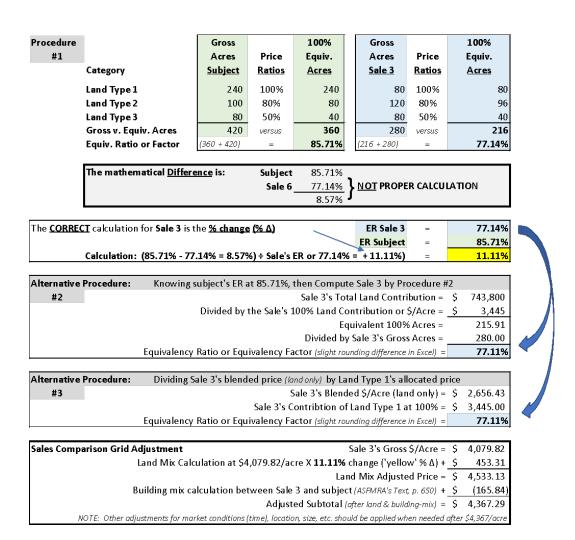


Rural Valuation Topic #RVT 16: Equivalency Ratio (ER) or Factor

Equivalency Ratio (ER) or Equivalency Factor (EF): The ER or EF may be defined as the relative value of a property to a "standard" through a mathematical process. The process converts the mix to an expression of the analyst's "100% standard". The most basic observation finds that most sales include:

- Different land types or "layers" resulting in a "blended" overall sale price (\$/acre or \$/unit)
- Any sale's overall price per acre or unit has limited, if any, validity in the valuation of a subject with a <u>different</u> mix of land types or "layers" unless it can be allocated consistently.

Historically, numerous methods were presented in ASFMRA's course work to address the differences between a sale's mix and a subject's mix for valuation purposes. Sale 3 in the "Example Appraisal Report" published in the 2109 Edition of Valuing Rural America (see page 650) shows the lengthy calculations which were previously taught in the ASFMRA's courses to compare Sale 3 with the subject. The current ER methods are simple, provide the same answers, and are easier to understand. Procedures #1-#3, as follows, illustrate the simplicity in the use of the current methodology.



NOTE: The appraiser is seeking the \$/acre adjustment from the sale to the subject. The adjustment is initially expressed as the **percent change of 11.11%** (**NOT** the 8.57% difference (see upper blue arrow in middle of the example)) from which the \$/acre adjustment is calculated.