

Report of Claremont's Interim Assessor Joe Lessard on January 24, 2007

I have been asked about the three approaches to value and the difference between a mass appraisal for assessment purposes and a fee appraisal.

Although there are others, there are three main approaches to value. They are the Cost, Sales Comparison and Income approaches to value.

1. The cost approach is basically the current cost to construct all of the improvements, less all depreciation, added to the land value.
2. The sales comparison approach is basically a comparison of what properties offering similar features and utility are being sold for with adjustments made for the differences between the sale property and the subject property.
3. The income approach is related to the expected future income that can be received. The income is adjusted for vacancy and expenses to arrive at a net income. This net income is then, based on current investor's desires, capitalized to arrive at a value.

Both the fee appraisal and the mass appraisal involve the same processes:

1. Data gathering; both of the properties to be appraised and market data; sales, cost, rental, zoning, demographics, etc.
2. Data analysis; rather than finding specific data for each property, as in a fee appraisal, with mass appraisals all of the data is analyzed to create tables that can be applied to all properties. Tables of different base prices per square foot for each of the various style properties – not only residential and commercial categories but also different prices for ranches, colonials, capes, etc and retail, office, warehouse, manufacturing, etc also tables of depreciation based upon age and condition., tables for various extra features like extra baths, fireplaces, etc. Once the tables are created the description of each property is applied against the tables to arrive at our indicated value for each property.
3. Opinion of value

Differences are:

1. Date; fee appraisers usually perform their appraisals as of the current date, while NH assessors conduct their appraisals as of April 1 of the base year.
2. The number of properties; typically fee appraisers are appraising one property at a time, while the Claremont assessor has to do 5,500 in one year.
3. Similar to the fee appraiser using market value as the benchmark, the mass appraiser also uses market value as a benchmark, but has another consideration in that similar properties need to be assessed similarly, even if they sell at different prices. This is not an uncommon event.