

# Appraisal Newsletter

Steven Miles, RMA  
County Appraiser

Volume 26, Issue 1

October 1, 2021

## ***CHANGES COMING!***

Having weathered the events and circumstances presented by 2020, everyone was looking forward to getting back closer to normal. But last year showed that we were able to cope and adapt to changes that made things more efficient and less hands on.

We had already committed to implementing software to handle the personal property data and valuation in a way that would integrate it into the existing CAMA valuation system. That work continued and we are in the final stages of the implementation. Staff has been, and continues to, reviewing the data, making corrections and adjusting the calculations and reports that will allow us to value all property for the coming year.

## ***VALUATION PROCESS BEGINS***

The appraiser's office will begin the process of setting values in late October or November. The first step is completion of the analysis, development and calibration of the tables and comparable sale and income models used to assist in the valuation of all real property. The actual final review process will begin in late November.

At this point, existing residential sale prices in 2021 have continued trending upward. The mid-year sales ratio study on valid residential sales is at a median of 84.6 percent. The county's 2021 mid-year commercial sales ratio comes in at 72.2 percent. The mid-year ratio study uses sales occurring in the first six months of the year and compares the actual sale price against the corresponding property value.

This would seem to indicate that the 2021 valuations are somewhat below the actual sale price on those properties. In fact, the sales prices have exceeded the 2021 valuation in a great many instances. However, it will require more analysis to determine the effect on 2022 residential and commercial values.

One of the factors we look at is the trend over time of the market value. Ideally, this is done by comparing what a property has sold for within the previous one to two years and what it has sold for more recently. Because of the number of sales throughout the county, we are able to do this for most market areas. So far, our analysis has indicated that the residential market does continue to increase at a steady rate. Staff will be looking at this closer this month as the final stages of the analysis period draws to an end. The commercial market still has many questions to be answered before final review but also seems to point to a stronger market than anticipated..

After the office studies the data and refines the analysis and models we will be in a better position to make any projections as to the movement of values.

## ***RESIDENTIAL SALES ACTIVITY***

Residential sales volume in Douglas County has remained relatively steady throughout the year. The total number of residential sales at the end of July in 2021 is 74 more than the previous year. The chart below illustrates the cyclical nature of the real estate market.

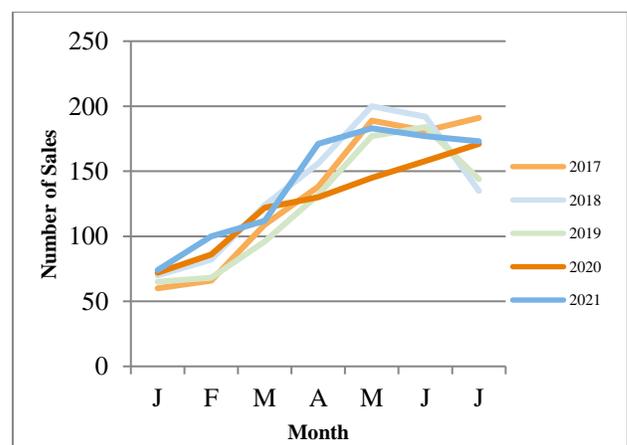


Figure 1: Valuation/Analysis/Compare Sales YoY

Periods when demand is higher or lower can influence the sale prices at those times. Because of this cyclical pattern, the Appraiser's Office looks at sales over the previous 2 or 3 years when developing the valuation models. The valuation models are designed to flatten out the highs and lows during the year to determine the typical value. This is why actual sale prices may be higher or lower during different times of the year than the value placed on a property for January 1. In order to value properties fairly and uniformly we try to find the typical value rather than only using the periods when sales prices were either at the high end or the low end of the cycle.

The average sale price of a 3 bed, 2 bath house with 1300 – 1800 sq. ft. through the end of August 2021 is \$250,664. This is about 14% higher than the average sale price for the same time period in 2020.

The table below indicates that, with some exceptions, the number of sales at each level is relatively stable between \$150,000 and \$250,000 from 2017 to 2021. The greatest number of sales in 2021 have occurred in the \$175,000 to \$350,000 price range. Following is a table that shows the distribution of valid sales at various price levels from 2017 through September 7, 2021:

Sale Price	2017	2018	2019	2020	2021
Less than \$100,000	39	52	16	21	7
\$100,001 - \$125,000	77	104	46	36	16
\$125,001 - \$150,000	152	140	98	81	45
\$150,001 - \$175,000	170	195	147	124	78
\$175,001 - \$200,000	131	201	128	119	114
\$200,001 - \$225,000	88	129	108	103	121
\$225,001 - \$250,000	85	108	83	119	109
\$250,001 - \$275,000	71	108	72	83	116
\$275,001 - \$300,000	57	89	65	68	101
\$300,001 - \$350,000	68	128	99	96	110
\$350,001 - \$400,000	53	93	67	62	71
\$400,001 - \$450,000	27	47	30	41	60
\$450,001 - \$500,000	14	35	21	30	44
Greater than \$500,000	30	45	31	44	83
Total Sales	1062	1474	1011	1027	1075

Valuation\Analysis\Compare Sales YoY

## VALUES EXPECTED TO INCREASE

It should come as no surprise that many properties will see a value increase in the coming year. News reports and real estate agencies have been pointing to the increase in demand and the lack of supply of available housing which leads to increasing prices. Many properties are not on the market very long before they sell, often above the asking price.

As seen in the previous chart, the majority of sales are in higher price brackets than they have been in the past.

The cost of building materials also drives the value and sale prices of properties. Obviously this means that newly constructed homes and commercial properties cost more and therefore are valued and sold higher than the past. Less obvious is the impact that it has on existing properties. Often when someone looks at building, they have also considered whether they can purchase an existing property for less than they can have it built. Since it costs more to build, they are willing, and often able, to pay more for the existing structure. Land value is also a factor in this circumstance and that has also been increasing.

We have seen higher sale prices on most categories of properties including land, residential, and commercial. The analysis will be completed later this month which will give us a better idea of the impacts on values.

## EMPLOYEE HIGHLIGHTS

The Appraiser's Office wants to extend a belated welcome to our latest staff member, Kari Hahn! Kari is the first contact in the main office. Her duties will include greeting customers both on the phone and in person, data entry and other administrative work. She will be training to assist in the office administration and eventually work with property owners seeking exemptions, filing for valuation appeals and requesting property information.

Kari is eager to learn her duties and tasks and has a desire to assist in any way that she can. WELCOME!

Keep Safe and Stay Healthy!