

FCBR Academy 2.0



FCBR Academy 2.0

What Have You Signed Up For!?

- ❖ Appraisal & Valuation
- ❖ Psychology of Selling
- ❖ Web-Based Marketing
- ❖ Managing Competing Priorities



FCBR Academy 2.0

Stand Up and Introduce Yourself!

Name

Brokerage

Year first licensed

Academy Class of(winter/fall/year)

One Thing from the 1st Academy I still remember...
(or 1 thing I learned my first year in real estate and still use)



VALUATION/APPRAISAL

Appraisers are people, too!

- Let's Talk to One!
- What are they Looking For?
- How do they make adjustments?
- A Work Sheet would be AWESOME!



VALUATION/APPRAISAL

Appraiser Questions!

- What you've always wanted to know but were afraid to ask!



VALUATION/APPRAISAL

Special Guest: Ken Cavender



Licensed in 1980

Has seen it all!



VALUATION/APPRAISAL

What's the Goal of the CMA?

1. To firmly establish your knowledge of the market in the prospect's mind.
2. To lay the groundwork for offering a realistic Purchase Price for the Property.
3. It is NOT an APPRAISAL!!



VALUATION/APPRAISAL

Primary Approaches to Valuation...

- Cost Approach
- Income Approach
- Sales Comparison



VALUATION/APPRAISAL

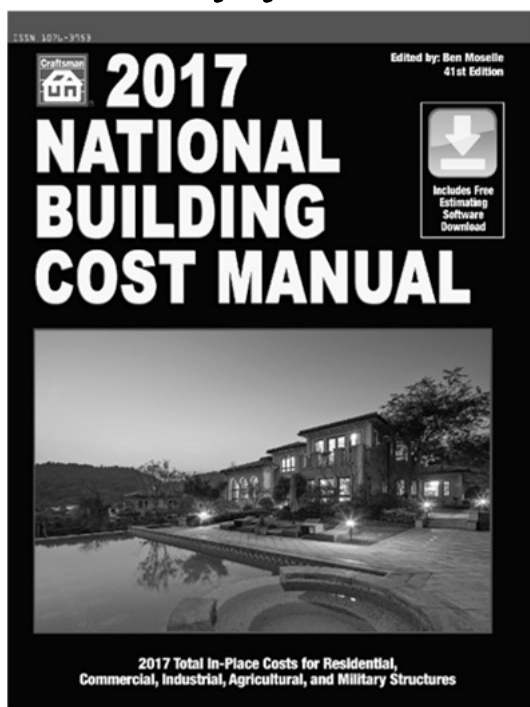
Cost Approach...

- Replacement vs Reproduction
- Calculating for Depreciation



VALUATION/APPRAISAL

Cost Approach...



- Determine cost per square foot to rebuild
- Factor for cost of the land
- Factor for functional and physical depreciation of improvements
- Subtract Accrued Depreciation
(Effective Age ÷ Remaining Economic Life)



VALUATION/APPRAISAL

Income Approach...

- Gross Rent Multiplier
- Capitalization Rate



VALUATION/APPRAISAL Income Approach...

- Gross Rent Multiplier

$$\text{GRM} = \frac{\text{Purchase Price}}{\text{Gross Income}}$$



VALUATION/APPRAISAL

Income Approach...

- Gross Rent Multiplier #1

3 Bed – 2 Bath Home @ \$1,800/mo

$$12.27 = \frac{\$265,000.00}{\$21,600}$$



VALUATION/APPRAISAL

Income Approach...

- Gross Rent Multiplier #2

4 Bed – 3 Bath Home @ \$2,300/mo

$$11.4 = \frac{\$315,000}{\$27,600}$$



VALUATION/APPRAISAL

Income Approach...

- Gross Rent Multiplier #3

2 Bed – 1 Bath Home @ \$1,200/mo

$$13.54 = \frac{\$195,000}{\$14,400}$$



VALUATION/APPRAISAL

Income Approach...

- Gross Rent Multiplier for Subject
2 Bed – 2 Bath Home est. \$1,400/mo?

$$12.4 = \frac{\$208,320}{\$16,800}$$



VALUATION/APPRAISAL

Income Approach...

- Cap Rate

$$\text{Cap Rate} = \frac{\text{NOI}}{\text{Sales Price}}$$



VALUATION/APPRAISAL

Sample Net Operating Income Sheet

INCOME

Total Rental Income	\$24,000
Less Vacancy	<u>\$(2,000)</u>
Gross Operating Income:	\$22,000

EXPENSES

Property Taxes	\$2,700
Insurance	\$1,200
Management (10%)	\$2,400
Repairs/Maintenance	\$1,500
Utilities	paid by tenant
Accounting/Legal	\$0.00
HOA Fees	<u>\$2,400</u>
Total Operating Expenses	(\$10,200)
Gross Operating Income	<u>\$22,000</u>
Net Operating Income:	\$11,800



VALUATION/APPRAISAL

Income Approach...

- Cap Rate

$$3.8 = \frac{11,800}{\$310,000}$$



VALUATION/APPRAISAL Income Approach...

- Cap Rate

$$6.5 = \frac{20,150}{\$310,000}$$



VALUATION/APPRAISAL

Income Approach...

- Cap Rate for 2 bed, 1 bath condo at Sidehill purchased in 2012. Rents for \$1325/mo

$$9.25 = \frac{\$11,480}{\$124,000}$$



VALUATION/APPRAISAL

Sales Comparison Approach...

- Most common approach
- Primary & Secondary Data
- A Measurement of Buyer Preferences



VALUATION/APPRAISAL

Sales Comparison Approach...

Characteristics of Appropriate Comps:

- ❖ Architectural Style
- ❖ Size
- ❖ Age
- ❖ Utility
- ❖ Location
- ❖ Condition



VALUATION/APPRAISAL

What to look for on the inside...

- Number of rooms, type of flooring
- Number of baths, type of flooring, surrounds and fixtures
- Condition of the kitchen, cabinets, appliances
- HVAC, age, condition, fuel type
- Electrical System, amperage, age, type
- Plumbing, leaks, material used for supply and waste



VALUATION/APPRAISAL

What to look for on the outside...

- Type and condition of roof
- Condition of trim, soffit, fascia, gutters, downspouts
- Type/Condition of siding
- Types of windows; are screens present
- Type/Condition of porches, garages, carports
- Driveway, landscaping, walkways
- Condition of surrounding properties



VALUATION/APPRAISAL

What about the Neighborhood?

- What is the average condition of homes in the neighborhood
- Zoning mix
- Public utilities available...
- Style of subject typical of neighborhood?
- Any Apparent easements/encroachments
- HOA/Gated Community/Deed Restrictions
- Private or public street access?



VALUATION/APPRAISAL

Sales Comparison Approach...

Elements Critical to Accurate Analysis:

- | | |
|--------------------------|------------------------|
| ❖ Date of the offer | ❖ Construction Quality |
| ❖ Date of the closing | ❖ Basement & Finish |
| ❖ Sale Price | ❖ Floor Plan Utility |
| ❖ Financing concessions? | ❖ Heating/Cooling |
| ❖ Arms Length? | ❖ Above Grade Rooms |
| ❖ Property Condition | ❖ Garage Size/Spaces |
| ❖ Location Desirability | ❖ Special Features |



VALUATION/APPRAISAL

Sales Comparison Approach...

Making Adjustments Like Appraisers

- ❖ Establish Baseline Data for neighborhood
- ❖ Rule of Thirds: Land – Structure – Features/Finish
- ❖ Must isolate for the contribution of value
- ❖ Good comps – only need a couple
- ❖ Poor Comps – need more data
- ❖ Use comps both bigger and smaller to normalize
- ❖ Compare similar styles - e.g. ranches to ranches



VALUATION/APPRAISAL

Sales Comparison Approach...

MLS Number	IRES MLS #: 751683	IRES MLS #: 764293	IRES MLS #: 759045
			
Status	Sold	Sold	Sold
Type	Attached Dwelling	Attached Dwelling	Attached Dwelling
Style	1 Story/Ranch	1 Story/Ranch	1 Story/Ranch
Address	1601 W Swallow Rd 7F	1601 W Swallow Rd C-6C	1601 W Swallow Rd 2-B
Subdivision	Gables at Silverplume	Gables At Silverplume	Gables at Silverplume
Locale	Fort Collins	Fort Collins	Fort Collins
Area	9/10	9/10	9/10
County	Larimer	Larimer	Larimer
Total SqFt	852 (\$194/SF)	852 (\$200/SF)	852 (\$188/SF)
Total Finished SqFt	852 (\$194/SF)	852 (\$200/SF)	852 (\$188/SF)
Total Fin w/o Basement	852 (\$194/SF)	852 (\$200/SF)	852 (\$188/SF)
Main Floor SqFt	852	852	852
Basement SqFt			
Bsmt/Foundation	No Basement	No Basement	No Basement
Year Built	1985	1984	1983
Bedrooms	2	2	2
Baths	2	2	2
Family Room	Yes	No	Yes
Study	No	No	No
Fireplace	Living Room Fireplace	Living Room Fireplace	
Heating	Baseboard Heat	Baseboard Heat	Baseboard Heat
Garage#/Type	1/D	1/D	1/D
Approx. Acres			
Lot SqFt			
List Price	\$165,000	\$165,000	\$160,000
Sold Price	\$165,000	\$170,000	\$160,000
Sold Terms	CONV FIX	CASH	CONV FIX



VALUATION/APPRAISAL

What's the goal of your data?

Recent
SOLDS

TRULIA
ZILLOW
RPR
RVM
RCOM

Price

APPRECIATION
Macro/Micro

Price per
square foot



Competitive Market Analysis						
Adjustments	ITEM	SUBJECT	COMPARABLE #1		COMPARABLE #2	
	Address	123 Main Street	321 Gem Way		456 Oak Place	
	Proximity to Subject		1 block		2 blocks	
	Sales Price			\$300,000		\$285,000
	Price/Gross Liv Area	\$	\$136.36		\$146.15	
	VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+ (-) \$ Adjustment*	DESCRIPTION	+ (-) \$ Adjustment*
	Sales or Financial Concessions		Conventional/Sel-0		Conventional/Sel-0	
	Date of Sale		u/c Closed		u/c closed	
	Location, Neighborhood	avg neighborhood	Avg Neighborhood		avg neighborhood	
	Site, Size & Location	7.500 sf lot/avg	7500 sf lot/ average		7500 sf lot/average	
	View	Interior/avg views	interior/avg views		interior/avg views	
	Design & Appeal	2 story/avg	2 story/avg		2 story/avg	
	Quality of Construction	avg	avg		Good/all brick	
	Age	1990	1990		1988	
	Condition	avg	Good/New Carpet, paint		good	
	Above Grade Room Count	Total / Bedrms / Baths 8/4/FFH	Total / Bedrms / Baths 8/4/FFH		Total / Bedrms / Baths 8/4/FFH	
Enter factor here →	50	Gross Living Area Sq.Ft.	2200	2200	0	1950
Enter factor here →	10	Basement Sq.Ft.	1100	1100	0	900
Enter factor here →	15	Basement Finished Sq.Ft.	550	550	0	720
	Basement Extras	one bedroom/F bth	one bedroom, F Bth		one bdrm, F Bth	
	Functional Utility	avg	avg		avg	
	Heating / Cooling	GFA/AC	GFA/AC		GFA/noAC	
	Energy Efficient Items	dbl pane windows	Dbl Pane Windows		Dbl Pane Windows	
	Garage / Carport	2 car gar	3 car gar		3 car gar	
	Fireplaces	1 fireplace	2 fireplaces		1 fireplace	
	Decks, Patio's, Porch's					
	Landscaping	deck, porch, avg lnds	Deck, Porch, Avg Lnds		Large cvrd deck, avg lnds	
	Fence, SP, Pools, Etc.	fence, sprklrs	fence, sprklrs		Fence sprklrs	
	Remodeling, Updating, Extras	remodeled bath 5k	Rmdl Bath, 5 k		no remodeling	
	Net Adj. (total)		[] + [] -		[] + [] -	
	Adjusted Sales Price of Comparable					
	Sales History and any other important data					

VALUATION/APPRAISAL

What's the Goal of the CMA?

1. To firmly establish your knowledge of the market in the prospect's mind.
2. To lay the groundwork for offering a realistic Purchase Price for the Property.
3. It is NOT an APPRAISAL!!



VALUATION/APPRAISAL

614 Stoneham Court

Fort Collins, CO

Ridgewood Hills

MLS: 676557

New dishwasher, carpet in
basement, garbage disposal,



VALUATION/APPRAISAL

Garage Bay

Basement Finished

Basement Unfinished

Double Pane/Single Pane

Air Conditioning

Forced Air/Radiant

Fireplaces

Decks

Decks Covered

Patio

Landscaping

Fencing



VALUATION/APPRAISAL

