

Concessions and Examples

Definitions

Sales Concessions – A cash or non-cash contribution that is provided by the seller or other party to the transaction and reduces the purchaser's cost to acquire the real property. A sales concession may include, but is not limited to, the seller paying all or some portion of the purchaser's closing costs (such as prepaid expenses or discount points) or the seller conveying to the purchaser personal property which is typically not conveyed with the real property. Sales concessions do not include fees that a seller is customarily required to pay under state or local laws. In developing an opinion of market value, an appraiser must take into consideration the effect of any sales concessions on the market value of the real property.¹

Financing Concessions – A financial payment, special benefit, or non-realty item included in the sale contract as an incentive to the sale. Concessions occur when the seller agrees to pay an inducement or to give some special credit or property to a buyer who agrees to pay a higher price than the buyer would normally pay in return for the inducement or credit. Concessions usually result in artificially inflated sale prices. Often concessions allow financing that would otherwise not be possible. Concessions may be disclosed as part of the sale, but often they are not.²

Concessions Examples

- Seller paid \$5,000 towards buyer's closing costs
- Buyer received below market rate on loan
- Seller paid discount points to buy down the buyer's interest rate to qualify for a loan
- Seller included a golf cart in the sale
- Builder provided \$10,000 credit to be used for options/upgrades
- Builder provided \$2,000 credit towards buyer's closing costs for using preferred lender
- Listing agent did not charge a commission for selling relative's home
- Buyer's agent did not charge a commission for helping relative buy a home
- \$2,000 carpet allowance credit from seller to buyer
- Buyer paid \$20,000 to holder of second mortgage on the subject outside of the price paid for the home (**Reverse Concession, usually increases purchaser's cost to acquire property**)

Not Concessions Examples

- Seller paid for home warranty, typical in that market
- Refrigerator left by seller, typical in that market
- Seller paid transfer tax, typical in that market
- Seller installed new carpet and paid for Section 1 repairs prior to transfer

¹ Appraisal Practices Board, APB Valuation Advisory #2: Adjusting Comparable Sales for Seller Concessions

² Ibid.

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