Residential Final Value Method Terminology

There are six (6) Final Value Methods that a value can be chosen from. They are:

Comparable Sales Value- Value derived by comparing recently sold properties (comps), that are similar to the subject property, to the subject. Adjustments, derived from an analysis of the market, for characteristic differences between each comp and the subject are made. These adjusted sale prices are then correlated into a value indication for the property. The adjustments made should reflect the contributory value for each characteristic deemed to be appropriate to the subject's market.

Cost Total Value- Value derived by adding the land value to the estimated replacement cost new of each improvement, less the loss in value from all sources of obsolescence, and the depreciated value of any outbuildings or yard improvements.

Income Value- A value derived by using a Gross Revenue Multiplier (GRM) approach. GRM's are factors derived by dividing the Sales Price of similar rental properties by the actual monthly revenue at the time of sale. GRM's are then analyzed to determine a typical GRM that is appropriate for the property. This market GRM can be used to derive a value by multiplying the GRM by the market indicated monthly revenue for that property. A Gross Rent Monthly Multiplier (GRMM) can also be used, if deemed a more appropriate unit of comparison for the property being appraised. The GRMM is similar to the GRM method but uses gross monthly rent instead of gross monthly revenue in the calculation.

Multiple Regression Analysis (MRA) Value- Multiple Regression Analysis is a statistical valuation approach. It is an estimate of value based on regression models developed for delineated market areas, usually a neighborhood or group of neighborhood referred to as a model area. Multiple regression analysis allows for defining the relationship between property characteristics and sale prices. Property characteristics contributing to value are identified and the summed contributory value of each, as defined in the model, becomes the value from this approach.

Indexed Value- Prior year's final value trended by a factor derived from a statistical analysis of market trends affecting the property in a given market area.

Alternate Value- This is a value derived by other means. Examples are:

A) Weighted Estimate- The weighted average of the adjusted sale prices of the comparable properties. A weighted average is a method of computing an average of a set of numbers in which some elements of the set carry more importance or weight than others. The adjusted sales are weighted by the degree of comparability numbers where the lowest weights are given the most weight in the calculation.
B) Sale Price or Adjusted Sale Price of the Subject.
C) Adjusted Sale Price of the best comparable property.
D) Value from a recent 'Fee Appraisal'.
E) Previous year's value.
F) Prior year hearing value.