



VALUING THE UNIQUE OUTLIERS

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What is an “Outlier”?

Three major categories:

- Atypical improvements
- Atypical site
- Atypical externalities/economic conditions

Atypical Improvements

- Unusual construction

- Berm



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- Geodesic dome



Atypical Site



- Contamination
- Other uncommon characteristics – positive or negative
 - Lakefront conditions
 - Slope restrictions
 - View

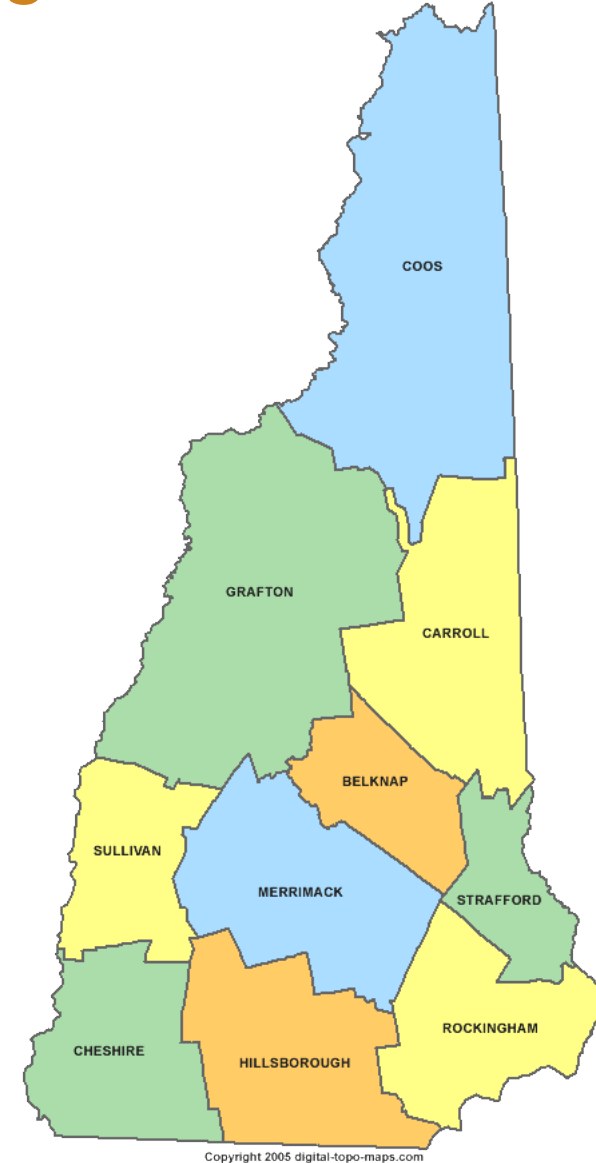
Atypical externalities

- The site next door is known to be contaminated
- Prior contamination (lingering stigma)
- Announcement re: Major new employer coming to the area
- Announcement re: Military base closing

New Hampshire Specific Issues

Does NH have specific issues?

What are they?



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When the Model Doesn't Work

- Insufficient relevant data
- Unique variables
- Anticipate lack of data – ***Do it now!***



Common Misconceptions

- An outlier is an outlier is an outlier is an outlier ... (Wrong!)
 - If there are no geodesic dome comps, I can use a berm home! (Wrong!)
 - If there are no berm home comps, I can use a geodesic dome! (Wrong!)

(Once upon a time ...)

- No sales? – Just use cost (Wrong!)

Cost Approach

- Cost can be a valuable tool
- Like any tool – you need to know how to use it
- If misused, it can cause damage
- Don't forget about functional and external obsolescence

Supportable Methods and Techniques

- Go further back in time
 - Develop ratio based on then current data
 - Apply to current sales
 - Keep in mind that land-to-total value ratios may have changed, so test everything



Example

Subject is an island property on a small lake with no recent island sales. Most recent sales of similar properties occurred 5 to 11 years ago.

	Sale 1	Sale 2	Sale 3
Time	5 years ago	7 years ago	11 years ago
Sale price	\$125,000	\$112,000	\$99,000
Mainland comp	\$160,000	\$145,000	\$135,000
Location penalty	22%	23%	27%

Example (continued)

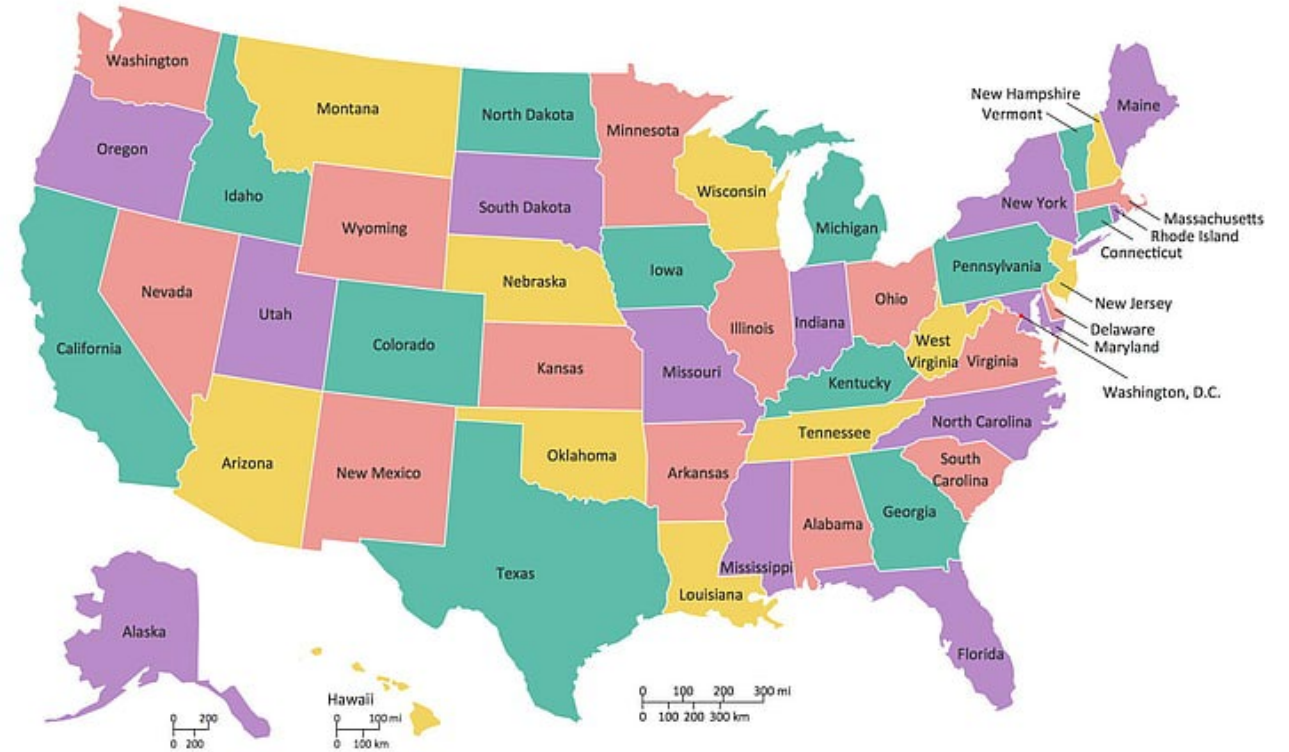
- Current mainland comps - \$200,000
- Average location penalty is 24%
- Indicated value of island property is $\$200,000 \times .76 = \$152,000$



Supportable Methods and Techniques

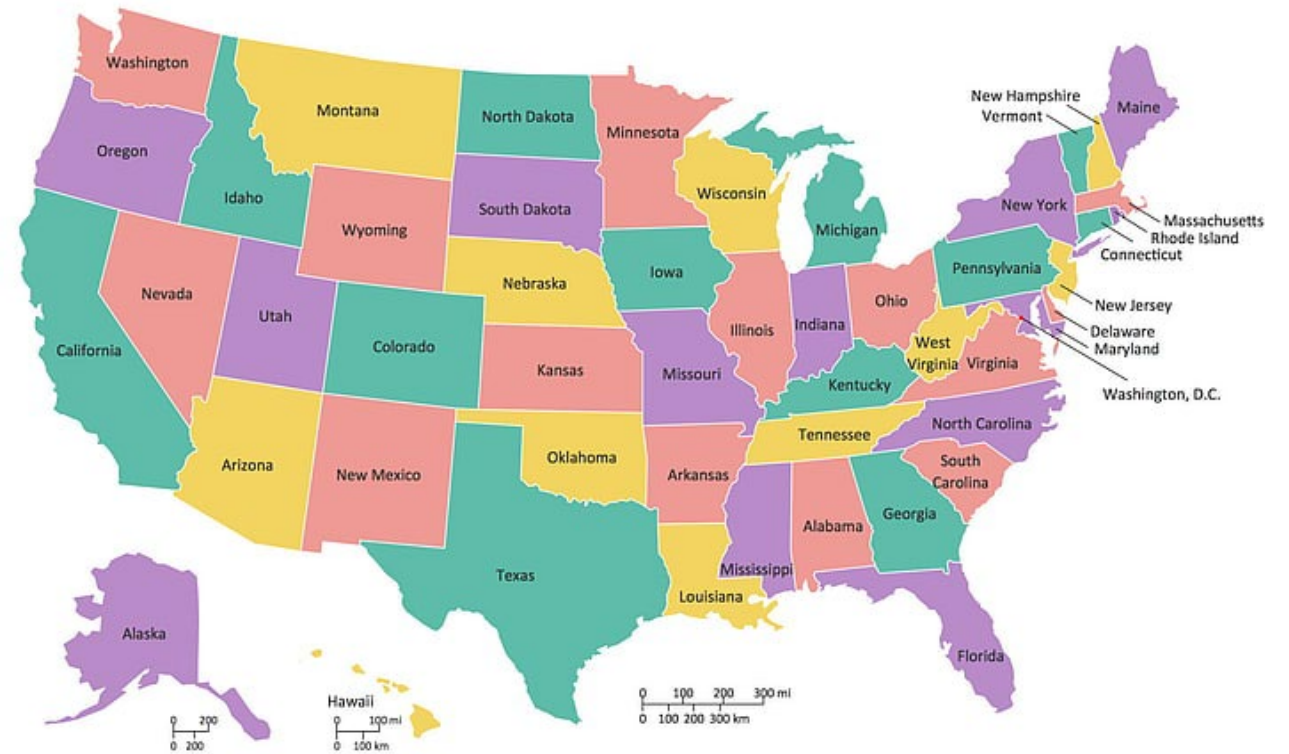
- Look to other markets
 - Contact your contacts!
 - Find similar markets where there are properties impacted by similar factors.

* Always be aware of regulations that apply to your assignment!




Supportable Methods and Techniques

- Similar to process for the island example
 - Isolate the variable
 - Identify similar markets
 - Develop and apply ratios




* Always be aware of regulations that apply to your assignment!




A Few Words About Appraisal Review

- When reviewing a property owner's appraisal
 - Be objective!
 - What does objective mean?
 - Difference between objective and subjective




A Few Words About Appraisal Review

- When reviewing a property owner's appraisal
 - Apply tests of reasonableness
 - Are the comps comparable?



A Few Words About Appraisal Review

- When reviewing a property owner's appraisal
 - Are the adjustments supported?
 - Does the reconciliation make sense?



A Few Words About Appraisal Review

- When reviewing a property owner's appraisal
 - Are the results “credible”

CREDIBLE: worthy of belief.

Comment: Credible assignment results require support, by relevant evidence and logic, to the degree necessary for the intended use. (USPAP 2020-2023)

A Few More Words About Appraisal Review

- Appearance matters
 - Independent, impartial, and objective
- Is outside help appropriate?
 - Sometimes – yes!
 - Examples

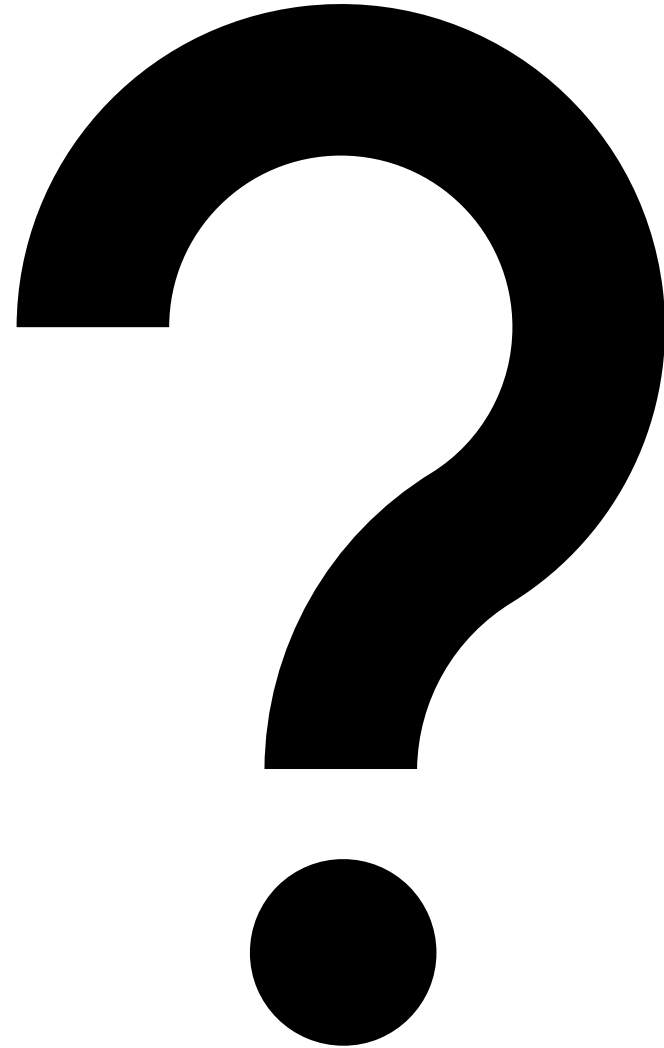
Selecting an Appraiser

- Designation matters:
 - Designation indicates that the appraiser has gone beyond minimum qualifications
- Reputation:
 - Often local appraisers can recommend someone with the experience you need
- Expertise:
 - Does the appraiser have relevant experience?

ARM Designation

- Achieve ASA designation through reciprocity
- Complete 2 Courses (AR201 and AR 204)
- Submit acceptable demo report

Your
Questions ...





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