



Tuesday's Appraisal Tip from Axis, Your Appraisal Partner

DISTRESSED COMPARABLE SALES IN DECLINING MARKETS

About The Appraisal Institute

Organized in 1932, the Appraisal Institute is a global membership association of professional real estate appraisers, with nearly 23,000 members in nearly 60 countries throughout the world.

Its mission is to advance professionalism and ethics, global standards, methodologies, and practices through the professional development of property economics worldwide.

A concern for today's homeowner is that the use of distressed sales as comparables decreases the value of his/her home. Distressed sales are common in the current market, but using them as comparables presents complex issues in valuation. The [Appraisal Institute](#), the nation's largest professional association of real estate appraisers, has published a guide on appraising in declining markets and weighs in on the topic.

According to the Appraisal Institute, qualified and competent appraisers with local market knowledge are capable of using their experience and education to determine when — and how — to use distressed sales as comparables. These appraisers know what adjustments to make, if any, when using distressed sales as comparables, for such methods are taught in basic coursework and updated seminar materials available to professional appraisers.

Per the Appraisal Institute: "A declining market will likely exhibit very little sales activity. When the sales comparison approach is necessary, but there are virtually no current sales in the market area to analyze as comps, the appraiser must:

1. Expand the geographic area for comp search, then adjust for location as appropriate, and/or
2. Use less recent sales, then adjust for market conditions as appropriate."

Additionally, the Appraisal Institute states, "Appraisers cannot categorically discount foreclosures and short sales as potential comps in the sales comparison approach."



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