

Appraisal Guidelines

Cost Approach

- If LandSafe Appraisal notifies you that the Cost is required, then it must be furnished. This notification may be in the order, by phone or with an automated system such as Review Master. For FHA appraisal assignments, you must meet FHA reporting requirements. The Cost Approach is also required if it is necessary to make your report credible.
- If the Cost Approach is not required by LandSafe or necessary for credibility, you may furnish the Cost Approach at your option.
- Gross living-area calculations are required on all properties and may be reflected on the form or in the sketch addendum. It is pertinent to note that only finished *above-grade* areas should be included in the living-area calculations regardless of the quality of the "finish."
- The methodology employed in the derivation of depreciation, as well as the reference from which the cost estimates were procured (i.e., Marshall Swift) should be identified.

For example: The existence of a gunite pool in a moderately priced neighborhood can be addressed by appropriately reflecting the estimated new cost of the feature. The accrued physical depreciation and depreciation reflecting the super-adequacy and/or external obsolescence of the feature, as appropriate under the specific circumstances of the property, must also be demonstrated in the Cost Approach.

- The contributory value of a private well or sanitary system should be included as a portion of the depreciated value of the site improvements.
- If the site value exceeds 30% of the market value of the subject property, please address whether this is typical or excessive in the subject market area and provide a detailed explanation.