

# FORSYTHE

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Appraisal Insights for the Real Estate Professional

## What impact does a neighborhood have on value?

By Saray Garnett, Branch Manager – Boston Branch

Even if the comparables are within one mile of the subject, are they truly in the subject's neighborhood? Recently I reviewed an appraisal from a different company of a property located in Brighton, Massachusetts, in a little neighborhood known as North Brighton. The physical boundaries of North Brighton are the Mass Pike (I-90) and Commuter Rail to the south and the Charles River to the North. At first glance, all of the comparables met typical underwriting requirements. They all sold within the last six months and all were within a mile of the subject.

I researched comparables from the date of the appraisal and found five good sales, all within 4 blocks of the subject property, similar in age, design and gross living area. All of the comparable sales in the original report were from Faneuil, a superior neighborhood in Brighton, located south of the Mass Pike. Faneuil supports much higher values because it is quieter with less traffic and no industrial influence. As a result, the appraised value was 20% higher than the North Brighton comparables indicated. The appraiser made a misleading statement that the neighborhood was **all** of Brighton. In this case, it appears that the appraiser was "pushing value".

If neighborhoods are not similar in values, an adjustment must be made. There's an old saying about the "other side of the tracks". If comps are from opposite sides of major interstates, throughways, golf courses, rivers, a lake, or other natural boundaries, the appraiser must explain if there is a difference in neighborhood values or not. When it comes to selecting your comparables, it is all about location, location, location!

There are submarkets within every neighborhood, and even if underwriting guidelines are met, the appraiser must choose the best comps available so the lender may make a sound lending decision. An appraiser's job is not to develop a report that will "get through underwriting" but one that provides a well-supported opinion of value based on data, experience, and ethics.

## Frequently Asked Questions

### **Q: What does it mean when an appraiser states that a property sets the upper limit of value for a neighborhood?**

**A:** If the homes in a neighborhood are between \$300,000 and \$400,000, for example, if you were to build a home at \$750,000, we would say that it sets the upper limit of value. There would be obsolescence because the typical buyer in that neighborhood will not pay a premium because of location. They would want to buy a home that is surrounded by similar properties that will support the value.

If you have a question you'd like to ask, please email [ForsytheInfo@ForsytheAppraisals.com](mailto:ForsytheInfo@ForsytheAppraisals.com)

December 23rd,

## Mortgage Rates As of December 23rd

30 Year Fixed: **5.75%**

15 Year Fixed: **5.18%**

1- year ARM: **4.17%**

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