

Real Estate Terminology

What are comparable sales?

Recently sold properties that will be compared with a property being appraised for the purpose of determining the value of the property in question. When appraising a city property, comparable sales must have the same use as the property being appraised, and many similarities in the size of the house, size of the lot, amenities, etc. and be in the same neighborhood and have been sold in the recent past (usually no more than six months) to someone who is not a friend or relation. The comparable property must also be located within one mile of the subject property. More liberal standards will apply for rural property and some suburban properties. However, the value assigned to the subject property will be more accurate the more similar the comparable sales are to the subject property. Lenders will often compensate for the less precise nature of rural appraised values by allowing only lower loan-to-value ratios than those in urban settings, usually 10% lower. (See definition of "loan-to-value" below.)

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