

Digging Deeper into Market Data

Dear Readers:

Welcome to the 2019 *Appraisal Journal* as we begin another year of discussion on the practice and theory of valuation of real estate-related interests.

Market analysis is the lifeblood of valuation and data is its key component. In this issue of *The Appraisal Journal*, you will find three peer-reviewed features offering advice on how to make the most of market information and data to elevate the market analysis.

The first feature article, “Improving Market Analysis in Commercial Real Estate Appraisal Assignments,” shows how market and submarket information from published sources may be inadequate to truly understand supply and demand forces affecting a commercial property. The article demonstrates how a more detailed analysis of population and employment, along with use of fair share tables, can provide a much clearer picture of the actual competitiveness of the property in its market. This approach increases the accuracy of the many assumptions required to complete an appraisal assignment.

The second feature article, “Residential Government Agency Requirements and Case Studies on Measuring Market Reaction to Energy-Efficient Features,” looks at Fannie Mae, Freddie Mac, and FHA guidelines that require appraisers to measure market reaction to energy-efficient features

as part of their market analysis. How to measure market reaction has been the subject of discussion among lenders and appraisers. This article clarifies and demonstrates acceptable analytical approaches to support opinions on market reaction. While the focus of this article is energy-efficient features, the methods for measuring market reaction would apply to any feature offered in housing.

The third feature, “Residential Perspective on Data Collection and Property Description in the Valuation Process,” looks at data collection and property description procedures in the appraisal process. It specifically considers the evolution of raw data to market evidence. The article examines the difference between primary and secondary data, the verification of transaction data, and the need to acquire and confirm information on the intentions and motivations of the parties to a sale. The article emphasizes that the use of both verified public transaction data and research information acquired directly from the parties is what separates professional appraisers’ opinions of value from value estimates of others.

As always, we welcome your comments regarding any aspect of *The Appraisal Journal*.

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The Appraisal Journal