

## Effective Age on Improved Property with an Addition

How to handle Effective Age for improvements when there is a significant addition should be spelled out in your Policies and Procedures so that it is handled consistently.

Some general considerations are:

- 1- For the cost approach some CAMA systems allow separate improvement sections each with their own effective age.
- 2- You can use a formula.
- 3- You can have the appraiser make a professional judgment.

### An example of a possible approach would be:

#### Step 1-

The starting point is to calculate the influence on the overall effective age that the original structure and the addition have. The effective age weighting calculation is illustrated below.

For an Original House with an effective age of 18 where the original construction represents 75% of the total square footage plus a new addition with an effective age of 1:

$$0.75 \times 18 = 13.5$$

$$0.25 \times 1 = 0.25$$

$$\text{Total} = 13.75$$

Rounded to 14 gives an overall Effective Age of 14

This calculation is similar to the weighted percentage complete calculation for additions which is illustrated on the bottom of the New Construction Percent Complete form.

#### Step 2-

The appraiser should then consider that against their **professional opinion** especially in regards to the comparative impact given the nature of the addition. For instance, if the addition represents 25% of the square footage but its influence is more or less than the actual percentage then **the calculated Effective Age should be adjusted appropriately.**

Three examples:

- 1- If the addition is mostly adding a mud room and storage its impact may be less.
- 2- If the addition is adding to the kitchen or a bathroom its impact may be greater.
- 3- If the addition is adding a new primary living area with vaulted ceilings which also creates a more open feeling for the existing kitchen its impact may be greater.

So, for the examples above:

in example 1 you might adjust the calculated Effective Age of 14 to a 15 or 16.

And, for examples 2 and 3 you might adjust the calculated Effective Age of 14 to a 13 or a 12.

Also keep in mind that frequently, when an addition is done, upgrades to the existing improvements are also made which will likely influence the effective age and maybe even the quality grade of the original improvement.