

# 2021 Real Estate Valuations

March 2021

## Contact Us

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# Revaluation Newsletter

## Lyon County 2021 Property Valuations



Lyon County Property Owners,

The Lyon County Appraiser's Office has completed the annual appraisal of real estate properties as of the annual valuation date of January 1, and the resulting 2021 Valuation Notices were mailed to property owners on Monday, March 1st. Statutorily, the intent of these notices is to inform property owners of their property value and any change between the appraisal dates of January 1, 2020 and January 1, 2021.

The past year has presented many challenges as it relates to the coronavirus with various closings, cancelations, and postponements. Yet despite it all the real estate market in Lyon County has remained very strong during this time. This is largely due to historically low interest rates as well as supply not keeping up with demand. The effects the coronavirus has made on the real estate market is something that will continue to be monitored. When it comes to extraordinary situations, in some cases it can take the market a little time to sort itself out. The Appraiser's Office will continue to observe what takes place with this, or any situation, and react accordingly.

This report is intended to offer a little more detail into the appraisal process and what has been observed in the Lyon County real estate market over the past year. Overall, Lyon County continues to see strong, steady growth in residential, commercial, and agricultural markets.

Respectfully,

A handwritten signature in black ink, appearing to read "Ryan Janzen".

Ryan Janzen, CAE, RMA  
Lyon County Appraiser

## The Appraisal Process

Lyon County real estate values are based upon sales which are the basic building blocks of county valuation models. All sales of real estate properties are reviewed to determine if each meets the statutory definition of being representative of “Fair Market Value” as defined by KSA 79-503a. Sales that meet that definition are classified as “valid” and are used in creating the models that are necessary to meet the statutory obligation to complete the annual mass appraisal project for Lyon County. The most current year of sales, those occurring in 2020, typically have the greatest impact on model building and trend analysis. They are studied closely in order to gage as accurately as possible the fair market value of each property in the county.

There are three approaches to value, and all three are reviewed and reconciled to determine which approach is the most representative of a property’s fair market value. The first, and most common method is the *sales comparison approach*. This approach directly uses sales of like and similar properties, with any differences in characteristics between the subject and the comparable sales adjusted for to determine market value. Secondly, the *cost approach* considers the replacement cost for any improvement.



Sales are used to gage and account for any depreciation. A land value is then added to the depreciated improvement cost to arrive at a market value. Finally, the *income approach* is third and final method used in establishing market value. This approach analyzes the income producing potential of a property by reviewing the landlord/tenant relationship (it does not consider the income of the business operating inside). Sales are used to arrive at a cap rate, which when applied to a market rate of operating income a market value can be estimated.

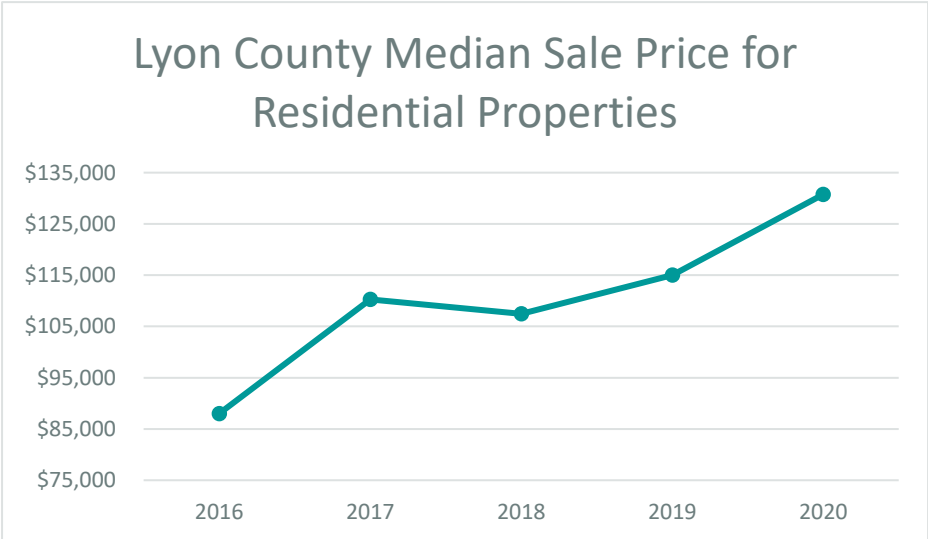
Additionally, Lyon County performs sales ratio studies to draw conclusions as to whether past valuation models have been producing reasonably accurate and equitable appraisals. A sale ratio is calculated for each valid sale by dividing the county valuation of a property by the property’s sale price. For example, a property valued at \$98,000 that sold for \$100,000 would have a sales ratio of 98%, indicating the property’s sale price exceeded its January 1<sup>st</sup> county value by 2%. A ratio study is based upon a grouping of sales and their respective sales ratios to identify valuation accuracy, but also the 2020 sales ratio results provide a general direction of change that may need to be made with current individual appraisals. These ratio studies and their applicable sale properties were heavily weighted in setting final 2021 property values.

# Residential Properties



There were 378 valid residential sales that occurred in 2020 compared to 381 residential sales in 2019 in Lyon County. The 2020 sales indicate a median sales ratio of 96%, the acceptable range is between 90% and 110% with the goal of being as close to 100% as possible. This ratio compares the January 1, 2020 county appraised values to actual sale prices that occurred during the 2020 calendar year and indicates that the county appraised values were 4% below market value. Furthermore, in reviewing the 2020 appraised values the coefficient of dispersion (COD), which measures equity and how close the sale ratios were to the desired ratio of 100%, was 15.8%. The acceptable range for COD is between 10.0% and 20.0%.

The median sale price in 2020 was \$130,750 which is a 13.7% increase over the median sale price in 2019 of \$115,000. The chart below shows the median price over the last five years in Lyon County. In that five-year period the median sale price has increased 48.6%.



Real estate values in **Emporia** have remained strong the last several years with a median sale price of \$122,000. In 2020, there were 316 valid residential sales with an average sale price of \$129,670. Compared to 311 valid residential sales with an average sale price of \$121,770 in 2019. This indicates a +1.6% increase in sales volume and a +6.5% increase in average sale price. The county's 2021 valuation of the sales in Emporia were under-estimated by 4% compared to actual sale prices as indicated by a median sales ratio of 96%.

A study of 2020 sales collectively in the **small towns** of Lyon County indicated that the median sale price in 2020 is \$89,500 on 23 sales. The county's 2020 valuation of the sales in this group were under-estimated by 4% compared to actual sale prices as indicated by a median sales ratio of 96%. Consequently, many property values in the small towns saw increases for the 2021 year, although some were reduced in value due to deferred maintenance and low desirability.

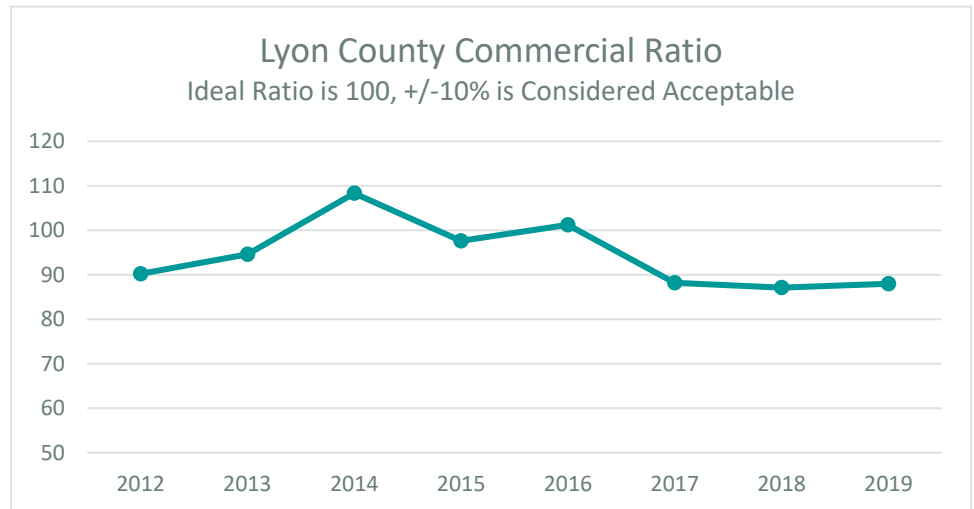
For **farmstead and rural residential properties**, the median sale price was \$225,000 in 2020. This compared to a median a sales price of \$195,000 in 2019 indicates a +15.4% increase sale price. As a result, many residential and farmstead property values in the rural increased for the 2021 year, although some were reduced in value due to the influence of several lower-priced sales. Ultimately, the value adjustments, whether up or down, were applied based on the most similar sale properties in relation to each individual subject property.

A study of the residential real estate market in Lyon County indicated an overall inflationary trend of +5.1% for residential property valuations.

For 2021, 84% of the residential and farmstead properties in Lyon County saw a valuation increase from their 2020 valuation.

## Commercial Properties

Regarding improved commercial class property, the commercial ratio study conducted by the Kansas Department of Revenue-Property Valuation Division has indicated that commercial property values are low compared to actual sale prices. The chart below shows a history of the commercial ratio results conducted by the State of Kansas. The ideal ratio is 100%, the last three years of results have produced an average ratio of 88%, indicating values have been 12% low during that time.



In 2020, Lyon County saw 18 valid, arms-length commercial sales. In the years prior there have been 21 sales in 2017, 19 sales in 2018, and 23 such commercial sales in 2019. Since a limited number of sales occur in any given year the sales comparison approach to value is often difficult to utilize. The cost and income approaches to value generally carry more weight in making valuation decisions.



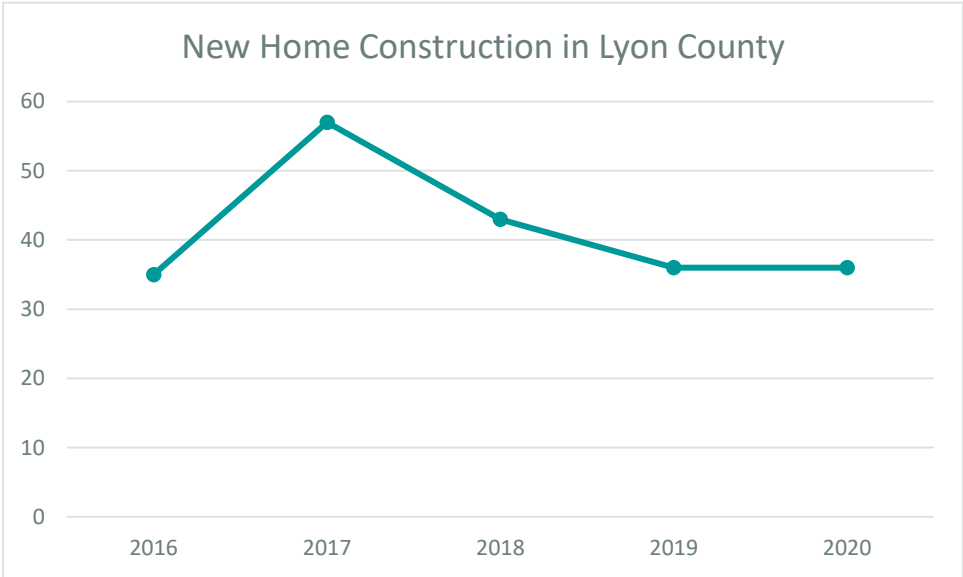
A study of the commercial real estate market in Lyon County indicated an overall inflationary trend of +2.0% for commercial property valuations in 2021.

For 2021, 60% of all commercial, industrial, and apartment properties in Lyon County saw a valuation increase from their 2020 valuation. While 31% saw a reduction in valuation from the prior year.

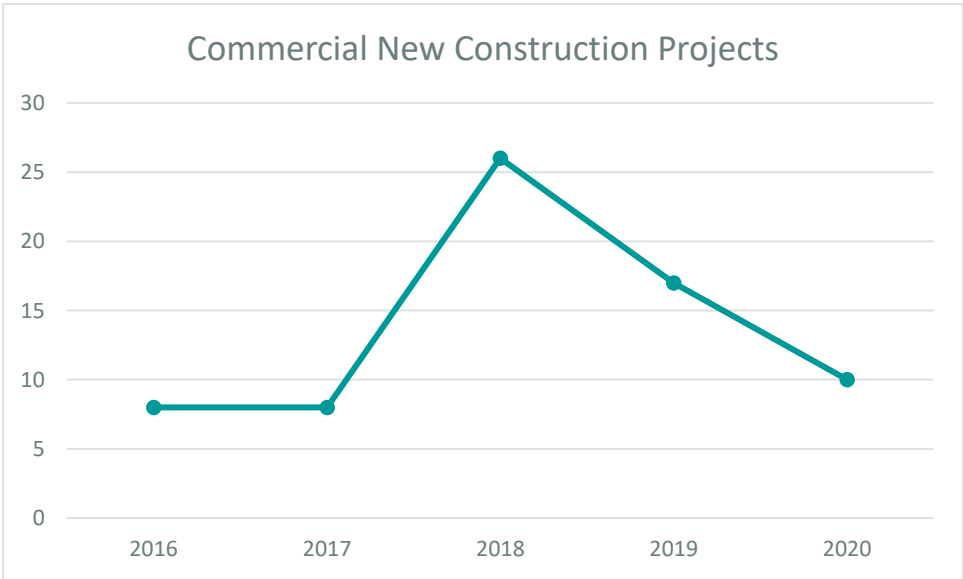
# New Construction

Lyon County has continued to see new construction take place in 2020. There was a total of 46 projects that broke ground in the county during the last calendar year. Lyon County also saw a steady number of remodels, renovations, additions, new outbuildings, and other improvements and upgrades to existing structures consistent with past years. In all, increased valuation attributed to new construction was approximately \$9.2 million for 2021.

After seeing a spike in new home construction 2017 with 57 new home builds, new construction has leveled off with 36 new homes in both 2019 and 2020.



In terms of commercial new construction projects, after a five year high of 26 projects in 2018 Lyon County has seen a downward trend in the number of new construction projects taking place



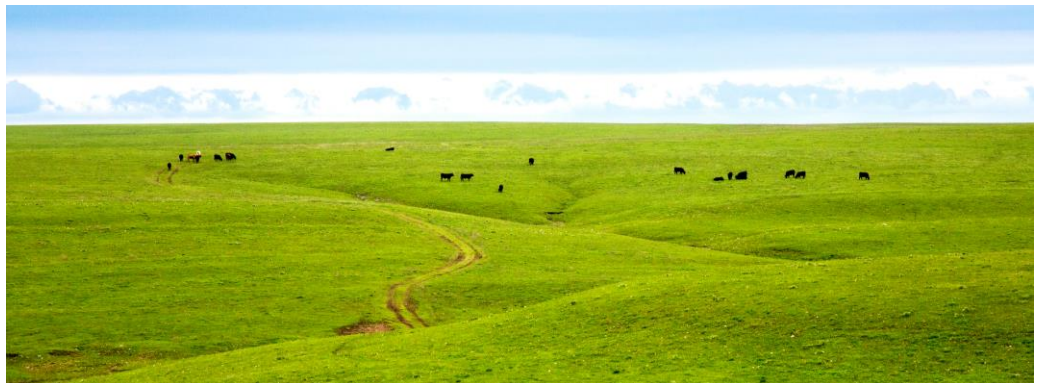
## Vacant Land

In general, non-agricultural land values, either as vacant land or as a component of improved property, have largely stabilized with no general upward or downward trend. Although, some properties have been adjusted, in some cases significantly, to account for either an under-appraisal or an over-appraisal in the prior year.

## Agricultural Land

Agricultural land, for property taxation purposes, is based on appraisal methodology utilizing eight years of data, with calendar year 2019 being the most recent complete year for which data has been compiled and used for the January 1, 2021 valuation date. Per Kansas statutes, land devoted to agricultural use is first identified and classed at the county level, then the acres are segregated based on federal soil surveys, and finally the income and expenses associated with crop and livestock production are analyzed conjunctively between Kansas Division of Property Valuation (PVD) staff and Kansas State University agricultural production analysts.

The agricultural use-values calculated for Lyon County by the state PVD division for the 2021 tax year have increased an average of \$6 per acre for crop land, while grass land increased by an average of \$5 per acre. Statistically, these increases indicate a median percentage change of +2.5% and +5.4% respectively compared to the 2020 agricultural use-value rates.



## Summary

With the exception of agricultural land, the valuation of residential, commercial, industrial, apartment, and vacant land properties is based on analysis of valid arms-length sales transactions. These sales contribute to the development of depreciation tables, market models, and capitalization rates. Additionally, some commercial and apartment property owners contributed rental income and landlord operating expense information for use in the development of income valuation models. Ultimately, reasonable and fair estimates of market value, as defined by statute, are sought and assessed as uniformly as possible.

Although valuation notices will have been mailed on March 1st, property owners are reminded that the effective appraisal date of their valuation is January 1, 2021. Therefore, sales of properties occurring since January 1 of this year cannot be considered in the establishment of valuation tables for the current tax year, nor can they be used as comparable sales in comp sales selection for residential home appraisals for the current year. Also, property owners should note that values on specific properties may not follow general trends because of changes in the property, correction of a property's descriptive information, or adjustment and equalization of values based on sales of similar properties.

Property owners' notification of the valuation of their property is a requirement of Kansas law. Statutes further allow property owners the opportunity to appeal the county's estimate of value at the time valuation notices are mailed. Property owners have 30 days from the date mailed to request an informal hearing with county appraiser staff. ***The deadline to appeal is March 30, 2021.*** However, questions regarding property values and confirmation of property characteristics are welcome at the appraiser's office at any time.

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**DID YOU KNOW?** Available to the public on the Lyon County Appraiser's web page is the most frequently requested appraisal data. This information can be found on-line at [www.lyoncounty.org](http://www.lyoncounty.org). Go to "County Appraiser" and click on "Parcel Search with Maps and Photos" to access this information.

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