

The SAMCO Bulletin Board



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The Coast Approach

Years ago, it was typical for appraisers to complete a Cost Approach with every appraisal. When the revised 1004 took the Cost Approach off the second page, right above the Sales Comparison Approach, I wasn't very happy. I was content completing my appraisals the way I was used to and didn't like this new idea.

I know at that time I believed the Cost Approach to be applicable to the valuation process. But almost 20 years after the Cost Approach was removed from the second page, is it time to rethink this? Here is a good question 'When was the last time you rested the weight of your appraisal on the Cost Approach?' That's right, probably never on a residential appraisal.

That's why at SAMCO, THE ONLY REQUIREMENT FOR THE COST APPROACH is if the age of the subject is five years or less. The logic to that is simple. If the subject is within five years of age, then competing properties may be new construction, and we need to take that into account.

I want to make this clear. IF THE SUBJECT IS OVER FIVE YEARS OF AGE, YOU DO NOT NEED TO COMPLETE THE COST APPROACH. The Opinion of **Site Value is always required** though, and it should be placed in the Cost Approach for easy reference.

If you believe your market requires a Cost Approach for a 10 or 20 year old home, by all means, complete it. I'm not here to change your Scope of Work. But, if it's not needed for a valid estimate of value, **why go to the unneeded effort?**

We work in a great profession that like most professions today is constantly changing. It's exciting to be on this ride with you!

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