



# **Property Valuation**

## Lesson 15

### Broker Price Opinion and Case Study

45 Hour Louisiana Post-Licensing

## **Broker Price Opinion**

### **Property Pricing:**

The real estate industry draws from a number of disciplines, including architecture, law, engineering, finance, construction, etc. The primary real estate activity, and probably the best known, is real estate brokerage, in which individuals act as agents to bring property sellers and buyers together to consummate transfers of real estate. A real estate transaction is a complicated process in which numerous professionals become involved to coordinate the activities necessary to complete the sale.

A successful real estate brokerage operation is dependent upon a number of factors, probably the most important is an inventory of listings of properties for sale. Advertising listings draws property seekers to the brokerage operation, from which transactions can emanate. Real estate brokers typically charge a commission based upon a percentage of sales price for their services. The commission income necessarily compensates the sales agent(s), as well as the cost of office overhead (rent, utilities, administrative personnel, advertising, etc.). While listings are the life blood of a brokerage operation, it is obviously important for the broker to price properties realistically. Typically, the listing price is established by negotiation between the broker and the property owner. Obviously, the property owner wants to achieve the highest possible price. However, the broker needs to accept only listings at prices which are likely to generate interest.

A tool which has been used for years to assist the broker is estimating a probable sales price is the broker price opinion (BPO), which is alternatively referred to as a competitive market analysis (CMA).

Real estate appraisal is defined as “the act or process of establishing value.” Clearly, the appraisal function is concerned with valuation. Appraisers employ theory and methodology for the express purpose of generating an estimate of property value.

Real estate brokers utilize some of the same methodology in developing a broker price opinions (BPO) or a competitive market analysis (CMA). Historically, appraisals have been more sophisticated than price opinions, primarily because the appraisal report has been required to meet standards which are inherent in a price opinion.

Over the years, real estate appraisals have become more complex documents subject to increasing requirements. Originally, an appraisal might have consisted of a two-page form with a photograph attached. Most real estate appraisals are made in conjunction with the loan underwriting process. Financial institutions have developed underwriting policies regarding appraisal content. Since many residential real estate loans are sold in the secondary market, there are guidelines which have been instituted by secondary market participants, most notably FNMA (Fannie Mae). These policies and guidelines have served to make appraisal reports more uniform. The amount of documentation in an appraisal report has increased significantly over the years.

Following is a discussion of the general concept of price opinions.

### **Price Opinions:**

The objective of this presentation is to provide information about appraisal theory and methodology to enable understanding of the process of property pricing.

According to the Uniform Standards of Professional Appraisal Practice (USPAP), there are two levels of valuation activity. They are Valuation Services, defined as “services pertaining to aspects of property value”, and Appraisal Practice, which is defined as “valuation services performed by an individual acting as an appraiser”. Valuation services can be performed by anyone, but appraisal practice is a valuation service provided by an individual acting as an appraiser, subject to rules and regulations regarding appraisals.

An appraisal by definition carries a level of expertise and sophistication, as well as an expectation that the result will be supported by market data. An appraisal is expected to be performed in an independent, objective and impartial manner.

A Broker's Opinion of Value (BOV) is defined as “An opinion of value developed by a real estate agent or broker rather than by a licensed or certified appraiser.” (The Dictionary of Real Estate Appraisal, AI, 5<sup>th</sup> Edition)

A Broker's Price Opinion (BPO) is defined as “An opinion of property price rendered by a licensed real estate agent or broker.” (The Dictionary of Real Estate Appraisal, AI, 5<sup>th</sup> Edition)

Similar terminology is a Competitive Market Analysis (CMA), which is “a listing tool that a sales agent prepares in order to show a seller what the home is likely to sell for, and the CMA helps the agent decide whether or not to accept the listing.” (Real Estate Principles, 8<sup>th</sup> Edition, Charles J. Jacobus)

A Comparative Market Analysis (CMA) is defined as “A method of determining the value of real property used by appraisers and real estate brokers that compares actual recent sales of similar local properties to arrive at an indicated value. Small differences in the properties are assigned positive or negative dollar values to allow for direct comparison.” (Dictionary of Real Estate, Prentice Hall)

These definitions all relate to efforts by sales agents to establish a probable price for the express purpose of listing properties for sale.

From Louisiana Appraiser Law, Broker Price Opinion/Comparative Market Analysis “means an analysis of recent sales of similar properties by a real estate salesperson or broker to derive an indication of the probable sales price of a particular property for the salesperson's or broker's principal.”

Per Appraiser Law “nothing shall preclude a licensed real estate broker or salesperson from performing a broker price opinion/comparative market analysis in the ordinary course of the practice of real estate, provided that the broker or salesperson does not represent himself as being a state licensed real estate appraiser.”

The suggestion here is that while the price opinion is considered to be for the purpose of establishing list price for brokerage purposes, the law does not preclude a sale agent from performing a price opinion for any purpose, as long as the agent does not hold himself out as an appraiser.

The price opinion was developed as a tool for use by a broker in the listing process. The level of sophistication was historically minimal. A price opinion might be developed by an agent collecting sales of properties in the area and simply dividing the respective sales prices by the square footage of living area to develop a range of unit prices. Like appraisals, price opinions have increased in sophistication. Enhanced technological capabilities have been instrumental in developing price opinion products.

In the recent past, price opinions have evolved from being a tool utilized by brokerage people for listing purposes to being a substitute for an appraisal in lending situations. Financial institutions engage in transactions with different levels of risk. It has become a popular practice for financial institutions to utilize alternatives to appraisals in what they consider to be low risk situations in order to reduce fees. For example, a lender might be approached by a customer for a relatively low loan-to-value ratio loan.

There are situations where the financial institution can utilize “evaluations” to estimate collateral value, which do not typically meet appraisal standards. These “evaluations” need not be performed by an appraiser. A number of lenders consider a price opinion performed by an agent to be acceptable as an “evaluation”, the requirements for which are established in law and/or regulation. So, the price opinion, originally developed for a relatively limited purpose, has been utilized in a fashion similar to an appraisal.

Appraisal practice is regulated by the Uniform Standards of Professional Appraisal Practice (USPAP). USPAP establishes specific requirements for appraisals. Since price opinions do not meet USPAP requirements, they are typically not performed by appraisers. Therefore, they do not typically carry the level of expertise typically found in an appraisal.

According to Louisiana appraiser law, a sales agent can perform a price opinion for any purpose, as long as they do not refer to themselves as an appraiser.

The price opinion has become a tool which has multiple uses, and upon which more people have come to depend. There are trade organizations which have emerged for the express purpose of training and offering business opportunities to individuals interested in performing price opinions. For example, there is NABPOP, which is the National Association of Broker Price Opinion Professionals, which advertises BPO education and training, BPO certification authority, BPO standards and guidelines and BPO political activity. According to the nabpop.org website, “the National Association of Broker Price Opinion Professionals (NABPOP) is a non-profit trade association comprised of Broker Price Opinion (BPO) Practitioners (brokers and agents) from across the country. NABPOP provides a robust and comprehensive Broker Price Opinion Education/BPO Training Course and is the Broker Price Opinion Certification Authority for Certified Real Estate Pricing C-REPS. NABPOP facilitates the BPO Standards Board (BSB) which develops, reviews, and maintains BPO Standards and Guidelines (BOOSG) for the BPO industry. NABPOP promulgates BPOSG. NABPOP is also the leading real estate industry Broker Price Opinion advocate defending BPOs and advancing the use and practice of Broker Price Opinions. Simply, NABPOP is the Broker Price Opinion association. NABPOP is not a BPO company, a provider of BPOs, or a valuation company.”

NABPOP states that “a BPO is an excellent means of information for banks and lenders to make financial decisions on residential properties. Due to the financial practicality and quick turnaround time of a BPO, banks and lenders order BPOs from a BPO Company. BPOs have become a lucrative niche in the real estate industry for Real Estate Professionals. Performing BPOs have become a reliable source of either supplemental income or the sole source of income for many real estate professionals across the country. The BPO industry is a thriving niche in the real estate industry and is poised to grow.

A BPO Company acts as a clearing house for banks and lending institutions by contacting real estate professionals and assigning BPO jobs to them, tracking and expediting BPO job status, and providing quality assurance/oversight for submitted BPOs from the real estate professionals. “

The NABPOP organization is cited herein as an example. No effort is made to endorse the activities of the organization. It appears to be one of several website based organizations dedicated to promotion of BPO use.

The National Association of Realtors has recently created a BPO Certification. According to NAR, “with the changing real estate landscape and the increased use of broker price opinions (BPOs) by market participants, the National Association of REALTORS® has launched a new certification, BPO Resource, recognizing REALTORS® who have completed NAR’s new BPO education program.”

There is a one-day course entitled “BPOs: The Agent’s Role in the Valuation Process”, which is “intended to give REALTORS® the knowledge and skills they need to reduce risk and help them create professional and accurate BPOs. The BPO Resource certification explores the multiple uses of BPOs, how they can and cannot be used, and how to filter and select comparables to create expert and precise BPOs. The course also helps members identify and use effective tools for BPOs.”

It is apparent that price opinions have been extended significantly from their original purpose. As an alternative to a formal appraisal, their acceptability may be financially justified. However, in the end, the important point is that any valuation effort, for whatever purpose, is only valuable if done properly.

The National Association of Realtors has adopted a “Responsible Valuation Policy.” Standard of Practice 11-1 states that “when REALTORS® prepare opinions of real property value or price, other than in pursuit of a listing or to assist a potential purchaser in formulating a purchase offer, such opinions 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/sellers
6. basis for the opinion, including applicable market data
7. if the opinion is not an appraisal, a statement to that effect”

“The Responsible Valuation Policy includes the following:

#### Appraisals

- Persons who perform appraisals of real property shall be licensed or certified by their respective state regulatory agency and the appraisal shall be conducted in accordance with standards established in the Uniform Standards of Professional Practice (USPAP).
- No person with an interest in the mortgage transaction shall compensate, coerce, extort, collude, instruct, induce, bribe, or intimidate a person, appraisal management company, or firm for the purpose of causing the appraised value to be based on anything other than the independent analysis of the appraiser.

#### Non-Appraisal Opinions

- Non-appraisal opinions, such as Broker Price Opinions (BPO) and comparative market analyses performed by REALTORS shall contain, at a minimum, the information specified in Standard of Practice 11-1 of the National Association of REALTORS® Code of Ethics except where the party requesting the opinion requests a specific type of report or different data set, or where the opinion is developed in pursuit of a listing or to assist a potential purchaser in formulating a purchase offer.

Among other uses, these non-appraisal services can help determine listing prices and are used to estimate potential selling prices of a property. Except where exempted or prohibited by the National Association of REALTORS® Code of Ethics, state, local or federal law, they should include the disclosure of a review of the subject property, subject neighborhood review and analysis, local and regional market information and trends, and a description of comparable properties that are similar to the subject property. Any non-appraisal opinion that does not provide the aforementioned components shall be disclosed by the provider of the service. Non-appraisal opinions must make it clear to the intended user that it is not an appraisal.

- Non-appraisal opinions shall be prepared by a real estate licensee or registered, licensed or certified appraiser. A licensee completing these services for a client is not necessarily assured of receiving the listing of the property.
- Generally, in conjunction with the purchase of a consumer's principal dwelling, BOPs may not be used as the primary basis to determine the value of real property for the purpose of a loan origination of a residential mortgage loan secured by such property.
- When not restricted by law, non-appraisal opinions may be appropriate for many real estate transactions such as short sales, foreclosures, and loan modifications.
- In adhering to Article 11 of the REALTORS® Code of Ethics, consideration must be given to the intended use and intended user when developing any valuation.
- A comparative market analysis (CMA) is generally used to provide information to sellers or buyers in determining listing price or offering price.”

As can be seen, the fundamental purpose behind the traditional price opinion has expanded from being a tool utilized for listing purposes to an acceptable valuation premise. Price opinions have gained wide acceptance within the lending community. Clearly, those who perform the appraisal function for financial institutions are likely to be dismayed by this acceptance. The financial institutions can apparently justify the process financially.

The key to any valuation effort is the quality of the analysis, which is a function of the data available and the skill of the individual performing the analysis. This relates to appraisal methodology, in that appraisers understand that the credibility of any comparative analysis is the quality of the sales data utilized to develop the value conclusion. This holds true for the most detailed and complete appraisal to the most minimal price opinion.

A price opinion can be a very unsophisticated model, as mentioned earlier. It can be merely a listing of sales prices reduced to some unit indicator, most probably square footage. On the other hand, it can be a much more detailed presentation similar to an appraisal report. There are numerous proprietary products available, such as those developed by Fannie Mae, Freddie Mac and individual financial institutions. Examples of these forms are included herein. Some of these forms very closely resemble appraisal reports, and include a grid for specific adjustments. It is apparent that for the more sophisticated models, considerable training is necessary to complete.

The basic assumptions in preparation of a credible price opinion are the same as those which apply to an appraisal. First, it is presumed that the property is accurately identified and described, and that all of the relevant property characteristics are accounted for. Then, it is presumed that the preparer has access to reliable comparable data. For residential purposes, the most likely data source is MLS. In fact, some MLS providers offer a CMA product which can be automatically prepared within the program.

If these circumstances exist, the simplest price opinion model could include only an overall unit indicator, such as sales price/square foot of living area. Assume a subject property which is a 20-year old brick veneer structure in a residential subdivision comprised of similar structures, containing approximately 2,000± square feet of living area, three bedrooms-two bathrooms, and a double carport.

A data set such as the following could be generated:

PROPERTY	SALE PRICE	SF LIVING AREA	SP/SF
SALE #1	\$165,000	1,860 SF	\$ 88.71
SALE #2	\$178,000	1,980 SF	\$ 88.90
SALE #3	\$172,000	1,900 SF	\$ 90.52
SALE #4	\$160,000	1,800 SF	\$ 88.90
SALE #5	\$185,000	2,120 SF	\$ 87.26

Assuming all of the sales are relatively recent and similar in location, it appears that there is uniformity in the price level. The indicated unit value for subject would be about \$89 to \$91 per square foot of living area. This appears to be unusually narrow range of prices and unit indicators, however.

Alternatively, the property could be analyzed using the same sales data and a form, such as the FNMA product, with each sale adjusted for differences between it and subject.

Appraisers typically make adjustments for one or more elements of comparison, which include

Transactional Adjustments:

- 1) real property rights conveyed
- 2) financing terms
- 3) conditions of sale
- 4) expenditures made immediately after purchase
- 5) market conditions

Property Adjustments:

- 1) location
- 2) physical characteristics
- 3) economic characteristics
- 4) use/zoning
- 5) non-realty components of value

For residential properties, the adjustments which typically are made are for 1) rights conveyed (typically fee simple), 2) financing (concessions), 3) location, and 4) physical characteristics (lot size, design/appeal, quality, age/condition, room count, living area square footage, HVAC, automobile storage, etc.). Obviously, the more comparable the property, particularly in location, the less complicated the adjustment process.

There are general rules which tend to apply for making adjustments. For example, all other things equal, older properties tend to sell for less than newer ones. Again, all other things equal, larger properties will sell for more than smaller ones, but the unit price (sale price per square foot) will decline as the size of the residence increases. When a property sale includes the seller paying costs typically borne by the buyer (closing costs, for example), a negative adjustment to that sale is required. Also, the traditional treatment of adjustments is that if the subject is superior to the comparable, a positive adjustment is indicated. Conversely, if subject is inferior to the comparable, the adjustment is negative.

While most real estate practitioners are familiar with these tendencies, the specific magnitude of the adjustment necessary to equate a comparable with a subject is not so easy. For example, in the previous example, Sale# 4 has 200 square feet less than the subject. If an adjustment for difference in square footage is required (such as on the FNMA BPO form), then it is clear that a positive adjustment needs to be applied to Sale # 4. While the direction of the adjustment is relatively simple, the magnitude of that adjustment is somewhat complicated.

An alternative to this quantitative adjustment process is a qualitative analysis. Assume there is a comparable which is superior to subject in condition. A negative adjustment is indicated, but, again, the magnitude of that adjustment might not be clear. The price opinion preparer might simply note that the indication from that sale is less than the indication from that sale. This would enable the preparer to bracket the value, or provide a range, based on the qualitative analysis.

Typically, when using BPO forms, there are aspects other than value indicated by comparable sales. For example, on the sample forms included herein, the preparer is asked to comment on market area conditions, such as whether the area is depressed or not, and whether conditions are declining. An estimate of tenant vs. owner occupancy is requested. The preparer is asked to provide information regarding marketing times, supply and demand, and current inventory of competing properties. In addition to the comparable sales analysis, the preparer is required to provide a similar grid analysis for competitive listings. Finally, the preparer is asked to list any necessary repairs which may be necessary to bring the property to typical condition. These are all considerations which require significant study of market conditions, as well as ability to perform adjustments. This activity is very similar to that of an appraisal. It is important to note that the reason for using a BPO instead of a formal appraisal is that the BPO is more cost efficient. It would seem that the same type and amount of work would have a similar cost, whether performed by a licensed appraiser or a licensed sales agent.

It is worthy of note that a BPO, or CMA, is not a generic product. There are different levels of precision required, typically driven by the form which is to be completed by the preparer. At the low end, a BPO, like the simple example provided herein, might take only a few minutes and may not require inspection of the property. However, at the other end of the spectrum, the BPO might require an exterior and interior inspection of the property, in addition to a reasonably sophisticated adjustment analysis, both for closed sales and active listings.

Of additional consequence is the level of liability attached to the BPO. If the BPO is presented to a financial institution in conjunction with a loan, wouldn't the sale level of liability exist for the BPO as would be associated with an appraisal?

## RESIDENTIAL BROKER PRICE OPINION

Loan # \_\_\_\_\_  
 REO #: \_\_\_\_\_ This BPO is the  Initial  2nd Opinion  Updated  Exterior Only DATE \_\_\_\_\_  
 PROPERTY ADDRESS: \_\_\_\_\_ SALES REPRESENTATIVE: \_\_\_\_\_  
 \_\_\_\_\_ BORROWER'S NAME: \_\_\_\_\_  
 FIRM NAME: \_\_\_\_\_ COMPLETED BY: \_\_\_\_\_  
 PHONE NO. \_\_\_\_\_ FAX NO. \_\_\_\_\_

### I. GENERAL MARKET CONDITIONS

Current market condition:  Depressed  Slow  Stable  Improving  Excellent  
 Employment conditions:  Declining  Stable  Increasing  
 Market price of this type property has:  Decreased \_\_\_\_\_ % in past \_\_\_\_\_ months  
 Increased \_\_\_\_\_ % in past \_\_\_\_\_ months  
 Remained stable  
 Estimated percentages of owner vs. tenants in neighborhood: \_\_\_\_\_ % owner occupant \_\_\_\_\_ % tenant  
 There is a  Normal supply  oversupply  shortage of comparable listings in the neighborhood  
 Approximate number of comparable units for sale in neighborhood: \_\_\_\_\_  
 No. of competing listings in neighborhood that are REO or Corporate owned: \_\_\_\_\_  
 No. of boarded or blocked-up homes: \_\_\_\_\_

### II. SUBJECT MARKETABILITY

Range of values in the neighborhood is \$ \_\_\_\_\_ to \$ \_\_\_\_\_  
 The subject is an  over improvement  under improvement  Appropriate improvement for the neighborhood.  
 Normal marketing time in the area is: \_\_\_\_\_ days.  
 Are all types of financing available for the property?  Yes  No If no, explain \_\_\_\_\_  
 Has the property been on the market in the last 12 months?  Yes  No If yes, \$ \_\_\_\_\_ list price (include MLS printout)  
 To the best of your knowledge, why did it not sell? \_\_\_\_\_  
 Unit Type:  single family detached  condo  co-op  mobile home  
 single family attached  townhouse  modular  
 If condo or other association exists: Fee \$ \_\_\_\_\_ monthly  annually Current?  Yes  No Fee delinquent? \$ \_\_\_\_\_  
 The fee includes:  Insurance  Landscape  Pool  Tennis Other \_\_\_\_\_  
 Association Contact: Name: \_\_\_\_\_ Phone No.: \_\_\_\_\_

### III. COMPETITIVE CLOSED SALES

ITEM	SUBJECT	COMPARABLE NUMBER 1			COMPARABLE NUMBER 2			COMPARABLE NUMBER 3		
Address										
Proximity to Subject		REO/Corp <input type="checkbox"/>			REO/Corp <input type="checkbox"/>			REO/Corp <input type="checkbox"/>		
Sale Price	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Price/Gross Living Area	\$ Sq. Ft.	\$ Sq. Ft.	\$ Sq. Ft.	\$ Sq. Ft.	\$ Sq. Ft.	\$ Sq. Ft.	\$ Sq. Ft.	\$ Sq. Ft.	\$ Sq. Ft.	
Sale Date & Days on Market										
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) Adjustment	DESCRIPTION	+(-) Adjustment	DESCRIPTION	+(-) Adjustment	DESCRIPTION	+(-) Adjustment	
Sales or Financing Concessions										
Location (City/Rural)										
Leasehold/Fee Simple										
Lot Size										
View										
Design and Appeal										
Quality of Construction										
Year Built										
Condition										
Above Grade	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.		
Basement & Finished Rooms Below Grade										
Functional Utility										
Heating/Cooling										
Energy Efficient Items										
Garage/Carport										
Porches, Patio, Deck										
Fireplace(s), etc.										
Fence, Pool, etc.										
Other										
Net Adj. (total)		<input type="checkbox"/> + <input type="checkbox"/> -	\$	<input type="checkbox"/> + <input type="checkbox"/> -	\$	<input type="checkbox"/> + <input type="checkbox"/> -	\$	<input type="checkbox"/> + <input type="checkbox"/> -	\$	
Adjusted Sales Price of Comparable			\$		\$		\$		\$	

REO#

Loan #

IV. MARKETING STRATEGY

Occupancy Status: Occupied  Vacant  Unknown

As-is  Minimal Lender Required Repairs  Repaired Most Likely Buyer:  Owner occupant  Investor

V. REPAIRS

Itemize ALL repairs needed to bring property from its present "as is" condition to average marketable condition for the neighborhood. Check those repairs you recommend that we perform for most successful marketing of the property.

<input type="checkbox"/>	_____	\$ _____	<input type="checkbox"/>	_____	\$ _____
<input type="checkbox"/>	_____	\$ _____	<input type="checkbox"/>	_____	\$ _____
<input type="checkbox"/>	_____	\$ _____	<input type="checkbox"/>	_____	\$ _____
<input type="checkbox"/>	_____	\$ _____	<input type="checkbox"/>	_____	\$ _____

GRAND TOTAL FOR ALL REPAIRS \$ \_\_\_\_\_

VI. COMPETITIVE LISTINGS							
ITEM	SUBJECT		COMPARABLE NUMBER 1		COMPARABLE NUMBER 2		COMPARABLE NUMBER 3
Address							
Proximity to Subject	REO/Corp <input type="checkbox"/>		REO/Corp <input type="checkbox"/>		REO/Corp <input type="checkbox"/>		
List Price	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Price/Gross Living Area	\$ _____ Sq.Ft.	\$ _____ Sq.Ft.	\$ _____ Sq.Ft.	\$ _____ Sq.Ft.	\$ _____ Sq.Ft.	\$ _____ Sq.Ft.	\$ _____ Sq.Ft.
Data and/or Verification Sources							
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-)Adjustment	DESCRIPTION	+(-)Adjustment	DESCRIPTION	+(-)Adjustment
Sales or Financing Concessions							
Days on Market and Date on Market							
Location (City/Rural)							
Leasehold/Fee Simple							
Lot Size							
View							
Design and Appeal							
Quality of Construction							
Year Built							
Condition							
Above Grade Room Count	Total Bdrms Baths	Total Bdrms Baths		Total Bdrms Baths	Total Bdrms Baths	Total Bdrms Baths	
Gross Living Area	Sq. Ft.	Sq. Ft.		Sq. Ft.	Sq. Ft.	Sq. Ft.	
Basement & Finished Rooms Below Grade							
Functional Utility							
Heating/Cooling							
Energy Efficient Items							
Garage/Carport							
Porches, Patio, Deck Fireplace(s), etc.							
Fence, Pool, etc.							
Other							
Net Adj. (total)	<input type="checkbox"/> + <input type="checkbox"/> -	\$ _____	<input type="checkbox"/> + <input type="checkbox"/> - -	\$ _____	<input type="checkbox"/> + <input type="checkbox"/> -	\$ _____	\$ _____
Adjusted Sales Price of Comparable		\$ _____		\$ _____		\$ _____	\$ _____

VI. THE MARKET VALUE (The value must fall within the indicated value of the Competitive Closed Sales).

	Market Value	Suggested List Price
AS IS	_____	_____
REPAIRED	_____	_____
Last Sale of Subject, Price	Date	

COMMENTS (Include specific positives/negatives, special concerns, encroachments, easements, water rights, environmental concerns, flood zones, etc. Attach addendum if additional space is needed.)

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

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

Freddie  
Mac

**BROKER'S PRICE OPINION**

Exterior /Curb Side  Inspection Date \_\_\_\_\_ Freddie Mac Loan # \_\_\_\_\_  
 Interior  Servicer Loan # \_\_\_\_\_  
 Interior Access Denied  Reason \_\_\_\_\_ BPO # \_\_\_\_\_

BPO Firm Name	Broker	Phone
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**SUBJECT PROPERTY DESCRIPTION**

Property Address	Unit #
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City	County	State	Zip
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Is property currently listed for sale with a real estate firm? <input type="checkbox"/> Yes <input type="checkbox"/> No	Name of Listing Broker, Salesperson or Firm	Phone
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Property Type: <input type="checkbox"/> Townhouse <input type="checkbox"/> SFD <input type="checkbox"/> 2 Fam <input type="checkbox"/> 3 Fam <input type="checkbox"/> 4 Fam <input type="checkbox"/> Condo <input type="checkbox"/> Mfg Home	Condo Fee \$
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Occupant: <input type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant
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**Estimate of repairs needed for subject property**

Interior:		Exterior:	
Painting	\$ _____	Painting	\$ _____
Structural	\$ _____	Structural	\$ _____
Appliances	\$ _____	Landscaping	\$ _____
Utilities	\$ _____	Roof	\$ _____
Carpet/Floors	\$ _____	Windows	\$ _____
Other	\$ _____	Other	\$ _____
Cleaning/Trash Removal	\$ _____	Do you recommend repairs? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Repairs Total: \$ _____			

Overall Property Condition:  Excellent  Good  Fair  Poor  
 Are there any items that require IMMEDIATE attention/action?  Yes  No  
 Title/Legal Issues?  Yes  No  
 Do any environmental issues affect the value of the property?  Yes  No  
 If yes to any of the above, please explain:  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**NEIGHBORHOOD**

Property Values: <input type="checkbox"/> Increasing <input type="checkbox"/> Stable <input type="checkbox"/> Declining	Predominant Occupancy <input type="checkbox"/> Owner <input type="checkbox"/> Tenant
Marketing Time: <input type="checkbox"/> Under 3 Mos. <input type="checkbox"/> 3-6 Mos. <input type="checkbox"/> Over 6 Mos.	Vacancy Rate <input type="checkbox"/> 0-5% <input type="checkbox"/> 5-10% <input type="checkbox"/> 10-20% <input type="checkbox"/> 20% +
No. of Active Listings in Neighborhood: _____	Price Range of Active Listings in Neighborhood: \$ _____ to \$ _____
COMMENTS	
_____	
_____	

**VALUE ESTIMATION**

Probable Sale Price	90-Day Marketing Time	120-Day Marketing Time	180-Day Marketing Time
As Is			
As Repaired			
Property should be listed: As Is: <input type="checkbox"/> As Repaired: <input type="checkbox"/>			
Anticipated Seller-Paid Financing Costs: \$ _____			
COMMENTS: (Describe your marketing strategy and reasons for As Is/As Repaired recommendations)			
_____			
_____			
PREPARED BY: _____			
Signature		Date	

COMPETITIVE LISTINGS							
ITEM	SUBJECT	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3			
Address							
Proximity to Subject							
Current List Price	\$	\$	\$	\$			
Current List Date							
Original List Price	\$	\$	\$	\$			
Original List Date							
VALUE ADJUSTMENTS (Use the following codes for the adjustments: S=Superior E=Equal I=Inferior U=Unknown)							
DESCRIPTION	DESCRIPTION	DESCRIPTION	ADJ	DESCRIPTION	ADJ	DESCRIPTION	ADJ
Above Grade	Total # of Rooms	Total # of Rooms		Total # of Rooms		Total # of Rooms	
Room Count	Bdrm Baths	Bdrm Baths		Bdrm Baths		Bdrm Baths	
Gross Living Area	Sq. Ft.	Sq. Ft.	Code	Sq. Ft.	Code	Sq. Ft.	Code
Location							
Site/Lot Size							
Design and Appeal							
Age (number of yrs. since house was built)							
Overall Condition							
Garage/Carport							
Porch, Patio Deck, Pool, Fence							
Overall Rating/Est.\$ Value of Adjustments							
Indicate Property Most Comparable to Subject (Check One)			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
COMMENTS:							

CLOSED SALES							
ITEM	SUBJECT	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3			
Address							
Proximity to Subject							
Original List Price	\$	\$	\$	\$			
List Price When Sold	\$	\$	\$	\$			
Sales Price	\$	\$	\$	\$			
Sales Date							
Days on Market							
VALUE ADJUSTMENTS (Use the following codes for the adjustments: S=Superior E=Equal I=Inferior U=Unknown)							
DESCRIPTION	DESCRIPTION	DESCRIPTION	ADJ	DESCRIPTION	ADJ	DESCRIPTION	ADJ
Above Grade	Total # of Rooms	Total # of Rooms		Total # of Rooms		Total # of Rooms	
Room Count	Bdrm Baths	Bdrm Baths		Bdrm Baths		Bdrm Baths	
Gross Living Area	Sq. Ft.	Sq. Ft.	Code	Sq. Ft.	Code	Sq. Ft.	Code
Sales or Financing Concessions							
Location							
Site/Lot Size							
Landscaping							
Design and Appeal							
Age (number of yrs. since house was built)							
Overall Condition							
Garage/Carport							
Porch, Patio Deck, Pool, Fence							
Overall Rating/Est.\$ Value of Adjustments							
Indicate Property Most Comparable to Subject (Check One)			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
COMMENTS:							



### BancorpSouth *Property Condition/Characteristics Evaluation*

This form is to be used in conjunction with an AVM, Comparable Property Analysis or a Direct Capitalization Property Evaluation. A CURRENT PHOTO IS REQUIRED WHEN UTILIZING ANY OF THE FOLLOWING OPTIONS.

- A) AVM:** This form should be completed whenever an AVM is utilized to determine a value for Single Family Residential Properties.
- B) COMPARABLE PROPERTY ANALYSIS:** This form is to be completed whenever a Comparable Property Analysis is performed. Please see the comparable property analysis form located on the appraisal dept intranet site.
- C) DIRECT CAPITALIZATION PROPERTY EVALUATION:** For income-producing properties or owner-occupied properties - (THAT ARE TYPICALLY LEASED IN YOUR AREA) a Direct Capitalization Property Evaluation should be requested. To request a Direct Cap Property Evaluation, a Credit Dept Order Form must be submitted, by selecting analysis level other, and then typing Direct Cap Property Evaluation. The CRE-Analyst should receive the completed Property Condition/Characteristics Evaluation (this form) and a current photo of the subject before the Direct Cap Property Evaluation will be performed. The completed Direct Cap Property Evaluation should be attached to the completed Property Condition/Characteristics Evaluation (this form) and signed by both the CRE-Analyst and the evaluator-(NOT THE LOAN OFFICER RESPONSIBLE FOR THE LOAN). Additional support is recommended but not required.

THE EVALUATOR SHOULD NOT BE INVOLVED IN THE LOAN APPROVAL AND COLLECTION PROCESS OF THE LOAN.

Loan #:	Borrower:	Loan Officer:	Evaluator:
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#### SUBJECT PROPERTY INFORMATION

Address:	Current use:	Proposed use:
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Occupant(s):  Owner  Tenant(s)  Vacant Property rights:  Fee Simple  Leased fee  Leasehold

#### NEIGHBORHOOD ANALYSIS

Location:  Urban  Suburban  Rural  Transitional Neighborhood Condition:  Excellent  Good  Average  Fair  
 Demand/Supply:  Short Supply  Balanced  Excess supply Property Values:  Increasing  Stable  Decreasing

Comments:

#### PROPERTY CONDITION ANALYSIS

Complete the exterior condition portion and the interior condition portion, when an interior inspection is possible.

Exterior condition:  Excellent  Good  Average  Fair Interior Condition (if inspected):  Excellent  Good  Average  Fair

Comments:

#### SUBJECT PROPERTY PHYSICAL CHARACTERISTICS

Improvements Sq ft (if applicable)	Lot/land Sq Ft/Acres	# of Units (if applicable)	Avg unit size (if applicable)	Zoning	Flood Zone	MISC	MISC	MISC

Comments:

#### PURCHASE INFORMATION (IF APPLICABLE)

Data Source	Verification Date	Listing Price (if applicable)	Contract Price	Contract Price per unit	Contract Date
		\$	\$	\$	

#### MERCHANTANTIBLE TIMBER THAT IS BEING USED AS COLLATERAL (IF APPLICABLE)

Source:	Forester License #:	Timber Acres Only:
Timber Type:	Valuation Type:	Date of Timber Valuation:
		Timber Value Only:

Comments:

If the subject is believed to be at an elevated risk for environmental contaminants please complete the Environmental Checklist.

EVALUATOR: THE EVALUATOR SHOULD NOT BE INVOLVED IN THE LOAN APPROVAL AND COLLECTION PROCESS.

Print Name:	Signature:	Date of Inspection:
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BancorpSouth Bank - Appraisal Department; Building C, Jackson Street Campus, Tupelo, Ms ph: 662-620-4344 Fax 662-620-4340

**COMPARABLE PROPERTY ANALYSIS:**

**This form is to be used in conjunction with the Property Condition/Characteristics Evaluation REQUIRED SUPPORT** THE EVALUATOR SHOULD NOT BE INVOLVED IN THE LOAN APPROVAL AND COLLECTION PROCESS. All evaluations shall have a CURRENT PHOTO of the subject property and at least two closed comparable sales. Corresponding documentation of the sales shall be attached to this evaluation and be in the form of the MLS sold sheet, a third party comp supplier's report form, the BXS Appraisal Dept.'s comparable database and referenced by loan number below\*, or any closing documentation.

**COMPARABLE SALE TRANSACTION INFORMATION**

	Address	Source*	Date Verified	Listing Price (if applicable)	Contract Price (if applicable)	Sales Price	Price per unit	Sale Date
Comp 1				\$	\$	\$	\$	
Comp 2				\$	\$	\$	\$	

**COMPARABLE SALE PHYSICAL CHARACTERISTICS**

	Current Use	Condition	Size	# Units (if applicable)	Avg size of units (if applicable)	Zoning (if any)	Distance to subject	MISC
Comp 1								
Comp 2								

Comments:

Please describe why the comparable sale is superior, inferior, or equal to the subject.

Comp 1	
Comp 2	

Comments:

COMPARABLE ANALYSIS VALUE:	\$	Value per unit:	\$
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**BUILDING COST INFORMATION - IF APPLICABLE**

If the subject is newer, then obtain the cost per Sq Ft from a recent similar appraisal or cost estimates in your files

Building Cost	Source and date of estimate	Site Value	Improvement Cost	Sq Ft	Cost/Sq Ft	Overall Cost
		\$	\$		\$	\$

Comments:

<b>FINAL ESTIMATE OF VALUE:</b>	\$	<b>Value per unit:</b>	\$
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Comments:

If the subject is believed to be at an elevated risk for environmental contaminants please complete the Environmental Checklist.

**EVALUATOR: THE EVALUATOR SHOULD NOT BE INVOLVED IN THE LOAN APPROVAL AND COLLECTION PROCESS OF THE LOAN.**

Print Name:	Signature:	Effective Date:
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BancorpSouth Bank - Appraisal Department; Building C, Jackson Street Campus, Tupelo, Ms ph: 662-620-4347 Fax 662-620-4340

## PROPERTY PRICING CASE STUDY

Redbud is a bedroom community with a population of approximately 20,000± persons, located about 20 miles from a metropolitan area, Unrealville. Highway 12, known as the Redbud Road, is a newly four-laned thoroughfare which connects Redbud, as well as other similar communities located west of Redbud to Unrealville.

Unrealville is a growing center of commerce and industry. Governmental offices, financial institutions, retail and office commercial operations are located there. The population has grown steadily over the past few years. All economic indicators, including population, employment and income, are positive. There has been a national recession which has affected economic conditions over the past few years, however, the Unrealville metropolitan area has experienced less negative effect than other cities regionally and nationally.

Redbud is located relatively near to Unrealville, with convenient access. It has benefitted over the years from its proximity to the city, from an employment perspective, as many of its residents commute into the city for work, but also because of its medical facilities, and cultural and entertainment venues. Redbud is a quiet, peaceful community, often described by its residents as “a wonderful place to live and raise a family.”

The market area is considered to be reasonably stable. According to a state agency, the population of the entire metropolitan area has increased approximately 8 percent over the past decade. Property values in general have increased. A local appraiser has recently done a study and determined that the typical price change, demonstrated by a paired sales analysis, for residences in Redbud, has been an increase of approximately six percent per year for the past 2-3 years.

Approximately 30 years ago, a successful developer/homebuilder named Jones, acquired a parcel of land on Highway 12 in Redbud for the express purpose of developing a residential subdivision. He subdivided the tract into a development he named Redbud Heights, with 100 residential lots typically measuring about 80 feet by 150 feet. The terrain is flat and level, and there are no unusual physical features. All of the lots have essentially the same view and topography. The development is zoned for detached single family residential use, and there are recorded subdivision restrictions which establish building requirements. The development was considered to be well located with respect to local amenities, and additionally was located just off of the major access route to Unrealville. Based on the locational and physical characteristics of the property, there was good demand for homes in the development. Within three years, Jones had constructed and sold 92 of the 100 lots with traditional residential structures ranging in size from approximately 2,000 to 2,400 square feet (living area). The level of quality was average, and floor plans were functional. Design and appeal of the residential properties was considered to be good, and the development had immediate success.

Several years ago, Highway 12 was widened to facilitate the increasingly heavy traffic flow between outlying communities, including Redbud, and Unrealville. The traffic on Highway 12 is heavy at times. The combination of increased traffic volume and noise from that traffic has made Redbud Heights somewhat less desirable, particularly when compared to newer subdivisions located off of the main thoroughfare.

A trend which has developed over the past decade is toward a higher number of rental properties in Redbud, including the subject subdivision. Reportedly, about 20 percent of homes in Redbud Heights are tenant occupied. Rental levels are typically between \$1,400 and \$1,600 per month. The demand for rental properties in Redbud is attributed to a number of factors, particularly transient job opportunities in and around Unrealville.

There are no vacant sites in the subject subdivision at present, nor have there been any recent land sales. Sales of vacant lots in other similar developments indicates that the typical lot in the subject subdivision is approximately \$30,000.

Jones retained eight of the original 100 lots for future sale or construction. His health deteriorated and the lots remained in his inventory for about 20 years, until his death approximately 12 years ago. At that time, another developer, Thomas, acquired the remaining eight lots out of the estate of Jones. Thomas felt he got a really good deal, and that he had been able to acquire the lots at a substantial discount from market. He built houses on four lots, and they were sold immediately.

Thomas had two friends, the Smith brothers. The Smith brothers approached Thomas about four contiguous lots located at the front of the development. They wanted to build adjoining personal residences and wanted larger building sites than the typical single lots.

The brothers acquired the four lots at what they felt were bargain prices, and each constructed a residence. The respective residential structures were built utilizing both lots. Re-subdivision of lots was prohibited by zoning, but the residences were constructed across the lot line, effectively creating two lots twice the size as the typical site.

The Smith brothers built homes which were intended to "last a lifetime". The residences were superior in quality to the typical property, with amenities including high ceilings, extensive crown molding, etc. Appliances, plumbing and mechanical equipment, and HVAC were all more modern and higher quality. The Smith residences were about the same size as the larger residences in Redbud Heights (approximately 2,200± square feet) but were newer than the original structures. It was reported that the Smith residences cost about 30 percent more to build than the other houses which were built at about the same time. The Smith brothers felt that the additional cost was justified because the lots were obtained at a favorable price, and because they both intended to live in the respective residences as long as they lived.

About two years ago, Smith brother #1 became ill. He died shortly thereafter. His residence was placed on the market for sale. After about a year, the property went under contract. The pending sale was dependent upon a conventional mortgage loan (80% LTV, 5% interest, 20-year amortization), however the sale fell through because the appraisal prepared for the bank was lower than the sale price. The seller was offended and refused to negotiate the price. In order to preserve the transaction, the seller offered to owner finance with the same terms, except that the interest rate was reduced to 3 percent. The seller justified the interest rate because the rate which could have been obtained on a certificate of deposit was only 1 percent, so it was a "win-win".

The Smith #1 property sold one year ago for \$318,750, subject to the terms described. Specifically, the residence had 2,200± square feet of living area, with four bedrooms and 2.5 bathrooms. As noted, its quality level was superior to the typical residence. It was newer than the original structures, and it had been very well maintained. The residence also had an oversized garage, porches and a patio. The lot was larger than typical, and it had superior site improvements (driveway, fencing and landscaping).

There have been five other sales of residences in Redbud Heights in the past year. They are summarized as follows:

Sale 1 – this is one of the original houses built by Jones. It is a 30-year old structure of standard design/appeal, with quality similar to others in the development. It has an 80 foot by 150 foot lot with typical characteristics. The lot is located near the rear of the subdivision, and is considered to be similar to the subject location.

The residence has 2,000± square feet of living area, a double carport, storage room, porches, and site improvements (concrete driveway, landscaping, fencing). There are four bedrooms, two bathrooms,

typical kitchen, fireplace, and typical HVAC, mechanical, and plumbing equipment. Interior finish has been upgraded somewhat over the years (new carpeting, wall covering, etc.). There has been no significant remodeling, but the property was very clean and well maintained.

It sold for \$212,000, with conventional financing at rates and terms readily available in the market. Date of sale was about six months ago. The property was listed on the market for approximately 60 days.

Sale 2 – this is one of the original houses built by Jones. It is a 30-year old structure of standard design/appeal, with quality similar to others in the development. It has an 80 foot by 150 foot lot with typical characteristics. The lot is located near the rear of the subdivision, and is considered to be similar to the subject location.

The residence has 2,200± square feet of living area, a double carport, storage room, porches, and site improvements (concrete driveway, landscaping, fencing). There are four bedrooms, two bathrooms, typical kitchen, fireplace, and typical HVAC, mechanical, and plumbing equipment. Interior finish has been significantly upgraded over the years. In addition to new carpeting, wall covering, etc., the kitchen and bathrooms have been modernized (new fixtures, counter tops, etc.). The property has been very well maintained, and condition is described as “like new”.

It sold for \$229,000, with conventional financing at rates and terms readily available in the market. Date of sale was about three months ago. The property was listed for about 90 days prior to sale.

Sale 3 – this is one of the original houses built by Jones. It is a 30-year old structure of standard design/appeal, with quality similar to others in the development. It has an 80 foot by 150 foot lot with typical characteristics. The lot is located near the rear of the subdivision, and is considered to be similar to the subject location.

The residence has 2,000± square feet of living area, a double carport, storage room, porches, and site improvements (concrete driveway, landscaping, fencing). There are four bedrooms, two bathrooms, typical kitchen, fireplace, and typical HVAC, mechanical, and plumbing equipment. Interior finish is essentially original. While the interior finishes have been changed and maintained, the residence is “tired”. There has been no significant remodeling. The property was clean but the maintenance level is less than typical.

It sold for \$214,000, with conventional financing at rates and terms readily available in the market. Date of sale was about three months ago. The property was listed for sale for approximately 120 days.

Sale 4 – this is one of the houses constructed by Thomas about 12 years ago. It has standard design/appeal, with quality similar to others in the development, but is newer. It has an 80 foot by 150 foot lot with typical characteristics. The lot is located near the rear of the subdivision, and is considered to be similar to the subject location.

The residence has 2,200± square feet of living area, a double garage, storage area, porches, and site improvements (concrete driveway, landscaping, fencing). There are four bedrooms, 2.5 bathrooms, typical kitchen, fireplace, and typical HVAC, mechanical, and plumbing equipment. Interior finish is original. There has been no significant remodeling, but the property was very clean and well maintained. The property was sold about two months ago by the original owner. He had been living in another area for about the past three years, and had rented the house to an officer with a major bank in Unrealville. The tenant vacated the property after acquiring a house in Unrealville. Rather than rent the property again, the owner decided to sell.

It sold for \$250,000, with conventional financing at rates and terms readily available in the market. Date of sale was about two months ago. It was exposed to the market for approximately 60 days.

Sale 5 – this is one of the houses originally constructed by Jones about 30 years ago. It has standard design/appeal, with quality similar to others in the development. It has an 80 foot by 150 foot lot with typical characteristics. The lot is located near the rear of the subdivision, and is considered to be similar to the subject location.

The residence has 2,000± square feet of living area, a double garage, storage area, porches, and site improvements (concrete driveway, landscaping, fencing). There are four bedrooms, 2 bathrooms, typical kitchen, fireplace, and typical HVAC, mechanical, and plumbing equipment. Interior finish is original. There has been no significant remodeling, but the property was very clean and well maintained. The property was sold about three months ago by the original owner. He had been living in another area for about the past three years, and had rented the house to an officer with a major bank in Unrealville. The tenant vacated the property after acquiring a house in Unrealville. Rather than rent the property again, the owner decided to sell.

It sold for \$218,000, with conventional financing at rates and terms readily available in the market. Date of sale was about two months ago. It was exposed to the market for approximately 60 days.

Sale 6 is the previously mentioned Smith Brother #1 sale.

The sales are summarized as follows:

SALE	DATE	PRICE	SIZE	ROOMS	QUALITY	AGE	OTHER
1	06 mo	\$118,200	2,000 SF	4/2	Typical	30± yrs	Standard
2	03 mo	\$136,750	2,200 SF	4/2	Typical	30± yrs	Standard
3	03 mo	\$104,900	2,000 SF	4/2	Typical	30± yrs	Standard
4	02 mo	\$169,100	2,200 SF	4/2.5	Typical	10± yrs	Standard
5	03 mo	\$126,750	2,000 SF	4/2	Typical	30± yrs	Standard
6	12 mo	\$218,750	2,200 SF	4/2.5	Superior	10± yrs	Owner finance

III. COMPETITIVE CLOSED SALES										
ITEM	SUBJECT	COMPARABLE NUMBER 1			COMPARABLE NUMBER 2			COMPARABLE NUMBER 3		
Address	Redbud Heights Blvd	Another Street			Another Street			Another Street		
Proximity to Subject		REO/Corp <input type="checkbox"/>			REO/Corp <input type="checkbox"/>			REO/Corp <input type="checkbox"/>		
Sale Price	\$	\$ 212,000			\$ 229,000			\$ 214,000		
Price/Gross Living Area	\$ Sq. Ft.	\$ 106/ Sq. Ft.			\$ 104/ Sq. Ft.			\$ 107/ Sq. Ft.		
Sale Date & Days on Market		6 mos ago 60 days			3 mos ago 90 days			3 mos ago 120 days		
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) Adjustment	DESCRIPTION	+(-) Adjustment	DESCRIPTION	+(-) Adjustment	DESCRIPTION	+(-) Adjustment	
Sales or Financing Concessions		Cash Conventional	0	Cash Conventional	0	Cash Conventional	0			
Location (City/Rural)	City - Good	Same	0	Same	0	Same	0			
Leasehold/Fee Simple	Fee	Fee	0	Fee	0	Fee	0			
Lot Size	160x150	80x150	+20,000	80x150	+20,000	80x150	+20,000			
View	Typical	Typical	0	Typical	0	Typical	0			
Design and Appeal	Typical	Typical	0	Typical	0	Typical	0			
Quality of Construction	Good	Average	+20,000	Average	+20,000	Average	+20,000			
Year Built	12 yrs ago	30 yrs ago	+20,000	30 yrs ago	+20,000	30 yrs ago	+20,000			
Condition	Good	Average	+12,000	Average	+ 5,000	Average	+15,000			
Above Grade Room Count	Total Bdrms Baths	Total Bdrms Baths		Total Bdrms Baths		Total Bdrms Baths		Total Bdrms Baths		
	9 4 2.5	9 4 2	+ 1,000	9 4 2	+ 1,000	9 4 2	+ 1,000	9 4 2	+ 1,000	
Gross Living Area	2200 Sq. Ft.	2000 Sq. Ft.	+10,000	2200 Sq. Ft.	0	2,000 Sq. Ft.	+10,000			
Basement & Finished Rooms Below Grade	N/A	N/A	0	N/A	0	N/A	0			
Functional Utility	Typical	Typical	0	Typical	0	Typical	0			
Heating/Cooling	Central HVAC	Central HVAC	0	Central HVAC	0	Central HVAC	0			
Energy Efficient Items	Typical	Typical	0	Typical	0	Typical	0			
Garage/Carport	2G	2 CP	0	2 CP	0	2 CP	0			
Porches, Patio, Deck Fireplace(s), etc.	Porches, FP	Porches, FP	0	Porches, FP	0	Porches, FP	0			
Fence, Pool, etc.	Fence, LS	Fence, LS	0	Fence, LS	0	Fence, LS	0			
Other	Typical	Typical	0	Typical	0	Typical	0			
Net Adj. (total)		<input checked="" type="checkbox"/> + <input type="checkbox"/> -	\$ 83,000	<input checked="" type="checkbox"/> + <input type="checkbox"/> -	\$ 66,000	<input type="checkbox"/> + <input type="checkbox"/> -	\$ 86,000			
Adjusted Sales Price of Comparable			\$295,000		\$290,000		\$300,000			

III. COMPETITIVE CLOSED SALES											
ITEM	SUBJECT			COMPARABLE NUMBER 4			COMPARABLE NUMBER 5			COMPARABLE NUMBER 6	
Address	Redbud Heights Blvd			Another Street			Another Street			Another Street	
Proximity to Subject				REO/Corp <input type="checkbox"/>			REO/Corp <input type="checkbox"/>			REO/Corp <input type="checkbox"/>	
Sale Price	\$			\$ 250,000			\$ 218,000			\$ 318,750	
Price/Gross Living Area	\$ Sq. Ft.			\$ 114/ Sq. Ft.			\$ 109/ Sq. Ft.			\$ 145/ Sq. Ft.	
Sale Date & Days on Market				2 mos ago 60 days			2 mos ago 60 days			12 mos ago 360 days	
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) Adjustment	DESCRIPTION	+(-) Adjustment	DESCRIPTION	+(-) Adjustment				
Sales or Financing Concessions		Cash Conventional	0	Cash Conventional	0	Owner Financing	-20,500				
Location (City/Rural)	City - Good	Same	0	Same	0	Same	0				
Leasehold/Fee Simple	Fee	Fee	0	Fee	0	Fee	0				
Lot Size	160x150	80x150	+20,000	80x150	+20,000	160x150	0				
View	Typical	Typical	0	Typical	0	Typical	0				
Design and Appeal	Typical	Typical	0	Typical	0	Typical	0				
Quality of Construction	Good	Average	+20,000	Average	+20,000	Average	+20,000				
Year Built	12 yrs ago	30 yrs ago	+20,000	12 yrs ago	0	12 yrs ago	0				
Condition	Good	Good	0	Average	+12,000	Good	0				
Above Grade	Total Bdrms Baths	Total Bdrms Baths		Total Bdrms Baths		Total Bdrms Baths					
Room Count	9 4 2.5	9 4 2.5	0	9 4 2.5	0	9 4 2.5	0				
Gross Living Area	2200 Sq. Ft.	2200 Sq. Ft.	0	2000 Sq. Ft.	+10,000	2,200 Sq. Ft.	0				
Basement & Finished Rooms Below Grade	N/A	N/A	0	N/A	0	N/A	0				
Functional Utility	Typical	Typical	0	Typical	0	Typical	0				
Heating/Cooling	Central HVAC	Central HVAC	0	Central HVAC	0	Central HVAC	0				
Energy Efficient Items	Typical	Typical	0	Typical	0	Typical	0				
Garage/Carport	2G	2 CP	0	2 CP	0	2 CP	0				
Porches, Patio, Deck Fireplace(s), etc.	Porches, FP	Porches, FP	0	Porches, FP	0	Porches, FP	0				
Fence, Pool, etc.	Fence, LS	Fence, LS	0	Fence, LS	0	Fence, LS	0				
Other	Typical	Typical	0	Typical	0	Typical	0				
Net Adj. (total)	<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$ 40,000			<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$ 82,000			<input type="checkbox"/> + <input checked="" type="checkbox"/> - \$ 20,500				
Adjusted Sales Price of Comparable	\$290,000			\$300,000			\$298,200				

The objective of this exercise is to demonstrate the adjustment process which can be utilized in conjunction with preparing a broker price opinion. The specific derivation of the respective adjustments is beyond the scope of this presentation. This analysis is complicated by several factors, primarily the fact that the subject property is an over-improvement for its neighborhood. It is newer than the typical property, and is superior in quality of construction and condition. It has a larger site, as well.

Typically, for residential properties, there is a relatively significant amount of homogeneity between properties. This homogeneity is a result for the most part of zoning and subdivision restrictions, which have as their purpose the regulation of the type and intensity of property use. Conformity results from the effects of zoning and other regulation. Sometimes, however, there are instances where properties much larger than the surrounding properties, or of significantly better quality, etc., which complicates the analysis. Because these properties are not the norm, it is difficult to accurately measure the effects of the non-conformity. Take for example a residence with a double carport, and the property owner elects to enclose the carport and convert the space to living area. This action triggers a number of items of functional obsolescence. Since enclosed carports are relatively rare, there is little comparable data available at any point in time which would enable the analyst to isolate the obsolescence. The subject case makes several points along this line. The subject is constructed on a larger site, resulting from combination of two lots. While the indicated value of a typical lot is \$30,000, does that mean that the subject's site is worth \$60,000, or something more or less.

The subject has a higher level of quality. The property owner consciously constructed a better house than others in the neighborhood for personal reasons. The effect of this is that, while the higher quality provides utility to the owner, a buyer may not be aware of, or be willing to pay for, the higher quality.

Differences in quality and condition are difficult to measure quantitatively. The primary point of the analysis presented herein is to show how the adjustments are applied to reach a value conclusion. Again, the analysis is complicated by the significant differences between subject and the respective comparables.

Imagine, on the other hand, if the subject would have been a 30-year original residence of standard quality and typical condition. Four of the comparable sales presented herein have those characteristics. These sales (1, 2, 3 and 5) provide a sale price per square foot range of \$104± to \$109± which is a relatively minor difference. In that instance, property pricing could easily be performed without the grid analysis.

The price opinion analysis can be performed for a number of different purposes. For real estate brokerage people, it is commonly utilized in order to provide a recommendation to a prospective seller. It has become somewhat common for price opinions to be utilized as an alternative to an appraisal. However, appraisal methods and techniques are necessarily used in such an analysis. A clear understanding of these methods and techniques is fundamental.