



\*Anticipated Sales Price should consider ERC Guidelines of Reasonable Marketing Time Not to Exceed 120 Days to a contract of sale, unless otherwise instructed.

**Absorption Rate Analysis**

**(\*ABSORPTION RATE CALCULATION MUST BE SHOWN ON PAGE 4)**

An Absorption Rate Analysis considers dividing the current number of homes for sale by the rate at which they have been selling. This should include pending sales, as well. If there are 32 homes for sale, no pending sales, and they have been selling at a rate of 2 per month this means that it will take 16 months to sell the current supply at the rate they are selling and this indicates an extended market time plus an oversupply market condition. ERC Guidelines would, therefore, indicate that a forecasting adjustment should be considered so that the subject could sell within 120 days.

A=Number of active listings competing directly with the subject  
B=Number of comparable pending sales  
C=Number of comparable closed sales over previous 12 months  
Absorption Rate Calculation:  $A/(C+B)/12 = \# \text{ months supply}$   
Example as shown above  $32 / (24+0)/12 = 16 \text{ months supply}$

**THE FORECASTING PROCESS**

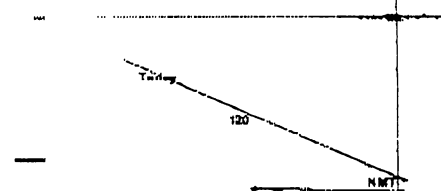


Chart courtesy of Jay Delich, SRA, IFA, SCRIP

**Forecasting**

Per ERC Guidelines, "Forecasting is the process of analyzing historical trends and current factors as a basis for anticipating market trends. A Forecasting adjustment is then applied to reflect any impact these trends will have on the subject property's prospective marketing period".

Forecasting is applied to the SUBJECT PROPERTY and the adjustment is a consistent lump sum across the grid consideration. Ask yourself the question: Will the subject property sell for your Anticipated Sales Price value conclusion within 120 days?

Per ERC, (page 109), consider the TWO components of Forecasting ; first reflecting any anticipated changes in the market prices over the "normal marketing period; and second, reflect any price reduction considered necessary to accomplish the sale of the subject property within the shorter "reasonable" time period of 120 days,.

Please research market conditions in the sub-market you are appraising. This should include but not be limited to:

- \* Supply and Demand
- \* Sales to List Price Ratios
- \* Days on Market for Competing Listings and Comparable Sales
- \* New Construction Competition
- \* Foreclosure Competition
- \* Interest Rates Availability of Financing
- \* Withdrawn/Expired Listings/ Pending Sales
- \* Seasonal Trends
- \* Mood of the Market
- \* Buyer Profile

**\*\*\*\*\*Remember, in a stable market, the Forecasting adjustment may be "zero". If so, please place "0" on the Forecasting line, on the grid, so that the client is aware that Forecasting has been considered and neither a positive nor negative value adjustment is warranted\*\*\*\*\***

**Competing Properties**

Appraisers are required to make plus and minus adjustments for the competing offerings, in the same manner that they would adjust the comparable sales, and retain this in their work file. Please state the final Adjusted List Price for each Competing Listing on the comments section of the competing offerings grid.

MTA: 37 ON PAGE 72 of the ERC Relocation Appraisal Guide. It states "For each Competing Property, explain the subjective differences for which the rationale may not be readily apparent and analyze their relevance to the Competitive List Price Range of the Subject Property. This section is crucial to the client's ability to understand the appraisal as it provides a basis for evaluating the subject property's competitive position in the market."

According to the Principle of Substitution, no buyer will pay more for the Subject than they will have to pay for a competing home of similar utility and appeal. Therefore, the value for the Subject will typically not be more than the range indicated by the competing offerings, after adjustments are applied. This range of value can also be used to support the forecasting adjustment in the comparable sale analysis.

**Please note - Foreclosure sales are not permitted on government assignments. Please check the client specific instructions sent with the initial order for further information.**