MAAO RESIDENTIAL GRADING AND CONDITION

VANGUARD APPRAISALS, INC

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RESIDENTIAL GRADING AND CONDITION

- In most instances, state laws requires property be assessed at 100% of it's fair and reasonable market value. The fair and reasonable exchange between a willing buyer and willing seller.

GRADING AND CONDITION

- There are a large variety of types of real estate. Cost Manuals are built as a guide for the assessor/appraiser to value for Ad Valorem purposes to provide uniformity and equity across the assessment jurisdiction.

- Any good tool should be adjusted to be successful. These adjustments come from your judgment and professional awareness to achieve a fair market value on all property in your jurisdiction.

GRADING AND CONDITION

- There are three recognized approaches to value
  - Sales Comparison approach or Market approach
    - Most accurate approach to value
  - Income approach
    - Is limited to income producing property
  - Cost approach
    - Can uniformly be applied to all types of improved property
    - Provides a separate value for Land and Buildings

GRADING AND CONDITION

- Sales Comparison Approach aka Market Approach
  - All three approaches rely on the market approach in some extent, each could be called market approach, therefore, we shall use the term sales comparison approach.
  - The Sales comparison approach is based on known sales similar to the subject property. The assessor/appraiser then proceeds to make adjustments for whatever factors are comparable.

GRADING AND CONDITION

Time Adjustment = 5% per year

	SUBJECT	SALE #1	SALE #2	SALE #3
SALE PRICE	----------	$160,000	$163,000	$157,000
SALE DATE	AS OF 1/1/2021	1/1/2019	01/01/2020	01/01/2021
MARKET CONDITIONS	----------	+10% $16,000	+5% $8,150	0 ---------
LOCATION	GOOD	GOOD	GOOD	GOOD
SIZE	1800 SF	1640 SF +8,000	1,474 SF +16,300	1940 SF - 7,000
AGE	2009	2014 -8,000	2014 -8,150	2009 0
QUALITY	GOOD	VERY GOOD -8,000	EXCELLENT - 16,300	AVERAGE +7,875
TOTAL ADJUSTMENT		+8,000	0	+875
ADJUSTED SALE PRICE		$168,000	$163,000	$157,875

GRADING AND CONDITION

- SALES COMPARISON
  - Other possible adjustment
    - Basement
    - Basement finish
    - Plumbing
    - Garage
  - Pros
    - Very reliable
  - Cons
    - Availability of sales
    - Accurate interior data

GRADING AND CONDITION

- Income approach
  - The income approach is a method of determining the present worth of future benefit. Most cost manuals are simply that… "Cost" Manuals and will need to be adjusted to your market. A knowledge of the Income approach is important. The income approach can be used to make adjustments and support the value established by the cost approach.

  - The formula for the Income approach is:
    - Income / Rate = Value commonly referred to as IRV
    - However, in Residential we use Gross Rent Multiplier

THE COST APPROACH

MV = LV + IV

MV = Market Value

LV = Land Value

IV = Improvement Value

Improvement Value = Replacement Cost New - depreciation.

GRADING AND CONDITION

- Improvement Value
  - **Replacement Cost New** – Depreciation
  - Why do we grade properties?
    - To achieve **RCN**

GRADING AND CONDITION

LAND VALUATION

GRADING AND CONDITION

- Accurate Land Values are crucial to an effective assessment system
  - Contributes to the accuracy of improved parcels to ensure owners pay their fair share in taxes.
  - Outdated land values contribute to inefficient growth

- Land and improvements are often valued separately.
  - Land is non-wasting
  - Improvements are wasting

GRADING AND CONDITION

RESIDENTIAL GRADING

RESIDENTIAL GRADING

- Cost Manuals often assume average or **typical** hard and soft cost. In many instances price ranges are given to assist the appraiser in making quality and quantity adjustments. The high and low ranges do not necessarily reflect the highest or lowest possible price for a particular item, but only show normal variation and price fluctuations.

GRADING AND CONDITION

GRADE ADJUSTMENTS

100% SCHEDULE

	E	1	2	3	4	5	6
	233	182	149	122	100	80	64
+5	245	191	156	128	105	84	68
+10	256	201	164	135	110	89	71
+20	280						
+30	303						
+40	326						
+50	350						
+75	408						
+100	466						
+125	524						
+150	583						
+175	641						
+200	699						
-5	221	176	144	117	95	76	61
-10	210	170	139	112	90	72	58
-15							55
-20							53
-25							50
-30							48

GRADING AND CONDITION

GRADE ADJUSTMENTS

105% SCHEDULE

	E	1	2	3	4	5	6
	245	191	156	128	105	84	67
+5	257	201	164	134	110	88	71
+10	269	211	172	142	115	93	75
+20	294						
+30	318						
+40	343						
+50	367						
+75	428						
+100	489						
+125	550						
+150	612						
+175	673						
+200	734						
-5	232	185	151	123	100	80	64
-10	221	179	146	118	94	76	61
-15							58
-20							56
-25							52
-30							50

GRADING AND CONDITION

We're going over the differences in quality and how we rate a property, both for a private appraisal and for a loan with Fannie Mae or Freddie Mac. If we're in a private setting - basically if you're getting an appraisal just to know what your property is worth, or for a divorce or estate planning. We would rate your property from:

- Poor
- Fair
- Average
- Good
- Very Good
- Excellent

Now, those same ratings are converted to a Q1 through Q6 if you're getting a loan through Fannie Mae, Freddy Mac, FHA, etc. They basically relate to the same thing, it's just a different way of naming them that is required through the Uniform Appraisal Data Set that Fannie Mae and Freddie Mac use.

Quality Ratings and Definitions

Q1 Dwellings with this quality rating are usually unique structures that are individually designed by an architect for a specified user. Such residences typically are constructed from detailed architectural plans and specifications and feature an exceptionally high level of workmanship and exceptionally high-grade materials throughout the interior and exterior of the structure. The design features exceptionally high-quality exterior refinements and ornamentation, and exceptionally high-quality interior refinements. The workmanship, materials, and finishes throughout the dwelling are of exceptionally high quality.

Q2 Dwellings with this quality rating are often custom designed for construction on an individual property owner's site. However, dwellings in this quality grade are also found in high-quality tract developments featuring residences constructed from individual plans or from highly modified or upgraded plans. The design features detailed, high-quality exterior ornamentation, high-quality interior refinements, and detail. The workmanship, materials, and finishes throughout the dwelling are generally of high or very high quality.

Q3 Dwellings with this quality rating are residences of higher quality built from individual or readily available designer plans in above-standard residential tract developments or on an individual property owner's site. The design includes significant exterior ornamentation and interiors that are well finished. The workmanship exceeds acceptable standards and many materials and finishes throughout the dwelling have been upgraded from "stock" standards.

Q4 Dwellings with this quality rating meet or exceed the requirements of applicable building codes. Standard or modified standard building plans are utilized and the design includes adequate fenestration and some exterior ornamentation and interior refinements. Materials, workmanship, finish, and equipment are of stock or builder grade and may feature some upgrades.

Q5 Dwellings with this quality rating feature economy of construction and basic functionality as main considerations. Such dwellings feature a plain design using readily available or basic floor plans featuring minimal fenestration and basic finishes with minimal exterior ornamentation and limited interior detail. These dwellings meet minimum building codes and are constructed with inexpensive, stock materials with limited refinements and upgrades.

Q6 Dwellings with this quality rating are of basic quality and lower cost; some may not be suitable for year-round occupancy. Such dwellings are often built with simple plans or without plans, often utilizing the lowest quality building materials. Such dwellings are often built or expanded by persons who are professionally unskilled or possess only minimal construction skills. Electrical, plumbing, and other mechanical systems and equipment may be minimal or non-existent. Older dwellings may feature one or more substandard or non-conforming additions to the original structure.

RESIDENTIAL GRADING

- HARD VS SOFT COSTS
  - Hard (Direct) Costs
    - Materials, products and equipment
    - Labor
    - Building Permits
    - Contractor's office & security fencing
    - Temporary utility lines
  - Soft (Indirect) Costs
    - Architectural & Engineering fees
    - Appraisal, consulting, accounting and legal fees
    - Property (Ad Valorem) taxes during construction

Entrepreneurial profit may not be included in various cost manuals.

GRADING AND CONDITION

- **Grading consistently is EXTREMELY important!**
- Because Cost Manuals are market adjusted cost manuals. The grade of a structure sets the Replacement Cost New. Therefore, there are times when a grade adjustment or "manual level" must be made.
- Changes to costs occur over time.
  - If the assessor/appraiser has changed a grade due to a sale, for example, and then the manual level increases the subject property may now be over assessed.

GRADING AND CONDITION

- How do we know what manual level or grade adjustment to use?
  - Cost and market are the closest when properties are new
  - Sales of newer homes
  - Costs from contractors

GRADING AND CONDITION

PIN	Occupancy	Year Built	Actual Cost	Time Adj	Adj Costs	RCN/Manual	% Needed
01-01-100	Single Fam	2019	$234,650	4%	$244,036	$273,150	89.34%
02-02-200	Single Fam	2020	$380,000	2%	$387,600	$427,600	90.64%
03-03-300	Single Fam	2021	$196,200	0%	$196,200	$227,300	86.31%
04-04-400	Single Fam	2021	$182,300	0%	$182,300	$203,610	89.53%

GRADING AND CONDITION

- After determining the appropriate grade factor or manual level, the factor will be applied to the base prices in the manual.
- This includes all components of the structure. House, garage, porch, basement finish, etc..

GRADING AND CONDITION

- Seven basic grades
  - E – Executive Quality
  - 1 – Superior Quality
  - 2 – High Quality
  - 3 – Good
  - 4 – Average
  - 5 – Below Average
  - 6 – Sub-standard

  - In some cost manuals, E or Executive Quality. This had been a separate manual that was discontinued in 2008.

GRADING AND CONDITION

- Seven basic grades
  - In addition to the 7 basic grades there are subgrades. These are the + and – on the grade adjustment schedule.
  - Sub grades are useful to give the assessor/appraiser more flexibility in determining grades.
  - Limits large percentage adjustments when moving from one grade to another.

GRADING AND CONDITION

- E (Executive) Grade
  - Prestigious. These homes exhibit extensive ornamentation or special design features of excellent quality material and workmanship. Many small assessment jurisdictions may never have a structure of this caliber constructed.
    - Money is no object.
    - Although residences at this quality level are inclusive of high-quality material and workmanship, and are somewhat unique in their design, these costs do not represent the highest cost in residential construction.

GRADING AND CONDITION

- 1 (Superior Quality) Grade
  - These will also exhibit excellent quality materials and workmanship, but will be less prestigious than an E grade. Ornamentation and interior finish will typically be designed for the upper class.

1 GRADE
2 STORY + ATTIC + BASEMENT BRICK DWELLING

Marshall & Swift Residential Cost Handbook

EXCELLENT QUALITY – TWO STORY HOMES

Marshall & Swift Residential Cost Handbook

EXCELLENT QUALITY – TWO STORY HOMES

GRADING AND CONDITION

- 2 (High Quality) Grade
  - Architecturally pleasing designed for comfort and convenience. These structures will exhibit good quality appearance they will NOT consist of the excellent quality materials found in 1 and E grade structures.

2 GRADE
2 STORY + ATTIC + BASEMENT STONE DWELLING

Marshall & Swift Residential Cost Handbook

VERY GOOD QUALITY – TWO STORY HOMES

Marshall & Swift Residential Cost Handbook

VERY GOOD QUALITY – TWO STORY HOMES

Marshall & Swift Residential Cost Handbook

VERY GOOD QUALITY – TWO STORY HOMES

GRADING AND CONDITION

- 3 (Good Quality) Grade
  - Typically lack the architectural frills found in higher grade structures, however, they will be a good and practical design and layout. The materials and workmanship will barely be above average. Areas with stringent building codes will typically require most structures to be built to this standard.

3 GRADE
2 STORY + BASEMENT FRAME DWELLING

Marshall & Swift Residential Cost Handbook

GOOD QUALITY – TWO STORY HOMES

GRADING AND CONDITION

- 4 (Average Quality) Grade
  - These homes are constructed with average quality material and workmanship, with simple designs. These structures will be constructed to conform to the minimum building codes.
    - Cost tables in the Iowa Manual are designed to this type of construction.

4 GRADE
2 STORY + ATTIC + BASEMENT FRAME DWELLING

Marshall & Swift Residential Cost Handbook

AVERAGE QUALITY – TWO STORY HOMES

GRADING AND CONDITION

- 5 (Below Average) Grade
  - Lower cost structures and are generally constructed to minimum specifications. They will typically be structures of rectangular design with no extras or ornamentation. Newer structures of this grade may only be constructed in areas with no or very limited building codes.

5 GRADE
1 STORY + BASEMENT FRAME DWELLING

GRADING AND CONDITION

- 6 (sub-standard) Grade
  - Sub-standard structures do not meet even the minimum building code requirements. They are often owner built using inferior finish or used material and exhibit low quality workmanship. Interior has minimal trim or lack trim altogether.
  - **This might be lower than M&S poor.**

6 GRADE
1 STORY FRAME DWELLING

GRADE GUIDE

The following suggested grade guidelines are to be used on new style homes only. The square foot perameters listed below are to be used for original dwellings only (do not include additions that were not original).

The following is a guide only. It assumes average quality construction for a dwelling of that size.

Grade	One story Total S.F. of Living Area	Two story Total S.F. of Living Area
4-10	750 - 849	900 – 999
4--5	850 - 949	1000 - 1099
4	950 - 1099	1100 - 1249
4+5	1100 - 1199	1250 - 1399
4+10	1200 - 1299	1400 - 1499
3-10	1300 - 1399	1500 - 1699
3-5	1400 - 1499	1700 - 1899
3	1500 - 1699	1900 - 2049
3+5	1700 - 1899	2050 - 2199
3+10	1900 - 2099	2200 - 2399
2-10	2100 - 2299	2400 - 2599
2-5	2300 - 2499	2600 - 2799
2	2500 - 2699	2800 - 2999
2+5	2700 - 2899	3000 - 3199
2+10	2900 - 3099	3200 – 3399

The above is a guide only and assumes average quality construction. Grading should be adjusted to reflect difference in quality.

This guide should not be used for Prefab or Manufactured Homes.

This guide should be used only for dwellings built after 1960. It assumes a dwelling of simple design with average pitch roof, basic windows and vinyl siding or equivalent.

GRADE GUIDE

GRADE GUIDE

SIZE					
One Story	Multi-Story	Points	One Story	Multi-Story	Points
< 474	< 624	3	2500 - 2699	2800 - 2999	23
475 - 499	625 - 649	4	2700 - 2899	3000 - 3199	23
500 - 524	650 - 674	5	2900 - 3099	3200 - 3399	24
525 - 549	675 - 699	5	3100 - 3299	3400 - 3599	24
550 - 574	700 - 724	6	3300 - 3499	3600 - 3799	25
575 - 599	725 - 749	7	3500 - 3699	3800 - 3999	26
600 - 624	750 - 774	8	3700 - 3899	4000 - 4199	27
625 - 649	775 - 799	9	3900 - 4099	4200 - 4399	28
650 - 674	800 - 824	10	4100 - 4299	4400 - 4599	29
675 - 699	825 - 849	11	4300 - 4399	4600 - 4699	30
700 - 749	850 - 899	12	4400 - 4499	4700 - 4799	31
750 - 849	900 - 999	13	4500 - 4599	4800 - 4899	32
850 - 949	1000 - 1099	14	4600 - 4699	4900 - 4999	33
950 - 1099	1100 - 1249	15	4700 - 4799	5000 - 5099	34
1100 - 1199	1250 - 1399	16	4800 - 4899	5100 - 5199	35
1200 - 1299	1400 - 1499	17	4900 - 4999	5200 - 5299	36
1300 - 1399	1500 - 1699	18	5000 - 5099	5300 - 5399	37
1400 - 1499	1700 - 1899	19	5100 - 5199	5400 - 5499	38
1500 - 1699	1900 - 2049	20	5200 - 5299	5500 - 5599	39
1700 - 1899	2050 - 2199	21	5300 - 5399	5600 - 5699	40
1900 - 2099	2200 - 2399	21	5400 - 5499	5700 - 5799	41
2100 - 2299	2400 - 2599	22	5500 - 5599	5800 - 5899	42
2300 - 2499	2600 - 2799	22	5600 +	5900 +	43

OVERALL POINTS			
GRADE	POINTS	GRADE	POINTS
6-20 - 6-30	4	2	56
6-15	6	2+5	58
6-10	8	2+10	60
6-5	10	1-10	61
6	12	1-5	62
6+5	15	1	63
6+10	18	1+5	65
5-10	20	1+10	68
5-5	23	E-10	70
5	25	E-5	72
5+5	27	E	74
5+10	29	E+5	76
4-10	31	E+10	78
4-5	33	E+20	80
4	36	E+30	82
4+4	39	E+40	84
4+10	41	E+50	86
3-10	43	E+75	88
3-5	45	E+100	90
3	47	E+125	92
3+5	48	E+150	94
3+10	49	E+175	96
2-10	52	E+200	98
2-5	54		

	Prestigious (E)	Custom (1-2)	Speculation (2-3)	Average Development (4)	Minimum Specs. (5)	Sub-standard (6)
Design/Layout	8	6	4	3	2	1
Materials/Workmanship	8	6	4	3	2	1
Exterior Walls	3	2.5	2	1.5	1	0.5
Windows/Doors	3	2.5	2	1.5	1	0.5
Roof	3	2.5	2	1.5	1	0.5
Interior Finish	3	2.5	2	1.5	1	0.5
Plumbing	3	2.5	2	1.5	1	0.5
Kitchen	3	2.5	2	1.5	1	0.5
Total	34	27	20	15	10	5

Forced Heat (or Equivalent)	Add 5 points
Central Air	Add 4 points
Fireplace	Add (2 x fireplace count)
Floor/Wall Furnace	Add (2 x floor/wall count)
No Heat	Subtract 5 points

GRADING AND CONDITION

- What's in a grade?
  - It is first important to compare the subject structure to other structures to similar occupancy to assure consistency in grading.
  - For example:

GRADING AND CONDITION

- The following is a list of items to consider when attempting to determine a property grade.

GRADING AND CONDITION

- Building Codes.
- These can have a large impact on grading. Smaller jurisdictions don't have codes other than state or federal codes. Some larger jurisdictions may have more stringent codes.
- Older buildings may not meet current building code requirements.
- This is one of the reason newer homes may have higher grades.

GRADING AND CONDITION

- Quality of construction.
  - Will have the single largest impact on the grade of a building.
  - You may not be able to see all the signs of quality however, you will learn the signs if you don't already know. If you can see quality in one area this is a good indication of quality in another, unseen area.
    - What are examples of quality?
      - Type of ext walls
      - Roofing materials or pitch of roof
      - Number of windows
      - Kitchen. Number of cabinets. Type of cabinets
      - Flooring
      - Finishes
      - Other?

GRADING AND CONDITION

Example Windows:

Details	Builders Grade	Premium Grade
Typical warranty	10 years prorated	20 years to life
Special glass coatings	Standard	Options
Glazing options	2 pane	2 panes +
Premium vinyl	No	Yes
Hardware	Standard	Deluxe option
Exterior & interior colors	White	Colour options
Gas fills	Standard	Options
Caulking	Standard	Premium
Installation	Framers	Professional Installers
Sizing	Standard	Custom
Grills	Standard	Options

WINDOWS

GRADING AND CONDITION

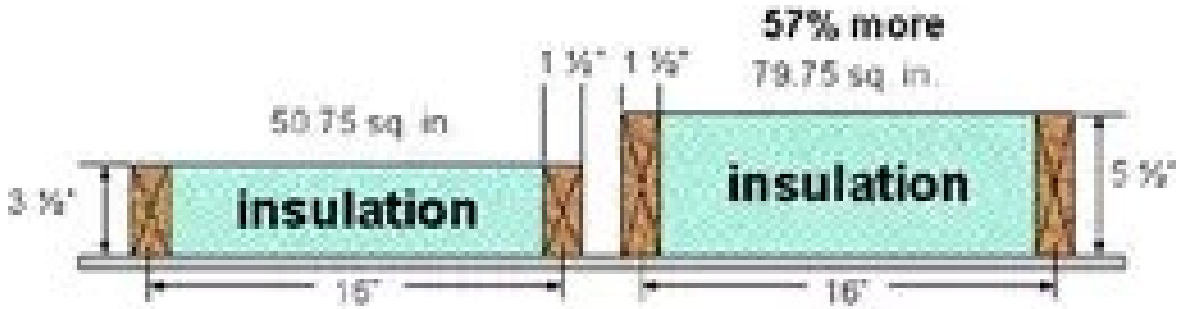
- Quantity of construction
  - The accumulation of extra components may indicate a higher grade.
    - More windows, doors, roofing material, electrical, plumbing, etc…

GRADING AND CONDITION

- Fire Rated Construction
  - Applies more in commercial construction but can apply in residential.
  - Hollow core doors vs Solid Doors.
  - Extra layer of drywall between attached garage and dwelling
  - Stay in place forms aka concrete houses
  - It is uncommon for fire rating to add one whole grade
  - Concrete homes?
  - Foundations?

GRADING AND CONDITION

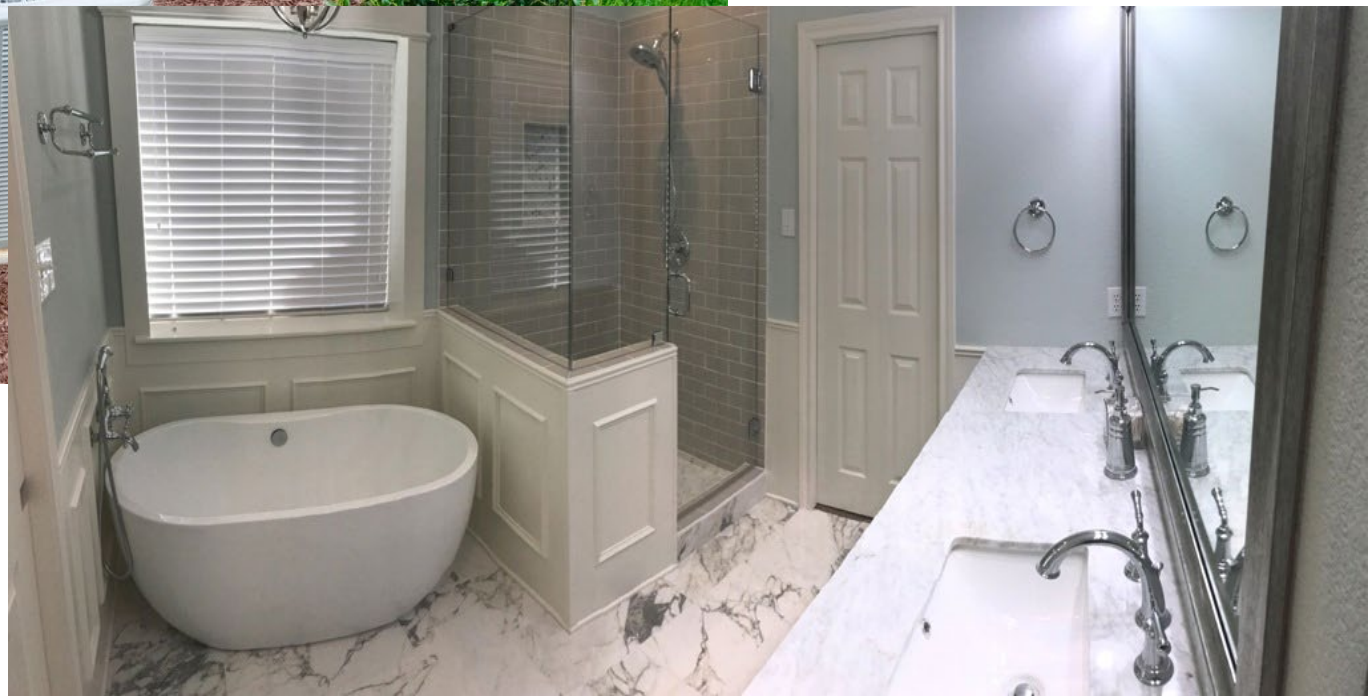
- Framing
  - This can add to the overall cost of a structure. Good framing will typically have good materials elsewhere such as thicker drywall and better quality mechanical items.
  - 2x4 vs 2x6
    - Modern conventional home building normally makes use of 2x4 lumber in constructing exterior walls. But 2x6 framing, which is a little more than 1.5 times wider, is a common upgrade and is required by some local building codes
    - Wood-framed houses have traditionally been built with 2x4 studs spaced 16-inches on-center. Research has shown exterior framed walls **can be** adequately sup



GRADING AND CONDITION

- Mechanical items
  - Electrical, HVAC and plumbing. The type and quality of these systems will impact the overall cost.
  - For example: zone heating is more expensive than single zone systems.

GRADING AND CONDITION

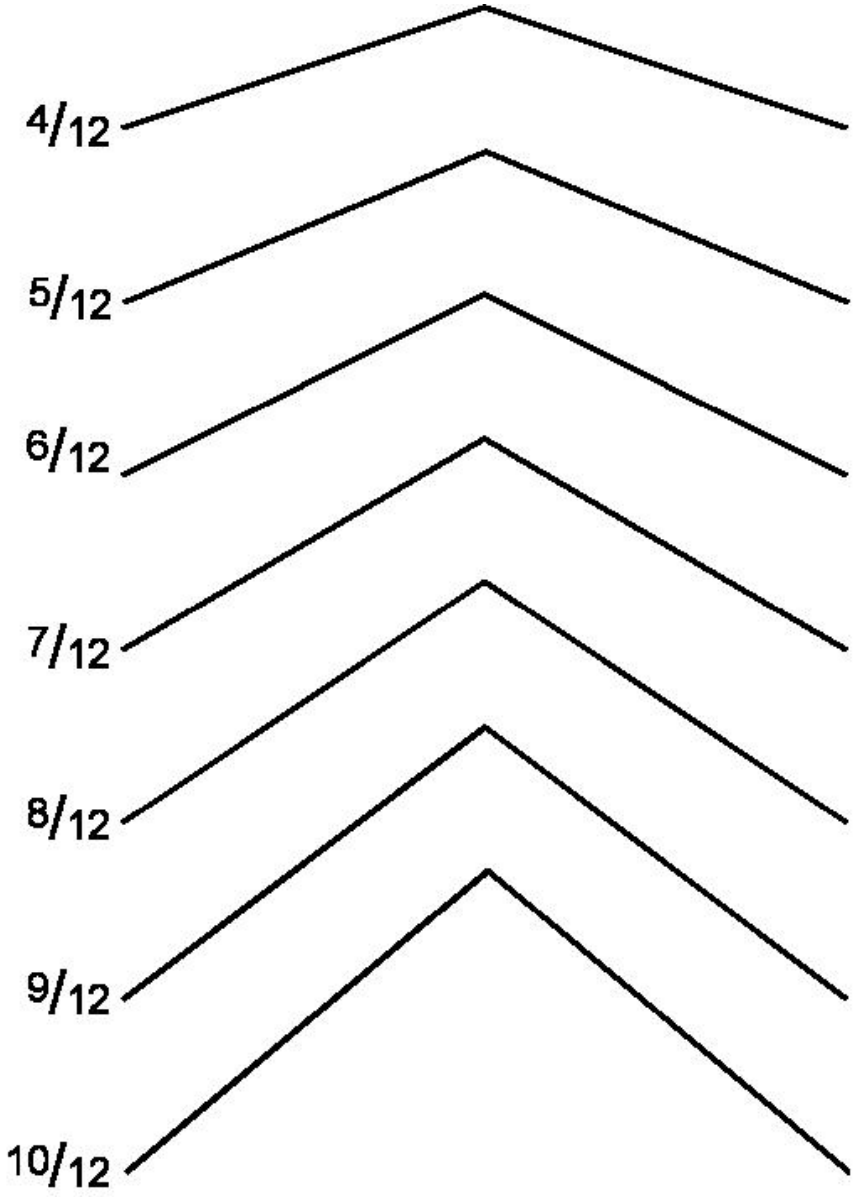


GRADING AND CONDITION

- Fenestration
  - Fenestration is the placement of windows and doors in a structure. The quality and cost of these items varies significantly. Quality should be considered but also the quantity of doors and windows in

DOORS

ROOF



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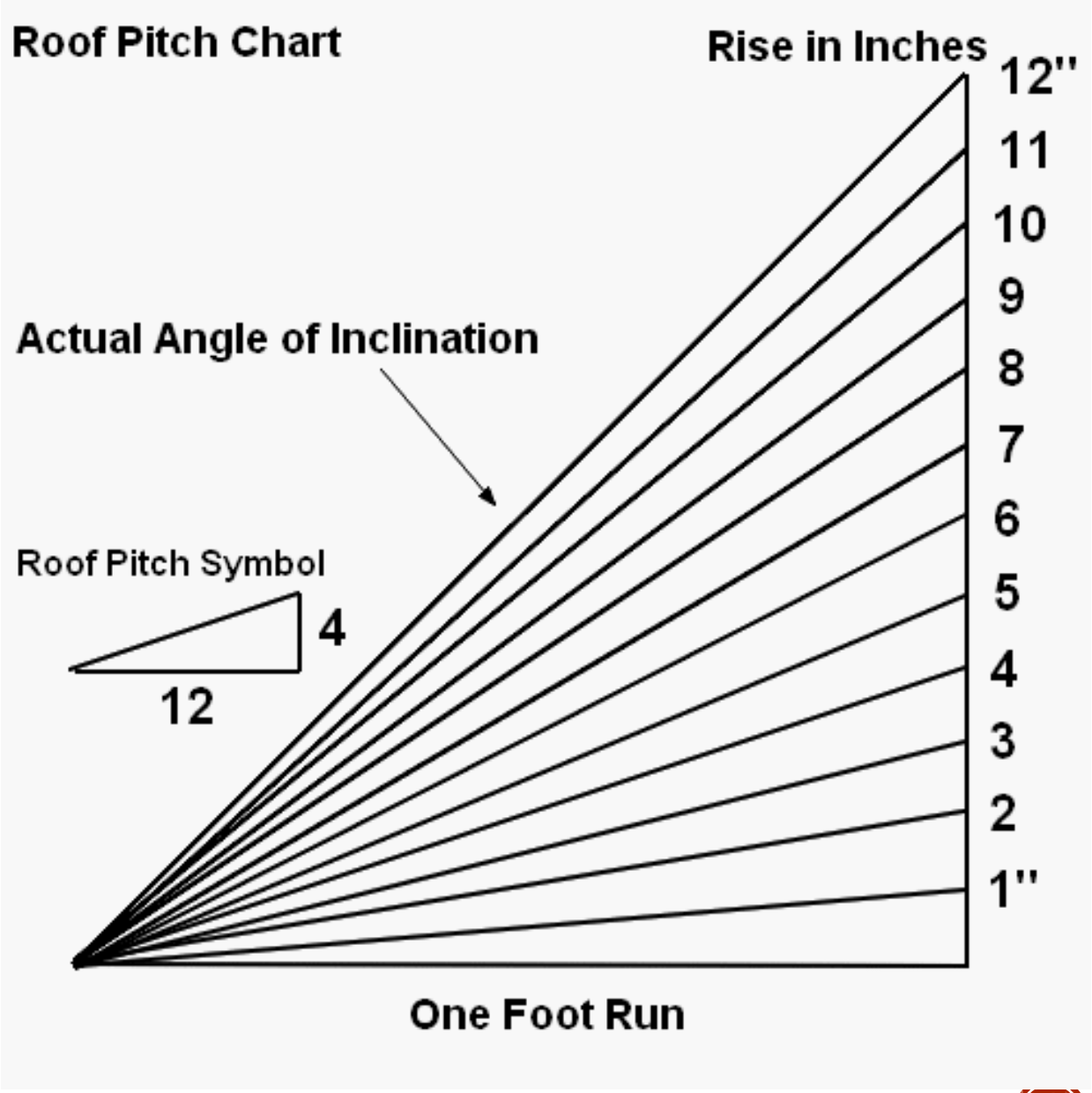
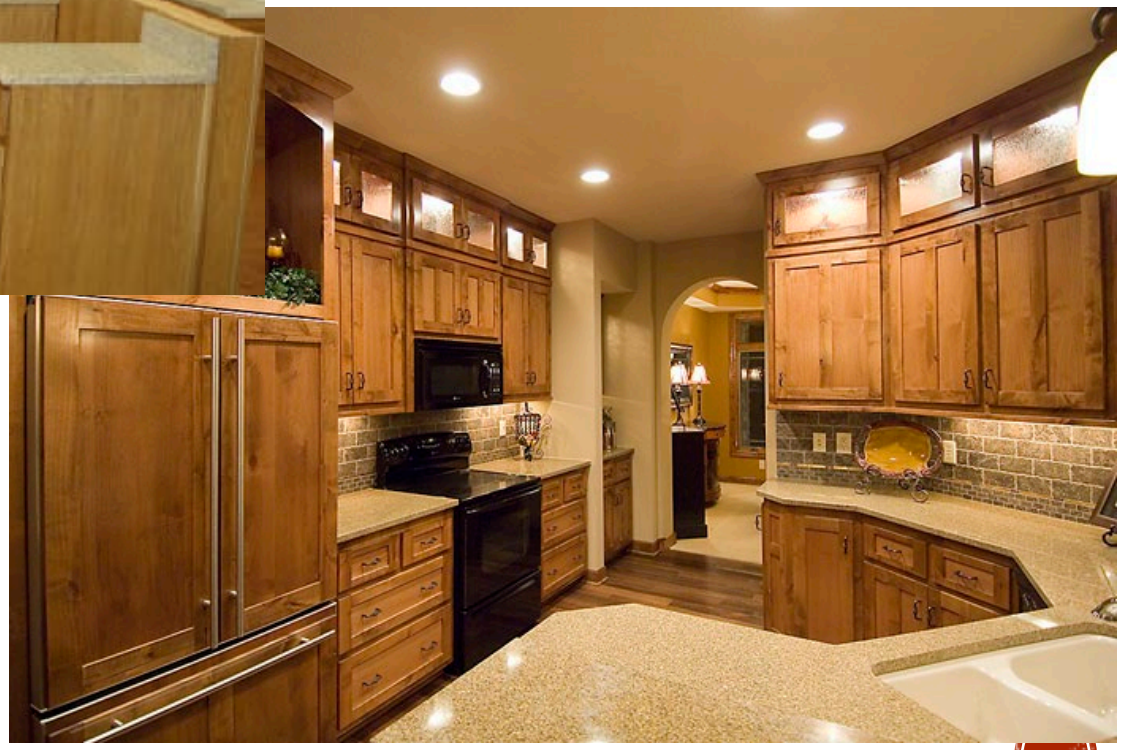
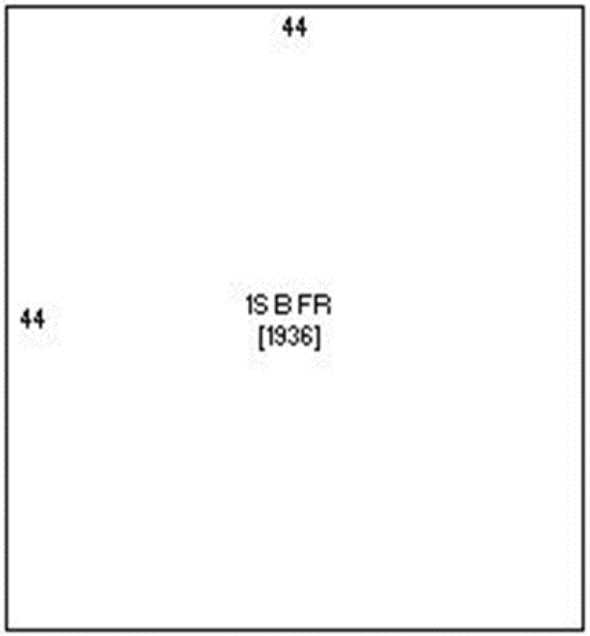

Roof Pitch Chart
Rise in Inches
12"
11
10
9
8
7
6
5
4
3
2
1"
Actual Angle of Inclination
Roof Pitch Symbol
4
12
One Foot Run

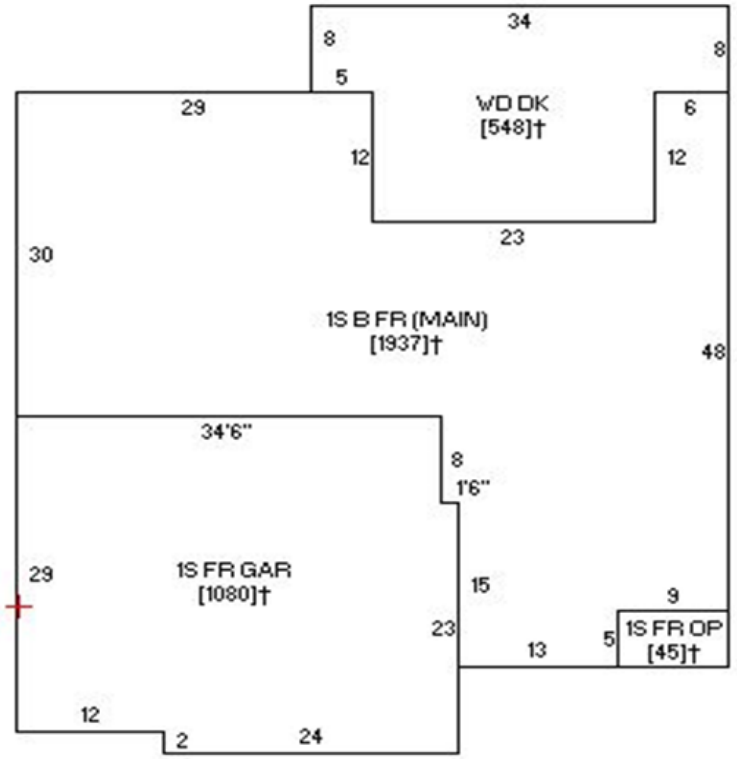
KITCHEN CABINETS



GRADING AND CONDITION

- Shape
  - The manual assumes all buildings are of a basic rectangular design. Structure with more corners, offsets and intricate designs can cost much more than a structure that is more square or rectangular.





Grading for equity:

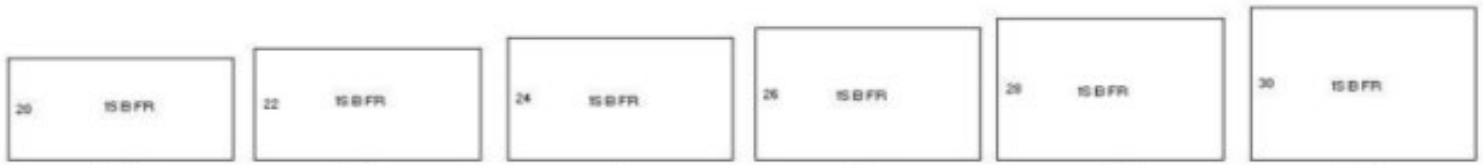
There are many factors that go into grading a dwelling (see page 7-2 of the manual). For the purpose's equity homes of similar size and square footage should be graded alike. Below are a few guidelines. Typically, the width of a dwelling can be factored into the grade.

4-10 4-5 4 4+5 4+10 3-5 3

With all things equal except story height, "T" shaped homes can be graded for equity like this.

5 GRADE 5+5 GRADE 5+10 GRADE

The gable width of ranch style homes can be graded for equity like this.



4-10 4-5 4 4+5 4+10 3-10

One component of grading is square footage. The Economies of Scale Theory is based on the idea that the greater the volume of an item, the less each incremental volume should cost. In other words as a dwelling gets larger in size the less it should cost per square foot to construct. However, this is seldom the case. Generally speaking it's the opposite, the larger the house the more per square foot the dwelling cost to construct. As most homes get larger more amenities are built in, kitchens get larger, more bathrooms are added and the quality increases. Therefore, the larger the dwelling the greater the grade multiplier need be to reach the cost.

The following suggested grade guidelines are to be used on new style homes only. The square foot parameters listed below are to be used for original dwellings only (do not include additions that were not original).

Grading Guidelines

One Story Square Footage	2020 SF Price	Grade	Multiplier	Adj SF Price	Two Story Square Footage	2020 SF Price	Grade	Multiplier	Adj SF Price
800	134.96	4-10	90	121.46	800	137.09	5	80	109.67
850	131.21	4-5	95	124.65	850	133.20	5+5	84	111.89
900	127.86	4-5	95	121.47	900	129.74	4-10	90	116.77
950	124.79	4	100	124.79	950	126.65	4-10	90	113.99
1000	122.02	4	100	122.02	1000	123.88	4-5	95	117.69
1050	119.58	4	100	119.58	1050	120.90	4-5	95	114.86
1100	117.37	4+5	105	123.24	1100	118.20	4	100	118.20
1150	115.31	4+5	105	121.08	1150	115.73	4	100	115.73
1200	113.42	4+10	110	124.76	1200	113.47	4	100	113.37
1250	111.63	4+10	110	122.79	1250	111.42	4+5	105	116.99
1300	109.97	3-10	112	123.17	1300	109.54	4+5	105	115.02
1350	108.41	3-10	112	121.42	1350	107.79	4+5	105	113.18
1400	106.96	3-5	117	125.14	1400	106.18	4+10	110	116.80
1450	105.53	3-5	117	123.47	1450	104.58	4+10	110	115.04
1500	104.19	3	122	127.11	1500	103.09	3-10	112	115.46
1600	102	3	122	124.44	1600	100.38	3-10	112	112.43
1700	99.61	3+5	128	127.50	1700	97.71	3-5	117	114.32
1800	97.78	3+5	128	125.16	1800	95.34	3-5	117	111.55
1900	96.18	3+10	135	128.84	1900	93.18	3	122	113.68
2000	94.37	3+10	135	127.40	2000	91.24	3+5	128	116.79
2100	92.96	2-10	139	129.21	2100	89.49	3+5	128	114.55
2200	91.66	2-10	139	127.41	2200	87.90	3+10	135	118.67
2300	90.16	2-5	144	129.83	2300	86.25	3+10	135	116.44
2400	88.77	2-5	144	127.83	2400	85.03	2-10	139	118.19
2500	87.74	2	149	130.73	2500	83.74	2-10	139	116.40
2600	86.87	2	149	129.44	2600	82.55	2-5	144	118.87
2700	85.82	2+5	156	133.88	2700	81.42	2-5	144	117.24
2800	84.84	2+5	156	132.35	2800	80.36	2	149	119.74
2900	83.75	2+10	164	137.35	2900	79.33	2	149	118.20
3000	82.98	2+10	164	136.09	3000	78.36	2+5	156	122.24

GRADE AND CONDITION

- High Performance Homes?
  - There is no universal definition for High Performance Homes. The consensus in the industry is that a High Performance Home has a higher level of comfort, durability, indoor air quality, and lower energy use.

  - LOWER COST OF OWNERSHIP
  - IMPROVED INDOOR ENVIRONMENT
  - MAXIMIZE ENERGY EFFICIENCY
  - PRIME BUILDING MATERIALS
  - HEALTHIER AIR QUALITY
  - LESS MAINTENANCE
  - INCREASED RESALE VALUE?

GRADE AND CONDITION

- High Performance Homes?
- **2x6 Exterior Wall Construction**
  The upgraded framing materials used in this home provide more room for an increased amount of blown-in fiberglass insulation. With more insulation, your home is sealed tighter and better protected against the elements.
- **Zip System Weatherization**
  ZIP System sheathing and tape streamlines the weatherization process with an integrated water- and air-resistive barrier that delivers unmatched moisture and air protection.
- **Blown-In Fiberglass Insulation**
  Owens Corning blown-in fiberglass insulation provides best-in-class protection, a high R-value/inch, excellent sound attenuation characteristics and outstanding fire performance.
- **50 Gallon Electric Water Heater**
  Your 50 gallon water heater makes sure that when you turn on the shower, you don't wait. If it's time for a bath, the water is hot as long as you need it, while still maximizing energy efficiency.
- **Whole Home Humidifiers**
  Iowa's unpredictable weather brings damaging dry air into a typical home. Whole home humidifiers improve indoor air quality and automatically manages moisture levels in your home. Along with more efficient comfort and health benefits for the homeowner, maintaining a proper indoor humidity level protects natural materials like wood flooring, cabinetry and furniture.
- **Icynene Spray Foam Insulated Rim Joist**
  The rim joist is where the home's wood framing meets the top of the foundation walls. In a typical home, the rim joist area is a huge source of energy loss, but we go the extra mile by insulating the rim joist with Icynene spray foam.
- **Passive Radon Protection**
  Installed in the basement, the passive radon system uses in-line fans to create suction that safely draws radon gas out of the soil and vents it out and above the home.
- **Separated Irrigation Meters**
  Save money by separating the type of water being metered to keep your lawn healthy.
- **200 Amp Electrical Service**
  The typical standard for modern usage is 100 amps, but we give you extra juice. With a 200 amp panel, more circuits can be connected, which gives you more versatility.

GRADING AND CONDITION

- Age
  - Age **might** influence cost.
  - What is considered average construction has changed through the years. Modern buildings are usually constructed with more plumbing fixtures and electrical outlets than buildings constructed many years ago.
  - However, some newer construction has seen a decrease in the quality of interior and exterior finished as compared to older structures
  - Old structures of low quality will tend to show more signs of age
  - Old structures of high quality will tend to retain more of their original appearance
  - **Be careful not to Grade the Condition of the home. These are two separate adjustments.**

GRADING AND CONDITION

Both homes in the same Neighborhood in Des Moines are sold for approx. $1M One built In 1918 and one in 2014.

5235 Waterbury Rd
Sold 11/23/2020 $1,075,000
4901 Waterbury Rd
Sold 2/4/21 $950,000

GRADING AND CONDITION

- **BREAK?**

RESIDENTIAL SCHEDULE PREFACE

In preparing a schedule for mass appraisal purposes, there are two goals we are all attempting to reach. First, we must have uniformity among properties, and, second we must base our uniformity on fair and reasonable market value.

The Residential Schedule appearing on the following pages is designed to give the assessor/appraiser a uniform approach to the value of improvements. This schedule assumes a building of average construction for which the basic specifications are included later in this preface. Any variation from these specifications which would affect the replacement cost must be adjusted for by using the additions and deductions appearing in the schedule or by adjusting the grade. Nearly all parts of this, or any schedule, are mechanical in use, with few areas for variations.

It is these variables, namely grade and depreciation (however caused) which allow the assessor/appraiser to arrive at fair and reasonable market value and still maintain equalization. In order to effectively use this schedule we must first agree on two basic concepts: (1) that the value of improvements is the difference between market value and land value; and (2) that the residential schedule is merely a vehicle by which we can arrive at a uniform value of improvements within a given area.

MANUFACTURED HOME

"MANUFACTURED" DWELLINGS

Manufactured (formerly known as Mobile) Homes are residential structures built on a steel undercarriage with necessary wheel assembly to be transported to a permanent or semi-permanent site. The wheel assembly can be removed when placed on a permanent foundation, but the steel undercarriage remains intact as a necessary structural component.

The "Manufactured" dwellings schedule is to be used for mobile type manufactured homes and is not intended to be used for modular or panelized manufactured homes.

Mobile Homes built after June 15, 1976 must meet the Federal Mobile Home Construction and Safety Standards as outlined in Title VI, Housing and Community Development Act of 1974. A HUD seal certifying compliance with these standards must be displayed on each unit.

Manufactured (Mobile) Homes should be priced from the "Manufactured Homes" schedule found on pages 73 through 75. Adjustments to the base price should be applied in the same manner as conventional residential properties.

MH GRADING

Grading Manufactured Homes

5 Grade - Mobile Homes built with prefinished lightweight corrugated aluminum exterior walls, corrugated metal arched roof and low quality printed hardwood or plywood paneling interior finish. Most Mobile Homes constructed prior to 1976 will fall within this grade.

4 Grade- Manufactured (Mobile) Homes built with vinyl lap siding or equivalent on wood studs. Gable (3/12 pitch) roof with asphalt shingles. Vinyl wall coverings on gypsum.

The following guide can be used to determine the proper grade for Manufactured Homes above a 4 grade.

Item	Percent of Increase To Base 4 Grade Replacement Cost
Textured Drywall Interior	6 to 11%
Textured Drywall Interior (units with basement)	4 to 8%
Wood Siding	5 to 6%
Wood Siding (units with basement)	4%
Extra Roof Pitch	3%
Extra Roof Pitch (units with basement)	2%

MANUFACTURED HOME 5 GRADE

5

1 STORY SINGLE-WIDE
MANUFACTURED DWELLING

MANUFACTURED HOME 4 GRADE

4

1 STORY SINGLE-WIDE
MANUFACTURED DWELLING

MANUFACTURED HOME 5 GRADE

5
1 STORY MULTI-SECTIONAL
MANUFACTURED DWELLING

MANUFACTURED HOME 4 GRADE

4
1 STORY MULTI-SECTIONAL
MANUFACTURED DWELLING

MANUFACTURED HOME 3 GRADE

3 - 5
1 STORY MULTI-SECTIONAL
MANUFACTURED DWELLING
(Redwood Siding & Textured Drywall Interior)

TODAYS 4 GRADE

4 GRADE SINGLE WIDE

4 GRADE MULTI SECTIONAL

3 GRADE SINGLE WIDE

3 GRADE MULTI SECTIONAL

3 GRADE MULTI SECTIONAL

E (EXECUTIVE) GRADE

A 2 STORY + BASEMENT BRICK DWELLING

E Grade: Executive grade dwellings will be individually designed with many varied interior appointments. They will normally exhibit extensive ornamentation or special design features of excellent quality materials and workmanship. These architecturally unique dwellings will many times consist of imported finishes. High ceilings and expansive foyers are also characteristics which will be common in this grade of home. Executive grade dwellings are normally prestige structures. They are generally built for those with high incomes. The high end executive (E + 100 and above) home will typically be built without regard for cost.

E GRADE

E
A 2 STORY + ATTIC + BASEMENT
BRICK DWELLING

E GRADE

E + 50
A 2 STORY + BASEMENT
EIFS DWELLING

TODAYS E GRADE

E GRADE

E + 75 IN LINN CO., IA


Fine Beer
ALWAYS


STOP
Castrol GTX
WELCOME RACE FANS

E + 75 LINN CO., IA

- 2020 Assessed for $2,936,400
- 2021 Assessed for $2,882,000
- Sold for $2,699,900 which included $300,000 PP (Furniture)
- Linn Co office was at this property in August of 2020 after it sold and spoke with new owners
- 3187 Feather Ridge Rd, Toddville, IA

1 GRADE

1 GRADE

A 2 STORY + ATTIC + BASEMENT BRICK DWELLING

1 Grade This is a custom built, architecturally designed home, having good materials and workmanship. This home will lack the unique features of an executive grade home. This home is usually large with spacious rooms, several bath facilities, a good heating system, and a good electrical system with numerous outlets. Closets are usually walk-in type. Kitchen has many built-in features (if of newer construction) and an abundance of cabinets. Bathrooms will have high quality fixtures, good vanity, and probably a special dressing area. Exterior is good quality siding, brick, or stone. There are also numerous windows.

1 GRADE

1
A 2 STORY + BASEMENT
BRICK DWELLING

1 GRADE

2 GRADE

2 GRADE

A 2 STORY + ATTIC + BASEMENT STONE DWELLING

2 GRADE This also is usually an architecturally designed, custom built home with good materials and workmanship. Very similar to a 1 grade home, but on a more conservative scale. This is a more practical home than a 1 grade home, having more than sufficient plumbing fixtures. Likewise, there is good heating and electrical service. Interior finish will be of plaster or drywall with good trim. Kitchen will have built-in features with more than adequate cupboard space and counter tops. Bathrooms and toilet rooms will usually have good quality fixtures. This is an excellent home but not as pretentious as a 1 grade.

2 GRADE

2
A 1 STORY + BASEMENT
BRICK & FRAME DWELLING

2 GRADE

3 GRADE

3 GRADE

A 2 STORY + BASEMENT FRAME DWELLING

3 Grade A 3 grade dwelling is generally a custom or speculation home lacking architectural frills but basically of good practical design and layout. Workmanship and materials are barely above an average type home but it will have some extra design and special features not found in the average home. It will normally have good drywall or plaster walls, hardwood floors (or wall to wall carpeting), and also better than average kitchen cabinets, plumbing facilities, and closet space. This is often referred to as an intermediate grade because it will be a 2 grade design and layout but 4 grade workmanship and materials.

3 GRADE

3
A 1 STORY + BASEMENT
FRAME & BRICK DWELLING

3 GRADE

3 GRADE

4 GRADE BASICS

BASIC SPECIFICATION FOR SCHEDULE PRICES

The following specifications are for an average residential dwelling (4 grade) which offers few extras and has very little architectural design. With today's variables in construction materials it would be impossible to write any specifications that would describe a majority of homes. Therefore, we must, in our minds, think in terms of equivalents. For example, we may have a dwelling which meets these specifications and we place a 4 under the grade. We may also have a house next door which meets very few of these specifications but the various items are equivalent in quality and cost and therefore we would still grade it as a 4.

FOOTINGS - Reinforced concrete.

FOUNDATION - 8" reinforced concrete or equivalent, waterproofed exterior.

WALLS - Vinyl lap siding or equivalent on building wrap paper on sheathing. 2" x 6" wood studs, 16" o.c. with R-19 fiberglass insulation. $1^{3}/_{8}$" double hung windows or equal, with approximately one window for each 15 L.F. of wall. Two entry doors with decorative trim at front. Screens and weather stripping throughout.

ROOF - Gable roof with a 3/12 to 4/12 pitch. Average weight asphalt shingles on felt paper on wood roof decking. 2" x 6" wood rafters, 2' o.c. or equal, 11" of blown-in insulation or equivalent, boxed eaves, flashing, gutters and downspouts.

4 GRADE BASICS

FLOORS - 3½" concrete basement floor with cement trowel finish. Upper floors are average grade carpet and linoleum on 3/4" tongue & groove O.S.B. board or equivalent plywood on 2" x 8" to 2" x 12" wood joist (depending on span) 16" o.c.

INTERIOR FINISH - Two coat paint on drywall. 2" x 4" x 24" o.c. wood stud partitions. Stained and lacquered trim and baseboard, hollow core interior doors, adequate closet areas in each bedroom, coat closet, and linen closet. Average quality kitchen cupboards and counter space. One average quality bathroom vanity base, towel rack and toilet paper dispenser. Softwood basement stairway and carpet on softwood staircase with balustrade to second floor.

ELECTRIC - Armored cable, Romex or non-metallic sheathed cable. Adequate outlets and average quality fixtures.

HEATING - Forced hot air furnace with duct work distribution system fired by gas with thermostat control.

PLUMBING - One three-fixture bathroom, one kitchen sink, one hot water tank, laundry facilities, and copper piping or equivalent. All fixtures are of ordinary quality.

4 GRADE

4 GRADE

A 2 STORY + ATTIC + BASEMENT FRAME DWELLING

4 Grade A Grade 4 dwelling is an average home in every way. It meets or exceeds all loan requirements and is often referred to as a development type home. This does not mean this home cannot be custom built but only refers to the basic quality. (Detailed specifications for a 4 grade appear on the preceding page.)

4 GRADE

4
A 1 STORY + BASEMENT
FRAME DWELLING

4 GRADE

5 GRADE

5 GRADE

A 1 STORY + BASEMENT FRAME DWELLING

5 Grade This low cost home is generally of minimum specifications, barely meeting loan requirements. It may outwardly, occasionally, resemble a 4 grade but lacks any “extras”. Usually of straight rectangular design with no lines or design. Drywall or plaster interior finish with minimum softwood trim, low quality carpeting or softwood flooring. Minimal plumbing, heating and electrical outlets. The kitchen has no built-in features and minimum cupboard and counter space. In certain areas this is often a slab home, or a low quality pre-fabricated manufactured home.

5 GRADE (T-SHAPED FARM HOUSE)

5
A 1 STORY + ATTIC + BASEMENT
FRAME DWELLING

5 GRADE

6 GRADE

6 GRADE

A 1 STORY FRAME DWELLING

6 Grade Often referred to as sub-standard housing. This home seldom will pass loan requirements and is often owner built using inferior or used materials and poor workmanship. Interior finish is plaster, wallboard or low quality drywall, softwood floors, little or no trim, wall or floor furnace heating, low quality kitchen cupboards (usually set -in type), roll roofing or lightweight shingles, exterior walls are usually single siding (often covered with asphalt shingles). This house is often on the outskirts of town or in the country and is usually an older home. Few 6 grade homes are being built today.

The 6 grade schedule is also designed to be used as a summer cottage schedule. Normally 6 - 20 would be as inferior of quality construction that could be habitable, however, the assessor/appraiser may use 6 - 25 for an unfinished interior and 6 - 30 for unfinished interior and mud sills. Dwellings or cottages having a lesser value than the 6 - 30 should be given a sound value for field priced.

6 GRADE

6 - 5
A 1 STORY
FRAME DWELLING

TODAYS 6 GRADE (TOOL SHED HOUSE)

TODAYS 6 GRADE (TOOL SHED HOUSE)

TODAYS 6 GRADE (TOOL SHED HOUSE)

5-5 GRADE?

5 GRADE

6 GRADE

GRADING

You can look at grading like this:

6 grade	I wouldn't live in
5 grade	I would rent
4 grade	I live in
3 grade	I hope to move up to
2 grade	I have a boss that lives in one
1 grade	I will never live in
E grade	I will live in when I win the lottery

GRADING

TEN PITFALLS OF GRADING:

- Grading the condition
- Grading by size only
- Not using Grade 1 or E (or +/-)
- Not using Grade 6
- Being influenced by individual sales
- Letting your personal likes & dislikes influence grade
- Grading obsolescence
- Grading interior decorations, rather than construction
- Grading on raining days-letting weather influence you
- Grading with a hangover

GRADE

GRADE

GRADE

GRADE

GRADE

GRADE

GRADE

GRADE

GRADE

GRADE

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GRADE

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GRADE

GRADE

GRADE

- What happens if we grade differently?
- Different between jurisdictions is acceptable
  - The manual levels could be different depending how different markets are.
- Inconsistent grade within a jurisdiction can create inequities
  - If you change one property you should be changing/verifying them all.

GRADE AND CONDITION

- METAL POST FRAME AND METAL WOOD FRAME DWELLINGS
  - These can vary significantly in design. In the 2020 manual metal post frame and metal wood frame dwellings *assume interior finish which would be similar to quality and design to that of a conventional stick built dwelling*.

  - Metal Post Frame:
    - Lacks a perimeter foundation. Characteristics of a metal post frame dwelling are…
    - 1 – Lack perimeter foundation
    - 2 – wood post construction with girts and purlins
    - 3 – enameled metal panel exterior walls and roof

  - Metal Wood Frame:
    - Has a perimeter foundation into the building design. Characteristics are…
    - 1 – perimeter foundation
    - 2 – wood post construction with girts and purlins anchored to the foundation or traditional wood stud construction
    - 3 – enameled metal panel exterior walls and roof

GRADE AND CONDITION

- METAL POST FRAME AND METAL WOOD FRAME DWELLINGS
  - These types of structures appear to be metal shop type structures with a portion finished. Use the appropriate tables in the manual for pricing. However, these structures can present unique pricing challenges.
  - The living area portions should be priced as a dwelling using the appropriate tables.
  - The garage or shop areas can utilize the metal/post frame, metal/post frame high bay, metal wood frame or metal wood frame high bay pricing options found in the attached *garage pricing tables*. The garage tables in the 2020 manual include multiple adjustments to capture metal liners, interior finish, heating, etc… These items are common in these structures.
  - The assessor/appraiser may choose to price a large shop area from the metal warehouse, metal light manufacturing or steel utility building tables in other sections of the manual.
  - The second option for structures with limited living area is to price the entire structure from the metal warehouse, metal light manufacturing or steel utility pricing tables and add for interior living quarters.
  - **Please stay consistent within your jurisdiction**

GRADE AND CONDITION

2 - 5
2 STORY METAL POST FRAME
W/ HIGH BAY ATTACHED GARAGE

4 + 5
1 STORY METAL WOOD FRAME W/ ATTIC
W/ HIGH BAY ATTACHED GARAGE

4 - 10
1 STORY METAL WOOD FRAME
W/ HIGH BAY ATTACHED GARAGE

6 + 5
2 STORY METAL WOOD FRAME

*Is metal framing but priced as wood frame

GRADE AND CONDITION

2
2 STORY METAL POST FRAME DWELLING
W/ HIGH BAY ATTACHED GARAGE

2
1 STORY METAL POST FRAME DWELLING
W/ ATTACHED GARAGE

3 + 5
1 STORY METAL POST FRAME DWELLING
W/ HIGH BAY ATTACHED GARAGE

4 + 10
1 STORY METAL POST FRAME DWELLING
W/ ATTACHED GARAGE

GRADE AND CONDITION

4
1 STORY METAL POST FRAME DWELLING
W/ HIGH BAY ATTACHED GARAGE

4
2 STORY METAL POST FRAME DWELLING
W/ HIGH BAY ATTACHED GARAGE

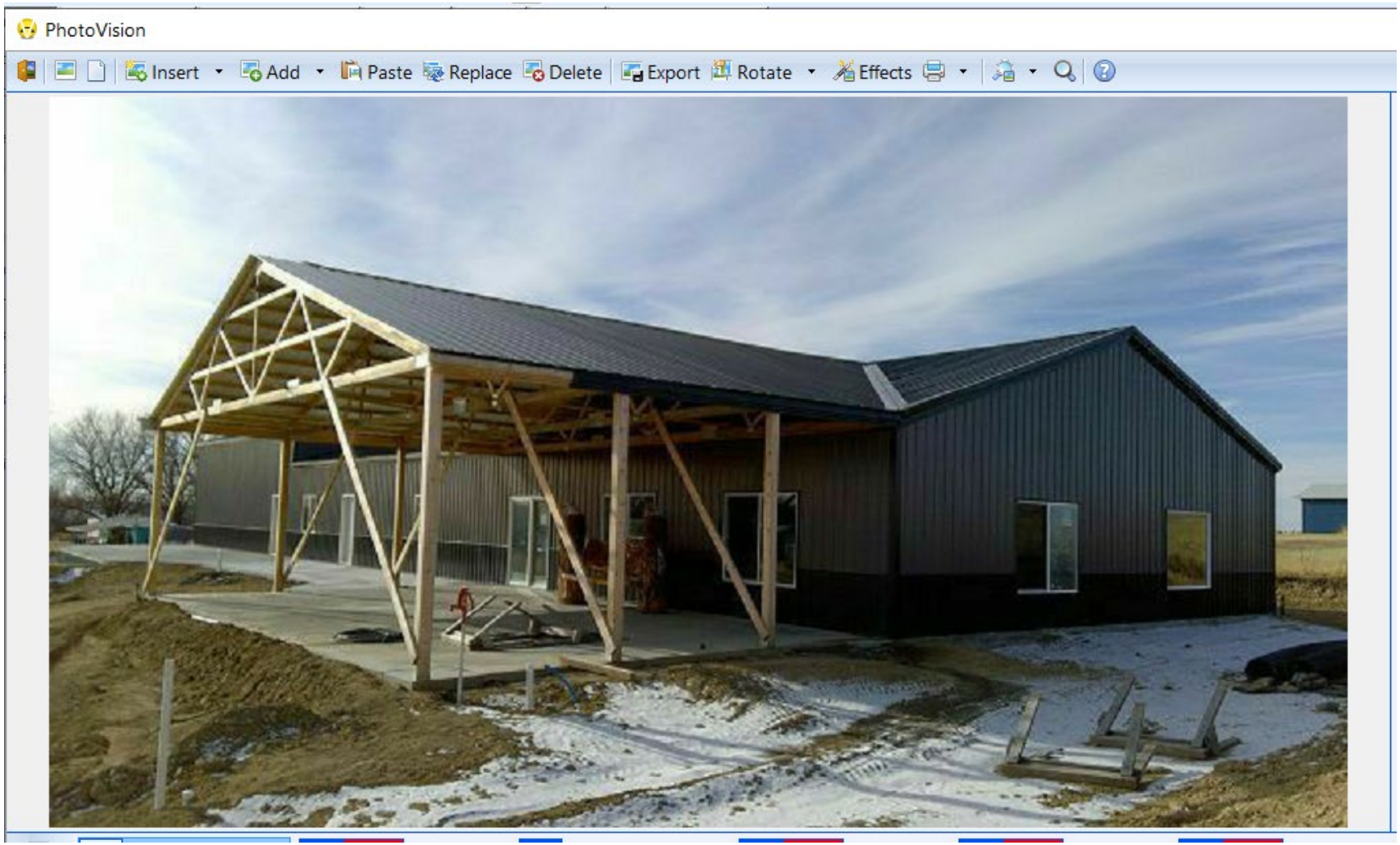
5
1 STORY + ATTIC METAL POST FRAME DWELLING

6
1 STORY METAL POST FRAME DWELLING
(LOW QUALITY INTERIOR)

GRADE AND CONDITION

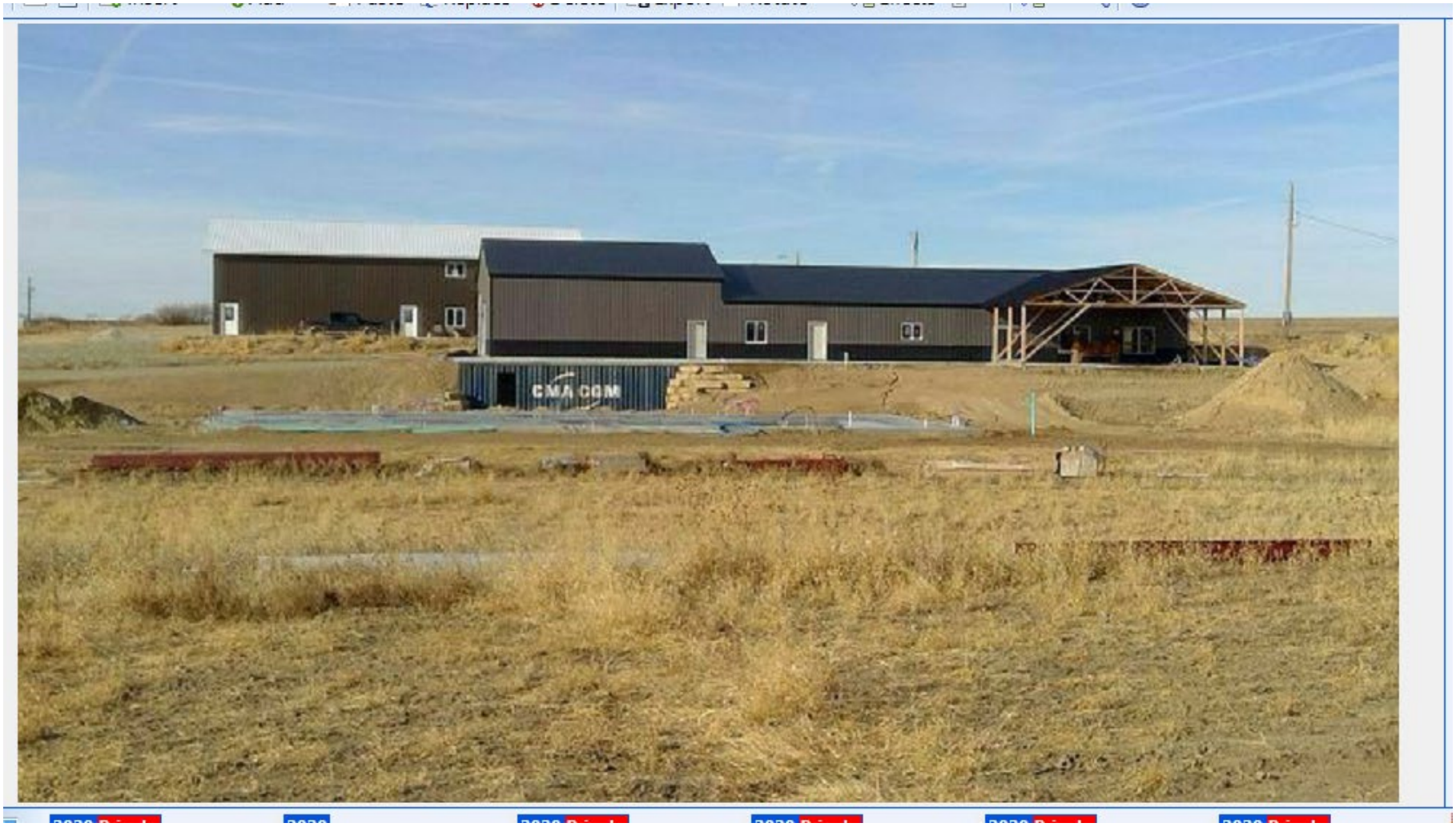
GRADE AND CONDITION

GRADE AND CONDITION



GRADE AND CONDITION

GRADE AND CONDITION



GRADE AND CONDITION

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GRADING AND CONDTION

CONDITION / DEPRECIATION

CONDITION

RESIDENTIAL DEPRECIATION ANALYSIS

NORMAL DEPRECIATION GUIDE

Year	EFA	Excellent	Very Good	Good	Above Normal	Normal	Below Normal	Fair	Poor	Very Poor*
Initial	1	0	0	0	0	1	2	3	5	7
	2	0	0	0	1	2	3	4	6	9
	3	0	0	1	2	3	4	5	7	10
	4	0	0	1	2	4	5	6	8	11
	5	0	1	2	3	5	6	7	9	12
	6	0	1	2	3	5	6	7	10	13
	7	0	1	2	4	6	7	8	11	14
	8	0	1	2	4	6	7	8	12	15
	9	1	2	3	5	7	8	9	13	16
	10	1	2	3	5	7	8	10	14	17
	11	1	2	3	5	8	9	10	14	18
	12	1	2	3	5	8	9	11	15	19
	13	1	2	3	5	8	9	11	15	20
	14	2	3	4	6	9	10	11	16	21
	15	2	3	4	6	9	10	12	17	22
	16	2	3	4	6	9	10	12	17	23

*Sound judgment and observation must be used in arriving at the depreciation of residential structures in very poor condition.

The preceding is a guide only. The assessor/appraiser is encouraged to complete a depreciation analysis and should edit the depreciation guide as necessary.

CONDITION

Physical Condition Matrix

An estimate of normal deterioration and obsolescence (depreciation) can be determined by rating the physical condition of the building and combining this rating with the building's effective age. Effective age is the number of years of apparent age, often determined by deducting estimated remaining life from normal life.

	Physical Condition				
	Excellent	Good	Average	Poor	Very Poor
General Appearance	Extremely attractive and highly desirable	Quite attractive and desirable	Still somewhat attractive and desirable	Rather unattractive	Undesirable
Building Services	Modern, proper & adequate	Proper & adequate	Functional	Unused, partially removed, or adapted for present occupancy	Antiquated; unused or unusable
Extent of Deterioration	None, perfect, like-new	Some minor deterioration is visible	Showing signs of normal wear and tear	Deterioration is very noticeable	Structural defects apparent, approaching unsound, safety and/or health hazards may exist
Degree of Usefulness	As originally intended	As originally intended	As originally intended, or for which it was renovated	Occupied by a use other than originally intended	Basic shelter for random occupants or non-specific activities
Occupancy	Fully occupied, long-term tenants	High occupancy rate, a variety of short-, medium- and long-term tenants	Normal rate of turnover, occasionally vacant	Excessive turnover, often vacant between occupants	Unoccupied for long periods
Maintenance & Repairs	Full preventive maintenance plan in effect and according to schedule	Planned maintenance addresses most situations before becoming major issues (JIG, or "just-in-time")	Condition-based or corrective maintenance, in essence, when need arises (when an item stops functioning, it is either repaired or replaced)	Mostly untended	None
Replacements/ Renovations	Items are regularly replaced or renovated well before reaching the end of their useful lives	Replacements and renovations are scheduled to be made near the end of an item's useful life	Items are replaced or renovated on an as-needed basis only	Replacements and renovations are made as a last resort only	None
Housekeeping	Complete housekeeping program has been implemented, with the health and safety of building occupants foremost	Property is routinely cleaned; things are kept neat and orderly.	Cleaning program primarily for appearance-sake	Infrequent, light cleaning	None

DEPRECIATION

CONDITION

DEPRECIATION

Life-Cycle Depreciation Table

The Life-Cycle depreciation tables are based on framing type and building or occupancy attended usage.

High finish type buildings would consist of those occupancies with lots of interior finishes such as floor, wall and ceiling finishes.
Other high impact areas would consist of high partition density do to many rooms.
High plumbing density do to full kitchens or bathrooms, and requirements.

Framing Type Frame

Age	Excel	Good	Avg	Poor	V-Poor
1	2	2	3	3	4
2	4	4	5	6	8
3	5	6	7	9	12
4	7	8	10	12	16
5	9	10	12	15	19
6	10	12	14	18	22
7	12	14	17	21	26
8	14	16	19	24	28
9	17	18	22	27	32
10	18	20	23	28	35
11	19	21	24	30	37
12	20	21	25	31	38
13	21	22	26	32	39
14	21	23	27	33	40
15	22	23	27	33	41
16	23	24	28	34	41
17	23	24	29	35	42
18	24	25	29	36	43
19	24	25	30	36	43
20	25	26	30	37	44
21	25	26	31	37	44
22	26	27	31	38	45
23	26	27	32	38	46
24	26	27	32	39	46
25	27	28	33	39	47
26	27	28	33	40	47
27	27	28	33	40	47
28	28	29	34	41	48
29	28	29	34	41	48
30	28	29	34	42	49
31	29	29	35	42	49
32	29	30	35	42	49
33	29	30	35	43	50

CONDITION

- Condition is the physical state of repair for a dwelling. There may be multiple conditions available in your CAMA system or Cost Manual. An older dwelling that has had normal maintenance through its years is in normal condition. Other conditional relationships are measured against the benchmark of normal. An example would be a pre-WWII dwelling with considerable remodeling both inside and outside. Its condition might be above normal (AN), good or very good (VG) according to it age. Without making specific calculations, one can look at a rating chart to measure the relationship of normal condition to the dwelling being subjectively rated.

CONDITION

- In short Condition drives the physical depreciation of a property.
  - Depreciation is the loss in value due to normal wear and tear due to the passage of time.
  - The degree of physical depreciation may be contingent upon factors
    - Original quality
    - Extent the structure has been maintained or neglected.

CONDITION

- Often physical depreciation alone cannot explain the difference between RCN and market value.
- A second type of depreciation is Obsolescence.
- Obsolescence is defined and the reduction in usefulness or desirability due to a specific feature.

  - Two types of Obsolescence
    - External
    - Functional

CONDITION

- Functional Obsolescence is the loss in value from within the property itself.
  - Examples:
    - Poor Room arrangement
    - Lack of plumbing
    - Too few or too many rooms
    - ??

CONDITION

- Functional Obsolescence

CONDITION

- Functional Obsolescence

CONDITION

- Functional Obsolescence
  - 2 types of Functional Obsolescence
    - Curable and Incurable

Incurable Obsolescence relates to the cost to cure. An item may be changed or cured however, the cost was greater than the market value of the improvement

Example: Layout. The only bathroom located through a bedroom.

Curable Obsolescence can be cured and the owner will recoup the costs in the market

Example: Older 3 bedroom home with only 1 bathroom. Adding a 2nd bath may make the property more desirable, thus recouping the cost to cure.

CONDITION

- Functional Obsolescence

CONDITION

- Functional Obsolescence?

CONDITION

- External Obsolescence is the loss in value due to outside factors.
  - Examples:
    - Manufacturing facility constructed adjacent to property
    - Heavy traffic area near by
    - Property located in a declining neighborhood
    - Common in the Midwest is a dormant community due to loss in local businesses.

CONDITION

- External Obsolescence

CONDITION

- External Obsolescence

CONDITION

- External Obsolescence

CONDITION

CONDITION

CONDITION

- External Obsolescence
  - Hog Confinements?
  - Wind Turbines?
    - Greenfield Advisors April, 2019 article states between 0% to 35%
    - Track your market to determine the conditions in your jurisdiction
  - Cell Towers?

CONDITION

- There are five basic groupings defined to help determine a condition. Below is a list of components used to assist in your subjective weighting:

- 1. Exterior: roof, insulation, siding, paint and windows;

- 2. Interior: walls, ceilings, floor covers and basement finish;

- 3. Mechanical: Heating, air conditioning and electrical;

- 4. Kitchen: cabinetry, built-in appliances;

- 5. Bath: rough-in plumbing, piping and fixtures;

- While the above list is not a complete list of components, it is intended for use as a guide.

CONDITION

- Many times a dwelling has a combination of two or more of the above groups in various states of repair. If you compare the normal condition of a dwelling with its actual condition, you can judge it the same as comparing a subject (normal) with its comparable sales. Determine if the subject is in superior or inferior condition as compared to normal depreciation. Some consideration may be given to how recently components were replaced or remodeled. However, it can be generally accepted that recent should be within the past five years.

CONDITION

		Rating	% Inferior	% Normal	% Superior		normal depreciation column % added to
Exterior:							
	Roof		3	0	-3		-3
	Insulation		1	0	-1		
	Siding		5	0	-5		
	Paint		1	0	-1		
	Windows		6	0	-6		6
Interior:							
	Wall		1	0	-1		
	Ceiling		1	0	-1		
	Floor Cover		3	0	-3		
	Bsmt Fin		1	0	-1		
Mechanical:							
	Heating		1	0	-1		
	A/C		1	0	-1		
	Electrical		1	0	-1		
Kitchen:			12	0	-12		
Bath(s)			1	0	-1		
Grand Totals.....			38	0	-38		3

CONDITION

- In the previous example, the condition was inferior by 3%. Because it was inferior to normal condition, then 3% would be added to the amount of normal depreciation. Now you can look at the depreciation chart for the age of the dwelling and add 3% to the amount in the normal column. Or from the above chart, 3% is not enough to change the condition to Below Normal (BN).
- Observed condition will normally have to be used whenever an old dwelling has been extensively remodeled. In addition, near uninhabitable conditions will also need to be depreciated by observation.

- Many rules-of-thumb could be developed for mass appraisal by the experienced appraiser. But since uniformity in assessments is a primary goal in mass appraisal the appraiser should apply his/her judgment of condition uniformly to all properties to produce the best results.

GRADE AND CONDITION

- **When to change a Condition?**

  There are a few major components of a dwelling that effect condition.

  - Roof
  - Kitchen Remodel
  - Siding
  - Heating and Cooling
  - Windows
  - Bath Room Remodel
  - Foundation
  - Floor Coverings
  - Interior Remodeling
  - General Up Keep

  - Combination of 2 or 3 of the above items?

GRADE AND CONDITION

- CONDITION PHOTO DISCUSSION

CONDITION

CONDITION - NORMAL

CONDITION

CONDITION – ABOVE NORMAL

CONDITION

CONDITION – VERY POOR

CONDITION

CONDITION - POOR

CONDITION

CONDITION – GOOD

CONDITION

CONDITION - NORMAL

CONDITION

CONDITION - POOR

CONDITION

CONDITION - EXCELLENT

CONDITION

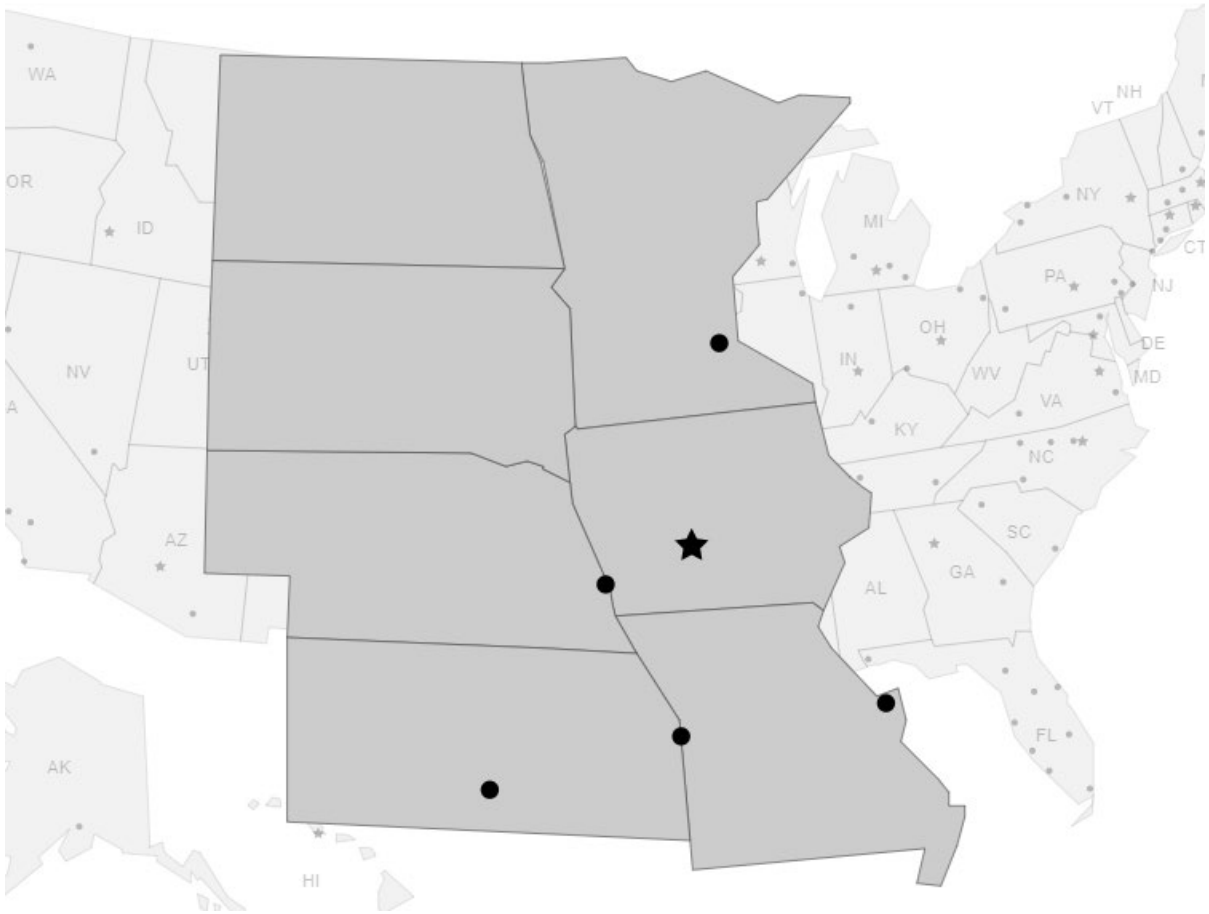
February of 1998 for $100,000
June of 2019 Sold for $17,000

CONDITION

February of 1998 for $100,000
June of 2019 Sold for $17,000
May of 2020 Sold for $212,500
After being totally gutted and remodeled
Polk Co has Very Good Condition
2021 AV = $204,100

COST VS VALUE

Des Moines, Iowa | Kansas City, Missouri | Minneapolis, Minnesota | Omaha, Nebraska | St. Louis, Missouri | Wichita, Kansas



COST VS VALUE

WEST NORTH CENTRAL 2020 NATIONAL AVERAGES

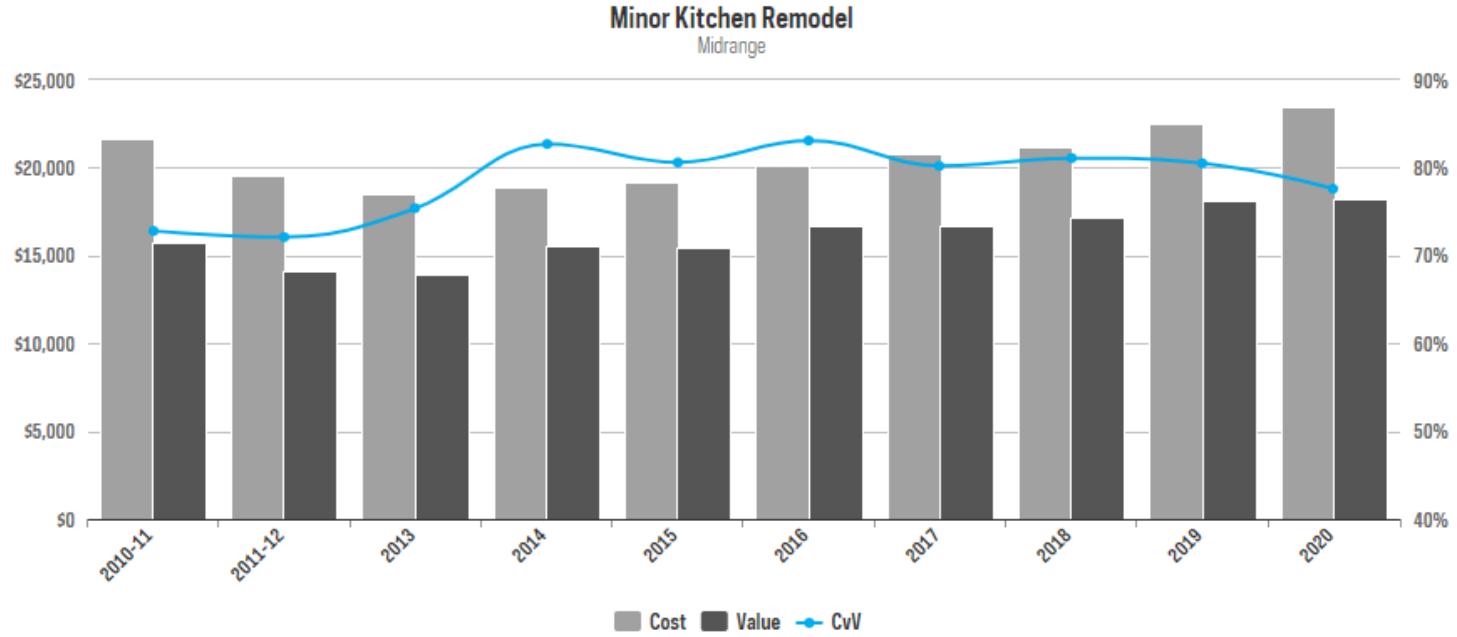
PROJECT	JOB COST	RESALE VALUE	COST RECOUPED	CHANGE VS 2019
Minor Kitchen Remodel | Midrange	$23,016 $23,452	$17,002 $18,206	73.9% 77.6%	↓
Manufactured Stone Veneer	$9,333 $9,357	$5,662 $8,943	60.7% 95.6%	↓
Entry Door Replacement | Steel	$1,841 $1,881	$1,086 $1,294	59.0% 68.8%	↓
Garage Door Replacement	$3,619 $3,695	$2,110 $3,491	58.3% 94.5%	↓
Siding Replacement | Vinyl	$13,647 $14,359	$7,769 $10,731	56.9% 74.7%	-
Siding Replacement | Fiber-Cement	$16,169 $17,008	$9,074 $13,195	56.1% 77.6%	-
Window Replacement | Vinyl	$17,240 $17,641	$9,215 $12,761	53.4% 72.3%	↓
Bath Remodel | Universal Design	$33,326 $34,643	$17,760 $21,463	53.3% 62.0%	↓
Major Kitchen Remodel | Midrange	$66,159 $68,490	$34,889 $40,127	52.7% 58.6%	↓
Bath Remodel | Midrange	$20,451 $21,377	$10,728 $13,688	52.5% 64.0%	↓
Bathroom Addition | Midrange	$47,064 $49,598	$23,671 $26,807	50.3% 54.0%	↓
Bathroom Addition | Upscale	$87,135 $91,287	$43,601 $49,961	50.0% 54.7%	↓

COST VS VALUE

Major Kitchen Remodel | Upscale	**$132,171** $135,547	**$65,359** $72,993	**49.5%** 53.9%	
Deck Addition | Wood	**$13,404** $14,360	**$6,567** $10,355	**49.0%** 72.1%	
Window Replacement | Wood	**$21,014** $21,495	**$10,204** $14,804	**48.6%** 68.9%	
Master Suite Addition | Midrange	**$129,202** $136,739	**$59,655** $80,029	**46.2%** 58.5%	
Bath Remodel | Upscale	**$64,698** $67,106	**$29,815** $37,995	**46.1%** 56.6%	
Roofing Replacement | Asphalt Shingles	**$23,784** $24,700	**$10,699** $16,287	**45.0%** 65.9%	
Deck Addition | Composite	**$18,929** $19,856	**$8,381** $13,257	**44.3%** 66.8%	
Grand Entrance | Fiberglass	**$9,020** $9,254	**$3,957** $4,930	**43.9%** 53.3%	
Roofing Replacement | Metal	**$38,223** $40,318	**$16,455** $24,682	**43.1%** 61.2%	
Master Suite Addition | Upscale	**$269,318** $282,062	**$110,729** $145,486	**41.1%** 51.6%	

GRADE AND CONDITION

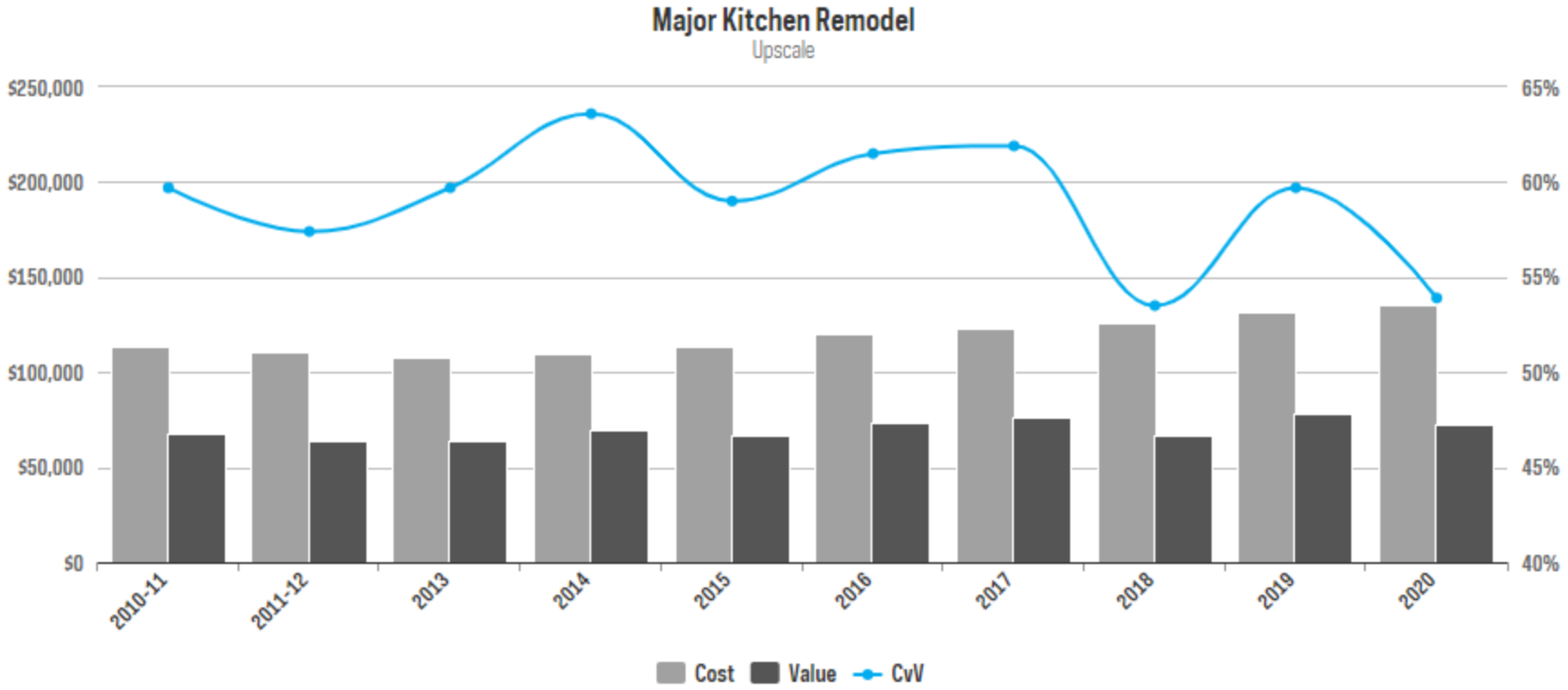
Minor Kitchen Remodel | Midrange



In functional but dated 200-square-foot kitchen with 30 linear feet of cabinetry and countertops, leave cabinet boxes in place but replace fronts with new shaker-style wood panels and drawer fronts, including new hardware. Replace cooktop/oven range and slide-in refrigerator with new energy-efficient models. Replace laminate countertops; install midpriced sink and faucet. Add new resilient flooring. Finish with painted walls, trim, and ceiling.

GRADE AND CONDITION

Major Kitchen Remodel | Upscale



Update outmoded 200-square-foot kitchen with 30 linear feet of top-of-the-line custom white cabinets with built-in sliding shelves and other interior accessories. Include stone countertops with imported ceramic- or glass-tile backsplash; built-in refrigerator, commercial-grade cooktop and vent hood, wall oven, and built-in microwave unit. Install high-end undermount sink with designer faucets and water filtration system. Add new general and task lighting, including low-voltage undercabinet lights. Install tile or similar flooring that looks like wood.

CONDITION

GRADE AND CONDITION

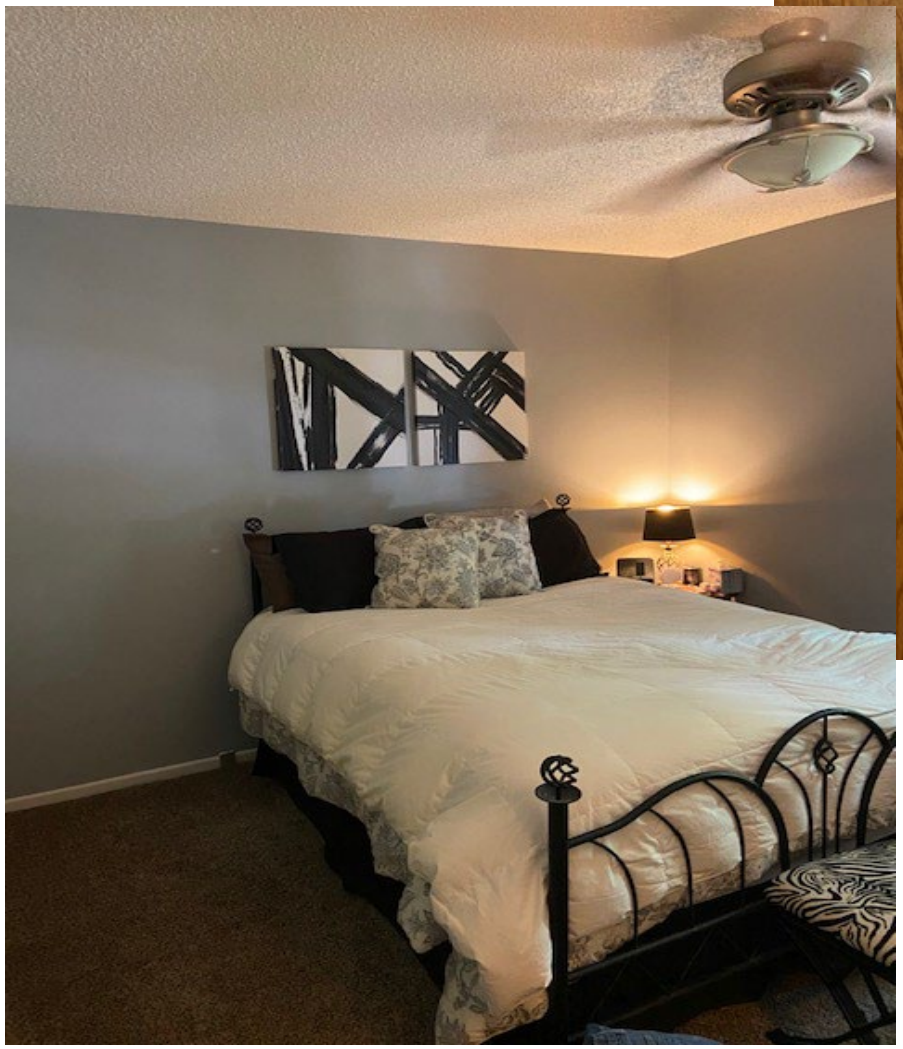
GRADE AND CONDITION

GRADE AND CONDITION

- Interior Updates:
  - Carpet throughout
  - Paint
  - Bathroom flooring
  - New tub and surround
  - Kitchen cabinet pulls
  - HVAC and Water Heater are 5 years old.
  - New electrical panel November 2020

GRADE AND CONDITION

GRADE AND CONDITION



GRADE AND CONDITION

GRADE AND CONDITION

- The exterior remains the same for now. Did these updates change the condition of the home?
- What would a possible new condition be for this property?
- Was there curable functional obsolescence that was cured?
- What future enhancements will change the condition?
  - Roof
  - Siding
  - Windows

  - Sold 1-26-2017 before updates for $171,500
  - Sold 11-13-2020 after some updates for $200,000
  - 2021 AV = $194,600

GRADE AND CONDITION

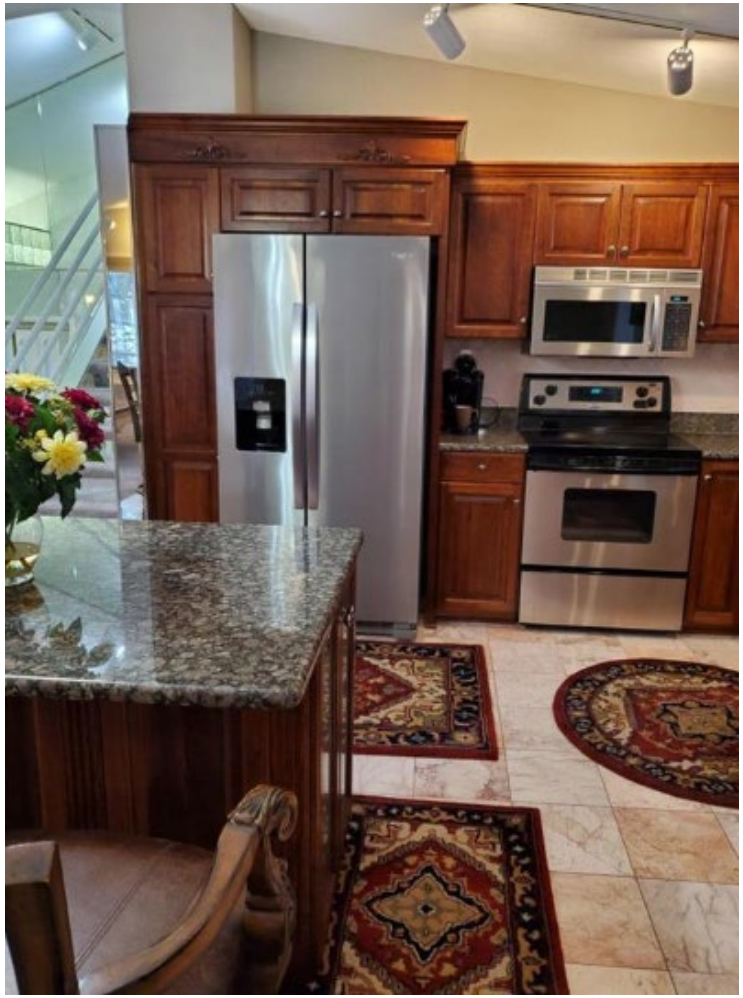
GRADE AND CONDITION

GRADE AND CONDITION

GRADE AND CONDITION

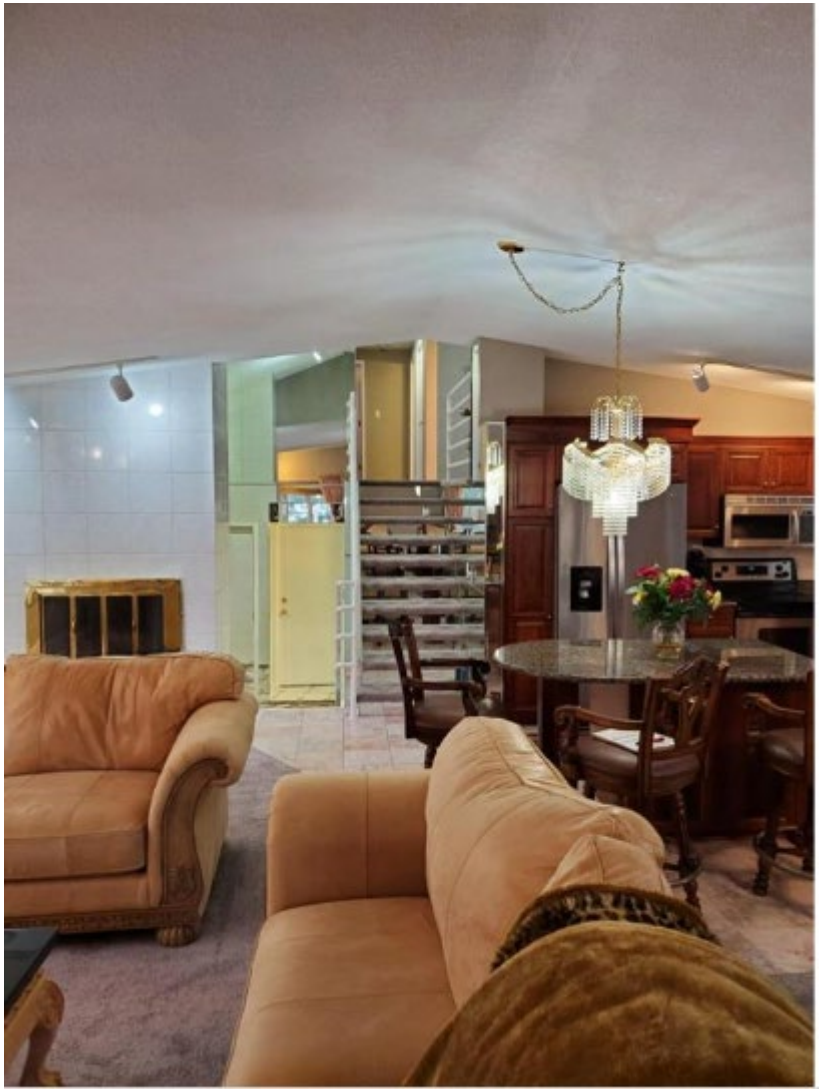
GRADE AND CONDITION

GRADE AND CONDITION



GRADE AND CONDITION

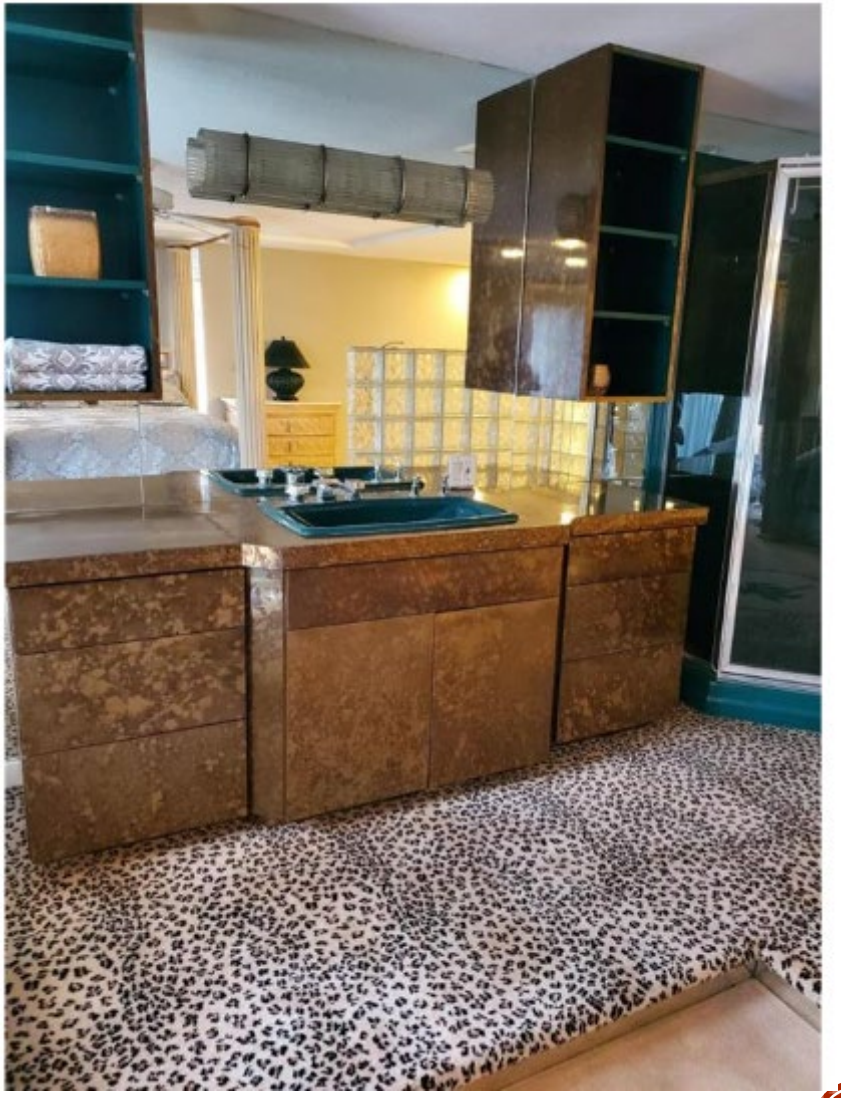
GRADE AND CONDITION



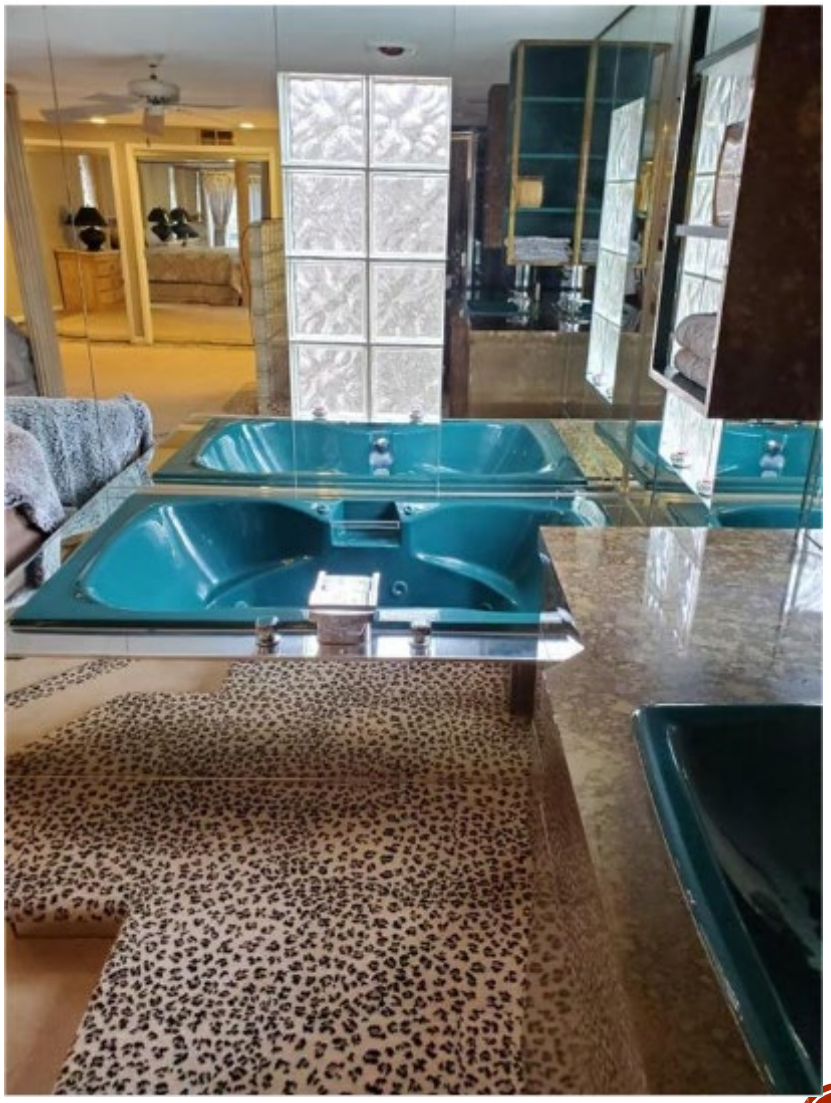
GRADE AND CONDITION

GRADE AND CONDITION

GRADE AND CONDITION



GRADE AND CONDITION



GRADE AND CONDITION

- Is this a grade issue?
- Is this a condition issue?
- Is this Functional Obsolescence?
  - Curable?
  - In-Curable?

GRADE AND CONDITION

Condition can be subjective and could vary between jurisdictions. Depending on your cost manual and CAMA system; New dwellings are set to Normal as they are in Normal condition for their age. Approximately 95% of homes with normal maintenance up to 15 years old are still in Normal condition. There are always exceptions. Older dwellings with normal maintenance, such as the roof being replaced when needed, painted when needed, floor coverings replaced when needed but have not been updated to modern standards can still be in Normal condition for their age. Again, there are exceptions to this.

- If two or possibly three items from the above list have been upgraded within the past decade, I would consider increasing the condition.
- If two or possibly three items from the above list have deferred maintenance or are deficient in some way then I would consider decreasing the condition.
- If you have a dwelling with a combination of improvements while other components are deficient those may cancel each other out and a change in condition may not be necessary.

GRADE AND CONDITION

- **Excellent** – The structure has had substantial remodeling for its age.
- **Very Good** – The structure has had significant updating for its age. More components upgraded.
- **Good** – The structure has had more updates than typical for its age and a few components upgraded.
- **Above Normal** – The structure has had more than typical maintenance. Some components upgraded.
- **Normal** – Normal for the year the dwelling was built. May have had normal maintenance over the years.
- **Below Normal** – The structure has some deferred maintenance.
- **Fair** – The structure has a bit more deferred maintenance.
- **Poor** – The structure has significant deferred maintenance.
- **Very Poor** – The structure has a great deal of deferred maintenance. May still be livable.
- **These are only guidelines. More precise guidelines and procedures should be established by the jurisdiction.*

GRADE AND CONDITION

- In conclusion….

GRADE AND CONDITION

- Grade affects the RCN of a property by applying the grade multiplier.
- Grade Multiplier will change based on the manual level.

- Condition drives the depreciation of a structure.
- Depreciation is subjective and can change as the structure ages and is updated or remodeled.

- Grade and Condition work in conjunction to derive at an estimate of value.

- Accurate land values are important to determine the accurate Depreciation of a structure.
- If costs are too low in M&S you may need to add value in the neighborhood factors.
- Do you use positive neighborhood factors?

GRADE AND CONDITION

- **5 Steps of Field Review**

  1 - Set Grade

  2 - Set Condition

  3 - Check Land for Excessive Frontage

  4 - Check size of dwelling for Oversize 10%, 15% or 20%

  5 - Vacant Rate on Land

GRADE AND CONDITION

- QUESTIONS

Thank you!