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# GIS VALUATION

TECHNOLOGIES CONFERENCE

2024



# Sales Chasing 101

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# Outline

**What is Sales Chasing?**

**Why does it happen?**

**What are the impacts/ramifications?**

**How do you avoid it?**



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## What is Sales Chasing?

The practice of using the sale of a property to trigger a reappraisal of that property at or near the selling price. If sales with such appraisal adjustments are used in a ratio study, the practice causes invalid uniformity results and causes invalid appraisal level results, unless similar unsold parcels are reappraised by a method that produces an appraisal level for unsold properties equal to the appraisal level of sold properties;

# What is Sales Chasing?

- In some states, a revaluation is triggered when the assessment level drops below a certain percentage – such as 85%.
- Changing parcel characteristics, including subjective and relative items such as grade and condition, to achieve a value reflecting current market conditions to maintain a ratio above the threshold is an example of the first type of sales chasing.



Ratio studies are used by many states to equalize values and/or funding

Delaying a revaluation perpetuates inequities, increasing appeals

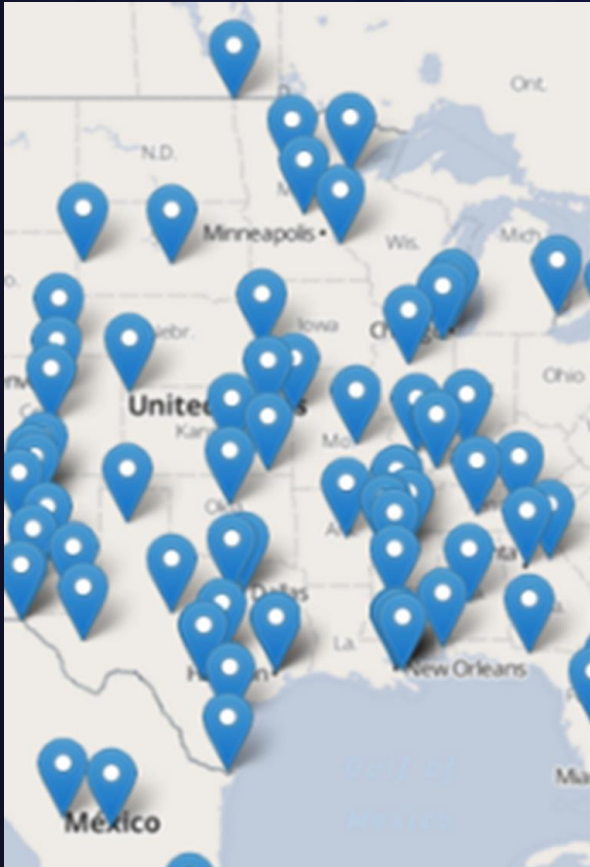
Results in an unfair burden on new property owners

## What is Sales Chasing?

By extension, any practice that causes the analyzed sample to misrepresent the assessment performance for the entire population as a result of acts by the assessor's office. A subtle, possibly inadvertent, variety of sales chasing occurs when the recorded property characteristics of sold properties are differentially changed relative to unsold properties. Then the application of a uniform valuation model to all properties results in the recently sold properties being more accurately appraised than the unsold ones.



# What is Sales Chasing?



Changing property characteristics of sold properties and not making the same changes to similar, unsold properties. This type of sales chasing happens everywhere.



# Impact

- A house sells for \$400,000. It is currently valued at \$280,000
- This is an increase of almost 43%
- After reviewing the listing, the grade and condition are changed. The “new” value is \$320,000.
- This is an increase of only 25%
- Done on a large scale, the impact to the unsold values will be considerable



## Why does Sales Chasing Happen?

- Incorporating interior data elements into the sales analysis that are unavailable for the unsold properties
- Not recognizing staging vs. remodeling
- Lack of clear grading guidelines for the individual(s) doing sales review to adhere to
- Not considering “relativity”
- Lack of training or appraisal skills



Validation – Is it an arms length transaction



Verification – Do the property characteristics reflect what sold

# Sales Review

- The single most important activity in a revaluation
- To learn the market
- To learn (or re-learn) the jurisdiction
- To the greatest extent possible, initial sales review should be done by the modeler
- Sales review guidelines can:
  - Outline the parameters (who can invalidate a sale, when to notify Assessor of characteristic changes, etc.)
  - Specify inspection type and who conducts
  - Provide grading guidelines and answer the question “when is it appropriate to change a grade?”

Do the property characteristics reflect what sold?



When you can't see the forest for the trees,  
go for a walk in the forest

# Fields Commonly Used to Chase Sales

Condition

Grade

Style

Land adj

Sale  
validity

- Invalidating a valid sale
- Not validating a vacant land sale that has been subsequently improved or has a use assessment\*
- Not considering multiparcel sales in the analysis

\*Use assessments are not valid for a state ratio study, but for model building, these are valid sales

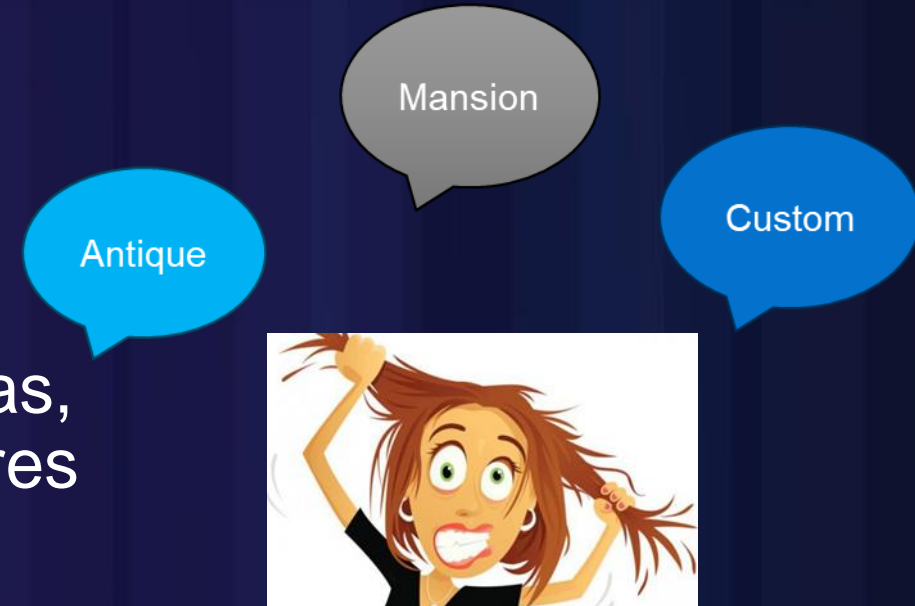
- One sale doesn't make a market
  - Yet land adjustments are often applied to one parcel (sale) at a time
  - A positive/negative feature is assumed to account for the entire difference in price to similar lots
- For every adjustment to a sale, there must be an equal adjustment to every unsold property with the same feature (best view, abuts golf course, steep topography, etc.)



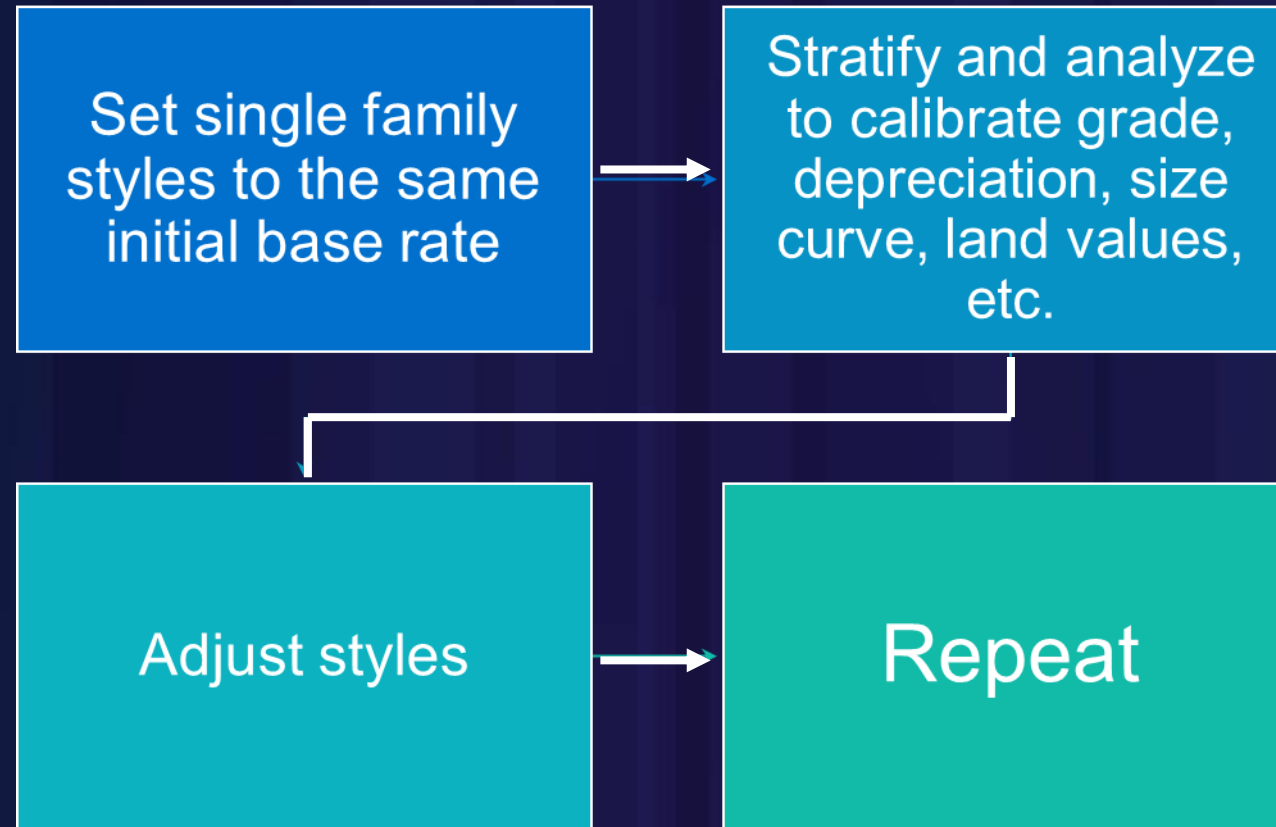
- These preferences change over time and are not directly related to quality and condition
- When used, consistent application is required and should be based on clear, concise guidelines
- Styles should not be based on a subjective definition

# Subjective Styles

- Poorly defined styles create another subjective element to defend
- They are disproportionately applied to sales
- They group dwellings together from different eras, of different sizes and quality, with different features and amenities
- Creates the need for separate grading guidelines to account for a higher base rate. Houses of the same size and era would have different grades based on the style (Conventional vs. Antique)
- Rarely enough sales to properly calibrate



# Tips for Using Style Adjustments



## Tips for Using Style Adjustments

- ⑩ Trends change, so should your style codes
- ⑩ Styles should be recognizable and definable
- ⑩ There needs to be an adequate sample of sold and unsold to warrant a new style



Contemporary



Modern





**Modern Farmhouse**





**Craftsman**



**Bungalow**



# When Should a Grade Change?





# How do I Know the Grade is “Wrong”?



- There are both land and improved sales in the same neighborhood (subdivision) and the building value component is either too high or too low
- Surrounding properties of similar size and age are graded differently
- The Style is different than surrounding, similar properties

# Changing the Grade on a Sale Means.....



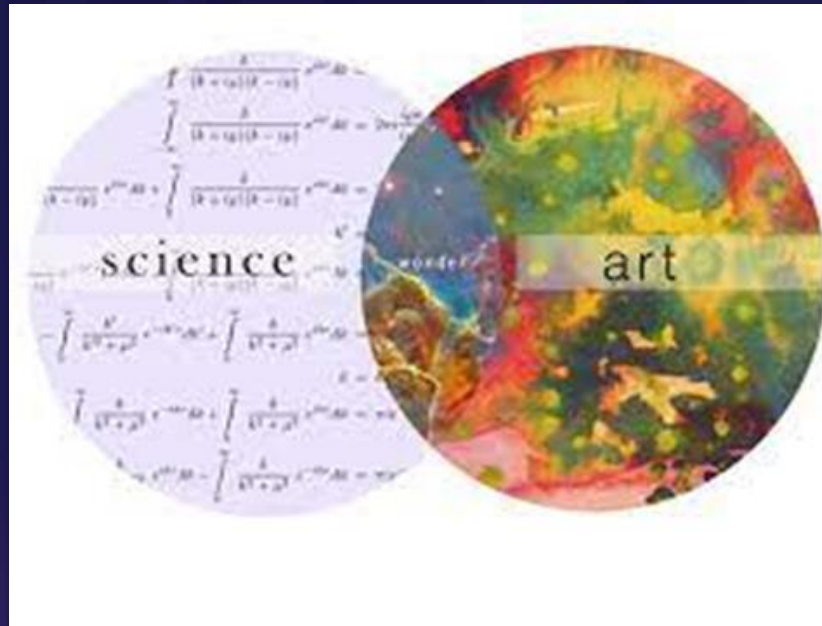
Every unsold property with similar characteristics (age, size, amenities) must also be changed



Otherwise, it's Sales Chasing

# Grade is a Code

- Mass appraisal construct
- Relative to the community
- Driven by supply and demand/available inventory
- It takes appraisal skill to differentiate between grade and condition



## All Grades are relative

If what was a C is now a C+, does that mean a C- is now a C? And a C+ is now a B-?



You'll  
know it  
when you  
see it



# Condition is a Code



# Over-Reliance on Listing Photos



## Remember this?

- A subtle, possibly inadvertent, variety of sales chasing occurs when the recorded property characteristics of sold properties are differentially changed relative to unsold properties
- Then the application of a uniform valuation model to all properties results in the recently sold properties being more accurately appraised than the unsold ones.





# What is the Condition?



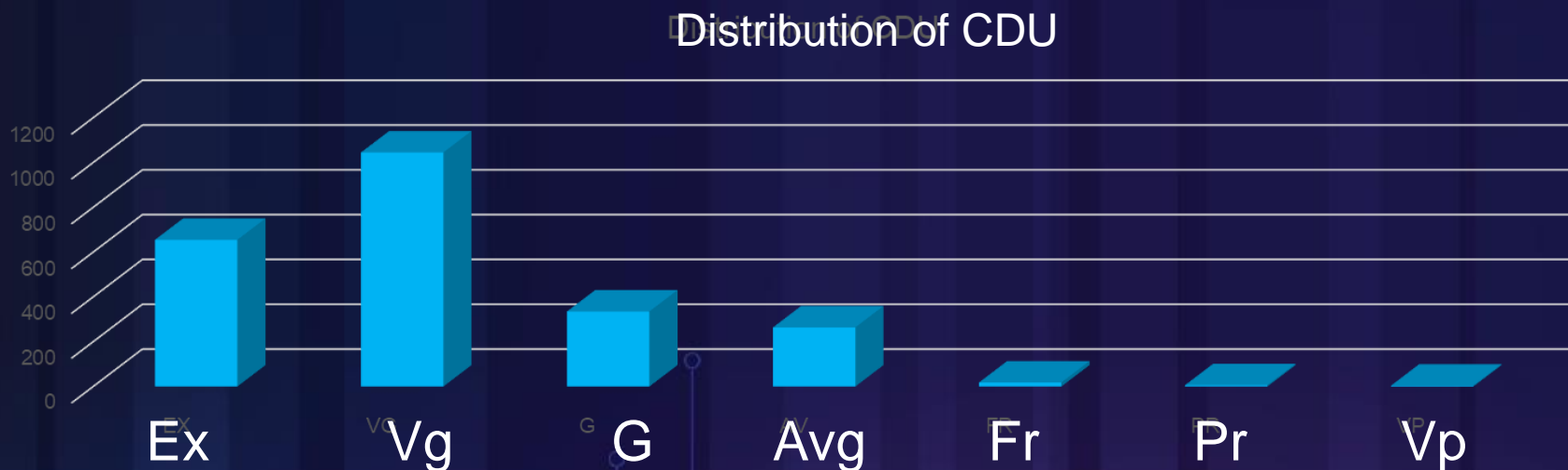
## What is the Condition?

“Bring your fashion flare to the interior of this colonial!  
The exterior is just like new!!!! Siding, roof, walkway,  
garage door, driveway, and windows!!!”



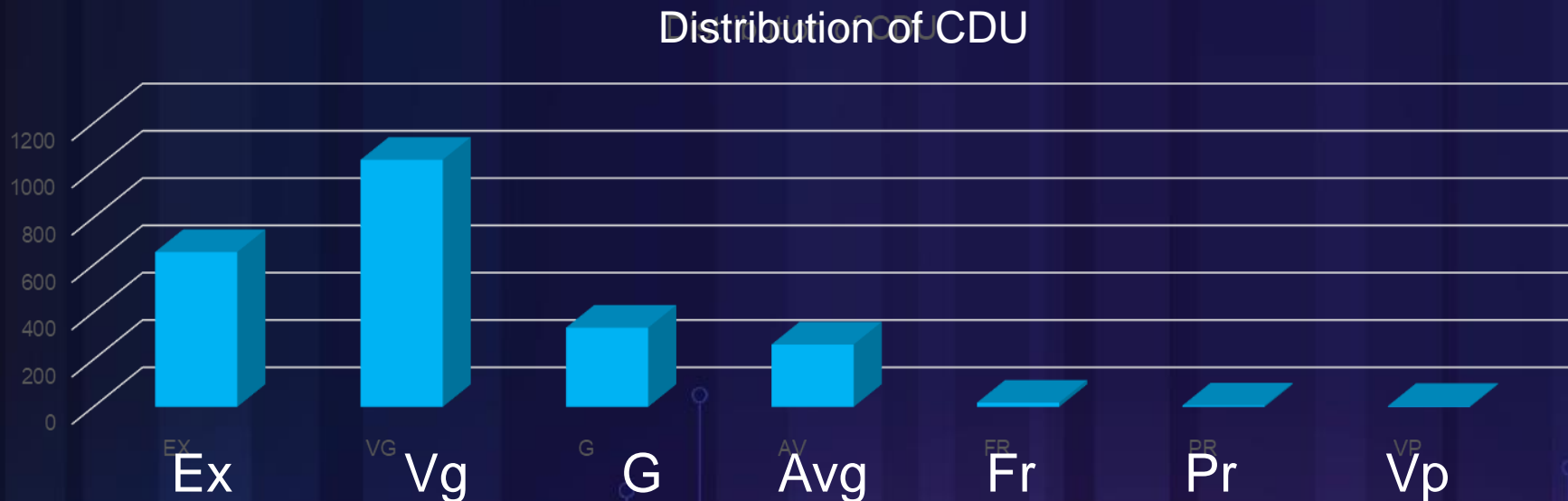
# Problems with Condition

- ⑩ Frequency distributions often show a skew towards Good side of the table
- ⑩ Fair is almost always under-represented
- ⑩ Conditions go up but rarely come down
- ⑩ Conditions such as “Renovated” are disproportionately used on sales



# Condition is a Code

- ⑩ In this town, VG is “Average”
- ⑩ Half of the depreciation table is barely being used
- ⑩ There is not enough room at the top of the table to account for the condition for every parcel
- ⑩ Conditions need to be reset around “Average”



# Problems with Condition

- Short-life maintenance items (roof, siding, windows, exterior paint) extend the economic life less than major renovations
- Major renovations are not consistently tracked (date)
- **The number of improvements without permits is increasing**
- The location (land value) is impacted by the level of renovation of the dwellings in that area – Average is relative



**Home Owner's Association**  
*[hóm-ō-nar ə-só-sē-ə-shən]*  
An organization in a subdivision, planned community, or condominium building that makes and enforces rules for the properties and residents.

Investopedia



# Tracking Improvements



Year of remodel/update on kitchens/baths



Year of the roof  
(may be estimated)



Year of siding/ext  
paint and windows  
(may be estimated)



Year of major  
renovation and  
scope

# Who makes the call on Condition?



## Data collector

Only one to see the interior

Typically not an appraiser with the skill to make an appraisal decision (grade/condition)



## Reviewer

Only sees what is visible from the street or driveway

# Can You Adequately Determine Condition from a Picture?





## So how do I find it?

### Track the changes to data

Compare grade and condition

Compare the % of sales changed to the % of unsold changed

Post nbhd and land influence/adjustments by type to a map

### Track the changes to tables

Compare the tables being used in the current vs prior revaluation

Do the changes make sense?

Did the land inc/dec as expected?

Did any tables not change?

## How do I find it?

- Create a holdout sample



When there are adequate sales, removing a percentage (e.g. 5-10%) of the sales from the modeling provides a sample to test the model against



Model performance on the holdout sample will reflect the performance of the unsold

## How do I fix it?



- Fixing sales chasing after the fact is difficult
- If the characteristics of the sales are not accurate, correcting the errors will require a re-calibration of the tables
- If the characteristics of the sales are for the most part accurate, then the unsold dataset needs to be re-reviewed to apply the model more consistently
- If you are finding out while performing the unsold test
  - it is likely it is to late

## How do I prevent it?

- ⑩ Prior to sales review, have the discussion “When should a grade change?”
- ⑩ Develop and enforce grading guidelines
- ⑩ Know your sales. Know your market
- ⑩ Review sales in the field with the appraiser. Make sure you are on the same page
- ⑩ Audit the changes being made to the data throughout the project
- ⑩ Review the tables before and after and make sure you know and understand what changed

## How do I prevent it?



Accept there is a balance  
between equity and  
accuracy

# Questions???

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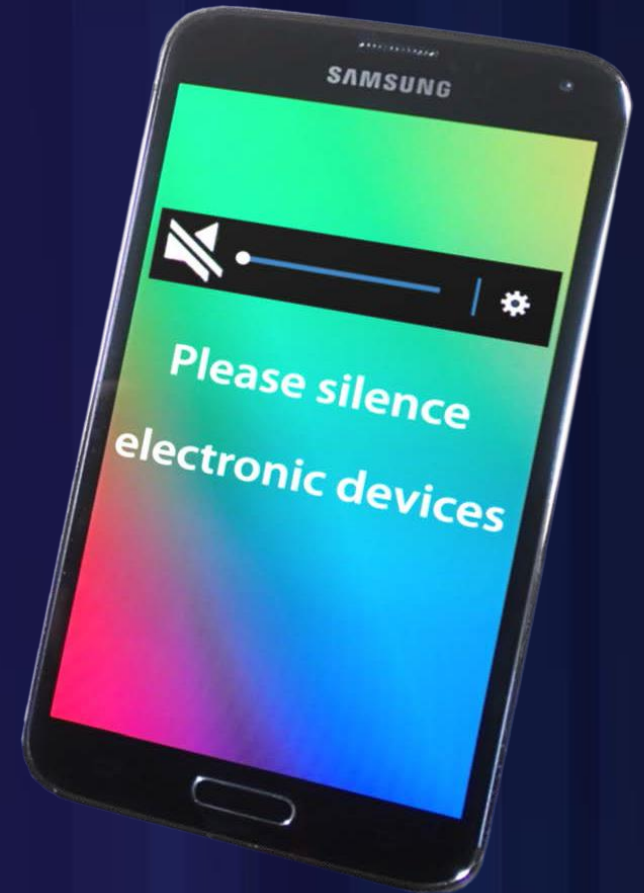


## Continuing Education (CE) Credit

Recertification Credit forms for CE credit can be collected from the registration desk on Thursday

## Housekeeping

- The conference proceedings will be available approximately 8 weeks after the conference
- Please silence your electronic devices
- Attendance at this conference counts toward GIS Professional (GISP) Certification and Renewal



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