November 2018
Volume 14 Issue 11

Monthly Newsletter of the Georgia Real Estate Commission

GREC RENews

This Issue

2018Calendar

GREC Annual School Meeting

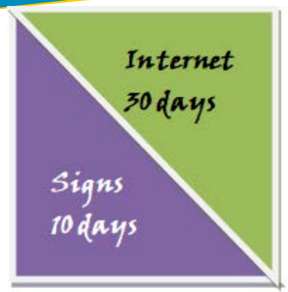
- November 29 & 30, 2018
  Callaway Resort & Gardens
  Pine Mountain, GA
  Click Here

Link to the Georgia Real Estate License Laws, Rules, and Regulations

Link to GREC Disciplinary Actions
View Current Suspensions and Revocations

Link to Proposed Rule Changes

Click Here



Signs & Internet Advertising

The Georgia Real Estate Law, Rules, and Regulations make it very clear that advertising "media" includes signs as well as Internet advertising. Signs are physical in nature and are required to be removed more quickly than internet advertising. The License Law addresses signs and the Rules further clarify the advertising requirements regarding advertising real estate on the Internet.

- According to the Georgia Real Estate License Law, it is an advertising violation to place a sign on any property offering it for sale or rent without the written consent of the owner or the owner's authorized agent, or failing to remove such sign within ten days after the expiration of listing. Reference § 43-40-25. Violations by licensees, schools, and instructors; sanctions; unfair trade practices (b)(11)
- Internet advertising however, may be a bit more complicated. Internet postings and information regarding listed or marketed properties must be removed **within 30 days** of the date that the information is no longer current or accurate. That means that a listing that expires today must have all advertising and all links removed from all internet listing sites, personal websites, or any form of advertising though the internet within 30 days. Reference Rule 520-1-.09 (5) Internet Advertising.

Because many firms and licensees hire a service provider to manage their websites and social media accounts, it may not be realistic to remove all this data in the 10 days that is required for sign removal. Signs, however, can be physically removed from a property rather quickly.

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NOVEMBER 2018 Meeting - Commission Actions Taken	
Cases Sent to the Attorney General for Review and Disposition by Consent Order or by Hearing	0
Cease & Desist Orders Issued	4
Citations Issued	8
Letter of Findings Issued	0
Consent Orders Entered Into	1
Final Orders of Revocation of Licensure	0
Cases Closed for Insufficient Evidence or No Apparent Violation	19
Licensing Cases - Applicant has a Criminal Conviction - License Issued	8
Licensing Cases - Applicant has a Criminal Conviction - License Denied	0
Total	40

Click here to review a legend of the disciplinary actions the Commission may impose.

SUBMIT

Comments & Suggestions

To sign up to receive the GREC RENewsletter Click Here

Online Courses from GREC

$10 each 3 Hour CE Course

Total of 9 Hours CE Available

(Also Approved as Instructor CE, not approved as License Law CE)

"Avoiding Trust Account Trouble"

"Practicing Real Estate & Staying Out of Trouble"

"Being a Broker and Staying Out of Trouble"

Georgia Real Estate Commission
Suite 1000
International Tower
229 Peachtree Street NE
Atlanta, GA 30303-1605
Phone 404-656-3916

Signs & Internet Advertising

A broker or licensee using a third party to manage their Internet advertising of real estate should maintain documentation on file to show that he/she gave timely notice to the internet third party advertiser so that if there is a delay in its removal, it will not have been caused by the licensee. In fact, because the Internet can be a tangled web of links and more links, the licensee is not responsible for information taken from his/her website or internet advertising and placed on another site that is not within the licensee's ownership and/or direct control or consent.

So to clarify and summarize:

- ✓ ***There is a difference in advertising requirements as it relates to the method of advertising real estate and the time permitted for the advertising information to be updated or removed.***
- ✓ ***A sign must be removed within 10 days.***
- ✓ ***Internet information must be removed within 30 days.***

GREEA Instructor Workshop

(November 29, 2018)

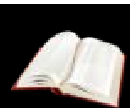
and

2018 Georgia Real Estate Commission Annual School Meeting

(November 30, 2018)

To register and view the schedule of events, visit http://www.annualschoolmeeting.com/Registration

For information about the hotel, visit http://annualschoolmeeting.com/Hotel



Focus on Terminology: ***"Media"***

Some of the more common violations of the Georgia License Law, Rules, and Regulations relate to advertising. Advertising includes any media. Therefore, a review of the definition of "media" may be helpful to understand the broad implication and application of the Rules and Regulations in advertising real estate.

"The term "media" includes, but is not limited to, print, photographs, broadcast, and the Internet including, but not limited to, such examples as newspapers, magazines, flyers, posters, business cards, billboards, radio, videos, television, signs (including office, directional, "for sale," "for lease," "sold," or vehicle signs), newsletters, voicemail, email, facsimile transmissions, Internet websites, blogs, video blogs, property listing database services, email farming, news groups, discussion lists, bulletin boards, social networking/social media, instant text messages, multimedia advertising, banner ads, pop-ups, and similar media."

Clearly, the advertising of real estate by any method or medium must meet the Georgia Real Estate License Law, Rules, and Regulations.

The Appraisers Page

Georgia Real Estate Appraisers Board November 2018

Useful Links:

[GREAB Web Site]

[Appraisal Act]

[GREAB Disciplinary Sanctions]

Adjustments Made in a Real Estate Appraisal

By: By D Scott Murphy, SRA

One of the most challenging parts of completing a real estate appraisal assignment is determining the adjustments to be made to the comparable sales. Unfortunately, there is no website to visit or manual to consult, and appraisers must use a variety of techniques to extract the correct or most reasonable adjustments. These adjustments must be defensible and reasonable.

It is very rare that I complete an appraisal with three or more comparables where none require adjustments. There are always differences in one form or another. Even if the properties are all identical new homes, there is the passage of time and consideration of an appreciation or depreciation adjustment which must be taken into account.

We first need to understand that an appraisal report is not like going to the local grocery store, grabbing a shopping cart, adding the lot, then the house, bedrooms, bathrooms, porches, etc. We don't build up to a value. It is more the opposite, where we find very similar sales (comparables) and make minor adjustments to arrive at a value. It's also important to realize that these adjustments are based on the incremental value a typical buyer would pay for a given item. The value of a porch is not what it would cost to construct that porch but rather what a typical buyer would pay for the porch. The adjustment is also influenced by the other amenities the property has. If the home already has a large deck and covered patio, the contributory value of the porch is less.

Adjustments are also not linear. The difference in value of home with three bedrooms and one with four bedrooms may be larger or smaller than the difference in value between a home with four bedrooms and five bedrooms. This goes back to what a typical buyer would pay for the incremental difference in the number of bedrooms. As a generalized statement, in the suburban Metro Atlanta area, there is a significant rise in value from three to four bedrooms. However, the increase in value is not as much from four to five bedrooms. When you get to seven or eight bedrooms, there may be no increase in value at all!

When discussing the contributory value of an additional bedroom, it is also noteworthy to consider the size of the rooms. As we discussed in my article "What is a Bedroom" (GREC Newsletter October 2018), it is not all about the number of bedrooms. Let's consider two homes each with 2500 sf: one has five bedrooms the other has four bedrooms – which is more valuable? If the four-bedroom home has larger bedrooms, one might argue it is more valuable. The point is we need to step back and make sure we are not just mechanically adjusting the comparable with no interjection of common sense.

Comparables are always adjusted o the subject. In other words, we look at each comparable and make adjustments to the *comparables* sales price. There are two common acronyms used to remember which direction the adjustments are made: CIA – comparable inferior, add. If the comparable has less bathrooms (inferior) than the subject, we add the adjustment to the sales price of the comparable sale. CBS – comparable better, subtract. A comparable with more square footage than the subject is superior so we must take something away from its sales price to arrive at an estimated value of the subject property.

Appraisers are often asked which features of a property are adjusted or which features actually add value. The answer goes back to the statement above: the typical buyer determines market value and all adjustments are based on the actions of typical buyers. So, if the feature would be considered valuable to that buyer, then it must be considered by the appraiser. With that said, most readers of this article have seen an appraisal report; there are only so many lines available to detail adjustments. The appraiser must consolidate adjustments to take those features into consideration in the overall value. For instance, you may not see the appraiser adjusting for sprinkler systems, security systems, landscaping but he may make a statement the he went to the higher end of his adjusted range in consideration of those items.

There are many common adjustment factors that frequently occur in residential appraisals. These include the rights conveyed, financing terms, special terms or conditions of sale, market conditions (time of sale – appreciation/depreciation),

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location, and site conditions along with site appeal (view, topography, etc). I often ask when teaching a class, "Is it not possible that a one-acre piece of property is more valuable than a three-acre piece of property?" Certainly! Therefore, it is important to not get hung up on quantity and to look as well at quality. Other factors adjusted for in a typical residential appraisal are the physical improvements starting with the somewhat more subjective features such as style, appeal, quality, condition and moving to more objective features such as rooms and square footage.

One technique used by appraisers which will help eliminate subjectivity is to extract adjustments using an analysis called "paired sales" or "matched pair" analysis. This analysis is done by finding two sales which are virtually identical in all regards except for one item in question. Let's take a brick exterior home vs. a stucco exterior home. Using paired sales analysis, we find two sales which have all other items the same and by comparing their sales price, we can extract the added value of brick exterior.

This technique works very well for those very difficult adjustments like powerlines or inground pools. Ideally, all our comparables would have the powerline or the inground pool. Unfortunately, it is never the case so we need to determine a reasonable and defensible adjustment. There are not any rules of thumb or benchmark adjustments for these or any other feature. Although, if I asked a group the most common answer for the value of an inground pool is most often $20k. Where does that come from? Are all pools the same? Don't some have spas or waterfalls? Aren't some Pebble Tec and some vinyl liner pools? Would a pool be more valuable in a $1M home or a $150,000 home? Don't get hung up on generalizations, keep an open mind and think like a typical buyer.

Matched pair analysis allows us to go back in time to find sales which have that feature and compare it to properties which do not. Let's say your property backs up to high-tension powerlines. You might go back to the last time the property sold and look for other similar sales which sold at that same time which did *not* back up to the powerlines. By taking that difference in sales price and expressing it as a percentage, you can bring that forward and use it in your current analysis. While the sales used in the current analysis must be current, data from dated transactions can help us prove adjustments used in our report.

The number of adjustments or the gross amount of adjustments made to a comparable can help us determine which sales are the most reliable indicators of value. General appraisal standards state that any one single adjustment which is over 10% of the sales price of that comparable is an indication that it may not be a good comparable. Also, if the overall net adjustments to a comparable exceed 15% or the overall gross adjustments exceed 25%, this is an indication that it may not be a good comparable. There are many situations where exceeding these parameters cannot be avoided and valid arguments exist that they are still good comparables. These guidelines, while they are no longer strictly enforced by Fannie Mae, still make sense and should be considered when arriving at a final estimate of market value but should **by no means** be a sole reason for excluding a valid comparable sale.

One last thought regarding adjustments goes back to an article I wrote GREC December 2016, "Zero is an adjustment". It is not acceptable for an appraiser to make no adjustment for a feature which the typical buyer would clearly say there is significant value. We can go back to the pool adjustment. Let's say the subject property is worth $500,000 and has a high quality inground pool. There are many reasons why a pool is not worth what it costs to build but, in this example, any typical buyer would say the pool contributes value. The appraiser must employ one of the methods above to arrive at a reasonable adjustment. He cannot say "I made no adjustment for the subject's inground pool because there were no comparables available with inground pools". This statement is rooted in and related to the Fannie Mae guideline that an appraiser must prove all adjustments. Some underwriters have beaten appraisers to the point that they regularly make no adjustment so they don't have to prove their adjustment. What sense does that make?