



UNDERSTANDING APPRAISERS & THE APPRAISAL PROCESS

REALTORS® and appraisers are professionally interdependent, yet widespread misunderstanding exists regarding the role of the appraiser, and the methods they use to value property. REALTORS® with an advanced understanding of the appraisal process will be better equipped for success!

Instructor Qualifications

- **Mark Maschger**

- Practicing appraiser in MO, KS, & WI
- Chief Appraiser at Enterprise Bank & Trust
- Former regional chief appraiser at Bank of America
- Founder of Appraisalytics, LLC a regional appraisal management company
- Commercial leader of The Williams Group, a Kansas City appraisal and commercial brokerage firm
- General Certified, actively juggling residential, agricultural, and commercial workflow
- Appraisal Institute
 - SRA Designated / MAI Candidate
 - Kansas City Chapter 2011 President
 - Approved QE & CE Instructor
- American Society of Appraisers, ASA Designation
- Fellow REALTOR®, as appraiser and broker
- Proud to serve on your HMLS Board, as the appraiser representative



Course Objectives

- Attendees will better understand the important role played by the real estate appraiser
- Attendees will become more knowledgeable about the appraisal process
- Attendees will better understand the regulatory landscape affecting appraisers and the appraisal process
- Attendees will gain insight as to the future of appraisals
- Attendees will become more knowledgeable of the standard (URAR Report Form) and future forms engine for all types of residential lending
- Attendees will take away tips for handling appraisal disagreement and/or rebuttal

Understanding the mindset of appraisers

- To understand appraisers, you must first recognize that they do not think like real estate agents. Most appraisers are naturally drawn to the professional role of **knowledge worker** - individuals such as data analysts, product developers, planners, programmers, and researchers who are engaged primarily in the acquisition, analysis, and manipulation of information as opposed to the production of goods or services. This term was popularized by the US management guru Peter Drucker. (businessdictionary.com), **and recently utilized by Google CEO Sundar Pichai to describe who will be displaced first by AI.**
- Appraisers must pay very close attention to the smallest level of detail to be successful, and more importantly to an appraiser - **credible**. They would rather work with numbers than people in most cases. There are exceptions of course.
- It may be that you know some appraisers who aren't **knowledge workers**, whose work you've experienced as technically unreliable. As with agents, appraisers operate within a wide range of education, experience, and competence.
- While appraisers should never become emotionally or financially connected to your transactions, they endure the same peaks and valleys in income, and generally, find no enjoyment in delivering bad news.
- Viewing appraisers with respect and appreciation will lead to reciprocal treatment toward you.

What you should expect from appraisers

- Appraisers are REALTORS®
 - As members of KCRAR/HMLS, appraisers must abide by the Code of Ethics and Standards of Practice of the National Association of REALTORS®
- To be competent
 - The Competency Rule per USPAP (Uniform Standards of Professional Appraisal Practice)
 - Property Type Competency
Upper bracket, green housing, condominiums, equestrian estates, agricultural, commercial, etc.
 - Geographic competency
 - Economic competency
- Accuracy / Completeness
 - Thorough research and analysis
 - Multiple data sources (MLS, KC Data, and others when available)
 - According to the scope of work agreed upon
- To be in good standing
 - Verify the identity of appraisers and their membership in KCRAR/HMLS
 - States provide periodic reporting of appraiser disciplinary action
 - www.ASC.gov
- Professional courtesy toward you and your clients
- Unbiased, well-supported opinions of value

Understanding what appraisers need from you



Property information

MLS is the appraiser's database



Fully executed contracts

With all amendments and addenda



Site characteristics

New construction, flood, agricultural



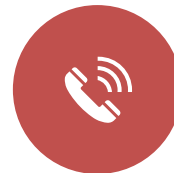
Property characteristics

What we can't see in MLS



Data Integrity

*POEs & Sold Before Processed –
from the appraiser's point of
view*



Communication

*Appraisers won't call unless they
lack needed information*

Understanding
what
appraisers
DO NOT need
from you

Comps

An appraiser's duty (noted exceptions)

Other Appraisals

One person's opinion

Salesmanship

Remember the 'knowledge worker'

- Focused on gathering information

List of improvements

Most appraisers will accept such a list

- Only list items

- Note time lapsed since updating

- Avoid totaling, sum of receipts

- Proposed construction, a different story, the more detail the better

Strong direction

Don't subordinate appraisers

'I do a lot of business with this lender'

'We shouldn't have any problems with this appraisal'

What to do when the appraisal comes in below contract price?

- **Read the appraisal – all of it**
- Consider that it may be right
 - Parties may discover misinformation and/or unknown issues from the appraisal
 - Some people agree to buy without doing their homework
 - Market conditions
 - Inspection waivers
- Identify general discrepancies
- Identify specific/factual errors and omissions
- Study comparables chosen
- Search for alternative evidence
 - Must be equally comparable
 - Must have **sold** within the same range (time, distance)
 - Don't send active, pending, or contingent listings
 - Be concise – appraisers are not required to respond to your upset or critique, limit your response to 3 or 4 RECENT SALES that are true substitutes
- Don't communicate with the appraiser – she has signed and delivered the report to her client
- Direct rebuttal/reconsideration to the lender
 - The lender should review the appraisal, the evidence provided, and determine whether reconsideration is warranted
- Be professional and factual rather than emotional. If you are right, there should be evidence to support your position

Dispelling Myths About Appraisers

- Appraisers do NOT enjoy coming in low. Doing so causes extra work, disparaging banter, and the potential for business loss - depending on the integrity of the parties involved
- Appraisers are NOT manipulated by regulators or their lending clients to 'keep the market down'
- The industry (Fannie/Freddie/FHA/USDA/VA/etc.) is NOT trying to eliminate appraisers, but rather, working to modernize the process and scope of contribution from appraisers
- Appraisers are NOT acting unprofessionally if they refuse to engage in discussion about an appraisal. They are bound by a confidentiality covenant with their client, under USPAP, which prohibits them from discussing an appraisal with anyone else (including a borrower who pays for the appraisal)
- Appraisers who perform VA appraisals are NOT government employees working directly for the Veterans Administration. Appraisers must maintain an understanding of various regulatory guidelines and protocols, as they perform appraisals for all types of loans
- Appraisers are NOT less informed than the typical agent. Their education and training requirements far exceed agent licensing requirements

Appraiser Licensing Requirements

As of May 1, 2018, the requirements for becoming an appraiser were reduced in terms of the experience required and length of the apprenticeship.

Mark's Opinion: a generally positive decision with obvious consequences.

	Degree Requirement	QE Education	Experience Hours	Lngh. of Apprenticeship	
Prior to May 1, 2018					
Licensed Appraiser	No college-level education required	150	2000	12 months	Non-complex, no trainees
Certified Residential	Bachelor's Degree	200	2500	24 months	FHA, no limits on complexity
Certified General	Bachelor's Degree	300	3000	30 months	Commercial
May 1, 2018					
Licensed Appraiser	No college-level education required	150	1000	6 months	
Certified Residential	Bachelor's / College Equivelants	200	1500	12 months	
Certified General	Bachelor's Degree	300	3000	18 months	

In 2022, **Practical Applications of Real Estate Appraisal (PAREA)** was introduced as an alternative pathway for becoming a residential appraiser, for candidates who are not able to find a trainer. This will lead to a more diverse appraiser workforce by providing practical training modules in lieu of the apprenticeship requirement.

FHA versus Conventional

FHA

- Must be Certified and FHA approved
- Inspection **still** requires sampling, inspection of mechanical systems, attic and or crawl space
- Photos – all sides, contributing improvements, physical deficiencies
- Safety, Security, Soundness
- Welcomed exceptions - cosmetic

Conventional

- Appraisers may be licensed only
- Inspection doesn't require representative sampling
- Photos – recent changes mirror FHA
- More changes on the way

Equally focused on preventing improper influences on appraisers

Switching from Conventional to FHA – more than a clerical change (reinspection required); USDA follows FHA; VA based on a different though similar protocol – restricted appraiser panel

Understanding The Appraisal Form

- Most appraisals **developed** for mortgage transactions are **reported** on the 1004/URAR form. This two-part process of developing an opinion of value and reporting it according to client expectations is the essence of appraising.
- Each time Fannie/Freddie, FHA/USDA, or VA amend or change their reporting requirements, all involved must be aware of the specific requirements, and make practice changes, as necessary.
- **Uniform Appraisal Dataset (UAD)**. A monumental change for appraisers and lenders alike – took effect on September 1, 2011. Continues to affect mortgage underwriting and appraisal practice.
- Now far ahead of read-only PDF utility, the new paradigm involves a dynamic conversion process that allows the GSEs, FHA, and others, to leverage the data in appraisals for a variety of purposes.
- Examples of reporting requirement directives;
 - Additional comparables (for declining and increasing markets)
 - Additional photos including the angle from which they should be taken
 - April 1, 2022, Adoption of ANSI Standard Property Measuring Guidelines
- COMING SOON...2025 UAD Redesign and New URAR. The GSEs are working on a UAD makeover to incorporate “data-driven, flexible, dynamic structure for appraisal reporting”. Think reports engine versus separate appraisal forms.
- More than ever before, appraisers are being weighed and measured, through automated and manual review processes that vary from lender to lender, from platform to platform, including quality and service scoring for every appraisal. Quality control is the primary focus of underwriting today.



Uniform Appraisal Dataset (UAD) and Forms Redesign Initiative

Fannie Mae and Freddie Mac (the GSEs) are collaborating to update the Uniform Appraisal Dataset (UAD), retire the existing appraisal forms, and redesign the Uniform Residential Appraisal Report (URAR). This initiative is part of the Uniform Mortgage Data Program® (UMDP®), a joint-GSE effort to enhance data quality and standardization at the direction of the Federal Housing Finance Agency (FHFA).

Giving the UAD and URAR a makeover

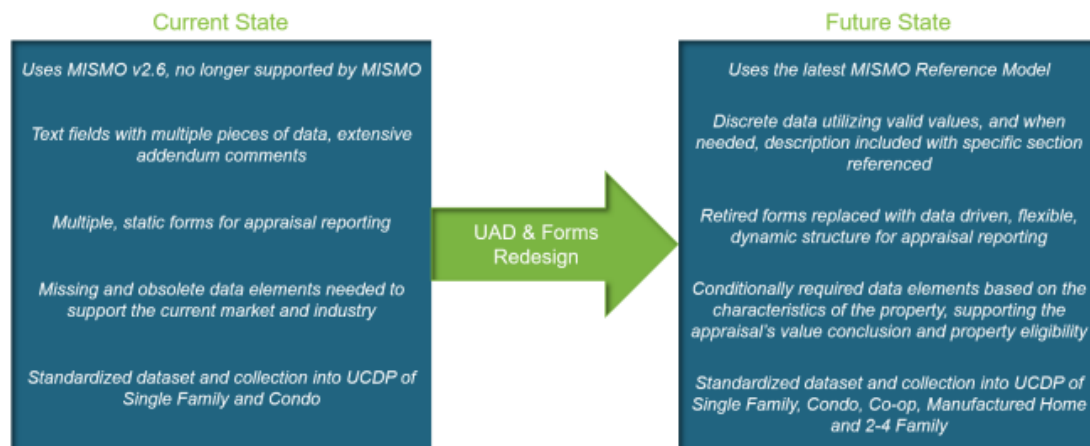
The GSEs are evaluating the UAD from two perspectives: 1) upgrade to the latest MISMO® Reference Model and 2) assessment of current data elements – to determine what new data elements are needed and if current data elements should be revised or removed. The joint-GSE team is working with an experienced report design vendor to create a dynamic new URAR. Using this new URAR, appraisers will provide data through the use of vendor software. The new URAR will have a similar look and feel to the redesigned Uniform Residential Loan Application (URLA), the Loan Estimate (LE), and the Closing Disclosure (CD).

Partnering with industry

In 2018, the joint-GSE team engaged key industry stakeholders, including appraisers, lenders, appraisal management companies (AMCs), government agencies, and trade organizations, to identify pain points and gather requirements. The GSEs broadened their outreach in 2019, conducting an industry-wide survey and participating in industry events, to reach a wider pool of stakeholders to gather input and feedback on sections of the draft URAR.

Providing benefits across the mortgage life cycle

The redesigned URAR will provide greater clarity to lenders, investors, and borrowers, while building a foundation for further modernization, by simplifying and enhancing the dataset and updating the data standard and certifications.



For more information, read our frequently asked questions, look for us at industry events, and/or visit the GSEs' UAD web pages: [Fannie Mae UAD](#) and [Freddie Mac UAD](#).

The modern valuation spectrum

Value acceptance

Data, model, and technology driven

Value determination

Appraisal driven



Value acceptance
(appraisal waiver)



**Value acceptance +
property data**



Hybrid



Desktop



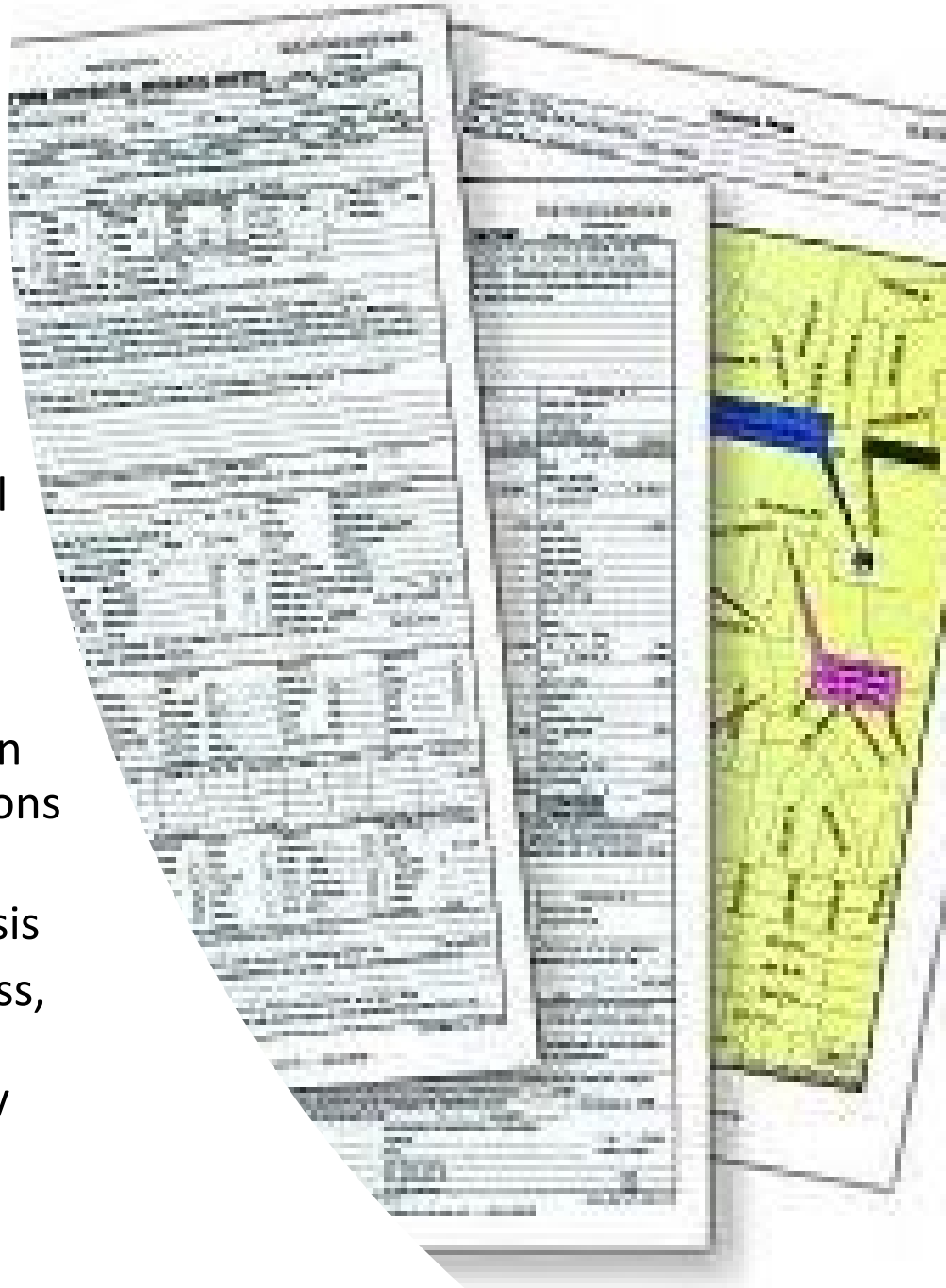
Traditional

Automatic value certainty with
rep and warrant relief

Value certainty with rep and warrant relief
from a CU[®] score of 2.5 or lower

Limitations of the appraisal form

- The problem - one size doesn't fit all
- Used to value all homes across the country
- Checked boxes are insufficient
- UAD mandated quality and condition ratings no longer allow for descriptions
- The Sales Comparison grid does not allow room for more complex analysis
- Form-filling isn't an analytical process, although some appraisers spend a career checking boxes without really developing an understanding for market dynamics



Understanding Comparable Selection



COMPARISON APPROACH	Location	N;Res;		
	Leasehold/Fee Simple	Fee Simple		
	Site	10526 sf		
	View	N;Res;		
	Design (Style)	Trad./Ranch		
	Quality of Construction	Q4		
	Actual Age	58		
	Condition	C3		
	Above Grade	Total	Bdrms.	Baths
	Room Count	6	3	1.0
	Gross Living Area	1,152 sq.ft.		
	Basement & Finished Rooms Below Grade	0sf		
	Functional Utility	Typical		
	Heating/Cooling	FA/CA		
	Energy Efficient Items	ThermalWdws		
	Garage/Carport	1 Attached		
	Porch/Patio/Deck	CP/LgWdDck		
	Fireplace	1 FP		
	Exterior Features	Fnc./Shed		
	LP/SP Ratio-DistressedSaleAdj	N/A		

- Introducing the concept of bracketing
- Appraisers choose comparable properties based on certain elements of comparison, which include the most relevant factors identified by the form authors. Additionally, they can utilize three more lines for elements they deem important, such as Fireplace and Exterior Features. Due to increased underwriting requirements, appraisers now use these extra lines to report transactional details, such as the LP/SP Ratio.
- It is important to note that only an appraiser is qualified to determine if a sale or listing is considered a 'COMP.'

Understanding Comparable Adjustments

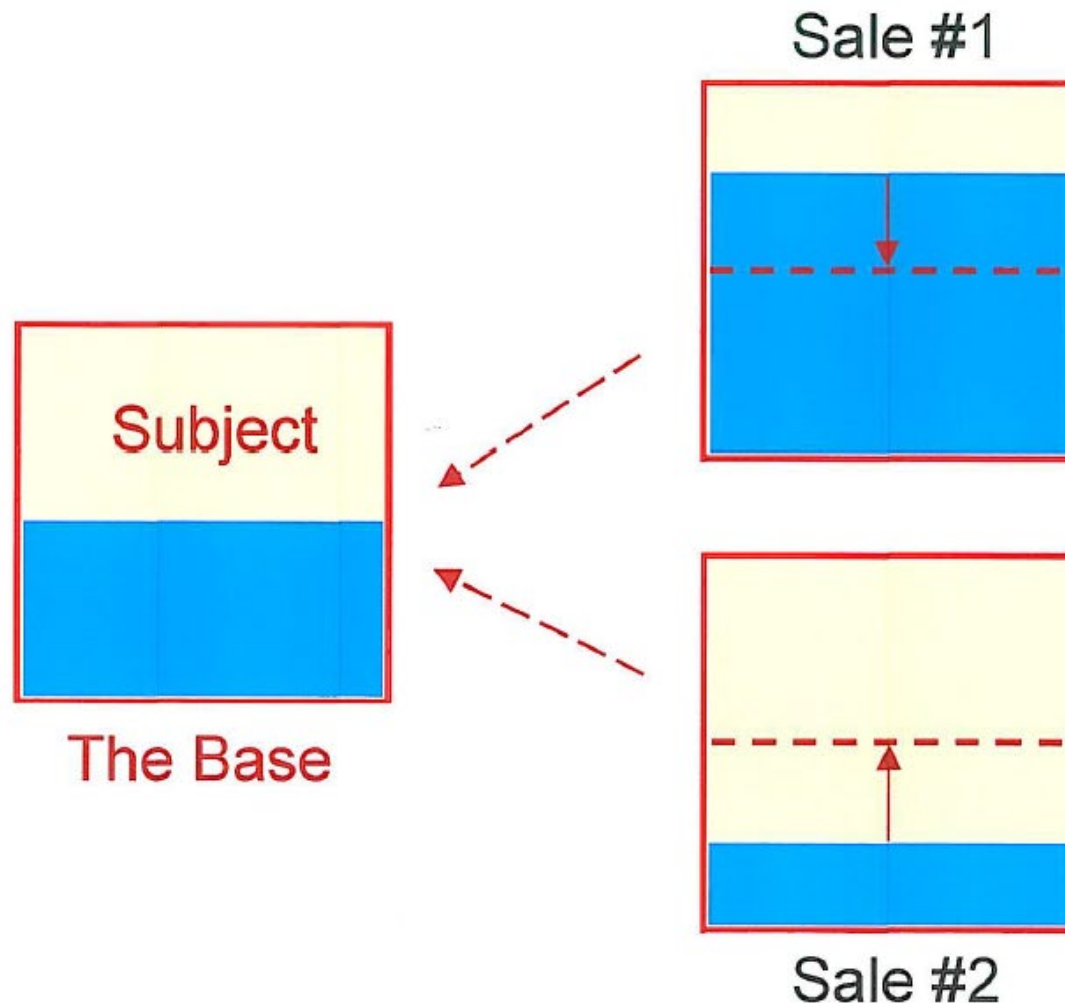
When appraising a property, it's important to consider both quantitative and qualitative differences. While it's easy to apply adjustments for differences in room count and gross living area, it's more difficult to account for the impact of a busy street or an appealing view.

Above Grade	Total	Bdrms.	Baths	Total	Bdrms.	Baths		Total	Bdrms.	Baths		Total	Bdrms.	Baths	
Room Count	6	3	2	6	3	2		6	3	2		6	3	2	
Gross Living Area	1,464 sq.ft.			1,488 sq.ft.			-720	1,550 sq.ft.			-2,580	1,379 sq.ft.			+2,550

Many agents know that comparables need to be adjusted based on how they differ from the subject. This is because Comparables #1 and #2 have more GLA and are therefore considered superior to the subject. As a result, they require negative adjustments to their respective sale prices. On the other hand, comparables with inferior characteristics, such as Comparable 3 with only 1,379 square feet, require positive adjustments. In this example, the adjustments are based on a factor of \$30/sf of difference.

Comparing Sales to the Subject Property

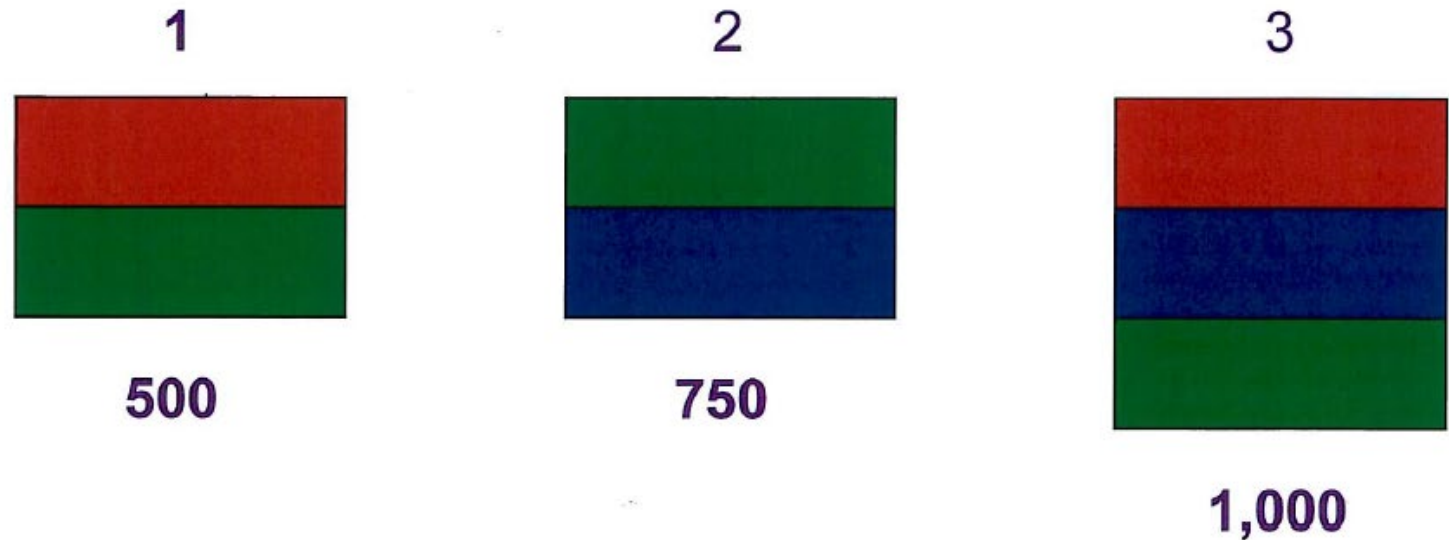
"Always" compare the sales to the subject, (The Base)



Understanding Comparable Adjustments

- Adjustments applied should vary based on the variables in play with each appraisal.
- So what are the adjustments based on? There is no set value for adjusting room count or GLA, and the adjustments applied are often the result of professional judgment.
- So how good is an appraiser's judgment? The answer again depends on the level of education, experience, and professional commitment an appraiser applies to each appraisal.
- Not a subjective work, but an analytical process informed by years of study, an apprenticeship under certified appraiser(s), accountability to regulations and underwriting guidelines, subject to quality control and peer accountability.
- Typical Practice, an evolving peer standard, is now measurable through automated review software run against every appraisal written for mortgage purposes.
- Adjustments should be market-derived. Appraisers are taught and should practice 'Paired Sales Analysis' – an appraisal technique used to estimate the value contribution of property characteristics.

The "Pairing Process"



How much is **Green** worth?
(No pure pair)

250

How much is **Red** worth?
(Pair 2 & 3)

250

How much is **Blue** worth?
(Pair 1 & 3)

500

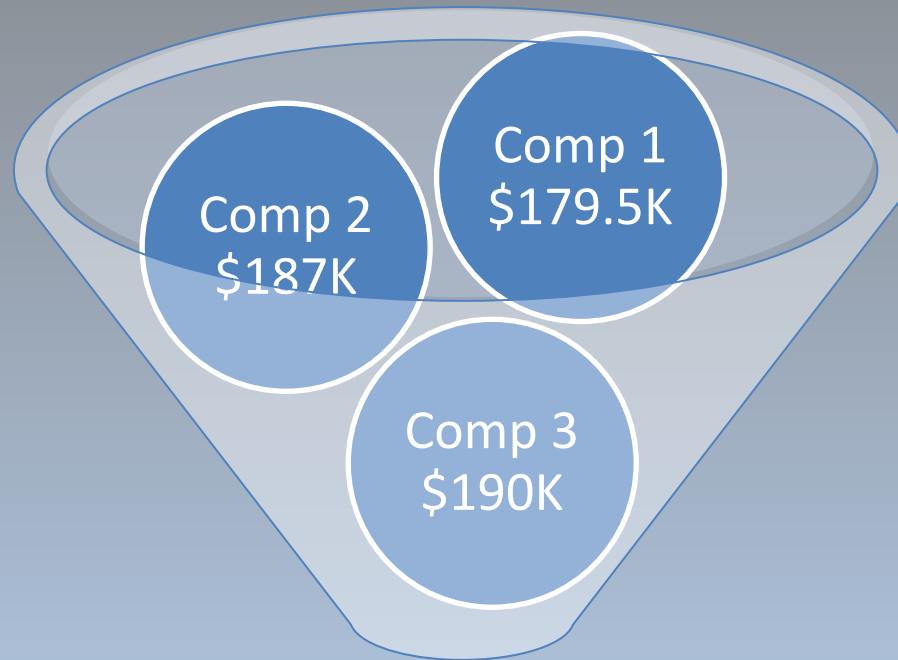
Paired sales example

Adjustments derived from the comparable data set

Address 484 S 137th St Bonner Springs, KS 66012-5203				521 S 137th Avenue Bonner Springs, KS 66012				486 S 137th Street Bonner Springs, KS 66012				487 S 138th Street Bonner Springs, KS 66012			
Proximity to Subject				0.28 miles SE				0.01 miles				0.11 miles W			
Sale Price				\$ 180,000				\$ 179,500				\$ 187,000			
Sale Price/Gross Liv. Area				\$ 122.95 sq.ft				\$ 124.17 sq.ft				\$ 127.43 sq.ft			
Data Source(s)				Viewing/MLS/C				MLS/Cnty/City				MLS/Cnty/City/KC Data			
Verification Source(s)				Inspection				DOM 91 MLS#1675985				DOM UC MLS#1643201			
VALUE ADJUSTMENTS				DESCRIPTION				DESCRIPTION				DESCRIPTION			
Sales or Financing				0				Conventional				FmHA			
Concessions				None Reported				None Reported				Seller Paid			
Date of Sale/Time				12/22/2010				08/24/2010				06/15/2010			
Location				Lei Valley				Lei Valley				Lei Valley			
Leasehold/Fee Simple				Fee Simple				Fee Simple				Fee Simple			
Site				7,200 Sq.Ft.				7,360 Sq.Ft.				8,442 Sq.Ft.			
View				Residential				Residential				Residential			
Design (Style)				Split-Level				Split-Level				Split-Level			
Quality of Construction				Fr/Stn/A-AG				Fr/Stn/A-AG				Fr/Stn/A-AG			
Actual Age				2 Years				6 Years				New			
Condition				Never Occupied				Avg/Good				Never Occupied			
Above Grade				Total Bdrms Baths				Total Bdrms Baths				Total Bdrms Baths			
Room Count				6 3 2				6 3 2				6 3 2			
Gross Living Area				1,464 sq.ft				1,379 sq.ft				1,506 sq.ft			
Basement & Finished				734 Sq.Ft.				Partial Bsmt				Partial Bsmt			
Rooms Below Grade				0				.5 Bath				0			
Functional Utility				Typical				Typical				Typical			
Heating/Cooling				F/A/C/A				F/A/C/A				F/A/C/A			
Energy Efficient Items				Thermal Wdws				Thermal Wdws				Thermal Wdws			
Garage/Carport				2 Built-In				2 Built-In				2 Built-In			
Porch/Patio/Deck				CovPch/Patio				CovPch/Deck				CovPch/Patio			
Fireplace/Exterior Features				No FP				1 FP				1 FP			
Builder/Agent Relationship				Tiner/Smith				Picturesque/Maher				1 FP			
LP/SP Ratio				OLPS179/102%				OLPS185/97%				OLPS189/99%			
Net Adjustment (Total)															
Adjusted Sale Price															
of Comparables															

LES COMPARISON APPROACH

Another way to view the grid




























Range before adjustments \$10,500

Range after adjustments \$2,450

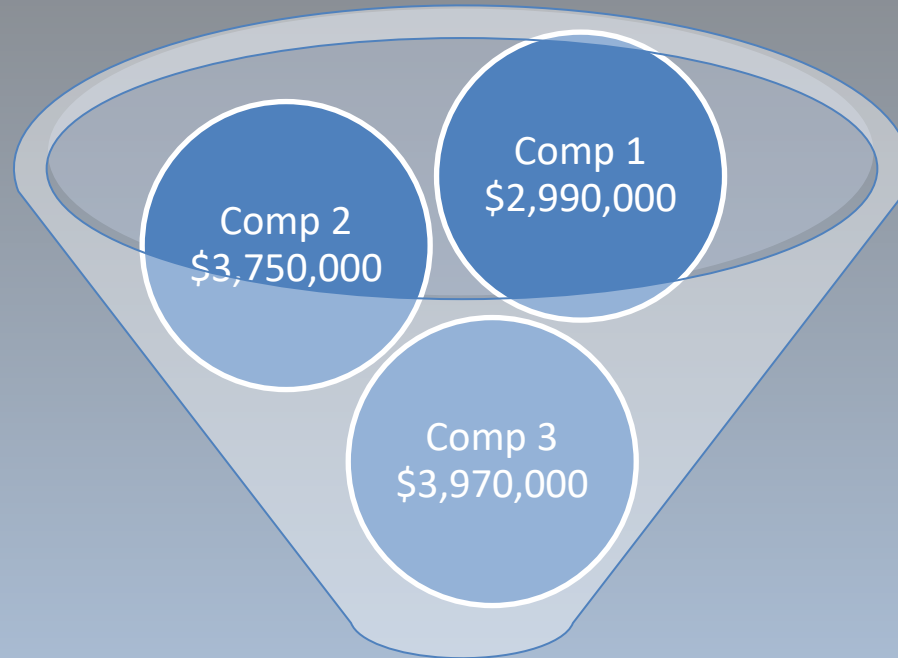
What's it worth?

Appraiser's opinion = \$182,000

Rounder to \$1,000

Kansas City, MO 64113	Mission Hills, KS 66208	Mission Hills, KS 66208	Kansas City, MO 64112	Kansas City, MO 64113	Kansas City, MO 64112	Kansas City, MO 64113
0 version found Yours: 0 Peers: 0	0 version found Yours: 0 Peers: 0	0 version found Yours: 0 Peers: 0	0 version found Yours: 0 Peers: 0	0 version found Yours: 0 Peers: 0	0 version found Yours: 0 Peers: 0	0 version found Yours: 0 Peers: 0
 Aerial	 Move  Copy  Delete  Aerial	 Move  Copy  Delete  Aerial	 Move  Copy  Delete  Aerial	 Move  Copy  Delete  Aerial	 Move  Copy  Delete  Aerial	 Move  Copy  Delete  Aerial
Proximity to Subject	0.39 miles SW	0.83 miles SW	0.61 miles NE	0.17 miles E	0.27 miles NW	0.52 miles SE
Sale Price \$ 0	\$ 3,750,000	\$ 3,700,000	\$ 3,970,000	\$ 3,246,000	\$ 2,990,000	\$ 3,950,000
Sale Price/Gross Liv. Area \$ sq.ft.	\$ 521.78 sq.ft.	\$ 495.58 sq.ft.	\$ 501.33 sq.ft.	\$ 415.94 sq.ft.	\$ 423.21 sq.ft.	\$ 348.79 sq.ft.
Data Source(s)	MLS#2095190;DOM 80	MLS#2035822/KCData;DOM 80	MLS#2089289/KCData;DOM 0	MLS#1978366/Appr.;DOM 51	MLS#2151372/KCData;DOM 417	MLS#2153764/KCData;DOM 71
Verification Source(s)	County Records	County Records	County Records	County Records	County Records	County Records
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	DESCRIPTION	DESCRIPTION	DESCRIPTION	DESCRIPTION
Sales or Financing	ArmLth	ArmLth	ArmLth	ArmLth	Listing	Listing
Concessions	Cash;0	Cash;0	Conv;0	Cash;0	Active;0	Active;0
Date of Sale/Time	s08/18;c06/18 0	s07/18;c05/18 0	s02/18;c02/18 +79,400	s07/16;c04/16 +162,300	Active	Active
Location	N;Res;KCMO	N;Res;MHKS	N;Res;KCMO	N;Res;KCMO	N;Res;KCMO	N;Res;KCMO
Leasehold/Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Site	1.5 ac 0	1.53 ac 0	2.8 ac -250,000	1.34 ac +50,000	1.42 ac 0	1.52 ac 0
View	N;Res;	N;Res;	N;Res;	N;Res;	N;Res;	N;Res;
Design (Style)	DT2;1.5 Story	DT3;2.5 Story	DT3;2.5 Story	DT3;2.5 Story	DT3;2.5 Story	DT3;2.5 Story
Quality of Construction	Q1	Q1	Q1	Q1	Q1	Q1
Actual Age	24	98	112	103	102	93
Condition	C3	C3	C2	C3	C3	C3
Above Grade	Total Bdrms. Baths	Total Bdrms. Baths	Total Bdrms. Baths	Total Bdrms. Baths	Total Bdrms. Baths	Total Bdrms. Baths
Room Count	11 5 4.2	11 4 5.1	12 6 5.2	12 4 5.1	16 5 5.2	17 9 6.3
Gross Living Area	7,742 sq.ft.	7,187 sq.ft.	7,919 sq.ft.	7,804 sq.ft.	7,065 sq.ft.	11,325 sq.ft.
Basement & Finished	5722sf5722sf	3175sf0sf	4172sf1627sf	2857sf828sf	3045sf1553sf	4034sf1732sf
Rooms Below Grade	1r0br1.2ba2o	1r1br1.0ba0o	1r0br0.1ba0o	1r0br0.0ba0o	1r0br0.1ba2o	1r0br1.0ba1o
Functional Utility	Ext. Stone work	Standard	Standard	Standard	Standard	Standard
Heating/Cooling	Zoned FA/CAC	Zoned FA/CAC	Zoned FA/CAC	Rad/ZFWA/CAC	Zoned FA/CAC	Zoned FA/CAC
Energy Efficient Items	Therm. Wndws	Therm. Wndws	Therm. Wndws	Therm. Wndws	Therm. Wndws	Therm. Wndws
Garage/Carport	4gbi4dw	3ga3dw	4gd4dw	3gd3dw	2gd2gbi2dw	3ga3dw
Porch/Patio/Deck	Pats/Ter/Lanai	Pat/Cov. Patio	Pat/CPor/CPor	Pat/Deck/CPor	Pat/Cov. Porch	Patio/Scr. Patio
Fireplace(s), Pool, etc.	4 FP/IG Pool	3 FP/IG Pool	4 FP	6 FP	4 FP/IG Pool	3 FP
Exterior Features	Metal Fence	Metal Fence	None	Metal Fence	Metal Fence	None
Additional Amenities	PorteCoch/Elev.	None	None	706 sf carr. ho	None	Elevator
Net Adjustment (Total)	✕ + □ - \$ 13,400	□ + ✕ - \$ -55,850	□ + ✕ - \$ -329,450	✕ + □ - \$ 474,400	✕ + □ - \$ 521,825	□ + ✕ - \$ -200,187
Adjusted Sale Price	Net Adj. 0.4%	Net Adj. 1.5%	Net Adj. 8.3%	Net Adj. 14.6%	Net Adj. 17.5%	Net Adj. 5.1%
of Comparables	Gross Adj. 21.6% \$ 3,763,400	Gross Adj. 19.3% \$ 3,644,150	Gross Adj. 27.1% \$ 3,640,550	Gross Adj. 18.1% \$ 3,720,400	Gross Adj. 24.5% \$ 3,511,825	Gross Adj. 29.8% \$ 3,749,813

Another way to view the grid



Range before adjustments \$980,000

Range after adjustments \$251,575

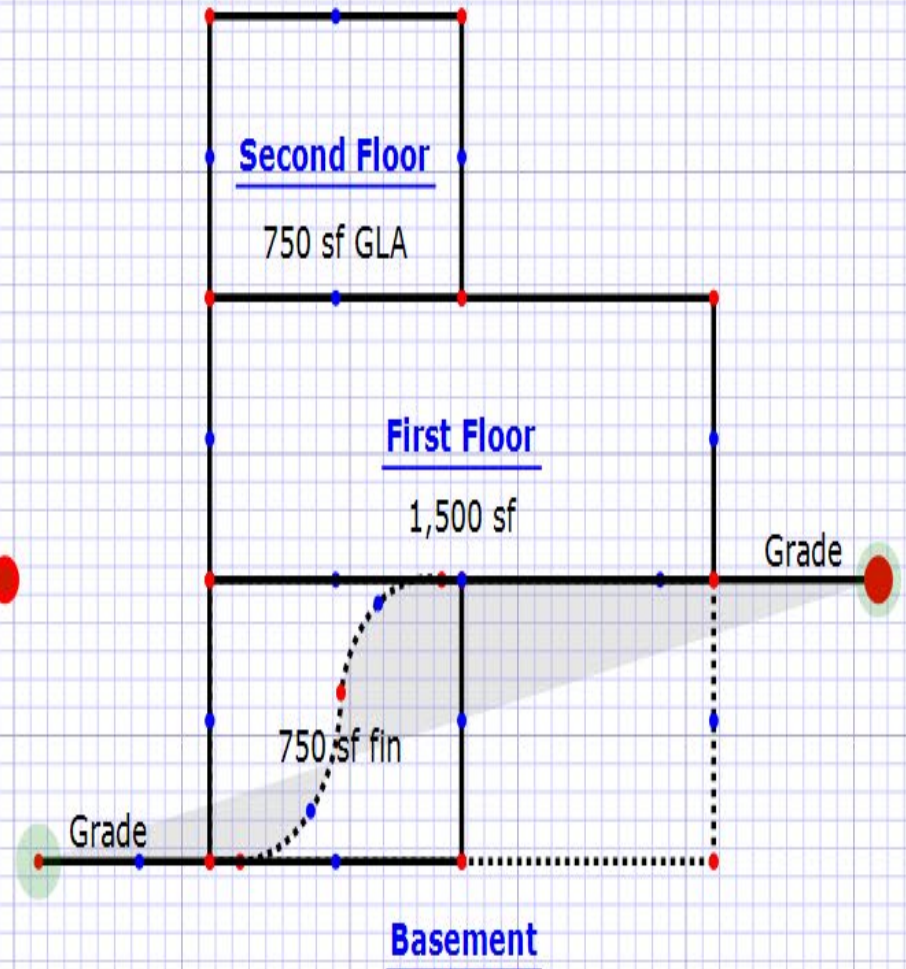
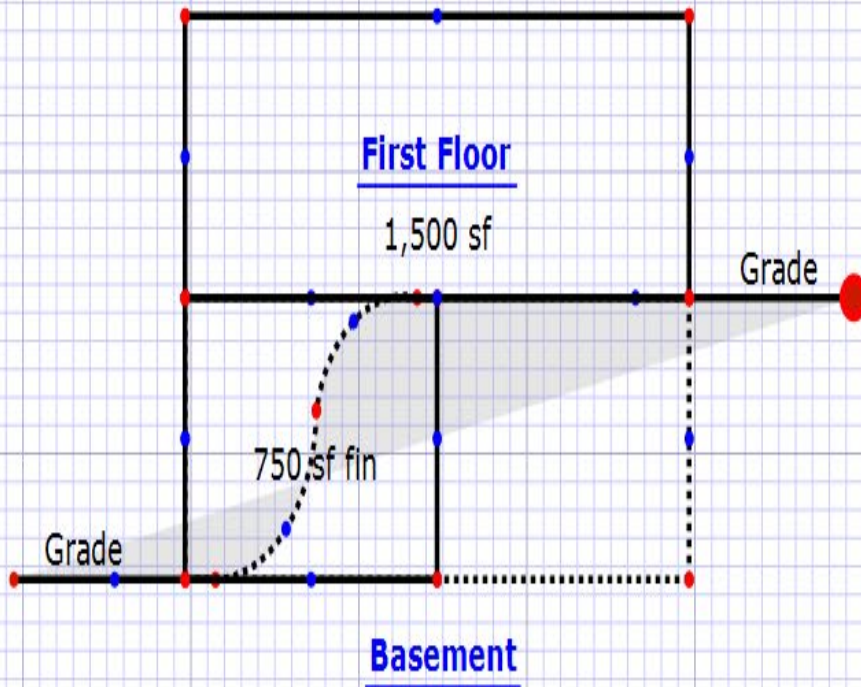
What's it worth?

Appraiser's opinion = \$3,675,000

Rounded to \$25,000

2,250 sf above grade with 750 sf below grade finish

1,500 sf above grade with 750 sf below grade finish



The background of the slide features several thin, curved lines in shades of gray, some solid and some dashed, creating a modern, abstract design. A blue speech bubble shape is positioned on the left side, containing the main title.

Let's talk about contracts

- **Why do appraisers need the contract?**
 - An appraisal is more than a value
 - Arm's length & cash equivalency
- **Repairs required when contract is as-is**
 - But conventional doesn't require repairs!
 - Contract verbiage doesn't trump lending requirements
- **What about multiple offers?**
 - Appraisers discuss multiple offers as a condition of the market
 - We are analyzing the accepted offer
- **Seller paid concessions**
 - Did the seller concede?
 - Contracts above list price, often equal to the concessions involved
 - Financed closing costs not the same as concession
 - Why are comps adjusted for concessions when the subject includes concessions?
 - Contradictory guidance, appraiser's call
- **What's the big deal?**
 - Adhering to definition of market value
 - The appraiser's role – informing a loan decision

Definition of Market Value

DEFINITION OF MARKET VALUE: The most probable price which 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 or 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.

*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

This definition is taken from the 1004 Form, and thus, applies to every transaction that requires a mortgage. The definition depends on buyers and sellers acting prudently and not being affected by undue stimulus. The definition further conditions;

1. Parties with typical motivation (Emotional behavior?)
2. Parties well informed and advised (FSBO? Social media sales?)
3. Reasonable exposure to open market
4. Payment in cash (who is paying when offers are made at 110% of list price?)

\$275K FHA offer on \$250K listing > buyer's portion of extra of \$25K = \$875

How do you think the lender and FHA feel about their portion? \$24,125 at 96.5% LTV

The point is that some overpay when financing, but likely wouldn't if paying cash

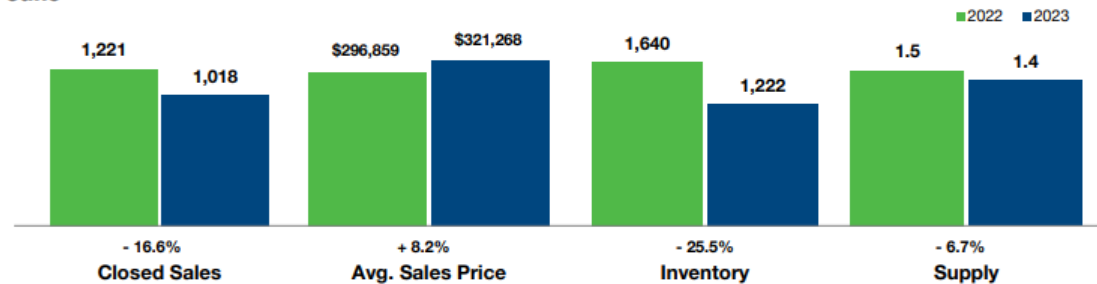
Source(s) for Market Condition Analysis

Jackson, MO

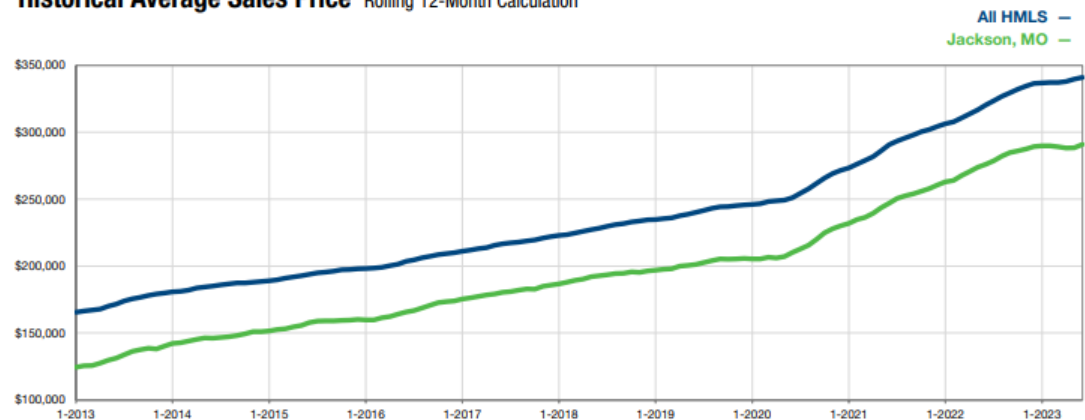
	June			Year to Date		
Key Metrics	2022	2023	Percent Change	Thru 6-2022	Thru 6-2023	Percent Change
Closed Sales	1,221	1,018	- 16.6%	6,032	4,960	- 17.8%
Average Sales Price*	\$296,859	\$321,268	+ 8.2%	\$284,603	\$289,404	+ 1.7%
Median Sales Price*	\$266,000	\$265,000	- 0.4%	\$245,000	\$244,975	- 0.0%
Days on Market Until Sale	19	31	+ 63.2%	24	39	+ 62.5%
Percentage of Original List Price Received*	103.4%	100.9%	- 2.4%	102.2%	98.7%	- 3.4%
Pending Sales	1,119	1,053	- 5.9%	6,261	5,509	- 12.0%
Inventory	1,640	1,222	- 25.5%	--	--	--
Supply	1.5	1.4	- 6.7%	--	--	--

* Does not account for sale concessions and/or downpayment assistance. | Percent changes are calculated using rounded figures and can sometimes look extreme due to small sample size.

June



Historical Average Sales Price Rolling 12-Month Calculation



Source(s) for Market Condition Analysis

kcrcr.com/media-statistics/market-statistics/

Return to Kansas City Regional Association of REALTORS®.

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Monthly Fast Stats



Quarterly Skinny



KANSAS CITY 2024 HOUSING FORECAST

Market Distortions

We are especially grateful to Security 1st Title and Fidelity Bank for underwriting the cost of preparing this year's Kansas City Housing Forecast.

Security 1st Title
Fidelity Bank

Thanks to the many colleagues and friends who have helped make this forecast possible.

Special thanks to the Kansas City Regional Association of REALTORS® for their support and assistance in making this forecast possible.

WSU 2024 KC Housing Forecast Now Available

FAQs / Q & A

- How far away can appraisers go for comparables?
- How far back in time can they go?
- Why don't appraisers count basement finish as GLA?
- Understanding utility - swimming pools, outbuildings, etc.?
- How can a home be worth less than the cost to construct?
 - Principle of substitution
 - Supply chain, oil prices, labor shortages
- Why don't appraisers consider Energy Star or HERS-rated construction?
 - Doing better
 - Aided by building codes
- How can I get a copy of the appraiser's adjustment list?
- Condos, manufactured homes, others?
- Commercial or agricultural...**know it or refer it**

What about Zestimates?

Source: <https://www.zillow.com/z/zestimate/>

Despite all the advancement in technology and data, Zillow and all other automated valuation models disclaim their limitations. There's no substitute for local knowledge, especially in a non-disclosure territory

How accurate is the Zestimate?

The nationwide median error rate for the Zestimate for on-market homes is 3.2%, while the Zestimate for off-market homes has a median error rate of 7.52%. The Zestimate's accuracy depends on the availability of data in a home's area. Some areas have more detailed home information available — such as square footage and number of bedrooms or bathrooms — and others do not. The more data available, the more accurate the Zestimate value will be.

These tables break down the accuracy of Zestimates for both active listings and off-market listings.

Top Metro Areas

States

National

Metropolitan Areas	Median Error ⓘ	Homes With Zestimates ⓘ	Within 5% of Sales Price ⓘ	Within 10% of Sales Price ⓘ	Within 20% of Sales Price ⓘ
Detroit	8.1%	1.5M	33.1%	58.1%	81.0%
Fort Collins	6.0%	132.1K	42.9%	70.8%	89.7%
Houston	6.0%	2.1M	43.3%	70.1%	89.9%
Jacksonville	6.8%	587.7K	39.5%	64.0%	84.3%
Kansas City	7.0%	726.4K	37.4%	63.7%	85.5%
Las Vegas	4.8%	728.5K	51.2%	77.7%	92.7%
Los Angeles-Long Beach-Anaheim	6.4%	2.9M	40.8%	68.2%	89.4%
Miami-Fort Lauderdale	8.1%	2.1M	33.4%	58.4%	83.9%
Minneapolis-St Paul	5.8%	1.2M	44.0%	71.9%	91.5%
Nashville	7.4%	712.5K	36.1%	61.4%	82.3%
New York	8.2%	5.4M	32.6%	57.9%	83.9%
Orlando	6.1%	854.1K	42.4%	68.8%	89.0%

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REAL ESTATE > HOME PRICES

After Zillow's Home-Flipping Fiasco, Think Twice About Trusting 'Zestimate' Home Values

By **Samantha Sharf**
November 3, 2021

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Money; Getty Images