Department of Revenue

OVERVIEW OF REAL PROPERTY APPRAISAL PRACTICES

Pertinent tasks of the Real Property Appraiser in the Assessor's Office:

1. Discovering: Locate and identify all real property in the jurisdiction

2. Listing: Create and maintain an inventory of quantity, quality, and important characteristics of each property.

3. Valuing: Use appropriate appraisal techniques
- a. Cost Approach
- b. Sales Comparison Approach (Market Data Approach)
- c. Income Approach

4. Revaluing: Perform mass valuation updates on all real property within the jurisdiction.
- a. Statistical Ratio Analysis
- b. Mass Update

5. Defending: Review and support valuations appealed by the taxpayer
- a. County Board of Equalization
- b. State Board of Tax Appeals
- c. Court System

Market Value

By law, county assessors are to determine the fair market value of taxable property in their respective counties. RCW 84.40.030 governs the approaches an assessor shall use to value various types of property, which states:

> "All personal property shall be valued at one hundred percent of its true and fair value in money and assessed on the same basis unless specifically provided otherwise by law.
>
> *All real property shall be appraised at one hundred percent of its true and fair value in money and assessed as provided in RCW 84.40.0305 unless specifically provided otherwise by law.*
>
> Taxable leasehold estates shall be valued at such price as they would bring at a fair, voluntary sale for cash without any deductions for any indebtedness owed including rentals to be paid.
>
> The true and fair value of real property for taxation purposes (including property upon which there is a coal or other mine, or stone or other quarry) shall be based upon the following criteria:
>
> (1) Any sales of the property being appraised or similar properties with respect to sales made within the past five years. The appraisal shall be consistent with the comprehensive land use plan, development regulations under chapter 36.70A RCW, zoning, and any other governmental policies or practices in effect at the time of appraisal that affect the use of property, as well as physical and environmental influences. An assessment may not be determined by a method that assumes a land usage not permitted, for that property being appraised, under existing zoning or land use planning ordinances or statutes. The appraisal shall also take into account: (a) In the use of sales by real estate contract as similar sales, the extent, if any, to which the stated selling price has been increased by reason of the down payment, interest rate, or other financing terms; and (b) the extent to which the sale of a similar property actually represents the general effective market demand for property of such type, in the geographical area in which such property is located. Sales involving deed releases or similar seller-developer financing arrangements shall not be used as sales of similar property.
>
> (2) In addition to sales as defined in subsection (1) of this section, consideration may be given to cost, cost less depreciation, reconstruction cost less depreciation, or capitalization of income that would be derived from prudent use of the property. In the case of property of a complex nature, or being used under terms of a franchise from a public agency, or operating as a public utility, or property not having a record of sale within five years and not having a significant number of sales of similar property in the general area, the provisions of this subsection shall be the dominant factors in valuation. When provisions of this subsection are relied upon for establishing values the property owner shall be advised upon request of the factors used in arriving at such value.
>
> (3) In valuing any tract or parcel of real property, the true and fair value of the land, exclusive of structures thereon shall be determined; also the true and fair value of structures thereon, but the appraised valuation shall not exceed the true and fair value of the total property as it exists. In valuing agricultural land, growing crops shall be excluded." [Emphasis added.]

The Definition of Market Value is:

- the most probable price which a property should bring
- in a competitive and open market
- under conditions requisite to a fair sale
- the buyer and seller each acting prudently and knowledgeably
- assuming the price is not affected by undue stimulus.

Important to note!

Implicit in the definition of Market Value is the consummation of a sale as of a specified date and the passing of title from the seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their best interest;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto;
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Subject Property Data

SITE

(a) location
(b) access
(c) size
(d) shape
(e) topography
(f) utilities
(g) amenities

SITE IMPROVEMENTS

(a) utility hook-ups
(b) driveway, landscaping, retaining walls, bulkheads,
etc.

IMPROVEMENTS

(a) Dwelling (qualitative/quantitative)

1. number of stories
2. exterior walls
3. roof material
4. size in square footage
5. basement (size/finish)
6. number of bedrooms
7. number of bathrooms
8. type of heating system / air conditioning
9. age (any remodeling) effective age
10. condition
11. quality
12. garages, carports, porches, decks
13. other (built-ins, fireplace, saunas, pools, hot tubs, etc.)

(b) Auxiliary structures

Valuation of the Property

Cost Approach:

Data needed

(a) quantified subject characteristics

(b) construction cost figures

(c) depreciation factors

(d) land value

Basic process

(a) enter subject data into format

(b) determine appropriate cost figures

(c) mathematics

(d) determine accrued depreciation

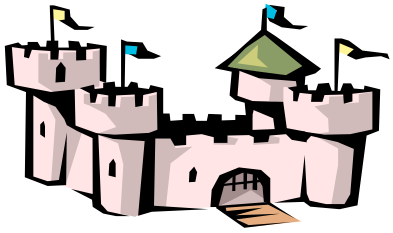
(e) subtract depreciation

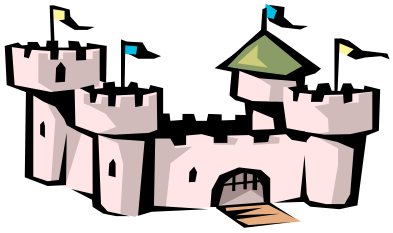
(f) add land value (some or all site improvements often included)

(g) arrive at estimate of value

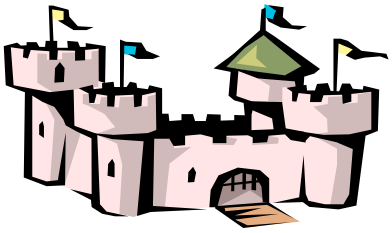
Reproduction Cost vs. Replacement Cost

Reproduction Cost (defined) is the cost, including material, labor, and overhead, that would be incurred in constructing an improvement having **EXACTLY** the same characteristics as the improvement in question.



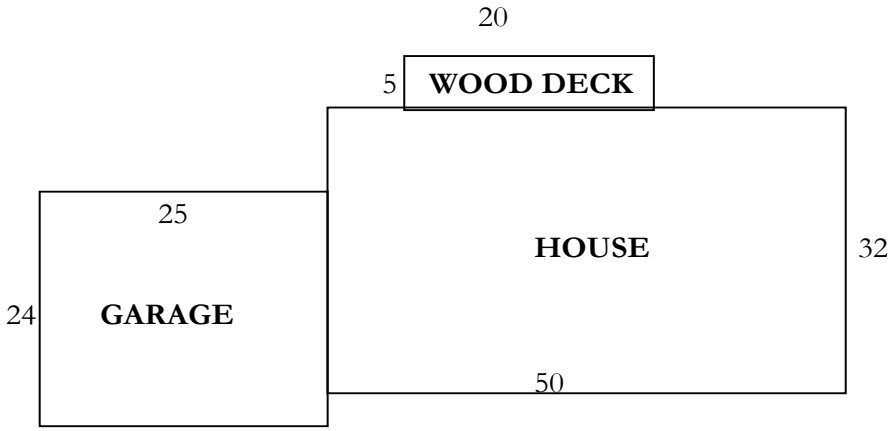


Replacement Cost (defined) is the cost including material, labor and overhead, that would be incurred in constructing an improvement having the same utility to its owner as the improvement in question, without necessarily reproducing exactly, any particular characteristic of the property.



Single Family Residence
(Sample)

Single Story Frame Construction House
Wood Siding
Year Built 1980
3 bedroom – 2 1/2 bath



QUALITY: AVERAGE - WOOD SIDING

ROOF: SHAKE

PLUMB. FIXTURES: 10

FIREPLACE: 1 STORY / SINGLE.

HEAT: WARM & COOLED AIR

BUILT-INS: STANDARD KITCHEN

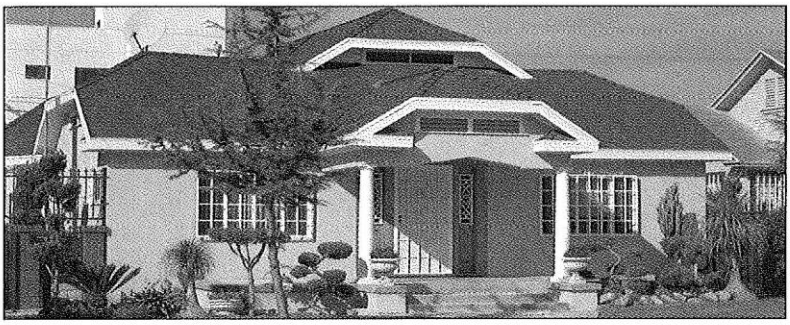
FLOOR COVER: 80 % CARPET

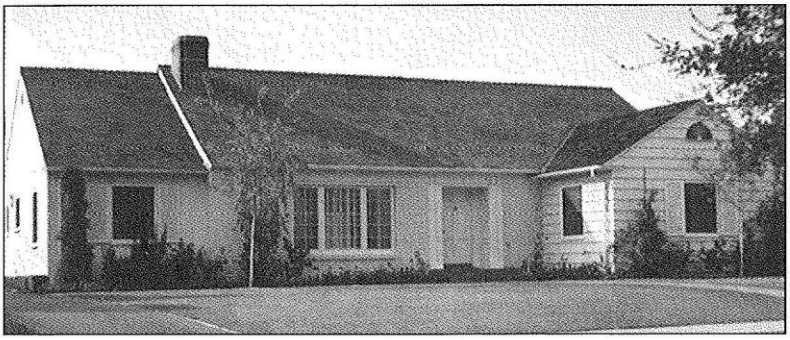
20% TILE

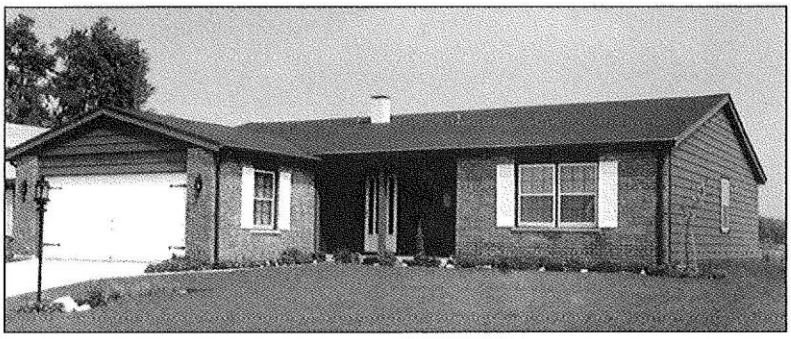
EFFECTIVE AGE: 20 YEARS

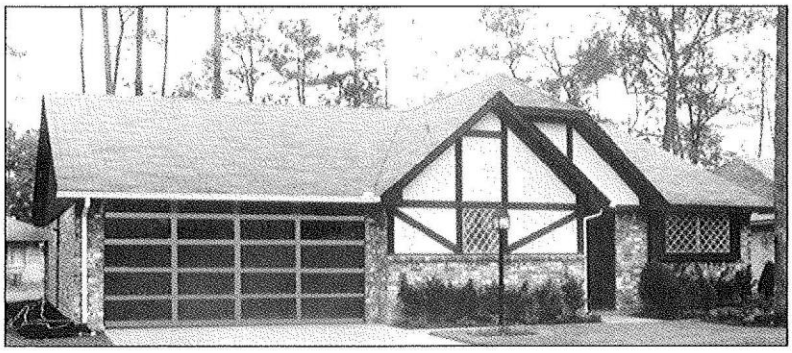
LAND VALUE: $75,000

ONE-STORY *(Page Avg-19)*









RESIDENCE

STUD FRAMED						
Total Area	Plywood or Hardboard	Metal or Vinyl Siding	Stucco	Wood Siding	Wood Shingles	Synth. Plaster (EIFS)
600	$89.36	$91.82	$90.44	$91.10	$91.27	$93.09
800	84.86	87.16	85.84	86.45	86.61	88.27
1000	81.52	83.70	82.43	83.01	83.16	84.70
1200	78.90	80.98	79.74	80.30	80.45	81.89
1300	77.77	79.81	78.59	79.14	79.29	80.69
1400	76.74	78.75	77.54	78.08	78.22	79.59
1500	75.80	77.77	76.57	77.11	77.25	78.59
1600	74.93	76.86	75.68	76.21	76.35	77.65
1700	74.11	76.02	74.85	75.37	75.51	76.79
1800	73.36	75.24	74.08	74.59	74.73	75.98
1900	72.65	74.50	73.36	73.86	73.99	75.23
2000	71.98	73.81	72.67	73.18	73.31	74.52
2100	71.35	73.16	72.03	72.53	72.66	73.85
2200	70.76	72.55	71.43	71.92	72.05	73.22
2400	69.66	71.41	70.31	70.79	70.91	72.05
2600	68.67	70.38	69.29	69.77	69.89	70.99
2800	67.76	69.45	68.37	68.83	68.95	70.02
3000	66.93	68.58	67.51	67.97	68.09	69.14
3200	66.16	67.78	66.73	67.18	67.30	68.32

STUD FRAMED			MASONRY			
Total Area	Rustic Log	Masonry Veneer	Concrete Block	Stucco on Block	Common Brick	Poured Concrete (SIP Forming)
600	$100.02	$98.29	$94.19	$95.81	$102.32	$98.15
800	94.42	92.79	89.27	90.55	96.53	92.87
1000	90.29	88.74	85.63	86.67	92.27	88.97
1200	87.05	85.57	82.77	83.62	88.93	85.90
1300	85.66	84.21	81.54	82.32	87.50	84.59
1400	84.40	82.97	80.43	81.13	86.20	83.39
1500	83.24	81.83	79.40	80.04	85.00	82.29
1600	82.17	80.78	78.45	79.03	83.90	81.28
1700	81.18	79.81	77.57	78.10	82.88	80.33
1800	80.25	78.90	76.74	77.23	81.92	79.46
1900	79.39	78.05	75.97	76.41	81.03	78.63
2000	78.58	77.26	75.25	75.65	80.19	77.86
2100	77.81	76.51	74.57	74.92	79.41	77.13
2200	77.09	75.80	73.93	74.24	78.66	76.45
2400	75.76	74.49	72.74	72.99	77.29	75.18
2600	74.55	73.31	71.66	71.85	76.05	74.03
2800	73.45	72.23	70.67	70.81	74.92	72.98
3000	72.45	71.24	69.77	69.86	73.88	72.02
3200	71.51	70.32	68.94	68.98	72.92	71.13

SQUARE FOOT ADJUSTMENTS

ROOFING:

Composition shingle or Built-up, small rock		(base)
Clay tile	+	$6.72
Concrete tile	+	4.22
Metal, preformed	+	1.13
Wood shake	+	1.88
Wood shingle	+	1.61
Composition roll	-	.94

ENERGY ADJ: Mod. Climate (base)

Mild climate	-	$1.13
Extreme climate	+	1.82
Superinsulated	+	3.74

FOUNDATION ADJ: Mod. Climate (base)

Mild climate	-	$2.30
Extreme climate	+	4.21
Hillside, moderate slope	+	2.10
Hillside, steep slope	+	6.31

Add for SEISMIC ZONES (*Z*)/HURRICANE (*Wind*) ADJ.: See Intro-9; maps, D-12.
Frame (*Z2*) +$1.42, (*Z3-4/wind*) +$2.49 Masonry (*Z2*) +$1.00, (*Z3-4/wind*) +$2.07

See Pages Avg-27 & Avg-28 for other Sq. Ft. Adjustments, Basements, Porches, Garages, etc.

SQUARE FOOT ADJUSTMENTS

SUBFLOOR:		
Wood subfloor		(base)
Concrete slab	-	$2.51
Asphalt (for garage or carport)	-	2.23
PLASTER INTERIOR:	+	$4.39
FLOOR COVER:		
Allowance (if not itemized)	+	$ 3.20
Carpet and pad	+	2.77
Ceramic Tile	+	10.93
Wood flooring	+	7.69
Hardwood	+	9.32
Parquet blocs	+	10.39
Terrazzo	+	10.88
Vinyl comp. sheet or tile	+	2.18
Vinyl sheet	+	3.76

FLOOR INSULATION:		
Mild climate	+	$ .87
Moderate climate	+	1.08
Extreme climate	+	1.44
HEATING/COOLING:		
Forced air		(base)
Oil-fired	+	$ .62
Floor or wall furnace	-	1.61
Electric, radiant	-	.38
Baseboard or panel	-	.28
Hot water, baseboard	+	1.63
Warm and cooled air	+	1.78
Heat pump	+	2.28
Ground-loop heat system	+	3.83
Evap. cooling w/ducts	+	2.19
Air-to-air exchange system	+	1.36

LUMP SUM ADJUSTMENTS

PLUMBING: 8 fixtures + rough-in		(base)
Per fixture	+ or -	$1,110
Per rough-in	+ or -	450
DORMERS: per linear foot		
Unfinished: hip or gable roof		$ 87.00
Shed roof		71.50
Finished: hip or gable roof		170.00
Shed roof		145.00
FIREPLACES:		
Single one-story	$2,650 –	$3,250
Single two-story	3,300 –	4,025
Single three-story	3,950 –	4,825
Double one-story	3,600 –	4,875
Double two-story	4,350 –	5,325
Double three-story	6,925 –	8,450
Direct-vented, gas	1,200 –	1,475

BUILT-IN APPLIANCES:		
Allowance (if not itemized)	+	$2,575
Dishwasher	+	650
Exhaust fan or bath heater	+	155
Garbage disposer	+	225
Hood and fan	+	250
Oven	+	825
Oven, microwave combo	+	1,825
Range and oven	+	850
Range top	+	475
Radio intercom	+	875
Refrigerator or freezer	+	825
Res. security sys., wireless	+	1,275
Trash compactor	+	600
Vacuum cleaner system	+	1,775

BASEMENTS

Unfin. Basements	200	400	800	1200	1600	2000	2400
Concrete Walls 6"	$28.62	$21.80	$17.57	$15.58	$14.57	$14.17	$13.69
8"	30.60	23.20	18.58	16.40	15.28	14.84	14.28
12"	34.62	26.04	20.63	18.05	16.73	16.21	15.48
Concrete block walls 6"	26.26	20.13	16.36	14.61	13.72	13.36	12.99
8"	27.88	21.28	17.19	15.28	14.30	13.91	13.47
12"	31.56	23.88	19.07	16.79	15.63	15.17	14.57
Add for finish, minimal	6.85	6.10	5.65	5.46	5.35	5.31	5.24
partitioned	29.06	25.60	22.68	22.02	21.68	20.89	20.68

Outside Entrance: $1,150 – $1,575 For radon removal fan and alarm, add $315

PORCH/BREEZEWAYS

	FLOOR STRUCTURE:			WALL ENCLOSURE:				
Square Feet (Each)	Open Slab	Open W/Steps	Wood Deck	Screen Only	Knee Wall W/Glass	Solid Walls	Add For Roof	Add For Ceiling
25	$6.23	$16.85	$27.38	$16.63	$65.97	$40.14	$13.74	$6.95
50	5.69	14.09	24.53	11.09	43.98	26.76	12.02	5.36
75	5.54	12.96	20.81	9.24	36.65	22.30	11.58	4.83
100	5.40	11.83	17.08	8.32	32.99	20.07	11.15	4.57
150	5.31	11.19	15.33	6.47	25.66	15.61	10.72	4.30
200	5.22	10.55	13.58	5.54	21.99	13.38	10.28	4.17
300	5.04	9.28	10.08	4.62	18.33	11.15	9.41	4.04

GARAGES

STUD FRAMED							
Type	Total Area	Plywood or Hardboard	Metal or Vinyl Siding	Stucco	Wood Siding	Wood Shingles	Add For Finish
Detached	200	$36.46	$37.93	$38.29	$37.59	$38.70	$7.03
	400	28.24	29.27	29.52	29.03	29.81	6.03
	600	24.86	25.71	25.92	25.51	36.16	5.43
	800	22.80	23.53	23.71	23.36	23.91	5.12
	1000	21.71	22.38	22.54	22.22	22.74	4.97
Attached	200	$27.91	$28.47	$28.60	$28.34	$28.75	$6.51
	400	22.90	23.31	23.40	23.21	23.52	5.30
	600	20.36	20.66	20.73	20.59	20.81	4.82
	800	19.24	19.51	19.58	19.45	19.65	4.56
	1000	18.29	18.52	18.57	18.46	18.64	4.29
Built-in	200	$24.75	$25.09	$25.18	$25.01	$25.27	$2.97
	400	21.79	22.11	22.19	22.04	22.28	1.90
	600	20.04	20.31	20.37	20.25	20.45	1.46
	800	18.94	19.19	19.25	19.13	19.32	1.36
	1000	18.00	18.21	18.26	18.16	18.32	1.09

	STUD FRAMED			MASONRY			
Type	Total Area	Rustic Log	Masonry Veneer	Concrete Block	Stucco on Block	Common Brick	Add For Cabinetry
Detached	200	$48.49	$46.00	$38.31	$40.67	$51.45	$3.19
	400	36.35	34.30	29.58	31.22	38.77	2.33
	600	31.53	29.86	25.99	27.33	33.53	2.04
	800	28.57	27.12	23.80	24.94	30.30	1.90
	1000	27.02	25.68	22.64	23.68	28.61	1.86
Attached	200	$32.85	$32.06	$29.05	$29.88	$37.06	$3.19
	400	26.04	25.49	23.60	24.49	28.26	2.33
	600	22.90	22.30	20.92	21.37	24.49	2.04
	800	21.55	21.00	20.09	20.51	22.94	1.90
	1000	20.23	19.78	18.70	19.23	21.50	1.86
Built-in	200	$28.54	$27.77	$25.87	$26.50	$30.94	$3.19
	400	24.71	24.25	22.28	23.00	25.91	2.33
	600	22.46	21.92	20.34	20.79	23.13	2.04
	800	21.17	20.67	19.54	19.91	22.15	1.90
	1000	19.89	19.47	18.56	18.88	20.78	1.86

Basement Garages: Add lump sum to unfinished basement costs. Single: $1,650, Double: $2,275

Carports: Shed or flat roof: $10.15 – $11.20 Gable roof: $14.60 – $16.90

AREAS OVER GARAGE

If the area over an attached garage has interior finish equal to the rest of the residence, include that area in the total square footage of the residence and price the garage as a built-in. If this area has minimal (bonus room) or no finish (storage attic), use 150% of the attached garage cost from above, for full exterior walls. Use 120% of the attached garage cost for areas with high-pitched roof (gable end). Add for minimal finish, and stairs from below and plumbing and floor cover from Page Avg-27 as needed.

For living area over a detached garage use 165% of the detached garage costs for rooms with full exterior walls and 135% of the detached garage cost for areas with high-pitched roof (gable ends). Add for finish from below: minimal, recreation room, or apartment room. Lump-sum additions for stairs (below), plumbing, etc., (Page Avg-27) as needed.
NOTE: *Apply the increased cost to the ground floor area of the garage only.*

Square Feet	100	200	300	400	500	600
Add for finish, minimal	$ 9.48	$ 8.02	$ 7.05	$ 6.57	$ 6.27	$ 6.08
recreation room	28.00	20.76	16.66	15.01	14.02	13.36
apartment room	-----	-----	33.48	31.83	30.84	30.18

Stairs: Interior within garage area $1,200 – $1,600 Exterior w/landing: $1,425 – $2,650

QUARTERLY MULTIPLIERS

DECEMBER 2007

The Current Cost and Local Multipliers should be used to trend the costs published on the preceding pages to a current date and to adjust the costs by location. This section is republished quarterly and is based on two Marshall & Swift building cost indexes from three districts as published in the *Marshall Valuation Service*. Other conditional adjustments are found on Page F-11. Comparative Cost Multipliers for residential construction are on Pages F-12 through F-16.

CURRENT COST MULTIPLIERS

Use the following Current Cost Multipliers by district (see map below) to trend the costs on the preceding cost pages to a current level.

PAGES	PUB. DATE	EASTERN		CENTRAL		WESTERN	
		FRAME	MASONRY	FRAME	MASONRY	FRAME	MASONRY
SECTION A							
Low, Fair, Avg. (Single-fam., Detached Houses)	12/06	.96	.96	.95	.94	.97	.96
Good, VG, Exc. (Single-fam., Detached Houses)	12/06	.96	.96	.95	.94	.97	.96
Mfg-1 to Mfg-26 (Mobile/Mfg. Housing)	12/07	1.00	-----	1.00	-----	1.01	-----
Mul-3 to Mul-19 (Multiple Residences)	3/07	1.02	1.02	1.00	1.00	1.00	1.01
Mul-21 to Mul-37 (Town Houses & Duplexes)	3/07	1.01	1.01	1.00	.99	1.01	1.01
Mul-38 to Mul-49 (Urban Row Houses)	3/07	1.01	1.01	1.00	.99	1.01	1.01
Spec-1 to Spec-11 (Special Studies)	6/07	1.03	1.05	1.02	1.01	1.02	1.02
Spec-12 to Spec-39 (Special Studies)	6/07	1.02	1.04	1.00	1.00	1.00	1.01
SECTION B							
B-1 to B-28 (Segregated Costs)	9/06	1.05	1.04	1.05	1.04	1.03	1.04
SECTION C							
C-1 to C-17 (Yard Improvement Costs)	9/07	.99	1.00	.98	.99	1.02	1.03
C-18 to C-36 (Unit-in-Place Costs)	9/07	.99	1.00	.98	.99	1.02	1.03

LOCAL MULTIPLIERS

LOCAL MULTIPLIERS reflect local cost conditions and are designed to adjust the basic costs to each locality. They are based on weighted labor and material costs, including local sales taxes. In some cases, local building problems and practices must be considered. Refer to Page F-11 for further discussion. They should always be combined with the Current Cost Multiplier to obtain a cost multiplier which will bring the costs to the present date and locality of the estimate.

The data is received by us from sources we believe to be reliable, but no warranty, guaranty or representation is made by Marshall & Swift as to the correctness or sufficiency of any information, prices or representations contained in the *Residential Cost Handbook*, and Marshall & Swift assumes no responsibility or liability in connection therewith.

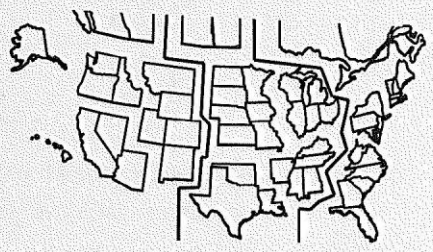
EXAMPLE

After establishing a replacement cost from a preceding cost page, you should use both a Current Cost and a Local Multiplier. For this example, a Square Foot Method cost page for a wood frame, single-family, detached residence has been used. The assumed Central District Current Cost Multiplier for frame is 1.02. The Current Cost Multiplier will trend the costs on the Square Foot Method cost page to a current district average.

To adjust the cost to your location, a Local Multiplier should be used. For this example, the assumed location is Canton, Ohio. The Local Multiplier for frame construction is assumed to be 1.05. If the cost from the Square Foot Method cost page is $50,000, the current cost for the residence in Canton, Ohio would be $53,550.

$50,000 x 1.02 x 1.05 = $53,550

DISTRICT MAP



WESTERN **CENTRAL** **EASTERN**

LOCAL MULTIPLIERS

	Frame	Masonry
TEXAS	.86	.86
Abilene	.87	.87
Amarillo	.87	.88
Austin	.86	.86
Baytown	.87	.86
Beaumont	.89	.88
Cameron County	.80	.80
Corpus Christi	.83	.85
Dallas	.90	.90
El Paso	.90	.90
Fort Worth	.90	.90
Galveston	.88	.89
Hidalgo County	.80	.80
Houston	.89	.89
Laredo	.81	.81
Longview	.93	.94
Lubbock	.86	.86
Marshall	.91	.90
Midland	.88	.87
Odessa	.84	.85
Port Arthur	.89	.87
San Angelo	.87	.85
San Antonio	.85	.86
Texas City	.89	.89
Tyler	.88	.87
Victoria	.83	.81
Waco	.86	.85
Wichita Falls	.89	.87
UTAH	.96	.95
Cedar City	.95	.94
Ogden	1.00	1.00
Orem	.98	.98
Provo	.98	.98
Salt Lake City	.97	.99
St. George	.95	.94
VERMONT	.99	1.00
Barre	.98	1.00
Brattleboro	.99	.99
Burlington	.99	1.00
Montpelier	.99	1.00
Rutland	.98	.98
VIRGINIA	.92	.91
Alexandria	1.02	1.03
Arlington	1.02	1.04
Charlottesville	.91	.91
Chesapeake	.88	.88
Danville	.88	.86
Fredericksburg	1.04	1.02
Hampton	.89	.89
Lynchburg	.92	.90
Newport News	.89	.89
Norfolk	.88	.89
Petersburg	.93	.92
Portsmouth	.88	.88
Richmond	.97	.95
Roanoke	.94	.93
Virginia Beach	.89	.89
Winchester	.94	.94

	Frame	Masonry
WASHINGTON	1.08	1.08
Bellingham	1.08	1.09
Clallam County	1.08	1.09
Everett	1.14	1.13
Island County	1.13	1.13
Kitsap County	1.10	1.11
Longview	1.05	1.06
Olympia	1.15	1.15
Pasco (Tri-cities)	1.07	1.06
Seattle	1.15	1.16
Spokane	1.03	1.05
Tacoma	1.14	1.14
Vancouver	1.05	1.05
Walla Walla	1.06	1.04
Wenatchee	1.03	1.03
Yakima	1.06	1.05
WEST VIRGINIA	1.01	.99
Beckley	1.03	1.00
Bluefield	1.03	1.00
Charleston	1.04	1.01
Clarksburg	1.02	1.00
Fairmont	1.01	.99
Huntington	1.03	1.00
Morgantown	1.02	.99
Parkersburg	1.00	.99
Wheeling	1.08	1.09
WISCONSIN	1.06	1.05
Appleton	1.04	1.03
Beloit	1.05	1.05
Eau Claire	1.08	1.07
Fond du Lac	1.02	1.00
Green Bay	1.05	1.05
Janesville	1.07	1.05
Kenosha	1.10	1.10
La Crosse	1.05	1.05
Madison	1.08	1.07
Manitowoc	1.08	1.05
Milwaukee	1.10	1.09
Oshkosh	1.04	1.02
Racine	1.06	1.06
Sheboygan	1.07	1.06
Superior	1.07	1.08
Wausau	1.04	1.05
WYOMING	.94	.94
Casper	.98	.97
Cheyenne	.91	.91
Cody	.91	.93
Laramie	.95	.93
Rock Springs	.99	.97
Sheridan	.95	.95

EXPLANATION OF DEPRECIATION TABLES

The depreciation tables in this section were developed from actual case studies of sales and market value appraisals and are based on an extended life theory which encompasses a remaining life and effective age approach. From confirmed sales prices, the land value was deducted to obtain a building residual, and the replacement cost of the building was computed. The difference between the replacement cost new of the building and the residual sales price of the building was divided by the replacement cost new, to give the market depreciation in percentage. A similar procedure was followed with the market value appraisals, always excluding those observed cases having excessive obsolescence.

The data was then collated by type of construction and usage, plotted with similar typical total life expectancies, with curves computed for the groupings for which sufficient data was available for statistical reliability. From these curves, a matching family of empirical mathematical curves were found from which the depreciation for any initial (when new) normal life expectancy could be computed.

USE OF THE TABLES

1. Determine the condition and chronological age of the residence.
2. Compare the subject residence with like properties and study the effect of or the lack or need of any modernization or major repair to determine Effective Age.
3. Determine Typical Life Expectancy from table below.
4. Enter the Depreciation Table (Page E-12) in the column for the appropriate Life Expectancy and at the Effective Age estimated in Step 2. The corresponding number is a normal percentage of depreciation.

TYPICAL BUILDING LIVES

Typical life expectancies of single and multifamily residences are based on case studies of both actual mortality and ages at which major reconstruction had taken place. The exceptions to the studies are the typical life expectancies for modular structures and manufactured housing (mobile homes). Typical life expectancies for modular structures assume conformity to site-built residences in both quality and design. Typical life expectancies for manufactured housing represent the projected mortality of structures produced after the enactment of more stringent local and national (U.S.) building codes. All cases of abnormal or excessive obsolescence due to external causes outside of and not inherent to the subject properties were excluded.

	SINGLE-FAMILY (Detached)		MULTIFAMILY, SENIOR CITIZEN & SINGLE-FAMILY (Attached)
QUALITY	Site-built or modular: Frame/Masonry	Mfd. Housing: (mobile homes) Single Wide / Multi-Wide	Site-built or modular: Frame/Masonry
Low	45 / 50	20 / 30	-----
Fair	50 / 55	25 / 35	45 / 50
Average	55 / 60	30 / 40	50 / 55
Good	55 / 60	35 / 45	50 / 55
Very Good	60 / 60	40 / 50	55 / 60
Excellent	60 / 65	45 / 55	55 / 60

SPECIAL STUDIES			
QUALITY	Resort Cottages and Cabins Frame	Tropical Houses Masonry	Club Houses Frame/Masonry
Substandard	20	-----	-----
Low	35	45	35 / 40
Fair	40	50	35 / 40
Average	45	-----	35 / 40
Good	50	-----	40 / 45
Excellent	-----	-----	40 / 45

DEPRECIATION

Effective Age In Years	Typical Life Expectancy in Years 70	65	60	55	50	45	40	35	30	25	20
	DEPRECIATION – PERCENTAGE										
1	0%	0%	0%	1%	1%	1%	1%	2%	2%	3%	3%
2	1	1	1	2	2	2	3	4	4	6	7
3	1	2	2	2	3	3	4	5	6	9	11
4	2	2	3	3	4	4	5	7	9	12	15
5	2	3	4	4	5	6	7	9	12	15	20
6	3	4	4	5	6	7	9	11	14	18	24
7	4	5	5	6	7	8	10	13	17	22	28
8	4	5	6	7	8	10	12	15	19	25	33
9	5	6	7	8	10	11	14	17	22	29	38
10	5	7	8	9	11	13	16	20	25	32	43
11	6	8	9	10	12	14	18	22	28	36	48
12	7	9	10	11	13	15	20	24	31	40	53
13	8	10	11	12	15	17	22	26	34	44	57
14	8	10	12	13	16	19	24	29	37	48	61
15	9	11	12	15	17	21	26	32	40	52	66
16	10	12	13	16	19	23	28	34	43	55	70
17	10	13	15	17	20	25	30	37	46	59	73
18	11	14	16	19	22	27	32	40	50	63	76
19	12	15	17	20	24	28	34	43	53	67	78
20	13	16	18	21	25	30	37	45	56	71	79
21	13	17	19	22	26	32	39	48	59	74	79
22	14	17	20	23	28	34	42	51	62	76	80
23	15	19	21	24	29	36	44	54	65	77	
24	16	20	23	26	31	38	47	57	68	79	
25	17	21	24	27	33	40	50	60	71	80	
26	18	22	25	29	35	43	52	62	74	80	
27	19	23	26	31	37	45	55	65	75		
28	20	24	28	33	39	47	57	68	77		
29	21	26	29	34	41	49	59	70	78		
30	22	27	31	36	44	52	62	71	79		
31	23	28	32	38	46	54	64	72	79		
32	24	29	34	40	47	56	67	74	80		
33	25	31	35	42	49	58	69	75			
34	27	32	37	44	51	60	71	77			
35	28	34	38	45	53	62	72	78			
36	29	35	40	47	55	65	74	79			
37	30	37	41	49	57	67	75	79			
38	32	38	43	51	59	69	77	80			
39	33	40	45	53	61	70	78				
40	35	41	47	55	63	72	79				
41	36	43	49	57	64	73	79				
42	38	45	51	59	66	75	80				
43	39	47	52	60	67	76					
44	41	48	54	62	69	77					
45	42	50	55	63	70	78					
46	44	51	57	65	72	79					
47	45	53	59	66	73	79					
48	46	54	61	68	75	80					
49	47	56	62	69	76						
50	49	57	64	71	77						
51	51	58	65	72	78						
52	52	60	66	73	78						
53	54	61	68	75	79						
54	55	63	69	76	79						
55	57	64	70	77	80						
56	58	65	71	78							
57	60	66	72	78							
58	61	67	72	79							
59	63	68	73	79							
60	64	69	74	80							
61	65	70	75								
62	67	71	76								
63	68	72	76								
64	70	73	77								
65	71	74	78								
70	76	78	80								
75	80	80									

Valuation of the Property
(continued)

Sales Comparison Approach:

(Market Data Approach)

Data needed

(a) subject characteristics

(b) comparable sales data and characteristics

1. valid sales
2. invalid sales

Basic process

(a) subject data into format

(b) select most similar comparables

(c) enter data from comparables

(d) adjust comps TO THE SUBJECT

(e) correlate indicated values into a single estimate of value

Additional process

(a) Gross rent multiplier

1. monthly rent
2. residential properties

(b) Gross income multiplier

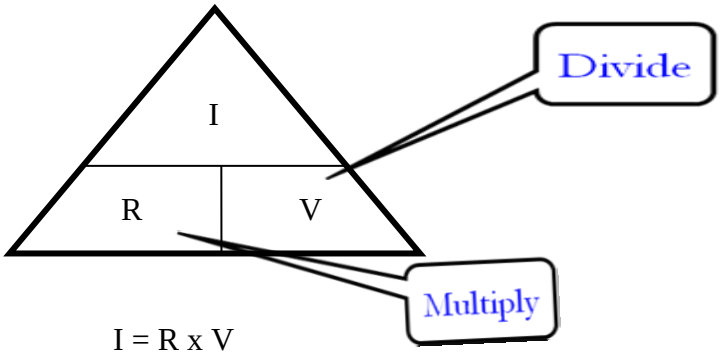
1. annual gross income
2. commercial properties

SEE *HOMEWORK PROBLEM* HANDOUT
FOR SALES COMPARISON APPROACH EXAMPLE

INCOME APPROACH

The income approach is based on the principle that the value of an investment property reflects the quality and quantity of the income it is expected to generate over its life. That is, value is the estimated present value of future benefits (chiefly income and proceeds from the sale of the property).

Estimating the value of an income-producing property is done by capitalization. In its simplest form, capitalization is the division of a present income by an appropriate rate of return to estimate the value of an income stream. The model used to estimate the value today of income expected in the future is known as the *IR* V formula.



I = R x V
R = I / V
V = I / R

Data needed

(a) income
(b) expenses
(c) reserves for replacement
(d) vacancy and collection losses

Basic process

(a) estimate potential gross income
(b) estimate vacancy and collection loss
(c) add estimated other income
(d) calculate effective gross income
(e) estimate total operating expenses
(f) estimate reserves for replacement
(g) calculate net operating income

RECONSTRUCTED OPERATING STATEMENT

Potential Gross Income		$17,784
Vacancy and Collection Loss	-	$ 356
Effective gross income		$ 17,428

EXPENSES

Management		$1,046
Salaries		1,140
Utilities		2,393
Materials and Misc.		100
Repairs and Maintenance		700
Insurance		823
Depreciation		2,500
		$ 6,202 (allowable -depreciation not included)

RESERVES FOR REPLACEMENT

Roof		65
Floor Covering		165
Ranges		200
Refrigerators		200
Painting and Decorating		760
		$ 1,390

TOTAL EXPENSES		$7,592
NET INCOME		$9,836

ADVANTAGES AND DISADVANTAGES OF EACH APPROACH

The ***COST APPROACH*** has the distinct advantage of universal application to all types of real property. It is the principle and sometimes only valuation approach for special purpose properties which rarely sell on the open market. It is well adapted and easy to apply under a mass appraisal system. This approach, however, does not always include a highly reliable estimate of depreciation. Especially in older structures, a large amount of depreciation would need to be estimated and subtracted from cost new.

The ***SALES COMPARISON APPROACH*** *(Market Data Approach)* is widely recognized as a highly reliable valuation approach by nearly all who are involved with real property values including taxpayer, boards of equalization, courts, salespersons, lenders, fee appraisers, and even assessors. It gets much of its acceptance from the active market. It is a true reflection of what those buyers and sellers determine value to be, and it is easy for the general public to readily understand it. There are instances, however, when sufficient sales data may not exist or the property is so unique that no reasonable comparables would be available.

The ***INCOME APPROACH*** *is* not suitable for valuation of residential properties or some types of special use properties, but generally the most reliable approach for commercial properties. The market for commercial properties is comprised of investors who make their decisions to buy or sell primarily on a properties quantity and quality of net income capabilities. For this property type, the income approach is a direct reflection of buyers and sellers in the market.

It should be noted that most users of appraisals require that all three approaches to value be considered, and if applicable, be processed into an estimate of value for the subject property. After each estimate is determined then the appraiser reconciles those various estimates of value into a single value by considering the strengths and the weaknesses of each of the approaches used in relation to the subject property and the data available.