

**Appraising in Challenging Markets: Methodology and Procedures
To Use Offer Prices in the Direct Comparison Approach**

By

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Abstract

For many countries, verifiable and accurate sales price data for real estate transactions are not available. Public institutions may have sales price data but often do not make such data available and data that are available may be unreliable or unverifiable. Private sources of sales price data may be available but these sources are often neither vetted nor verifiable. As such, international appraisers must use the one, often large, source of regularly reported data that is available: Offer Prices for real estate currently or recently on the market. The issue is not whether to use these data but how to do so in a way that is reasonable and defensible and that produces reliable valuations that are compliant with IVS.

This paper draws upon international appraisal experience in various countries to discuss procedures and techniques for using offer prices and related information in the direct comparison approach to value commercial and residential real estate. It discusses how to identify, compile, analyze and reliably use offer price data to conduct real estate market analysis. It includes examples of how to adjust offer prices to reflect potential sales prices and calculate adjustments to comparable properties for value factors such as location, size or quality, and includes an example valuation. It discusses the importance of understanding the specific economic environment within which offer prices are generated and market value is determined. Distressed markets or hot markets at any given time add to the complexity of using offer prices and entail further analytic adjustments.

Mr. Thomas and Ms. Simonova are Partner and President, respectively, in IRE (Ukraine) LLC. Mr. Thomas is an economist and financial analyst with 30 years international experience including over 12 years experience in international appraising, specializing in land and business valuations and corporate financial creditworthiness. Ms. Simonova is a member of the Appraisal Institute, senior accredited appraiser of the American Society of Appraisers, a certified Ukrainian appraiser, and Vice President of the Ukrainian Society of Appraisers. She specializes in real estate and asset valuation for IFRS. Both have published extensively in their fields, including two previous articles in the Appraisal Journal.