the sale and the sales data portion of the form, i.e. Deed Book and Page, month and year, instrument type, whether it is qualified or unqualified, vacant or improved, and the indicated sales price taken from the deed.
3. From a copy of the recording instrument obtain the name, address and telephone number of the Grantor, the Grantee, or some other interested party such as the real estate broker, the builder, the developer, the lending institution, or other informed person.
4. A check is placed in the box next to the person contacted. (Experience has shown the best source of information is the Grantor.)
5. Complete the QUALIFICATION DATA portion of the form by conversations with one or more of the principles, confirming the sale date, whether it sold vacant or improved, the actual sale price and any other property (real, tangible or intangible) which may have been included in the sale, as well as an estimate of the value of the other property included in the sale. If there was a mortgage involved in the sale, confirm the amount, the interest, and the term and repayment schedule. Make any pertinent notes or comments in the comments portion of the form.
6. Also determine the type of mortgage loan; whether or not it was conventional, participating, government backed, variable interest rate, or other. THE SALES DATA CHANGE portion of the form is to be completed if any portion of the sales data is found to be in error or if there was an

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adjustment of the information gathered during the sales research. If an adjustment is made to the indicated sales price, the reason **MUST** be entered in the comments for future reference. The importance of documenting the reasons and support of any sale adjustment cannot be overemphasized.

Using the Sales Data Qualification Form

The Sales Qualification Form should be completed by departments most familiar with the type of property or area being researched; i.e. income producing properties by the income department, vacant parcels by the land department, and improved properties by the building department.

Changes in sales prices can and should be made to compensate for personal property included in the sales. Having done this, a sale can be treated as qualified and used as a guide for establishing values for similar properties. The qualification process enables the property appraiser to gather the information necessary to adjust sales prices so they will reflect "fair market" sales.

During the investigation of sales, other factors may come to light indicating that an adjustment is necessary to the sales price for what appears to be an otherwise qualified sale. These include market and economic factors. For example, if a property has to remain on the market for an excessive period of time prior to selling, an adjustment may be appropriate. The property appraiser can find himself in a most advantageous position in determining the type of adjustments required because of his familiarity with the local market conditions. Adjustments **SHOULD** be made for any **VALID** reason in order to supply qualified comparables for valuing similar properties.

It is most important to remember that the sales qualification form should be **PROPERLY** filled out and filed for **FUTURE REFERENCE**.

BENCHMARK SALES

In large counties, sales are relatively numerous for single family properties and usually available for some commercial type properties. However, the necessity of determining "market value" for all properties complicates the task of appraising certain types of property uses with few or, more often, no "qualified" sales. In these instances PASCO is designed to utilize **BENCHMARK (surrogate) SALES**.

The term benchmark refers to properties which have been appraised using conventional fee appraisal techniques. When sufficient sales data is unavailable, fee appraisers have relied on the cost and income approaches to value for indications of market value. For the property appraiser faced with the wide variety of property types, the utilization of the income and cost techniques can provide supportable evidence for appraisal purposes when no "qualified" sales are available which would be applicable.

When faced with a valuation problem dealing with a property type for which there are no qualified sales, the appraiser's first step is to choose a few parcels representative of the particular type or, if there is just one property, the subject can be used. The next step, collecting pertinent data about the properties, is similar to that of the fee appraiser. Depending on available information, either the cost approach or income approach may be employed to give good value indications.

MARKET BENCHMARKING

See Benchmark Sales as described in Chapter 6, page 5 under **PROCEDURE FOR ENTERING BENCHMARK SALES**.

Cost Benchmarks

If the improvements under investigation are relatively new, local contractors can be consulted for estimates of the cost to replace. Also, the property appraiser can utilize such cost services as **MARSHALL & SWIFT BUILDING COST SERVICE** to give good cost estimates for a wide variety of building types. After a cost per square foot, unit and/or total building cost new has been estimated, it is necessary for the appraiser to review the property to determine depreciation in the case of less than new structures.

After the appropriate amount of depreciation is calculated, it is subtracted from the replacement cost new. The resulting figure is the depreciated replacement cost new to which is added the market land value. With accurate figures, this value can be

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utilized and entered as a benchmark sale as described on the following pages under PROCEDURE FOR ENTERING BENCHMARK SALES.

Income Benchmarks

Another useful method of deriving benchmark sales involves the income approach to value. PASCO makes available seven methods which are discussed in greater detail in a later chapter but for the purposes of benchmarking a few other comments are necessary.

The basic income data regarding income and expenses is critical and care should be taken to verify information gathered. When this is done and entered into the system using one of the seven approaches, the resultant value can be entered in the sales portion of the appraisal card. The justification for the use of the income approach in the valuation process rests with the reason the income property is used. Income property is used to generate an income stream of revenues in the form of money. It is one of the basic economic building blocks and the property can be valued in terms of its ability to generate income. Income property is held, developed and sold for the income producing potential it possesses.

USE OF SALES ANALYSIS REPORTS IN THE QUALIFICATION PROCESS

For counties with a large volume of sales activity, PASCO enables the property appraiser to limit his sales qualification activities to those sales which show the most extreme assessed value ratios.

Reports can be generated based on location, improvement type, model number, etc. The sales with extreme ratios can be subjected to the sales qualification procedure. The parameters for those to be analyzed can be set by the property appraiser (i.e. all ratios greater than 100 and less than 75, etc.) based on his requirements, available staff, etc.

PASCO is designed so that the property appraiser does not have to manually research his own files for various property types but can receive a computer printed worksheet detailing only those parcels he wishes to research based on the parameters he has selected (location, age, improvement type, land use,...).