

Sales Chasing

The following opinions are mine and mine alone. However, after 29 years of mass appraisal experience and 4 years of statistical background education, these opinions are well founded, but you be the judge.

Sales chasing is not a simple term to define, as it means different things to different people depending on who you are and what you are doing. As assessor, we chase sales! In fact, it is a big part of mass appraisal work. Chasing sales is actually a proper technique when done correctly. As a mass appraiser, my job is in fact to chase the sales to build a computer assisted model that will develop systematic assessments that closely duplicate the purchase price of each sale. The model is developed by collecting and analyzing all the facts, both subjective and objective of each sale, as well as considering its location within the community. We chase the sales to build that model, but by doing the field review, the physical visit and review of each and every other property in the municipality to grade, depreciate and define the building, location and all other market value factors similar to what was done on the sales, we turn what was once "sales chasing" into fair and equitable values via a systematic computer assisted model. So while we did in fact chase the sales, what was learned and used to develop a model to emulate the sales prices, was then applied to all the properties in the municipality, therein becoming a proper and effective assessing practice.

Sometimes good assessing practices can be construed as sales chasing depending on how and when the data is used for statistical testing and for what purpose.

When an oversight authority is using statistical analysis to test the quality of assessing practices and its uniformity, changing the data of just the sales simply because it is a sale, is sales chasing, as it has the effect of manipulating only the testing data. However, as an assessor, we want the data to be accurate so you correct whatever and whenever you discover errors, but when those corrections are only being "discovered" and made on sales, then you are, in my opinion, sales chasing. You are perfecting only the test data, while leaving the rest of the population uncorrected, thereby intentionally or unintentionally manipulating the data used for statistical testing and while the results may look good, they do not accurately reflect the entire population, as only the sales test data has been uniquely altered.

Now, I know many of you are saying it produces more accurate results and while it does produce excellent statistics, they only reflect the results of the perfected sales data and do not reflect a fair sample of the population and cannot and should not be used to develop an assessment to sales ratio or measure of equity. For that to be done accurately and reflect the population as a whole, the sales need to be unaltered. Changes to neighborhood, grade, condition, views, waterfront or any other subjective measure must not be allowed for the statistics to remain valuable. Even correcting for maintenance and mild renovations like painting, which almost always happens prior to the sale, is a manipulation of the testing data, as those renovations, updating or maintenance are also occurring in the rest of the population, undiscovered. Therefore, just correcting the sales gives an inaccurate picture of the entire community.

When sales chasing becomes more problematic, is when communities perform annual updates by re-measuring and listing the sales data, as required by DRA when doing any form of update. If during that re-measure and list of the sales, you re-think grade, condition, depreciation or neighborhoods of just the sales and then rebuild the computer assisted mass appraisal model cost tables to emulate the sales transactions, you are now sales chasing! And, in doing so you develop accurate statistics for the sales data which are supposed to reflect the entire population, but in fact do not! Unless you review all the properties in the municipality to ensure the changes you made to the sales are also uniformly applied to all properties, you are sales chasing and doing your taxpayers and assessing in general, a disservice despite forcing good statistical results.

Mass appraisal relies on the uniform application of the factors, conditions and adjustments developed from and made to the sales, being applied to all properties. For a statistic update to be done properly, it is done with no alterations of the sales data, with the possible exception of physical data corrections. Then the sales data can be used to adjust the mass appraisal computer model cost tables to better emulate the current sales prices without being guilty of sales chasing. But, when you start introducing new factors or changing neighborhoods, grades, conditions, view, etc on any sales and only the sales, you are in fact guilty of sales chasing.

In my opinion, sales chasing is simple to define. It is when, for any reason only subjective sales data is being updated or adjusted in most any way, without a review of the rest of the population to ensure uniform application of those changes across the entire population!

Is altering physical data of just the sales, sales chasing? Well maybe not in terms of the equalization ratio, but in terms of the uniformity measure, the coefficient of dispersion, it might be in my opinion, as you are in effect manipulating the COD to suggest your assessments have more uniformity, when in fact they may not.

Now, I am certain there are many of you out there that disagree with me, but consider this, in mass appraisal which is what we are all doing in one form or another, there are many factors that make it a good and valuable approach for tax assessments purposes, but there are two that are of most importance for without them, no matter what else you do, your model will fail and you will never develop fair and equitable values. They are:

1. Sales data collection and analysis of market influence features/factors.
2. Uniform application of the market influence features/factors across the municipality.

So if you alter just the sales, changing or introducing market influence features or factors to your assessing model to make the calculated assessment emulate the sales prices, how can you not be guilty of sales chasing if you don't do a full town wide review?

Unfortunately, our courts have determined that "fair and equitable" does not mean similar properties, similar values, but rather that the equalized assessment of the property under appeal is equal to the fair market value. So, if you make the sales meet fair market value, the statistics look great, while all other properties could be well below their market value, throwing "fair and equitable" out the window and no one seems to care, not the BTLA or superior court. But, we should and we should do it right and insist on fair and equitable values for all! Not just the sales!

As such, this system the ASB and DRA have developed and their method of testing has enabled us to beat the system and to some degree encourage these unfair and disproportionate assessing practices by relying only on statistical testing. But, it doesn't mean we should embrace it. As professional assessors, I would like to believe we are all above that, but in practice, it does not appear that way.

Fair and equitable does not just mean equalized fair market value or good statistics just on the sales, it means similar properties reasonably similar assessments! And that is what we should all be striving for. Nobody asked, but it had to be said.

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