

CDU and Percent Good Application



- Depreciation is the loss in value of an object, relative to its replacement cost new, reproduction cost new, or original cost, whatever the cause of the loss in value. Depreciation is subdivided into three types: physical deterioration (wear and tear), functional obsolescence (suboptimal design in light of current technologies or tastes), and economic obsolescence (poor location or radically diminished demand for the product).
- $CDU = \text{Condition/Desirability/Utility}$.
- CDU does not always equal physical condition.
- CDU ratings are an attempt to consider a composite of physical, functional, and economic depreciation affecting the structure.
- $\text{Percent good} = 1 - \% \text{ depreciation}$. The house is 70% good.
- $\text{Percent depreciated} = \% \text{ depreciation}$. The house is 30% depreciated.

CDU and Percent Good Application



- CDU application will vary from project to project
- Don't assume that what applied to one project applies to the next
- Refer to the final review manual for specific instructions on applying CDU.
- Use the sales as a reference for CDUs
- There are general guidelines for determining physical condition.

Applying the C - Condition



What is Average?

AVG (Average): Normal wear and tear commensurate with the age of the structure is present. Some modest evidence of deferred normal maintenance. May have minor functional design faults or lack of new or modern heating or plumbing but economically feasible to correct.

- The condition is a function of age. What is considered average for a house built in 1890 is not the same as what is considered average for a house built in 1980.
- While new construction may best be described as EX, all new construction will be in the same condition, therefore it is average for its age. If all new construction is given an EX CDU, 5 or 10 years from now when the next reassessment is done, all the CDUs will need to be changed.
- Condition is relative to the neighborhood. If you are appraising a 1970's subdivision and all the homes are well maintained, then that indicates what is average for this location.

Applying the C - Condition



- *AV (Average)*: Standard degree of physical deterioration for age. This one has had standard maintenance over the years but original except for roof.



Applying the C - Condition



- *EX (Excellent)*: In “as new” or “perfect condition”. There is no visible evidence of physical deterioration. Modern design or rehabilitated older property with no significant design faults present. One percent or less of the properties in a jurisdiction will have an excellent condition rating.



Applying the C - Condition



- *VG (Very Good)*: A very minor degree of physical deterioration is present, but entirely curable with modest and normal maintenance. Modern design or rehabilitated older property with no significant design faults present. This one is an old style w/ new windows, new siding and new roof.



Applying the C - Condition



- *GD (Good)*: Minor degree of physical deterioration is present, which is curable by normal maintenance. Modern design or rehabilitated older property with at most minor design faults present. This one borders GD to VG



Applying the C - Condition



- *FR (Fair)*: Some degree of physical deterioration is present requiring repair beyond the level of normal maintenance. Likely to have some functional design faults that are economically feasible to cure.



Residential Review/Valuation

Applying the C - Condition



- *PR (Poor)*: Significant physical deterioration with some possible evidence of structural faults. May be considered marginally imprudent or economically infeasible to correct or repair to original condition. Suffers from significant design faults that may be considered incurable.



Applying the C - Condition



- *VP (Very Poor)*: Major physical deterioration in addition to significant structural faults. Deterioration is considered incurable or not economically feasible to cure. Structure may currently be occupied, but is approaching the end of its economic life.



Applying the C - Condition



- *UN (Unsound)*: Structure has reached the end of its useful life for its designed purpose. It is not habitable and may pose a health or safety risk.



Applying the C - Condition



- *P– (Poor–)*: Serious physical deterioration with evidence of structural faults. Structure is considered economically infeasible to correct or repair. Design faults present that are incurable. **This CDU is not used on every project.**
- *V– (Very Poor–)*: Major physical and structural faults. Deterioration is considered incurable or not economically feasibly to cure. Structure approaches being unsound even though it may be occupied. **This CDU not used on every project.**

Applying the C - Condition



What to consider when determining condition:

- The cost to cure. Knowing the approximate amount to cure a problem will guide you to the appropriate condition assignment.
- Know the rules regarding historic properties. As they may be required to use similar materials as the originals used, the cost to cure can be much higher on historic properties.
- After the problem has been cured, is the condition average or good?
- Refer to the depreciation table when changing a CDU. A drop of one CDU on an older home will impact value far more than it will on a newer home.

Condition



Guidelines for dwellings constructed prior to 1970:

- EX - Entire house recently gutted and remodeled. Addns may be added as well. 1950's home now looks like 2000's. Do not use if you use effective age.
- VG - Substantial remodeling in the past 10-15 years to both the interior and exterior.
- GD - Some remodeling in the past 10-15 years. Windows, roof and siding. Maybe some interior updates. OR, substantial remodeling 25-30 year ago.
- AV - Has had standard maintenance over the years and does not show excess wear and tear or recent updates.

Condition



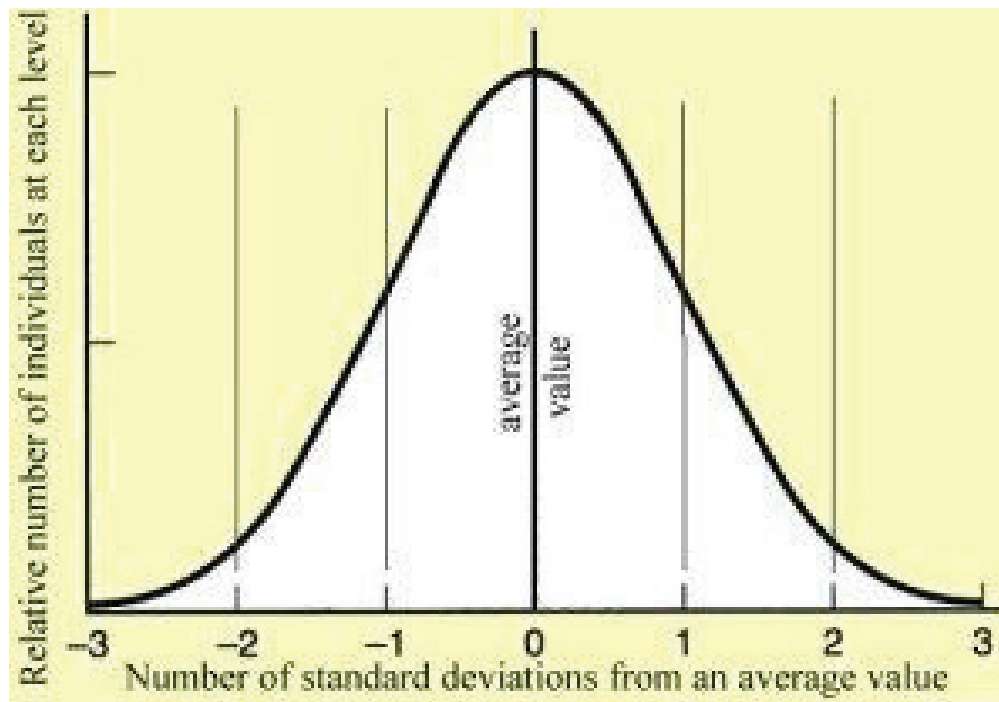
Guidelines for dwellings constructed prior to 1970:

- FR - Has had little or no maintenance over the years and there is evidence of wear and tear.
- PR - Has had or no maintenance over the years and there is evidence of excessive wear and tear.
- VP - Has had or no maintenance over the years. Major repairs needed.
- UN – Unlivable.

Applying the C - Condition



- The majority of the properties reviewed will be in Average condition
- Very few will be at the extremes of VP or UN and EX



Applying the C - Condition



What to consider when determining condition:

- Find cost information at: <http://www.costhelper.com/>
- Roof – The cost to cure a problem roof can vary. Replacing the roof shingles costs a few thousand dollars. If the sheathing needs to be replaced or repaired, the cost will be more.
- Exterior Walls – Don't be fooled by dirty or moldy vinyl siding. A power wash will cure the problem for minimal cost. Exterior painting, however, costs several thousand dollars depending on the size of the house. Note any damaged siding or rot as it may indicate a larger problem.
- Windows – Outdated windows are not only less desirable, they are less efficient. Replacement windows cost approximately \$500 per window. Note any damage to the window frame, rot or damaged screens.

Applying the C - Condition



What to consider when determining condition:

- Basement – As a reviewer, you may not have adequate information, however, the existence of a sump pump or water damage, structural supports, rot or damaged sills should be addressed in the condition determination.
- Interior Walls and Ceilings – Again, you may not have information on these, however, water damage, cracks or holes, and outdated wall finishes such as paneling should be addressed in the condition determination.
- Kitchen and Baths – It can be proven that kitchens and bath are heavy drivers of value in the marketplace. Outdated kitchens, as well as those that are renovated should be addressed in the condition determination. Kitchen renovations vary greatly in cost. Outdated baths can be cured at a lesser cost and may not warrant a change to CDU on their own.

Applying the C - Condition



What to consider when determining condition:

- Additions and Attachments – The condition of most additions will be reflective of the overall condition of the house. When they are not, do one of the following:
 - If the addition is significant in size and the condition has a considerable influence (positive or negative) on the value of the dwelling as a whole, change the CDU.
 - Change the code of the addition. For example, an enclosed frame porch in very poor condition could be called a frame utility building instead.
 - Apply a different CDU (or grade) to the addition only. This must be done consistently among reviewers so be sure to discuss this option with your supervisor.