

# **Broker Price Opinions**

**A closer look...**

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## **BPO's - A closer look...**

To facilitate better communication...

let's skip the traditional “us” vs. “them” and look at the differences and similarities of BPO's and Appraisals.

## “Price” and “Value”

- **Are they the same thing?**

Price: is a fact or an estimate of fact that is controlled by the seller of any given item.

Value: is an economic concept. “Value” is typically used in conjunction with the term “worth”. Worth is unique to each individual purchaser.

Dictionary of Real Estate Appraisal -

90+ definitions / 5 Definitions of “Market Value”

## “Price” and “Value”

- **Does it matter?**
  - CAN believes that Words matter.  
(Connotative v. Contextual meaning)
  - Realtor advocates seem to agree...  
“Never use the word *value* in a BPO.”  
- Sue Saunders, General Counsel NVAR

# Definition of BPO

## NRS 645.2515.8 (redacted)

“broker’s price opinion” means:

a written analysis, opinion or conclusion relating to the estimated **price** for a specified parcel of real property.

## Dictionary of Real Estate Appraisal, 5<sup>th</sup> Edition

broker's price opinion (BPO):

An opinion of property **price** rendered by a licensed real estate agent or broker.

## Definition of BPO (from the industry)

[www.StartBPOs.com](http://www.StartBPOs.com)

*“Broker Price Opinions (BPOs) are similar to CMA report but with more detail. Its usually completed by Licensed Agents, Brokers, and or Appraiser's to estimate the **value** of Real Property or Real Estate.\* A BPO is usually 2-3 pages and includes specific information regarding the subject property and other properties offered for sale, in escrow, or recently sold within the same area. Some BPO's are only exterior and just require an outside examination or drive by, while other BPO's are both interior and exterior requiring you to enter inside the subject property.”*

## Definition of BPO (from the industry)

### Real Estate Valuation Advocacy Association (REVAA)

*“A BPO is an estimate of the **probable selling price** of a property. It includes an inspection of the subject property, subject neighborhood inspection and analysis, local and regional market information and trends, and a description of comparable properties that are similar to the subject property. This method of estimating a selling price has similarities in methodology and report appearance to a Comparative Market Analysis and, to a lesser degree, an Appraisal. Real estate brokers and agents generally perform BPOs for a fee.”*

Source: <http://www.revaa.org/bpo/brief.cfm>

# Definition of Market Value

## FFIEC / Fannie / Freddie (Most Residential Mortgage Transactions)

The **most probable price** which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

...

(12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994)

# Definition of Appraisal

## The 2010-2011 USPAP

APPRAISAL: (noun) the act or process of developing an opinion of **value**; an opinion of **value**. (adjective) of or pertaining to appraising and related functions such as appraisal practice or appraisal services.

## NRS 645C.030 “Appraisal” defined.

“Appraisal” means an analysis, opinion or conclusion, whether written or oral, relating to the nature, quality, **value** or use of a specified interest in, or aspect of, identified real estate for or with the expectation of receiving compensation.

(Added to NRS by 1989, 822)

# Excerpts from BPO Forms

HIGH AND LOW MARKET VALUES SHOULD BE BASED ON 90-120 DAYS MARKETING TIME

AS-IS LOW	\$ 225000	SUGGESTED LIST PRICE	\$ 230000
AS-IS HIGH	\$ 235000		
(INT/EXT) REPAIRED VALUE	\$ 230000	(INT/EXT) REPAIRED L/P	\$ 230000
ESTIMATED LAND/LOT VALUE	High \$ 35000	Low	\$ 25000

This particular example provides:

- two suggested list prices;
- three opinions of Market Value; and
- two opinions of the Market Value of the underlying land.

# Excerpts from BPO Forms

## V. Marketing Strategy

	"As-Is" Value	"Repaired" Value	"QuickSale" Value
Suggested List Price			
Market Value			

This particular example provides:

- three suggested list prices; and
- three opinions of Market Value.

# Excerpts from BPO Forms

VALUE ADJUSTMENTS	Description	Description	+(-) Adj.	Description	+(-) Adj.	Description	+(-) Adj.
* Concessions		\$	\$	\$	\$	\$	\$
* Location			\$		\$		\$
* Leasehold/Fee Simple			\$		\$		\$
* Lot Size			\$		\$		\$
* View			\$		\$		\$
* Appeal & Quality			\$		\$		\$
* Year Built			\$		\$		\$
* Condition			\$		\$		\$
* # Units on Parcel			\$		\$		\$
* Above Grade Room Count	Tot Bds Bth	Tot Bds Bth	\$	Tot Bds Bth	\$	Tot Bds Bth	\$
* Gross Living Area	Sq Ft	Sq Ft	\$	Sq Ft	\$	Sq Ft	\$
* Finished Basement Area	Sq Ft	Sq Ft	\$	Sq Ft	\$	Sq Ft	\$
* Finished Basement Rooms	Rooms	Rooms	\$	Rooms	\$	Rooms	\$
* Heating			\$		\$		\$
* Cooling			\$		\$		\$
* Garage Style/Stalls			\$		\$		\$
* Porches		<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Yes <input type="checkbox"/> No	
* Patio		<input type="checkbox"/> Yes <input type="checkbox"/> No	\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
* Deck		<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Yes <input type="checkbox"/> No	
* Fireplace		<input type="checkbox"/> Yes <input type="checkbox"/> No	\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
* Fence		<input type="checkbox"/> Yes <input type="checkbox"/> No	\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
* Pool		<input type="checkbox"/> Yes <input type="checkbox"/> No	\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Other/Functional Utility			\$		\$		\$

# Excerpts from BPO Forms

VII. Marketing Strategy		
* Suggested Marketing Strategy	<input type="checkbox"/> AS-IS <input type="checkbox"/> Minimal Lender Required Repairs <input type="checkbox"/> Repaired	
* Most Likely Buyer	<input type="checkbox"/> Owner Occupant <input type="checkbox"/> Investor	
* Estimated Monthly Rent	\$ _____	
	* Market Price	* Suggested List Price
As Is 90-120 Day:	\$ _____	\$ _____
Repaired 90-120 Day:	\$ _____	\$ _____
Quick Sale:	\$ _____	\$ _____
Land Only:	\$ _____	
* Comments	<div style="border: 1px solid black; height: 40px; width: 100%;"></div>	

This particular example provides:

- three suggested list prices;
- three opinions of Market Price; and
- an opinion of the Land Only.

**CAN**

COALITION OF APPRAISERS IN NEVADA

# Petunia!!



# An actual BPO...

LIST 1	LIST 2	LIST 3
cameron and pamalyn las vegas nv 89118	7235 cameron las vegas nv 89118	hinson and capovilla las vegas nv 89118
1.00	1.00	1.00
\$ 99,950.00	\$ 199,000.00	\$ 375,000.00
\$ 99,950.00	\$ 185,000.00	\$ 295,000.00

SALE 1
6735 arville las vegs nv 89118
1.00
155000.00
05/15/2008
35
\$ 225,000.00
\$ 225,000.00

- Used three listings and only one closed sale.

- Any guesses...?

# An actual BPO...

## MARKETING INFORMATION

**Most Likely Buyer:** Investor

**Finance Type:** Cash

**Range of Prices in immediate area:** \$ 99,950.00

**To:** \$ 2,650,000.00

**Average Time on market:** 3 - 6 Months

**Property Should be Listed:** Repaired

**As Is Value:** \$ 77,900.00

**As Is - Days to sell:** 150

**Repaired Value:** \$ 79,900.00

*As of 03/25/2009*

**Repaired - Days to sell:** 120

**Amount of Repairs to reach your Repaired Value:** \$

1,000.00

**Days to repair:** 1

- No suggested list price
- Two opinions of Market Value
- Estimate of repair costs.
- Marketing time of 120-150 days



## An actual BPO...

- No mention of AE
- No mention of RNP
- No HABU analysis
- Foreclosed 03/23/09 at \$90,000

Valued at \$79,900 as of 03/25/09



Sold as REO 12/30/2009  
for \$22,500

# An actual BPO...

- Three listings

LIST 1	LIST 2	LIST 3
285 Gingerbread St.	2409 Goldfire Cir.	2255 Calistoga Ct.
1.00	1.00	1.00
\$ 455,000.00	\$ 595,000.00	\$ 479,900.00
\$ 350,000.00	\$ 374,900.00	\$ 399,900.00

- Three closed sales.

SALE 1	SALE 2	SALE 3
1826 Duggan Way	263 McNerney Dr.	2004 Mesquite Wood Ct.
1.00	1.00	0.00
271500.00	306500.00	329900.00
02/02/2009	01/06/2009	12/16/2008
86	212	67
\$ 281,900.00	\$ 319,900.00	\$ 329,900.00
\$ 313,000.00	\$ 347,000.00	\$ 329,900.00

# An actual BPO...

## MARKETING INFORMATION

Most Likely Buyer:	Owner	Finance Type:	Conv
Range of Prices in immediate area:	\$ 180,000.00	To:	\$ 725,000.00
Average Time on market:	3 - 6 Months		
Property Should be Listed:	As Is		
As Is Value:	\$ 350,000.00	As Is - Days to sell:	90
Repaired Value:	\$ 350,000.00	Repaired - Days to sell:	90
Amount of Repairs to reach your Repaired Value:	\$ 0.00	Days to repair:	

- Two opinions of Market Value (at lowest listing)

- Marketing time of 90 days

- Listed 30 days later for \$313,900

- Contracted/sold 60 days later at \$318,500

(Highest Sale was \$329,900)

# Potential Harm?

Property Street Address		Current Sale		Previous Sale		Difference	Running Total
3314 PAWNEE DR	2/1/2010	139014	RECORDED VALUE	12/1/2009	40050	FORECLOSURE	98964 \$ 98,964
10424 ARMAND AVE	3/1/2010	145000	RECORDED VALUE	12/1/2009	70000	FORECLOSURE	75000 \$ 173,964
5317 DEL MONTE AVE	12/1/2009	110000	RECORDED VALUE	11/1/2009	43039	FORECLOSURE	66961 \$ 240,925
581 KYLEE AVE	2/1/2010	138500	RECORDED VALUE	11/1/2009	80000	FORECLOSURE	58500 \$ 299,425
600 ALTAMIRA RD	3/1/2010	137590	RECORDED VALUE	12/1/2009	79160	FORECLOSURE	58430 \$ 357,855
3545 MORAGA DR	1/1/2010	129000	RECORDED VALUE	11/1/2009	71000	FORECLOSURE	58000 \$ 415,855
4180 FLAMINGO CREST DR 2	3/1/2010	103775	RECORDED VALUE	2/1/2010	50000	FORECLOSURE	53775 \$ 469,630
1336 RAINBOW MEADOWS DR	3/1/2010	128500	RECORDED VALUE	11/1/2009	75000	FORECLOSURE	53500 \$ 523,130
8712 PALOMINO RANCH ST	4/1/2010	147000	RECORDED VALUE	11/1/2009	95000	FORECLOSURE	52000 \$ 575,130
4516 W LAKE MEAD BLVD #201	12/1/2009	81000	RECORDED VALUE	11/1/2009	32500	FORECLOSURE	48500 \$ 623,630
8040 HESPERIDES AVE	4/1/2010	144988	RECORDED VALUE	1/1/2010	97000	FORECLOSURE	47988 \$ 671,618
8433 ORCHARD RIDGE AVE	2/1/2010	129900	RECORDED VALUE	12/1/2009	82000	FORECLOSURE	47900 \$ 719,518
4811 MONTERREY AVE	3/1/2010	125000	RECORDED VALUE	11/1/2009	77500	FORECLOSURE	47500 \$ 767,018
4156 BRIGHTHILL AVE	4/1/2010	110000	RECORDED VALUE	12/1/2009	63000	FORECLOSURE	47000 \$ 814,018
401 FREDERICK AVE	1/1/2010	65951	RECORDED VALUE	11/1/2009	20000	FORECLOSURE	45951 \$ 859,969
2924 MARLIN AVE	2/1/2010	120000	RECORDED VALUE	1/1/2010	75000	FORECLOSURE	45000 \$ 904,969
5925 SHEILA AVE	3/1/2010	140500	RECORDED VALUE	2/1/2010	96000	FORECLOSURE	44500 \$ 949,469
4748 BUENA VISTA WY	2/1/2010	81369	RECORDED VALUE	1/1/2010	38000	FORECLOSURE	43369 \$ 992,838
1012 DATE ST	1/1/2010	70000	RECORDED VALUE	11/1/2009	27000	FORECLOSURE	43000 \$ 1,035,838
4261 TARKIN AVE	3/1/2010	127000	RECORDED VALUE	11/1/2009	84000	FORECLOSURE	43000 \$ 1,078,838

**> \$1 Million in only 20 sales**

# Conclusions

- BPO's, for all intents and purposes, are appraisals.
- In general, BPO practitioners lack a proper understanding of the economic concept of value.
- In general, BPO practitioners lack any training in proper valuation methodology.

## Conclusions

- We recognize that federal laws and some state laws allow BPO's to be used in lieu of appraisals in certain circumstances.
- We believe that properly trained and independent professionals subject to recognized standards and proper oversight are a significant safeguard against further economic crisis.

# Questions??

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