

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

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!!



Art
meets
Science..



MODULE VIII: Creating a CMA

How a
Seller
views
their
house...



How a Buyer
views the
same house...



MODULE VIII: Creating a CMA

Your job is
to help your
client find
balance...



And peace...



MODULE VIII: Creating a CMA

Your
interview
process will
determine the
quantity and
the delivery
method for
the data...



MODULE VIII: Creating a CMA

How Much
Data Do You
Need?

How do you
know you
have enough?



MODULE VIII: Creating a CMA

- Don't make it up!
- Don't present data you don't understand!
- Address conflicting data points!



MODULE VIII: Creating a CMA

- Solds are the best barometer
- Trulia & Zillow can help – but just a little
- Average sales price versus Median sales price
- Improvements made since the last time the house sold
- Price per square foot
- Price compared to entire market
- Price compared to neighborhood (consider foreclosures or short sales)
- Appreciating market or depreciating market
- DOM/CDOM



MODULE VIII: Creating a CMA

Making Adjustments



MODULE VIII: Creating a CMA

Adjustments aren't based on cost – they're based on the market!

- Time: 90 days or less (ideal)
- Location – backs to open space or busy street?
- Site – lot size compared to others not as big a deal as you'd think
- Views?
- Design/Appeal: both interior finish and exterior count but only within the established range
- Quality of Construction: Brick? Stucco? Siding?
- Condition: usually adjustment only if home is in particularly poor state
- Room Count: Square Footage vs. usable space – which is more valuable?
- Baths – how many? Master or no?
- Appliances? Stainless? Age?
- Fireplaces – insert/stove/pellet/wood/gas?
- Basements – finished or not/garden level?
- Functional Utility: steep driveways, no master bath, vinyl siding, etc.
- Heating/Cooling: gas forced air? Electric baseboard? Hot water/radiant?
- Garages: single/double/triple?
- Carports - ???
- Patios – how big?
- Decks – beware over-improvement for the area
- Windows – single pane?/wood/vinyl?
- Sprinkler systems?
- Extras: wet bar, security system, central vacuum



MODULE VIII: Creating a CMA

Quick and Painless!

For BUYERS:

3-up CMA (IRES)

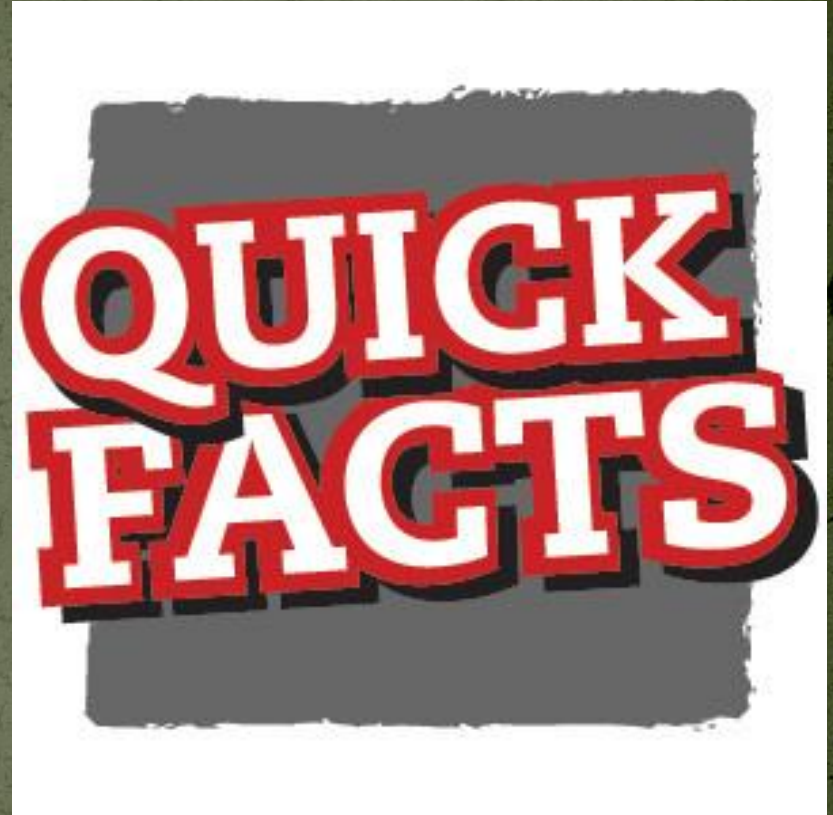
Public Records

Neighborhood Full CMA

Market Area Data for size, age,
price

You're simply verifying what the
listing agent is proposing as a
possible sales price.

Save Cloud CMA for Listings



MODULE VIII: Creating a CMA Thorough & Detailed!

For Sellers:

Use a Presentation Template
(Cloud CMA, FocusFirst)

3-up CMA (IRES)

Public Records

Neighborhood Full CMA

Market Area Data for size,
age, price

Use all photos of the comps to
show condition and finish

Use Expireds and Withdrawns to
show what couldn't sell



VALUATION/APPRAISAL

Primary Approaches to Valuation...

- Cost Approach
- Income Approach
- Sales Comparison



VALUATION/APPRAISAL

Cost Approach...

- Replacement vs Reproduction
- Calculating for Depreciation



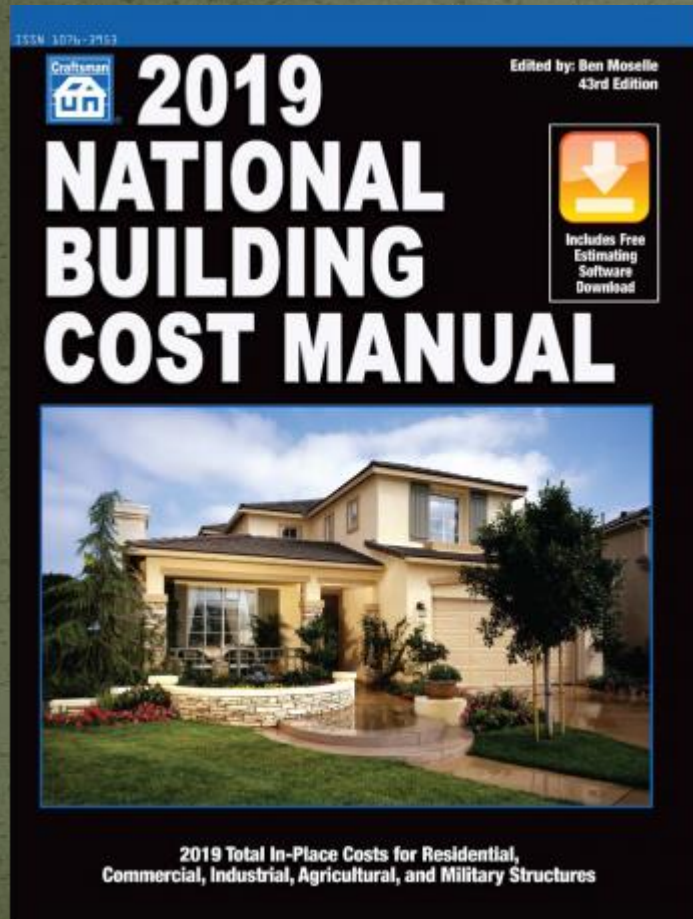
NEW



OLD

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>\$400</u>
Total Operating Expenses	(\$8,200)
Gross Operating Income	<u>\$22,000</u>
Net Operating Income:	\$13,800



VALUATION/APPRAISAL

Income Approach...

- Cap Rate

$$3.94 = \frac{13,800}{\$350,000}$$

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



VALUATION/APPRAISAL

Income Approach...

- Cap Rate

$$5.75 = \frac{20,150}{\$350,000}$$

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



VALUATION/APPRAISAL

Income Approach...

- Cap Rate for 2 bed, 1 bath condo at Sidehill purchased in 2012. Rents for \$1350/mo

$$8.26 = \frac{\$10,254}{\$124,000}$$

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



VALUATION/APPRAISAL

Income Approach...

- Cap Rate for 2 bed, 1 bath condo at Sidehill purchased in 2019. Rents for \$1350/mo

$$3.94 = \frac{\$10,254}{\$259,900}$$

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



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:

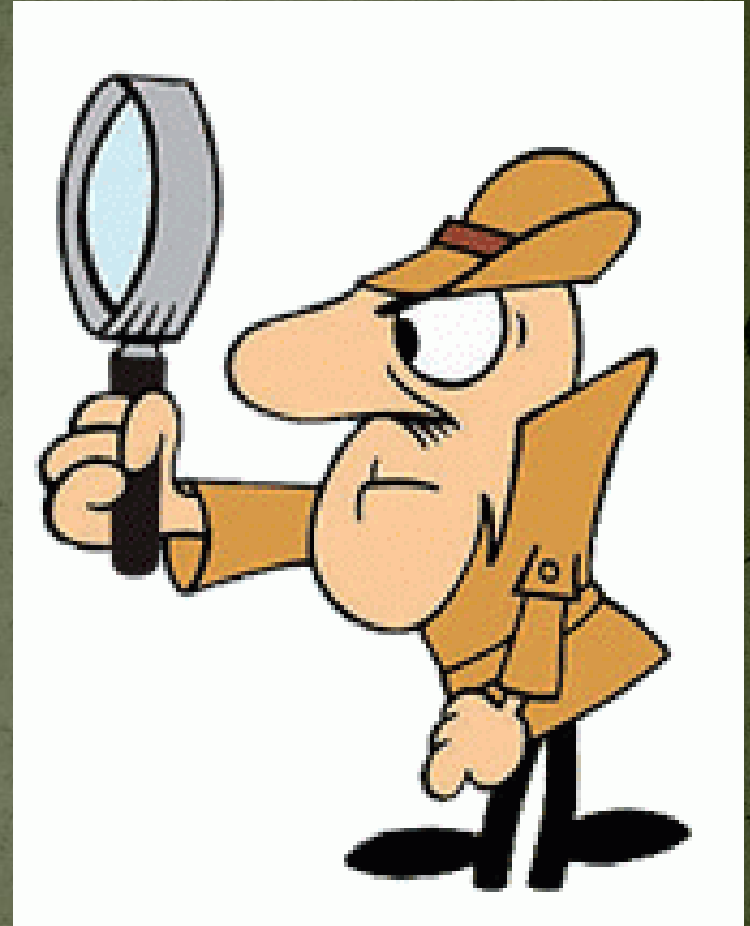
- ❖ Architectural Style
- ❖ Size
- ❖ Age
- ❖ Utility
- ❖ Location
- ❖ Condition



VALUATION/APPRAISAL

What to look for on the inside...

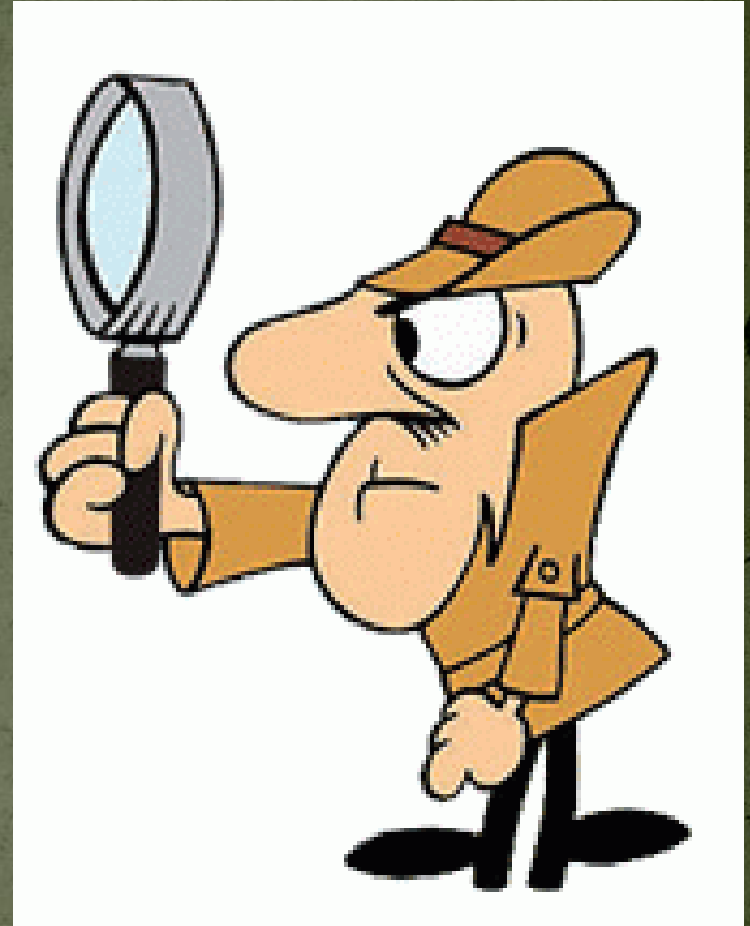
- Number of rooms, type of flooring
- Number of baths, type of flooring, surrounds and fixtures
- Condition of the kitchen, cabinets, appliances
- HVAC, age, condition, fuel type
- Electrical System, amperage, age, type
- Plumbing, leaks, material used for supply and waste



VALUATION/APPRAISAL

What to look for on the outside...

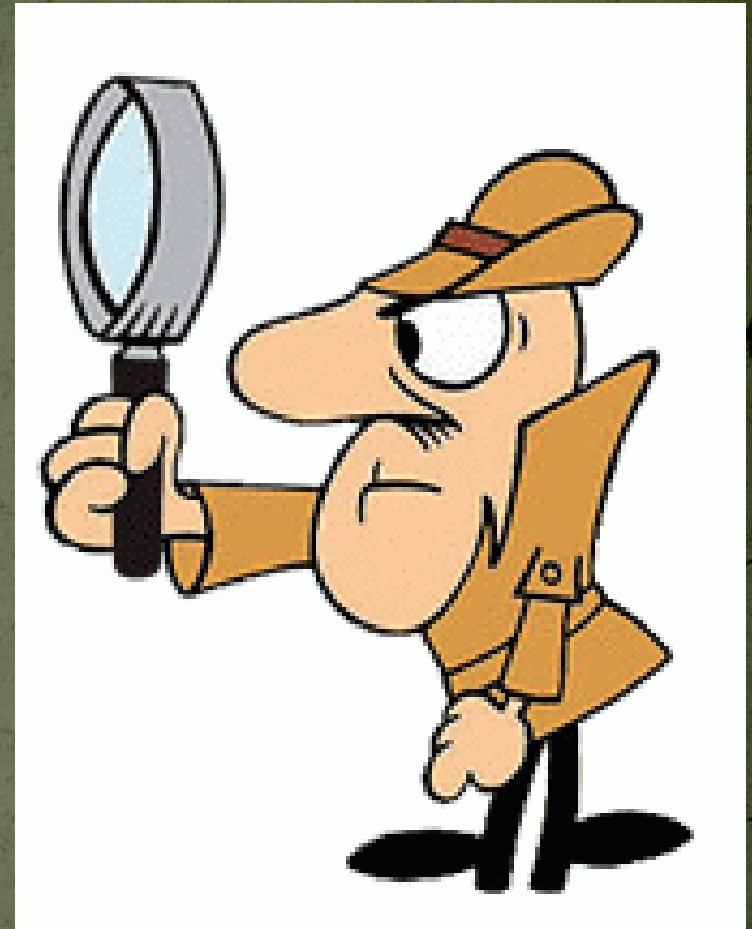
- Type and condition of roof
- Condition of trim, soffit, fascia, gutters, downspouts
- Type/Condition of siding
- Types of windows; are screens present
- Type/Condition of porches, garages, carports
- Driveway, landscaping, walkways
- Condition of surrounding properties



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
- ❖ Date of the closing
- ❖ Sale Price
- ❖ Financing concessions?
- ❖ Arms Length?
- ❖ Property Condition
- ❖ Location Desirability
- ❖ Construction Quality
- ❖ Basement & Finish
- ❖ Floor Plan Utility
- ❖ Heating/Cooling
- ❖ Above Grade Rooms
- ❖ Garage Size/Spaces
- ❖ 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	Total / Bedrms / Baths	Total / Bedrms / Baths		Total / Bedrms / Baths	
		Room Count	8/4/FFH	8/4/FFH		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.
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3. It is NOT an APPRAISAL!!



MODULE VIII: Creating a CMA

HOMEWORK:

Listing CMA:

1773 Deweese
Fort Collins, CO

Consider Unsolicited CMA's as
a Prospecting Tool...



MODULE VIII: Creating a CMA

1773 Deweese



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