

County Assessor Analyzes Appeals

A new analysis from the Cook County Assessor's Office finds that evidence submitted in commercial property appeals often underestimates sale prices, suggesting that the estimates of some appraisal firms do not match market conditions.

The primary duty of the CCAO is to assess the fair market value of property. Each year, property owners can appeal these values. As part of this process, commercial property owners frequently contract with third-party firms to perform appraisals that serve as appeals evidence.

The CCAO does not take these appraisals as the final word on value, but may consider them during the appeal process.

To measure the efficacy of appraisals received, the CCAO conducted a sales ratio analysis. This type of analysis examines the relationship between a valuation estimate, such as an appraisal or assessment, and a sale price that best captures market value.

The CCAO compared 60 appraisals submitted as part of commercial property appeals to sales that took place up to three years after the appraisal was performed.

The analysis found that commercial appeal appraisals underestimated market value by 38%. (The median ratio of appraisal to sale price was 62%.) If standard commercial appeal appraisals are accepted routinely by appeals bodies, the result can be an increase in the tax burden for other property owners, including homeowners.

For each of the three firms that performed the most appraisals in this sample, at least half of these appraisals suggested a value below 60% of the sale price. (All identifying information is anonymized as part of the appeals process; both attorneys and appraisal firms are assigned an identification number that was used in this analysis.)

"This analysis puts up evidence to support what we've long felt to be the case with commercial appeals submitted to our office – some appraisals we receive in those appeals undershoot values," said Cook County Assessor Fritz Kaegi.

"It's crucial for offices in the property tax system to adopt and maintain heightened standards for appraisals. I hope the publication of this analysis continues the conversation around that issue."