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Commercial comparable sales are the building block of the sales comparison approach. The quality and quantity of comparable sales data impacts the reliability of the sales comparison approach. Selecting comparable sales that are most similar to the subject property requires analysis and judgment.

The factors given greatest consideration when selecting comparable sales include: location, date of sale and similarity of property. Depending on the quantity and quality of comparable sales data available, it is sometimes necessary to use sales that occurred three or five years prior to the effective date of valuation to obtain comparable sales that are meaningful. In most cases in urban areas, it is possible to obtain a reasonable number of comparable sales that are similar with regard to location, effective date of the valuation and the subject property.

Factors affecting the location of comparable sales can include the income characteristics, distance from the subject property and the type of location. In some cases for commercial properties, a property can be only one-half mile away from the subject property but have completely different income characteristics. For example, if either a natural or man-made barrier divides the subject property and the comparable sale, the market rent can vary substantially. In most cases, sales closer to the subject property are considered more desirable. However, the actual distance is less important than the similarity of the location with regard to economic factors. For some types of property such as land, the specific type of location can be critical. The market value of a one-acre tract of land at the hard-corner of a freeway and a major thoroughfare can be substantially higher than the market value of an adjacent one-acre tract not located at the hard-corner.

Comparable sales should be as close to the effective date of the valuation as possible. In most cases, the effective date of valuation is quite similar to the date when the appraisal is being performed. However, in retrospective appraisals, the effective date of appraisal can be years prior to the current date. The date of sales can be before or after the effective date of valuation in retrospective appraisals. This is true unless there is a cataclysmic event which sharply changed valuation between the effective date of valuation and the date of the sale. While it would be ideal to have comparable sales within months of the effective date of valuation, in many cases chronological proximity must be sacrificed for properties similar with regard to location and physical characteristics.

Comparable sales must be similar to the subject property to be meaningful. For example, a comparable sale of an office building would not be meaningful in valuing a church. A comparable sale of an individual condominium unit would not be considered meaningful in valuing a 300-unit apartment complex. The comparable sales will almost always have the same land use code or property type as the subject property. For land, comparable sales should have the same highest and best use as the subject property.

Selecting meaningful sales involves judgment, research and analysis. However, selecting meaningful comparable sales provides the foundation for performing a reliable sales comparison approach.

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