

## Determining Market Change

What is market change? How does one determine if market change is necessary?

**MARKET CHANGE** reflects any changes in market prices that may have occurred between the contract date of the comparable sales and the inspection date of the subject property. To determine if a market change adjustment is needed the appraiser needs to complete a **historical analysis** of market conditions **between the contract dates (the time the sales price is established) of each comparable sale and the inspection date** of the subject home. An historical analysis of past market trends would include an evaluation of statistics from local MLS, local sales activity, and days on market.

### For example

A property is appraised on August 31, 2009. Research indicates that overall values in the area have declined in the area by 12% over the last 12 months (1% each month). The following sales are used as comparables:

- Sale #1 -- \$625,000 sold 3/20/2009 – Contract 3/24/2009
- Sale #2 -- \$810,000 sold 4/08/2009 – Contract 2/19/2009
- Sale #3 -- \$556,000 sold 5/10/2009 – Contract 3/09/2009

Adjustments for the sales would be as follows

- Sale #1: Contract (3/24/2008) to inspection of Subject (8/31/2009) = 5 months  
5 months x -1% per moth x \$625,000 sale price = **-\$31,250** market change adjustment
- Sale #2: Contract (2/19/2009) to inspection of Subject (8/31/2009) = 6 months  
6 months x -1% per moth x \$810,000 sale price = **-\$48,600** market change adjustment
- Sale #3: Contract 2/9/2009) to inspection of Subject (8/31/2009) = 6 months  
6 months x -1% per moth x \$556,000 sale price = **-\$33,360** market change adjustment

Proximity to Subject		0.00 miles N		0.00 miles N		0.83 miles SSW	
Final List Price		\$ 725,000		\$ 875,000		\$ 575,000	
Sales-to-List Price Ratio		86%		92%		96%	
Sales Price		\$ 625,000		\$ 810,000		\$ 556,000	
Closing Date		03/20/2009		4/08/2009		05/10/2009	
Days-on-market		150 DAYS		210 DAYS		90 DAYS	
Data Sources		COMPS INC / BROKER		COMPS INC / BROKER		COMPS INC / BROKER	
	DESCRIPTION	DESCRIPTION	+/- \$ Adjustment	DESCRIPTION	+/- \$ Adjustment	DESCRIPTION	+/- \$ Adjustment
Sales and/or Financing Concessions	NONE KNOWN	KNOWN		NONE KNOWN		NONE KNOWN	
Market Change	Inspection Date 09/09/2009	Contract Date 03/24/2009 5%	-31,250	Contract Date 02/19/2009 6%	-48,600	Contract Date 03/09/2008 6%	-33,360
Neighborhood Appeal	GOOD	GOOD		GOOD		GOOD	
Site Area	GOOD	GOOD		GOOD		GOOD	
Site Appeal	AVERAGE	AVERAGE		SUP(10%)	-81,000	AVERAGE	
Arch. Style/Ext. Appeal	PREWAR/GOOD	PREWAR/GOOD		PREWAR/GOOD		PREWAR/GOOD	
Quality of Construction	GOOD	SIMILAR		SIMILAR		SIMILAR	
Actual Age (Yrs.)	1930 Years	1930		1930		1928	NO ADJ.
Condition	GOOD	SIMILAR		SIMILAR		SIMILAR	
Interior Appeal/Decor	GOOD	GOOD		GOOD		GOOD	