The Hanover Real Estate Market from 2014 to 2018

An analysis of the real estate market over the past five years from April 1, 2014 to March 31, 2018 tells the story of an active market. Sales activity during this time period clearly demonstrates that between the spring of 2014 up until the fall of 2016, the market was growing and homes were appreciating. Over the next year the market softened just a bit and depreciation became a temporary factor in the residential market. As is the case in any market, the assessed values of subsets within the local market may move at different rates. During this same five-year period, some areas or groups of properties within a neighborhood also increased in assessment, which is not unusual. The town’s equalization ratio, which measures the level of assessment in a particular tax year by the relationship between sales that occur and their assessments, went from 95.3% in tax year 2013 to 85.4% in tax year 2017, Town staff fully expects the tax year 2018 ratio to come in at approximately 97%. The increase in the ratio from 2013 to 2018 is directly related to overall appreciation in the real estate market over the period.

Every effort was made during the sales analysis process to accurately interpret and reasonably apply trends in the market to the models used to generate the new assessments. After reviewing spring sales through March and those properties currently for sale, the Town Assessor concluded that market appreciation is a currently a factor. Due to the volatility and uncertainty of the market and local economy, it is very important that the department follow local trends closely and is prepared to act as warranted to address significant changes. We will be proactive in our approach to managing the town’s assessments.

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Median Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Year 2013 Base Year</td>
<td>95.3</td>
</tr>
<tr>
<td>Median Ratio TY14</td>
<td>90.0</td>
</tr>
<tr>
<td>Median Ratio TY15</td>
<td>87.6</td>
</tr>
<tr>
<td>Median Ratio TY16</td>
<td>83.4</td>
</tr>
<tr>
<td>Median Ratio TY17</td>
<td>85.4</td>
</tr>
<tr>
<td>Median Estimate TY18</td>
<td>97.0</td>
</tr>
</tbody>
</table>

**Median Ratio** - The Median is the mid-point (middle ratio) in a set of ratios arrayed in order of magnitude. Each ratio in the array is calculated by dividing a property’s assessment by the qualified sale price of that property within the timeframe indicated in the study. It sets the town’s level of assessment for that tax year. A ratio less than 100.0 means the assessments on average are less than current market value; conversely, a high ratio means assessments on average are greater than market value.
What is a revaluation?

A revaluation is an update of all property assessments within a community. A revaluation generally begins with a full property inspection of all properties. The assessments are used to determine each property owners’ tax liability. The revaluation is designed to equalize the assessed value of all properties within the municipality for the purpose of fairly distributing the tax burden. Its purpose is not to increase taxes.

Will a revaluation increase taxes?

On a town-wide basis a revaluation will not increase taxes. Remember, property assessments are only the base that is used to determine the tax burden. The tax burden is the amount that the municipality must raise to operate local government and support the many services each of us has come to expect such as schools, police, etc. If the same amount of money is to be raised after the revaluation as was raised during the previous year and each assessment doubles as the result of the revaluation, the tax rate would be cut in half.

On an individual basis, over and above the budget increase resulting from all sources for tax year 2018, roughly one-third of all properties will experience an increase in tax burden; one-third will remain approximately the same; and one-third will experience a decrease in tax burden. If, for example, a previous assessment was low in relation to the general level of assessment in the community and the revaluation corrected the problem, with equity restored, you would expect that property to fall within the one-third that will experience an increase in tax burden.

Why is a revaluation needed in the Town of Hanover?

In 2018, it will have been five years since the last revaluation was conducted by the Town of Hanover. In New Hampshire, periodic revaluations are required every five years and are particularly important given the dependence on the property tax as the main source of revenue for municipalities, school districts and counties. Over the five-year time period, the real estate market has changed and with it so have market values. In addition, different types of properties and neighborhoods often change at different rates (i.e. commercial versus residential). A revaluation will account for these changes and, through the process, restore equity between individual assessments. The primary goal of a revaluation is the establishment of fair and equitable assessments for all taxpayers.

Who conducted the revaluation?

The data collection phase (property inspections) of the project was completed using a combination of contract services and Assessing Department staff members. The remaining phases of the project including sales analysis, cost modeling and a final review of the new assessments were handled in-house by the Assessing staff.

What is market value and how does it relate to assessed value?

Market value is determined by the activity in the real estate market and the general economy. The value of your property is based on an analysis of the local market for the time-period between January 1, 2016 and March 31, 2018. The market can generally be defined as: yourself, the person who sold the property to you, and the person willing to buy it from you. A willing buyer and willing selling, under no duress to act, determine market value. Your new assessment should be a reasonable representation of market value as of April 1, 2018.
How was my assessment determined?

Data collection:

The first step in the revaluation process is data collection. The Assessor’s Office collects information about each property in the Town through a visual inspection and measurement of the interior and exterior. That information is recorded on the property record card. You can review the contents and print a copy of your property record card and any other property record card at the Assessor’s Office located on the first floor of the Municipal Building.

Sales analysis:

All real estate sales that occurred between January 1, 2016 and March 31, 2018 have been reviewed and those considered representative of market value have been included in the analysis. Several sales books stratified by neighborhood are available for your review at the Assessor’s Office. The activity of buyers and sellers determines market value. The market driven cost model used by the Town to estimate all new assessments is calibrated by testing the results of the model against the properties that have sold between January 1, 2016 and March 31, 2018. The ability of the model to predict market value can be statistically evaluated by calculating the assessment to sales ratio for each sale and then determining the mean, median, and standard deviation or coefficient of dispersion of all the ratios calculated. The mean and median measure the town’s level of assessment in relation to market value. The standard deviation and coefficient of dispersion measure how accurately the model predicts value. This is important because not all properties sell within the analysis period, but they need to be valued in the same manner as those that did sell. If the statistics calculated are within the guidelines expected, then you can be reasonably confident that the model will predict market value for those properties that have not sold.

Cost model:

A market driven cost model was developed to generate assessments for the 2018 revaluation. As stated above, the model was calibrated by comparing its results to properties that have sold between January 1, 2016 and March 31, 2018. Most computer-assisted mass appraisal revaluations or updates use a cost model to generate assessments. The cost model has proven to be a stable, reliable, and, if properly calibrated, an accurate predictor of market value. The major components of the model used to calculate an assessment for an individual property are:

Land valuation:
- Location – neighborhood designations stratify land by location (i.e. rural & downtown).
- Use – residential, commercial, industrial and current use.
- Adjustments – for location, topography, wetlands, ledge, access, view etc.

Building valuation:
- Effective building area - includes living area, finished lower levels, porches, garages and decks, etc. The effective area is a composite of the different components that make up the building.
- Style – Ranch, cape, colonial, etc.
- Grade – Quality of construction
- Story height – 1-story, 1 ½ -story, 2 story, etc.
- Exterior finish – siding, roof type & cover.
- Interior finish – walls, floors, heating system.
• Baths – number.
• Condition – of the building relative to its age.
• Extra features – fireplace, extra opening, hearth, etc.
• Outbuildings – detached garage, shed, barn, carport, etc.

**Formula Used:**

Replacement cost (new) of the building, less depreciation from all sources, plus the depreciated value of the outbuilding(s), plus the value of the land equals the assessment.

**How will I know if my assessment is equitable?**

There are two very good methods of determining this. First, compare your property to similar properties that sold in the previous year. Your value should be in line with these sale prices. Second, if no recent sales are available, compare your assessment to other similar properties in your area using the “Street Listing of Values” available in the Assessor’s Office. Your value should be in line with these similar properties. Remember, very few properties are exactly alike. Your value should be comparable, but it will seldom be exactly the same as what seems to be a similar property.

**How can my assessment change if I have done nothing to improve my property?**

General economic conditions such as inflation, changes in interest rates, employment levels, supply and demand, appreciation or depreciation in the local market all will influence the value of real estate over time. The changes in the local real estate market since the last revaluation are reflected in the new assessments.

**How do I file a formal appeal at the local level?**

Residential appeals are often settled at the local level. If you are not satisfied with your new assessment, you have additional opportunities to appeal the value of your property. The first level of formal appeal in Hanover is to the Advisory Board of Assessors’. You may file an appeal following receipt of your fall tax bill, but no later then March 1st of the following year. Appeal forms are available from the Assessor’s Office.

Your appeal is more likely to be successful if you present evidence that comparable properties in the same neighborhood are assessed for less than yours. Obtain copies of the property record cards of the comparables you plan on using and note any differences between your property and the comparables. A recent appraisal of your own property may be good evidence of its value. Point out any errors on the property record card that need correcting. The Advisory Board of Assessors’ only concern is with the fairness and accuracy of the value placed on your property.

Meetings of the Advisory Board of Assessors’ are generally heard beginning in January of each year. You will be given every opportunity to attend the Advisory Board’s hearing on your appeal and present your case. The Advisory Board will make their decision following the hearing and will forward their abatement recommendation to the Board of Selectmen. In accordance with long-term policy and practice, the Selectboard votes to accept the Advisory Board’s abatement recommendation(s) but does not hold a separate hearing to further consider a property owner’s request. The Selectmen have fully delegated the role of hearing appeals and granting abatements to the Advisory Board of Assessors’.
If you disagree with the decision of the Advisory Board of Assessors, you may file an appeal with the State of New Hampshire’s Board of Tax and Land Appeals or Grafton County Superior Court. Information about filing with either of these appeal agencies is available from the Assessor’s Office.

**What types of Town assessing information is available and where do I find it?**

<table>
<thead>
<tr>
<th>Type</th>
<th>Assessor’s Office</th>
<th>Howe Library</th>
<th>Etna Library</th>
<th>Town’s Web Site</th>
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<tbody>
<tr>
<td>Reports:</td>
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<td></td>
</tr>
<tr>
<td>New assessments</td>
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<td></td>
<td></td>
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<tr>
<td>By Street</td>
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<td>yes</td>
<td>yes</td>
<td>---</td>
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<tr>
<td>By Owner</td>
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<td>yes</td>
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<tr>
<td>Sales book</td>
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<tr>
<td>Property record cards</td>
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<tr>
<td>Tax Maps</td>
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<td>---</td>
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