



**COUNTY OF BERGEN
BOARD OF TAXATION**

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What is a Legitimate Comparable Sale?

The comparable sale and the subject should be located as close as possible to each other. The sale should be current with closing completed. All information about the sale should be verified by deeds, brokers, attorneys, buyers, sellers, tax cards, and other sources. The transactions should be at arms length with both the buyer and seller motivated. Both parties should be well informed and acting in their own best interest, but not under duress. The sale and subject should have been exposed to the real estate market for a reasonable length of time, with this real estate market determining its value. Exposure to the market process determines if a house is overbuilt for a particular area or has features that add little or no value.

A construction cost contract (contract to build) is relevant to the cost approach, but is not a market sale even when combined with the selling price of the lot. The cost to build a house may include functional obsolescence, which may not contribute value in the marketplace. Examples of such obsolescence would be the cost of features such as gold plated bathroom fixtures, steam showers, Italian marble, tile pools, and walnut paneling. The cost of these features are very expensive, but they may or may not contribute value to the subject property.

Unless all forms of obsolescence are properly analyzed, the cost approach value may be greater than the sales comparison value, if the subject house is overbuilt for the neighborhood.

The cost to build is relevant to the cost approach, and should not be utilized in the sales comparison approach. These are two separate approaches to value and have different determining factors.

Courts may or may not recognize a sale to an entity that has the power of eminent domain. These sales may be considered to have been made under duress and are not arms length transactions.

*The sale should have occurred before October 1st of the pre-tax year.