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Here's a simple approach to determining market value: TAV analysis  
By Curtis Seltzer

Both seller and buyer need a way to get a general idea of the current worth of a particular property in its local market.

Sellers typically use several approaches to set an asking price. If an agent is involved, a seller might base price on a Competitive Market Analysis (CMA), which looks at recent selling prices of comparable properties. CMAs are not as comprehensive and technical as appraisals, but they will generate a market value based on the comps used. An appraisal is a second option.

Some agents recommend a listing price based on their recent experience with sales of similar properties in the same area.

Sellers often use their “own devices” to find an asking price. These are usually nothing more than their own opinions, or opinions of friends or opinion expressed as hope. I have seen sellers set prices in this fashion that were wildly off in both directions.

Some sellers simply announce, “This is my price.” Market analysis plays a minor role in their decision-making. Intestines rule.

On the opposite side, buyers, too, can avail themselves of an appraisal and a CMA. The buyer is, of course, better off obtaining value analyses before putting a price on an offer than after.

Buyers may avoid estimating market value altogether and offer what they think the seller will take, or some arbitrary percentage of the asking price, or some other number that’s easy to get to but may be totally unrelated to current value.

All of these valuation methods rely heavily on opinions to get to an opinion.

Appraisals are the “hardest” of these methods, but they too rely on subjective judgments for the choice of comparables, the type of tweaking that is applied and other matters. I have seen a second appraisal done within two weeks of the first but using different comps come in more than 50 percent higher. An extreme example, I agree, but it illustrates the variability that can arise.

I’ve found that buyers and sellers can work up a little “harder” market-value number by starting with numbers that are themselves a bit harder.

**First, get the current tax-assessed value (TAV) of the target property.**

This is available in the public tax records in the assessor's office.

TAVs are produced by the methods of the appraisal firm that the county (or other jurisdiction) employs every few years to revise assessment values of all real property. From these values, various rates are applied to different types of property (land, improvements, minerals, etc.) to determine each property's total annual property tax. States decide the time between assessments.

Each reassessment applies consistent valuing criteria to all properties, with adjustments for neighborhood and other factors. (Reassessment values, I know, are also opinions and often deserve the criticism they bear. But, once all appeals are resolved, they are both comprehensive and reasonably consistent.) The county's most recent reassessment is the hardest data available in a semi-soft world.

The target property's TAV may be several years old, which can put it out of line with current values. Don't do anything yet; we'll adjust for it.

Make sure that the TAV represents 100 percent of value. Some states carry TAV as a percentage of 100 percent valuation; West Virginia, for example, uses 60 percent as its TAV.

Land-use classification for agriculture or managed timberland also reduces TAV. Land-use provides significant tax breaks to encourage certain uses.

Land with a conservation easement should have a TAV that's been lowered to reflect the sale or donation of development rights.

**The second step is to calculate a factor that can be used to adjust the property's current TAV to recent selling prices of comparable properties.**

Most of the time in most places I know, TAV has lagged market value, sometimes by more than 100 percent. In today's market, a property's TAV may exceed market value.

The need, then, is to find a TAV adjustment factor that can be used to raise or lower the property's TAV to reflect its value in current market conditions.

One way to do this is to use comps from a current appraisal or CMA to compare their TAVs against their recent selling prices. This method provides a harder number than opinion.

Derive an average sales price for the three current comps used in a CMA or appraisal. Match that average sales price against their average TAV. The difference, whether plus or minus, is the current local TAV adjustment factor,

expressed as a percentage.

If you lack access to comps from an appraisal or CMA, go into the county's office where deeds are recorded and find three to five broadly comparable properties that have sold recently in the same general area as your target. Calculate an adjustment factor based on their average TAV against their average sales price.

The last step is easy. If a property's TAV is, for example, \$500,000, and the adjustment factor is plus 20 percent of TAV, then its current market value can be estimated at \$600,000.

A TAV valuation costs nothing when based on courthouse research or an agent's CMA. Both are readily done. The TAV valuation gives the seller another estimate of worth to consider before setting a price and, similarly, helps a buyer with making an offer.

TAV valuation is a layman's tool that I've found works in all market conditions.

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