Rural Valuation Topic #RVT 19: Sale Quantitative v. Qualitative Analysis

There are two "base definitions" required to start understanding the differences:

1. Quality: "the particular character or properties of a person, thing, or act, often essential for a particular result. The character or degree of excellence of a person or substance, especially in comparison with others" (Black's Law Dictionary, 8th Ed., 2004), and
2. Qualitative Analysis: "the process of accounting for differences (such as between comparable properties and the subject property) that are not quantified; may be combined with quantitative analysis" (The Dictionary of Real Estate Appraisal, AI, 6th Edition 2015, p. 183).

ASFMRA Recommend Rural Application(s):

Quantitative Analysis: When sales are plentiful, adjustment quantification is recommended through a procedure known as the "paired sales analysis".

Qualitative Analysis: When sales are limited or highly variable, the opportunity to measure the impact of a value factor declines and "qualitative comparisons" are recommended. The most prevalent procedure used in Qualitative Analysis is "bracketing" and is applicable in both the cost and sales comparison approaches. Bracketing "recognizes the inefficiencies of real estate markets and the difficulty in expressing specific dollar [or percentage] adjustments" (Source: Valuing Rural America Foundations of Data Analysis, ASFMRA, 2019, page 362). Bracketing results from a market where sales:

- occur in mixed volumes, usually dependent on location, or where,
- prices vary widely --- even though the physical and economic characteristics appear similar; and,
- where buyer-motivation diversity results in less emphasis on economic characteristics.

The need for qualitative v. quantitative adjustment begins where the valuer may only be able to quantify market conditions (time) or land and/or building-mix adjustments, thus leaving the remainder of the elements as "unquantifiable differences". Rural appraisal practitioners commonly use quantitative and qualitative procedures in the same report. The ASFMRA recommends the use of quantitative adjustments (measuring adjustments from market data) as long as the data reflects reliable results. The practitioner should then proceed with the qualitative portion of the analysis.

The unquantified (qualitative) comparisons between sales may be expressed as:

- Superior, neutral, inferior

- +, 0, -
- >, 0, <
- ??

"??" could also be used within the sales grid due to the buyer verification. An item may be contrary to the remaining indices, or the sale may have other issues. Some practitioners would eliminate this sale; however, in markets with limited sales, this "point price" may be useful to define what the market is not.

The user should be mindful with these delineations; one "plus" offsets one "minus" equally. If that is not appropriate, possibly ranking the factors as suggested in the chart below for a stronger data presentation and understanding of any differences:

Ranking Grid

	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Location	3.00	3.50	2.50	3.00	2.50	3.50
Access	3.00	1.00	3.00	3.00	5.00	5.00
Size	3.00	4.00	3.00	3.00	5.00	3.00
Productivity	3.00	3.00	3.00	3.00	3.00	3.50
Rec. Influence	4.00	4.00	3.00	3.00	3.00	3.75
Development Infl.	3.00	3.00	3.00	3.00	3.00	3.50
	19.00	18.50	17.50	18.00	21.50	22.25

5.0 = best or highest
4.0 = above average
3.0 = average
2.0 = below average
1.0 = fair
0.0 = none or poor

One can see the sales are above and below the subject's ranking --- thus, bracketing the subject's value. The chart clearly demonstrates three sales are inferior and two are superior by comparison to the subject. For consistency, it is recommended the same person ranks all sales and the subject to maintain the same degree of ranking. The rankings are recommended to be provided on the sales information sheet.

(*Also see Reader Notation #11 in Valuing Rural America, ASFMRA, 2019 Edition, p.608*)