

By Greg Lane

Don't Lose a Sale Due to Sloppy MLS Practices

I often refer to our MLS as the Holy Grail of the TBR, since it should be kept in high regard as our most protected asset. But this does not mean that the MLS Committee should have sole responsibility to police the information we input into the system. To quote Kevin Hattaway from a previous Tallahassee REALTOR® article, "Junk in equals junk out." In this article I bring you a real

world example of how incorrect or incomplete data can lead to an appraisal issue and possibly hinder your sale.

Last week, I was assigned an appraisal order for the sale of a new house under contract for \$150,000. I had plenty of sales, all showing this house was worth \$145,000 at best. There was simply no more support for the sales price of \$150,000 in this neighborhood of very similar homes.

The builder had another sale in the neighborhood that had occurred one month prior. Yes, the perfect sale, the comparable dropped from the heavens; how much

easier could it get? Yet one sale is not enough, even if it sold yesterday and was built by the same contractor; most clients will ask for more support.

Since all of the market drama has unfolded, it is now almost expected that we will include at least four or five comparable sales and at least one active listing in an appraisal report. So we included four comparable sales, and one active listing, par for the course. But we could still only appraise the home for \$145,000, because the highest sale, the one built by the same builder as the subject property, was over 100 square feet larger. An adjustment for the contributory value of the additional gross living area (GLA) was necessary, reducing the indicated value of the comparable from \$150,000 to \$145,000. The other comparable sales sold for less than \$145,000, but it was obvious from past market sales and from the most recent sale that this builder was able to demand a premium price. Several interior photos in the MLS and thorough

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descriptions of the property in the comments indicated that this contractor was building a superior product. Hence, the market was responding by paying a premium, by as much as \$5,000, for items like granite and wood flooring that other homes did not have. But even though we could prove a \$5,000 adjustment for quality, there was still no way to support more than \$145,000, which was \$5,000 less than the sales price.

Of course, you know what happens next: I spend the next day on the phone with both REALTORS®, the buyer, the banker, and the owner. After a lengthy and slightly heated discussion with the builder, I realized that the information in the MLS was incorrect; the comparable sale was actually the same size as the home I was appraising. I had verified the sale, and the REALTOR® thought the gross living area was correct. But there was miscommunication between the REALTOR® and the builder, which resulted in incorrect GLA data being entered into the MLS. The builder then argued with me that he has already sold another home, the same floor plan, same neighborhood, for \$150,000. He gave me the address and I noticed it was the same as comparable number five, which was listed in the MLS as still active. The builder confessed that the home was actually under contract but that the REALTOR® left it in the MLS as active so that people would keep calling. (Listen for the hand slap.)

The MLS Committee understands that you want to market your clients' homes, but MLS rules state that we must update our listings within 24 hours of a status change. This issue could have caused a sale to fall apart over the \$5,000 spread. Fortunately, I was able to hold the presses and correct the appraisal. We added the pending sale at \$150,000 and removed the GLA adjustment to the comparable which was the same size as the subject. Both of these changes supplied enough support to appraise this home for the sale price and the true market value of \$150,000.

This example illustrates how an error or omission in the MLS can not only cause problems in a current sale, but may create a snowball effect for other sales in the neighborhood. The moral of the story is that we must all take responsibility to ensure that our MLS data is correct, up to date, and not misleading to either the public or the REALTORS® and appraisers who use it every day.

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