

MASTERING MARKET-BASED ADJUSTMENTS



Meet Your INSTRUCTOR!



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COURSE LEARNING OBJECTIVES



Debunk common myths and misconceptions



Advance understanding of the various analyses being performed



Gain competence to perform these calculations



Be able to question the reliability of the data and results produced



Be capable of articulating your techniques, actions, and conclusions in a way that is meaningful to the reader

RETIRE THIS INFAMOUS LIST OF ADJUSTMENTS!

APPRAISAL ADJUSTMENTS
Portland Appraisals

Time Adjustments: Average Annual Appreciation from MLS stats factored monthly

Location: Up to 10% adjustment for location-best to avoid

Lot/Site: Effective lot size estimated; City \$1/sf-\$3/sf, Rural \$5k-\$10k per acre, less over 10 acre

View: Percentage adjustment common; up to 10%

Construction Quality: Based on sq ft of comp, from \$3 sq to \$10 sf

Age: ~~\$2-\$4k~~ ^{\$1k} adjustments per year Windows: \$10,000-15,000 based house size

Bedroom Count: \$4000-\$5000 per bedroom

Bathrooms: \$1k to \$3k per fixture ^{↑ Priced Homes} (toilet, sink, shower, tub)

Above Grade Sq Footage: \$35-\$50 per sq ft most common

Below Grade Sq Footage: \$15-\$25 for basement (half that for unfinished)

A/C & Fireplaces: \$1 per sq ft of home for each

Energy Efficient items: ½ of cost

Garage: \$5000-\$10,000 per bay depending on price point of home

Built-In Kitchen Appliances: \$1500-15,000 based on price point of home

Shops & Outbuilding: Similar to garage bays, not to exceed 10% of total home value

Landscape, Hardscape & Sprinklers: 1% to 5% of total value based on extent/care

Decks & Patios: \$1000 to \$20,000; fairly equal to cost

Inner Urban ADU: \$25,000 +/- based on market reaction to the amenity

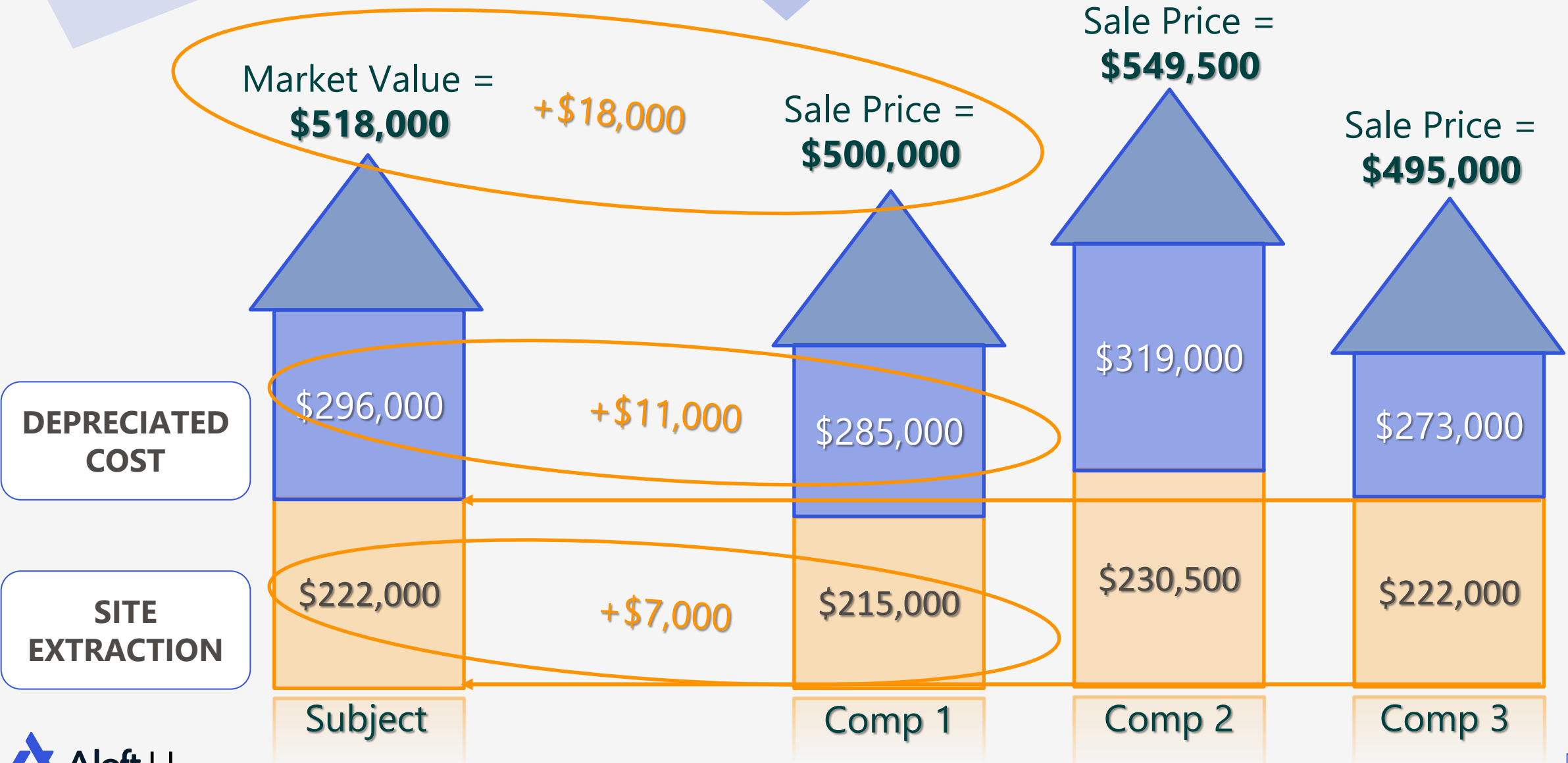
1 acre = 43560 sq ft.
1/4 acre = 10,890 ft.
1/2 acre = 21,780 ft.

TODAY'S VALUE PROPOSITION

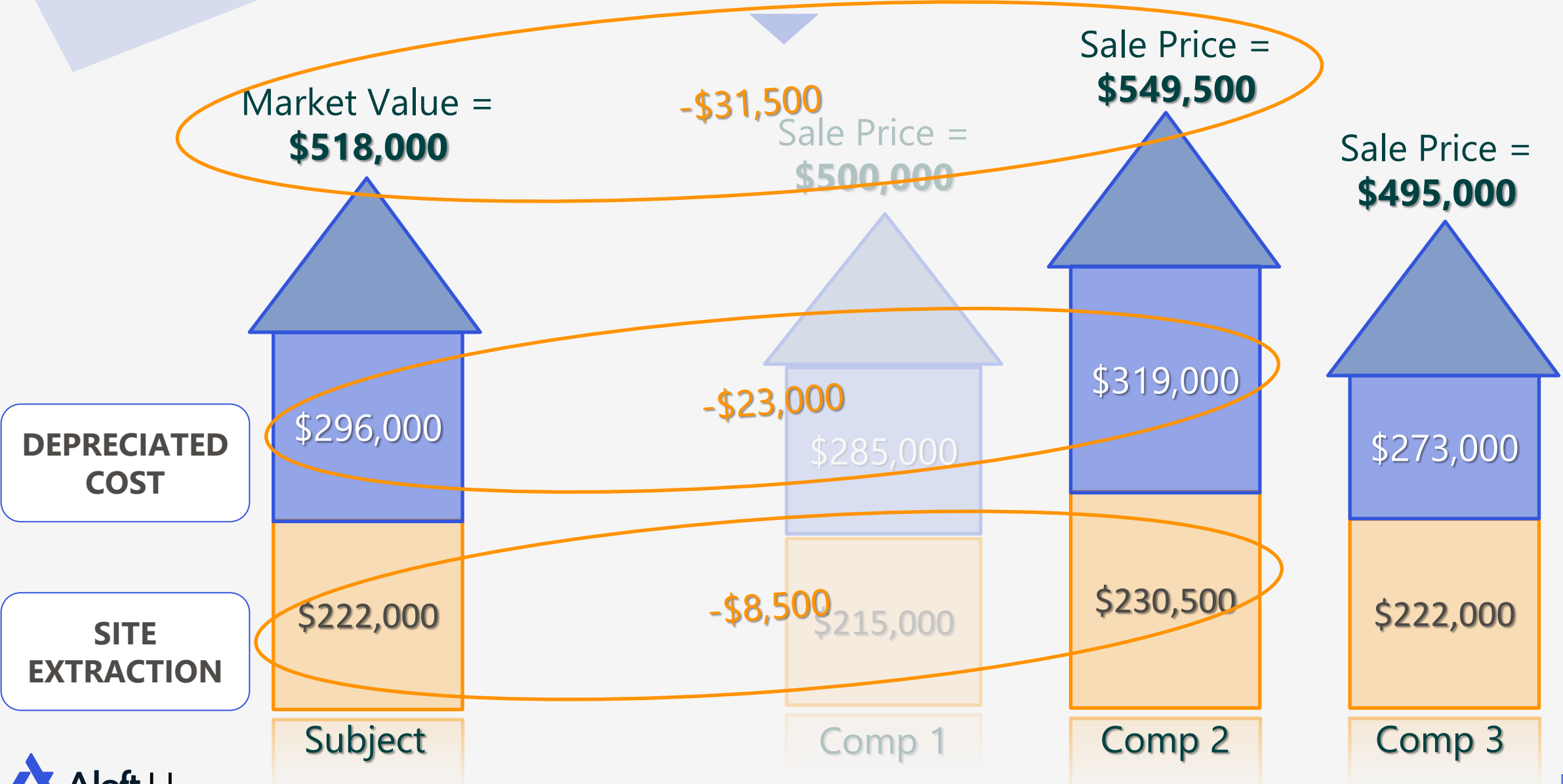
If you can learn to trust that the **cost approach** to value represents a **market value**, then I will show you how to use one mathematically sound method to calculate and validate all your sales comparison grid adjustments.

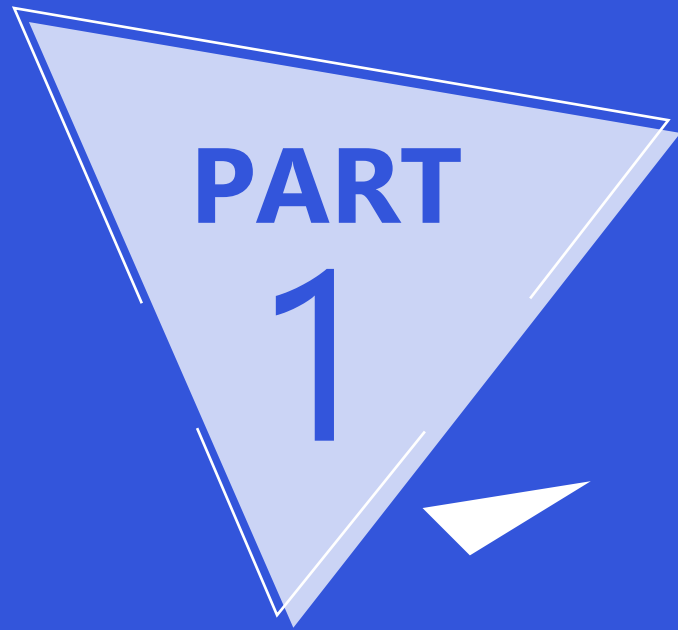
And have a completed **Sales Comparison** and **Cost Approach to Value!**

THE FRAMEWORK



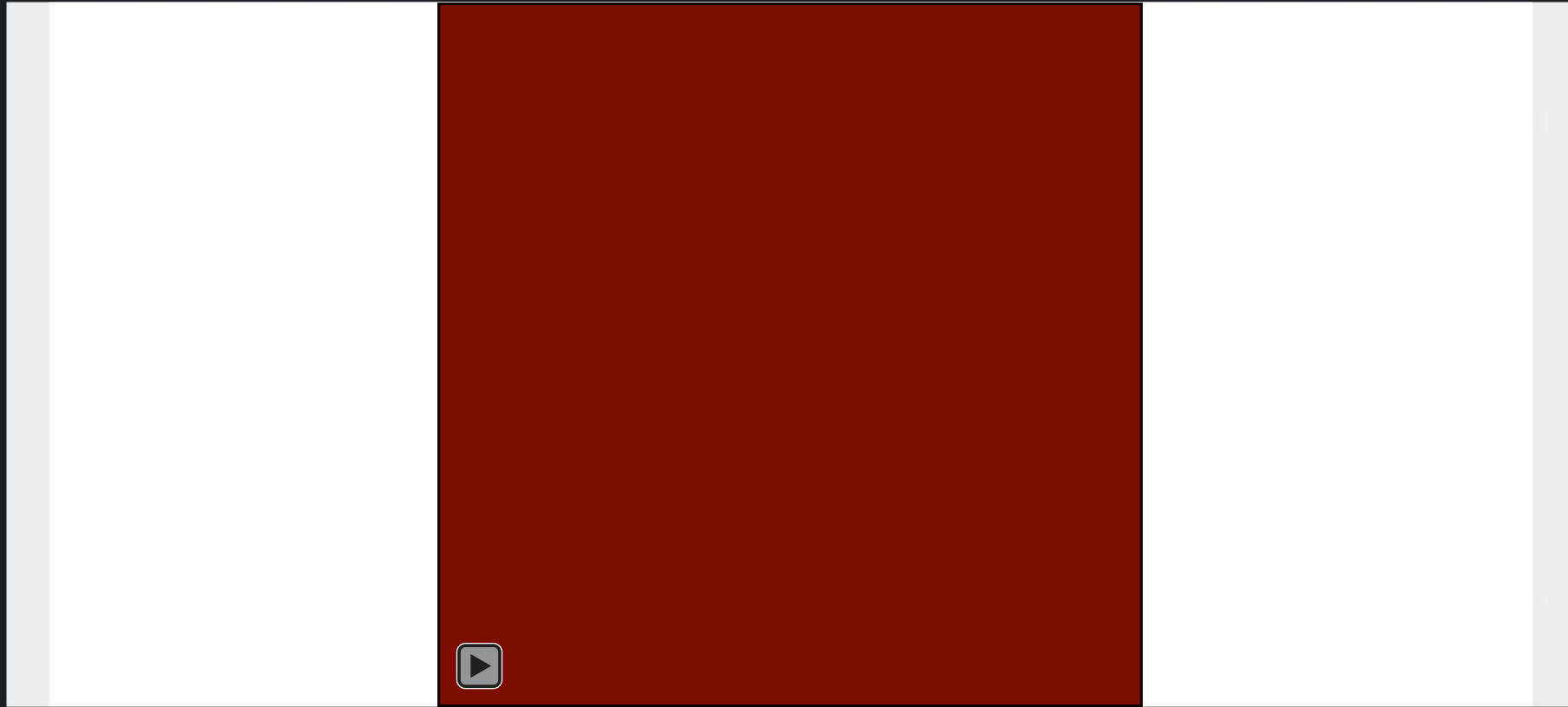
THE FRAMEWORK





MARKET TREND ANALYSIS

MARKETS ARE FLUID AND YOU SHOULD BE TOO



MYTH BUSTING



MYTH 1

I should only adjust when the sale is over 90 days

MYTH 2

There is not enough data to determine a market condition adjustments in rural markets

MYTH 3

My clients don't allow adjustments greater than 10%

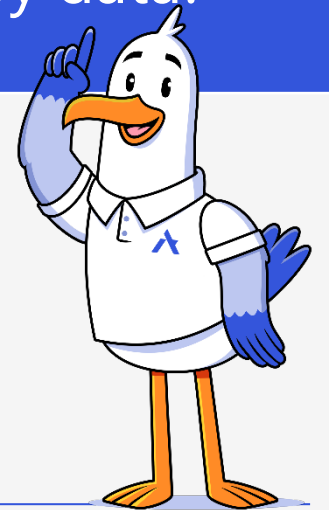
MYTH BUSTED



You should adjust any time the data demands it!

There is plenty of data for rural market adjustments!

Your clients are 100% fine with any adjustments backed by data!



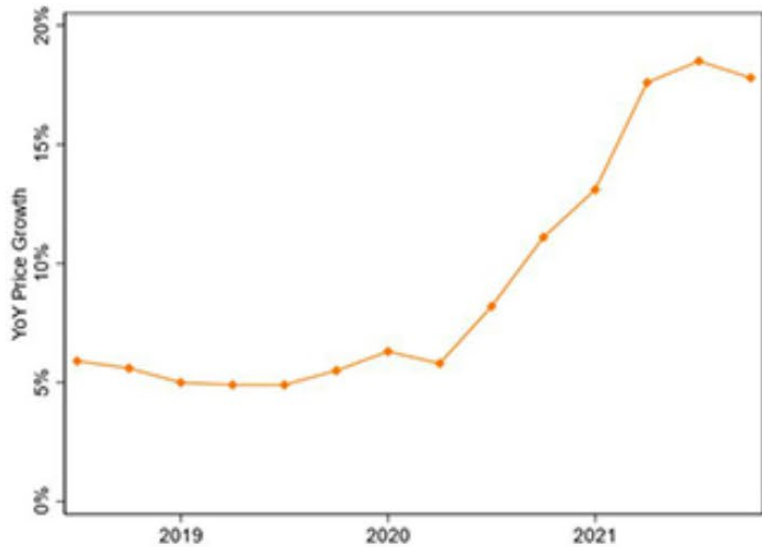
MISSING THE MARK(ET)



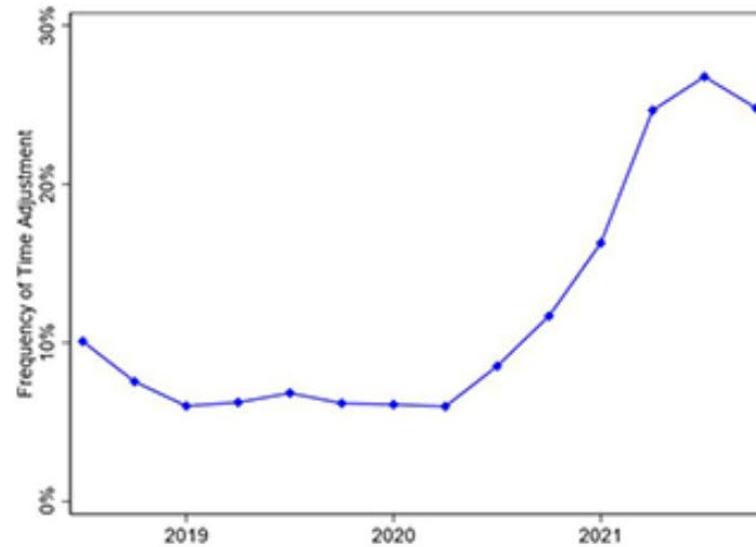
During the analysis period, the third quarter of 2018 through the fourth quarter of 2021, house prices generally rose, especially in 2021. Figure 1a shows that national house prices grew annually from 5 to 18 percent over this period. For residential real estate, recent sales of comparable properties are commonly used to determine a property's valuation. Because comparable sales in this analysis are typically six months old at the time of the appraisal, expected time adjustments would range from approximately 2.5 to 9 percent of the sales price, on average. However, Figure 1b shows that time adjustments are not very common. During much of the analysis period, appraisers time adjusted fewer than 10 percent of comparable sales. Even during the rapid price increases of 2021, time adjustment frequency rose only to about 25 percent.

MISSING THE MARK(ET)

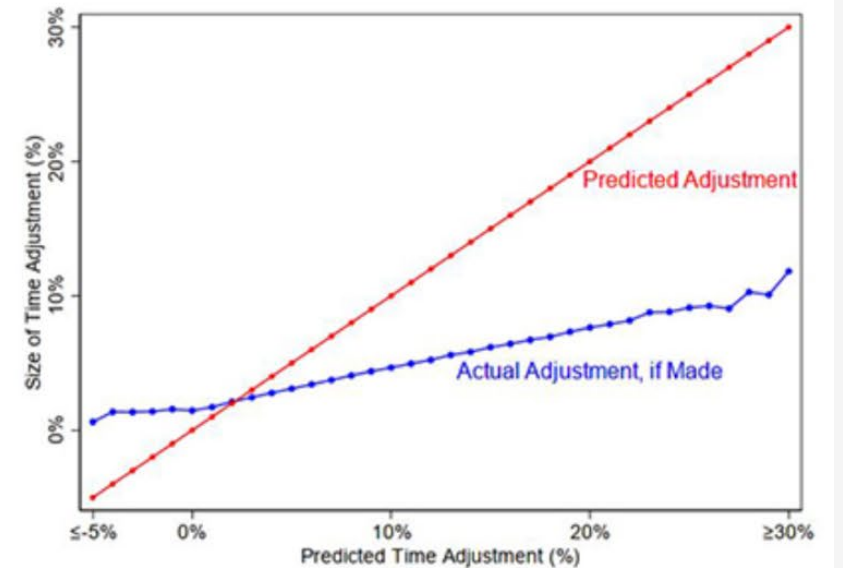
Year-Over-Year House Price Growth



Time Adjustment Frequency



Actual Time Adjusted vs. Predicted



MISSING THE MARK(ET)

APPRAISAL EFFECTIVE DATE: 12/30/2021

FEATURE	SUBJECT	COMPARABLE SALE # 1		COMPARABLE SALE # 2		COMPARABLE SALE # 3	
	Redmond, WA 98053	Redmond, WA 98053		Redmond, WA 98053		Redmond, WA 98053-	
Proximity to Subject		0.69 miles W		1.05 miles E		1.13 miles SE	
Sale Price	\$		\$ 1,355,000		\$ 1,275,000		\$ 1,425,000
Sale Price/Gross Liv. Area	\$ 472.49 sq.ft.	\$ 702.07 sq.ft.		\$ 671.05 sq.ft.		\$ 989.58 sq.ft.	
Data Source(s)		NWMLS DOM 1		NWMLS DOM 5		NWMLS DOM 3	
Verification Source(s)		Doc #202106032128/Realist		Doc #202106210008/Realist		Doc #202108171611/Realist	
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment
Sales or Financing		ArmLth		ArmLth		ArmLth	
Concessions		Conv:0		Conv:0		Conv:0	
Date of Sale/Time		s06/21;c05/21		s06/21;c05/21		s08/21;c07/21	
Location	N;Res;	N;Res;		N;Res;		N;Res;	

FEATURE	SUBJECT	COMPARABLE SALE # 4		COMPARABLE SALE # 5		COMPARABLE SALE # 6	
	Redmond, WA 98053-	Redmond, WA 98053-5901		Redmond, WA 98053-5906		Redmond, WA 98053-7861	
Proximity to Subject		0.03 miles SE		0.49 miles NE		0.86 miles W	
Sale Price	\$		\$ 1,360,000		\$ 1,118,000		\$ 1,275,000
Sale Price/Gross Liv. Area	\$ 472.49 sq.ft.	\$ 384.18 sq.ft.		\$ 423.48 sq.ft.		\$ 522.54 sq.ft.	
Data Source(s)		NWMLS DOM 0		NWMLS DOM 7		NWMLS DOM 5	
Verification Source(s)		Doc #202104082777/Realist		Doc #202104120690/Realist		Realist/County	
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment
Sales or Financing		ArmLth		ArmLth		Listing	
Concessions		Conv:0		Cash:0		Pending:0	
Date of Sale/Time		s04/21;c04/21		s04/21;c03/21		c11/21	
Location	N;Res;	N;Res;		N;Res;		N;Res;	

MISSING THE MARK(ET)

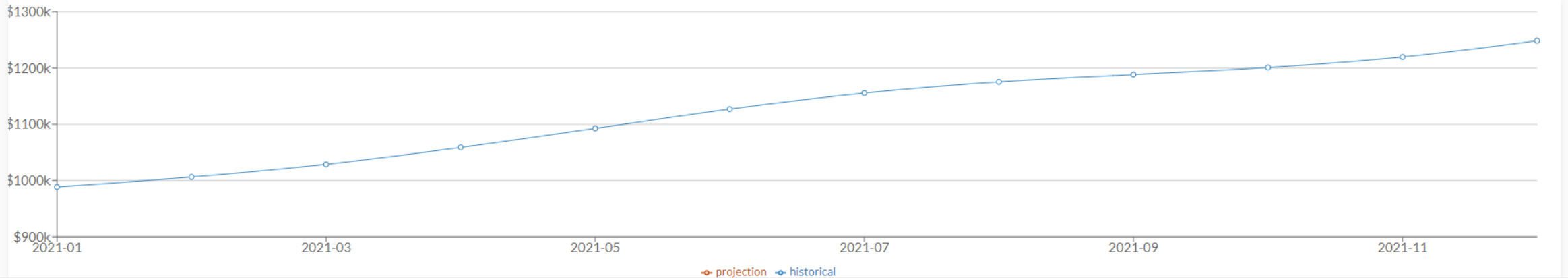
APPRAISAL EFFECTIVE DATE: 12/30/2021

Zillow Home Value Index (98053) ©

The Zillow Home Value Index for a given month is published within weeks of a month ending. The date of sale adjustments reflect the difference between the Typical Home Value of each month compared to the month of the effective date of the appraisal. If values have not been released for the current month, adjustments are based on the prior month.

6 Months 12 Months 24 Months

	2021-01	2021-02	2021-03	2021-04	2021-05	2021-06	2021-07	2021-08	2021-09	2021-10	2021-11	2021-12
Typical Home Value	\$988,598	\$1,006,367	\$1,028,734	\$1,058,931	\$1,092,723	\$1,127,004	\$1,155,565	\$1,175,436	\$1,188,547	\$1,201,053	\$1,219,670	\$1,248,642
Date of Sale Adj. ©	34.88%	32.50%	29.62%	25.92%	22.03%	18.31%	15.39%	13.44%	12.19%	11.02%	9.32%	6.79%
Comps Affected ©			C5	C4	C1, C2		C3					



ASSIGNMENT



INSTRUCTIONS:

Conduct a market trend analysis for the comparables.

Bring all prices to a current market value as of the effective date.

Conditions of Sale

Sales Concessions

Market Conditions

List-to-Sale Price

ASSIGNMENT



INSTRUCTIONS:

Conduct a market trend analysis for the comparables.

Support Conclusions with Market Data

Days on Market



Total Number of Comparable Sales and Listings



Absorption Rates and Months of Housing Supply



Resales and Sale History



Price Reductions and List to Sale Price Ratios



New Construction, Foreclosure Activity & Seller Paid
Concession Trends



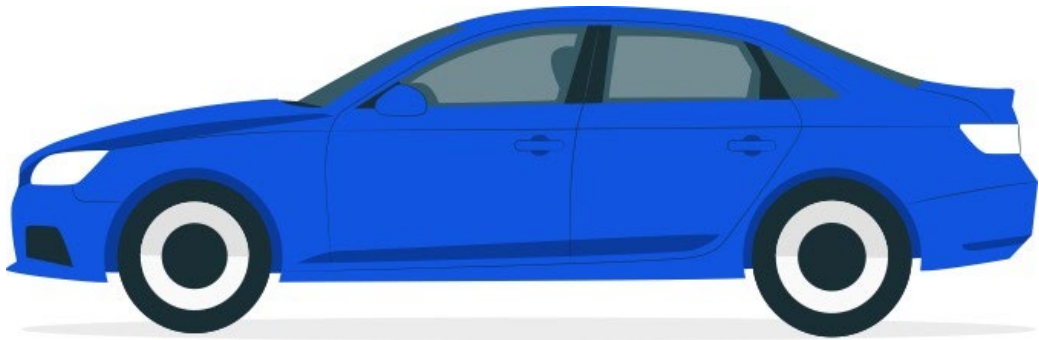


DEPRECIATION

A decorative graphic on the left side of the slide consists of a large, thin-lined triangle. Inside it, there is a smaller, solid blue triangle. To the left of this blue triangle, there is another solid blue triangle, partially cut off by the edge of the frame.

What factors drive each depreciation calculation?

IT'S ALL ABOUT DEPRECIATION!



CARS DEPRECIATE



PEOPLE DEPRECIATE

IT'S ALL ABOUT DEPRECIATION!

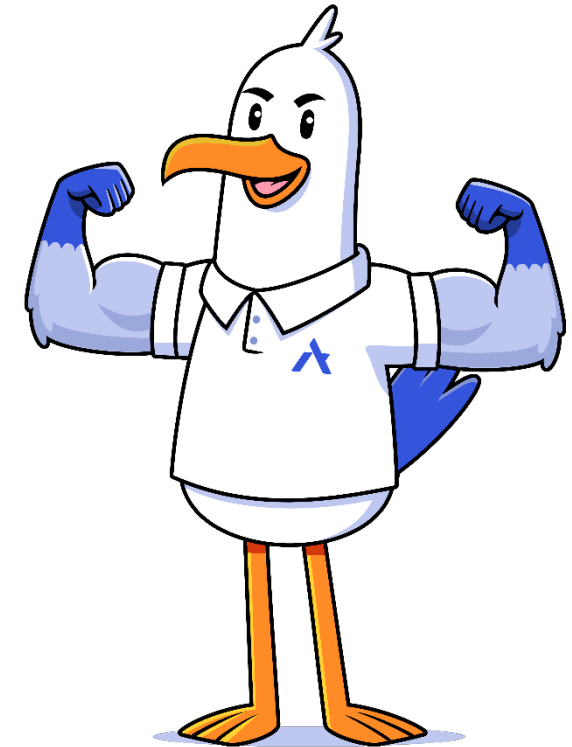
New-home sales typically make up only about 10% of the market.



HOUSES DEPRECIATE

IT'S ALL ABOUT DEPRECIATION!

DEPRECIATION NEEDS TO BE EVERY APPRAISER'S CORE COMPETENCY.



TERMS TO KNOW



Depreciation: A loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.

PHYSICAL DETERIORATION

Impairment of **condition**; a cause of depreciation that reflects the loss in value due to wear and tear, disintegration, use in service, and the action of the elements.

FUNCTIONAL OBSOLESCENCE

The impairment of functional capacity of improvements according to market tastes and standards.

EXTERNAL/ECONOMIC OBSOLESCENCE

A diminution in value caused by negative external influences and generally incurable on the part of the owner, landlord, or tenant. The external influence may be either temporary or permanent.

TERMS TO KNOW



DEPRECIATED COST

- **Definition:** Cost less depreciation as of the date of the appraisal.
-
- When adjustments are made based on the depreciated cost method, what adjustments would you not expect to see in the sales comparison grid?

CONTRIBUTORY VALUE

- **Definition:** A type of value that reflects the amount a component of a property contributes to the value of the property as a whole.
-
- What does this mean when an adjustment is made based on the contributory value of a feature?
 - What does the appraiser typically double adjust for when making adjustments based on contributory value of the feature?

AGE/LIFE METHOD

Straight-line Depreciation

A method of estimating depreciation in which the ratio between the effective age of a building and its total economic life is applied to the current cost of the improvements to obtain a lump-sum deduction.

$$\left(\begin{array}{c} \text{EFFECTIVE AGE} \\ 12 \end{array} \div \begin{array}{c} \text{ECONOMIC LIFE} \\ 60 \end{array} \right) \times \begin{array}{c} \text{RCN} \\ 480,000 \end{array} = \begin{array}{c} \text{DEPRECIATION} \\ \$96,000 \end{array}$$

OPINION OF SITE VALUE				= \$ 550,000
Dwelling	1290	Sq. Ft. @ \$240.26	.....	= \$ 309,935
	1220	Sq. Ft. @ \$109.07	.....	= \$ 133,065
Deck				7,327
Garage/Carport	420	Sq. Ft. @ \$ 70.65	.....	= \$ 29,673
Total Estimate of Cost-New				= \$ 480,000
Less	Physical	Functional	External	
Depreciation	96,000			=()
Depreciated Cost of Improvements				= \$ 384,000
"As-is" Value of Site Improvements				= \$
Indicated Value By Cost Approach				= \$ 934,000

EXTRACTION METHOD

Physical Depreciation Extraction

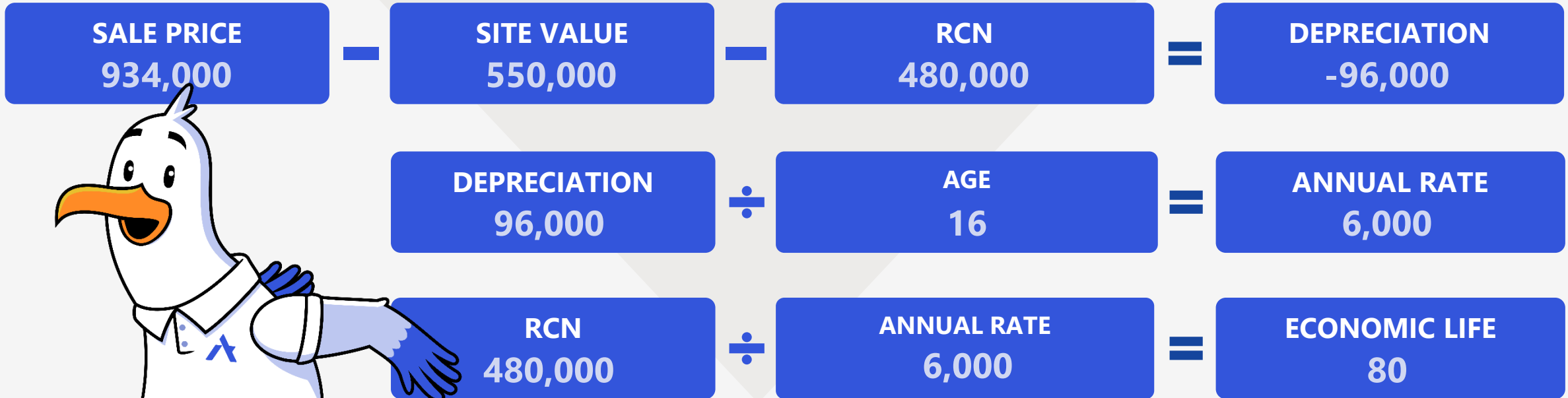
A method of estimating depreciation in which the site value and the RCN of the improvements on an improved property is calculated and deducted from the total sale price to arrive at an estimated amount of depreciation.

$$\begin{array}{r}
 \text{SALE PRICE} \\
 934,000
 \end{array}
 -
 \begin{array}{r}
 \text{SITE VALUE} \\
 550,000
 \end{array}
 -
 \begin{array}{r}
 \text{RCN} \\
 480,000
 \end{array}
 =
 \begin{array}{r}
 \text{DEPRECIATION} \\
 -96,000
 \end{array}$$

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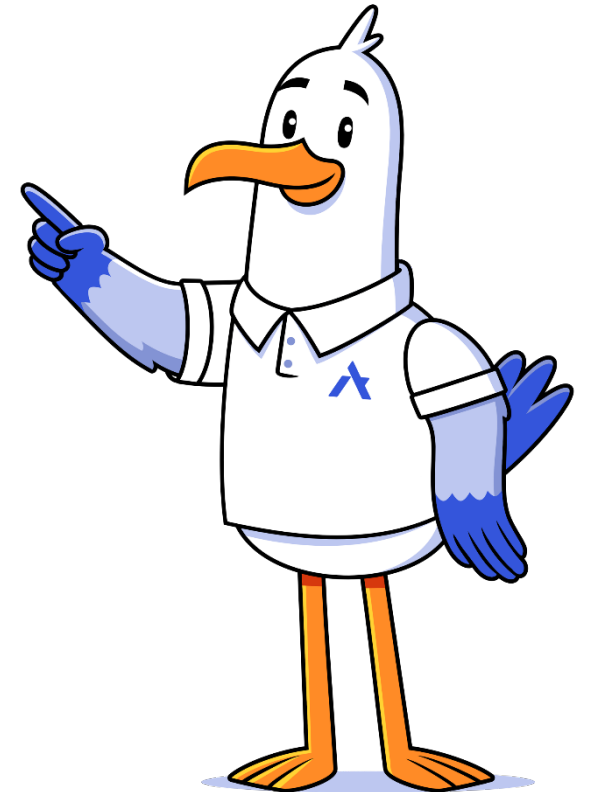
EXTRACTION METHOD

Solving for Economic Life



What do we know about properties that suffer from functional or external obsolescence?


THEY SELL FOR LESS!



This property has an effective age of 16 and a total economic life of 80 years. Using the techniques learned, calculate this property's functional depreciation.



OPINION OF SITE VALUE				= \$ 550,000
Dwelling 1290	Sq. Ft. @ \$240.26	.....		= \$ 309,935
1220	Sq. Ft. @ \$109.07	.....		= \$ 133,065
Deck			7,327	
Garage/Carport 420	Sq. Ft. @ \$70.65	.....		= \$ 29,673
Total Estimate of Cost-New				= \$ 480,000
Less	Physical	Functional	External	
Depreciation	\$96,000	\$48,000		=\$(144,000)
Depreciated Cost of Improvements.....				= \$ 336,000
"As-is" Value of Site Improvements.....				= \$
Indicated Value By Cost Approach				= \$ 886,000

 Settings
Click to start





SITE VALUATION

TERMS TO KNOW



COMPARISON

The process of deriving a site value for the subject property by comparing sale of similar land sales, identifying appropriate units of comparison, and making adjustments to the sale prices based on relevant, market-derived elements of comparison.

SITE EXTRACTION

A method of estimating land value in which the depreciated cost of the improvements on an improved property is calculated and deducted from the total sale price to arrive at an estimated sale price for the land.

ALLOCATION

A method of estimating land value in which sales of improved properties are analyzed to establish a typical ratio of land value to total property value and this ratio is applied to the property being appraised or the comparable sale being analyzed.



TERMS TO KNOW



Raw Land: Land in its natural state before grading, draining, subdivision, or the installation of utilities.



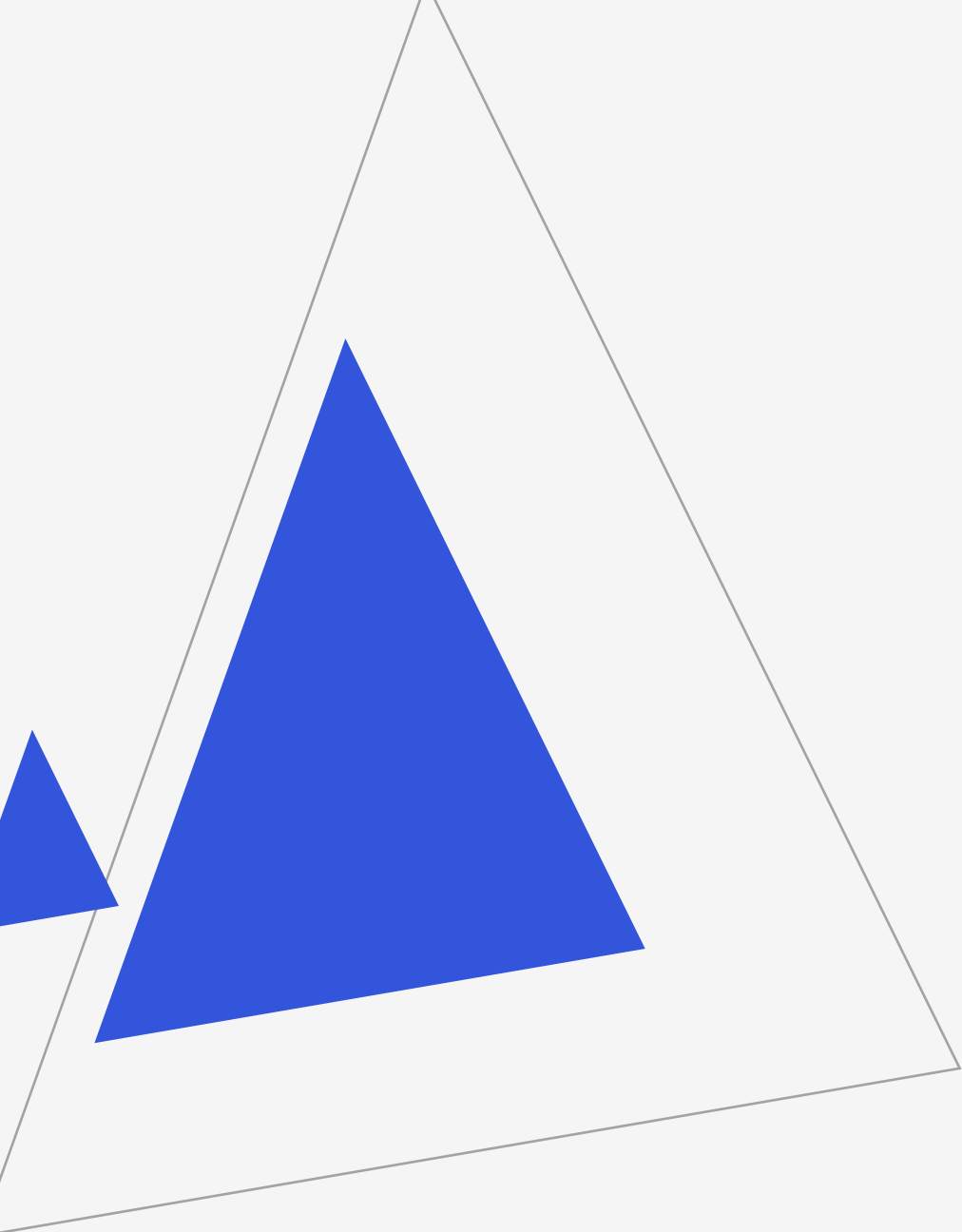
Site: Improved land or a lot in a finished state so that it is ready to be used for a specific purpose.



As-is Value of Site Improvements

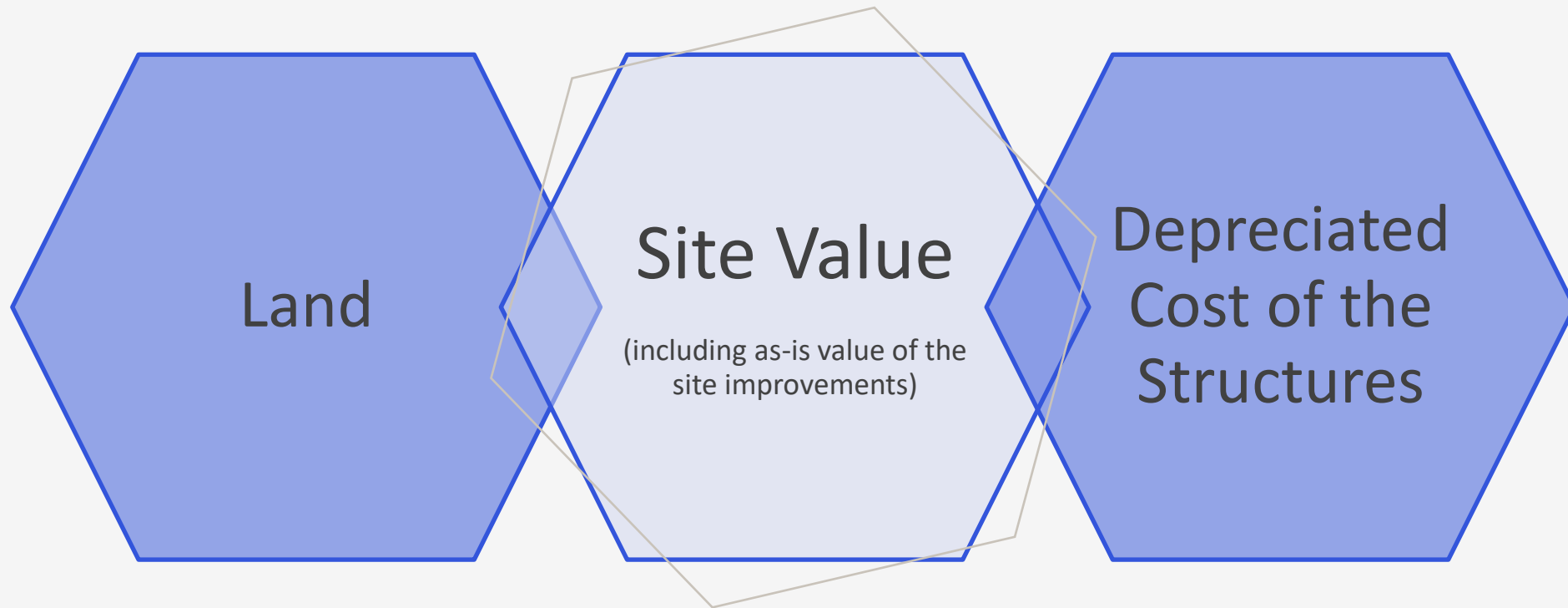
On and off a site improvements that make it suitable for its intended use or development. On-site improvements include grading, landscaping, paving, and utility hookups; off-site improvements include streets, curbs, sidewalks, drains, and connecting utility lines.



A decorative graphic on the left side of the slide consists of a large, thin-lined grey triangle. Inside it is a smaller, solid blue triangle. To the left of this blue triangle is another smaller, solid blue triangle, partially cut off by the edge of the slide.

**What site
valuation method
do you use most?**

THE DILEMMA



SALE COMPARISON: LAND VS SITE



ELEMENTS OF COMPARISON

LOCATION



SITE UTILITY



SITE SIZE



HIGHEST & BEST USE



VIEW



MARKET CONDITIONS



SITE IMPROVEMENTS AND AMENITIES



SALE COMPARISON: LAND VS SITE

\$

Raw Land

Site

MLS#: **2010740**

Community: **Sierra**

School District: **Coupeville**

Potential Terms: **Cash Out, Conventional**

Status: **Sold (08/15/2023)**

Area: **813 - North Whidbey Island**

CDOM: **200**

Lot Size: **.196 ac/8,527 sf**

Listing Price: **\$55,000**

Original LP: **\$70,000**

SP%LP: **109.09%**

Sold Price: **\$60,000**



4 / 12



Marketing Remarks



UPDATE: Sierra water connection just awarded to this lot! Owner will pay \$5000 deposit upon mutual acceptance of offer. Perfect spot for a manufactured home in sunny Sierra Country Club! Neighborhood features amazing water and mountain views and great community amenities including pool, clubhouse, and private beach. Libbey Beach and Fort Ebey State Park are very near with beaches, trails, old military fort. Wildlife is plentiful in this convenient location 15 min from downtown Oak Harbor and 7 min from Coupeville. Don't miss this opportunity to build in Sierra which only comes once every 2 years.

Broker Remarks

See attached docs and Sierrahoa.com FAQ page for full info about water connection process and discuss with listing agent to understand how this process works with a piece of land changing hands. Seller will pay \$5000 deposit toward total \$18,000 cost of water connection. See attached docs for site reg and thorough info about developing in Sierra. Prelim title done at Chicago Title Oak Harbor - Jamie Whiton. DBL Listed MLS #2013044 (812).

SALE COMPARISON: LAND VS SITE



❖ **Raw Land**

Site

Site Information

Road Information: **County Maintained, Paved**

Water Access:

Property Features: **Brush**

Lot Details: **Paved Street**

Improvements:

Topography: **Level**

Reports/Documents Completed: **CCRs, See Remarks**

Road Side: **South**

Community Features: **CCRs, Clubhouse, Community Waterfront/Pvt Beach, Playground**

Utility Information

Sewer: **Not Available**

Gas: **Not Available**

Electricity: **In Street**

Septic System Installed: **No**

Septic Approved Num of Bedrooms:

Soil Feasibility Test Available: **Yes**

Soil Test Date: **2022**

Septic Design Applied For: **No**

Septic Design Approval Date:

Water Jurisdiction: **Sierra Country Club (King Water)**

Water: **See Remarks**

SALE COMPARISON: LAND VS SITE



The URAR form allows for an estimate of the contributory or “as is” value of these improvements (NOT their cost). Although the “as is” value of site improvements should be based on the value differences you see between “sites” and “land” (no site improvements), I think most appraisers generally begin with a kind of “rule of thumb” starting point (e.g., 5-10% of site value, or \$30,000-75,000) depending on what they see in their market. And then that amount may be adjusted for properties with extensive improvements (when they are contributing value).

DO YOU AGREE?

SALE COMPARISON: LAND VS SITE



2023-2024 Fee Guide 01 Pre-Development Services

Pre-Application Review (a)		Fee Amount
Pre-application conference for already-built construction project – residential (b)		\$874
Pre-application conference for already-built construction project – commercial (b)		\$3,497
Pre-application conference for all other projects, each County staff person		\$874
Pre-application site visit, per trip		\$437
Inquiries and Interpretations		Fee Amount
Consultation or zoning certification letter:	existing zoning designation or development rights	\$291
	development potential, historic research or other	\$874
Code interpretation		\$250
Critical Area Designation		Fee Amount
Minimum fee amount <u>due at application</u> , per parcel		\$989
Additional fee(s) for review or resubmittal if critical area is present: (c)	ecological critical area(s)	\$730
	geological critical area(s)	\$730
Work Without Permit Investigation (d)		Fee Amount
Single family dwelling:	remodel without addition	\$480
	accessory structure 500 square feet or smaller	\$465
	accessory structure more than 500 square feet	\$980
	garage or living space addition or conversion	\$1,872
	new accessory dwelling unit	\$2,743
	new mobile home	\$1,165
	new custom home	\$4,893
Commercial structure:	alterations to existing building	\$1,165
	new building	\$4,893
Site improvements:	minor improvement not maintained by County	\$584
	requiring basic review with standardized conditions	\$1,224
	requiring standard or other review	\$2,178
Land disturbance:	clearing less than 0.2 acre	\$584
	grading less than 2,000 square feet	\$584
	grading between 2,000 square feet and 0.2 acre	\$1,021
	grading or clearing more than 0.2 acre	\$2,477

Do the research!

SALE COMPARISON: LAND VS SITE



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How much do on and off a site improvements cost?

A lot!

SALE COMPARISON: LAND VS SITE



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How much of these costs are included in RCN?

None!

SALE COMPARISON: LAND VS SITE



DwellingCost “Replacement Cost results include contractor’s profit but do not include Entrepreneurial profit. Entrepreneurial profit refers to the incentive necessary for one to develop raw land. If a market has building sites available there is often a disparity between Cost to Build + Cost of Site and what the value would be for a similar site with a new house on it. The difference between the two is Entrepreneurial Profit, or the incentive to go through the process of constructing the improvements.

As part of developing the Cost Approach to value, we are estimating the Replacement Cost New (RCN) of the structure; therefore, Entrepreneurial Profit should not be included here as it would give the reader of the report flawed information. For instance, if the improvements were to be destroyed, Entrepreneurial Profit would not be necessary to rebuild it, as a party with an interest in the property (i.e., the property owner, lender, or insurance company) already has incentive to rebuild the structure.”

But wait, there may be more!

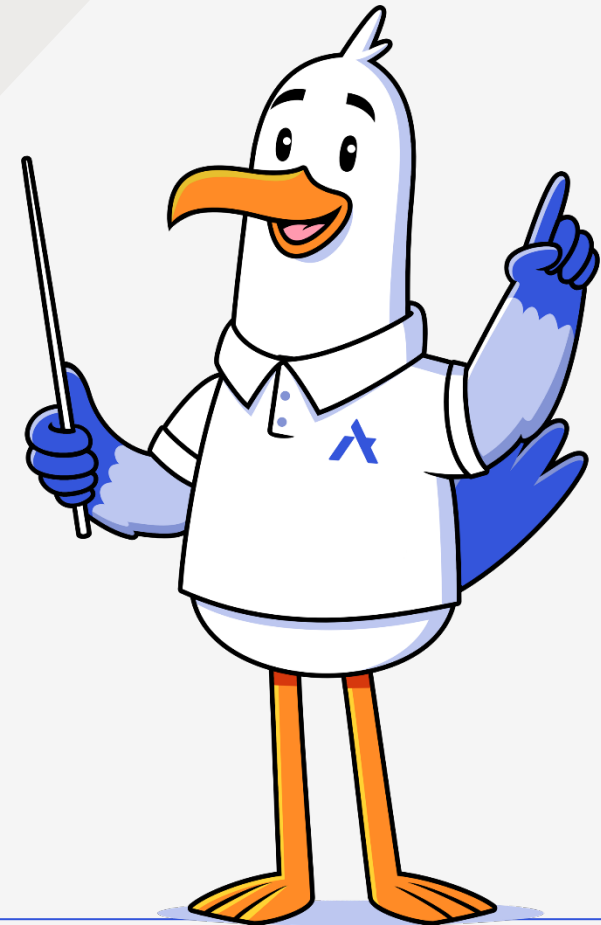
DO YOUR REPLACEMENT COST RESULTS INCLUDE CONTRACTOR’S PROFIT AND ENTREPRENEURIAL PROFIT?

SALE COMPARISON: LAND VS SITE



KEY TAKEAWAYS

- 1** Raw land does not equal site value. Therefore, appraiser's need to be careful when relying on land sales.
- 2** As-is value of the site improvements may or may not already be included in the site value
- 3** You need to know how your cost data provider calculates costs. What's included, versus what is the appraiser's responsibility.



SITE EXTRACTION METHOD



THE ALTERNATIVE

SITE EXTRACTION METHOD



THE MATH

OPINION OF SITE VALUE				= \$
Dwelling	Sq. Ft. @ \$		RCN	= \$
	Sq. Ft. @ \$			= \$
Garage/Carport	Sq. Ft. @ \$			= \$
Total Estimate of Cost-New				= \$
Less	Physical	Functional	External	Market Reaction
Depreciation				= \$()
Depreciated Cost of Improvements				= \$
"As-is" Value of Site Improvements				= \$
Indicated Value By Cost Approach				= \$

$$\text{SALE PRICE} - \text{DEPRECIATED COST OF THE IMPROVEMENT} = \text{SITE VALUE}$$

SITE EXTRACTION METHOD



THE MATH

COUPEVILLE EXAMPLE: SALE 1

REPLACEMENT COST NEW (RCN):

Feature	SF	Cost/SF	Cost
Dwelling Cost	1,144 sf	\$154.62	\$176,885
Garage Cost	410 sf	\$54.73	\$22,439
Porch Cost	261 sf	\$30.95	\$8,078
Deck Cost	289 sf	\$14.09	\$4,072
Shed Cost	120 sf	\$21.45	\$2,574
Total Cost New			\$214,048

DEPRECIATION:

Total Cost New	\$214,048
x (Effective Age/Economic Life)	x 0.33
Total Depreciation	\$71,350

DEPRECIATED COST OF THE IMPROVEMENTS =
\$142,698

(a.k.a. Contributory Value)

SITE EXTRACTION CALCULATION



THE MATH

COUPEVILLE EXAMPLE: SALE 1

THE EQUATION

	Sale Price
-	Depreciation Cost of Improvements
<hr/>	
=	Site Value + Site Improvements

THE MATH: SALE 1

	\$417,200
-	\$142,698
<hr/>	
	\$274,502

SITE IMPROVEMENTS

	\$274,502
-	\$60,000
<hr/>	
	\$214,502

SITE EXTRACTION METHOD



SUBJECT ASSESSMENT HISTORY

▼ Assessment & Tax

Assessment Year	2023	2022	2021
Assessed Value - Total	\$200,000	\$14,000	\$11,000
Assessed Value - Land	\$200,000	\$14,000	\$11,000
Market Value - Total	\$200,000	\$14,000	\$11,000
Market Value - Land	\$200,000	\$14,000	\$11,000
Yoy Assessed Change (\$)	\$186,000	\$3,000	
Yoy Assessed Change (%)	1,328.57%	27.27%	

ALLOCATION METHOD



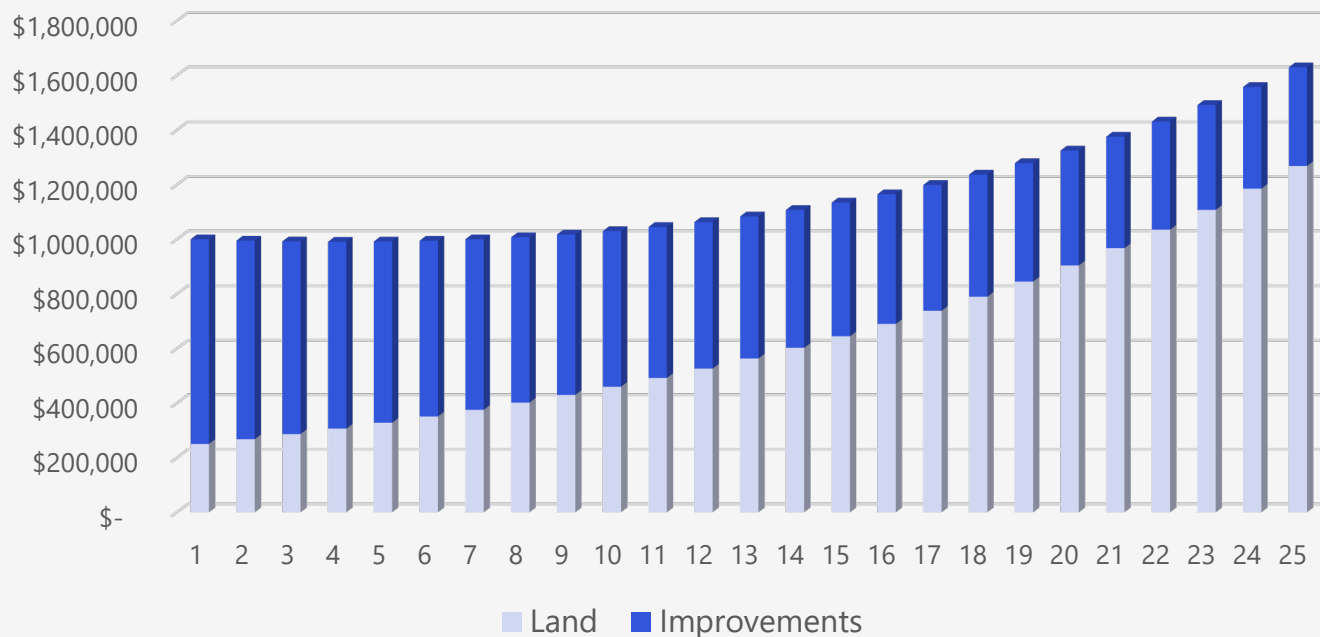
THE ALTERNATIVE

ALLOCATION METHOD



SITE VALUE

Land to Value Ratios Over Time



- Land values generally appreciate over time.
- Improvement values depreciate over time due to physical, functional, and external obsolescence.
- Depreciation of improvements depends on their remaining economic life.
- Differences in improvements or site characteristics lead to varying land-to-value ratios.
- There is no one size fits all allocation percentage.

ALLOCATION METHOD



THE MATH

COUPEVILLE EXAMPLE – 8,527 SF

THE EQUATION

Site Value

÷ Total Value

= Site to Value Ratio

The Math: Sale 1 - 8,441 sf

SALE	ASSESSMENT
\$274,502	\$275,000
÷ \$417,200	÷ \$476,272
.66 or 66%	.58 or 58%

The Math: Sale 2 - 10,173 sf

SALE	ASSESSMENT
\$283,304	\$200,000
÷ \$410,000	÷ \$377,914
.69 or 69%	.53 or 53%

SITE ADJUSTMENTS



SITE, VIEW & LOCATION

SITE ADJUSTMENTS



SUBJECT
\$275,000
8,527 sf; Res

SALE 1
\$274,502
8,441 sf; Res

SALE 2
\$283,304
10,173 sf; Res

SALE 3
\$345,500
16,823 sf; Wtr

SALE 4
\$300,115
19,602 sf; Res

THE EQUATION:	THE MATH: SALE 1
SUBJECT'S SITE VALUE	\$275,000 - \$274,500 = \$498
- COMPS SITE VALUE	Site Size Adjustment = \$0
TOTAL SITE ADJUSTMENT	View Adjustment = \$0

SITE ADJUSTMENTS



SUBJECT
\$275,000
8,527 sf; Res

SALE 1
\$274,502
8,441 sf; Res

SALE 2
\$283,304
10,173 sf; Res

SALE 3
\$345,500
16,823 sf; Wtr

SALE 4
\$300,115
19,602 sf; Res

THE EQUATION:	THE MATH: SALE 2
SUBJECT'S SITE VALUE	$\$275,000 - \$284,304 = -\$8,304$
- COMPS SITE VALUE	Site Size Adjustment = $-\$8,500$
TOTAL SITE ADJUSTMENT	View Adjustment = $\$0$

SITE ADJUSTMENTS



SUBJECT
\$275,000
8,527 sf; Res

SALE 1
\$274,502
8,441 sf; Res

SALE 2
\$283,304
10,173 sf; Res

SALE 3
\$345,500
16,823 sf; Wtr

SALE 4
\$300,115
19,602 sf; Res

THE EQUATION:	THE MATH: SALE 3
SUBJECT'S SITE VALUE	$\$275,000 - \$345,500 = -\$70,500$
- COMPS SITE VALUE	Site Size Adjustment = $-\$25,000$
TOTAL SITE ADJUSTMENT	View Adjustment = $-\$45,000$

SITE ADJUSTMENTS



SUBJECT
\$275,000
8,527 sf; Res

SALE 1
\$274,502
8,441 sf; Res

SALE 2
\$283,304
10,173 sf; Res

SALE 3
\$345,500
16,823 sf; Wtr

SALE 4
\$300,115
19,602 sf; Res

THE EQUATION:

SUBJECT'S SITE VALUE
- COMPS SITE VALUE
TOTAL SITE ADJUSTMENT

THE MATH: SALE 4

\$275,000 - \$300,115 = -\$25,115
Site Size Adjustment = -\$25,000
View Adjustment = \$0

SITE VALUATION

THE BOTTOM LINE ABOUT SITE EXTRACTION



Fannie Mae®

We were surprised to find that appraisers often do not adjust for large differences in site size. For example, when the comparable site is at least three times as large as the subject (top row in the table), appraisers made no adjustment nearly half the time. When they did adjust, the average adjustment was only about 3% of the comparable price. Contrast that with the average CU adjustment rate of more than five times greater. This pattern implies that many appraisers find little contributory value from land in high-density locations, which is counterintuitive. We encourage appraisers to re-examine their approach to site size adjustment.”

<https://singlefamily.fanniemae.com/media/36276/display>

Lot sizes ≤4,000 sq. ft.

Comparable lot size	Frequency of appraiser adjustment	Size of appraiser adjustment (avg)	CU model adjustment (avg)
Comp 200%+ larger	53.3%	-2.8%	-15.7%
Comp 100% - 200% larger	47.9%	-1.2%	-10.1%
Comp 50% - 100% larger	35.3%	-0.6%	-6.8%
Comp 25% - 50% larger	20.3%	-0.2%	-4.2%
Comp 10% - 25% larger	7.8%	-0.1%	-2.2%
Comp < 10% larger	2.5%	0.0%	-0.6%
Comp = Subject	0.1%	-0.1%	0.0%
Comp < 10% smaller	2.5%	0.0%	0.6%
Comp 10% - 25% smaller	7.9%	0.1%	2.8%
Comp 25% - 50% smaller	18.5%	0.3%	6.6%
Comp 50% - 100% smaller	27.4%	0.5%	13.8%

SITE VALUATION



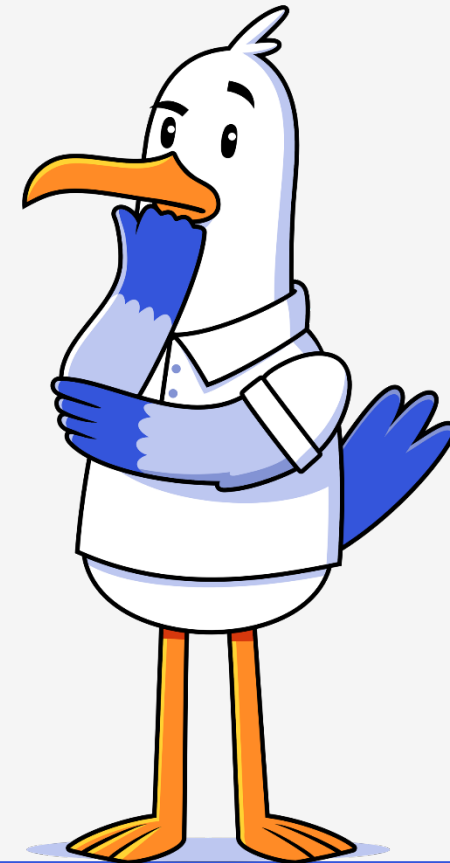
TAKEAWAYS



Site adjustment practices need to change



Accurate site adjustments begin with knowing the underlying site value





PAIRED COST FRAMEWORK

INTRODUCING THE FRAMEWORK



INTRODUCTION

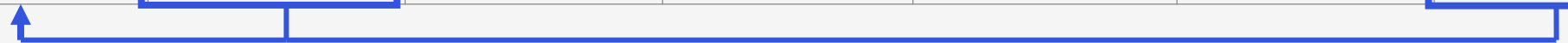
- Provides guardrails for adjustment practices
- Avoids omitted adjustments or double adjustments
- Builds greater consistency between appraisers

	Subject 7,492 sf	Comp 1 6,708 sf
Sale Price	N/A	\$810,000
Cost New	\$513,276	\$375,226
Depreciation	-\$92,535	-\$93,806
Depreciated Cost	\$420,741	\$281,420
Site value	\$560,000	\$538,680
Difference in improvement value		\$139,321
Quality		
GLA		
Condition		
Garage		
Pool		
Net improvement related adjustments		

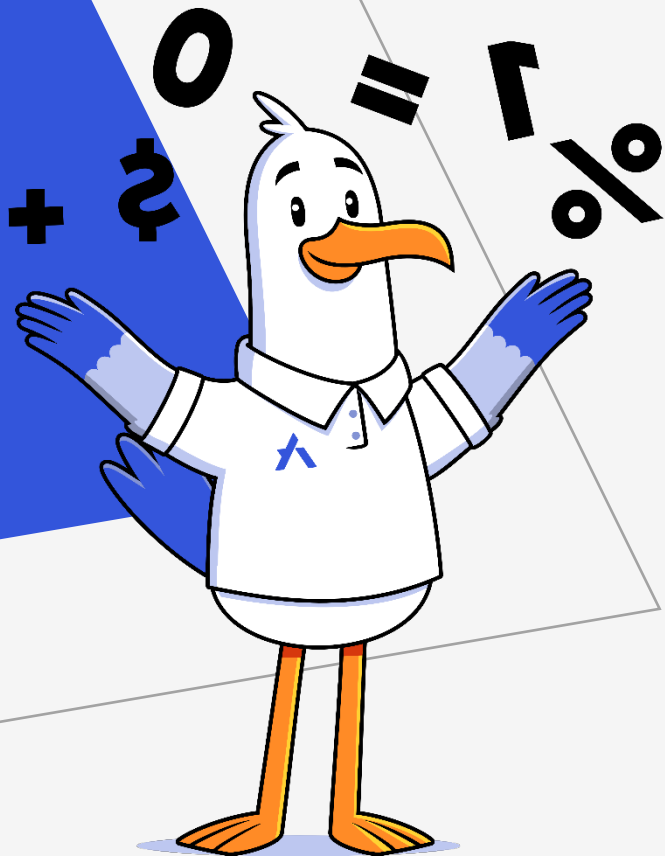
LAND EXTRACTION METHOD



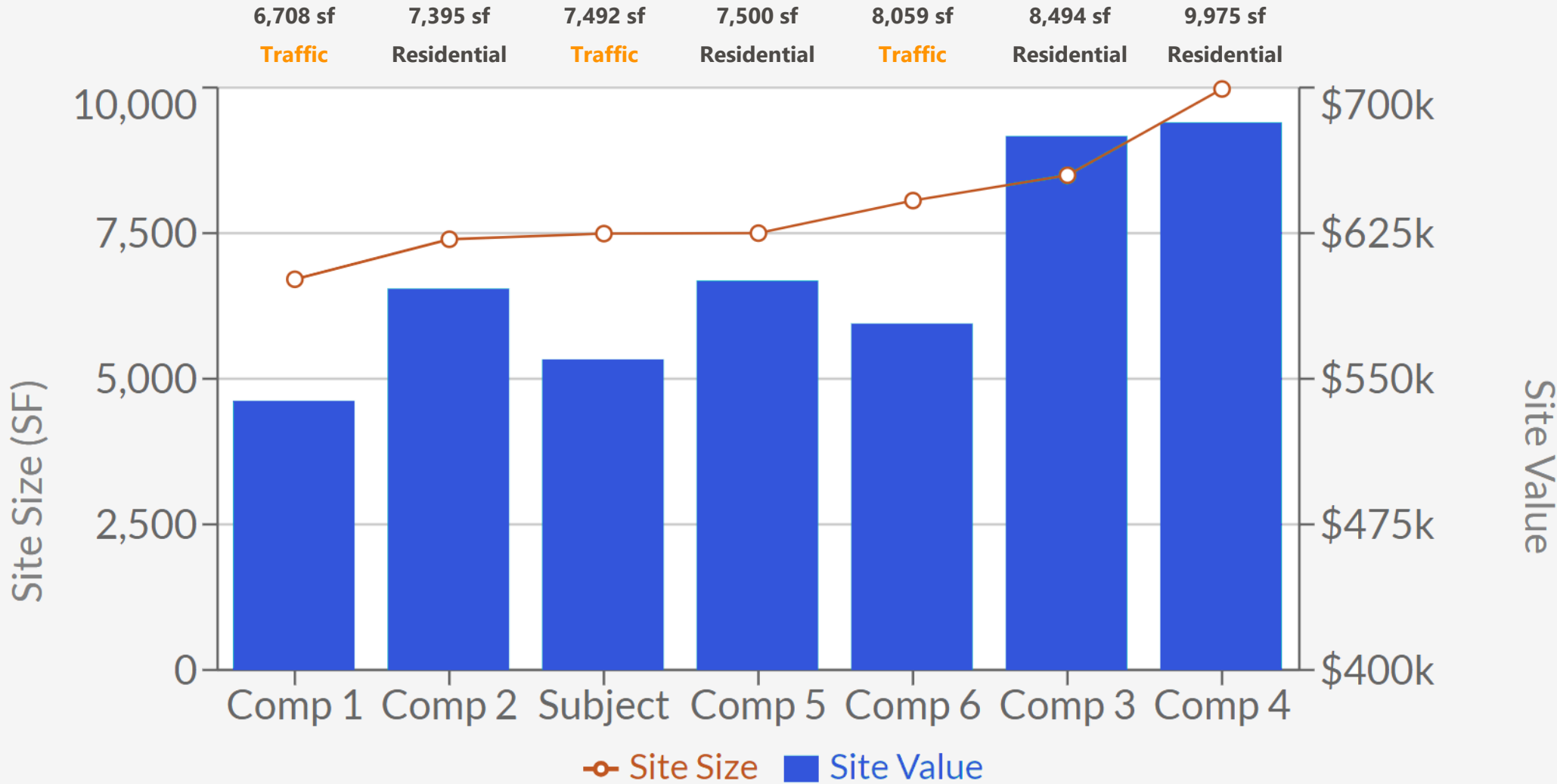
	Subject 7,492 sf Traffic	Comp 1 6,708 sf Traffic	Comp 2 7,395 sf Residential	Comp 3 8,494 sf Residential	Comp 4 9,975 sf Residential	Comp 5 7,500 sf Residential	Comp 6 8,059 sf Traffic
Sale Price		\$810,000	\$836,000	\$989,000	\$1,050,000	\$1,065,000	\$999,000
Market Conditions		\$10,100	\$22,700	\$51,400	\$46,400	\$23,100	-\$30,000
- Depreciated Cost	\$420,741	\$281,420	\$262,207	\$365,366	\$414,335	\$487,498	\$390,526
Site value	\$560,000	\$538,680	\$596,493	\$675,034	\$682,065	\$600,602	\$578,474



**How much does
the traffic location
impact site values?**



Site Size vs Site Value



LAND EXTRACTION METHOD



THE SUBJECT'S SITE VALUE MINUS THE COMP'S SITE VALUE

	Subject 7,492 sf Traffic	Comp 1 6,708 sf Traffic	Comp 2 7,395 sf Residential	Comp 3 8,494 sf Residential I	Comp 4 9,975 sf Residential	Comp 5 7,500 sf Residential	Comp 6 8,059 sf Traffic
Sale Price		\$810,000	\$836,000	\$989,000	\$1,050,000	\$1,065,000	\$999,000
Market Conditions		\$10,100	\$22,700	\$51,400	\$46,400	\$23,100	-\$30,000
- Depreciated Cost	\$420,741	\$281,420	\$262,207	\$365,366	\$414,335	\$487,498	\$390,526
Site value	\$560,000	\$538,680	\$596,493	\$675,034	\$682,065	\$600,602	\$578,474

$$\begin{aligned}
 & \$560,000 - \$538,680 = \\
 & \quad \mathbf{\$21,320}
 \end{aligned}$$

LAND EXTRACTION METHOD



THE SUBJECT'S SITE VALUE MINUS THE COMP'S SITE VALUE

	Subject 7,492 sf Traffic	Comp 1 6,708 sf Traffic	Comp 2 7,395 sf Residential	Comp 3 8,494 sf Residential I	Comp 4 9,975 sf Residential	Comp 5 7,500 sf Residential	Comp 6 8,059 sf Traffic
Sale Price		\$810,000	\$836,000	\$989,000	\$1,050,000	\$1,065,000	\$999,000
Market Conditions		\$10,100	\$22,700	\$51,400	\$46,400	\$23,100	-\$30,000
- Depreciated Cost	\$420,741	\$281,420	\$262,207	\$365,366	\$414,335	\$487,498	\$390,526
Site value	\$560,000		\$596,493	\$675,034	\$682,065	\$600,602	\$578,474

$$\$560,000 - \$596,493 = -\$36,493$$

LAND EXTRACTION METHOD



THE SUBJECT'S SITE VALUE MINUS THE COMP'S SITE VALUE

	Subject 7,492 sf Traffic	Comp 1 6,708 sf Traffic	Comp 2 7,395 sf Residential	Comp 3 8,494 sf Residential I	Comp 4 9,975 sf Residential	Comp 5 7,500 sf Residential	Comp 6 8,059 sf Traffic
Sale Price		\$810,000	\$836,000	\$989,000	\$1,050,000	\$1,065,000	\$999,000
Market Conditions		\$10,100	\$22,700	\$51,400	\$46,400	\$23,100	-\$30,000
- Depreciated Cost	\$420,741	\$281,420	\$262,207	\$365,366	\$414,335	\$487,498	\$390,526
Site value	\$560,000			\$675,034	\$682,065	\$600,602	\$578,474

$$\$560,000 - \$675,034 = -\$115,034$$

LAND EXTRACTION METHOD



THE SUBJECT'S SITE VALUE MINUS THE COMP'S SITE VALUE

	Subject 7,492 sf Traffic	Comp 1 6,708 sf Traffic	Comp 2 7,395 sf Residential	Comp 3 8,494 sf Residential I	Comp 4 9,975 sf Residential	Comp 5 7,500 sf Residential	Comp 6 8,059 sf Traffic
Sale Price		\$810,000	\$836,000	\$989,000	\$1,050,000	\$1,065,000	\$999,000
Market Conditions		\$10,100	\$22,700	\$51,400	\$46,400	\$23,100	-\$30,000
- Depreciated Cost	\$420,741	\$281,420	\$262,207	\$365,366	\$414,335	\$487,498	\$390,526
Site value	\$560,000				\$682,065	\$600,602	\$578,474

$$\$560,000 - \$682,065 = -\$122,065$$

LAND EXTRACTION METHOD



THE SUBJECT'S SITE VALUE MINUS THE COMP'S SITE VALUE

	Subject 7,492 sf Traffic	Comp 1 6,708 sf Traffic	Comp 2 7,395 sf Residential	Comp 3 8,494 sf Residential I	Comp 4 9,975 sf Residential	Comp 5 7,500 sf Residential	Comp 6 8,059 sf Traffic
Sale Price		\$810,000	\$836,000	\$989,000	\$1,050,000	\$1,065,000	\$999,000
Market Conditions		\$10,100	\$22,700	\$51,400	\$46,400	\$23,100	-\$30,000
- Depreciated Cost	\$420,741	\$281,420	\$262,207	\$365,366	\$414,335	\$487,498	\$390,526
Site value	\$560,000					\$600,602	\$578,474

$\$560,00 - \$600,602 = -\$40,602$

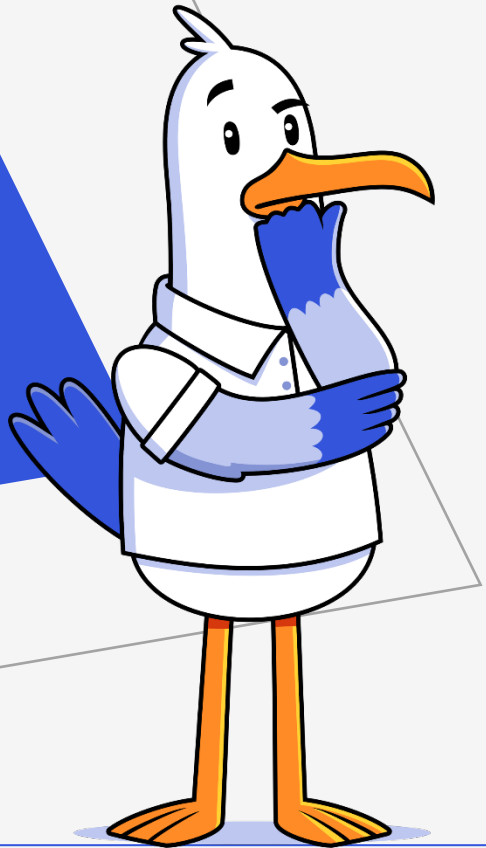
LAND EXTRACTION METHOD



THE SUBJECT'S SITE VALUE MINUS THE COMP'S SITE VALUE

	Subject 7,492 sf Traffic	Comp 1 6,708 sf Traffic	Comp 2 7,395 sf Residential	Comp 3 8,494 sf Residential I	Comp 4 9,975 sf Residential	Comp 5 7,500 sf Residential	Comp 6 8,059 sf Traffic
Sale Price		\$810,000	\$836,000	\$989,000	\$1,050,000	\$1,065,000	\$999,000
Market Conditions		\$10,100	\$22,700	\$51,400	\$46,400	\$23,100	-\$30,000
- Depreciated Cost	\$420,741	\$281,420	\$262,207	\$365,366	\$414,335	\$487,498	\$390,526
Site value	\$560,000						\$578,474
$\$560,000 - \$578,474 = -\$18,474$							

**What else can we
do with this
information?**

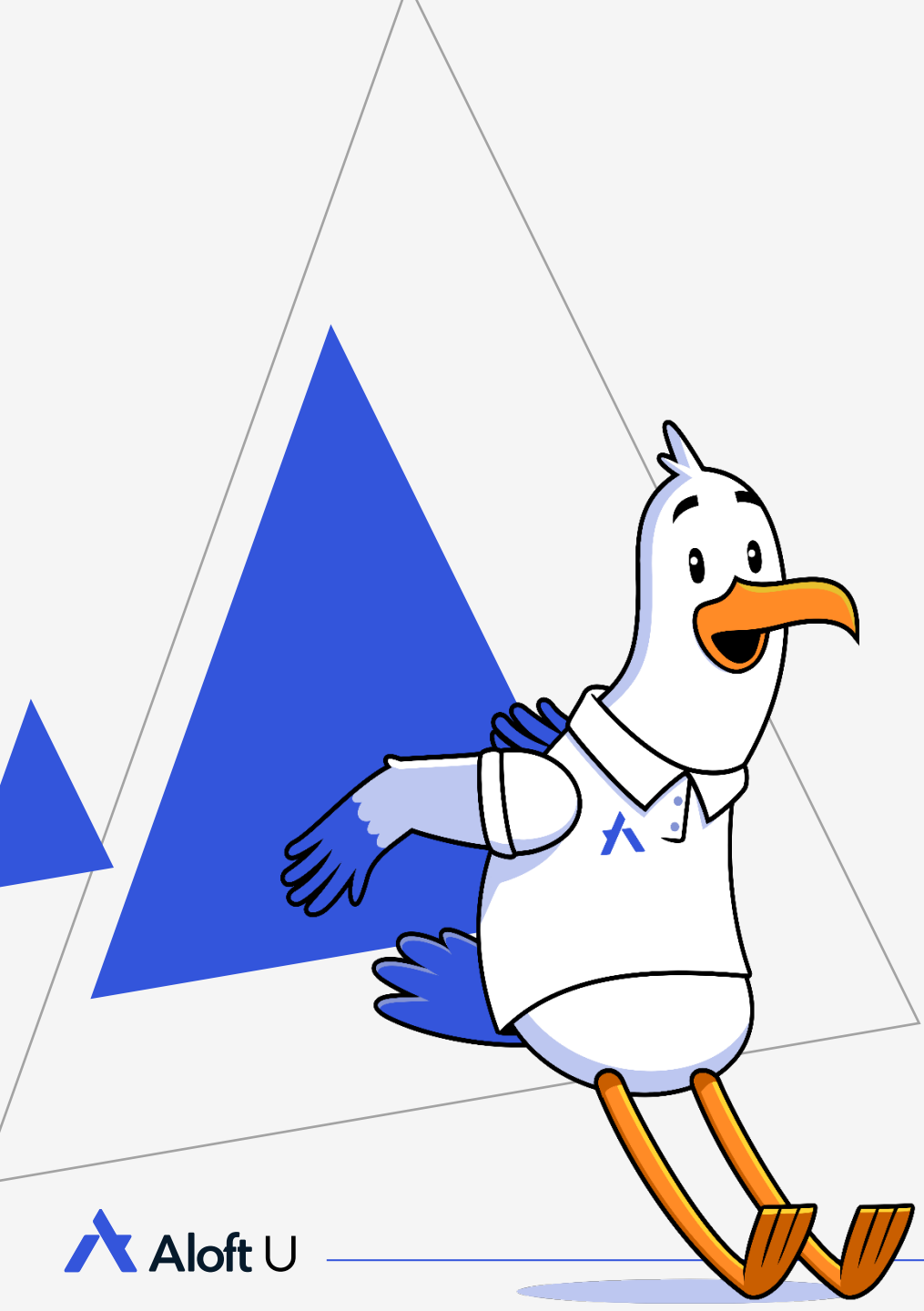


IMPROVEMENT EXTRACTION METHOD

	Subject 7,492 sf Traffic	Comp 1 6,708 sf Traffic	Comp 2 7,395 sf Residential	Comp 3 8,494 sf Residential	Comp 4 9,975 sf Residential	Comp 5 7,500 sf Residential	Comp 6 8,059 sf Traffic
Sale Price		\$810,000	\$836,000	\$989,000	\$1,050,000	\$1,065,000	\$999,000
Market Conditions		\$10,100	\$22,700	\$51,400	\$46,400	\$23,100	-\$30,000
- Depreciated Cost	\$420,741	\$281,420	\$262,207	\$365,366	\$414,335	\$487,498	\$390,526
Site value	\$560,000	\$538,680	\$596,493	\$675,034	\$682,065	\$600,602	\$578,474

$$\$420,741 - \$281,420 = \$139,321$$

\$139,321
should be the net
adjustments for C1's
improvements



**Yes, but the client
makes us break
out each
adjustment for the
grid.**

SUPPORT YOUR SITE ADJUSTMENTS



THE SUBJECT'S SITE VALUE MINUS THE COMP'S SITE VALUE

$$\$560,000 - \$538,680 = \mathbf{\$21,320}$$

Subject

OPINION OF SITE VALUE				= \$ 560,000
Dwelling 2807	Sq. Ft. @ \$ 159.35	.....		= \$ 447,295
	Sq. Ft. @ \$	.....		= \$
Pool				= \$ 41,933
Garage/Carport 400	Sq. Ft. @ \$ 60.12	.....		= \$ 24,048
Total Estimate of Cost-New				= \$ 513,276
Less	Physical	Functional	External	
Depreciation	92,535			= \$(92,535)
Depreciated Cost of Improvements.....				= \$ 420,741
"As-is" Value of Site Improvements.....				= \$
Indicated Value By Cost Approach				= \$ 980,741

Comp 1

OPINION OF SITE VALUE				= \$ 538,680
Dwelling 2,549	Sq. Ft. @ \$ 138.11	.....		= \$ 352,042
	Sq. Ft. @ \$	.....		= \$
Garage/Carport 480	Sq. Ft. @ \$ 48.30	.....		= \$ 23,184
Total Estimate of Cost-New				= \$ 375,226
Less	Physical	Functional	External	
Depreciation	93,806			= \$(93,806)
Depreciated Cost of Improvements.....				= \$ 281,420
"As-is" Value of Site Improvements.....				= \$
Indicated Value By Cost Approach				= \$ 820,100

SUPPORT YOUR QUALITY ADJUSTMENTS



THE DIFFERENCE IN \$/SF TIMES THE SF OF THE PROPERTY WITH SUPERIOR QUALITY.

2807 sf x \$21.24 = **\$59,621**

Subject

OPINION OF SITE VALUE				= \$ 560,000
Dwelling 2807	Sq. Ft. @	\$ 159.35	.....	= \$ 447,295
	Sq. Ft. @	\$	.....	= \$
Pool				= \$ 41,933
Garage/Carport 400	Sq. Ft. @	\$ 60.12	.....	= \$ 24,048
Total Estimate of Cost-New				= \$ 513,276
Less	Physical	Functional	External	
Depreciation	92,535			= \$(92,535)
Depreciated Cost of Improvements.....				= \$ 420,741
"As-is" Value of Site Improvements.....				= \$
Indicated Value By Cost Approach				= \$ 980,741

Comp 1

OPINION OF SITE VALUE				= \$ 538,680
Dwelling 2,549	Sq. Ft. @	\$ 138.11	.....	= \$ 352,042
	Sq. Ft. @	\$	.....	= \$
Garage/Carport 480	Sq. Ft. @	\$ 48.30	.....	= \$ 23,184
Total Estimate of Cost-New				= \$ 375,226
Less	Physical	Functional	External	
Depreciation	93,806			= \$(93,806)
Depreciated Cost of Improvements.....				= \$ 281,420
"As-is" Value of Site Improvements.....				= \$
Indicated Value By Cost Approach				= \$ 820,100

SUPPORT YOUR GLA ADJUSTMENTS



LEVEL SET FOR QUALITY, THEN SUBTRACT THE COMP'S DWELLING COST FROM THE SUBJECT'S

$$\$447,295 - (\$352,042 + \$59,621) = \$35,632$$

Subject

OPINION OF SITE VALUE				= \$ 560,000
Dwelling 2807	Sq. Ft. @ \$ 159.35	.....		= \$ 447,295
	Sq. Ft. @ \$	.....		= \$
Pool		.....		= \$ 41,933
Garage/Carport 400	Sq. Ft. @ \$ 60.12	.....		= \$ 24,048
Total Estimate of Cost-New				= \$ 513,276
Less	Physical	Functional	External	
Depreciation	92,535			= \$(92,535)
Depreciated Cost of Improvements.....				= \$ 420,741
"As-is" Value of Site Improvements.....				= \$
Indicated Value By Cost Approach				= \$ 980,741

Comp 1

OPINION OF SITE VALUE				= \$ 538,630
Dwelling 2,549	Sq. Ft. @ \$ 138.11	.....		= \$ 352,042
	Sq. Ft. @ \$	.....		= \$
Garage/Carport 480	Sq. Ft. @ \$ 48.30	.....		= \$ 23,184
Total Estimate of Cost-New				= \$ 375,226
Less	Physical	Functional	External	
Depreciation	93,806			= \$(93,806)
Depreciated Cost of Improvements.....				= \$ 281,420
"As-is" Value of Site Improvements.....				= \$
Indicated Value By Cost Approach				= \$ 820,100

SUPPORT YOUR CONDITION ADJUSTMENTS



THE COMP'S DEPRECIATION MINUS THE SUBJECT'S DEPRECIATION

$$\$93,806 - \$92,535 = \$1,271$$

(OFFSETS – No Adjustment Warranted)

Subject

OPINION OF SITE VALUE	= \$ 560,000
Dwelling 2807	Sq. Ft. @ \$ 159.35 = \$ 447,295
	Sq. Ft. @ \$ = \$
Pool	= \$ 41,933
Garage/Carport 400	Sq. Ft. @ \$ 60.12 = \$ 24,048
Total Estimate of Cost-New	= \$ 513,276
Less	Physical | Functional | External
Depreciation	92,535 = \$(92,535)
Depreciated Cost of Improvements.....	= \$ 420,741
"As-is" Value of Site Improvements.....	= \$
Indicated Value By Cost Approach	= \$ 980,741

Comp 1

OPINION OF SITE VALUE	= \$ 538,680
Dwelling 2,549	Sq. Ft. @ \$ 138.11 = \$ 352,042
	Sq. Ft. @ \$ = \$
Garage/Carport 480	Sq. Ft. @ \$ 48.30 = \$ 23,184
Total Estimate of Cost-New	= \$ 375,226
Less	Physical | Functional | External
Depreciation	93,806 = \$(93,806)
Depreciated Cost of Improvements.....	= \$ 281,420
"As-is" Value of Site Improvements.....	= \$
Indicated Value By Cost Approach	= \$ 820,100

SUPPORT YOUR GARAGE ADJUSTMENTS



THE SUBJECT'S GARAGE COST MINUS THE COMP'S GARAGE COST

\$24,048 - \$23,184 = \$864
(OFFSETS – No Adjustment Warranted)

Subject

OPINION OF SITE VALUE	= \$ 560,000
Dwelling 2807 Sq. Ft. @ \$ 159.35	= \$ 447,295
Sq. Ft. @ \$	= \$
Pool	= \$ 41,933
Garage/Carport 400 Sq. Ft. @ \$ 60.12	= \$ 24,048
Total Estimate of Cost-New	= \$ 513,276
Less Physical Functional External	
Depreciation 92,535	= \$(92,535)
Depreciated Cost of Improvements.....	= \$ 420, 741
“As-is” Value of Site Improvements.....	= \$
Indicated Value By Cost Approach	= \$ 980,741

Comp 1

OPINION OF SITE VALUE	= \$ 538,680
Dwelling 2,549 Sq. Ft. @ \$ 138.11	= \$ 352,042
Sq. Ft. @ \$	= \$
Garage/Carport 480 Sq. Ft. @ \$ 48.30	= \$ 23,184
Total Estimate of Cost-New	= \$ 375,226
Less Physical Functional External	
Depreciation 93,806	= \$(93,806)
Depreciated Cost of Improvements.....	= \$ 281,420
“As-is” Value of Site Improvements.....	= \$
Indicated Value By Cost Approach	= \$ 820,100

SUPPORT YOUR ADD'L FEATURE ADJUSTMENTS



THE SUBJECT'S ADDITIONAL FEATURES MINUS THE COMP'S ADDITIONAL FEATURES

\$41,933 - \$0 = **\$41,933**

Subject

OPINION OF SITE VALUE				= \$ 560,000
Dwelling 2807	Sq. Ft. @ \$ 159.35	.....		= \$ 447,295
	Sq. Ft. @ \$	.....		= \$
Pool				= \$ 41,933
Garage/Carport 400	Sq. Ft. @ \$ 60.12	.....		= \$ 24,048
Total Estimate of Cost-New				= \$ 513,276
Less	Physical	Functional	External	
Depreciation	92,535			= \$(92,535)
Depreciated Cost of Improvements.....				= \$ 420,741
"As-is" Value of Site Improvements.....				= \$
Indicated Value By Cost Approach				= \$ 980,741

Comp 1

OPINION OF SITE VALUE				= \$ 538,680
Dwelling 2,549	Sq. Ft. @ \$ 138.11	.....		= \$ 352,042
	Sq. Ft. @ \$	.....		= \$
				= \$ 0
Garage/Carport 480	Sq. Ft. @ \$ 48.30	.....		= \$ 23,184
Total Estimate of Cost-New				= \$ 375,226
Less	Physical	Functional	External	
Depreciation	93,806			= \$(93,806)
Depreciated Cost of Improvements.....				= \$ 281,420
"As-is" Value of Site Improvements.....				= \$
Indicated Value By Cost Approach				= \$ 820,100

SUMMARY

	Subject 8,500 sf	Comp 1 7,068 sf
Sale Price	N/A	\$810,000
Market Conditions		\$10,100
- Depreciated Cost	(\$420,741)	(\$281,420)
Site value	\$560,000	\$538,680
Difference in improvement value		\$139,321
Quality		\$59,621
Condition		\$1,271
GLA (\$232)		\$35,632
Garage		\$864
Additional Features		\$41,933
Net improvement related adjustments		\$139,321

FEATURE	SUBJECT			COMPARABLE SALE # 1		
Address						
Proximity to Subject				810,000		
Sale Price	\$			\$		
Sale Price/Gross Liv. Area	\$	sq. ft.		\$	sq. ft.	
Data Source(s)						
Verification Source(s)						
VALUE ADJUSTMENTS	DESCRIPTION		DESCRIPTION		+(-) \$ Adjustment	
Sale or Financing Concessions						
Date of Sale/Time					\$10,100	
Location						
Leasehold/Fee Simple						
Site					\$21,320	
View						
Design (Style)						
Quality of Construction					\$59,621	
Actual Age						
Condition					\$1,271	
Above Grade	Total	Bdms.	Baths	Total	Bdms.	Baths
Room Count						
Gross Living Area	sq. ft.		sq. ft.		\$35,632	
Basement & Finished Rooms Below Grade						
Functional Utility						
Heating/Cooling						
Energy Efficient Items						
Garage/Carport					\$864	
Porch/Patio/Deck					\$41,933	
Net Adjustment (Total)					<input type="checkbox"/> + <input type="checkbox"/> -	\$ 170,741
Adjusted Sale Price of Comparables					Net Adj. % Gross Adj. %	\$ 980,741

OPINION OF VALUE = \$980,000

\$980,741	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6
Sale Price	N/A	\$810,000	\$836,000	\$989,000	\$1,050,000	\$1,065,000	LP \$999,000
Market Conditions		\$10,100	\$22,700	\$51,400	\$46,400	\$23,100	-\$30,000
Depreciated Cost	\$420,741	\$281,420	\$262,207	\$365,366	\$414,335	\$487,498	\$390,526
Difference in improvement value		\$139,321	\$158,534	\$55,375	\$6,406	-\$66,757	\$30,215
Quality		\$59,621	-	-	-\$81,182	-\$99,307	-
Condition		\$1,271	-\$5,133	-\$19,463	-\$9,668	\$4,964	-\$14,430
GLA		\$35,632	\$97,686	\$35,194	\$128,117	-\$12,589	-\$676
Garage		\$864	\$24,048	-\$2,289	\$466	-\$1,758	\$3,388
Additional Features		\$41,933	\$41,933	\$41,933	-\$31,327	\$41,933	\$41,933
Net improvement related adjustments		\$139,321	\$158,534	\$55,375	\$6,406	-\$66,757	\$30,215
Site value	\$560,000	\$538,680	\$596,493	\$675,034	\$682,065	\$600,602	\$578,474
Difference in improvement value		\$21,320	-\$36,493	-\$115,000	-\$122,065	-\$40,602	-\$18,474
Site Size		\$21,320	-	\$75,000	-\$82,065	-	-\$18,474
Traffic Location		-	-\$36,493	-\$40,000	-\$40,000	-\$40,602	-
Net site adjustment		\$21,320	-\$36,493	-\$115,000	-\$122,065	-\$40,602	-\$18,474

ADJUSTED RANGE OF VALUE: \$974,000 - \$991,000

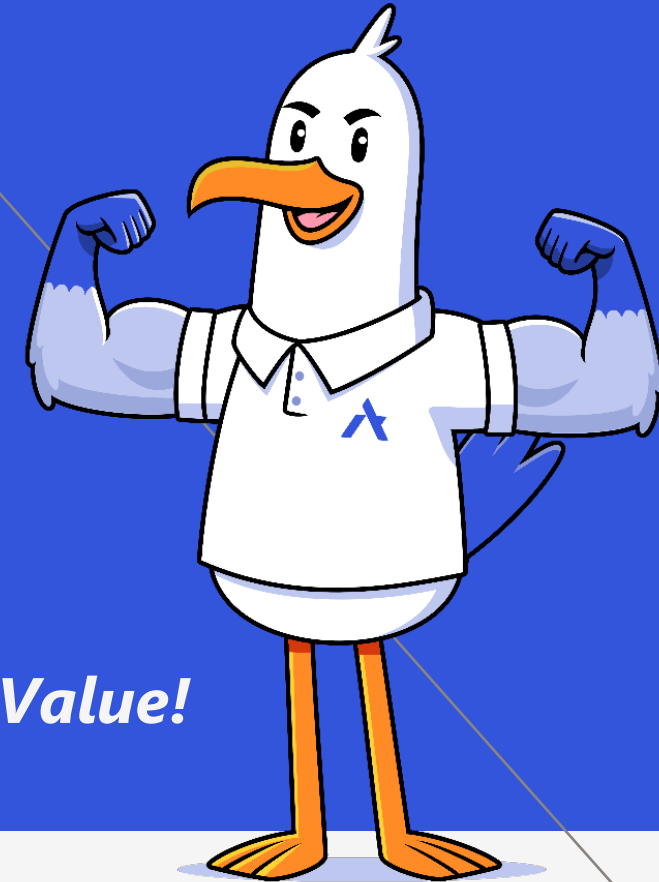
Rounding and Thresholds

\$980,741	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6
Sale Price	N/A	\$810,000	\$836,000	\$989,000	\$1,050,000	\$1,065,000	LP \$999,000
Market Conditions		\$10,000	\$25,000	\$50,000	\$45,000	\$25,000	-\$30,000
Depreciated Cost	\$420,741	\$281,420	\$262,207	\$365,366	\$414,335	\$487,498	\$390,526
Difference in improvement value		\$139,321	\$158,534	\$55,375	\$6,406	-\$66,757	\$30,215
Quality		\$60,000	-	-	-\$80,000	-\$100,000	0
Condition		-	-	-\$20,000	-\$10,000	-	-\$15,000
GLA		\$35,000	\$100,000	\$35,000	\$130,000	-\$15,000	-
Garage		-	\$25,000	-	-	-	-
Additional Features		\$40,000	\$40,000	\$40,000	-\$35,000	\$40,000	\$40,000
Net improvement related adjustments		\$135,000	\$165,000	\$55,000	\$5,000	-\$75,000	\$25,000
Site value	\$560,000	\$538,680	\$596,493	\$675,034	\$682,065	\$600,602	\$578,474
Difference in improvement value		\$21,320	-\$36,493	-\$115,000	-\$122,065	-\$40,602	-\$18,474
Site Size		\$20,000	0	-\$80,000	-\$80,000	0	-\$20,000
Traffic Location		0	-\$40,000	-\$40,000	-\$40,000	-\$40,000	0
Net site adjustment		\$20,000	-\$40,000	-\$120,000	-\$120,000	-\$40,000	-\$20,000

WE DID IT!

TODAY'S VALUE PROPOSITION

If you can learn to **trust** that the **cost approach** to value represents a **market value**, then I will show you how to use one mathematically sound method to calculate and validate all your sales comparison grid adjustments.



And have a completed **Sales Comparison** and **Cost Approach to Value!**

APPRAISER'S ROLE & RESPONSIBILITIES



UNDERSTAND COST DATA

- Learn the tool construct
- Understand the limitations of the tool
- Know what's included in the cost data and what's not.



VERIFY PROPERTY CHARACTERISTICS

- Make sure all the subject and comparable property information is entered correctly
- For unique features you may have to supplement with your own adjustments



PROPERLY ASSESS QUALITY & CONDITION

- Use your cost providers quality scale and ratings
- Understand the depreciation method being used and make sure you can properly determine the subject and comparables effective ages.



PROVIDE THE REASON FOR THE ADJUSTMENT

- The appraiser is responsible for providing the reason why the adjustment is needed or not needed
- The Adjustment Calculator provides the difference in value, not the reason.

WHAT IF MY RESULTS ARE OFF?



TIME ADJUSTMENT



PROPERTY CHARACTERISTICS



QUALITY



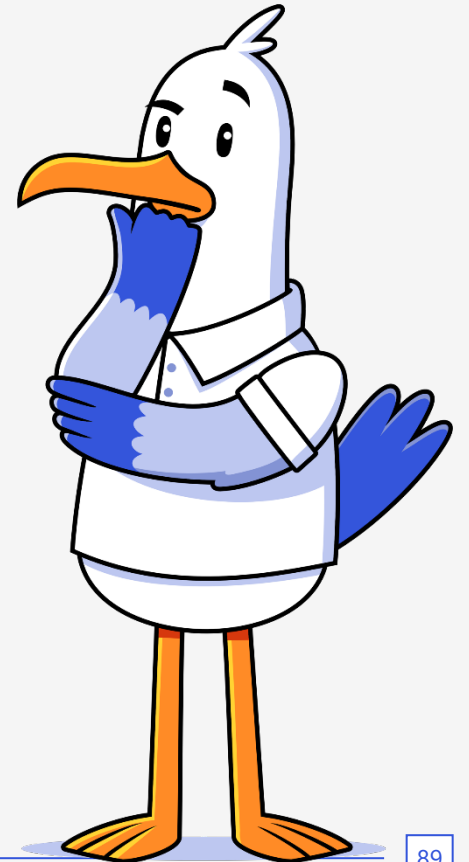
DEPRECIATION



TEST OF REASONABLENESS. IT ALL HAS TO ADD UP!

You need to ask yourself...

What am I missing?



LOG IN AT

toolkit.aloftappraisal.com



**ENTER YOUR UNIQUE
USERNAME AND
PASSWORD**

ASSIGNMENT #1

 Settings

Click to start

INSTRUCTIONS:

Adjust each comparable and explain what your results.



HINT:

The math should be done for you, just apply rounding and thresholds settings and make sure the adjustments are credible.

PROPERTY: 1571 Bradford Trace Drive, Allen TX 75002



ASSIGNMENT #1



HOW'D WE DO?



ASSIGNMENT: 2665 Dearborn Lane, Frisco, TX 75036

CONSISTENCY



REPRODUCIBILITY



TRANSPARENCY



PROFICIENCY



ASSIGNMENT #2



Settings

Click to start



Assignment: **2665 Dearborn Lane, Frisco, TX 75036**

INSTRUCTIONS

- 1. Perform a Market Trend Analysis**
- 2. Verify Property Characteristics**
- 3. Determine Effective Ages**
- 4. Determine an Opinion of Site Value for the Subject**
- 5. Complete the Sales Comparison Approach**
- 6. Reconcile and Explain Results**



3101 Kentshire Lane



7187 Old Province Way



2781 Autumn Lane



2763 Berkley Lane

**What is your final
opinion of value and
adjusted value range?**



What is your final opinion of value?



ASSIGNMENT #2



HOW'D WE DO?



ASSIGNMENT: 2665 Dearborn Lane, Frisco, TX 75036



CONSISTENCY



REPRODUCIBILITY



TRANSPARENCY



PROFICIENCY



ASSIGNMENT #3



 Settings

[Click to start](#)



Assignment: **6106 Lakeshore Drive, Dallas TX 75214**

INSTRUCTIONS

- 1. Perform a Market Trend Analysis**
- 2. Verify Property Characteristics**
- 3. Determine Effective Ages**
- 4. Determine an Opinion of Site Value for the Subject**
- 5. Complete the Sales Comparison Approach**
- 6. Reconcile and Explain Results**



6051 Revere Place



5818 Monticello Ave



6146 Vickery Blvd



6216 McCommas Blvd



6573 Anita Street



6502 Winston Street

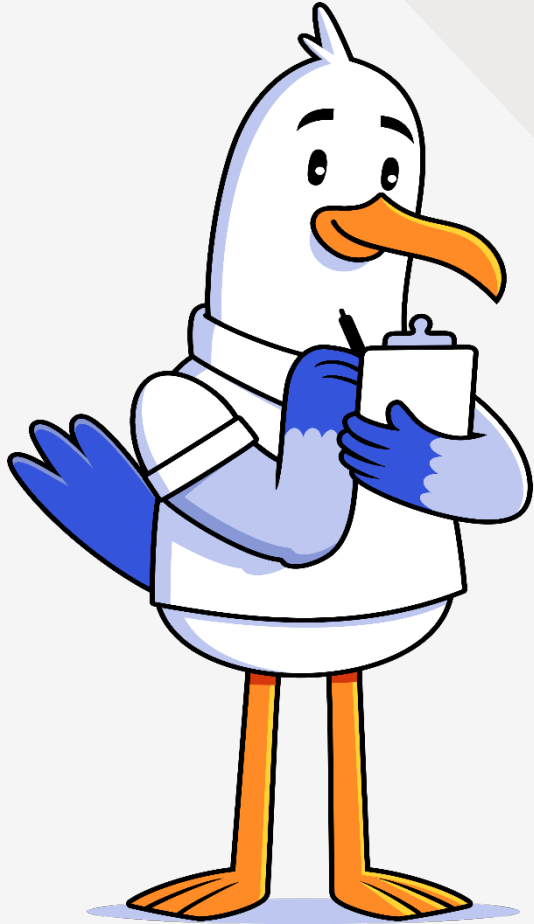
**What is your final
opinion of value and
adjusted value range?**



ASSIGNMENT #3



HOW'D WE DO?



ASSIGNMENT: 6106 Lakeshore Drive, Dallas TX 75214

CONSISTENCY



REPRODUCIBILITY



TRANSPARENCY



PROFICIENCY



COURSE LEARNING ACHIEVEMENTS



Debunked common myths and misconceptions



Advanced your understanding of the various analysis behind the sales comparison approach



Enhanced your competency when performing adjustment calculations



Learned to question the reliability of the data and results produced



Learned how to articulate your techniques, actions, and conclusions in a way that is meaningful to the reader

CONGRATULATIONS!



Next steps: complete 3 more assignments in your market over the next 10 days. Do the math. Question your results. Reach out if you need help. Practice makes perfect!



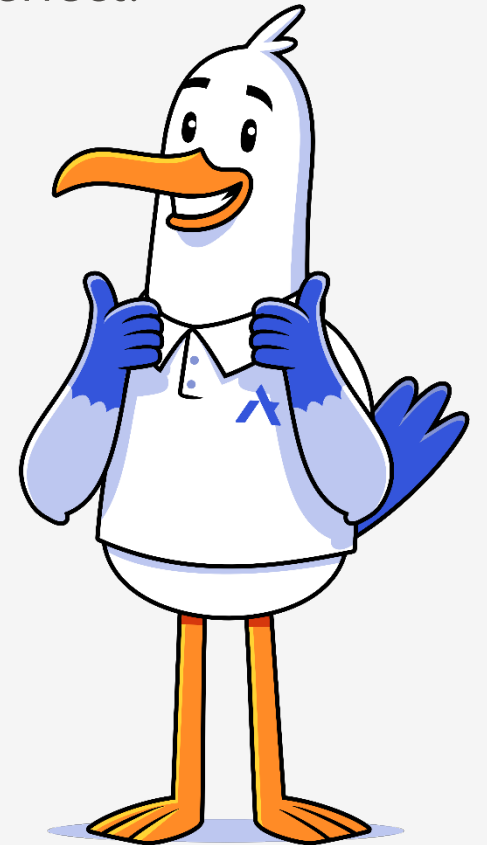
LIST ONE THING YOU LEARNED TODAY



LIST ONE THING YOU'LL INCORPORATE IMMEDIATELY INTO YOUR NEXT APPRAISAL



LIST ONE THING YOU'RE GOING TO WORK ON OVER THE NEXT 10 DAYS



WHAT I HOPE YOU TAKE AWAY FROM THIS COURSE...



1

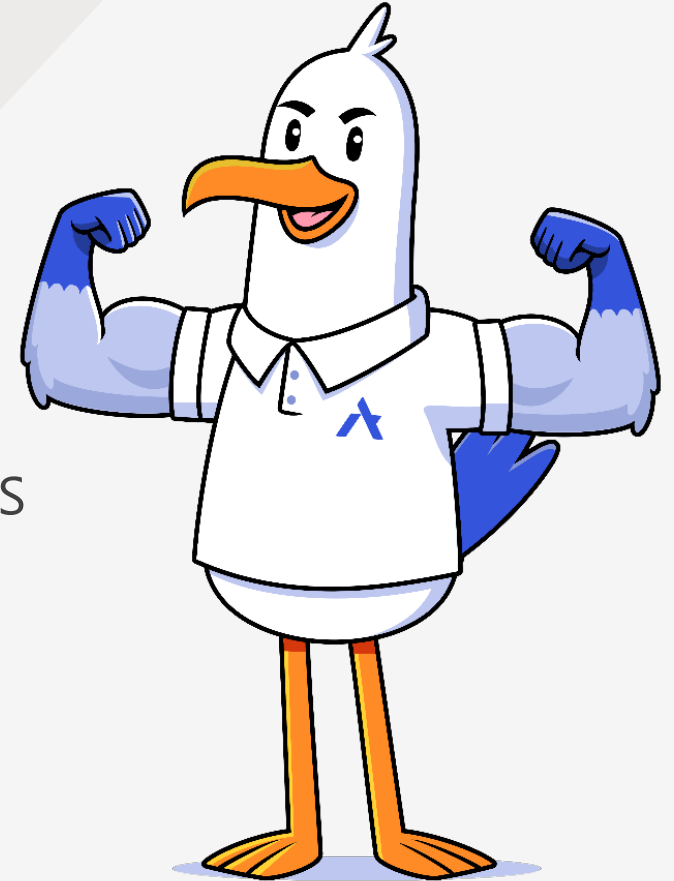
YOU ARE THAT GOOD!

2

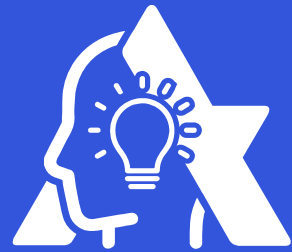
DEPRECIATION IS EVERY APPRAISER'S SPECIALTY!

3

THE FRAMEWORK IS THE APPRAISER'S BEST FRIEND!



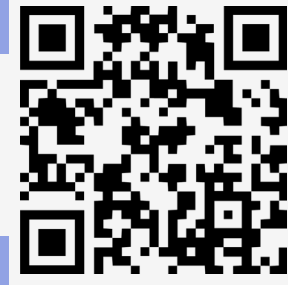
THANK YOU!



Aloft University



**Join our Facebook
community**



**Get started with
Appraiser Toolkit**