# How a Four-Year-Old Sale Beats a Six-Month-Old Sale

## It is a market conditions adjustment, not a time adjustment

*Time does not change value — markets do. The difference between those two sentences is the whole point.*

## THE SHORT VERSION

**Time does not change value.** The calendar has no opinion about real estate. A month passing does nothing to a building, and neither does a year.

What changes value is the market — supply and demand, buyers and sellers, money and confidence. Time is simply the container that market change happens inside. It is not the cause. It is the clock on the wall.

Once that lands, something that sounds absurd turns out to be plainly true: a sale from a year ago can be a better indicator of today's value than a sale from last month.

## ONE TOWN, ONE EMPLOYER

The clearest way to see it is a small town that depends on a single plant.


*Exhibit 1 — Four years of one town, read right to left from today.*

**Through the first year the two lines run in parallel.** Unemployment sits at six per cent and the average house sits at $400,000, and neither of them is doing anything interesting. Then, three years ago, the plant closes, and they tear apart in opposite directions — unemployment to twenty-eight per cent, the average house down to $235,000, where both of them stay for the better part of three years.

**Then, a few months ago, a new employer takes the building.** Hiring starts, buyers come back, and within months both lines are back where they began — unemployment at six per cent, the average house at $410,000. The town is, in the only sense that matters to an appraiser, back in the market it was in before.

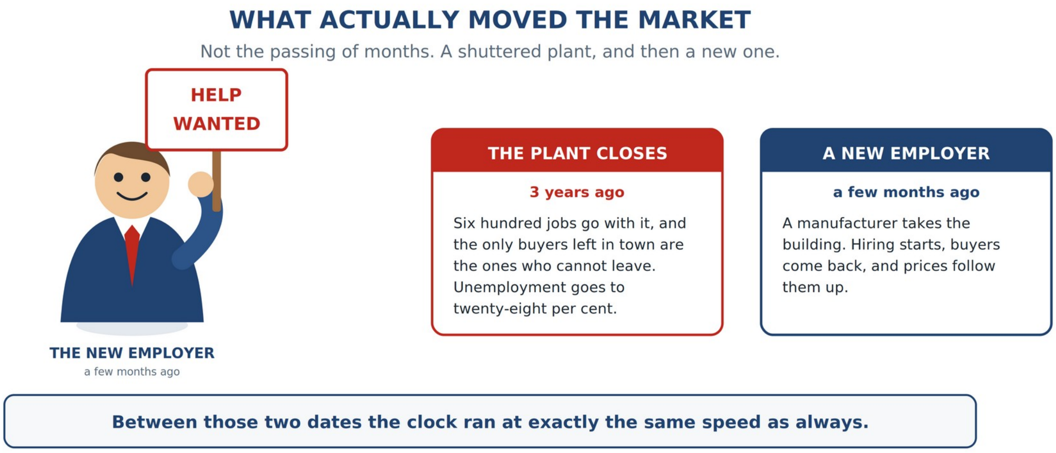


*Exhibit 2 — What actually moved the market. Not the passing of months.*

## WHICH MEANS THE OLD SALE CAN WIN

Now put two candidate comparables against an effective date of today.

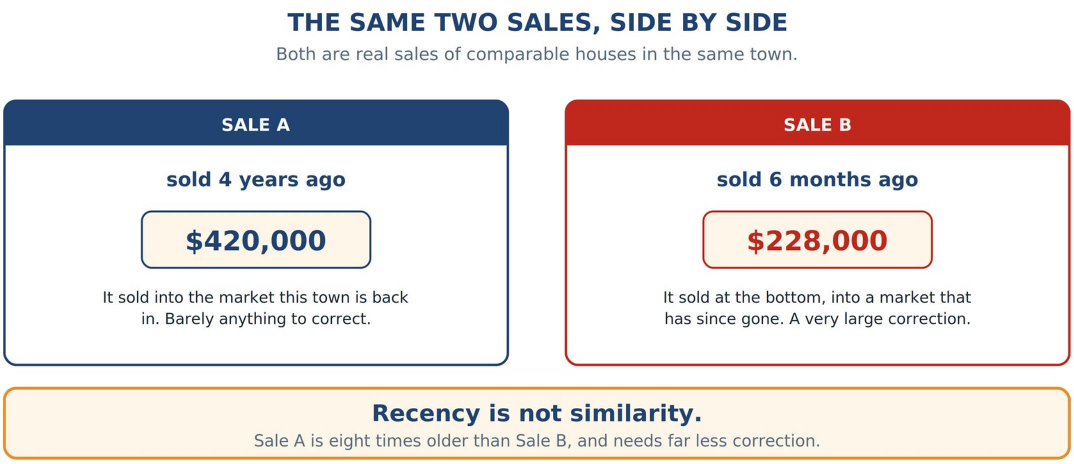


*Exhibit 3 — Eight times older, and far less to correct.*

**Sale A is four years old and needs almost nothing.** It sold into the market this town is back in. Sale B is six months old, eight times more recent, and needs a very large correction, because it sold at the bottom, into a market that ended before the appraisal did.

And notice where Sale B sits on the chart. It is not on the way back up; it is flat on the floor of the trough, with the whole recovery still ahead of it. That is what makes it the worse evidence — not its price, but the market it was priced in.

The same thing happens without a plant closing. A sale thirteen months ago may need nothing at all if the market went sideways since — same buyers, same rates, same inventory, same rents. A sale from five weeks ago needs a great deal if rates jumped four weeks ago. That one was priced in a world that has already gone. Recency is not similarity.

## THE ADJUSTMENT IS MISNAMED

**Appraisers long called this a "time adjustment," and the name has done real damage.** It invites you to think the adjustment is for the passage of time — that a sale accrues error the way a battery loses charge, steadily, just by sitting there.

**The better name, and the one now used, is a market conditions adjustment.** You are not correcting for the age of the sale. You are correcting for the difference between the market that produced that price and the market you are valuing in. If those two markets are the same, there is nothing to correct.

## WHY THE PERCENTAGE-PER-YEAR HABIT IS DANGEROUS

The instinct is to reach for a rule: the market is up about 4% a year, so a sale from eighteen months ago gets 6%. It is tidy, it is defensible-sounding, and it quietly assumes the one thing that is almost never true — that value changes at a steady rate, day by day, with the calendar.

Markets do not behave that way. They sit still for long stretches and then move all at once. A year with 4% appreciation might have been eleven flat months and one violent one. Where in that year your sale fell is the entire question, and a straight-line rate is specifically designed not to notice.

**WHAT AN ANNUAL RATE HIDES**

One property, five sales, nine years. End to end it says 10.00% a year.

| PERIOD | MONTHS | TOTAL | ANNUAL, STRAIGHT LINE |
|---|---|---|---|
| Jan 2016 – Jan 2018 | 24 | **2.5%** | **1.25%** |
| Jan 2018 – Jan 2020 | 24 | **4.9%** | **2.44%** |
| **Jan 2020 – Jan 2022** | 24 | **44.2%** | **22.09%** |
| Jan 2022 – Jan 2025 | 36 | **22.6%** | **7.53%** |
| **Jan 2016 – Jan 2025 — end to end** | | **90.0%** | **10.00%** |

**Nearly the whole nine-year gain arrived in one two-year window.**

Apply 10.00% to that window and you understate it by half. Apply it to the first two years and you overstate by eightfold.

*Exhibit 4 — One property, five sales, and four different markets inside one average.*

**The endpoint rate is not wrong.** It is answering a different question from the one an adjustment usually asks. It reports what happened between the first date and the last, and it is representative of that interval only.

**And markets round-trip, which breaks the rule outright.** Suppose prices rose 10% over eighteen months and then gave it all back. Today is exactly where it was a year and a half ago. The eighteen-month-old sale needs no adjustment at all; the nine-month-old sale, right at the peak, needs a substantial downward one. Any mechanical rate applied to elapsed months gets both wrong, in opposite directions — a good way to end up confidently in the middle of nowhere.

## SO HOW DO YOU ACTUALLY KNOW?

You measure it. The market leaves evidence, and the evidence is not the calendar.

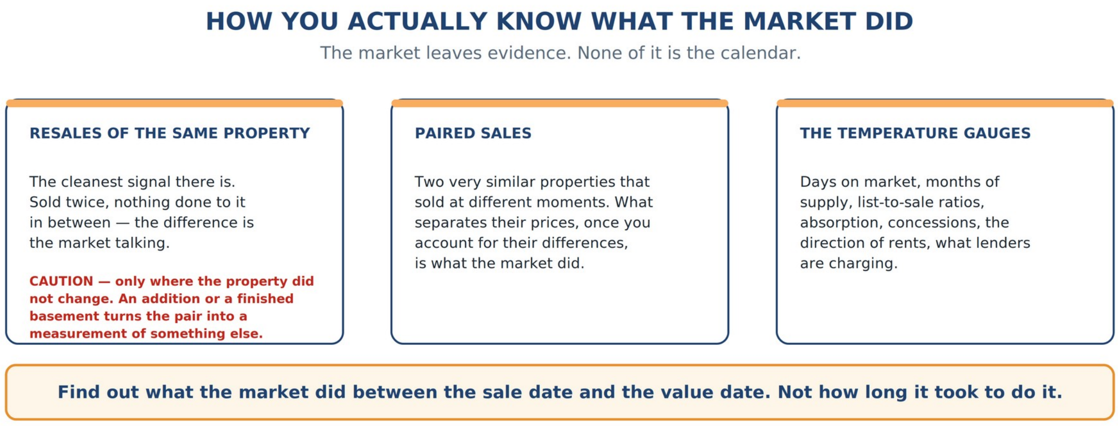


*Exhibit 5 — Three places the market leaves a record of what it did.*

**One caution on resales, since it is the strongest of the three.** A repeat sale measures market conditions only where the property itself did not change between transactions. An addition, a finished basement, or new construction on a previously vacant parcel turns the pair into a measurement of something else entirely. Check the recorded characteristics on both sides before trusting the difference.

## TWO THINGS TO WATCH FOR

**An adjustment with no evidence.** A percentage that appeared out of nowhere, applied to elapsed months. It looks like analysis and it is not.

**No adjustment, with no evidence either.** The mirror image, and the one people forget. “The market was flat” is a conclusion, not a default. It needs support exactly as much as “the market rose 6%” does. Silence is not the same as stability.

## THE QUESTION

**Not “how old is this sale?” but: what did the market do between then and now, and how do you know?** If the answer is nothing, the sale is as good as new, however old it is. If the answer is something, then say what, and show your work. The date on the deed was never the point.

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*General information, prepared for anyone who wants a plain-English handle on the subject — clients, students, and appraisers alike. It is a starting point, not a substitute for reading the source material and thinking it through for the assignment in front of you. Every assignment is different. Reach your own conclusions and own the work.*