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SOLUTIONS

Overview

Seminar Description

The participants in the secondary market often suggest to residential practitioners that the cost approach is unnecessary for credible assignment results or at least is not relevant to valuing a one- to four-unit property. This is highlighted in the *Fannie Mae Selling Guide*, as one example, when the cost approach is only *required* for the valuation of manufactured homes. Unfortunately, an appraiser with this mindset may have limited ability to grow professionally and move into diversified areas of practice by taking on atypical but potentially rewarding assignments. More importantly, a decline in the day-to-day use of the cost approach leaves a residential appraiser with an incomplete ability to

- Properly support adjustments in the sales comparison approach
- Understand trends in market conditions that are often driven by building costs
- Recognize and quantify the forms of depreciation that can affect residential improvements

Appraisers often repeat the phrase “cost doesn’t equal value.” However, failure to truly understand the cost approach limits the value of an appraiser to present and prospective clients. Through a combination of lecture plus exercises and case studies worked individually or in groups, this 7-hour seminar allows residential appraisers to regain and/or strengthen their proficiency with the cost approach. Then, they can rely on its indications whether market data is plentiful, scarce, or confusing.

This in turn allows the participant to better understand the key connection between proficiency with the cost approach and the ability to support adjustments in the sales comparison approach.

Learning Objectives

The objective of the seminar is to allow a residential practitioner to better understand and use the following eight important steps in the cost approach:

- Estimate site value.
- Estimate cost of improvements.
- Estimate entrepreneurial incentive.
- Estimate total cost of improvements.
- Estimate depreciation in the structure.
- Estimate depreciated cost.

- Estimate contribution of site improvements.
- Derive indicated value of the property.

Learning Enhancements

The seminar has been designed with a variety of elements to enhance your learning experience.

- **Preview.** To give you a taste of what is to come, the preview page that begins each part includes learning objectives to consider as you move through the content and, where appropriate, learning tips that will assist you in understanding the material you're about to cover.
- **Learning Objectives.** The learning objectives presented at the beginning of each part cover information required for understanding the concepts in the seminar. Look them over before the part begins so that you have a frame of reference as you move through the material. At the end of each part, reread the objectives. Are you able to do what is stated? If not, this is the time to ask your instructor for help or review the concepts that you do not understand.
- **Critical Thinking Problems.** Here, you are asked to answer a conceptual question. There are typically no "right" answers, and suggested responses are not provided, but the instructor will lead a brief discussion of the key items to consider.
- **Exercises.** You will gain practice in applying the steps in the cost approach by completing the exercises in each part.
- **Case Studies.** To supplement the discussions, we've included case studies to help you apply what you are learning.
- **Solutions.** Answers to the exercises and case study questions are provided behind the Solutions tab at the back of this handbook.

USPAP References

All references to the *Uniform Standards of Professional Appraisal Practice* (USPAP) are from the 2020–2021 edition (Washington, D.C.: The Appraisal Foundation).

Class Policies

- 100% attendance is required. No exceptions.
- Limit use of computers and wireless devices to classroom projects.
- Communicate with business associates during break time instead of class time.

- During class, do not read materials that are not used in class, such as news, email, and social media.
- Silence cell phones and other communication devices.
- Use recording devices only if prior permission has been granted.
- If attending a classroom offering, refrain from ongoing conversations with those seated near you and other distracting behavior

General Information

- **Calculators.** A regular function or financial calculator is required.
- **Breaks.** There will be two 10-minute breaks during the morning session and two 10-minute breaks during the afternoon session unless noted otherwise by the seminar sponsor. The lunch break is one hour.
- **Attendance sheets** will be distributed during class to verify your attendance during the morning and afternoon sessions.
- **Certificates of completion** may be downloaded after completion of the seminar, and attendance during the entire seminar is required.