

# Making Adjustments with



A Practical Approach for Real Estate Professionals

Tom Cunningham, CEO

# CMAAsnap - Built on



## Adjustments

- ▶ Whichever adjustment technique you choose, it must be:
  - ▶ A recognized technique
  - ▶ Credible - worthy of belief
  - ▶ Not misleading
  - ▶ Supported in your work file

**DATA-INFORMED ADJUSTMENTS**



# THIS IS NOT AN APPRAISAL

- CMAsnap generates a comparative market analysis and not an appraisal.
- It's not the same as an opinion of value in an appraisal developed by a licensed appraiser under the uniform standards of professional appraisal practice.
- It's intended to be prepared by a licensed real estate professional intended for the benefit of the client for the purpose of establishing a potential listing or purchase price.
- This opinion **cannot be used for lending, tax, or legal purposes.**

# PRINCIPLE OF SUBSTITUTION

A buyer will not pay more for a property than the cost of acquiring an equally desirable substitute property with similar utility.

**Making adjustments, accounting for differences essentially substitutes** for each comp for the other — and for the subject property.

# CMAsnap's Approach to Adjustments

Subject Property



Perfect comps

Comp 1



Comp 2



Comp 3





# CMAsnap's Approach to Adjustments

Available comps

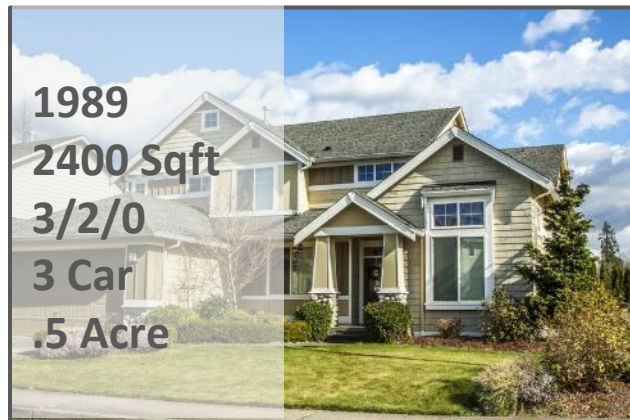


# CMAsnap's Approach to Adjustments

Subject Property



Comp 1



Comp 2



Comp 3



# **PRINCIPLE OF CONTRIBUTION**

The value of any feature or improvement to a property is measured by how much it contributes to the property's overall market value—not by what it cost to add.



# Evaluate comps



ADJUSTMENTS	SUBJECT
Year Built	1993
SqFt	2235
Full Baths	2
Half Baths	1
Garage Spaces	2
Lot Size	.25
Pool	Yes

COMP 1	VALUE
1989	<b>+4</b>
2400	<b>(165)</b> Sold Price/SqFt*.30
2	<b>0</b>
0	<b>+1</b>
3	<b>(1)</b>
.5	<b>(.25)</b>
No	<b>+2</b>

**WAG**  
**Method**  
(wild ass guess)

# Apply Principles of Contribution



ADJUSTMENTS	SUBJECT
Year Built	1993
SqFt	2235
Full Baths	2
Half Baths	1
Garage Spaces	2
Lot Size	.25
Pool	Yes

COMP 1		COMP 2		VALUE
1989	+4	1997	(4)	\$0
2400	(165)	2150	+85	+\$1963
2	0	2	0	\$0
0	+1	1	0	+\$4,142
3	(1)	2	0	-\$7,432
.5	(.25)	.15	+1	-\$3,976
No	+2	No	+1	+\$33,135



# Calculate using percentages of contributory value



ADJUSTMENTS	SUBJECT
Year Built	1993
SqFt	2235
Full Baths	2
Half Baths	1
Garage Spaces	2
Lot Size	.25
Pool	Yes

COMP 1		COMP 2		COMP 3		VALUE
1989	+4	1997	(4)	1990	+3	\$0
2400	(165)	2150	+85	2605	(370)	-\$8,547
2	0	2	0	3	(1)	-\$8,284
0	+1	1	0	2	(1)	+\$4,142
3	(1)	2	0	3	(1)	+\$7,432
.5	(.25)	.15	+1	.35	(1)	-\$2,058
No	+2	No	+1	Yes	0	+\$?

# CMAsnap Adjustment Profile



Static							
Feature	<\$125,000	\$125,000 - \$250,000	\$250,000 - \$500,000	\$500,000 - \$750,000	\$750,000 - \$1,000,000	\$1,000,000 - \$1,500,000	\$1,500,000+
Additional 1/2 Bath	\$ 1,250.00	\$ 2,000.00	\$ 3,000.00	\$ 4,000.00	\$ 5,500.00	\$ 7,000.00	\$ 7,500.00
Additional Full Bath	\$ 2,500.00	\$ 4,000.00	\$ 6,000.00	\$ 7,000.00	\$ 10,000.00	\$ 13,500.00	\$ 15,000.00
Carport	\$ 750.00	\$ 2,000.00	\$ 3,000.00	\$ 4,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00
Fireplace	\$ 750.00	\$ 1,250.00	\$ 2,250.00	\$ 4,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00
Garage Spaces	\$ 1,750.00	\$ 3,000.00	\$ 5,000.00	\$ 5,500.00	\$ 6,000.00	\$ 7,500.00	\$ 10,000.00
HVAC	\$ 2,150.00	\$ 3,250.00	\$ 4,500.00	N/A	N/A	N/A	N/A
HVAC/Wall Unit	\$ 625.00	\$ 625.00	\$ 1,650.00	N/A	N/A	N/A	N/A
<1 Acre (Per .01 variance)	\$ 110.00	\$ 175.00	\$ 3,217.00	\$ 650.00	\$ 800.00	\$ 1,000.00	\$ 1,000.00
>1 Acre (Per Acre)	\$ 5,000.00	\$ 7,500.00	\$ 11,250.00	\$ 22,500.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00



Dynamic	
Pool	Avg Sale Price of Comps X 6%
Outdoor Kitchen	Avg Sale Price of Comps X 3%
Covered Patio/Deck	Avg Sale Price of Comps X 1.5%
Enclosed Patio	Avg Sale Price of Comps X 2.5%
Sprinkler System/Landscaping	Avg Sale Price of Comps X 0.75%
Square Footage	Avg Sale Per SQFT Price of Comps X 30%
Views above average	Avg Sale Price of Comps X 4%
Waterfront/Golf Course	Avg Sale Price of Comps X 8%
One Story vs Two Story	Avg Sale Price of Comps X 2.5%



## THE SQUARE FOOTAGE ADJUSTMENT FACTOR

- 1) Calculate the average "Sold Price per SQFT" of the comparables
- 2) Calculate the Square Footage Adjustment Factor:

Average sold price per SqFt "X" 30% = **THE SQUARE FOOTAGE ADJUSTMENT FACTOR**

The overall contributory value of the gross living area typically accounts for approximately 25-35% of the value.

- 3) Calculate the difference in sq. ft. between Subject & comparables
- 4) **Difference in sq ft "X" SqFt Adj Factor = THE ADJUSTMENT**

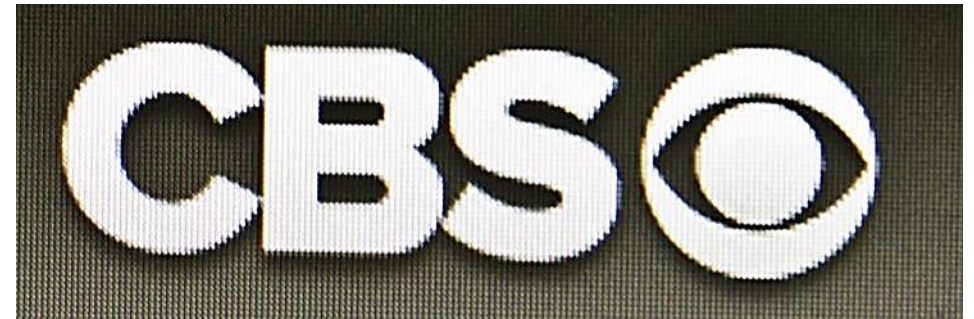
**REMEMBER, WE ARE ADJUSTING "TO" THE COMP TO MAKE IT MORE "LIKE" THE SUBJECT. The end result of this calculation determines the "Contributory Value of the differences in GLA".**

For inquiries, please contact

# The method behind our mathness



Comp **I**nferior **A**dd



Comp **B**etter **S**ubtract

## Adjustment Example 1

**Subject Property**



2,000 SF

**Comp 1**



2,400 SF

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## Subject Property



2,000 SF

## Comp 1



2,400 SF

## Adjustment Example 1

$$2400 - 2000 = 400$$

$$\text{\$SQFT} = \$333$$

$$\text{GLA Adj Factor: } 30\%$$

$$\text{GLA Adjustment} = \$100$$

$$400 \times 100 = 40,000$$



Comp Better Subtract

Adjustment to Comp 1: -\$40,000



# Generate effective, editable baseline adjustments

Subject



Comp



Add pool adjustment

**+\$37,500**

# Generate effective, editable baseline adjustments

Subject



Subtract pool adjustment **-\$37,500**

Comp



# Best Practices

- Be consistent
- Don't double-adjust
- Avoid adjustments without support
- Explain logic in your report

Tom Cunningham, CEO



# Common Mistakes

- Over-adjusting
- Using appraiser-level precision
- Ignoring location nuances
- Relying solely on software

Tom Cunningham, CEO



# Key Takeaways

- Adjustments require logic & market insight
- Practice = confidence
- Document your reasoning

Tom Cunningham, CEO



Mobile Report

THANK YOU!



2 Min Flyover

For inquiries, please contact

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