

## BASIC APPRAISAL INFORMATION

There are three approaches to value; the Sales Comparison Approach, sometimes called the Market Approach, the Cost Approach, and the Income Approach. Appraisals will be USPAP (Uniform Standards of Professional Appraisal Practice) compliant. The Sales Comparison Approach will be used most for the properties in the East Patrol Project.

- The Sales Comparison Approach (Market Approach) – an appraiser values the property based on similar properties which have recently sold. Adjustments are made to the comparables for significant elements of comparison. Generally three comparables are selected but more may be used. Comparables are chosen based on their similarity to the subject as well as their location and sales date. Market conditions impact the availability of comparables. This approach will most likely be used for the East Patrol Project for vacant lots and single family residential housing. Other approaches may be used also.
- The Cost Approach – an appraiser values the land and then determines the cost to either replace or reproduce the improvements, less any depreciation due to Physical, Functional or External Obsolescence factors. Generally the cost approach is **not** used on older properties because of the significant amount of depreciation. However it may be used if no reliable data is available for the other two approaches.
- The Income Approach – an appraiser values the property by estimating the Potential Gross Income, deducts Vacancy and Collections loss, adds any miscellaneous income, deducts Fixed and Variable expenses then capitalizes the Net Operating Income; this produces the present worth. Generally the Income Approach is **not** used on residential housing because most do not produce an income. This approach may be used on commercial or income producing properties along with other approaches.

### Items the appraiser uses for comparison In the Sales Comparison Approach

- |                             |                                |
|-----------------------------|--------------------------------|
| ➤ Location                  | ➤ Gross Living area            |
| ➤ Site size                 | ➤ Basement and basement finish |
| ➤ View                      | ➤ Functional Utility           |
| ➤ Design/ Style             | ➤ Heating / cooling            |
| ➤ Quality of construction   | ➤ Garage / Carport             |
| ➤ Age of Improvements       | ➤ Porch / Patio /deck          |
| ➤ Condition of improvements | ➤ Fireplaces                   |
| ➤ Number of bedrooms        | ➤ Energy Efficient Items       |

## Items that may have an effect on the value

- ✓ New or fresh coat of paint – inside and out – neutral colors
- ✓ Newer carpeting or refinished hard wood floors
- ✓ Fresh attractive landscaping
- ✓ Newer plumbing / or plumbing in good repair
- ✓ Newer wiring / or in good repair
- ✓ Remodeled kitchen or bath
- ✓ Roof in good repair
- ✓ House well maintained
- ✓ Central air conditioning / furnace in good working condition
- ✓ Concrete walks/drives /foundations in good repair
- ✓ Windows in good repair
- ✓ Decks /Patios / Porches in good repair
- ✓ Detached garages
- ✓ Working / Functional Fireplaces