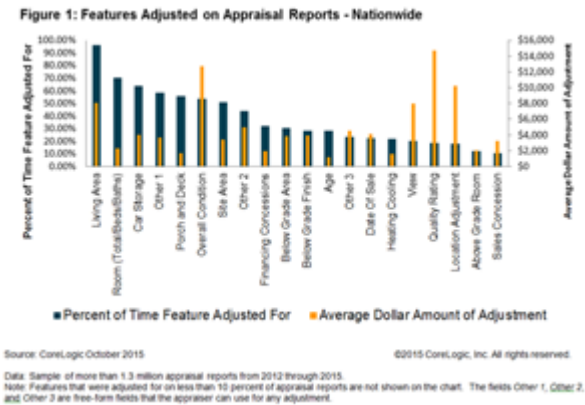


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Appraisal adjustments are standard procedure and certain adjustment features result in greater appraisal adjustments. But how many times are adjustments made in the appraisal process and for what specific features of the home? Using a national sample of approximately 1.3 million appraisal reports between 2012 and 2015, new analysis from CoreLogic shows which home features are being adjusted the most frequently, as well as which are being adjusted for the most money, thereby having the greatest impact on appraisal values.

First, let's review the need for adjustments. The most accurate way to create an appraisal report is by comparison. Ideally, appraisers use a perfect comparable, or an exact replica of the subject property that is next-door and sold yesterday. Unfortunately, a perfect comparable in the real world is nearly impossible to find, and for this reason, appraisers use comparables as the standard for drafting appraisal reports. When a comparable has a feature that is not the same as the subject's, an appraiser will make an adjustment to the comparable's sale price to

account for that feature difference and make it more equal to the subject's.

For example, if a comparable is identical to the subject property with the exception of a deck, the appraiser would determine the value of the deck and then deduct the deck's value from the comparable's sale price. This would be an indication of the subject property's value since it can be expected to sell for the same price as the comparable without a deck (all other factors were considered equal in this hypothetical situation).

So what is being adjusted and how often? CoreLogic analysis reveals that some type of adjustment was made on 99.8 percent of appraisal reports reviewed. Figure 1 shows the various features adjusted on appraisal reports in relation to how often that adjustment was made, as well as the financial impact, or value influence, it had on the appraisal report.

Differences in *Living Area* was the most adjusted feature at 96.4 percent. Other features that were adjusted on 50 percent or more of appraisal reports were *Room*, *Car Storage*, *Porch and Deck*, *Overall Condition* and *Site Area*. It is significant to point out that the frequency of an adjustment is indirectly correlated to the financial impact, as four of the top five most adjusted features resulted in relatively low average dollar adjustments. For example, *Room* adjustments were very common at 70.4 percent but had minimal value influence, recording an appraisal adjustment of only \$2,246 on average. Conversely, a *Quality Rating* adjustment had the highest value influence, with an average adjustment of \$14,748, but accounted for only 18.7 percent of all adjustments.

Although the adjustment features that result in the highest value adjustment levels (*Condition*, *Quality* and *Location*) are harder to quantify, appraisers are professionals who can do this and adjust their reports appropriately to reflect the most precise appraisal for the home.

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