

# ***The Art of the CMA***



## **Student Manual**



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## About the Author



### **“Vic” Knight**

Vic Knight has been a NC licensed real estate Broker since 1983, a NC Certified General Appraiser, Past-President of the NC Association of REALTORS®, a Past-Chair of the National Association of REALTORS® Appraisal Committee, and vice-chair as a member of the Board of Trustees of The Appraisal Foundation. Vic’s 40+ years in the real estate business includes owning and managing a Century 21 residential brokerage firm, extensive residential and commercial development, owning and managing a residential property management company and currently is owner of Appraizr.com, a real estate consulting and full service residential and commercial appraisal firm, and co-founder of START School of Real Estate, LLC, a real estate education school focused on student success in real estate sales & management.

Vic is a “Certified” Instructor and a graduate of (ITI) the Instructor Training Institute and a DREI Candidate. Vic has authored and taught numerous real estate brokerage CE courses since 1998, and also teaches Pre-licensing and Post-licensing classes.

Vic holds a BS in Civil Engineering from NC State University and was a practicing professional engineer with the Bechtel Corporation, a multi-national construction and engineering firm based in San Francisco, prior to his real estate profession.

Vic was a Governors appointee to the NC Real Estate Commission in 2009 and served as Chairman from 2013 through 2014. Vic currently serves on the NC State Bar’s Board of Legal Specialization.



# START

## School of Real Estate

### READ IMMEDIATELY UPON CHECKING IN

#### Basic CE Requirement (21 NCAC 58A.1702)

The CE requirement to maintain a license on active status is **eight (8) classroom hours per year** (each license period) consisting of the annual four (4) hour Real Estate Update course (mandatory for all Brokers) and a four (4) hour elective each license year.

#### Important Points to Note

- Newly licensed Brokers do NOT need to take any CE prior to their **first license renewal** but must satisfy the CE requirement prior to their **second license renewal**.
- A course may not be taken for CE credit twice in the same license period. Make sure you have not already taken this course during the current license period.
- If your license is **inactive**, you should check with the Commission to ascertain the amount of CE you need to activate your license.

#### Attendance Requirement

In order to receive CE credit for a course, students must attend the entire scheduled class session. Education Providers and instructors may, on an individual basis, excuse a student for good reason for up to 10% of the scheduled class session (20 minutes for a 4-hour class); however, a student must attend a minimum of 90% of the scheduled class in order to receive a course completion certificate and CE credit. No exceptions to the 90% attendance requirement are permitted for any reason. **However**, a student **may NOT miss** any of the last 20 minutes of any 4-hour CE course session.

#### Student Participation Requirement

To assure the mandatory continuing education program will be of high quality, students must comply with the following participation standards:

A student shall direct his active attention to the instruction being provided and refrain from engaging in activities unrelated to the instruction which are distracting to other students or the instructor, or which otherwise disrupt the orderly conduct of a class.

**Examples of Prohibited Conduct:** Sleeping; reading a newspaper or book; performing office work; carrying on a conversation with another student; making or receiving a phone call on a cellular phone; receiving a page on a pager that makes a noise; loudly rattling or shifting papers; or repeatedly interrupting and/or challenging the instructor in a manner that disrupts the teaching of the course.

Education Providers and instructors will enforce student participation standards. Education Providers will NOT issue a course completion certificate to Broker who violates the standards and will report inappropriate behavior to the Commission.

### **Course Completion Reporting**

Education Providers are responsible for reporting course completion information to the Commission via the Internet within **7 days of course completion**. Brokers are responsible for assuring that the real estate license number that they provide to the course sponsor is correct.

Address comments/complaints on courses, instructors, and/or sponsors to:

**Education Approval & Renewal Officer**

North Carolina Real Estate Commission

P.O. Box 17100

Raleigh, North Carolina 27619-7100

(919) 875-3700

EDUC@NCREC.gov

### **Certificates of Course Completion**

Education Providers will provide each Broker who satisfactorily completes an approved CE course a Certificate of Completion on a form prescribed by the Commission. The certificate should be retained as the Broker's personal record of course completion. **It should not be submitted to the Commission unless the Commission specifically requests it.**

Always check your **current year's** CE credits online at the Commission's website: [www.NCREC.gov](http://www.NCREC.gov).

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**NOTE:** Sources utilized in this course include the *North Carolina Real Estate Commission Real Estate Manual*, The North Carolina Real Estate Commissions Publication *License Law and Commission Rules*, the North Carolina Real Estate Commission *Real Estate Bulletins*, and the North Carolina Association of REALTORS® Legal Hotline, Manuals, Q&A's & NAR's REALTOR® Code-of-Ethics.

**Purpose of the Course:**

The purpose of the course is to prepare Brokers with competent methods to prepare a CMA or BPO that fulfills the brokers fiduciary duties to their Seller or Buyer client when providing advice on pricing a property to sale, buy or lease. The intent is to also maintain Objectivity, Impartiality and Independence when preparing a CMA or BPO. This course also covers the Fiduciary Duties and regulatory responsibilities of a NC Real Estate Broker working on behalf of a Seller Client which includes the professional analysis and preparation of a CMA report explaining why a specific marketing price best represents the client's interest and most probable sales price that the market will pay. Such a Duty is the same regardless if the Broker is preparing a CMA/PBO or providing any other advice when marketing a property. This course further explains the simultaneous application of the Law of Agency to all brokerage services provided, including the analysis and preparation of a CMA.

The North Carolina Real Estate Commission (NCREC) is charged with regulating licensed brokers who are engaged in the preparation of a CMA or BPO specifically to benefit Seller or Buyer clients in transactions involving buying, selling, or leasing properties located in North Carolina. This course is specifically designed to help brokers better understand, and be in compliance with, the NC North Carolina Real Estate License Law and Commission Rules when pricing properties on behalf of clients while practicing real estate brokerage.

**COURSE OBJECTIVES:**

The primary objective of this course is to prepare brokers with the knowledge, skill, and competency to be better prepared to assist and advise Seller or Buyer clients with the applicable Real Estate License Law (93A) and the NCREC Rules (AC 21.58A) related to preparing a CMA. Brokers will be better prepared to competently develop a CMA under their brokerage practice by being better prepared to protect the consuming public through their actions and the firms they are affiliated with.

**COURSE Overview:**

Typically, the number one question that both sellers and buyers ask is how much is it? Although they may phrase the question differently, both sellers and buyers want to know the same bottom-line answer: **What is the price?**

Sellers and buyers expect real estate brokers who they employ to provide on-target, informed, and objective advice on **Price**. Off-target pricing has serious consequences—buyers overpaying, sellers receiving less than market price, financing issues, being dissatisfied, and possibly becoming a litigious client.

Preparing the CMA is an essential skill for real estate brokers. Working through the process of a comparative market analysis (CMA) provides a timely and objective opinion of price or price-range based on the market realities in the area of the subject property. The well-developed CMA prepares sellers, guides buyers, and helps real estate brokers develop an appropriate market-derived pricing strategy.

An appropriately developed pricing strategy focuses on building a brokers' knowledge base and sharpening a broker's skills so that seller and buyer clients feel they can rely on the brokers' recommendations when it comes to pricing a property. Although the CMA may be used for a variety of purposes, this course focuses on its purpose in selling and buying residential real estate.

An excerpt from Appendix B [Definitions] of Chapter 15 of the North Carolina Real Estate Manual [Real Estate Valuation], describes the Duty under the Law of Agency & the Duty under License Law as follows:

Brokers are required by NC General Statute 93A (Real Estate License Law) to comply with all NC Real Estate License Laws and NC Real Estate Commission Rules. License Law authorizes the Commission to take disciplinary action against the broker for "... making any willful or negligent misrepresentation or any willful or negligent omission of a material fact ..." [N.C.G.S. §93A-6(a)-1] and for "... Being unworthy or incompetent to act as a real estate broker in a manner as to endanger the interest of the public [N.C.G.S. §93A-6(a)-8]."

"Thus, a real estate broker performing any brokerage service, including CMA or BPO, must perform such service in a competent manner that avoids making misrepresentation or omission of a material fact such as the probable selling or leasing price of a property."



Violation of §N.C.G.S. 93A and/or NC Real Estate Commission Rules may subject a broker to disciplinary action for failure to comply. It must also be noted that violating any NC Real Estate Commission Rule is also violating NC Real Estate Commission Law: [§N.C.G.S. 93A-6(a)(15)].

An additional concept that brokers must understand is that of Improper Dealing [§N.C.G.S. 93A-6(a)(10)]. This broad provision prohibits a real estate broker from engaging in “any other conduct which constitutes improper, fraudulent or dishonest dealings.” The determination as to whether particular conduct constitutes “improper, fraudulent or dishonest dealings” is made by the NC Real Estate Commission on a case-by-case basis. Therefore, a broad range of conduct might be found objectionable under this provision, depending on the facts of the case. One category of conduct which violates this provision is any breach of the duty to exercise skill, care, and diligence on behalf of a client under the Law of Agency, and brokers are required to fulfill their fiduciary duties to their clients.

To these points, the NC Real Estate Manual clearly states “Under the law of agency, a real estate agent owes their client a **duty** to serve the client with skill, care and diligence including any information likely to influence the client’s decision. This means that a real estate agent has a **duty** to provide **competent** expert advice and assistance, and this includes the **duty** to provide the client with reliable information relating to the probable selling or leasing price of a property. Furthermore, a real estate broker must possess the **competence** needed to properly perform a CMA.”

Therefore, the primary objective of this course is to help brokers master a pricing strategy and their skills in assisting Clients with pricing residential properties, creating and presenting comparative market analyses (CMA’s), explaining pricing recommendations, dispelling buyer’s & seller’s misperceptions, and anxieties about pricing strategies, while keeping up to date on local market developments.

## How to Get the Most from this Course

- 1) **ASK QUESTIONS.** If you have a question, ask away! If you have an in-depth situation or issue you would like to discuss, please approach the instructor during breaks or after the course. Even though your instructor has a substantial amount of subject knowledge, he is limited to presenting the course information in the allotted course time. So, be respectful of his time and your fellow student's time when asking questions.
- 2) **TAKE NOTES.** Why let even one good idea get away? Taking notes will help you concentrate and organize your thoughts. Plus, they will allow you to take a "refresher" anytime in the future. **Hint:** The course materials are YOURS; make your notes clear as you write them. Few people ever have the luxury of rewriting their notes, no matter how good their intentions are.
- 3) **RELATE WHAT YOU LEARN TO YOURSELF.** Do not settle for "abstract" knowledge. Have your current problems, conflicts, and interests foremost in your mind. As you learn new approaches and techniques, relate them to your own situation. Apply the NC Real Estate License Law and NC Real Estate Commission Rules to your everyday brokerage service.
- 4) **MAKE A COMMITMENT TO REVIEW YOUR NOTES.** Take the time to review the notes you took. Concern yourself with what you can learn to improve your competency and effectiveness in applying your newly found knowledge to every residence you list, sell, or lease from now on.
- 5) **BE PREPARED.** When preparing yourself or the properties you and your firm represent, be careful to note the appropriate details of the property you are preparing a CMA on by **diligently inspecting those properties carefully.** Assemble a comprehensive list of questions to ask your seller clients about the relevant issues that will help facilitate a transaction that best benefits your clients in the normal course of your real estate brokerage practice.

# Section 1

## The Legal Basis of a CMA for Seller & Buyer Clients.

### Learning Objective:

Brokers will be able to competently identify and relate Article 6 of Real Estate License Law (93A) with a broker's compliance responsibilities to their Buyer and Seller Clients when preparing a CMA.

### Article 6 - § 93A

#### Broker Price Opinions and Comparative Market Analyses

##### § 93A-82. Definitions.

As used in this Article, the terms “broker price opinion” and “comparative market analysis” mean an estimate prepared by a licensed real estate broker that details the probable selling price or leasing price of a particular parcel of or interest in property and provides a varying level of detail about the property's condition, market, and neighborhood, and information on comparable properties, but does not include an automated valuation model.

##### COMENT:

The central point in the definition of BPO's & CMA's is the phrase “the probable selling price or leasing price”, which is essentially the same language Brokers operated under when preparing comparative market analysis (CMA's) prior to the enactment of Article 6 of the 93A-82 & 83 Statute.

**NOTE:** this course will focus primarily on competently developing a CMA on “Residential Properties” (single-family 1–4-unit properties), even though the capitalization method will be covered for the benefit to commercial brokers.

**§ 93A-83. Broker price opinions and comparative market analyses for a fee.**

(a) Authorized. – A person licensed under this Chapter, other than a provisional broker, may prepare a broker price opinion or comparative market analysis and charge and collect a fee for the opinion if:

- (1) The license of that licensee is active and in good standing; and
- (2) The broker price opinion or comparative market analysis meets the requirements of subsection (c) of this section.
- (3) The requirements of this Article shall not apply to any broker price opinion or comparative market analysis performed by a licensee for no fee or consideration.

(b) For Whom Opinion May Be Prepared. – Notwithstanding any provision to the contrary, a person licensed under this Chapter may prepare a broker price opinion or comparative market analysis for any of the following:

- (1) An existing or potential seller of a parcel of real property.
- (2) An existing or potential buyer of a parcel of real property.
- (3) An existing or potential lessor of a parcel of or interest in real property.
- (4) An existing or potential lessee of a parcel of or interest in real property.
- (5) A third-party making decisions or performing due diligence related to the potential listing, offering, sale, option, lease, or acquisition price of a parcel of or interest in real property.
- (6) An existing or potential lienholder or other third party for any purpose other than as the basis to determine the value of a parcel of or interest in property, for a mortgage loan origination, including first and second mortgages, refinances, or equity lines of credit.
- (7) The provisions of this subsection do not preclude the preparation of a broker price opinion or comparative market analysis to be used in conjunction with or in addition to an appraisal.

(c) Required Contents of a Broker Price Opinion or Comparative Market Analysis. – A broker price opinion or comparative market analysis shall be in writing and conform to the standards provided in this Article that shall include, but are not limited to, the following:

- (1) A statement of the intended purpose of the broker price opinion or comparative market analysis.
- (2) A brief description of the subject property and property interest to be priced.
- (3) The basis of reasoning used to reach the conclusion of the price, including the applicable market data or capitalization computation.
- (4) Any assumptions or limiting conditions.
- (5) A disclosure of any existing or contemplated interest of the broker issuing the broker price opinion, including the possibility of representing the landlord/tenant or seller/buyer.
- (6) The effective date of the broker price opinion.
- (7) The name and signature of the broker issuing the broker price opinion and broker license number.
- (8) The name of the real estate brokerage firm for which the broker is acting.
- (9) The signature date.
- (10) A disclaimer stating that "This opinion is not an appraisal of the market value of the property and may not be used in lieu of an appraisal. If an appraisal is desired, the services of a licensed or certified appraiser shall be obtained. This opinion may not be used by any party as the primary basis to determine the value of a parcel of or interest in real property for a mortgage loan origination, including first and second mortgages, refinances, or equity lines of credit."
- (11) A copy of the assignment request for the broker price opinion or comparative market analysis.

(d) Rules. – The North Carolina Real Estate Commission shall have the power to adopt rules that are not inconsistent with the provisions in this Article.

(e) Additional Requirements for Electronic or Form Submission. – In addition to the requirement of subsection (c) of this section, if a broker price opinion is submitted electronically or on a form supplied by the requesting party, the following provisions apply:

- (1) A signature required by subdivision (7) of subsection (c) of this section may be an electronic signature, as defined in G.S. 47-16.2.

(2) A signature required by subdivision (7) of subsection (c) of this section and the disclaimer required by subdivision (10) of subsection (c) of this section may be transmitted in a separate attachment if the electronic format or form supplied by the requesting party does not allow additional comments to be written by the licensee. The electronic format or form supplied by the requesting party shall do the following:

- a. Reference the existence of a separate attachment.
- b. Include a statement that the broker price opinion or comparative market analysis is not complete without the attachment.

(f) Restrictions. – Notwithstanding any provisions to the contrary, a person licensed pursuant to this Chapter may not knowingly prepare a broker price opinion or comparative market analysis for any purpose in lieu of an appraisal when an appraisal is required by federal or State law. A broker price opinion or comparative market analysis that estimates the value of or worth a parcel of or interest in real estate rather than sales or leasing price shall be deemed to be an appraisal and may not be prepared by a licensed broker under the authority of this Article, but may only be prepared by a duly licensed or certified appraiser, and shall meet the regulations adopted by the North Carolina Appraisal Board. A broker price opinion or comparative market analysis shall not under any circumstances be referred to as a valuation or appraisal.

(g) No Report of Predetermined Result. – A broker price opinion or comparative market analysis shall not include the reporting of a predetermined result. (2012-163, s. 2; 2012-194, s. 61.)

### **COMMENTS:**

§ 93A-83 authorizes persons licensed under § 93A (NC Real Estate License Law), other than a provisional broker, the lawful opportunity to prepare, under certain situations, a BPO or CMA and charge and collect a fee for such an opinion.

Note especially that under subsection (a) of § 93A-83 Provisional Brokers may **NOT** prepare BPO's or CMA's and charge or collect a fee. **ONLY** Non-Provisional Brokers (Full Brokers) can perform such services and charge and collect a fee.

A discussion of the three (3) conditions under which a broker can perform such services is centered around the licensee holding a current and active broker's license, being in good standing, and so long as the broker abides by the

requirements of subsection (c) of **§ 93A-83**. Additionally, if there is no fee or monetary consideration, then the requirements of **§ 93A-83** do not apply.

Subsection (b) describes “For whom an opinion may be prepared”. Existing clients and customers are easily understood. However, third parties who are making decisions or performing due diligence on a property is one of the allowable opportunities for brokers to perform BPO’s & CMA’s (for a fee). BPO & CMA services may be provided to existing or a potential lienholder, **other than** as the basis to determine the **value** of a parcel of or interest in property, for a mortgage loan origination, including first and second mortgages, refinances, or equity lines of credit. However, a BPO or CMA can be prepared to be used in conjunction with or in addition to an appraisal.

**Considerable CAUTION** should be made when performing a BPO or CMA service when the broker knows (or suspects) that the user of the BPO or CMA service might be relying solely on such service to make a “Lending Decision” of any kind. Under these circumstances, it is CLEAR that ONLY a licensed or certified appraiser can be providing a “**Valuation**” product for such “Lending Decisions”. The NC Appraisal Act (GS 93E) has NOT changed in this regard and can include significant sanctions for committing a **Class 1 Misdemeanor** (which is a criminal act).

At the heart of this law is subsection (c), which describes in detail the **REQUIRED Contents** of a BPO or CMA analysis, including the requirement to **be in writing** and the requirement to **conform to all the standards** provided in Article 6, specifically that a BPO or CMA shall include at least eleven (11) standards as described in subsection (c). Although all 11 standards are required, several appear to resonate, including the “statement of the intended purpose”, “The Basis of reasoning”, “assumptions or limiting conditions”, the “disclosure of any existing or contemplated interest”, “the name of the real estate brokerage firm for which the broker is acting”, the “disclaimer”, and “a copy of the assignment request”. The latter of these standards provides the beginning of addressing all the other standards and therefore it is critical that multiple questions need to be answered before accepting a BPO or CMA assignment and the answers should be incorporated into the written assignment request from the beginning of each assignment (an example is provided herein for brokers to consider following).

Additionally, the Statute provides the ability for the NC Real Estate Commission to adopt rules that are not inconsistent with the provision of this Act. The NC Real Estate Commission adopted such rules on September 5, 2012, and those rules will be covered in Sections 1 & 2 of this course.

Subsection (e) describes the additional requirements for electronic or form submission of BPO's and CMA's, which acknowledges electronic signatures as defined in GS 47-16.2, and the disclaimer as required in subdivision (10) of subsection (c). When coupled with the ability to transmit a BPO or CMA with a separate attachment, a BPO or CMA, when transmitted electronically, is not complete without such attachment, and must be clearly stated in the analysis.

There are RESTRICTIONS when a BPO or CMA can be or cannot be prepared. Notwithstanding any provisions to the contrary, a person licensed pursuant to 93A may NOT prepare a BPO or CMA for any purpose in lieu of an appraisal when an appraisal is required by federal or State law. As stated earlier, The NC Appraisal Act (GS 93E) has NOT changed to this regard and can include significant sanctions for committing a Class 1 Misdemeanor (which is a criminal act).

The final conclusion of this portion of Article 6 is that a "BPO or CMA cannot include the reporting or a predetermined result."

## **NAR Valuation Matrix**

This matrix explains the four most common valuation services used for real property transactions. The methods below are not necessarily mutually exclusive. Lenders, servicers, investors, and other professionals use one or more valuations depending on the type of transaction (purchase, refinance, short sale, due diligence, mediation, etc.) Often a valuation service is used to confirm, or quality check the results of a primary valuation (appraisal). For example, some lenders use AVMs to confirm results of an appraisal report in a purchase money transaction.



## NAR Valuation Matrix

For those brokers who are also REALTORS®, the following is an overview from NAR of the main valuation services used in residential real estate transactions.

Valuation	Defined	Who	Use
Appraisal	As defined by USPAP, it is the act or process of developing an opinion of value.	Licensed or certified appraisers	Generally used to value collateral in a real estate transaction.  Appraisals are required for most federally related transactions above \$250,000. Exceptions include transactions where no new money is involved.  In practice, appraisals are used for the vast majority of purchase money transactions involving a loan.  For the most part, lenders or servicers determine use of appraisal or other methodology for transactions that are not purchase money.
Automated Valuation Model (AVM)	Service or software that provides property valuations often based on mathematical modeling.	Lender, servicer appraisal staff, investor	Often used by lenders or secondary markets to confirm valuations provided in appraisal report; but should not solely be used to value collateral in a real estate transaction where a mortgage is being originated.  May be used as a valuation option for other transactions, such as refinances. Also used to verify appraisal reports.
Broker Price Opinion (BPO)	An estimate of the probable selling price of a property.	Real estate licensees	May be used, depending on state laws, for a variety of purposes including, loan modifications, short sales, and foreclosure/REO purchases, value trend analysis, mediation, and negotiation; but should not solely be used to value collateral in a real estate transaction where a mortgage is being originated.*
Comparative Market Analysis (CMA)	An estimate of the probable selling price of a property.	Real estate licensees	A CMA helps identify or project a house's listing or selling price. The CMA is not the only factor in determining listing price, rather it is a guide for the owner to see the active and sold competition, and is used to help the seller in choosing the listing price. May also be used, depending on state laws, for a variety of purposes including loan modifications, short sales, and foreclosure/REO purchases, value trend analysis, mediation, and negotiation; but should not solely be used to value collateral in a real estate transaction where a mortgage is being originated.*

## REALTOR® Code-of-Ethics & Standards of Practice

### Article 11

The services which REALTORS® provide to their clients and customers shall conform to the standards of practice and competence which are reasonably expected in the specific real estate disciplines in which they engage; specifically, residential real estate brokerage, real property management, commercial and industrial real estate brokerage, land brokerage, real estate appraisal, real estate counseling, real estate syndication, real estate auction, and international real estate.

REALTORS® shall not undertake to provide specialized professional services concerning a type of property or service that is outside their field of competence unless they engage the assistance of one who is competent on such types of property or service, or unless the facts are fully disclosed to the client. Any person engaged to provide such assistance shall be so identified to the client and their contribution to the assignment should be set forth. *(Amended 1/10)*

**Standard of Practice 11-1**

When REALTORS® prepare opinions of real property value or price they must:

- 1) be knowledgeable about the type of property being valued,
- 2) have access to the information and resources necessary to formulate an accurate opinion, and
- 3) be familiar with the area where the subject property is located unless lack of any of these is disclosed to the party requesting the opinion in advance.

When an opinion of value or price is prepared other than in pursuit of a listing or to assist a potential purchaser in formulating a purchase offer, the opinion shall include the following unless the party requesting the opinion requires a specific type of report or different data set:

- 1) identification of the subject property
- 2) date prepared
- 3) defined value or price.
- 4) limiting conditions, including statements of purpose(s), and intended user(s)
- 5) any present or contemplated interest, including the possibility of representing the seller/landlord or buyers/tenants.
- 6) basis for the opinion, including applicable market data.
- 7) if the opinion is not an appraisal, a statement to that effect.
- 8) disclosure of whether and when a physical inspection of the property's exterior was conducted.
- 9) disclosure of whether and when a physical inspection of the property's interior was conducted.
- 10) disclosure of whether the REALTOR® has any conflicts of interest  
*(Amended 1/14)*

**Standard of Practice 11-2**

The obligations of the Code of Ethics in respect of real estate disciplines other than appraisal shall be interpreted and applied in accordance with the standards of competence and practice which clients and the public reasonably require to protect their rights and interests considering the complexity of the transaction, the availability of expert assistance, and, where the REALTOR® is an agent or subagent, the obligations of a fiduciary. *(Adopted 1/95)*

### **Standard of Practice 11-3**

When REALTORS® provide consultive services to clients which involve advice or counsel for a fee (not a commission), such advice shall be rendered in an objective manner and the fee shall not be contingent on the substance of the advice or counsel given. If brokerage or transaction services are to be provided in addition to consultive services, a separate compensation may be paid with prior agreement between the client and REALTOR®. *(Adopted 1/96)*

### **Standard of Practice 11-4**

The competency required by Article 11 relates to services contracted for between REALTORS® and their clients or customers; the duties expressly imposed by the Code of Ethics; and the duties imposed by law or regulation. *(Adopted 1/02)*

## It's ALL about the "Price". It's NOT Value, NOT Worth, & NOT Appraisal

### Article 6 § 93A-82 and § 93A-83:

In the context of a valuation of real property, the terms VALUE & WORTH are statutorily "Restricted" in the development of a BPO or CMA, and when used are furthermore "deemed an appraisal and may NOT be prepared by a licensed broker" ... " but may only be prepared by a duly licensed or certified appraiser."

Furthermore, "a BPO or a CMA shall not under any circumstances be referred to as a valuation or appraisal."

**Therefore, cost, price, and value are distinctly different concepts, seldom equal amounts, and not interchangeable.**

By Definition, a BPO and a CMA are an estimate prepared by a licensed real estate broker that details the probable selling price or leasing price of a particular parcel of or interest in a property.

**A licensed broker is ONLY authorized to develop the probable listing price, probable sales price, or probable leasing price of a parcel of real estate.**

**NOTE:** Brokers are prohibited from utilizing the Cost Approach in any fashion, including development of a BPO or a CMA.

Additionally, there are statutorily required contents in every BPO or CMA.

**COST** - The total amount spent to acquire or build a property or property component. The cost is a historic quantity and does not vary over time. For example, a \$15,000 expenditure to re-roof a house is a one-time cost.

**PRICE** - The amount at which a property is currently being marketed or was sold at a specific point in time. Price might or might not reflect appraised market value.

**MARKET PRICE** - The actual selling/purchasing price of a property. Buyers and sellers set the market price, which may differ from an appraised value.

**MARKET VALUE** - The most likely sale price of a property in an arms-length transaction. Market conditions change constantly, and the market value is set by what the buyer is willing to pay, and a seller is willing to sell for a moment in time. Market value rises or falls over time and is based on specific factors of the local economics of supply and demand.

**Fannie Mae** — the Federal National Mortgage Association (FNMA) defines market value a bit more formally than the definition provided.

According to Section B4-1.1-01 of the Fannie Mae Single-Family Selling Guide, **Market Value** is:

The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- 1) Buyer and seller are typically motivated;
- 2) Both parties are well informed or well advised, and each acting in what he or she considers his/her own best interest;
- 3) A reasonable time is allowed for exposure in the open market.
- 4) Payment is made in terms of cash in U.S. Dollars or in terms of financial arrangements comparable thereto; and
- 5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Because it is the national's pre-eminent supplier of home mortgage funds, Fannie Mae's definition and standards have particular significance in pricing properties.

## **DISCUSSION – What is Important & what is Relevant ?**

### **BUILDING COMPETENCY**

Competency is acquired through experience and partnering with other experienced, knowledgeable, and competent brokers. No one comes into the brokerage business competent. In their early years of practice, brokers might find themselves wading into "new waters" and doing things in real estate they have not done before. However, brokers must recognize when the level of competence

required is beyond their abilities, then act professionally and either partner with another competent broker or refer the business to another competent broker. These requirements are incumbent on all brokers & appraisers.

Article 11 of the REALTOR® Code of Ethics states that REALTORS® can “engage the assistance of one who is competent” when they endeavor to provide services outside their own field of competence. When others are involved, the REALTOR® must identify them and describe their specific contribution to the client.

As an example: a real estate broker who is asked to price and list a commercial property, but who has always focused on residential properties. The sellers know the real estate professional personally and prefers that broker to represent them. The real estate broker should seek the assistance of a commercial broker, and expect to pay for that assistance, either in a split commission or a referral fee, and inform the seller client of the other broker's involvement. These actions are a clear demonstration of acting competently and in the best interest of the seller client.

## **Beneficiaries of a Competently Prepared CMA**

Sellers, buyers, and real estate professionals all use and benefit from CMAs.

### **SELLERS**

**SELLERS RECEIVE A FACT-BASED, OBJECTIVE ASSESSMENT OF THEIR HOME'S MARKETING PRICE.**

A CMA provides the data and reasoning to help sellers see not only the potential marketing price of their home, but also why that price is accurate.

**SELLERS DON'T EXPERIENCE THE STRESS AND DISRUPTION THAT CAN OCCUR WHEN HOMES LANGUISH ON THE MARKET.**

When sellers understand the objective logic for pricing their home, they are more likely to list it at an accurate price and experience a quick and efficient sale. A prompt sale avoids much of the stress and disruption of repeated showings. If under pressure to move, for example, for a job transfer, downsizing, or any number of other motivating reasons, including affordability issues, then a timely and efficient sale saves sellers further anxiety.

**SELLERS ARE INFORMED AGAINST UNDERPRICING THEIR HOME.**

A competently prepared CMA helps inform sellers against underpricing as well as overpricing a home. Sometimes sellers underprice their property, such as when heirs want a quick sale in order to distribute estate assets. On the other side, every real estate broker has a story (probably many stories!) of sellers who overestimated the pricing of their home. Consider what happens when sellers accept a high offer, but the appraised value is less than the offer price. Many factors can contribute to this misperception of inaccurate pricing. Sellers might hear exaggerated sales amounts for neighboring homes through local gossip. They might apply broad market trends and simplistic assumptions to produce an unreasonably high marking price. They might believe they can recoup the cost of every home improvement they have made over the years (Dollar-for-Dollar). Perhaps above all, they attach a high marketing price to their home based on the emotional affection they have to their home.

**BUYERS**

- 1) Buyers receive objective information about homes and local markets.
- 2) Buyers are less likely to lose the home they really want because their Offer is too low.
- 3) Buyers are less likely to encounter problems obtaining a Mortgage because the house appraises below the Offer Price.

**NOTE: REPRESENTING BOTH SELLER AND BUYER?**

Are you acting as a disclosed dual agent in a transaction and if you prepare a CMA for the seller while acting as a disclosed dual agent, you must also prepare a CMA for the buyer. Lack of a CMA for either party puts that party who isn't provided a CMA at a distinct disadvantage, and the broker may not have fulfilled their fiduciary duty to the client who did not receive an impartial nor objective CMA.

# Contents of a Competently Prepared CMA

## SUBJECT PROPERTY

The property that is the subject of the CMA.

## CONFORMITY

Maximum marketing price is created when the property is in harmony with its surroundings. A property will bring the highest price if it is similar in design, construction, size, and age to surrounding properties and conforms to existing neighborhood standards.

## COMPARABLES

Recently sold properties in the market of the subject property that are **substantially alike**. Comparables (Comps) provide the best representative basis for determining the best market price for the subject property.

## COMPETITION

A currently listed property that can compete for buyers of the subject property.

## ADJUSTMENT

The amount added to or subtracted from the sales price of a comparable property to calculate the most probable marketing price of the subject property. Not all comparables require adjustments.

## CONTRIBUTION

The contribution by any part of a property to the marketing price of the property is measured by its effect on the whole. Marketing price, however, can decrease as the number of features increases. Compare a three-bedroom home with one bath compared to a three-bedroom with two baths. The second bath will add significantly to the marketing price, but the price of the third bath would not equal the second. The other principle of contribution is apparent in the difference between the contribution of a swimming pool or indoor basketball court compared to an updated kitchen or bath. The updated kitchen and bath will likely contribute more to the marketing price of the property than the pool or basketball court, whereas in some regions and markets the pool might contribute more.

### REGRESSION

The principle that a higher-priced property is worth less if located amid lower-priced properties.



**PROGRESSION**

The principle that the marketing price of an inferior property is enhanced if surrounded by properties which would bring a higher market price.

**SUBSTITUTION**

The maximum marketing price of a property is set by what the market will pay to purchase an equal property. Buyers will not pay more for a property than an equivalent property can be purchased at an equivalent location. The principle of substitution is the basis of the adjustments to the comparables in the CMA.

**SALES COMPARISON APPROACH**

The sales comparison approach is generally the only method used by real estate brokers and is the heart of the CMA process. In the sales comparison approach, the subject property is compared to recently sold comparable properties and adjustments are made for the differences between the subject and each comparable.

Appraisers may use this approach or others, such as the cost approach and/or income approach.

**NOTE:** Brokers are statutorily prohibited from utilizing the cost approach in a CMA or BPO.

## EXERCISE: WHAT WOULD YOU DO?

Ruth is a long-time resident and active real estate broker in Raleigh. She concentrates her brokerage practice on the north side of Raleigh because that's where she lives and where her office is located. She prospects exclusively in several residential subdivisions on the north side of Raleigh. In the following scenarios, is Ruth competent to develop a price opinion on her own? If not, what assistance should she enlist? What would you do?

### SCENARIO #1

Ruth is asked to price a property in one of the residential subdivisions where she is highly active and regularly prospects for new business.

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### SCENARIO #2

Ruth has a good friend on the south side of Raleigh who asks for her help in pricing his home to sell. Ruth is not familiar with the south side of Raleigh, but the MLS she subscribes to encompasses it. Her company has a branch office on the south side, and she knows many of the agents in that office.

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### SCENARIO #3

Ruth has a close friend who owns a weekend ocean front cottage located a three-hour drive on the coast. The friend wants to know a price at which to sell it. Ruth has been to the cottage once for a holiday weekend. At a state convention, Ruth talked to a real estate professional who specializes in recreational property in that part of the state. He said, "It's a very unusual market. Each coastal community has its own set of market prices. Ocean front versus Sound side has a distinct difference, as well as how deep the water is if on the sound side."

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## EXERCISE: COMPETENCY SELF-ASSESSMENT

Look at this list of types of real estate and for each type do one of the following three actions:

Draw a **circle** around it if, "I'm competent to do this on my own."  
 Place a **checkmark** next to it if, "I would need expert help."  
 Draw a **line** through it if, "This is outside my competence, or not applicable to to my brokerage practice."

### 1. RESIDENTIAL REAL ESTATE

### 2. COMMERCIAL REAL ESTATE

New construction	Offices
Resale homes	Strip malls
Condominiums	Shopping centers
Co-ops	Stores
Townhouses	Restaurants
Houseboat	Mixed use buildings
Duplexes	Medical buildings
Luxury high-value homes	Educational buildings
Historic homes	Hotels
Vacation homes	Multi-Family
Multi-Generational	
REO	

### 3. INDUSTRIAL

### 4. LAND

Manufacturing buildings and property	Vacant land
Warehouses	Agricultural
Logistics facilities	Ranch
	Undeveloped
	Early development
	Subdivision
	Reuse, brownfields
	Mineral-Rights
	Air-Rights

# Section 2

## Selecting The BEST Comparables

### Learning Objective:

By the end of this section, brokers will be able to identify and explain the process of selecting the most similar comparables that meet the requirements of the assignment & develop a competent CMA, which meets **Real Estate License Law.**

**§ 93A-82 & § 93A-83 and Rule A.2201 & A.2202.**

### The Process of Developing a CMA

We will summarize the steps in the competent development of a **CMA** by a broker in compliance with **Article 6 of § 93A-82 & § 93A-83.**

### The Broker **MUST** be Competent & Qualified

When a broker is approached to perform a CMA, the broker must first make sure they are qualified and competent to perform the assignment.

- 1) The broker must have a “Current & Active” real estate broker license.
- 2) The broker must determine if they possess the knowledge and experience (competence) necessary to perform the assignment. A broker is expected to process the minimum competence necessary to perform a CMA related to a **Residential 1-4 Unit Property** using the sales comparison and/or Gross Rent Multiplier (**GRM**) approaches - (Commercial Brokers utilize Capitalization)
- 3) The broker must possess all the following in the area of the subject property's geographic location:
  - A) Knowledge of the current local real estate market.
  - B) Direct access to current market sales or leasing data; and
  - C) Actual brokerage or appraisal experience [Rule - 58A.2202(b)].
- 4) The broker must ensure that they disclose to the client any existing or contemplated conflicts of interest.

## The CMA & the FANNIE MAE GUIDELINES

According to Fannie Mae, a property is comparable if the market considers it a competitive substitute. Although the FNMA Selling Guide addresses appraisers, real estate brokers can apply the same guidance when choosing comparables. Many lenders and underwriters follow the FNMA guidelines, so using them in CMA preparation increases the likelihood that your pricing recommendation will best mesh with the eventual formal Fannie Mae compliant appraisal.

Comparables do not need to be identical to the subject but should be as similar as possible (similar physical, function, and legal characteristics).

Comparables should appeal to the same probable buyers (market participants) as the subject.

If a selected comparable is significantly different from the subject, it is necessary to adjust its price to reflect the differences (consider these factors in adjusting what the market has priced for the difference).

Comparables should come from within the same neighborhood as the subject whenever possible. But this guideline is flexible if the best comparables available are in competing neighborhoods.

If the best and most appropriate comparable sales are not the most recent or if there are not 3 truly comparable sales in the area, older sales comps may be used. Generally, it is preferable to use an older comp with a time adjustment rather than a more recent sale that would require multiple significant adjustments or a comp in a different neighborhood.

If true comparables cannot be found for the subject, it might be necessary to use vastly different properties as comparables.

## RELEVANT CHARACTERISTICS

Relevant characteristics are physical, functional, or economic features which impact the marketing price of the property. Relevant characteristics are why, when you have a property with a lot of land, the most important thing is the land. The price per square foot of a house on a 100-acre parcel is much less relevant.

## 1<sup>st</sup> Step

A broker **MUST** clearly identify the property (or property interest) to be priced and the purpose and scope of the assignment, including any assumptions or limiting conditions - [NCREC Rule 21 NCAC 58A.2201 and 58A.2202].

## 2<sup>nd</sup> Step

Collect Data on the Subject Property (the important stuff).

- Inspection of the Subject Property – **Site** – (What do you look for?)  
(What do you look at?)
- Improvements** – (What do you look for?)  
(What do you look at?)
- Outside** – (What do you look for?)  
(What do you look at?)
- Inside** – (What do you look for?)  
(What do you look at?)

**NOTE:** NCREC Rules REQUIRE brokers to personally inspect the exterior and the interior of the subject property, unless waived in writing [58A.2202(d)].

**HINT:** The subject property data should typically mirror the characteristics that Fannie Mae and Freddie Mac require of appraisers who perform appraisals for mortgage lending purposes.

The specific characteristics can best be identified from a review of the Fannie Mae/Freddie Mac Single-Family Residential Form 1004.

## EXERCISE:

How many characteristics can you identify from the Fannie Mae Form 1004 ?

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Which of those characteristics are the IMPORTANT ones for a Broker to know ?

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Which of those characteristics are the CRITICAL ones for a Broker to know ?

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## Uniform Residential Appraisal Report

File #

The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.

Property Address	City	State	Zip Code
Borrower	Owner of Public Record		County
Legal Description			
Assessor's Parcel #	Tax Year	R.E. Taxes \$	
Neighborhood Name	Map Reference	Census Tract	
Occupant <input type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant	Special Assessments \$	<input type="checkbox"/> PUD	HOA \$ <input type="checkbox"/> per year <input type="checkbox"/> per month
Property Rights Appraised <input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold <input type="checkbox"/> Other (describe)			
Assignment Type <input type="checkbox"/> Purchase Transaction <input type="checkbox"/> Refinance Transaction <input type="checkbox"/> Other (describe)			
Lender/Client		Address	
Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal? <input type="checkbox"/> Yes <input type="checkbox"/> No			
Report date source(s) used, offering price(s), and date(s).			
<input type="checkbox"/> did <input type="checkbox"/> did not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed.			
Contract Price \$	Date of Contract	Is the property seller the owner of public record? <input type="checkbox"/> Yes <input type="checkbox"/> No Date Source(s)	
Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower? <input type="checkbox"/> Yes <input type="checkbox"/> No			
If Yes, report the total dollar amount and describe the items to be paid.			
Note: Race and the racial composition of the neighborhood are not appraisal factors.			
Neighborhood Characteristics		One-Unit Housing Trends	
Location <input type="checkbox"/> Urban <input type="checkbox"/> Suburban <input type="checkbox"/> Rural	Property Values <input type="checkbox"/> Increasing <input type="checkbox"/> Stable <input type="checkbox"/> Declining	PRICE	AGE
Built-Up <input type="checkbox"/> Over 75% <input type="checkbox"/> 25-75% <input type="checkbox"/> Under 25%	Demand/Supply <input type="checkbox"/> Shortage <input type="checkbox"/> In Balance <input type="checkbox"/> Over Supply	\$ (000)	(yrs)
Growth <input type="checkbox"/> Rapid <input type="checkbox"/> Stable <input type="checkbox"/> Slow	Marketing Time <input type="checkbox"/> Under 3 mths <input type="checkbox"/> 3-5 mths <input type="checkbox"/> Over 5 mths	Low	High
Neighborhood Boundaries		Present Land Use %	
		One-Unit %	
		2-4 Unit %	
		Multi-Family %	
		Commercial %	
		Other %	
Neighborhood Description			
Market Conditions (including support for the above conclusions)			
Dimensions	Area	Shape	View
Specific Zoning Classification		Zoning Description	
Zoning Compliance <input type="checkbox"/> Legal <input type="checkbox"/> Legal Nonconforming (Grandfathered Use) <input type="checkbox"/> No Zoning <input type="checkbox"/> Illegal (describe)			
Is the highest and best use of the subject property as improved (or as proposed per plans and specifications) the present use? <input type="checkbox"/> Yes <input type="checkbox"/> No If No, describe			
Utilities	Public	Other (describe)	Off-site Improvements—Type
Electricity <input type="checkbox"/>	<input type="checkbox"/>	Water <input type="checkbox"/>	Street <input type="checkbox"/>
Gas <input type="checkbox"/>	<input type="checkbox"/>	Sanitary Sewer <input type="checkbox"/>	Alley <input type="checkbox"/>
FEMA Special Flood Hazard Area <input type="checkbox"/> Yes <input type="checkbox"/> No		FEMA Flood Zone	FEMA Map #
Are the utilities and off-site improvements typical for the market area? <input type="checkbox"/> Yes <input type="checkbox"/> No If No, describe		FEMA Map Date	
Are there any adverse site conditions or external factors (easements, encroachments, environmental conditions, land uses, etc.)? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, describe			
General Description		Foundation	Exterior Description
Units <input type="checkbox"/> One <input type="checkbox"/> One with Accessory Unit	Concrete Slab <input type="checkbox"/> Crawl Space	Foundation Walls	Floors
# of Stories	Full Basement <input type="checkbox"/> Partial Basement	Exterior Walls	Walls
Type <input type="checkbox"/> Det. <input type="checkbox"/> Att. <input type="checkbox"/> S-Det./End Unit	Basement Area sq. ft.	Roof Surface	Trim/Finish
<input type="checkbox"/> Existing <input type="checkbox"/> Proposed <input type="checkbox"/> Under Const.	Basement Finish %	Gutters & Downspouts	Bath Floor
Design (Style)	Outside Entry/Exit <input type="checkbox"/> Sump Pump	Window Type	Bath Wainscot
Year Built	Evidence of <input type="checkbox"/> Infestation	Storm Sash/Insulated	Car Storage <input type="checkbox"/> None
Effective Age (Yrs)	<input type="checkbox"/> Dampness <input type="checkbox"/> Settlement	Screens	<input type="checkbox"/> Driveway # of Cars
Attic <input type="checkbox"/> None	Heating <input type="checkbox"/> F/WA <input type="checkbox"/> H/WBS <input type="checkbox"/> Radiant	Amenities <input type="checkbox"/> Woodstove(s) #	Driveway Surface
<input type="checkbox"/> Drop Stair <input type="checkbox"/> Stairs	<input type="checkbox"/> Other Fuel	<input type="checkbox"/> Fireplace(s) #	<input type="checkbox"/> Garage # of Cars
<input type="checkbox"/> Floor <input type="checkbox"/> Scuttle	Cooling <input type="checkbox"/> Central Air Conditioning	<input type="checkbox"/> Patio/Deck <input type="checkbox"/> Porch	<input type="checkbox"/> Carport # of Cars
<input type="checkbox"/> Finished <input type="checkbox"/> Heated	<input type="checkbox"/> Individual <input type="checkbox"/> Other	<input type="checkbox"/> Pool <input type="checkbox"/> Other	<input type="checkbox"/> Att. <input type="checkbox"/> Det. <input type="checkbox"/> Built-In
Appliances <input type="checkbox"/> Refrigerator <input type="checkbox"/> Range/Oven <input type="checkbox"/> Dishwasher <input type="checkbox"/> Disposal <input type="checkbox"/> Microwave <input type="checkbox"/> Washer/Dryer <input type="checkbox"/> Other (describe)			
Finished area above grade contains:		Rooms	Bedrooms
		Bath(s)	Square Feet of Gross Living Area Above Grade
Additional features (special energy efficient items, etc.)			
Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.).			
Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, describe			
Does the property generally conform to the neighborhood (functional utility, style, condition, use, construction, etc.)? <input type="checkbox"/> Yes <input type="checkbox"/> No If No, describe			

### Uniform Residential Appraisal Report

File #

There are comparable properties currently offered for sale in the subject neighborhood ranging in price from \$ \_\_\_\_\_ to \$ \_\_\_\_\_

There are comparable sales in the subject neighborhood within the past twelve months ranging in sale price from \$ \_\_\_\_\_ to \$ \_\_\_\_\_

FEATURE	SUBJECT	COMPARABLE SALE # 1			COMPARABLE SALE # 2			COMPARABLE SALE # 3				
Address												
Proximity to Subject												
Sale Price	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____		
Sale Price/Gross Liv. Area	\$ _____ sq. ft.	\$ _____ sq. ft.	\$ _____ sq. ft.	\$ _____ sq. ft.	\$ _____ sq. ft.	\$ _____ sq. ft.	\$ _____ sq. ft.	\$ _____ sq. ft.	\$ _____ sq. ft.	\$ _____ sq. ft.		
Date Source(s)												
Verification Source(s)												
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	
Sale or Financing Concessions												
Date of Sale/Time												
Location												
Leasehold/Fee Simple												
Site												
View												
Design (Style)												
Quality of Construction												
Actual Age												
Condition												
Above Grade	Total Bdrms. Baths	Total Bdrms. Baths		Total Bdrms. Baths		Total Bdrms. Baths		Total Bdrms. Baths		Total Bdrms. Baths		
Room Count												
Gross Living Area	sq. ft.	sq. ft.		sq. ft.		sq. ft.		sq. ft.		sq. ft.		
Basement & Finished Rooms Below Grade												
Functional Utility												
Heating/Cooling												
Energy Efficient Items												
Garage/Carport												
Porch/Patio/Deck												
Net Adjustment (Total)			\$ _____				\$ _____				\$ _____	
Adjusted Sale Price of Comparables		Net Adj. %	\$ _____		Net Adj. %	\$ _____		Net Adj. %	\$ _____		Net Adj. %	\$ _____
		Gross Adj. %	\$ _____		Gross Adj. %	\$ _____		Gross Adj. %	\$ _____		Gross Adj. %	\$ _____

did  did not research the sale or transfer history of the subject property and comparable sales. If not, explain \_\_\_\_\_

My research  did  did not reveal any prior sales or transfers of the subject property for the three years prior to the effective date of this appraisal.  
Date source(s) \_\_\_\_\_

My research  did  did not reveal any prior sales or transfers of the comparable sales for the year prior to the date of sale of the comparable sale.  
Date source(s) \_\_\_\_\_

Report the results of the research and analysis of the prior sale or transfer history of the subject property and comparable sales (report additional prior sales on page 3).

ITEM	SUBJECT	COMPARABLE SALE # 1	COMPARABLE SALE # 2	COMPARABLE SALE # 3
Date of Prior Sale/Transfer				
Price of Prior Sale/Transfer				
Date Source(s)				
Effective Date of Date Source(s)				

Analysis of prior sale or transfer history of the subject property and comparable sales \_\_\_\_\_

Summary of Sales Comparison Approach \_\_\_\_\_

Indicated Value by Sales Comparison Approach \$ \_\_\_\_\_

Indicated Value by: Sales Comparison Approach \$ \_\_\_\_\_ Cost Approach (if developed) \$ \_\_\_\_\_ Income Approach (if developed) \$ \_\_\_\_\_

This appraisal is made  "as is",  subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed,  subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or  subject to the following required inspection based on the extraordinary assumption that the condition or deficiency does not require alteration or repair: \_\_\_\_\_

Based on a complete visual inspection of the interior and exterior areas of the subject property, defined scope of work, statement of assumptions and limiting conditions, and appraiser's certification, my (our) opinion of the market value, as defined, of the real property that is the subject of this report is \$ \_\_\_\_\_, as of \_\_\_\_\_, which is the date of inspection and the effective date of this appraisal.



## SELECTING COMPARABLES

Selecting comparables starts with identifying the important characteristics of the subject property as these provide the benchmarks for identifying and sorting through potential comparables.

As identified, the important characteristics of the subject include the following:

**LOCATION:** Neighborhood, market area, proximity to retail or work.

Comparable properties should be as geographically proximate to the subject as possible. Depending mostly on how developed the surrounding area is to the subject. "Close" could range from the same building to a radius of five or more miles. Proximity or locational similarity are limiting factors.

Fannie Mae's General Location Guidelines per Geographic Area are:

<b>CITY/URBAN</b>	<b>SUBURBAN/ SMALL TOWN</b>	<b>RURAL</b>
<b>TARGET RADIUS:</b> (Up to 1.0 MILE)	<b>TARGET RADIUS:</b> (1-3 MILES)	<b>TARGET RADIUS:</b> (3-5 MILES)
Condominium: same building and floor plan Single-family home: One-half mile radius, same neighborhood Same school boundaries Public transportation routes, bus stop, subway stop.	Same subdivision Same neighborhood Same complex for multifamily homes Same school district Commuter rail station, bus stop	Same school system Same township Same Zip Code

**SIZE:** Bedrooms, bathrooms, living space, lot size, garage size or parking,

Comparables "Living Area" should be of similar size (+/-10%) in terms of both living area and lot size. The easiest search parameters are 1) Living Area & 2) room count (bedrooms & bathrooms). If any below-grade area is present, then similar functionality is typically and equally important for room counts.

MLSs tend to use measurements for "Living Area" (finished, heated & directly accessible square footage above-grade & below-grade), while appraisers only refer to square footage as above-grade gross living area (GLA).

NOTE: "Living Area" should be compared based on the NCREC Residential Square Footage Guidelines, or other identified acceptable methods.

Although a garage or carport are not part of the living area, where to park a vehicle is a size consideration. Does the subject property include a one- or two-car garage? If the property is a condominium unit, what are the parking arrangements? Is a parking space assigned, dedicated or is it real property?

The similarity of lot size in urban and suburban neighborhoods makes comparison of lot size more predictable and requires little, if any, adjustment. Rural and unique properties, however, may have a range of lot sizes which requires more analysis to determine an appropriate adjustment.

**STYLE:** Ranch, split-level, two-story, townhome, condominium, transitional

**AGE:** Year of construction (similar or dissimilar - no or possible adjustment)

**AMENITIES:** Pool, security system, fenced yard, deck, patio, screen porch. Can be everything from lofts to finished basements, soaker tubs to swimming pools, fireplaces to patios, and security systems to solar panels. Comparables should reflect the amenities or features of the subject as closely as possible.

**IMPROVEMENTS:** Additions, roof repair/replacement, updates, remodel, updated kitchen or bath, paint, replaced or updated floor. An improvement might be an over-improvement, depending on the local market and the probable buyer. An over improvement might require a negative adjustment.

**CONDITION:** repairs needed, deferred maintenance

**NEGATIVES:** Busy street, proximity to industrial district, (noise, light, odors, emissions, power lines, airport noise, landfills, etc.), other stigmas.

**DATE OF SALE:** A comparable should reflect a recent date of sale. The date of sale of a comparable should fall within 90 days of effective date of the CMA research. Absorption rates might assist with an adjustment, if any.

Fannie Mae Date of Sale Guidelines per Market Conditions

CHANGING MARKET	STABLE MARKET
More than a 3% increase or decrease in the last six months	No more than a 3% change in price in the last six months
<b>Comparables:</b> 90 days old or less	<b>Comparables:</b> 6 months old or less

### 3<sup>rd</sup> Step

Determine the Type of property being analyzed:

**Residential** – (Fannie Mae Defined as - Single-Family 1-4 Unit properties)

**Non-Residential** – (5-units or more, plus all other income producing properties & Land larger than a Building Lot)

**Brokers should consider the following when developing their CMA:**

- 1) For Single-Family detached residential properties, brokers should typically analyze the subject property by utilizing the characteristics detailed in Fannie **Mae form 1004**.
- 2) For 2-4-unit residential properties, brokers should typically analyze the subject property by developing and utilizing the Gross Rent Multiplier method (**GRM**).
- 3) For all other income producing properties, brokers should have significant expertise and experience with the type of property being analyzed (it's called **competency**), plus utilization of the **Income Capitalization Approach** - (**NOT** covered in this course).

**NOTE:** Style Types (Design) should be carefully considered when selecting potential comparables - (Comparables should closely mirror the subject).

**Ranch (1-Story)** – should be considered as a Style Category

**1.5 Story** – Might be included with 2-story (but not in all cases). Consider it a Style Category if the subject is also a 1.5 Story residence.

**2-Story & 2.5 Story** – Should be considered a Style Category

**Transitional** – Can be a Style Category, might be included with other Styles.

**Split-Level** – Should be considered a Style Category

**Manufactured Home** – is a Style Category (It is a Fannie Mae Category)

**Modular** – Might be included in any of the other Styles or as a Style Category (Remember, Lenders may have specific requirements)

**NOTE: Roof Design does NOT determine Style Types nor Design Types.**

## 4<sup>th</sup> Step

### Selection of the Comparables.

NCREC Rule 58A.2202(f) requires a minimum of 3 comparable properties to be included in the brokers' written CMA. The more similar the comparables are to the subject property coupled with the fewer adjustments for the differences, the more accurate the indication of probable selling price or marketing price will be.

Remember, the most important part of the sales comparison approach is the selection of the highest quality (MOST Comparable) comparable. When selecting comparables, the stronger the comparable the better the comparable will be as a substitute for the subject property (i.e., the more similar in physical features, functional utility, and comparable market location), the better the comparable.

**NOTE:** if the comparables are particularly good, then as few as 3 comparables may be sufficient, but if the comparables are less than high quality then more comparables should be utilized (up to as many as 6 comparables).

### Additional Considerations when selecting Comparables:

**Non-Arms-Length Transaction** – Sale between family members, Divorce & Property Settlements, and some Estate Settlements

**Distress Sales (REO)** – Bank Owned transactions, Bankruptcy sales, Foreclosure Sales, Short Sales, Wholesaling Transactions

**Highest & Best Use** – Use that produces the Highest Price to the Site

Physically Possible  
 Legally Permissible  
 Economically Feasible  
 Maximum Productivity

**NOTE:** It might be necessary to extensively research sales to discover a sufficient number of comparable sales (a minimum of 3 comparables) that will produce an analysis that complies with NCREC Rule 58A.2202(f). Under certain conditions, such research may produce more than the minimum number of comparables sufficient to satisfy the Rule, thus further filtering may be required to produce at least the 3 BEST Comparables for a credible analysis.

## Where can Brokers find Comparables ?

In preparing a credible CMA, brokers typically have several sources of transaction sales. Some of those sources are more credible and useful than others. To this point, NCREC Rule 58A.2202(b) requires brokers to have knowledge of the real estate market, direct access to real estate market sales or leasing data, sufficient brokerage, or appraisal experience in the subject property's geographic location.

**MLS** which typically covers a greater geographic area than were the subject property is located is typically the most reliable resource a broker can utilize (NOTE: access to a Regional MLS typically requires the broker to be a member of the National Association of REALTORS® plus subscribe to the MLS and adhere to their Rules and Requirements before access is allowed). A REALTOR® MLS is considered a high-quality source of verifiable real estate data. **NOTE:** Photographs of all comparables are an excellent source of information when analyzing any comparable (the more photos the more visual information that can be analyzed or verified. Thus, spend time to analyze the photos of each comparable).

**REALTOR.Com & RPR** are extensions of the Regional MLS (a REALTOR® based benefit with a public facing portal) and may provide limited information about the transaction details of the comparables being considered. NOTE: RPR® is a national repository of information on millions of properties in the United States. All REALTORS® have access to RPR® at no additional cost – it's an exclusive REALTOR® member benefit. RPR has a built-in Tool to assist in the development of a credible CMA, and REALTORS® should consider utilizing its data ([www.NARRPR.com](http://www.NARRPR.com)).

**Public Records** is another source of sales (Register of Deeds and Clerk of Court in the county where the properties are located). However, the degree of completeness and the details of the characteristics of the property sold and other terms and conditions of the sale is typically limited (or nonexistent) and thus this source is considered limited to the 1) date of sale, 2) sales price, or 3) age of the improvements on the site. Most other information contained in the public records is NOT considered reliable and is not usually verifiable from a secondary source. Unless the broker has access to the settlement documents on selling side or the buying side of the transaction or access to the settlement agent, then the details of the sale nor the details of the condition of the property and other terms and conditions are NOT available from public records nor otherwise verifiable.

**Company Files** are considered an excellent source of prior sales & listing information and should be sufficiently detailed to provide credible and reliable listing and sales data (review settlement statement, photos, interview the broker).

**NOTE:** Selecting comparables can pose challenges for a variety of reasons. The common thread among these reasons is that information about comparable properties is flawed, incomplete, or missing.

**INCORRECT OR MISLEADING INFORMATION IN DATABASES** For example, some aggregation sites are not always up to date, showing properties as listed for sale that have already closed. Pertinent details about a transaction may be missing, such as whether the seller contributed to the financing.

**NO PHOTOS** In response to buyers' concerns about privacy, listing agents may remove photos of sold properties. But photos are an important tool in selecting comparables and lack of access to them creates a disadvantage when preparing CMAs. Contacting the listing agent to ask for photos is one way to address this shortcoming. If this is a trend in your market area, consider downloading and saving photos when the listings are still active.

**CHANGING MARKETS** Volatile markets—rapid price increases or decreases complicate identification and evaluation of comparables. In such a market, the 90-day guideline might result in a candidate as a comparable property that might no longer be truly comparable with the subject.

**TOO MUCH PERSONAL PROPERTY IN CONTRACT** Some residential real estate transactions include tangible property (furniture & kitchen equipment) that is not classified as real estate (items such as furnishings, artwork, antiques, machinery, and equipment). For example, consider sellers of a lakefront property who include a sailboat or powerboat in the property sale, which skews the price. If used as a comparable, the sales price should be adjusted downward for the price of the boat. But a real estate broker who sees only the sale price in the MLS might fail to do so.

**NOT EVERY SALE IS A MARKET-DRIVEN TRANSACTION** The fact that a transaction is not arm's-length generally is not obvious from marketing sources such as the MLS. Finding this information may require a deep dive into public records or require a direct conversation with the listing or selling broker (or both) about actual transaction details. If the seller is the mortgage-holding financial institution, the property might be in foreclosure with a discounted sales price.

## COMPARABLE PROPERTY INSPECTION CHECKLIST

**LOCATION – (Address):** \_\_\_\_\_

Legal Considerations: \_\_\_\_\_

Distance from Subject: \_\_\_\_\_ HOA Fees: \_\_\_\_\_

Design (Style): \_\_\_\_\_ Community Amenity: \_\_\_\_\_

**SIZE – (“Living Area”):** \_\_\_\_\_

Bedrooms: \_\_\_\_\_ Bathrooms: \_\_\_\_\_

Lot size: \_\_\_\_\_ View: \_\_\_\_\_

Garage: \_\_\_\_\_ Size: \_\_\_\_\_ Attached: \_\_\_\_\_

Parking (Condos): \_\_\_\_\_ Off street: \_\_\_\_\_ Deeded: \_\_\_\_\_

Below-Grade Area: \_\_\_\_\_ % Finished: \_\_\_\_\_ BR/BA: \_\_\_\_\_

Heating/Cooling – (Fuel Source): \_\_\_\_\_

**CONDITION – (As Observed):** \_\_\_\_\_

Year Built: \_\_\_\_\_ Quality of Construction: \_\_\_\_\_

On-Site Amenities: \_\_\_\_\_

Improvements (Updates/Remodel): \_\_\_\_\_

Repairs: \_\_\_\_\_

Comments: \_\_\_\_\_

### DATE, PRICE, TRANSACTION

Date of Last Sale: \_\_\_\_\_ Previous Sales Price: \$ \_\_\_\_\_

Current List Price: \$ \_\_\_\_\_

Distressed Sale: \_\_\_\_\_ Non-Arms-Length: \_\_\_\_\_

### ADJUSTMENTS?

\_\_\_\_\_

\_\_\_\_\_

**USE THIS COMPARABLE PROPERTY?**

Yes

No

HOW TO BEST PRICE YOUR CLIENT'S PROPERTY

DIRECT SALES COMPARISON APPROACH

FEATURE	SUBJECT	Comparable #1		Comparable #2		Comparable #3	
Address:							
Proximity to Subject							
Sales Price							
Price/SF							
Data Source		MLS #		MLS #		MLS #	
Verification Source		Public Records		Public Records		Public Records	
Price Adjustments	Description	Description	(+/-) \$	Description	(+/-) \$	Description	(+/-) \$
Concession Amount							
Date of Sale							
Location							
Property Interest	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Site							
View							
Design							
Quality							
Age							
Condition							
Room Count							
Living Area							
Below Grade							
Functionality							
Heating/Cooling							
Garage/Carport							
Porch/Deck/Patio							
Fireplace							
Fencing/Storage							
Other							
Other							
Adjustments (+/-)			\$0		\$0		\$0
Adjustment (%)							
Adjusted Price			\$0		\$0		\$0

**RECONCILIATION:**

Based on a VISUAL EXTERIOR and INTERIOR inspection of the subject property, my opinion of the **Listing PRICE** Range of the Subject Property **as of July 21, 2024** (The Effective Date of this CMA report) is **between** \$\_\_\_\_\_ to \$\_\_\_\_\_.



## The REAL Question – Which Comps ?

What Metrics would you choose to compare with the Subject & Why ?

=====

### Comparing Comps:

There are many ways to “Compare” a Comp with the Subject, but the most critical metric to use are those comps that best represent what the “Market” says the Subject Properties Price is (as-of the effective date of the report, or CMA). To this point, each comparable needs to be compared on the most important metrics which includes the most critical metrics as well. The next question is, which metrics are the most important and are the most important metrics the most critical metrics? Only the “Market” can answer this question.

NOTE: These comparison metrics are driven by the “Market”. The “Market” is a direct reflection of how much Buyers are willing to pay for a property, including how much of a premium, in terms of money, Buyers will pay for certain characteristics the property exhibits. Those characteristics can vary from property to property, from location to location, including many other characteristics.

The market typically recognizes that “Location” is the most significant of the metrics to base comparison on (NOTE: if all the comps are from the same development, then “Location” may be insignificant, if any). Functionality is also one of the important metrics. The functionality of a property might include the number of bedrooms and baths, in addition to the size of the “Living Area”. The Buyers’ preferences and needs may include many other physical characteristics such as Decks, Porches, Garages, Below-Grade space as well as home-office space. Depending on the Buyers preferences or needs, certain additional characteristics such as multigenerational amenities or even on-site recreational amenities might be important to Buyers who set the market thru the negotiated purchase price.

Buyers intuitively use the principle of substitution when measuring these various metrics for what a Buyer will pay for certain amenities and not for others. The principle of substitution is also the basis used to determine the amount of any single adjustment (in terms of money) when comparing the comp to the subject.

In addition of other questions Buyers want answered is what is the size of the improvement (the residence)? Therefore, Brokers need to competently understand what the “Market” is currently paying for various sizes of residences. Buyers intuitively need a certain degree of functionality in the residence they decide to purchase, which includes the number of bedrooms (often it also includes the number of bathrooms) but will the residence being considered meet their space needs (does the size of the residence matter ?). **NOTE: Review the following table of potential comparables to be analyzed in the CMA exercise which follows:**

**Apparently, SIZE DOES MATTERS - (in more ways than just SF):**

Comp #	Sold \$\$	SF	\$/SF	Room #	DOM	Year	Style	Contract
<b>Subject</b>		<b>2,220</b>		<b>9/4/2.5</b>		<b>1996</b>	<b>2 Story</b>	
1	\$520,000	2,206	\$235.72	10/4.2.5	55	1999	2 Story	12/9/2022
2	\$530,000	2,525	\$209.90	10/4/2.5	44	1997	2 Story	12/19/2022
3	\$555,000	2,216	\$250.45	8/4/2.5	10	1993	2.5 Story	9/18/2023
4	\$568,000	2,314/1,171	\$245.46	10/5/3.5	25	2000	2 Story	4/5/2023
5	\$575,000	2,204/468	\$260.89	9/4/2.5	2	1992	2 Story	6/18/2023
6	\$590,000	2,521	\$234.03	10/4/2.5	44	1999	2 Story	1/24/2023
7	\$610,000	2,632	\$231.76	9/4/2.5	3	1998	2 Story	4/30/2023
8	\$615,000	2,457	\$250.31	8/3/2.5	4	1993	3 Story	3/27/2023
9	\$620,000	2,234	\$277.53	8/3/2.5	5	1989	2 Story	10/16/2023
10	\$640,000	2,802	\$228.41	10/4/2.5	5	1995	2 Story	7/19/2023
<b>Average</b>	<b>\$582,300</b>	<b>2,449</b>	<b>\$237.76</b>		<b>19.7</b>			
<b>Median</b>	<b>\$582,500</b>	<b>2,489</b>	<b>\$234.03</b>		<b>7.5</b>			

As an observation from the above data, Comp #4 & Comp #5 have below-grade space and are less comparable than others (Comp #4 also has 5 BR’s). Comp #3 & Comp #8 have a 3<sup>rd</sup> level. Comp #8 & Comp #9 only have 3 BR’s.

Of the remaining 5 Comps, Comp #7 & Comp #10 have more than 15% difference in “Living Area” than the subjects 2,220 SF of “Living Area”.


Therefore, Comp #1, Comp #2 & Comp #6 appear to be more similar to the subject than the other comparables.

Negatives may exist and further research may be necessary on a case-by-case basis, and as a competent real estate broker you will have to make that decision.

# EXERCISE: Comparable Selection


Subject Property characteristics are the basis which comparable sales are selected.

## SUBJECT PROPERTY:


	MLS #: 2482111 105 Tawny Ridge Lane Unit # Lot #: 51 Cary, NC 27513 (City Limits Of) Cary Subd: Silvercreek / Nghbd: Possession: At Time Of Closing Special Conditions No Special Conditions	<b>RESIDENTIAL</b> DOM: 61 LP: \$620,000
	<b>Directions</b>	
	From Cary Parkway, head south on NC54/Chapel Hill Road toward downtown Cary. Turn left onto Fairbanks Road. Turn right onto Silvergrove Drive. Turn left onto Tawny Ridge Lane. 105 Tawny Ridge Lane is the third house on the left.	
	<b>Remarks</b> Amazing home in Cary's sought-after Silvercreek. Cul-de-sac street. 3 miles to downtown Cary. Walking distance to Cary Greenways, Godbold Park, North Cary Park. Lake Crabtree is 3 miles. 1 mile to Park West Village: shopping, restaurants, movie theater. 4 miles to library and parks in Morrisville. Easy commute to SAS, new Apple campus, RDU, RTP, and major employers along Weston Parkway. Feels like a mountain retreat inside and out! Gorgeous landscaping! Mature hardwood trees. Great spaces for outdoor entertaining: multiple levels of decks and patios, screened porch with vaulted ceiling and skylights. Convenient: 1st-floor home office with French doors. 4th bedroom, or use as bonus room. Cozy wood-burning fireplace surrounded by custom wood wall. Family room is open to gourmet kitchen which features large island workspace and gorgeous custom cabinets. Breakfast nook overlooking the woods. Large formal dining room. Spacious primary suite with spa-like bath. Plantation shutters in many of the rooms. Stainless steel appliances. Built-in wine cooler. Tankless H2O. Walk-in crawlspace workshop and storage. Fenced backyard.	<b>Measurements- Lot/House/Rooms</b> Lot Size: 0.230 Lot Dim: 131x88x120x75 Living Area: 2,220 = 2,220 (Above Grade) and 0 (Below Grade) Other Area: 580 = 144 (Above Grade) and 436 (Below Grade) Bedrooms: 4 / Full Baths: 2 / Half Baths: 1 / Total Rooms: 9
<b>School Information</b> ElemSch1 Wake - Northwoods ElemSch2 MidSch1 Wake - West Cary MidSch2 HighSch1 Wake - Cary HighSch2	<b>Living Area- Room Dim/Levels</b> Hall: 12.83x6.8 / Main Mstr BR: 14.91x14.4 / Second Living: / Bdr 2: 10.83x10. / Second Dining: 15.00x10. / Main Bdr 3: 15.00x10. / Second Family: 15.50x14. / Main Bdr 4: 19.67x13. / Second Off/Study: 11.58x10. / Main Bdr 5: / Kitchen: 11.00x8.1 / Main Utility: 5.67x5.16 / Main Breakfast: 13.08x7.0 / Main Bonus: / / /	
<b>General Information</b> New Construction: No Framed: Est Fin Date: Builder Name: ZARING HOMES INC Year Built: 1996 Prim Res: Yes Ownership: 1+ year(s) Property Leased: No Month to Month: Lease Expires:	<b>Other Area- Room Dim/Levels</b> Garage: 21.16x19. / Main Deck: 20.08x14. / Main Carport: / Scr Porch: 13.08x12. / Main Storage: 9.67x8.75 / Third Basement: No Porch: 20.83x6.0 / Main 2nd Deck: 12.16x9.8 / Main Patio: 14.00x12. / Lower Workshop: 29.00x14. / Lower	
<b>Public Data, Taxes, Financing</b> Tax Value: \$363,256.00 Tax Rate: 0.96450 Zoning: Inside City: Y Financing Cash, Conventional, New Needed Oil/Gas Rights Severed? Financial Comments	<b>Home Owner Association</b> Mgmt Co 1: Fees: \$0.00 / -Req: Mgmt Co 2: Fees: \$0.00 / -Req: Restrictive Covenants: Yes Total HOA Dues: HO Fees Include HO Fees Include None	
<b>Features</b>		
A/C Central Air, Dual Zone A/C Acres 0-.25 Acres Attic Description Floored, Pull Down Bath Features Bath/Shower, Bath/Tub, Garden Tub, Tub/Shower, Double Vanity Design 2 Story Dining Breakfast Room, Separate Dining Room Equipment/Appliances Dishwasher, Disposal, Elec. Dryer HU, Garage Opener, Gas Range, Ice Maker Connection, Microwave, Refrigerator, Range Exterior Features Covered Porch, Deck, Fenced Yard, Gutters, Insulated Glass, Insulated Windows, Patio, Porch, Screen Porch	Exterior Finish Brick Front, HrdBoard/Masonite, Partial Brick Fireplace Description In Family Room, Masonry, Wood Burning Flooring Carpet, Hardwood, Tile Floor Foundation Crawl Space, Masonry, Walk-In Crawl Space Fuel Heat Natural Gas Green Bldg HERS Rating Heating Forced Air Interior Features 9 Ft Ceiling, Cable TV Available, Ceiling Fan, Granite Counter Tops, Pantry, Smoke Alarm, Walk in Closet, Smooth Ceilings, High Speed Internet, Vaulted Ceilings, Kitchen Island, Window Blinds	Lot Description Cul-De-Sac, Hardwood Trees, Landscaped, Partially Cleared, Wooded Lot Other Rooms Bonus Room/Finish, Family Room, Office, Walk In Pantry, Room Over Garage, Separate Living room, Study, Utility Room, Workshop Parking DW/Concrete, Entry/Front, Garage Construction Type Site Built Roof Shingle, Roof Age 6-10 Years Style Traditional, Transitional Washer Dryer Location 1st Floor, Utility Room WD Water Heater Gas, Tankless Water/Sewer City Sewer, City Water Waterfront Type Water Body Name ApxWtrFrtg Waterfront Access




Comparable #2

 <p>Welcoming Front Porch</p>	<b>MLS #: 2482600</b> 310 Kingswood Drive Unit # Lot #: 57 Cary, NC 27513 (City Limits Of): Cary	<b>CLOSED</b>	<b>RESIDENTIAL</b> <b>DOM: 44</b> LP: \$550,000 <b>CDOM: 44</b> SP: \$530,000	
	<b>Subd:</b> Kings Wood / <b>Nghbd:</b> <b>Possession:</b> At Time Of Closing <b>Special Conditions</b> No Special Conditions	<b>CntAdd</b> <b>Contract Date</b> 12/19/2022 <b>FinConc</b> 10000 <b>Single Family</b> <b>Est/Closing Date</b> 1/19/2023		
	<b>Directions</b> I-40 to Harrison, left on Maynard, right on Gregory, right on Kingswood.			
	<b>Remarks</b> \$10,000 Buyer Incentive for Price Improvement or Lender Buydown \$\$ Terrific floorplan w/ 5 Bedrooms or 4 BR + AMAZING BONUS ROOM. Welcoming Front Porch and Hardwood foyer entry greet you! Separate Dining and Formal Liv Rm. could be awesome Music Room or Home Office. Bright and open, with great flow, this home is ideal for family living. Kitchen opens gracefully to family room with cozy fireplace that flows into living room. Spacious kitchen with white cabinets, cooking island and raised bar w/ separate breakfast nook area. Relax on the splendid, multi-level deck w/ grilling area and fenced yard. Plenty room to entertain small groups or large gatherings! Still time to be in for the Holidays! New carpet in Din. Rm. and upstairs bedrooms including Bonus Rm.. Just minutes to shopping, restaurants and I-40. Walk to Downtown Cary!		<b>Measurements- Lot/House/Rooms</b> Lot Size: <b>0.200</b> Lot Dim: <b>TBD</b> Living Area: <b>2,525</b> = <b>2,525</b> (Above Grade) and <b>0</b> (Below Grade) Other Area: <b>0</b> = <b>0</b> (Above Grade) and <b>0</b> (Below Grade) Bedrooms: <b>4</b> / Full Baths: <b>2</b> / Half Baths: <b>1</b> / Total Rooms: <b>10</b>	
<b>School Information</b> ElemSch1 Wake County Schools ElemSch2 MidSch1 Wake County Schools MidSch2 HighSch1 Wake County Schools HighSch2		<b>Living Area- Room Dim/Levels</b> Hall: <b>10x7.6 / Main</b> Mstr BR: <b>18.7x12.7 / Second</b> Living: <b>13.5x12.4 / Main</b> Bdr 2: <b>12.4x11.4 / Second</b> Dining: <b>12.9x12 / Main</b> Bdr 3: <b>12.5x10.1 / Second</b> Family: <b>17.3x12.4 / Main</b> Bdr 4: <b>10x10 / Second</b> Off/Study: / Bdr 5: / Kitchen: <b>13.6x10.9 / Main</b> Utility: <b>6.6x5.6 / Main</b> Breakfast: <b>12.8x10.7 / Main</b> Bonus: <b>16.2x14.5 / Second</b> / /		
<b>General Information</b> New Construction: <b>No</b> Framed: Est Fin Date: Builder Name: Year Built: <b>1997</b> Prim Res: Ownership: Property Leased: <b>No</b> Month to Month: Lease Expires:		<b>Other Area- Room Dim/Levels</b> Garage: <b>21.6x21.2 / Main</b> Deck: <b>34x19.6 / Main</b> Carport: / Scr Porch: / Storage: / Basement: <b>No</b> Porch: <b>21x4 / Main</b> / Patio: / /		
<b>Public Data, Taxes, Financing</b> Tax Value: <b>\$332,558.00</b> Tax Rate: Zoning: Inside City: <b>Y</b> Financing <b>Cash, Conventional, FHA, New</b> Oil/Gas Rights Severed? Needed		<b>Home Owner Association</b> Mgmt Co 1: Fees: <b>\$0.00</b> / Mgmt Co 2: Fees: <b>\$0.00</b> / -Req: Restrictive Covenants: <b>Yes</b> Total HOA Dues:		
<b>Features</b>				
<b>A/C</b> Central Air <b>Acres</b> 0-.25 Acres <b>Attic Description</b> Pull Down <b>Bath Features</b> Bath/Shower, Bath/Tub, Garden Tub Tub/ Sep Shower, Walk in Shower, Water Closet <b>Design</b> 2 Story <b>Dining</b> Separate Dining Room <b>Equipment/Appliances</b> Cooktop - Electric, Microwave, Wall Oven <b>Exterior Features</b> Deck, Fenced Yard, Insulated Windows, Porch	<b>Exterior Finish</b> Vinyl Ext <b>Fireplace Description</b> Gas Starter, In Family Room, Wood Burning <b>Flooring</b> Carpet/Wood, Vinyl Floor <b>Foundation</b> Crawl Space <b>Fuel Heat</b> Electric Fuel, Natural Gas <b>Green Bldg HERS Rating</b> <b>Heating</b> Forced Air <b>Interior Features</b> 9 Ft Ceiling, Pantry, Smooth Ceilings, Kitchen Island, Window Blinds	<b>Other Rooms</b> Bonus Room/Finish, Entry Foyer, Family Room, Office, Separate Living room <b>Parking</b> DW/Concrete, Garage <b>Construction Type</b> Site Built <b>Roof</b> Shingle <b>Style</b> Traditional <b>Washer Dryer Location</b> 1st Floor, Laundry Room <b>Water Heater</b> Gas <b>Water/Sewer</b> City Sewer, City Water <b>Waterfront Type</b> <b>Water Body Name</b> <b>ApxWtrFrtg</b> <b>Waterfront Access</b>		


Comparable #3

	<b>MLS #: 2531276</b> 305 Cary Pines Drive Lot #: 40 Cary, NC 27513 (City Limits Of): Cary Subd: Cary Pines / Nghbd: Possession: At Time Of Closing Special Conditions Seller Lic. RE Prfssnl. Virtual Tour Virtual Tour 2	<b>CLOSED</b> Unit # DOM: 10 LP: \$550,000 CDOM: 10 SP: \$555,000 CntAdd Contract Date 9/18/2023 FinConc 0 Single Family Est/Closing Date 10/20/2023	<b>RESIDENTIAL</b>
	<b>Directions</b> 1.40 TO N. HARRISON (SOUTH), RIGHT (WEST) ON MAYNARD. RIGHT (NORTH) ONEVANS, RIGHT (EAST) ON CARY PINES. -OR- FROM KILDAIRE FARM: TO S W MAYNARD TO NW MAYNARD, L ON EVANS R ON CARY PINES, home is on the left>Welcome!		
<b>Remarks</b> Immaculate, Updated, 4 BR 2.5 BA 2,216 sf. home * oversized epoxy floor 2-car garage * 2023 & 2016 HVACs * 536 SF unfinished walk-up attic * tankless water heater * private fenced yard * both full bathrooms remodeled in 2023 * Refinished hardwoods on 1st floor * Eat In Kitchen + Formal Dining. * Stainless appliances * 2023 Fridge * Washer * Walk-in and Walk up attics * Large Family Room w /Fireplace * SPARKLES INSIDE & OUT * OPTIONAL SILVERTON SWIM & TENNIS * SIDEWALKS * NEAR RTP, RDU, MetLife, SAS, Trails to Crabtree Lake, Starbucks, Lowes & Shopping * 2023 Kitchen upper cabinets + subway tiles		<b>Measurements- Lot/House/Rooms</b> Lot Size: 0.200 Lot Dim: 79' x 105' x 78' x 117' Living Area: 2,216 = 2,216 (Above Grade) and 0 (Below Grade) Other Area: 1,700 = 1,700 (Above Grade) and 0 (Below Grade) Bedrooms: 4 / Full Baths: 2 / Half Baths: 1 / Total Rooms: 8	
<b>School Information</b> ElemSch1 Wake - Northwoods ElemSch2 Wake County Schools MidSch1 Wake - West Cary MidSch2 Wake County Schools HighSch1 Wake - Cary HighSch2 Wake County Schools		<b>Living Area- Room Dim/Levels</b> Hall: 7.1' x 4.9' / Main Mstr BR: 14.6' x 12.8' / Second Living: 24.8' x / Main Bdr 2: 13.5' x / Second Dining: 14.1' x / Main Bedr 3: 12.3' x 12' / Second Family: / Bedr 4: 16.2' x / Second Off/Study: / Bedr 5: / Kitchen: 14.4' x 8.3' / Main Utility: / Breakfast: 12.8' x 9.9' / Main Bonus: / / /	
<b>General Information</b> New Construction: No Framed: Est Fin Date: Builder Name: Year Built: 1993 Prim Res: No Ownership: Property Leased: No Month to Month: Lease Expires:		<b>Other Area- Room Dim/Levels</b> Garage: 21.8' x 21' / Main Deck: 23.7' x / Main Carport: / Scr Porch: / Storage: / Basement: No Porch: 7.1' x 4.9' / Main Unf. Attic 26' x 31.4' / Third Patio: / /	
<b>Public Data, Taxes, Financing</b> Tax Value: \$363,829.00 Tax Rate: 1.00200 Zoning: Resident Inside City: Y Financing Cash, Conventional, FHA, New Oil/Gas Rights Severed? Needed		<b>Home Owner Association</b> Mgmt Co 1: Voluntary Fees: \$75.00 / Annually Mgmt Co 2: -Req: No Fees: \$0.00 / -Req: Restrictive Covenants: Yes Total HOA Dues: HO Fees Include None Known	
<b>Features</b>			
A/C Central Air, Dual Zone A/C, A/C Age 0-3 Years, A/C Age 3-6 Years, Gas Pack Acres 0-.25 Acres Attic Description Permanent Stairs, Unfinished Att, Walk In Bath Features Bath/Shower, Ceramic Bath Wall, Tub/Shower, Walk in Shower, Water Closet, Double Vanity Design 2 Story, 2.5 Story Dining Breakfast Room, Separate Dining Room Equipment/Appliances Dishwasher, Disposal, Elec. Dryer HU, Electric Range, Garage Opener, Ice Maker Connection, Microwave, Refrigerator, Washer Exterior Features Community Rec Avail., Covered Porch, Deck, Fenced Yard, Gutters, Porch, Private Fence, Storm Doors, Walking Trails	Exterior Finish Fiber Cement, HrdBoard/Masonite Fireplace Description Fireplace Screen, In Living Room, Wood Burning Flooring Carpet, Hardwood, Tile Floor Foundation Crawl Space Fuel Heat Electric Fuel, Natural Gas Green Building Features ENERGY STAR Appliances, LED Lighting, Programmable Thermostats Green Bldg HERS Rating Heating Dual Zone Heat, Forced Air, Heat Age 0-3 Yrs, Heat Age 3-6 Yrs Interior Features Cable TV Available, Ceiling Fan, Granite Counter Tops, Pantry, Smoke Alarm, Walk in Closet, Smooth Ceilings, High Speed Internet, Window Blinds	Lot Description Hardwood Trees, Open Other Rooms Entry Foyer Parking Attached, DW/Concrete, Entry/Front, Garage Pool Swimming Pool Com/Fee Construction Type Site Built Roof Shingle, Roof Age 6-10 Years, Architectural Shingles Style Craftsman, Traditional, Transitional Washer Dryer Location 2nd Floor, Closet, Hall Water Heater Gas, Tankless Water/Sewer City Sewer, City Water Waterfront Type Water Body Name ApxWtrFrtg Waterfront Access	

Comparable #4

	MLS #: <b>2499190</b> 217 Tecumseh Court Lot #: 109 Cary, NC 27513 (City Limits Of): Cary Subd: Carriage Woods / Nghbd: Possession: At Time Of Closing Special Conditions No Special Conditions	<b>CLOSED</b> Unit # (City Limits Of): Cary	<b>RESIDENTIAL</b> DOM: 25 LP: \$599,999 CDOM: 25 SP: \$568,000 CntAdd Contract Date 4/5/2023 FinConc \$3000 Single Family Est/Closing Date 5/11/2023
	<b>Directions</b> From Carriage Woods Cir, right onto Tecumseh Ct		
<b>Remarks</b> Incredible opportunity to own 5BR, 3.5 BA 3485 SQFT home w/full walk-out basement within Cary city limits and no HOA. First floor boasts formal living room, dining room, kitchen w/island & breakfast area that opens to family room. Top floor bedrooms including primary suite with huge walk-in closet, vaulted ceiling, soaking tub and walk-in shower. Three additional bedrooms plus bath on second floor. Finished basement with bedroom & full bath perfect for guests and game room with access to back patio. Spacious deck great for entertaining!	<b>Measurements- Lot/House/Rooms</b> Lot Size: <b>0.300</b> Lot Dim: <b>59x174x40x24x29x187</b> Living Area: <b>3,485</b> = <b>2,314</b> (Above Grade) and <b>1,171</b> (Below Grade) Other Area: <b>0</b> = <b>0</b> (Above Grade) and <b>0</b> (Below Grade) Bedrooms: <b>5</b> / Full Baths: <b>3</b> / Half Baths: <b>1</b> / Total Rooms: <b>10</b>		
<b>School Information</b> ElemSch1 Wake - Reedy Creek ElemSch2 MidSch1 Wake - Reedy Creek MidSch2 HighSch1 Wake - Athens Dr HighSch2	<b>Living Area- Room Dim/Levels</b> Hall: <b>5.6x9.6 / Main</b> Mstr BR: <b>17.4x13.3 / Second</b> Living: <b>17.2x11.6 / Main</b> Bdr 2: <b>10x10 / Second</b> Dining: <b>13.6x11.6 / Main</b> Bdr 3: <b>11.3x11.3 / Second</b> Family: / Bdr 4: <b>11x11.6 / Second</b> Off/Study: / Bdr 5: <b>10.3x16.8 / Basement</b> Kitchen: <b>8.7x12 / Main</b> Utility: / Breakfast: <b>10.2x13.3 / Main</b> Bonus: <b>16.6x22.3 / Basement</b> / /		
<b>General Information</b> New Construction: <b>No</b> Framed: Est Fin Date: Builder Name: Year Built: <b>2000</b> Prim Res: Ownership: Property Leased: <b>No</b> Month to Month: Lease Expires:	<b>Other Area- Room Dim/Levels</b> Garage: <b>20x19.5 / Main</b> Deck: <b>12x14 / Main</b> Carport: / Scr Porch: / Storage: / Basement: <b>Yes</b> Porch: <b>5x10 / Main</b> / Patio: <b>7x10 / Basement</b> /		
<b>Public Data, Taxes, Financing</b> Tax Value: <b>\$383,062.00</b> Tax Rate: Zoning: <b>R8</b> Inside City: <b>Y</b> Financing <b>Cash, Conventional, FHA, VA</b> Oil/Gas Rights Severed? Financial Comments <b>Please bring proof of</b>	<b>Home Owner Association</b> Mgmt Co 1: Fees: <b>\$0.00</b> / Mgmt Co 2: -Req: Fees: <b>\$0.00</b> / -Req: Restrictive Covenants: <b>Yes</b> Total HOA Dues:		
<b>Features</b>			
A/C Central Air Acres .26-.5 Acres Basement Description Finished Bsmt Bath Features Garden Tub, Tub/ Sep Shower, Tub /Shower, Walk in Shower, Double Vanity Design 2 Story Dining Breakfast Room, Separate Dining Room Equipment/Appliances Dishwasher, Electric Range, Ice Maker Connection, Range Hood Exterior Features Deck, Patio	Exterior Finish Vinyl Ext Fireplace Description In Family Room Flooring Carpet, Wood Floor Foundation Basement Fuel Heat Electric Fuel, Natural Gas Green Bldg HERS Rating Heating Forced Air Interior Features Ceiling Fan, Walk in Closet, Kitchen Island	Other Rooms Bonus Room/Finish, Entry Foyer, Family Room, Separate Living room Parking Attached, Garage Construction Type Site Built Roof Shingle Style Transitional Washer Dryer Location 2nd Floor, Closet Water Heater Electric WH Waterfront Type Water Body Name ApxWtrFrtg Waterfront Access	

Comparable #5



MLS #: **2516801** **CLOSED** **RESIDENTIAL**

105 Springwater Court Unit #

Lot #: 28 Cary, NC 27513 (City Limits Of): Cary

Subd: Springbrooke / Nghbd:

Possession: Negotiable

Special Conditions No Special Conditions

DOM: 2 LP: \$560,000

CDOM: 2 SP: \$575,000

CntAdd

Contract Date 6/18/2023

FinConc None

Single Family

Est/Closing Date 7/20/2023

**Directions**

Maynard road to Evans, to right on Thorpe Drive, right on Dalmeny Drive & left on Springwater Court.

**Remarks**

This wonderful home backs up to a lovely pond & is tucked away on a quiet cul-de-sac. Only 7 minutes & 2.5 miles from downtown Cary. Side entry garage that boasts basement space. Pecan hardwood flooring installed in 2019. New roof in 2019 with 50-year transferable warranty. New deck in 2021 to enjoy the view of the pond. Gorgeously updated owners suite bathroom. Kitchen has stunning granite counters, island, glass-front cabinets, & crown molding in addition to breakfast nook w/view of deck & pond from large windows. Formal living & dining rooms w/decorative molding & 2" blinds. Owner's suite w/2 walk-in closets. Beautifully landscaped with low maintenance perennial garden. Lots of storage off lower level garage. Optional swimming facility nearby. WOW!!

**Measurements- Lot/House/Rooms**

Lot Size: **0.280** Lot Dim: **See plot dimensions**

Living Area: **2,204** = **2,204** (Above Grade) and **0** (Below Grade)

Other Area: **468** = **0** (Above Grade) and **468** (Below Grade)

Bedrooms: **4** / Full Baths: **2** / Half Baths: **1** / Total Rooms: **9**

**School Information**

ElemSch1	Wake - Northwoods	ElemSch2	
MidSch1	Wake - West Cary	MidSch2	
HighSch1	Wake - Cary	HighSch2	

**Living Area- Room Dim/Levels**

Hall:	<b>11x4 / Main</b>	Mstr BR:	<b>19x13 / Second</b>
Living:	<b>14x11 / Main</b>	Bdr 2:	<b>12x11 / Second</b>
Dining:	<b>13x11 / Main</b>	Bdr 3:	<b>11x11 / Second</b>
Family:	<b>18x15 / Main</b>	Bdr 4:	<b>11x10 / Second</b>
Off/Study:	/	Bdr 5:	/
Kitchen:	<b>11x11 / Main</b>	Utility:	/
Breakfast:	<b>14x9 / Main</b>	Bonus:	/
	<b>31X13 / Basement</b>		/

**General Information**

New Construction: **No** Framed: Est Fin Date:

Builder Name:

Year Built: **1992** Prim Res: Ownership:

Property Leased: **No** Month to Month: Lease Expires:

**Other Area- Room Dim/Levels**

Garage:	<b>26x18/ Lower</b>	Deck:	<b>22x10 / Main</b>
Carport:	/	Scr Porch:	/
Storage:	/	Basement:	<b>Yes</b>
Porch:	<b>8x5/ Main</b>		/
Patio:	/		/

**Public Data, Taxes, Financing**

Tax Value: **\$313,000.00** Tax Rate:

Zoning: Inside City: **Y**

Financing **Cash, Conventional, FHA, VA** Oil/Gas Rights Severed?

Financial Comments

**Home Owner Association**

Mgmt Co 1: **Kohn Ell**

Fees: **\$125.00 / Annually**

Mgmt Co 2: -Req: **Yes**

Fees: **\$0.00 /** -Req:

Restrictive Covenants: **Yes** Total HOA Dues:



HO Fees Include **HO Association, Maint Com. Area**

**Features**


A/C	Central Air, Dual Zone A/C	Exterior Finish	Vinyl Ext	Parking	DW/Concrete, Garage
Acres	.26-.5 Acres	Fireplace Description	In Family Room, Wood Burning	Construction Type	Site Built
Basement Description	Daylight, Inside Entrance, Outside Entrance	Flooring	Carpet, Hardwood	Roof	Shingle
Design	2 Story	Fuel Heat	Electric Fuel	Style	Traditional, Transitional
		Green Bldg HERS Rating		Water Heater	Gas
		Heating	Dual Zone Heat, Forced Air	Waterfront Type	
				Water Body Name	
				ApxWtrFrtg	
				Waterfront Access	




Comparable #6

	MLS #: <b>2486668</b> 107 Banyon Tree Lane Unit # Lot #: 152 Cary, NC 27513 (City Limits Of): Cary Subd: Silvercreek / Nghbd: Possession: Immediate Special Conditions No Special Conditions	<b>CLOSED</b>  DOM: 44 LP: \$619,000 CDOM: 44 SP: \$590,000	<b>RESIDENTIAL</b>  CntAdd Contract Date 1/24/2023 FinConc 6000 Single Family Est/Closing Date 3/8/2023
			
<b>Directions</b>			
From Maynard rd go North on Evans rd ( at Lowes). Left on Silvergrove rd, Right on Banyon Tree Lane			
<b>Remarks</b>	<b>Measurements- Lot/House/Rooms</b>		
Established neighborhood in great Cary location only a few minutes from RDU airport. 1 mile to Park West Village for fine shopping and dining! This 4 bedroom brick-front beauty has a great floor plan! Home Office (french doors w/wall to wall shelves), & spacious Bonus RM (gaming or hobby) Kitchen has white cabinets & granite counter tops, tiled backsplash, & SS appliances (they stay!) it opens up to the inviting Family RM w/vaulted ceiling & is perfect for entertaining! LVP Flooring throughout entire home. Tiled backsplash in all bathrooms. WIC in MB. UPDATED: Roof 2017. UPDATED: HVAC. TANKLESS water heater (3-6 yrs). Easy exterior maintenance (Brick & fiber cement siding.) The backyard has deck and a garden area. Enjoy the fruit trees! (sweet Figs & Persimmons) No HOA fees.	Lot Size: <b>0.240</b> Lot Dim: <b>0</b> Living Area: <b>2,521</b> = <b>2,521</b> (Above Grade) and <b>0</b> (Below Grade) Other Area: <b>0</b> = <b>0</b> (Above Grade) and <b>0</b> (Below Grade)		
		Bedrooms: <b>4</b> / Full Baths: <b>2</b> / Half Baths: <b>1</b> / Total Rooms: <b>10</b>	
	<b>Living Area- Room Dim/Levels</b>		
	Hall: / Mstr BR: / Living: / Bdr 2: / Dining: / Bedr 3: / Family: / Bedr 4: / Off/Study: / Bedr 5: / Kitchen: / Utility: / Breakfast: / Bonus: /		
<b>School Information</b>	<b>Other Area- Room Dim/Levels</b>		
ElemSch1 Wake - Northwoods ElemSch2 MidSch1 Wake - West Cary MidSch2 HighSch1 Wake - Cary HighSch2	Garage: / Deck: / Carport: / Scr Porch: / Storage: / Basement: <b>No</b> Porch: / Patio: /		
<b>General Information</b>			
New Construction: <b>No</b> Framed: Est Fin Date: Builder Name: <b>ZARING HOMES INC</b> Year Built: <b>1999</b> Prim Res: Ownership: Property Leased: <b>No</b> Month to Month: Lease Expires:			
<b>Public Data, Taxes, Financing</b>			
Tax Value: <b>\$381,046.00</b> Tax Rate: Zoning: Inside City: <b>Y</b> Financing <b>Cash, Conventional, FHA, VA</b> Oil/Gas Rights Severed? Financial Comments			
<b>Home Owner Association</b>			
Mgmt Co 1: Fees: <b>\$0.00</b> / Mgmt Co 2: Fees: <b>\$0.00</b> / -Req: Restrictive Covenants: <b>Yes</b> Total HOA Dues: HO Fees Include <b>None Known</b>			
<b>Features</b>			
A/C Central Air, Dual Zone A/C, Electric Acres 0-.25 Acres Attic Description Pull Down Bath Features Tub/ Sep Shower, Walk in Shower, Water Closet, Double Vanity Design 2 Story Dining Eat-in Kitchen, Separate Dining Room Equipment/Appliances Dishwasher, Disposal, Cooktop - Down, Elec. Dryer HU, Electric Range, Garage Opener, Gas Dryer HU, Ice Maker Connection, Microwave, Refrigerator, Self Clean Oven, Convection Oven Exterior Features Deck	Exterior Finish Brick Front, Fiber Cement Fireplace Description Gas Logs, In Family Room Flooring Hardwood, Luxury Vinyl Foundation Crawl Space Fuel Heat Natural Gas Green Bldg HERS Rating Heating Dual Zone Heat, Forced Air Interior Features 10Ft+ Ceiling, Bookshelves, Cable TV Available, Granite Counter Tops, Pantry, Smoke Alarm, Walk in Closet, Smooth Ceilings, High Speed Internet, Vaulted Ceilings, Kitchen Island, Window Blinds	Other Rooms Bonus Room/Finish, Family Room, Office, Separate Living room Parking DW/Concrete, Garage Construction Type Site Built Roof Shingle, Roof Age 6-10 Years Style Traditional Washer Dryer Location 1st Floor, Laundry Room Water Heater Tankless, Water Htr Age 3-6 Yrs Water/Sewer City Sewer, City Water Waterfront Type Water Body Name ApxWtrFrftg Waterfront Access	

Comparable #7


	<b>MLS #: 2507409</b> 111 King James Court Unit # Lot #: 64 Cary, NC 27513 (City Limits Of): Cary <b>Subd:</b> Kings Wood / <b>Nghbd:</b> <b>Possession:</b> At Time Of Closing <b>Special Conditions</b> No Special Conditions	<b>CLOSED</b> <b>RESIDENTIAL</b> <b>DOM:</b> 3 <b>LP:</b> \$565,000 <b>CDOM:</b> 3 <b>SP:</b> \$610,000 <b>CntAdd</b> <b>Contract Date</b> 4/30/2023 <b>FinConc</b> 3400 <b>Single Family</b> <b>Est/Closing Date</b> 5/30/2023																																																																														
	<b>Directions</b> I-40 to Exit 287 onto Harrison Ave toward Cary. Turn onto Harrison Ave. Turn left onto Kingswood Dr. Left on King James Ct. Home is on the left hand side of the cul de sac.																																																																															
<b>Remarks</b> Meticulously maintained 4 bedroom home plus office & huge bonus room perfectly situated on a cul-de-sac * Fall in love with the wonderful backyard & serene wooded view from the raised back deck with pergola * A perfect spot to relax and enjoy nature * Amazing light-filled home w/gleaming hardwoods * Wonderful chefs kitchen w/Wolf cooktop open to large family room * Fresh paint and new carpet * No HOA * Roof '20 * Deck '18 * Super convenient location just mins to downtown Cary * Easy access to RTP, I-40, Raleigh, restaurants and shopping *	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center;">Measurements- Lot/House/Rooms</th> </tr> <tr> <td>Lot Size: <b>0.360</b></td> <td>Lot Dim: <b>145x36x120x97x91</b></td> </tr> <tr> <td>Living Area: <b>2,632</b> = <b>2,632</b> (Above Grade) and <b>0</b> (Below Grade)</td> <td>Other Area: <b>270</b> = <b>270</b> (Above Grade) and <b>0</b> (Below Grade)</td> </tr> <tr> <td colspan="2">Bedrooms: <b>4</b> / Full Baths: <b>2</b> / Half Baths: <b>1</b> / Total Rooms: <b>9</b></td> </tr> </table> <table border="1" style="width:100%; border-collapse: collapse;"> <tr> <th colspan="4" style="text-align: center;">Living Area- Room Dim/Levels</th> </tr> <tr> <td>Hall:</td> <td><b>7x11.5 / Main</b></td> <td>Mstr BR:</td> <td><b>11.75x17 / Second</b></td> </tr> <tr> <td>Living:</td> <td>/</td> <td>Bdr 2:</td> <td><b>11.25x11. / Second</b></td> </tr> <tr> <td>Dining:</td> <td><b>12x12 / Main</b></td> <td>Bdr 3:</td> <td><b>10x11.75 / Second</b></td> </tr> <tr> <td>Family:</td> <td><b>18.5x15.5 / Main</b></td> <td>Bdr 4:</td> <td><b>9.75x11.7 / Second</b></td> </tr> <tr> <td>Off/Study:</td> <td><b>11x13.75 / Main</b></td> <td>Bdr 5:</td> <td>/</td> </tr> <tr> <td>Kitchen:</td> <td><b>12.5x13 / Main</b></td> <td>Utility:</td> <td>/</td> </tr> <tr> <td>Breakfast:</td> <td><b>12.5x10 / Main</b></td> <td>Bonus:</td> <td><b>26x14.25 / Second</b></td> </tr> <tr> <td></td> <td>/</td> <td></td> <td>/</td> </tr> </table> <table border="1" style="width:100%; border-collapse: collapse;"> <tr> <th colspan="4" style="text-align: center;">Other Area- Room Dim/Levels</th> </tr> <tr> <td>Garage:</td> <td><b>20x22 / Main</b></td> <td>Deck:</td> <td><b>16x12 / Main</b></td> </tr> <tr> <td>Carport:</td> <td>/</td> <td>Scr Porch:</td> <td>/</td> </tr> <tr> <td>Storage:</td> <td><b>26x6.75 / Second</b></td> <td>Basement:</td> <td><b>No</b></td> </tr> <tr> <td>Porch:</td> <td>/</td> <td>Laundry Rm</td> <td><b>5.75x9 / Main</b></td> </tr> <tr> <td>Patio:</td> <td>/</td> <td></td> <td>/</td> </tr> </table>		Measurements- Lot/House/Rooms		Lot Size: <b>0.360</b>	Lot Dim: <b>145x36x120x97x91</b>	Living Area: <b>2,632</b> = <b>2,632</b> (Above Grade) and <b>0</b> (Below Grade)	Other Area: <b>270</b> = <b>270</b> (Above Grade) and <b>0</b> (Below Grade)	Bedrooms: <b>4</b> / Full Baths: <b>2</b> / Half Baths: <b>1</b> / Total Rooms: <b>9</b>		Living Area- Room Dim/Levels				Hall:	<b>7x11.5 / Main</b>	Mstr BR:	<b>11.75x17 / Second</b>	Living:	/	Bdr 2:	<b>11.25x11. / Second</b>	Dining:	<b>12x12 / Main</b>	Bdr 3:	<b>10x11.75 / Second</b>	Family:	<b>18.5x15.5 / Main</b>	Bdr 4:	<b>9.75x11.7 / Second</b>	Off/Study:	<b>11x13.75 / Main</b>	Bdr 5:	/	Kitchen:	<b>12.5x13 / Main</b>	Utility:	/	Breakfast:	<b>12.5x10 / Main</b>	Bonus:	<b>26x14.25 / Second</b>		/		/	Other Area- Room Dim/Levels				Garage:	<b>20x22 / Main</b>	Deck:	<b>16x12 / Main</b>	Carport:	/	Scr Porch:	/	Storage:	<b>26x6.75 / Second</b>	Basement:	<b>No</b>	Porch:	/	Laundry Rm	<b>5.75x9 / Main</b>	Patio:	/		/										
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<b>A/C</b> Central Air <b>Accessibility</b> Main Floor Laundry <b>Acres</b> .26-.5 Acres <b>Attic Description</b> Pull Down <b>Bath Features</b> Tub/ Sep Shower, Tub/Shower <b>Design</b> 2 Story <b>Dining</b> Separate Dining Room <b>Equipment/Appliances</b> Cooktop - Gas, Dishwasher, Disposal, Garage Opener, Microwave, Wall Oven <b>Exterior Features</b> Covered Porch, Deck, Gutters	<b>Exterior Finish</b> Brick Front, Vinyl Ext <b>Fireplace Description</b> Gas Logs, In Family Room <b>Flooring</b> Carpet, Hardwood, Tile Floor <b>Foundation</b> Crawl Space, Walk-In Crawl Space <b>Fuel Heat</b> Electric Fuel, Natural Gas <b>Green Bldg HERS Rating</b> <b>Heating</b> Flr Furnace <b>Interior Features</b> 9 Ft Ceiling, Cable TV Available, Ceiling Fan, Granite Counter Tops, Walk in Closet, Smooth Ceilings, Vaulted Ceilings	<b>Lot Description</b> Cul-De-Sac, Hardwood Trees, Landscaped <b>Other Rooms</b> Bonus Room/Finish, Entry Foyer, Family Room, Office <b>Parking</b> DW/Concrete, Garage <b>Pool</b> Above Ground Pool <b>Construction Type</b> Site Built <b>Roof</b> Shingle, Roof Age 0-5 Years <b>Style</b> Transitional <b>Washer Dryer Location</b> 1st Floor, Laundry Room <b>Water Heater</b> Gas <b>Water/Sewer</b> City Sewer, City Water <b>Waterfront Type</b> <b>Water Body Name</b> <b>ApxWtrFrtg</b> <b>Waterfront Access</b>																																																																														

Comparable #8

 <p>Exterior Front</p>	MLS #: <b>2501193</b> 107 Needle Park Drive Unit # Lot #: 36 Cary, NC 27513 (City Limits Of): Cary Subd: Cary Pines / Nghbd: Possession: At Time Of Closing Special Conditions No Special Conditions	<b>CLOSED</b>	<b>RESIDENTIAL</b> DOM: 4 LP: \$600,000 CDOM: 4 SP: \$615,000
	CntAdd Contract Date 3/27/2023 FinConc none Single Family Est/Closing Date 4/28/2023		
<b>Directions</b> I-40 to Harrison Ave South, Turn Right onto Cary Parkway. Left on Evans. Right on Cary Pines. Left on Needle Park. WELCOME HOME!			
<b>Remarks</b> Gorgeous MOVE IN READY home, Updated home in a fantastic location! This Stunning Cary Pines home welcomes you! Large Family room w/ wood burning fireplace & Hardwoods on all of First Floor. Kltchen boasts Staonless Appliances with Granite Counters. Great Center island w/ lots of prep space. Spacious 3 bedroom, 2nd flr home office/ flex room, 2.5 bath w/ additional Huge 3rd flr walk up bonus. Entertain friends & family in your Fenced Professionally landscaped backyard w/stunning pavers & firepit. New Windows, New Tankless H2O. Close to main Highways, Shopping, Restaurants, Greenways & Parks. Minutes away from RDU airport & Downtown Cary. WELCOME HOME!	<b>Measurements- Lot/House/Rooms</b> Lot Size: <b>0.290</b> Lot Dim: <b>See Urvey</b> Living Area: <b>2,457</b> = <b>2,457</b> (Above Grade) and <b>0</b> (Below Grade) Other Area: <b>0</b> = <b>0</b> (Above Grade) and <b>0</b> (Below Grade) Bedrooms: <b>3</b> / Full Baths: <b>2</b> / Half Baths: <b>1</b> / Total Rooms: <b>8</b>		
<b>Living Area- Room Dim/Levels</b>			
Hall: / Mstr BR: <b>14.8 x 14.3 / Second</b> Living: <b>19.4 x / Main</b> Bdr 2: <b>12.2 x 12 / Second</b> Dining: <b>11.7 x / Main</b> Bedr 3: <b>11.7 x / Second</b> Family: / Bedr 4: <b>11.7 x / Second</b> Off/Study: / Bedr 5: / Kitchen: <b>19.7 x / Main</b> Utility: / Breakfast: / Bonus: <b>18.7 x / Third</b> / /			
<b>Other Area- Room Dim/Levels</b>			
Garage: <b>21.8 x / Main</b> Deck: <b>16 x 10 / Main</b> Carport: / Scr Porch: / Storage: <b>12 x 8 / Third</b> Basement: <b>No</b> Porch: <b>7 x 3 / Main</b> / Patio: / /			
<b>Home Owner Association</b>			
Mgmt Co 1: Fees: <b>\$0.00</b> / Mgmt Co 2: -Req: Fees: <b>\$0.00</b> / -Req: Restrictive Covenants: <b>Yes</b> Total HOA Dues: HO Fees Include <b>HO Fees Include None</b>			
<b>School Information</b>			
ElemSch1 Wake - Northwoods ElemSch2 MidSch1 Wake - West Cary MidSch2 HighSch1 Wake - Cary HighSch2			
<b>General Information</b>			
New Construction: <b>No</b> Framed: Est Fin Date: Builder Name: Year Built: <b>1993</b> Prim Res: <b>No</b> Ownership: Property Leased: <b>No</b> Month to Month: Lease Expires:			
<b>Public Data, Taxes, Financing</b>			
Tax Value: <b>\$383,820.00</b> Tax Rate: Zoning: Inside City: <b>Y</b> Financing <b>Cash, Conventional, FHA, New</b> Oil/Gas Rights Severed? Needed			
<b>Features</b>			
A/C Central Air Acres .26-.5 Acres Attic Description Finished Att, Walk In Bath Features Tub/ Sep Shower, Tub/Shower, Whirlpool Design 3 Story Dining Eat-in Kitchen, Separate Dining Room Equipment/Appliances Dishwasher, Disposal Exterior Features Deck, Fenced Yard, Gutters, Insulated Windows, Patio	Exterior Finish Fiber Cement, HrdBoard/Masonite Fireplace Description In Living Room Flooring Carpet, Carpet/Wood, Ceramic, Hardwood Foundation Crawl Space Fuel Heat Natural Gas Green Bldg HERS Rating Heating Dual Zone Heat, Forced Air Interior Features 9 Ft Ceiling, Cable TV Available, Ceiling Fan, Granite Counter Tops, Pantry, Walk in Closet, Smooth Ceilings, Kitchen Island, Window Blinds	Lot Description Hardwood Trees, Landscaped Other Rooms Bonus Room/Finish, Bonus Stair Acc, Entry Foyer Parking Attached, Garage Construction Type Site Built Roof Shingle, Roof Age 11+ Years, Architectural Shingles Style Traditional, Transitional Washer Dryer Location 1st Floor, Closet Water Heater Tankless, Water Htr Age 0-3 Yrs Water/Sewer City Sewer, City Water Waterfront Type Water Body Name ApxWtrFrftg Waterfront Access	



Comparable #10



MLS #: **2521622**      **CLOSED**      **RESIDENTIAL**

302 Stromer Drive      Unit #

Lot #: 10      Cary, NC 27513 (City Limits Of): Cary

Subd: Silvercreek      / Nghbd:

Possession: At Time Of Closing

Special Conditions No Special Conditions

**M** Virtual Tour      Virtual Tour 2

DOM: 5      LP: \$650,000

CDOM: 5      SP: \$640,000

CntAdd

Contract Date 7/19/2023

FinConc \$5,000 in lieu of repairs

Single Family

Est/Closing Date 9/11/2023

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**Directions**

From Chapel Hill Rd., turn onto Fairbanks Rd., turn right on Silvergrove Dr., turn left on Stromer Dr., house is on the left.

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**Remarks**

Fantastic Cary location convenient to RDU, RTP, SAS, Umstead Park, Lake Crabtree, downtown Cary and Park West Village shopping center. This wonderful home features 4 bedrooms, 2.5 baths, formal dining room, living room, family room, bonus/flex room, 2 car garage, huge deck, rocking chair front porch, sports court and a spacious yard backing to HOA land. Tons of updates including new carpet, luxury vinyl flooring, light fixtures, door hardware, ceiling fans, interior/exterior paint, HVAC units 2023 and garage door opener. Updated kitchen and master bathroom. Tankless water heater and irrigation system. No HOA dues. Come see this one today!!

**Measurements- Lot/House/Rooms**

Lot Size **0.300**      Lot Dim: **Order Survey**

Living Area: **2,802** = **2,802** (Above Grade) and **0** (Below Grade)

Other Area: **0** = **0** (Above Grade) and **0** (Below Grade)

Bedrooms: **4** / Full Baths: **2** / Half Baths: **1** / Total Rooms: **10**

**Living Area- Room Dim/Levels**

Hall:	<b>12.6x8.3 / Main</b>	Mstr BR:	<b>15.7x14.8 / Second</b>
Living:	<b>12.2x11.1 / Main</b>	Bdr 2:	<b>16.2x25.1 / Second</b>
Dining:	<b>12.2x10.8 / Main</b>	Bdr 3:	<b>12x11 / Second</b>
Family:	<b>17.6x16.9 / Main</b>	Bdr 4:	<b>10.8x9.10 / Second</b>
Off/Study:	/	Bdr 5:	/
Kitchen:	<b>14.3x11 / Main</b>	Utility:	<b>5.8x5.6 / Second</b>
Breakfast:	<b>11x8.10 / Main</b>	Bonus:	<b>20x10.11 / Main</b>
	/		/

**Other Area- Room Dim/Levels**

Garage:	<b>25.9x19.1 / Main</b>	Deck:	<b>20.7x17.2 / Main</b>
Carport:	/	Scr Porch:	/
Storage:	/	Basement:	<b>No</b>
Porch:	<b>16.5x5.1 / Main</b>		/
Patio:	/		/

**Home Owner Association**

Mgmt Co 1:

Fees: **\$0.00** /

Mgmt Co 2:

Fees: **\$0.00** /      -Req:

Restrictive Covenants: **Yes**      -Req:

HO Fees Include **None Known**      Total HOA Dues:

**School Information**

ElemSch1	Wake - Northwoods	ElemSch2	
MidSch1	Wake - West Cary	MidSch2	
HighSch1	Wake - Cary	HighSch2	

**General Information**

New Construction: **No**      Framed:      Est Fin Date:

Builder Name:

Year Built: **1995**      Prim Res:      Ownership: **1+ year(s)**

Property Leased: **No**      Month to Month:      Lease Expires:

**Public Data, Taxes, Financing**

Tax Value: **\$384,089.00**      Tax Rate:

Zoning:      Inside City: **Y**

Financing **Cash, Conventional, FHA, VA**      Oil/Gas Rights Severed?

Financial Comments **Please provide**

**Features**

<p><b>A/C</b> Central Air, Dual Zone A/C</p> <p><b>Acres</b> .26-.5 Acres</p> <p><b>Bath Features</b> Bath/Tub, Ceramic Bath Wall, Garden Tub, Tub/ Sep Shower</p> <p><b>Design</b> 2 Story</p> <p><b>Dining</b> Breakfast Room, Separate Dining Room</p> <p><b>Equipment/Appliances</b> Dishwasher, Disposal, Dryer, Electric Range, Microwave, Refrigerator, Washer</p> <p><b>Exterior Features</b> Covered Porch, Deck, Gutters, Porch</p>	<p><b>Exterior Finish</b> Fiber Cement, HrdBoard/Masonite</p> <p><b>Fireplace Description</b> In Family Rcom</p> <p><b>Flooring</b> Carpet, Luxury Vinyl</p> <p><b>Foundation</b> Crawl Space</p> <p><b>Fuel Heat</b> Natural Gas</p> <p><b>Green Bldg HERS Rating</b></p> <p><b>Heating</b> Dual Zone Heat, Forced Air</p> <p><b>Interior Features</b> Cable TV Available, Ceiling Fan, Granite Counter Tops, Pantry, Walk in Closet, High Speed Internet, Vaulted Ceilings</p>	<p><b>Lot Description</b> Landscaped</p> <p><b>Other Rooms</b> Bonus Room/Finish, Entry Foyer, Family Room, Separate Living room, Utility Room</p> <p><b>Parking</b> Attached, DW/Concrete, Entry/Front, Street Parking, Garage</p> <p><b>Construction Type</b> Site Built</p> <p><b>Roof</b> Shingle</p> <p><b>Style</b> Traditional</p> <p><b>Washer Dryer Location</b> 2nd Floor, Utility Room WD</p> <p><b>Water Heater</b> Gas, Tankless</p> <p><b>Water/Sewer</b> City Sewer, City Water</p> <p><b>Waterfront Type</b></p> <p><b>Water Body Name</b></p> <p><b>ApxWtrFrtg</b></p> <p><b>Waterfront Access</b></p>
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# Section 3

## The Art & Science of Adjustments

### Learning Objective:

By the end of this Section, brokers will be able to: Identify the theory behind the methods and techniques of making logical adjustments to comparable sales when developing a CMA for a client or prospective client.

### Adjustment Methods & Techniques

There are **ONLY** two principal methods for adjusting comparables allowed under NCREC Law & Rules: 1) The Sales Comparison Approach (Market Approach), and 2) The Income Capitalization Approach (Income Approach). The Market Approach is the method most brokers are familiar with and the method this course is most focused on. The Income Approach is utilized for income producing properties (residential or commercial). This course will cover the basics of the Income Approach and will focus on the development of a Gross Rent Multiplier (**GRM**).

**NOTE: The COST Approach is statutorily prohibited** for real estate brokers to use when developing a CMA or BPO under **§ 93A**.

Keep in mind that adjustments are made to comparables, not the subject. The sales prices of the comparables are the known factor, the sale price for the subject property is unknown and the opinion of price will be revealed in the CMA process.

### MARKET-BASED ADJUSTMENTS

The market-based method estimates the contribution a property feature contributes based on market knowledge or a paired-sales analysis. The differences between the comparable and the subject are identified, and an adjustment is applied based on the market's acceptance (or rejection) of the item being adjusted.

There is **NO Definitive "LIST"** of adjustments that can be applied universally when pricing property. However, with a broker's market knowledge of a specific market area, real estate brokers can develop qualified estimates for specific features. Brokers learn from experience, for example, the contribution of four bedrooms

versus three bedrooms, or 2½ baths versus 1½ baths, can be derived from a particular market. Brokers can then use these amounts to adjust for differences between comparables and the subject. Periodic brainstorming with local appraisers can also help real estate brokers determine the monetary adjustment for the contribution from the various characteristics and attributes the comp exhibits.

Sometimes certain features in a residence are uncommon or the broker is unfamiliar with it, or the market is changing in such a way as to no longer be recognized, and historical experience is no longer an adequate guide. For a real estate broker who is new to a market and has not yet developed a competent experiential understanding of the contribution such a feature provides, then the paired sales analysis approach is a solution.

Paired sales analysis assumes that two or more properties are identical in every respect except one; the difference in price is then attributed to this feature. The paired-sales analysis compares what the market will pay for such a feature contained in a property compared among several comparables to estimate the effect on price. It answers the question: starting from the sales price of this comparable property, what price would it sell at if it were identical to the subject property?

The disadvantage of paired sales analysis is that seemingly identical houses almost always differ in more than one way. Paired sales analysis fills in the knowledge gap when the real estate broker lacks experience or knowledge in that market area.

### PAIRED SALES ANALYSIS

Let's look at an example of a paired-sales analysis. Consider four comparables that differ only in the size of the garage. What would be the adjustment to the sales price of the comparables with 2-car garages if subject had a 3-car garage?

	COMP A	COMP B	COMP C	COMP D
<b>GARAGE</b>	2-car	2-car	3-car	3-car
<b>SALES PRICE</b>	\$355,000	\$355,500	\$360,000	\$361,000

### Compare the sales prices of the 2-car garage comparables with the 3-car comparables.

1. **COMPARE A WITH C** The price difference is \$5,000 (\$360,000–\$355,000)
2. **COMPARE A WITH D** The price difference is \$6,000 (\$361,000–\$355,000)
3. **COMPARE B WITH C** The price difference is \$4,500 (\$360,000–\$355,500)
4. **COMPARE B WITH D** The price difference is \$5,500 (\$361,000–\$355,500)

The comparison produces four possible adjustment amounts (\$5,000, \$6,000, \$4,500, \$5,500) for the difference between a 3-car garage and a 2-car garage in a comparative analysis. Which one does the broker use?

**USE A MIDDLE NUMBER** Choosing one of the middle numbers—\$5,000 or \$5,500—is an acceptable approach - (not too large nor too low).

**AVERAGE THE ADJUSTMENTS** Alternatively, we could use an average of the four amounts as the adjustment method. In this example, the average works out to \$5,250. Such precise numbers are seldom used in a CMA but averaging the four amounts reinforces that either \$5,000 or \$5,500 would be an acceptable adjustment (brokers must make that decision based on their market experience).

### THE IMPORTANCE OF MARKET EXPECTATIONS

When making an adjustment, it is critical to keep market expectations in mind. Market expectations are what a probable buyer presumes to find in a house of a particular age, type, location, and price range. If a comparable is lacking a feature that the market expects it to have, you must adjust for such a deficiency!

Differences in market expectations require the market-based approach. For example, a buyer might pay \$4,000 less for a house with only one bathroom, instead of two bathrooms. The \$4,000 amount is not the cost to install a bathroom, but instead represents the buyer's opinion of the contribution to price of the second bath. This adjustment amount can be determined through market experience or a paired-sales analysis.

Also, Florida home buyers expect central air conditioning. The market will penalize a property that lacks it. The amount of the penalty would probably be what the market would pay if central air conditioning existed, this is a deficiency adjustment.



Price range tends to shape market expectations. For example, at the lowest price range, a buyer might not expect a garage and might not be willing to pay significantly more for a garage. At the other end of the price spectrum, the upper price ranges, buyers may expect multi-car garages amenities in the residence.

When using the market-based method to determine adjustments, make sure the comparable data is derived from a group of comparables similar to the subject. Make sure the comparison is as close to “apples to apples” as can be found.

### **MAKING THE ADJUSTMENTS**

The adjustment amount is applied to the sale price of the comparable. In other words, you adjust what is known (the sale price of a comparable, which is known) to estimate what is unknown (the subject's marketing price).

Based on the previous garage example, assume that the adjustment amount for a 2-car versus 3-car garage is \$5,000. This amount is either added to or subtracted from the comparables' sales price to equate it to the subject.

If the subject property has a 3-car garage, the adjustment to the comparable would be to **add** \$5,000 to the two comparables with 2-car garages. The comparables with 3-car garages do not need to be adjusted for this feature.

If the subject property has a 2-car garage, the adjustment to the comparable would be to **subtract** \$5,000 to the comparables with 3-car garages. The comparables with 2-car garages do not need to be adjusted for this feature.

### **ADD OR SUBTRACT? - TWO RULES OF THUMB**

Here's a good rule of thumb based on the example.

**SBA (SUBJECT BETTER, THEN ADD):** If the subject property has a 3-car garage and the comp has a 2-car garage, **add** to the sold price of the comparable.

**CBS (COMPARABLE BETTER, THEN SUBTRACT):** If the subject property has a 2-car garage and the comp has a 3-car garage, **subtract** from the sold price of the comparable.

**NOTE: Adjustments are made to the comparables, NOT the subject.**

## CONCESSIONS

An adjustment to a comparable should be made when the concession impacts the final sales price, such as when the seller of a comparable property paid a concession to benefit the buyer (such as, paid the buyers closing costs), then such amount would be deducted from the comparables sales price (i.e., \$3,000 in seller paid concession).

### FANNIE MAE GUIDANCE FOR APPRAISERS ON ADJUSTING COMPARABLES

Fannie Mae guidance is focused on appraisers and appraisals. However, real estate brokers can provide beneficial advice to their clients by being aware of these same guidelines and apply them similarly when developing a CMA.

Fannie Mae's guidance emphasizes that adjustments must be market-based, not arbitrary or a boilerplate adjustment. It also acknowledges that sometimes appropriate comparables cannot be found because the subject is so unique or because of particular conditions. In that case, sales that best indicate the adjustment to the comparable must be selected from the market and adjusted appropriately.

Appraisers must adjust comparables to reflect any sales or financing concessions that might affect sales price. This is why real estate brokers usually need to provide a copy of the sales agreement to appraisers, so they can confirm any such concessions. **NOTE:** Adjustments may not necessarily be dollar-for-dollar.

The guidance also emphasizes the importance of commentary about adjustments. It is not enough to simply state that an adjustment has been made. Appraisers must provide their logic and reasoning (in writing) for making such adjustments.

### APPLYING THE PRINCIPLE OF SUBSTITUTION

The Principle of Substitution follows the premise that a prudent and well-informed buyer will pay no more to acquire one particular property (or any component in a property) than the price that is set by the market on a substitute property of similar utility and desirability. The principle of substitution, along with market expectation, drives the market-based pricing principle.

In simple terms, substitution means that the real estate market is competitive: A buyer will generally choose the least expensive house that satisfies their needs and wants, all other things being equal. For this reason, real estate brokers should strive to be as accurate as possible in the adjustment to the comps. For example, if homes with three-car garages sell for \$5,000 more, the buyer won't pay \$7,000 more for one because the seller wants more.

Consumers instinctively employ the principle of substitution with other big-ticket items also. For example, a car buyer who has decided on a specific make and model won't usually pay more at one dealership than the cost of purchasing it at another dealership. The same is true, for an informed buyer, in a real estate transaction.

### **ADJUSTMENTS - FOR DATE OF SALE AND TIME**

The date of sale and the time adjustment (local market conditions) are critical elements in determining an accurate price because an appraisal is based on a specific date in time (effective date of appraisal). The comparable sales being considered must be analyzed by the appraiser to determine if there have been any changes in market conditions from the time the comparable went under contract to the effective date of the appraisal. This analysis will determine whether a time adjustment is warranted. Adjustments may be either positive or negative depending on the market changes over the time period analyzed. This adjustment can be calculated by comparing the median sales price of properties at the time the comparable sold and the median sales price today. The percentage difference is the likely adjustment. Time adjustments should be supported by other comparables (such as sold vs contract prices) whenever possible; however, in all instances the appraiser must provide a written explanation for the time adjustment in the appraisal report.

NOTE: Brokers can apply this same method when a time adjustment is warranted.

### **SPECIFIC CONSIDERATIONS IN DETERMINING ADJUSTMENTS**

What constitutes a bedroom? When is a bathroom a full bath? Some MLS definitions do not match the definition an appraiser might use. The following are some specific home features and how Fannie Mae prefers appraisers to characterize them when selecting and adjusting comparables, or State Building Codes otherwise define them.

## BEDROOMS

The NC Building Code has specific requirements for what rooms can legally count as a bedroom. NC Residential Building Code (NCRBC) requires that bedrooms have at least 100 square feet (of Living Area), and at least 50% of the room must have a ceiling height of at least 7', it can then be called a bedroom. The NCRBC also requires a bedroom to have a window or door leading directly to the outside for access in case of an emergency. Because of the requirement for a window (or door) exit, a basement room with a window too small to allow for emergency exit purposes can't be called a bedroom. (<https://www.ncrealtors.org/question/what-is-a-bedroom/>)

Closets are not required for a room to be a bedroom (neither is there a requirement for natural light nor ventilation). Historic homes might not have closets because wardrobe furniture were in use when these houses were originally built. However, if the home has a septic tank, the home must comply with the specific septic permit issued by the Department of Environmental Health in the county where the property is located. If the home is only permitted for two bedrooms, you cannot list it as having three or more bedrooms.

<https://www.ncrealtors.org/question/advertising-permitted-number-of-bedrooms/>

## BATHROOMS

**A full bathroom includes at least three out of these four features:**

Toilet

Sink

Bathtub

Shower

A half-bath usually consists of a sink and toilet. When in doubt, following Fannie Mae guidance is probably a good idea: a toilet, sink, and bathtub or shower constitute a full bath. This is also the definition that an appraiser would use, so a CMA that follows this definition will likely synchronize with an eventual appraisal of the property.

## GROSS LIVING AREA - (GLA)

Commonly referred to as square footage in many MLSs, "Gross-Living-Area" is specifically **defined by Fannie Mae** as finished above-grade habitable areas measured from the exterior building dimensions. Garages and basements (including those that are partially above-grade) are **NOT** included in GLA definition. For example, a walk-out basement with finished rooms would not be included in the above-grade room count or GLA. **NOTE:** the NCREC published the Residential Square Footage Guidelines, so brokers had a consistent guide when measuring, calculating, and reporting the square footage in residential properties. See the NCREC Residential Square Footage Guideline comments below.

Rooms that are not included in the above-grade room count and GLA can contribute substantially to the functionality and utility of a property, and buyers will typically pay for those additional areas within the residence. Above-grade areas should be compared only with residences with similar above-grade areas and residences with below-grade areas should only be compared with other sold residences with similar below-grade areas.

### The NC Real Estate Commission's Residential Square Footage Guidelines

In September 1998, the North Carolina Real Estate Commission adopted the Residential Square Footage Guidelines, which most recently were revised in November 2013. The Guidelines are voluntary (NOT mandatory) but when brokers elect to incorporate any representation of the size of a residence in any marketing materials (including oral representations, MLS, and Data Sheets) the listing agent is held responsible for the accuracy of the represented "Living Area" in the residence.

The purpose of the development of the Residential Square Footage Guidelines was to increase the knowledge, skill and competency of brokers who provide (advertise) square footage in their marketing materials.

Additionally, these Guidelines provide a greater knowledge base for the proper utilization and interpretation of the Square Footage Guidelines when measuring, calculating, and reporting square footage in a residential property, regardless of where the residence is located in North Carolina. Among other issues, the Guidelines describe certain acceptable measuring, sketching, and calculating methodologies which agents can utilize when providing square footage as a service to their clients. Brokers are encouraged (NOT required) to follow these Guidelines.

Although these Guidelines are voluntary, when properly followed should reduce the agents civil and regulatory liability when providing a representation of the square footage (“Living Area”) in a residential property.

The NCREC Residential Square Footage Guidelines publication can be found under the “Publication” tab on the NC Real Estate Commissions website ([www.NCREC.gov](http://www.NCREC.gov)). Additionally, START School of Real Estate teaches an in-depth 4-hour CE Elective course on the NCREC Square Footage Guidelines.

### **ADJUSTING FOR DIFFERENCES IN “Living Area”**

Although “Living Area” square footage should be as close to the subject as possible, if not the same, adjustments need to be made unless the variance is insignificant. Calculating per-square-footage price is tricky. Technically, the land should be subtracted from the total sales price to determine the actual per square foot adjustment. Because land price is seldom separated from house price, dividing the sales price by square footage yields an inexact but generally usable figure. This simplification is generally valid in a homogenous neighborhood with similar types of houses and similar lot sizes. Such a calculation is not appropriate for residences which are located on exceptionally large lots or acreage.

### **ANSI® GUIDELINES FOR MEASURING SQUARE FOOTAGE**

#### **Appraisal Requirement**

In April of 2022, Fannie Mae® began requiring appraisers to apply ANSI® Z765-2021 (American National Standards Institute®) standards for measuring, calculating, and reporting above-grade and below-grade square footage for single-family residential homes.

Neither Tax Assessors, nor real estate brokers are required to conform to any law or regulation for measuring, calculating, or reporting square footage.

Brokers who utilize measurement methods that differ significantly from the ANSI standard (or the NCREC Square Footage Guidelines), may result in variations in reported square footage that could impact the outcome of the appraised value of the property the broker is representing.

Notable aspects of the ANSI measuring standards:

1. This requirement applies only to single-family residential housing. It doesn't apply to apartments, condominiums, or commercial property.
2. The measurement standard is from the exterior walls dimensions and includes the area on each floor above-grade based on exterior measurements including stairwells but excluding open areas.
3. The standard requires a minimum ceiling height of 7 feet. In second-story areas with sloped roofs living area starts at 5 feet off the sloped ceiling, and 50% or more of the ceiling must be 7 feet or above. No portion of the finished habitable area that has a ceiling height of less than 5' can be included in the GLA.
4. Any living space that is partially or completely below grade (even if it's only a foot or two) is considered below-grade space (basement space).
5. Measurements are taken and reported on a hand-sketch or computer-generated sketch, or floor plan must be to the nearest inch or tenth of a foot, and the final square footage calculations are reported to the nearest whole square foot.
6. Staircases are included in the square footage of the floor from which they descend.
7. The appraiser may not know what method was used to calculate the GLA shown in an MLS listing or in tax assessor data. Through research and their knowledge & experience of the local market, appraisers will determine if the GLA provided for comparables should be adjusted.

For more information, refer to the Fannie Mae Selling Guide and the Fannie Mae® Fact Sheet: Standardized Property Measuring Guidelines.

## **AGE**

Every attempt should be made to find comps in the same neighborhood as the subject property that do not require an adjustment for age. If either the subject or the comparable is new construction, an appropriate adjustment is needed.

Age adjustments are not consistent across the spectrum of home ages. For example, comparing a 10-year-old home to a brand-new home would usually be a significant adjustment. The adjustment for a 30-year-old home compared to a 40-year-old home might be minimal or nothing at all.

Some think an age adjustment means little. Others think it means a lot. The question is really whether any adjustment needs to be made at all. Consider the example of a buyer who has a choice between two identical houses with the exception that one is new, and the other is 40 years old but rehabilitated, modernized, and improved until it looked just like the new home. Would the buyer pay the same price for the older “like new” home as the new home? Appraisers call this effective age, which is how old the house is in terms of wear and tear, and overall conditions. Generally, the lower the effective age, the higher the price.

### **SIZE OF THE SITE**

Because of neighborhood characteristics, lot size will probably be similar enough that no adjustment will be needed. Determining the amount of contribution from the land to make a lot adjustment can be a daunting challenge.

Compared with other homes in the neighborhood, a house on a smaller-sized lot will generally sell at a discount. Consider what the land is used for: Does it provide off-street parking? Is it used for recreation?

In rural areas, lot sizes can vary tremendously. The home's site might be the most expensive component of the marketing price. Extra land for a garden, storage buildings, more privacy, and so on generally costs much less per acre than the home site. Two other important considerations in rural areas are:

What is the minimum lot size, per local regulations?

Can the property support an on-site sewage system (and possibly allow for expansion or repair of that system)?

### **ADJUSTMENTS FOR THE WRONG REASONS**

Agents sometimes feel pressured to make adjustments that are not supported by market data. For instance, a seller in Minnesota, insisting on a higher listing price, might argue that a home's built-in swimming pool should prompt an upward adjustment of comparables that do not have built-in swimming pools. But the typical buyer in Minnesota probably does not highly cherish such a feature that can only be used a few months per year. Making this adjustment to keep the seller happy would likely result in an inflated price.

Sometimes the pressure is internal, with an agent trying to justify a higher listing price to win a listing of a client's property. Whatever the motivation, the only correct reason to make an adjustment is because the market indicates it.



## OUTLIERS

An outlier is a property that is sold for a price that is extremely high or low based on all other comparables. Often the reason for the outlying price cannot be determined by a broker preparing a CMA.

NOTE: If there are enough other Arms-Length comparables to conduct an accurate market analysis, it is best to omit outliers.

## STIGMATIZED PROPERTIES

A stigmatized property is a home in which an occurrence of an actual or rumored event might diminish a buyer's desire for the property even though the property is not physically affected. Such events include homicides, suicides, criminal activity, and alleged hauntings - (NONE of these events are Material Facts in NC).

A stigmatized property often sells for a price that is not reflective of the market like outliers. Brokers might consider avoiding stigmatized properties when otherwise identifying comparable properties.

## ATTITUDE ADJUSTMENT when Developing a CMA:

Just like appraisers, brokers who desired to maintain their reputation and trustworthiness as a competent real estate advisor should consider following the same fundamental characteristics that appraisers routinely follow when the broker is developing a CMA:

**You TOO Must Be a -**  
**Data Gathering,**  
**Number Crunching,**  
**Cold Blooded,**  
**Ethical,**  
**Analytical Machine.**

**EXERCISE: ADJUSTING COMPARABLES, DETERMINING A PRICE RANGE**

Look back at the comparables you selected in Section 2. Use these comparables and the sample Evaluation Figures to complete the following CMA Analysis Worksheet. Based on the analysis worksheets, what is the **price range** for the subject property?

DIRECT SALES COMPARISON APPROACH							
FEATURE	SUBJECT	Comparable #1		Comparable #2		Comparable #3	
Address:							
Proximity to Subject							
Sales Price							
Price/SF							
Data Source							
Verification Source							
Value Adjustments	Description	Description	(+/-) \$	Description	(+/-) \$	Description	(+/-) \$
Concession Amount							
Date of Sale							
Location							
Property Interest							
Site							
View							
Design							
Quality							
Age							
Condition							
Room Count							
Living Area							
Below Grade							
Functionality							
Heating/Cooling							
Garage/Carport							
Porch/Deck/Patio							
Fireplace							
Fencing/Storage							
Other							
Other							
Adjustments (+/-)			\$0		\$0		\$0
Adjustment (%)							
Adjusted Price			\$0		\$0		\$0

**Comparative Market Analysis (CMA)©**

File #: \_\_\_\_\_

DIRECT SALES COMPARISON APPROACH							
FEATURE	SUBJECT	Comparable #1		Comparable #2		Comparable #3	
Address:	105 Tawny Ridge Lane Cary, NC 27513	208 Fox View Place Cary, NC 27513		305 Cary Pines Drive Cary NC, 27513		105 Springwater Court Cary NC, 27513	
Proximity to Subject		Less than 1.0 Miles		Less than 1.0 Miles		Less than 1.0 Miles	
Sales Price	\$620,000		\$620,000		\$555,000		\$575,000
Price/SF							
Data Source		MLS #2536696		MLS #2531276		MLS #2516801	
Verification Source		Public Records		Public Records		Public Records	
Value Adjustments	Description	Description	(+/-) \$	Description	(+/-) \$	Description	(+/-) \$
Concession Amount	0	Finance		None		None	
Date of Sale	1/8/24	11/6/2023		10/20/2023		7/20/2023	
Location	Silvercreek	Fox Chase		Cary Pines		Springbrooke	
Property Interest	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Site	0.23 Acres	0.27 Acres		0.20 Acres		0.28 Acres	
View	Typical of Area	Waterfront		Typ of Area		Typ of Area	
Design	2 Story Traditional	2 Story Trad		2 Story Trad		2 Story Trad	
Quality	Typical of Area	Typ of Area		Typ of Area		Typ of Area	
Age	1996	1989		1993		1992	
Condition	Typical of Age	Typical of Age		Typical of Age		Typical of Age	
Room Count	9/4/2.5	8/3/2.5		8/4/2.5		9/4/2.5	
Living Area	2,220 sf	2234 sf		2,216 sf		2,204 sf	
Below Grade	436 sf - Unfinished	0 sf		0 sf		468 SF Garage	
Functionality	Typical of Design	Typ of Design		Typ of Design		Typ of Design	
Heating/Cooling	FWA/Central AC	FWA/Cen AC		FWA/Cen AC		FWA/Cen AC	
Garage/Carport	2-Car Garage	2-Car Garage		2-Car Garage		2-Car Garage	
Porch/Deck/Patio	Por/Deck/ScrPor/P	Por/Deck		Deck/Porch		Deck/Porch	
Fireplace	1 FP	1 FP		1 FP		1 FP	
Fencing/Storage	Shed	None		Fenced		None	
Other	None	None		Walk-In Attic		None	
Other							
Adjustments (+/-)			\$0		\$0		\$0
Adjustment (%)			0.00%		0.00%		0.00%
Adjusted Price			\$620,000		\$555,000		\$575,000
<b>RECONCILIATION:</b>							
Based on a VISUAL EXTERIOR and INTERIOR inspection of the subject property, my opinion of the Listing PRICE Range of the Subject Property as of January 31, 2024 (The Effective Date of this CMA report) is between \$_____ to \$_____.							

**Exercise:** Make the appropriate adjustments to each comparable and then reconcile the Range in Price.

**NOTE:** Remember to provide your Client with your opinion of the Clients Net proceeds based on the reconciled Price Range from the CMA. NCAR provides a Net Sheet Form (Form #110).

# Section 4

## The Paperwork – Your File/Report

### Learning Objective:

By the end of this Section, brokers will be able to Identify the NCREC required contents of a CMA report identified in §93A-82 & §93A-83, and 58A.2201 & 2202, plus the requirements of 58A.0108 (the Record Retention Rule) when developing a CMA for a client or prospective client.

### ASSEMBLING THE (Written) CMA REPORT

NOTE: §93A-83(a)3 states the following:

The requirements of this Article shall **NOT** apply to any .... CMA performed by a licensee **for NO Fee or Consideration.**

Therefore, a broker needs to decide if they intend to charge a fee or not, because if a fee (any form of consideration) is charged, then the CMA has required written content that **must** be contained in the report.

For the purposes of complying with the NCREC requirements of a written CMA when the broker intends to charge a fee, the following are required contents in a CMA.

First, there may be required content under certain conditions. Regardless, there is no set format or preferred length for CMAs. The length, complexity, and design can vary according to preferences and business practices. The report can vary from a few-page summary to dozens of pages of analysis and photographs.

How much data is enough? How much is too much? Whatever you choose to include, everything should serve the purpose of leading the seller or buyer client to a decision on a list price or an offer price. As you choose content, take time to consider what piece of the pricing puzzle the information provides as well as how the seller or buyer client will likely respond to the data. Will they skim through the content and focus on the bottom-line pricing, or will they carefully read the content?

You or your company may have its own proprietary tools and some MLSs offer this as a service. REALTORS® can take advantage of RPR® tools including RPR® Mobile. Whatever format and level of detail you choose, keep in mind that the goal is to find a format that works for you as well as the broker's seller or buyer client.

**COVER LETTER** An introductory memo explaining the purpose of the CMA, to inform the seller or buyer client and help them make informed pricing decisions.

Second, when the broker intends to charge a fee, the following are **required** contents in a written CMA.

**§93A-83(c)** states: Required contents of a CMA analysis .... Shall be in writing and conform to the standards provided in this Article that shall include, but not limited to the following:

- 1) Statement of intended purpose of the CMA,
- 2) A brief description of the subject property & property interest being priced,
- 3) The basis of reasoning used to reach the conclusion of the price, including the applicable market data or capitalization computation (i.e. – GRM),
- 4) Assumptions and Limiting Conditions,
- 5) A disclosure of any existing or contemplated interest of the broker issuing the CMA, including the possibility of representing the landlord/tenant or seller/buyer,
- 6) The effective date of the report,
- 7) The name and signature of the broker and the broker's license number,
- 8) The name of the real estate brokerage firm for which the broker is acting,
- 9) The signature date of the report,
- 10) A Disclaimer stating – “This opinion is not an appraisal of market value of the property and may not be used in lieu of an appraisal. If an appraisal is desired, the services of a licensed or certified appraiser shall be obtained. This opinion may not be used by any party as the primary basis to determine the value of a parcel of or interest in real property for a mortgage loan origination, including the first and second mortgages, refinances, or equity lines of credit”,
- 11) A copy of the assignment request for the CMA.

## RESTRICTIONS

Notwithstanding any provisions to the contrary, a person licensed pursuant to this Chapter may not knowingly prepare a broker price opinion or comparative market analysis for any purpose in lieu of an appraisal when an appraisal is required by federal or State law. A broker price opinion or comparative market analysis that estimates the **value of or worth a parcel** of or interest in real estate rather than sales or leasing price shall be deemed to be an appraisal and may not be prepared by a licensed broker under the authority of this Article, but may only be prepared by a duly licensed or certified appraiser, and shall meet the regulations adopted by the North Carolina Appraisal Board. **A broker price opinion or comparative market analysis shall not under any circumstances be referred to as a valuation or appraisal.**

**NCREC Rules (58A.2202)** require the following **STANDARDS for a CMA**:

- (a) A broker performing a broker price opinion or comparative market analysis for a fee shall comply with all the requirements in G.S. 93A-83 and in this Rule.
- (b) A broker shall only accept an assignment to provide a broker price opinion or comparative market analysis for a property if the broker has knowledge of the real estate market, direct access to real estate market sales or leasing data, and brokerage or appraisal experience in the subject property's geographic location.
- (c) A broker shall not provide a broker price opinion or comparative market analysis for a property unless the broker can exercise objective, independent judgment free of any influence from any interested party in the performance of his or her analysis of the facts relevant to determination of a probable selling or leasing price.
- (d) A broker shall not provide a broker price opinion or comparative market analysis for a property unless the broker has personally inspected the exterior and interior of that property, provided, however, that an inspection of the exterior or interior is not required if this is waived in writing by the party for whom the opinion or analysis is being performed.
- (e) When developing a broker price opinion or comparative market analysis for a property or interest therein, a broker shall utilize methodology such as analysis of sales or income of sold or leased properties comparable to the subject

property or capitalization as is appropriate for the assignment and type of subject property.

(f ) When analyzing sales or income of properties comparable to the property that is the subject of a broker price opinion or comparative market analysis assignment, a broker shall comply with the following standards:

(1) The broker shall select from reliable information sources a minimum of three sold or leased comparable properties for use in his or her analysis that are similar to the subject property with regard to characteristics such as property type, use, location, age, size, design, physical features, amenities, utility, property condition and conditions of sale. The comparable properties selected shall reflect the prevailing factors or market conditions influencing the sale or lease prices of similar properties in the subject property's local market; and

(2) The broker shall make adjustments to the selling or leasing price of selected comparable properties for differences between the characteristics of the comparable properties and the subject property as necessary to produce a credible estimate of the probable selling or leasing price. Adjustments shall be considered for differences in property characteristics such as location, age, size, design, physical features, amenities, utility, condition, economic or functional obsolescence and conditions of sale. The amounts of adjustments shall reflect the values that the local real estate marketplaces on the differences in the characteristics in question.

(g) A broker price opinion or comparative market analysis provided to the party for whom the opinion or analysis is being performed shall address, in addition to matters required to be addressed by G.S. 93A-83 and other provisions of this Rule, the following items:

(1) a description of the comparable properties used in the analysis (including any unsold properties listed for sale or rent that were used as comparable properties);

(2) the adjustments made to the selling or leasing prices of comparable properties;

(3) local real estate market conditions;

(4) if the date on which the sale or lease of a comparable property became final is more than six months prior to the effective date of the broker price

opinion or comparative market analysis, an explanation of why the comparable property was used in the analysis and a description of the market conditions affecting the comparable property at the time the sale or lease became final; and

(5) each method used in deriving the estimate of probable selling or leasing price.

(h) In connection with a broker price opinion or comparative market analysis, an estimated probable leasing price may be reported by a broker as a lease rate and an estimated probable selling or leasing price may be reported by a broker either as a single figure or as a price range. When the estimated probable selling or leasing price is stated as a price range and the higher figure exceeds the lower figure by more than 10 percent, the broker shall include an explanation of why the higher figure exceeds the lower figure by more than 10 percent.

Although not required by NCREC License Law or Rules, other content may be considered as beneficial to the broker and the brokers client (Seller or Buyer):

**COMPARABLES** A list and descriptions of the comparables used in developing an opinion of the market price for the subject. Commentary clarifying the procedures and logic applied in choosing and adjusting comparables. Plus, an analysis of the comparables used, including adjustments made (This information is typically presented in a table format, with the subject and comparable features arranged side-by-side for easy comparison.)

**MARKET** A description of current market conditions in general and of the specific subject property.

Typical days on market

Absorption rate

**COMPETITION** A table listing similar properties currently on the market.

**PRICING RECOMMENDATION** A recommended price or price range for the subject, based on analysis of the comparables.

**NOTE:** To assist Brokers who elect to provide a CMA (including a Fee or not) the following 5-pages of examples are provided:



**Comparative Market Analysis (CMA)**

File #: \_\_\_\_\_

<b>The Purpose</b> of this CMA is to provide the User with a credible supported opinion of the <b>probable listing price</b> of the subject property.	
<b>Property Address (City, County, State, Zip):</b>	
<b>Owner of Record:</b>	
<b>Legal Description:</b>	
<b>Assessor's Parcel # (PIN):</b>	
<b>Property Taxes (\$, year):</b>	
<b>Neighborhood Name:</b>	
<b>Occupant (Owner, Tenant, Vacant):</b>	
<b>PUD (HOA Fees, Frequency Paid):</b>	
<b>Property Interest:</b>	
<b>User (Name, Address):</b>	
<b>Data Sources (Inspection Date, MLS):</b>	
<b>Date of Inspection (Day, Date):</b>	
<b>Effective Date (Date):</b>	
<b>Signature Date(Date):</b>	
<b>Broker (Name, License Number):</b>	
<b>Firm Name:</b>	
<b>Fee Amount (\$):</b>	
<b>Basis of Reasoning utilized in this assignment:</b>	
<p><b>NOTE:</b> Race and racial composition of the neighborhood are not pricing factors.</p> <p><b>NOTE:</b> A copy of the Assignment Request is hereby attached, as an addendum, and made a part of this report.</p> <p><b>NOTE:</b> Broker Certification, and Assumptions &amp; Limiting Conditions are hereby attached, as an addendum, and made a part of this report.</p>	
<p><b>Disclaimer:</b> "This opinion is not an appraisal of the market value of the property, and may not be used in lieu of an appraisal, including first and second mortgages, refinances, or equity lines of credit." If an appraisal is desired, the services of a licenses or certified appraiser shall be obtained. This opinion may not be used by any party as the primary basis to determine the value of a parcel of or interest in real property for a mortgage loan origination, including first and second mortgages, refinances or equity lines of credit."</p>	
<p><b>Disclosure of Contemplated Interest:</b></p> <p><input type="checkbox"/> Broker has, <input type="checkbox"/> Broker does not have, interest in representing the subject property as the Listing Agent on behalf of the Seller.</p>	
<p><b>Statutory Requirements:</b></p> <p><b>NC GS § 93A 82:</b> "Broker Price Opinion" and "Comparative Market Analysis" mean an estimate prepared by a licensed real estate broker that details the probable selling price or leasing price of a particular parcel of or interest in property and provides a varying level of details about the property's market, and neighborhood, and information on comparable properties, but does not include an automated valuation model.</p> <p><b>NC GS § 93A 83:</b> Restrictions.-Notwithstanding any provisions to the contrary, a person licensed pursuant to this Chapter may not knowingly prepare a broker price opinion or comparative market analysis for any purpose in lieu of an appraisal when an appraisal is required by federal or State law. A broker price opinion or comparative market analysis that estimates the value of or worth a parcel of or interest in real estate rather than sales or leasing price shall be deemed to be an appraisal and may not be prepared by a licenses broker under the authority of this Article but may only be prepared by a duly licenses or certified appraiser, and shall meet the regulations adopted by the North Carolina Appraisal Board. A broker price opinion or comparative market analysis shall not under any circumstances be referred to as a valuation or appraisal.</p> <p><b>NCREC Rules:</b> This CMA complies with NC Real Estate Commission Rules: 21 NCAC 58A.108 and 58A.2200 - (58A.2201 &amp; 58A.2202)</p>	

Property Address: \_\_\_\_\_ BPO/CMA File Number: \_\_\_\_\_

This BPO/CMA is subject to the following Definition of "Broker Price Opinion" and "Comparative Market Analysis", Intended Purpose, Disclaimer, Brokers Certification, and Assumptions & Limiting Conditions.

**DEFINITION OF BPO/CMA:** The Terms "Broker Price Opinion" (BPO) and "Comparative Market Analysis" (CMA) mean an estimate prepared by a licensed real estate Broker that details the probable selling price or leasing price of a particular parcel of or interest in property and provides a varying level of detail about the property's condition, market, and neighborhood, and information on comparable properties, but does not include an automated valuation model.

**INTENDED PURPOSE:** The Intended Purpose of this BPO/CMA is to provide the Client with an estimate of the probable selling price or leasing price of the subject property or interest in the subject property as of the effective date of this BPO/CMA.

**DISCLAIMER:** This opinion is not an appraisal of the market value of the property, and may not be used in lieu of an appraisal. If an appraisal is desired, the services of a licensed or certified appraiser shall be obtained. This opinion may not be used by any party as the primary basis to determine the value of a parcel of or interest in real property for a mortgage loan origination, including first and second mortgages, refinances, or equity lines of credit.

**BROKERS Certification:** The Broker Certifies and agrees that:

- 1) The License of the Broker is active and in good standing with the North Carolina Real Estate Commission as of the date of acceptance of this BPO/CMA Assignment Request including through the Effective Date of the BPO/CMA.
- 2) This BPO/CMA meets the requirements of subsection (c) of NC General Statute 93A-82 Article 6.
- 3) A copy of the Clients Assignment Request for the BPO/CMA is attached to and hereby made a part of this BPO/CMA Assignment.
- 4) If the BPO is submitted electronically or on a form supplied by the requesting party, any signature required by subdivision (7) of subsection (c) of NC General Statute 93A-82 Article 6 may be an electronic signature as defined by G.S. 47-16.2 (NC General Statutes), and has been transmitted in a separate attachment if the electronic format or form supplied by the requesting party does not allow additional comments to be written by the licensee. The electronic format supplied by the requesting party has referenced the existence of a separate attachment, and includes a statement that the broker price opinion or comparative market analysis is not complete without this attachment.
- 5) Notwithstanding any provisions to the contrary, I am a licensed Broker in good standing pursuant to NC General Statute 93A and I have not knowingly prepared a broker price opinion or comparative market analysis for any purpose in lieu of an appraisal when an appraisal is required by Federal or State Law. A broker price opinion or comparative market analysis that estimates the value of or worth of a parcel or interest in real estate rather than sales or leasing price shall be deemed to be an appraisal and may not be prepared by a NC licensed broker under the authority of NC General Statute 93A-82 Article 6, but may only be prepared by a duly licensed or certified appraiser, and shall meet the regulations adopted by the North Carolina Appraisal Board. A broker price opinion or comparative market analysis shall not under any circumstances be referred to as a valuation or appraisal.
- 6) This broker price opinion or comparative market analysis does not include any reporting of a predetermined result.
- 7) I have knowledge of the real estate market, direct access to real estate market sales and leasing data and brokerage or appraisal experience in the subject's property's geographic location.

Property Address: \_\_\_\_\_ BPO/CMA File Number: \_\_\_\_\_

- 8) I have exercised objective and independent judgment free of any influence from any interested party in performance of this BPO/CMA analysis of the facts relevant to determination of a probable selling or leasing price.
- 9) I have personally inspected the exterior and interior of the subject property, provided, however, that an inspection of the exterior or interior shall not be required if this is specifically waived in writing by the party for who the opinion or analysis is being performed.
- 10) I have utilized methodology such as analysis of sales or income of recently sold or leased properties comparable to the subject property or capitalization, as is appropriate for this particular assignment and type of subject property.
- 11) I have selected from reliable information sources a minimum of three recently sold or leased comparable properties for use in this analysis that are similar to the subject property with regard to characteristics such as property type, use, location, age, size, design, physical features, amenities, utility, property condition and conditions of sale. The comparables selected are considered to reflect the factors or local market conditions influencing the sale or lease prices of the comparables.
- 12) I have made adjustments to the selling or leasing price of the selected comparable properties for the differences between the characteristics of the comparable properties and the subject property that would significantly impact the estimate of the probable selling or leasing price if no adjustment was made. Adjustments were considered for differences in property characteristics such as location, age, size, design, physical features, amenities, utility, condition, economic or functional obsolescence and conditions of sale. The amounts of the adjustments are considered to represent what the local real estate market places on the differences in the characteristics in question.
- 13) I have addressed, in addition to matters required by G.S.93A-83 and other provisions, a description of the comparable properties used in the analysis (including any unsold properties listed for sale or rent that were used as comparables), the adjustments made to the selling or leasing prices of comparable properties, local real estate market conditions, and each method used in deriving the estimate of probable selling or leasing price.
- 14) It is hereby understood and agreed that a probable leasing price may be reported as a lease rate and an estimated probable selling or leasing price may be reported either as a single figure or as a price range. When reporting a probable selling or leasing price is stated as a price range, then the higher figure does not exceed the lower figure by more than ten percent.

**STATEMENT OF ASSUMPTIONS & LIMITING CONDITIONS:** The Broker attests that they are competent to perform this BPO/CMA which is subject to the following Assumptions and Limiting Conditions:

1) The BPO/CMA is not an appraisal and is not purported to comply with the Uniform Standards of Professional Appraisal Practice; Appraisal standards under the Title XI of FIRREA; or the standards of the Federal Financial Institutions Regulatory Agencies; or FNMA/FHLMC Appraisal Guidelines.

2) The Broker is not responsible for matters of a legal nature that affect the property which this BPO/CMA is a subject of, or the Title to it, except for information that the Broker became aware of during the research involved in performing this CMA/BPO. The Broker assumes that the Title is good and marketable and the Broker will not render any opinion about Title.

3) The Broker has provided a sketch in this BPO/CMA to show the approximate dimensions of the improvements. The sketch is included only to assist the reader in visualizing the utility of the improvements to the property and understanding the Broker's determination of its size which conforms to the NC Real Estate Commissions Square Footage Guidelines (or recognized equivalent).

Property Address: \_\_\_\_\_ BPO/CMA File Number: \_\_\_\_\_

4) The Broker has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in this BPO/CMA whether any portion of the subject site is located in an identified Special Flood Hazard Area. Because the Broker is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.

5) The Broker has noted in the BPO/CMA any adverse conditions (such as needed repairs, deterioration, the presence of hazardous wastes, lead based paint, toxic substances, etc.) observed during the inspection of the subject property or the Broker became aware of during the research involved in performing this BPO/CMA. Unless otherwise stated in this BPO/CMA, the Broker has no knowledge of any hidden or unapparent physical deficiencies or adverse conditions of the property (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, lead based paint, toxic substances, adverse environmental conditions, etc.) that would impact the probable selling or leasing price of the property, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied. The Broker will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the Broker is not an expert in the field of environmental hazards, this BPO/CMA must not be considered as an environmental assessment of the property.

6) The Broker identified and disclosed the physical deficiencies that could affect the livability, soundness, or structural integrity of the property.

7) The Broker selected and used comparable sales that are locationally, physically, and functionally the most similar to the subject property.

8) The Broker made adjustments to the comparable sales that reflect the market's reaction to the differences between the subject property and the comparable sales.

9) The Broker verified, from a disinterested source, all information in this report that was provided by parties who have a financial interest in the sale or financing of the subject property.

10) The Broker attests to have knowledge and experience in performing a BPO/CMA of this type of property in this market area.

11) The Broker is aware of, and has access to, the necessary and appropriate public and private data sources, such as multiple listing services, tax assessment records, public land records and other such data sources for the area in which the property is located. The Broker obtained the information, estimates, and opinions furnished by other parties and expressed in this BPO/CMA from reliable sources the Broker believes to be true and correct.

12) The Broker has taken into consideration the factors that have an impact on price with respect to the subject neighborhood, subject property, and the proximity of the subject property to adverse influences in the development of an opinion of probable selling or lease price. The Broker has noted in this BPO/CMA any adverse conditions (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, lead based paint, toxic substances, adverse environmental conditions, etc.) observed during the inspection of the subject property or that the Broker became aware of during the research involved in performing this BPO/CMA. The Broker has considered these adverse conditions in their analysis of the properties probable selling or lease price, and has incorporated those conditions on the effect of the probable selling or lease price of the subject property.

13) The Broker has not knowingly withheld any significant information from this BPO/CMA and, to the best of the Brokers knowledge; all statements and information in this BPO/CMA are true and correct.

14) The Broker stated in this BPO/CMA their own personal bias, analysis, opinions, and conclusions, which are subject only to the assumptions and limiting conditions in this BPO/CMA.

Property Address: \_\_\_\_\_ BPO/CMA File Number: \_\_\_\_\_

15) The Broker has disclosed their present or prospective interest in the property that is the subject of this BPO/CMA, and I have no present or prospective personal interest or bias with respect to the participants and parties which this BPO/CMA is a subject of. The Broker did not base, either partially or completely, their analysis and/or opinion of probable selling or lease price in this BPO/CMA on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of any party related to or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.

16) The Brokers employment and/or compensation for performing this BPO/CMA or any future or anticipated other services was not conditioned on any agreement or understanding, written or otherwise, that the Broker would report (or present analysis supporting) a predetermined specific price, a predetermined minimum price, a range or direction in price, a price that favors the cause of any party, or the attainment of a specific result or occurrence of a specific subsequent event.

17) The Broker personally prepared all conclusions and opinions about the real estate that were set forth in this BPO/CMA. If the Broker relied on significant assistance from any individual or individuals in the performance of this BPO/CMA or the preparation of this BPO/CMA, the Broker has named such individual(s) and disclosed the specific tasks performed in this BPO/CMA. The Broker certifies that any individual so named is qualified to perform the tasks. The Broker has not authorized anyone to make a change to any item in this BPO/CMA; therefore, any change made to this BPO/CMA is unauthorized and the Broker will take no responsibility for it.

18) I identified in this BPO/CMA assignment who is the individual, organization, or agent for the organization that ordered and will receive this BPO/CMA.

19) The identified user of this BPO/CMA may not disclose or distribute this BPO/CMA to any other individual or entity without the written authorization by the Broker. Such consent must be obtained before this BPO/CMA may be disclosed or distributed to any other party (including, but not limited to, the public through advertising, public relations, news, sales, or other media). The Broker is aware that any disclosure or distribution of this BPO/CMA report by the Broker or the identified user of this BPO/CMA may be subject to certain laws and regulations.

20) If this BPO/CMA may have been transmitted as an "electronic record" containing the Brokers "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this BPO/CMA containing a copy or representation of the Brokers signature, the BPO/CMA shall be as effective, enforceable and valid as if a paper version of this BPO/CMA were delivered containing the Brokers original hand written signature.

Subject Property Address: \_\_\_\_\_

Brokers Name: \_\_\_\_\_

Brokers Signature: \_\_\_\_\_

Signature Date: \_\_\_\_\_

Brokers License Number: \_\_\_\_\_

Brokers Firm Name: \_\_\_\_\_

Effective Date of BPO/CMA: \_\_\_\_\_

## **SHOWING ADJUSTMENT AMOUNTS (or NOT) ?**

Some real estate brokers prefer to focus on what was adjusted and omit the amount of the adjustments (this is an option). This avoids potential arguments from the seller that an adjustment is “not enough.” Choose the approach that feels most comfortable to you and be prepared to defend your actual adjustment numbers.

## **PREPARING TO LEAD THE DISCUSSION**

Of course, you will not simply present the CMA report to sellers and buyers without comment or leave them to interpret the results on their own. The CMA opens the dialogue and leads to the mutual goal: an appropriate price for the subject and, in a reasonable timeframe, a completed transaction.

As you organize the CMA content, it may help to think of it as telling the story of the subject property against a backdrop of the pricing reflective of market conditions and competing properties. And like any good story, it has a beginning, middle, and ending. When structuring a CMA, the story model begins with the subject property, moves through the middle content of comparables, competition and market conditions, and concludes with a pricing recommendation.

## **UNDERSTANDING THE MARKET**

Information on market conditions is an important component of a CMA because sellers and buyers need to know the market environment in which they are operating. An effective CMA communicates a realistic picture of the market and shapes expectations.

Are property markets stable, appreciating, or declining?

Is there a shortage of homes on the market, balanced supply and demand, or an oversupply?

How long does it take to sell a home: under 90 days, 90–180 days, more than 180 days?

Although there are no guarantees, a fact-based CMA report of market conditions helps seller clients plan a pricing strategy and prepare for the closing and move out. Buyer clients can better plan an offer price and negotiation strategy.

## SUPPLY AND DEMAND—ABSORPTION RATE

Calculation of the absorption rate provides a data-based method for characterizing one of the important market conditions. Absorption rate estimates the rate at which properties are sold or leased within a market area.

Calculating the absorption rate starts with the number of competitive properties currently on the market. That number is divided by the number of properties sold per month.

Here is the formula:

$$\begin{aligned} & \# \text{ of Properties on the Market} \div \# \text{ of Properties SOLD (per month)} \\ & = \text{The ABSORPTION RATE} \end{aligned}$$

### EXAMPLE:

There were 6 residences which SOLD this past month, and there are 20 residences which are currently on the market for sale. The ABSORPTION Rate is  $20/6 = 3.33$  months to sell the current number of residences = **100 DOM**.

It will take 3 & 1/3 months to sell all the residences that are currently on the market, which equals 100 Day on Market (DOM).

Remember however, that some of those current residential listings may expire (because they are NOT market ready; Priced too high, or lesser curb appear).

Additionally, there are likely additional residences which will be placed on the market in addition to the 20 that are already on the market for sale.

It's important to note that the calculation does not consider the number of homes that will eventually come on the market.

How far back should a broker look in calculating absorption rate? Start by looking back three months, then six months to determine the average absorption rate and then compare this figure with just the previous month's absorption rate to see the trend.

NOTE: The **Flow Rate** = TOTAL number of properties that have been on the market for the various periods of time (Active, Pending, Closed, Expired, Withdrawn).

**BUYER'S OR SELLER'S MARKET?**

Based on absorption rate calculations, what is the rule of thumb for characterizing the market?

**SELLER'S MARKET CONDITIONS:** Less than 3 months absorption rate

**BALANCED MARKET CONDITIONS:** 3-6 months absorption rate

**BUYER'S MARKET CONDITIONS** More than 6 months absorption rate

**EXERCISE: USING ABSORPTION RATE TO ADVISE CLIENTS**

Ruth has tracked sales of two-story single-family colonial homes in her market area for the past two years using the following parameters:

- |                 |                           |
|-----------------|---------------------------|
| 10–30 years old | 2,200-2,600 square feet   |
| 3–5 bedrooms    | two-car garage            |
| 2½ baths        | Lot size of 1/3 to ½ acre |

Ruth discovers that during the past 12 months, 48 houses that meet this description have sold in her defined market area of competing neighborhoods. What is the absorption rate for this market?

Knowing this, how should Ruth advise the sellers of similar homes in each of the following scenarios? Is it a seller's, balanced, or buyer's market?

- A. THERE ARE CURRENTLY 12 HOMES LIKE THIS ON THE MARKET.**
- B. THERE ARE CURRENTLY 22 HOMES LIKE THIS ON THE MARKET.**
- C. THERE ARE CURRENTLY 62 HOMES LIKE THIS ON THE MARKET.**

**Remember: Buyers Look at the following five issues (in order)**

- |  |                           |
|--|---------------------------|
| <b>1)</b> Location, Location, Location             | - Seller can't Control    |
| <b>2)</b> Size of residence (SF)                   | - Seller can't Control    |
| <b>3)</b> Features of the residence                | - Seller can't Control    |
| -----  |                           |
| <b>4)</b> Condition of the residence               | - Seller can ONLY Control |
| <b>5)</b> Price of the residence (marketing price) | - Seller can ONLY Control |

**NOTE:**

Seller MUST think like a Buyer when positioning the residence on market price.



**RECORD RETENTION RULE – Rule 58A.0108**

- (a) Brokers shall retain records of all sales, rental, and other transactions conducted in such capacity, whether the transaction is pending, completed, or terminated. The broker shall retain records for three years after all funds held by the broker in connection with the transaction have been disbursed to the proper party or parties or the conclusion of the transaction, whichever occurs later. If the broker's agency agreement is terminated prior to the conclusion of the transaction, the broker shall retain such records for three years after the termination of the agency agreement or the disbursement of all funds held by or paid to the broker in connection with the transaction, whichever occurs later.
- (b) Records shall include copies of the following:
- (1) contracts of sale;
  - (2) written leases;
  - (3) agency contracts;
  - (4) options;
  - (5) offers to purchase;
  - (6) trust or escrow records;
  - (7) earnest money receipts;
  - (8) disclosure documents;
  - (9) closing statements;
  - (10) brokerage cooperation agreements;
  - (11) declarations of affiliation;
  - (12) broker price opinions and comparative market analyses prepared pursuant to G.S. 93A, Article 6, including any notes and supporting documentation;
  - (13) sketches, calculations, photos, and other documentation used or relied upon to determine square footage;
  - (14) advertising used to market a property; and
  - (15) any other records pertaining to real estate transactions.
- (c) All records shall be made available for inspection and reproduction by the Commission or its authorized representatives without prior notice.
- (d) Brokers shall provide a copy of the written agency disclosure and acknowledgement thereof when applicable, written agency agreement, contract, offer, lease, rental agreement, option, or other related transaction

document to the firm or sole proprietorship with which they are affiliated within three days of receipt.

Whenever real estate brokers prepare a CMA, they revisit historical data such as the sales prices of recently sold homes and absorption rates. CMAs are focused on short-term trends, the immediate market. But real estate brokers also need to recognize and understand longer-term trends. Knowing the absorption rate for a particular residential category in a particular market 1 year ago, 2 years ago, 5 years ago, and so on, can begin to reveal patterns of neighborhood growth, decline, or redevelopment.

Retain your data analyses for future reference and reconsideration. The CMA prepared for a buyer client several years ago might help to generate a listing price range when that client decides to sell. This does not mean that the same CMA and data can be used. But the old CMA will point to comparables that might be useful in a more current analysis.

### **LISTENING TO THE MARKET**

Do you budget time for keeping up-to-date on market trends? An essential factor in building and sharpening CMA skills is being consistently current on local market trends and developments. There is no magic formula to staying up to date, it takes attention, time, and a commitment to tracking sales, contracts, and listings.

Real estate brokers should develop, and maintain, the tools, resources, and contacts they need to understand their markets both intuitively and analytically. Having a “feel” for your markets is a good thing; being able to quantify and support that intuition for clients is equally important.

### **STAYING CURRENT ON MARKET CHANGES**

Most MLSs have market analysis tools for keeping current on market changes, including tools in an MLS that can provide brokers:

- Percentage of selling price to list price ratio
- Days on Market
- Absorption Rate (months' supply of inventory)
- Range of properties that are selling, sitting, and expiring
- Ratio of new listings coming on the market versus those expiring
- Median Sales Price—going up or down
- Number of Closed Sales compared with previous months trends

## DEVELOPING AN EXPERT NETWORK

A single broker cannot master all the complexities of residential real estate. Which is why real estate brokers develop a network of personal contacts and relationships to help them stay current with the market and fill in their knowledge gaps about pricing. More experienced real estate brokers can help refine their pricing skills and assist a less experienced broker when developing competent CMA.

Real estate brokers in other geographical areas can provide insight when you must consider comparables outside the subject neighborhood. Lenders can help brokers keep abreast of changes in mortgage rates, products, and practices that impact affordability. Builders can provide pricing information about homes that often are not listed in the MLS or public records, as well as information about building costs.

Appraisers can confirm or challenge a specific adjustment. Consider inviting an appraiser to attend one of your office meetings to discuss the adjustments for specific amenities in the current market. Asking buyers to share a copy of their appraisal can help build up a reference file of the adjustment's appraisers assign to property amenities such as decks, fences, and other property features.

## NAR STATISTICAL REPORTS

The National Association of REALTORS® Research Department offers a wealth of statistical information on home prices and sales. Access to these reports and more are located at [www.nar.realtor/research-and-statistics](http://www.nar.realtor/research-and-statistics).

**EXISTING-HOME SALES** Each report includes data for 12 months and annual totals going back three years. Reports are available for existing single-family homes, and condominiums. Both median and average prices are included.

**PENDING HOME SALES INDEX**, The index measures housing contract activity. It is based on signed real estate contracts for existing single-family homes, and condos.

**METROPOLITAN MEDIAN HOME PRICES AND AFFORDABILITY** Two separate price reports reflect sales prices of (1) existing single-family homes and (2) condominium homes by metropolitan statistical area.

**HOME BUYERS AND SELLERS BY METROPOLITAN STATISTICAL AREA** Home buyer and seller profiles for individual metropolitan statistical areas, covering demographics and home characteristics.

**COUNTY MEDIAN HOME PRICES AND MONTHLY MORTGAGE PAYMENTS** Median home prices for 3,119 counties and county-equivalents.

**STATE HOUSING STATISTICS** Interactive Map: Existing-Home Sales Data by State.

**REALTORS<sup>®</sup> CONFIDENCE INDEX** A key indicator of housing market strength based on a monthly survey sent to over 50,000 real estate practitioners. Practitioners are asked about their expectations for home sales, prices, and market conditions.

**LOCAL MARKET REPORTS (MEMBER LOGIN REQUIRED)** Local information on markets, fiscal conditions, mortgage conditions, the economic impact of real estate, and existing home sales and prices.

**STATE-BY-STATE ECONOMIC IMPACT OF REAL ESTATE ACTIVITY** Annual reports outline the total economic impact of real estate related industries on the state economy, as well as the expenditures that result from a single home sale, including aspects like home construction expenses, real estate brokerage, mortgage lending, and title insurance.

### **INDUSTRY NEWS RESOURCES**

There are dozens of resources—or more—for staying up to date on industry and market trends; following are just a few of the most highly regarded:

**JOINT CENTER FOR HOUSING STUDIES OF HARVARD UNIVERSITY** [jchs.harvard.edu](http://jchs.harvard.edu)  
For housing policy issues. Among other information, JCHS publishes an annual State of the Nation's Housing report.

**FREDDIE MAC** [www.freddiemac.com/research](http://www.freddiemac.com/research) For economic and housing research.

**BANKRATE** [www.bankrate.com](http://www.bankrate.com) For national average mortgage rate daily and average mortgage rates and points in top 10 markets.

### **S&P CORELOGIC CASE-SHILLER HOME PRICE INDICES**

<https://www.spglobal.com/spdji/en/index-family/indicators/sp-corelogic-case-shiller/sp-corelogic-case-shiller-composite/#overview> Measures U.S. residential real estate prices. The indices track changes in the price of residential real estate nationally and in 20 metropolitan markets.

# Section 5

## Delivering The Report

### Learning Objective:

By the end of this Section, brokers will be able to: Identify the methods, styles, and reasoning of the various CMA formats.

#### Presenting the CMA

What's the first question sellers or buyers ask? What's the price? How do sellers and buyers react when they hear it? Are they pleasantly surprised or disappointed, skeptical, or accepting? Observing reactions to the price range provides a good indication of how to present the rest of the CMA.

Presenting the Good News or the Bad News is all about the Presentation.

When discussing the CMA results, real estate brokers must be prepared to explain and sometimes defend their CMA report. Of course, every transaction presents its own set of unique circumstances, but sellers and buyers tend to show similar reactions and make similar misassumptions mostly due to the emotional relationship sellers have with the sale of their personal residence.

A confident broker presentation a competently developed CMA educates seller and buyer clients, helps them understand market forces, and guides them on the path from price range to listing or offer price and ultimately to a successful transaction.

## **GUIDING SELLERS AND BUYERS THROUGH THE CMA**

Because seller and buyer clients are eager to see the price or price range that results from the analysis, they tend to jump to the bottom line of the CMA. After satisfying their initial curiosity about price, however, the confident and competent real estate broker guides seller and buyer clients through all the information in the CMA to show and explain the rationale supporting the price or price range recommendation. Asking seller clients “what do you think?” or “Is this in line with your expectations?”—will reveal their depth of understanding, concerns, and possible issues.

## **THE LOCAL MARKET—SUPPLY AND DEMAND**

An overview of the local market and neighborhood offers a good starting point for the CMA presentation. Seller and buyer clients readily understand the concept of supply and demand expressed as a seller's or buyer's market. They may not, however, realize the impact that supply and demand have on pricing.

**SELLER'S MARKET:** High demand for homes and few homes on the market pushes prices upward.

**BUYER'S MARKET:** Low demand and many homes on the market pushes prices to fall or flatten.

Ask an open-ended question to assess understanding at this point, such as, “Based on the market conditions, how quickly do you think your home is likely to sell?” or, “when do you need this property to be sold”? Two different questions with the intent of the answer to provide a broker with valuable but different insight to the mindset of the seller or buyer (these questions are used in absorption rate pricing).

## **CONSIDERING THE COMPARABLES AND COMPETITION**

Next, spend some time discussing the comparables that were used in deriving the price or price range. People are naturally curious about other homes, and how their home compares, so this can be an engaging part of the CMA presentation. Sellers usually focus on differences between their home and the comparables, so be fully prepared to explain how you adjusted for these differences.

This is also a good time to discuss the competition. For sellers, discuss current listings that compete directly with their home and the listing prices. For buyers, discuss how competing properties could affect their offer and negotiation strategy.

## FROM PRICE RANGE TO EXPECTATIONS OF LISTING OR OFFER PRICE

The CMA presentation concludes with a recommended price or price range for the subject residence, but a listing or offer price must be a single number. Discussion of several market averages can help move from a range to a specific price.

The seller or buyer will probably ask what price you would recommend, so you need to be prepared with an answer. But a better approach is to first ask them what they think.

**ASK A SELLER** “After looking at the market information and competition, what list price from within the pricing range do you think is right for your home?”

**ASK A BUYER** “After considering the market information and similar homes, what offer price from within the pricing range seems reasonable to you?”

**ASK A SELLER OR BUYER** “The market indicates a selling price for this home between \$x and \$y. Currently, homes in this marketplace are selling for X% of list price. Based on these numbers, what listing/offer price seems reasonable to you?”

In addition to agreeing on price, the pricing discussion provides a good opportunity for reaching a shared understanding about potential future price adjustments.

**ASK A SELLER** “If offers don’t materialize at the original listing price, what price reduction amount would you consider?”

**ASK A BUYER** “If there are competing offers, what is the highest price you are prepared to pay?”

The goal is to reach agreement with the seller or buyer on a listing or offer price for the home. If they select a price from within the CMA price or price range, this goal is accomplished. If not, further discussion is needed.

Tactfully ask them to explain their thinking. The answer could reveal one of the common client misconceptions about current market price in the subject location, which you can then address by referring to supporting facts in the CMA.

## EDUCATING SELLERS AND BUYERS

Real estate brokers face the challenge of staying up to date on the market. Instilling an understanding of market forces in the minds of sellers and buyers may present an even greater challenge. Sellers and buyers may have a general idea about current market conditions but lack the perspective or experience to appreciate the forces that impact pricing. Do the following errors sound familiar?

**SEVEN DEADLY SELLER SINS**

1. The price is higher than the competition.
2. Refusing reasonable offers early on.
3. Not putting the property in the best possible condition for sale.
4. Making showing the property difficult.
5. Forgetting that their emotional attachment does not add amounts to the purchase price in the eyes of the buyers.
6. Blaming the agent for the market.
7. Resisting a timely price reduction, causing market aging.

**WHEN HOMES SELL QUICKLY: "I SHOULD HAVE ASKED FOR MORE!"**

The flipside of a listing that languishes for months is one that sells quickly at or near its listed price. Sellers might feel remorseful in this situation. They might think they could have gotten a higher price and focus their remorse on the broker. Real estate brokers who diligently do their homework on pricing can explain that a quick sale indicates that the home was appropriately priced right for that market, which resulted in a timely sale.

**FIVE BUYER BLOOPERS**

1. Believing AVMs correctly price properties.
2. Listening to people who bought houses years ago—the market has changed.
3. Believing people who insist that every house is overpriced by X%.
4. Disregarding the explanation of seller's market conditions.
5. Not getting a mortgage prequalification or preapproval before looking at properties, then finding they cannot afford what they want and expecting the seller to lower the price.



## **WHAT CONSUMERS CAN AND CANNOT CONTROL**

Educating sellers and buyers about pricing includes advising them on what they can and cannot control. Understanding their power, and its limits, to affect the price of the home should help reduce their stress and increase their satisfaction with the entire transaction process.

For example, sellers can control the appeal of their home by putting the property in the best possible condition for sale. Repairs, cleaning, de-cluttering, and staging all contribute to placing the home in the best possible light and supporting the listing price. Facilitating showing of the property is in the seller's control too. In a buyer's market, a listing that is difficult to show due to seller constraints is in a losing position relative to the competition. In any market, most potential buyers are more at ease and receptive to viewing the home when the owners are absent and cooperative.

Neither sellers nor buyers can control the economic climate that affects financial decisions and capabilities. Aspects of the economic climate include interest rates, the availability of money, the ease or difficulty of obtaining a mortgage, federal monetary policy, and employment rates. Along with the economic climate, sellers and buyers have no control over the supply of available homes and the corresponding effect on pricing.

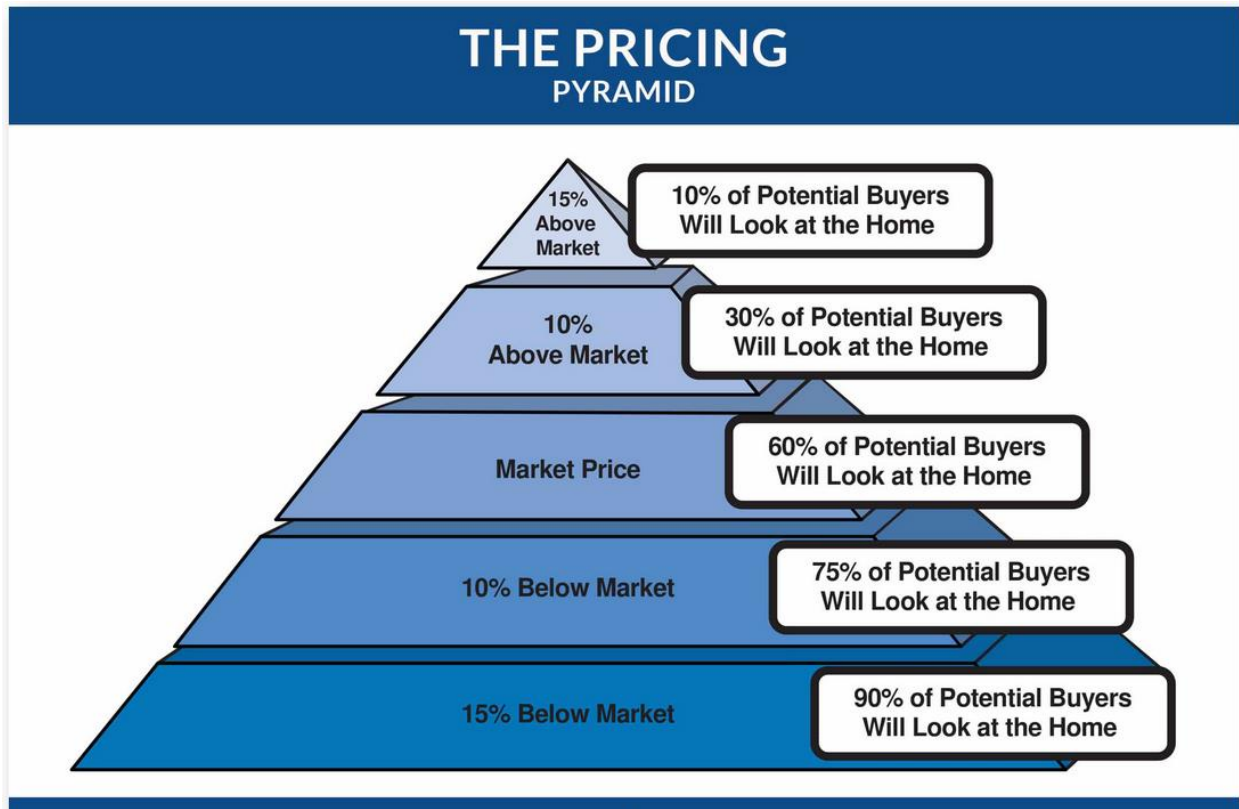
## **PUT THE SELLER IN THE DRIVER'S SEAT**

One way to educate sellers, and keep them informed of market developments, is to introduce them to your local MLS, REALTOR.com or RPR and help them search as if they were buyers for their own home. Many MLSs provide an automated search tool that will update a seller (or buyer) on new listing and price adjustments in the market area where the subject of located. They will then get updates on new listings, price reductions, and other relevant data in real time. Seeing the market mechanics first-hand is often more compelling than hearing it filtered through you. In addition, this strategy keeps the lines of communication open if it becomes necessary to revisit price in the future.

Introduce the sellers to the pricing pyramid to help them better understand realistic pricing strategies for their property in the property's subject location.

## The Real Estate Pricing Pyramid

The pricing pyramid presents a compelling picture, worth a thousand words, of the negatives that overpricing causes.



The pricing pyramid illustrates that as list price increases above logically developed price, a smaller percentage of potential buyers will look at the home. This illustration can help sellers quickly understand the advantages of staying within the range indicated by the CMA when settling on a listing price.

### WHEN THEY WON'T LISTEN!

What you've learned on this course should help you educate sellers about the drawbacks of pricing their property higher than the competition indicates. A well-developed CMA will clearly demonstrate the nature of the competition and explains, with current credible data, the dangers of overpricing. For both sellers and buyers, the CMA shows that the market dictates pricing.

Sometimes, despite all your efforts, sellers or buyers disregard your pricing recommendations. When sellers are determined to price their property, or buyers are determined to make an out-side of market offer, well outside the range suggested by the CMA, a protective measure is to obtain a written, signed statement from them acknowledging that they have independently decided to do so despite your advice.

## **REVISITING PRICE**

When a listing languishes in spite of timely and reasonable adjustments to the listing price, real estate brokers must be prepared to revisit their original pricing analysis, including the following tactics:

If competition was used in the original CMA, revisit the sources to see if any of them have sold and, if so, at what prices.

Review current market data, including the ratio of listing price compared to sales price and days on the market.

Prepare an updated CMA using current comparables.

Ask colleagues who have shown the property what feedback they have received.

Confer with the seller about having an appraisal done.

## **LEGAL AND ETHICAL REQUIREMENTS**

Real estate brokers must observe legal and ethical requirements when pricing properties. In addition to the competency standard discussed under §93A.82 & §93A.83, in Section 1, real estate brokers must maintain confidentiality and comply with the NCREC Record Retention Rule (58A.0108) requirements. All data used in the preparation of a CMA is confidential to the client and should be kept in its own file (NCREC Record Retention Rule). Including which comparables were considered but not used, keeping a copy of them with a note detailing why they were not used.

## **CONFIDENTIALITY**

Brokers need to be mindful that CMAs are subject to confidentiality requirements as specified by NCREC Law & Rules. In addition, the REALTOR® Code of Ethics addresses the issue of agency confidentiality.

**NOTE:** Remember to provide your Client with your opinion of the Clients Net proceeds based on the reconciled Price Range from the CMA. NCAR provides a Net Sheet Form (Form #110).

### **STANDARD OF PRACTICE 1-9**

*The obligation of REALTORS® to preserve confidential information (as defined by state law) provided by their clients in the course of any agency relationship or non-agency relationship recognized by law continues after termination of agency relationships or any non-agency relationships recognized by law. REALTORS® shall not knowingly, during or following the termination of professional relationships with their clients:*

- 1. reveal confidential information of clients; or*
- 2. use confidential information of clients to the disadvantage of clients; or*
- 3. use confidential information of clients for the REALTOR®'s advantage or the advantage of third parties unless:*
  - a. clients consent after full disclosure; or*
  - b. REALTORS® are required by court order; or*
  - c. it is the intention of a client to commit a crime and the information is necessary to prevent the crime; or*
  - d. it is necessary to defend a REALTOR® or the REALTOR®'s employees or associates against an accusation of wrongful conduct.*
- 4. Information concerning latent material defects is not considered confidential information under the Code of Ethics. (Adopted 1/93, Amended 1/01*

**EXERCISE: WHAT WOULD YOU SAY?**

**SELLER SAYS:** *"We can always come down in price, but we cannot go up! Let's start at a higher number."* **RESPONSE:** Homes priced above what the market indicates are apt to take longer to sell. That increases the stress, opportunity costs, and real costs. The longer a home languishes on the market, the less buyer attention it receives. Buyers tend to skip over it.

**SELLER SAYS:** *"I've heard the market is hot right now, so I want to price my home aggressively."*

**BUYER SAYS:** *"I've heard this is a buyer's market, so I want to get a bargain."*

**RESPONSE:** The absorption rate indicates the current market is a buyer's, sellers, or neutral.

**SELLER SAYS:** *"We completed a \$XX remodel of the kitchen last year, and that cost should be added to the suggested price range."* **RESPONSE:** There is usually a significant difference between cost to the seller and purchase price to the prospective buyer. The comparables utilized include the upgrade (or have been adjusted for it), so this remodel is already reflected in the suggested price range. Remember the fundamental Appraisal statement of "Cost doesn't equal value."

**SELLER OR BUYER SAYS:** *"Zillow® says the house is worth more (less) than what your price range shows."* **RESPONSE:** (Prepare for this question by checking Zillow® in advance!) AVMs might contain incomplete or out-of-date information. They do not adjust for issues such as the condition of the property and sales concessions.

**SELLER SAYS:** *"My neighbor's very similar home sold for more than your price range."* **RESPONSE: (IF THE NEIGHBOR'S HOME IS A TRUE COMPARABLE.)** The neighbor's house is included in the CMA, and I can show the adjustments that likely contributed to its higher selling price.

**RESPONSE: (IF NEIGHBOR'S HOME DOESN'T QUALIFY AS A COMPARABLE.)** Let me explain why the neighbor's house isn't included in the CMA. The home sold too long ago and doesn't reflect the current market conditions. Or public information isn't available on the house—only known, verifiable information can be used in developing an opinion of market pricing.

# Section 6

## The Appraiser – Friend or Foe ?

### Learning Objective:

By the end of this Section, brokers will be able to: Identify the methods and reasoning of making logical mathematical adjustments to comparable sales when developing a CMA for a client or prospective client and mirrors and appraisal.

### Working with Appraisers

The CMA has done its job when the seller and buyer client have agreed on a list price or sales price and terms. So, the transaction is a done deal, right? If the buyer plans to apply for a mortgage, the next make-or-break step in the transaction is the appraisal. Everyone involved in the transaction, including the appraiser, hopes that the appraisal syncs with the agreed sales price. The best way to make that happen, or resolve issues when it doesn't, is for real estate brokers to understand the role and responsibilities of appraisers and educate sellers and buyers about this important step in the transaction process.

### THE APPRAISER'S ROLE AND RESPONSIBILITIES

In brief, an appraiser develops an opinion of value. The appraisal process usually follows these steps.

**Based on the specific assignment, determine the appropriate scope of work, including:** The type of property inspection required—interior, exterior only, or none)

Appraisers follow a strict methodology when developing an opinion of value, sales comparison approach, cost approach, or income approach.

1. Any lender-specific requirements.
2. Inspect the property, if needed.
3. Research various resources for information about the subject and market area, including county and municipal records, MLS records, and other data services.

4. Review recent sales and listings of comparable properties, in much the same way that agents do when they prepare CMAs.
5. Use one of three or a combination of approaches to develop an opinion of the value of the property.
6. Prepare an appraisal report that contains comprehensive information to facilitate an understanding and use of the appraisal, including supporting documentation for the appraiser's value opinion.

## APPRAISAL APPROACHES

**SALES COMPARISON APPROACH:** This approach uses recent sales of comparable properties. Characteristics such as the living area of the home, land area, style, age, quality of construction, number of bedrooms and bathrooms, and presence or absence of a garage are analyzed and compared. This is often the primary approach used in appraising a residential property.

**COST APPROACH:** This approach reflects the appraiser's opinion of the current cost to construct the existing house, minus any estimated depreciation, plus the value of the land. This approach is more relevant for newer homes or home features that have little or no depreciation.

**INCOME APPROACH:** This approach generally is used for properties that have income-generating potential. In a residential context, this would include properties that have two, three, or four living units. It typically is not used for one-unit homes in neighborhoods where residences are primarily owner-occupied.

## WHO DOES THE APPRAISER WORK FOR?

In a residential property sale, the appraiser works for the mortgage lender. The mortgage lender orders the appraisal and is the appraiser's client. Lenders order the appraisal directly from an appraiser or use an appraisal management company (AMC) to manage the appraisal process. The appraisal is confidential to the lender.

The homebuyer receives a copy of the appraisal after it is submitted to the lender. The Equal Credit Opportunity Act requires a creditor to provide a free copy of a completed home appraisal and all other written valuations on the property regardless of whether credit is extended, denied, incomplete, or withdrawn.

## **COMMUNICATING WITH THE APPRAISER**

Some real estate brokers believe, erroneously, that they are not permitted to communicate with the appraiser at any time. Nothing in the regulations governing the appraisal process bar communication between real estate brokers and appraisers. Real estate brokers may provide information about the property and the pending sale to help the appraiser accomplish the assignment. But brokers must not compromise the appraiser's independence, such as trying to influence the appraiser's value opinion.

Once the appraisal is complete any communication with the appraiser must be through the lender. Even at this stage, real estate brokers are permitted to provide additional information, through the lender, that the appraiser may have overlooked as well as point out errors in the appraisal report.

## **STEPS IN WORKING WITH THE APPRAISER**

Despite the tension inherent in the appraisal process, real estate brokers and appraisers are not opponents. Each plays a critical role in the transaction and is bound by legal and professional obligations. An understanding of the appraiser's role and responsibility combined with some preparatory work can foster a constructive working relationship and an efficient appraisal process.

## **LISTING AGENTS ARE ALLOWED TO MEET THE APPRAISER**

In a residential sale, the appraiser is typically required to inspect the property and will contact the seller or real estate broker to make access arrangements. Meet the appraiser at the property and be prepared to answer any questions about it or the neighborhood. Allow the appraiser the space and time to complete the inspection.

## **ENSURE PROPERTY IS READY FOR INSPECTION**

It's the seller's responsibility to make sure that the appraiser can access and inspect all areas of the home. That means that:

1. Electricity must be on for the appraiser to verify operation of the HVAC system, appliances, and the electrical system.
2. Plumbing must be operational so the appraiser can look for leaks, flush toilets, and check water pressure.
3. Attic access must be provided to check for insulation, attic ventilation, and any damage.\*



4. Access must be provided to the crawlspace (when present) to check for standing water, possible damage, and ventilation.\*
5. Windows must be able to be opened. In addition, if security bars are present, they must have a quick release mechanism or they must be removed.

**\*NOTE:** Appraisers will not remove items to access attics or crawl spaces.

### **PREPARE AN APPRAISER'S PACKAGE**

Prepare an Appraiser's Package in advance and have it available for the appraiser at the property. An Appraiser's Package typically includes the following items:

Copy of the current Sales Contract, The RPOADS & ALL Disclosures

Plats – Recorded Plats & other recorded easement documents

Surveys – (recent or unrecorded)

Deeds – (When current owner purchased the property)

Covenants – Developments Declaration & Road Maintenance Agreements

HOA Documents – Dues, Charges & Assessments (Balance Sheet & Budget)

Floor Plans – with Dimensions

Photographs – Current & Previous

On-Site Utilities – (Water/Sewer, Natural Gas, Internet, Phone, Cable)

Permits - Well & Septic, Building additions, Variances, Special Use

Specifications from Builder – (if New Construction)

Neighborhood details such as clearly defined boundaries, neighborhood amenities (retail & services) and school information

Trends and changes for the area, from the Local MLS & MLS Statistics.

Recent similar quality comparables with explanation of why certain comparables were used and which ones were rejected, plus verification that information such as square footage is correct.

Detailed lists and dates of upgrades, remodels, and costs

Energy-efficient features

Pricing history and multiple offer disclosures on the property at time of sale

## APPRAISAL TOOLS AND RESOURCES

Brokers can find a wealth of resources, legal info, guidelines & toolkits about the appraisal process at [www.nar.realtor/appraisal-valuation/valuation-tools](http://www.nar.realtor/appraisal-valuation/valuation-tools).

**Check out these quality sources for information:**

[birminghamappraisalblog.com](http://birminghamappraisalblog.com)

[sacramentoappraisalblog.com](http://sacramentoappraisalblog.com)

Working RE Magazine [workingre.com](http://workingre.com)

### VERY IMPORTANT—RETURN APPRAISER CALLS ASAP

After visiting the property, the appraiser might have follow-up questions. Be sure to respond to such requests promptly. It is in everyone's best interest for the appraiser to have complete and accurate information sooner rather than later. In a rapidly changing market, an appraiser may ask for information on pending sales or sales that have closed but for some reason have not yet been closed out in the MLS. If an appraiser asks about pending sales, please be certain to obtain the client's permission before sharing that information.

### HOW TO READ AN APPRAISAL REPORT

Although there is no universal appraisal form, many appraisers and AMCs use forms developed by Fannie Mae or Freddie Mac, as is or with minor variations. Regardless of the format or style, appraisal reports consistently include certain information.

### INTERPRETING AN APPRAISAL REPORT

#### AN APPRAISAL REPORT SHOULD CONTAIN THESE ESSENTIAL ELEMENTS.

Clear identification of the property appraised.

Description of the appraiser's scope of work

The identity of the client and any other intended users of the report

The intended use of the report

The definition of value used.

The effective date of the value opinion

Relevant characteristics of the subject property which is how appraisers typically refer to the concept of market expectations, what a typical buyer would expect to find on the property.

Identification of the method(s) used to value the property.

Presentation of the method(s) used to value the property.

Description of the neighborhood and market conditions for the neighborhood

The appraiser's value opinion of the property

An appraisal that uses the sales comparison approach (typical for residential transactions) is based on comparisons between the subject and comparables. Such an appraisal should include tables of comparable properties and their relevant characteristics, with adjustments made as needed. Some of the same comparable properties used in developing your CMA of the property may appear in the appraisal report.

### **COMMUNICATION WITH AN APPRAISER - RECONCILIATION & What can be Asked**

Appraisers refer to the analysis of different value indicators or approaches as a reconciliation. In completing the reconciliation, the appraiser relies on judgment and experience to evaluate value indicators according to their relevance and reliability to determine a value.

Here is an example of typical commentary regarding reconciliation in an appraisal: "Comp #1, which required the least net and least gross adjustments, is considered most like the subject. Its adjusted value is \$229,500; comp #2, which was extremely close, has an adjusted value of \$231,000; I have reconciled between these comparables at \$230,000."

### **WHEN A PROPERTY APPRAISES BELOW OFFER PRICE**

Everybody involved in the transaction, real estate brokers, buyers, sellers, and lenders, are understandably unhappy when appraisals come in lower than the contract price on the home. A lender is unlikely to offer a mortgage above the appraised value amount. A low appraisal isn't necessarily a deal killer but in most cases the buyer and seller must reopen negotiations.

### **WHAT CAUSES A HOME TO APPRAISE BELOW SALES PRICE?**

In a seller's market, bidding wars can push prices too high.

In a buyer's market, sellers may overprice their homes.

Buyer cash-back closing cost credits included in the sale can push the sales price too high.

Too many distressed properties—foreclosures and short sales— can put downward pressure on home prices.

The appraiser may lack familiarity with dynamics of the market area or use comparables that aren't a good match.

### **WHEN A HOME APPRAISES BELOW THE BUYER'S CONTRACT PRICE, SEVERAL POSSIBLE RESPONSES ARE SET IN MOTION. WHAT ARE THE BUYER'S OPTIONS?**

Make up the difference in cash.

Try to renegotiate the sales price with the seller.

Ask the seller to provide financing.

Cancel the deal.

If all else fails, walking away from the deal may be the buyer's best option.

### **DISTRESSED PROPERTIES AS COMPARABLES**

USPAP requires appraisers to research "such comparable data as are available to the appraiser in the normal course of business." That means appraisers must look at all the comparables.

If short sales or foreclosures are an anomaly, they shouldn't be used as comparables. If investors dominate the market and an excess of short sales and foreclosures skew the market, the appraiser cannot ignore this relevant market data. These comparables must be considered in forming a value opinion.

### **THE TIDEWATER INITIATIVE FOR VA APPRAISALS**

When it appears that an VA appraisal will come in lower than the contracted sale price, the appraiser may invoke the "Tidewater Initiative." This is a VA code word for a procedure that opens a two-day window during which additional comparable information that may impact the valuation of the property may be communicated through the point of contact (POC), usually the lender, to the appraiser. The comparables must be closed sales. Pending sales contracts used to support a time adjustment must include the original contract and all addendums. The appraiser may review additional information but cannot discuss the contents of appraisal. After the appraiser uploads the completed appraisal to the VA portal, the POC

receives notification of the completed appraisal which the lender's VA underwriter can review. The VA borrower receives a copy of the appraisal too.

The "Tidewater Initiative" is named for a solution developed by the VA after a cluster of disputed appraisals originated in Norfolk, Virginia, the Tidewater region. The Tidewater Initiative is not a means of making sure the appraisal matches the sales price. Instead, it aims to limit the number of appraisal rebuttals, as well as allow an opportunity, before completion of the appraisal, to provide information that the appraiser might have missed.

### **THE LONG LIFE OF FHA APPRAISALS**

Real estate agents and sellers must be aware of the long life of FHA appraisals and the potential effects for pricing property. An FHA appraisal stays with a property for up to 180 days.

How does this affect price? Suppose a property appraised for \$2,000 below the offer price, the seller does not reduce the price, and the transaction fails. If another FHA buyer makes an offer on the same property within the next 180 days, the same appraisal will be used again. A real estate professional needs to employ market savvy to guide the seller through this situation. What percentage of transactions in this price range use FHA financing? If the percentage is significant, and depending on the seller's situation, accepting the lower price in the beginning might have been a better decision. Conversely, in a falling market, the argument could be made that the adjustment should be more than \$2,000 below the original appraised value.

What happens if this situation occurs in a rapidly changing market? The appraisal should be adjusted if the market is increasing or falling. The real estate professional or seller could consider conferring with the lender about appealing the appraisal.

### **REQUESTING AN APPRAISAL RECONSIDERATION**

Although commonly termed "challenging an appraisal," a better way to look at the situation is resolving a "sales variation." Working to get the appraisal reconsidered should not be viewed as a battle with the appraiser. Starting the process with an attitude that the appraiser is wrong will put the appraiser on the defensive and lower the chances of anything changing.

Most appraisers are ethical and competent, and most appraisals are accurate. Occasionally, however, there may be reason to believe that an appraisal contains substantive flaws and does not accurately estimate the value of a property.

If the appraisal seems inaccurate in any way or omits pertinent information, the procedure for requesting corrections begins with the buyer contacting the mortgage lender in writing. The buyer or the buyer's representative must request the re-evaluation, not the listing agent. Of course, the buyer's representative should obtain permission of the buyer before beginning an appeal of a low appraisal.

The written inquiry should set forth fact-based reasons for adjusting the appraisal and request that the appraiser address specific concerns. If the review process finds that additional information alters the appraisal, the appraiser should issue a revised appraisal with comments addressing the concerns presented in the appeal.

### **APPRAISAL RED FLAGS**

**PROBLEM COMPARABLES** Problem comparables include sales that are older than is preferred, are at a greater distance, are not arm's-length, or illogical, comparables that should have been used but were not, or comps that were used that should not have been. Watch for adjustments that don't make sense or are inconsistent.

**INCORRECT DATA** Incorrect address, parcel number, flood plain number, or census track number should be corrected.

**INCORRECT DESCRIPTIONS** The description should match the subject property. Incorrect data and incorrect descriptions can happen when an appraiser copies a previous report as the basis for a new appraisal but forgets to remove or update the data.

**FLAWED RECONCILIATION** A reconciliation of market data that doesn't make sense might indicate a flawed appraisal. For example, of the three comparables, comp #1 required only 1 percent net and 3 percent gross adjustments, comp #2 required only 3 percent net and 5 percent gross adjustments, and comp #3 required 20 percent net and 25 percent gross, yet comp #3 was the comparable the appraiser reconciled to. The appraiser should reconcile to the most similar comparable(s).

## HOW TO ADDRESS APPRAISAL ISSUES & TIPS FOR AGENTS

Ryan Lundquist is a Certified Residential Appraiser and the author of [sacramentoappraisalblog.com](http://sacramentoappraisalblog.com). He offers the following tips and a sample letter to use when appealing a low appraisal. It is adapted and reprinted here with permission.

### TIPS FOR AGENTS:

1. **BE REASONABLE:** Be realistic about what a property should be priced at. Try to help the owner base the list price on actual similar sales and whatever the current market is doing in the neighborhood for similar properties.
2. **COMMUNICATE FIRST:** Sometimes real estate agents have a very hands-off approach about communicating with appraisers (until an appraisal comes in too low of course). When that happens, agents will often start communicating all sorts of things about the property and how the market responded to it. But why was this information not shared in the first place? Consider using my "Comparable Property Information Checklist (doing so will help helps you be intentional about answering questions appraisers tend to ask, before they ask). Remember, it's easier to be proactive before the appraisal is finished rather than reactive afterward.
3. **ASK THE LENDER:** Before launching into a rebuttal, first make sure to ask the lender what their process is for challenging an appraisal, so you know you are spending your time wisely. They might have their own form. Remember, a reconsideration of value has to come to the appraiser from the lender.
4. **WEAR YOUR DATA HAT:** It can be emotional when a property appraises too low, so it's important to remain objective and stick to the facts of the market when talking with appraisers. Focus on critiquing the meat of the appraisal, which is comp selection and adjustments given (or not given). Forget about minor issues or clerical errors that don't really sway value.
5. **PRICE PER SQ FT:** I recommend giving most of your attention to similar sales rather than bringing up price per sq ft. At the end of the day the price per sq ft can be a valuable metric, but during an appraisal rebuttal it's important to focus on sales that are similar since that is probably what is going to be most useful for the appraiser.
6. **BE HUMBLE:** It's easy to blast the appraiser because you think you're right, but the appraiser might have nailed the value. Remember, many times properties come in lower than the contract price because that's really where value is.

- 7. NOVEL:** There is a better chance of being heard if you keep it short. Don't write a novel (and it helps if you're diplomatic and nice). This is why the format above is useful because it helps organize thoughts in a logical manner.
- 8. NO PRESSURE:** Remember to not pressure for a higher appraisal value (Dodd-Frank). Stick with the facts and try to help the market speak for itself. That's the benefit of the Comparable Property Information Checklist because it helps focus the conversation on comps and adjustments. You are asking the appraiser to reconsider the value, not meet your contract price. In fact, don't even suggest a target value for the appraiser to meet. With some focused communication, you can provide support for a higher appraisal value without saying, "it's worth at least X amount."



**SAMPLE LETTER****[DATE]**

ATTN: XYZ Mortgage Company

Subject Property: 123 Main St, Cary, NC 27519; Appraised Value: \$220,000

**[OPENING PARAGRAPH]** After reviewing the appraisal for 123 Main Street by John Blacksmith, we would like to request further clarification and investigation by the appraiser. We would like to ask for a reconsideration of value based on the following points:

**[COMP CRITIQUE]** Comp 1 was given a \$10,000 adjustment for condition. This property was a cosmetic fixer-upper, whereas the subject property had \$33,450 in recent improvements. A \$10,000 adjustment seems minimal when considering the substantial improvements given to the subject property. When looking at renovated properties (like Comp 3 and pending Comps 4-5), it seems like the market is willing to pay a much larger premium for upgrades.

**[COMP CRITIQUE]** Comp 2 backs up to a commercial property and is located across the street from a gas station, but no adjustment was made for the adverse location. It may have been a clerical error on the part of the appraiser to have not given an adjustment. Why was an adjustment not given?

**[COMP CRITIQUE]** Comp 3 is updated, and the adjustment was well beyond the appraised value. Why was this property not given more weight in the appraisal report? It seems like Comp 1 is inferior in condition and Comp 2 has an inferior location, while Comp 3 is the most similar.

**[COMP CRITIQUE]** Comps 4-5 are pending at \$242,000 and \$248,000. Comp 4 ended up closing 7 days after the appraiser's inspection at \$240,000. The inspection date appears this pending sale is a strong price indicator. Why did the appraiser not give more weight to these listings?

**[NEW COMPS]** What does the appraiser think of 2462 N Street and 8629 S Street as comparable properties?

**[CLOSING PARAGRAPH]** We would humbly ask the appraiser to take a second look at the information above as it relates to data and adjustments in the appraisal report. We appreciate your time and consideration, and please let us know if you have any further questions.

Respectfully,

**[BUYER'S NAME] [PHONE NUMBER] [EMAIL@EMAIL.COM]**

**RESOURCES & HELPFUL WEBSITES**

**NATIONAL ASSOCIATION OF REALTORS® PSA (PRICING STRATEGY ADVISOR) CERTIFICATION** [www.pricingstrategyadvisor.org](http://www.pricingstrategyadvisor.org)

**NATIONAL ASSOCIATION OF REALTORS® 2020 CODE OF ETHICS & STANDARDS OF PRACTICE** <https://www.nar.realtor/about-nar/governing-documents/code-of-ethics/2022-code-of-ethics-standards-of-practice>

**NATIONAL ASSOCIATION OF REALTORS® REMODELING IMPACT REPORT**

[www.nar.realtor/research-and-statistics/research-reports/remodeling-impact](http://www.nar.realtor/research-and-statistics/research-reports/remodeling-impact)

**NATIONAL ASSOCIATION OF REALTORS® STATISTICAL REPORTS**

[www.nar.realtor/research-and-statistics](http://www.nar.realtor/research-and-statistics)

**NATIONAL ASSOCIATION OF REALTORS®, VALUATION SERVICES MATRIX**

[www.nar.realtor/appraisal-valuation/valuation-services-matrix](http://www.nar.realtor/appraisal-valuation/valuation-services-matrix)

**REALTORS PROPERTY RESOURCE® (RPR)®** [www.narrpr.com](http://www.narrpr.com)

**APPRAISAL BLOGS** [birminghamappraisalblog.com](http://birminghamappraisalblog.com)

[sacramentoappraisalblog.com](http://sacramentoappraisalblog.com)

**BANKRATE** [www.bankrate.com](http://www.bankrate.com)

**FANNIE MAE** [www.fanniemae.com](http://www.fanniemae.com)

**FREDDIE MAC** [www.freddiemac.com](http://www.freddiemac.com)

**JOINT CENTER FOR HOUSING STUDIES OF HARVARD UNIVERSITY**

[www.ichs.harvard.edu](http://www.ichs.harvard.edu)

**PILLAR TO POST COST GUIDE** <https://pillartopost.com/cost-guide>

**REMODELING MAGAZINE COST VS. VALUE REPORT** [www.costvsvalue.com](http://www.costvsvalue.com)

**S&P CORELOGIC CASE-SHILLER HOME PRICE INDICES**

<https://www.spglobal.com/spdji/en/index-family/indicators/sp-corelogic-case-shiller/sp-corelogic-case-shiller-composite/#overview>

<https://www.spglobal.com/spdji/en/index-family/indicators/sp-corelogic-case-shiller/sp-corelogic-case-shiller-composite/#overview>

**UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE (USPAP)**

[www.uspap.org](http://www.uspap.org)



This course was developed by Everett “Vic” Knight, whose 40+ years’ experience as a NC Real Estate Broker and Certified General Appraisal, plus being a past Chairman of the NC Real Estate Commission, whose years of interaction and unique observations of some brokers who either elect to misrepresent pricing of their clients property or neglect their fiduciary duties to their clients by failing to properly or ethically develop a CMA when advising on pricing considerations in a potential real estate transaction. These shortcomings have precipitated an awareness of the need to better prepare all real estate brokers with greater knowledge & skills to properly develop pricing strategies on their clients’ properties in a potential real estate transaction. Vic realized that real estate brokers would benefit from this knowledge, skills, and strategies, and thus Vic developed this course.

Among other things, this course will provide a review of some of the most challenging nuance’s when pricing clients property, but also offers suggestions and recommendations of how to develop their CMA reports to help eliminate the potential for misrepresentation and the stress it brings to all parties.

The NC License Law and Commission Rules require Brokers to adhere to and be competent when preparing BPO’s and CMA’s. This course is intended to assist Brokers in competently preparing a CMA which in turn will advise and inform their clients about market pricing of properties they have an interest in selling or interest in purchasing. Brokers will be better prepared with acceptable methods and techniques of competently preparing a CMA for their clients from this course.

Strategies covered in this course will assist brokers in how to competently prepare a CMA for their clients and properly manage their expectations related to the sale or purchase of Real Estate. This course will also address the legal and regulatory duties brokers have, plus the ethical responsibilities of Brokers who are also REALTORS® who “Pledged” to adherence to the strict REALTOR® Code of Ethics.



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