



CONFIRMING AND VERIFYING MARKET DATA WHILE MARKETING YOUR APPRAISAL SERVICES

By Kelly Berriman

So I got this order for an REO duplex: 2 bedrooms, 1 bath each unit, 2028 sq. ft., built in the 1900's with a 2 car garage. And this is a neighborhood where a garage is considered a luxury amenity. The subject is located in an REO driven market. So I pull up MLS just to do an initial search for data. Sales range from \$0 (2 of them) to \$39K with average price of \$8K. Most of the sales are 2 beds, 1 bath each unit with 1900-2100 sq. ft. built in the 1900's so I assume the majority of my adjustments are going to be for condition. How do I determine condition of the comparable sales in neighborhood and how they relate to my subject with the limited data on MLS? I could look at the photos but that is not much of an option for this market. I could guess, but something in the back of my head tells me that is not why AMC sent me this order. I could call the Agent and ask and in turn verify the sale.

Gone are the days of the MLS book and microfiche and waiting in line at the Register of Deeds. Today accumulating market data is way less labor intensive. It is at your fingertip which means it is just as easy for the client to search for comparables as it is for us. In fact it is so easy even an AVM can do it.

Despite all the technology, all the plethora of data, our clients still need someone to analyze it, which is one of the reasons computers have not completely taken over. As most appraisers place the majority of weight on the Sales Comparison Approach when appraising a residential property, the selection and verification of comparable sale properties is critical. How can you determine adjustments for sales concessions, financing type or condition of sale if you never researched these conditions?

I get together every so often with people in other aspects of the real estate world and we swap stories. During these venting sessions some people are amazed at how many different governing authorities we appraisers have to abide by. And all of them want us to verify our sales data. USPAP requires it. FHA requires it. Fannie Mae's *Selling Guide* requires appraisers to "report property data accurately and consistently". See Fannie Mae B4-1.3-07: Sales Comparison Approach Section of the Appraisal Report (04/15/2014) and FAQ 19 as examples.

The City of Milwaukee lists homes currently owned by the City and available for purchase on their website. These homes are offered for sale at a lower than market value with stipulations for the buyer. FSBO's are sometimes listed for less than other competing homes as the seller is not paying a 2.4-3% commission to a listing agent. Alternatively some FSBOs are listed for higher than market value as the seller did not employ a Realtor for an accurate CMA. Time on market, method of marketing, sales



date, type & term of financing, relationship of seller to buyer, etc: these all have an impact on sales price. Value is more than simply the number of bedrooms and bathrooms a property has. There is a direct relationship between price and motivation of buyer and/or seller. Unfortunately, motivation is not always readily available on the MLS system.

There are multiple ways of verifying your sales data in addition to MLS. However, when I research the suggested list of attorney, title, financial institutions, etc., I can't help but think that these resources will declare confidentiality so what's the point. That routes me back to the Register of Deeds, which thankfully is now online for many areas. Unfortunately, the public data is not always up to date. And this source does not provide me with any data other than sales price and conveyance date.

Back to my REO duplex. I call or email agents of comparables to fill in the gaps. Per an NAR article dated July 2, 2013 entitled "NAR Issue Brief: Appraisal Management Company Q&A": "Real estate agents are encouraged to provide appraisers information such as recent comparables that are similar to the property being appraised, plat surveys, inspection results, and details about the neighborhood, such as schools and shopping options." This article additionally includes information for how Agents can assist in deterring inaccurate appraisals.

Occasionally an agent will cite confidentiality of their client. I tell them I understand and respect their concerns and then point to Line 272 (Distribution of Information) section of the WB-11 Offer to Purchase form which allows for Agent to provide information regarding the transaction to an appraiser.

Believe it or not there are times when I am appraising more than one property at a time and this personal contact, while informative, makes it a little more difficult to meet the AMC's twenty-four hour turn time demands (wink). And wouldn't it be great when I am looking at older sales if I didn't have to contact the agent each time and rack his or her brain. I thought so too. That is why I began accumulating this data in the form of a spreadsheet. Each week I gather the sales in the areas I appraise and email a short survey to both the listing & sales agent. So far I am getting about a 30% return. I then remove sales which agents did not return the survey. This can be somewhat labor intensive but over time I hope to be able to zoom in on market trends for individual neighborhoods rather than simply a community overview.

According to an analysis by the Wisconsin Realtor Association, there has been an 11.3% decline in sales in March 2014 compared to March 2013 *information taken from wra.org. A decline in sales naturally means a decline in market data. Without relevant market data appraisers can sometimes find it difficult to explain what is happening in the market in a way which is acceptable to the bank guidelines. But do the decline in sales equate to a decline in value? Not necessarily. I have had to explain to my clients recently that Wisconsin experienced some of the most frigid temperatures these past 3



months. Cold weather means limited showings and fewer homes on the market. This low supply has naturally translated into bidding wars and offers coming in at or above purchase price. For one sample area I have found an average of 1.83 offers for each home sold in the month of March. I can then compare this average to the pre-freezing months and explain to my clients how the low supply has impacted demand. Once I explain the current state of the market I find many of my clients understand the lack of sales past 90 days on the grid.

In essence I am creating a market study while marketing my services to hundreds of Real Estate agents. Not only am I able to justify my lack of current market data but I am also able to explain supply and demand, which as we all know are the most basic forces behind value. I also know if a particular property was purchased for the school system, what condition the property was in and seller motivation among other things. I now have an overview of buyer motivation and am able to graph the motivation for that market. And surprise, location, location, location still tops the chart.

About the Author

I began my career in the Real Estate industry in the 1990's as a Loan Originator with Goldstar Financial. I received my Real Estate Salespersons license in 2002. I received my Appraiser's license in 2003 and Certified Real Estate Appraiser's license in 2005. Contact information: P.O. Box 1185 * Waukesha, Wisconsin 53187, 262-442-2323, bberriman2000@yahoo.com.