

**"Appraisers don't assign market value; they interpret market value"**

The real estate market is dynamic, it changes over time. As appraisers we are aware (or should be) of the principal of **contribution**. How much does an individual feature contribute to the value of the whole?

The value of each component scales as the value increases. In a home of \$150,000 - \$200,000 a 1/2 bath may add \$2500 to the total value, and in a home in the \$500,000 - \$700,000 range it may add \$5000 while in \$1M - \$2M, \$10,000.

With these things in mind it is important to understand as home values increase over time, so must the value of each component within that house. The adjustments must also increase over time. It is common to see older appraisers using the same adjustments they have been since entering the business XX years ago.

It is also important to note that a given feature in a home is worth more the more the home is worth. i.e. A pool is worth more in a \$1M home than in a \$250K home.

This list is not supposed to be all-inclusive, nor is it iron clad. These are suggested starting points. Look at the comps. Used paired sales analysis. Call a DSMurphy appraiser in your market or call a supervisor. The key is to have a reason and a supportable basis for your adjustments.

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**TOP SECRET**

# An Appraiser's Guide to CMAs

**CLASSIFIED**



**D.S. MURPHY**  
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**Real Estate Appraisers & Consultants**

**\*\*\*This is given as a general guideline and by no means a definitive list of adjustments. Adjustments vary greatly by market area and numerous other factors\*\*\***  
**This is for educational and basic guidance purposes only**

How do you arrive at a proper **GLA adjustment**? The technically correct answer would be to utilize the quantitative survey methodology of the cost approach and count every nail, 2x4 and shingle and add up the cost. We know this is not realistic.

A good, defensible method is to use the **"RULE OF THIRDS"** - This is the idea that approximately 1/3 of the overall value is attributable to the land, 1/3 to the structure, or shell of the house, and 1/3 to the improvements in that structure such as appliances, fixtures, floor coverings etc. The part we are interested in is the structure, or shell. Think about land value for a minute. If a property is in an area of higher than average land values (water front properties, mountain views, areas with small older homes being torn down and new larger homes build in their place, etc.) you would use the lower end of the range.

Here is how to utilize the rule of thirds... 1. Take the sf/gla and divide by 2 and by 3- use a number within that range - if the sale price per gross living area for most comps in the subject neighborhood is \$120/sf -  $\$120/3 = \$40/\text{sf}$   $\$120/2 = \$60/\text{sf}$ . 2. Use an adjustment within the range (in this example: between \$40 and \$60/sf of above grade gross living area)

#### Other things to keep in mind...

- We seldom adjust for add'l bedrooms (exception for =GLA) the GLA adjustment covers this.
- Brick vs. Stucco (\$2000 to \$10,000 per side depending on price range of home and commonality of stucco in the subdivision) In other words, if the subject property is located in a subdivision with a lot of stucco homes then this adjustment would be less. If it's an oddball in a subdivision of mostly brick homes we would lean into a higher adjustment. More importantly, a stucco adjustment will be a great deal higher in a higher priced home than a lower priced one.
- Stucco over block vs. Wood frame homes (applies primarily to the Florida markets) is typically \$10,000 - \$50,000+ depending on price point of home
- Condo GLA is MUCH higher than in a SFR... why? The rule of thirds does not apply, the owner owns only the interior (paint to paint) and an undivided equal share of the common area
- Condo GLA adjustments usually range from 70%-90% of the avg \$ per sq ft as determined in the rule of thirds.
- While on condos - for high rise condos the floor location makes a difference above about the 4th or 5th floor the road noise is greatly diminished and the view is enhanced. This adjustment can range from \$1000 - \$20,000 per floor depending on value
- Pools - they are worth more in warmer climates. Basic pools (vinyl liner) will start at a low of about \$15,000. A Gunite pool in a \$300-\$500K home will start about \$20,000 - \$25,000 add \$5000-\$10,000 for an attached heated spa - again, this is not cost to build
- Lot adjustments. There MUST be additional utility. I would expect NO market-based adjustments for small differences (7000 sq ft vs 9000 sq ft lot) Significant differences in site size must be analyzed and adjusted for (a lot is not a lot).
- Acreage adjustments are best made using land sales. Remember, the contributory value of additional acreage is less than the "building lot" that supports the house and utilities. Ask and answer the question, is it surplus, or excess?
- Large adjustments such as view and external influences (mountain, water, commercial, industrial) must be market based. Ask for an assist if you need it.

#### \$100-200K

Updated/Renovated Kitchen -\$5000-7500  
 Additional Full Bathroom - \$5000+  
 Additional 1/2 Bath -\$2500+  
 Driveway to 1 Car - \$2500  
 Driveway to 2 Car - \$5000  
 Unfinished Basement - \$10  
 Finished Basement - \$10

#### \$200-300K

Updated/Renovated Kitchen - \$7500-\$10k  
 Additional Full Bathroom - \$5000-6000  
 Additional 1/2 Bath - \$2500-3000  
 Driveway to 1 Car - \$5000  
 Each add'l Car - \$2500  
 Unfinished Basement - \$10/sf  
 Finished Basement - \$15/sf

#### \$300-400K

Updated/Renovated Kitchen - \$10k-25k  
 Additional Full Bathroom - \$7500-10000  
 Additional 1/2 Bath - \$4000-5000  
 2 Car - standard  
 Each add Car - \$5,000  
 Unfinished Basement - \$12-15/sf  
 Finished Basement - \$15-20/sf

#### \$400-500K

Updated/Renovated Kitchen - \$12500-25k  
 Additional Full Bathroom - \$10000-12000  
 Additional 1/2 Bath - \$5000-6000  
 2 Car - standard  
 Each add'l car - \$7500-10000  
 Unfinished Basement - \$15-20  
 Finished Basement - \$20-40

#### \$500-600K

Updated/Renovated Kitchen - \$20k-25k  
 Additional Full Bathroom - \$10000-15000  
 Additional 1/2 Bath - \$5000-7500  
 3 car generally std - \$10,000 / car  
 Unfinished Basement - \$15-20/sf  
 Finished Basement - \$30-50/sf

#### \$600-700K

Updated/Renovated Kitchen - 25k+  
 Additional Bedroom - \$7000  
 Additional Full Bathroom - \$10000-15000  
 Additional 1/2 Bath - \$5000-7500  
 3 car std - \$10,000 per car  
 Unfinished Basement - \$15-20/sf  
 Finished Basement - \$40+ (quality)

#### \$700-800K

Updated/Renovated Kitchen - 40k+  
 Additional Bedroom - \$10000+  
 Additional Full Bathroom - \$12000-20000  
 Additional 1/2 Bath - \$5000-8000  
 3 car std - \$10000-15000 / car  
 Unfinished Basement - \$20+/sf (height)  
 Finished Basement - 75-90% of above grd

#### \$800-1M

Updated/Renovated Kitchen - 50k+  
 Additional Bedroom - \$10000+  
 Additional Full Bathroom - \$15000 -  
 20000 Additional 1/2 Bath - \$6000-10000  
 3 car std but 4+ common  
 \$15000-20000 / car  
 Unfinished Basement - \$20+/sf (height)  
 Finished Basement - 75-90% of above grd

#### \$900 -1 Million+

Updated/Renovated Kitchen - \$75,000+  
 Additional Bedroom - \$10000+  
 Additional Full Bathroom - \$20,000-30,000  
 Additional 1/2 Bath - \$15000-20,000  
 3 car std but 4+ common  
 \$15000-20000 / car  
 Unfinished Basement - \$20+/sf (height)  
 Finished Basement - 75-90% of above grd

Many adjustments such as bedroom and garages are made based on the expected norm. For instance a 3 bd \$1M home is an under-improvement and would require significant adjustment.

**\*\*AGAIN - these are very rough guidelines and appraisers use sophisticated methods of extracting these adjustments on a case by case basis. Adjustments must be market-based and supportable.**