

FORSYTHE FLASH

Appraisal Insights for the Real Estate Professional



The Importance of Bracketing in Comparable Selection.

By Jason A. Creighton, Branch Manager: Forsythe Appraisals, LLC - Indianapolis

At its core, the value of a home is based on how it compares to similar or “substitute” homes in the subject’s primary market area. An appraiser’s analysis considers this when we complete the “sales comparison approach” to value. This is accomplished through researching, selecting and making appropriate adjustments for differences to sales of nearby properties. When the appraiser uses at least one sale which is clearly inferior to the subject and another one that is clearly superior to the subject, they are said to have “bracketed” the subject. This is a very important, and often ignored, fundamental of appraising.

As an example, let’s say we are appraising a 1200 sq ft property. If all of our sales are significantly larger than 1200 sq ft, each would require a downward adjustment for gross living area, and then we have no boundary to show what the market pays for a smaller property. When we have at least one comparable of both greater and lesser size (thus bracketing the subject’s size) we can better analyze and support the market’s reaction to the difference in gross living area. This example can be applied to virtually all of the line items in the sales comparison approach, i.e. site size, condition, bedroom and bath counts as well as amenities such as pools and outbuildings.

Bracketing helps with more than supporting an adjustment; it also helps establish that the property being appraised is not atypical of the neighborhood, by showing sales with both inferior and superior features. By using the bracketing technique, the appraiser provides the client with enough information to help them understand that the subject value falls clearly between the inferior and superior comparables.

Frequently Asked Questions:

- Q:** Why can an appraisal firm charge a higher fee for an appraisal of upper bracket property when USPAP clearly states that an appraisal fee cannot be contingent on the amount of a value opinion?
- A:** A higher fee does not apply specifically to homes with higher values. The higher fee is based on the added complexity of the assignment.

For example, a \$1,500,000 condo near a ski resort may have a basic floor plan to sketch and many recent, relevant sales resulting in a standard appraisal fee. Although it may be a property with a “high market value”, the complexity is minimal. Whereas, a geodesic dome home with a considerably lower value than the above condominium, may require much more time and effort resulting in a higher appraisal fee. The idea that a higher appraisal fee is charged for higher value homes is not necessarily the case. The fee should be determined by the complexity of the assignment.

Mortgage Rates As of March 16

30 Year Fixed: **6.34%**
15 Year Fixed: **5.98%**
1- Year ARM: **5.37%**

Used with permission from
Freddie Mac

Forsythe Appraisals, LLC

**Quality residential
appraisals.
Fast turnaround.
Legendary
customer service.**

To find a branch
near you, please
visit:
ForsytheAppraisals.com

Forsythe Appraisals serves an area near you!

Boston, MA
Chicago, IL
Cleveland, OH
Colorado Springs, CO
Colorado Mountain Branch
Columbus, OH
Dallas, TX
Denver, CO
Detroit, MI
Duluth, MN
Hartford, CT
Houston, TX
Indianapolis, IN
Las Vegas, NV
Miami, FL
Milwaukee, WI
Orlando, FL
Phoenix, AZ
Providence, RI
Rochester, MN
Saint Cloud, MN
Seattle, WA
Southern Minnesota Branch
Spokane, WA
Tampa, FL
Tucson, AZ *NEW!
Twin Cities, MN