

# APPRAISAL TODAY

## What is a Bedroom?

**By Doug Smith, SRA**

*Editor's comment: This article was previously published in the April 2016 issue of Appraisal Today. The National Building Code was updated in 2018, so the article has been revised.*

*It is included as it is useful for the Home Measurement article.*

Residential forms require the appraiser to quantify the number of bedrooms. Additionally, since the advent of the UAD notation, appraisers must also list the number of bedrooms in the basement.

This task is easily accomplished by observation of most existing layouts. However, on rare occasions, deciding whether a room is, in fact, a bedroom is not a simple matter.

Fannie Mae allows appraisers to simply submit a drawing of the exterior of the home that accurately determines the GLA. However, in cases where there may be functional obsolescence, Fannie Mae requires the appraiser to add the interior layout to demonstrate the existence of functional obsolescence.

The most common example of such functional obsolescence is the layout where the entry to one bedroom is by crossing through another

bedroom. Other matters arise that include a room that has no exterior windows or the perennial debated problem of a room with no closet.

Interestingly, Fannie Mae does not offer a specific definition of a bedroom. The following guidance is offered in the most recent Selling Guide:

### **Layout and Floor Plans (Fannie Mae)**

"Dwellings with unusual layouts and floor plans generally have limited market appeal. A review of the room list and floor plan for the dwelling unit may indicate an unusual layout, such as bedrooms on a level with no bath, or a kitchen on a different level from the dining room. If the appraiser indicates that such inadequacies will result in market resistance to the subject property, he or she must make appropriate adjustments to reflect this in the overall analysis. However, if market acceptance can be demonstrated through the use of comparable sales with the same inadequacies, no adjustments are required."

It is clear, then, that at least Fannie Mae depends on the appraiser to determine the definition of a bedroom and whether a room used as a bedroom meets local market acceptance, suggesting that adjustments for unusual layouts, be derived from the local market.

### **What does FHA say?**

Then we move on to consider what FHA has to say about bedrooms. Here we receive more detailed information.

In Section II (B) 3. (v.)L "The Appraiser must not identify a room as a bedroom that cannot accommodate ingress or egress in the event of an emergency, regardless of location above or below grade."

FHA Handbook 4001.1 no longer contains the guidance concerning the size of windows below-grade.

### **International Building Code (IBC) Updated in 2018**

The International Building Code (IBC) is a model building code developed by the International Code Council (ICC). It has been adopted

#### **IN THIS ISSUE**

**How to get referrals from real estate agents ..... Page 4**  
**Home measurement services - how to use your appraisal skills to make money ..... Page 7**

throughout most of the United States. Since the early 1900s, the system of building regulations in the United States was based on model building codes developed by three regional model code groups.

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The codes developed by the Building Officials Code Administrators International (BOCA) were used on the East Coast and throughout the Midwest of the United States, while the codes from the Southern Building Code Congress International (SBCCI) were used in the Southeast and the codes published by the International Conference of Building Officials (ICBO) covered the West Coast and across to most of the Midwest.

Although regional code development has been effective and responsive to the regulatory needs of the local jurisdictions, by early 1990s it became obvious that the country needed a single coordinated set of national model building codes. The nation's three model code groups decided to combine their efforts and in 1994 formed the International Code Council (ICC) to develop codes that would have no regional limitations.

After three years of extensive research and development, *the first edition of the International Building Code was published in 2000*. The code was patterned on three legacy codes previously developed by the organizations that constitute ICC.

By the year 2000, ICC had completed the International Codes series

and ceased development of the legacy codes in favor of their national successor.

### **What does the 2018 International Residential Code say?**

Excerpts from the 2018 edition of The International Residential Code.

The basic change in the code was that, the code no longer singled out rooms as bedroom, but described all rooms as "habitable rooms." When mentioning egress, the Code does include the nomenclature "sleeping rooms."

The following are excerpts from the latest edition.

"Habitable rooms shall have a floor area of not less than 70 square feet (R304.2)"

"Habitable rooms shall not be less than 7 feet in any horizontal direction. (R304.3)"

"Habitable space, hallways and portions of basements containing these spaces shall have a ceiling height of not less than 7 feet. For rooms with sloped ceilings, the required floor area of the room shall have a ceiling height of not less than 5 feet and not less than 50 percent of the required floor area shall have a ceiling height of not less than 7 feet. (R305.1)"

"Basements, habitable attics and every sleeping room shall have not less than one operable emergency escape and rescue opening. Where basements contain one or more sleeping rooms, an emergency escape and rescue opening shall be required in each sleeping room. Emergency escape and rescue openings shall open directly into a public way, or to a yard or court that opens to a public way. (R310.1)"

"Emergency and escape rescue openings shall have a net clear opening of not less than 5.7 square feet. The net clear opening dimensions required by this section shall be obtained by the normal operation of the emergency escape and rescue

opening from the inside. The net clear height opening shall be not less than 24 inches and the net clear width shall be not less than 20 inches. (R310.2.1)"

"Where a window is provided as the emergency escape and rescue opening, it shall have a sill height of not more than 44 inches above the floor; where the sill height is below grade, it shall be provided with a window well in accordance with Section R310.2.3. (R310.2.2)"

"The horizontal area of the window well shall be not less than 9 square feet, with a horizontal projection and width of not less than 36 inches. The area of the window well shall allow the emergency escape and rescue opening to be fully opened. (R310.2.3)"

This, then covers some older basement rooms with a narrow window opening near the ceiling. In the Montana market, such rooms without adequate egress are labeled "Bonus Rooms" a shortcut description that signals the room does not have an adequate escape route. Appraisers must be aware that basement rooms formerly used as bedrooms that do not have recognized escape routes reduce the pool of buyers seeking safe bedrooms for family members an important determinant of demand in most markets.

The essence of the 2018 International Residential Code is that the code does not specifically call out bedrooms, but refers to all habitable areas of a home. However, in Code # R310.1, at least one opening must open to the outside. **Therefore, it can be said that for each sleeping room, there must be two emergency escape and rescue openings.**

### **The Closet Myth**

Many believe that a closet defines a bedroom. In short, the market defines a bedroom as well as other considerations listed above. As a practical matter a bedroom should

probably have a closet since most buyers expect one, but technically the International Residential Code does NOT mandate a bedroom to have a closet.

So the lack of a closet does not necessarily mean a room cannot be a bedroom. However, as Fannie Mae makes clear, the appraiser must consider what is expected in the local market, and what is required by the local city/county? Would buyers consider a room as a bedroom if there is no closet?

In newer tract subdivisions it's probably a matter of functional obsolescence not to have no closet, but in older classic homes where bedrooms were sometimes not built with closets, it's very likely not an issue at all.

For instance, consider a Craftsman or Prairie style Bungalow home without closets in any bedrooms.

Building Codes discussed above do not indicate a closet is required in order to be defined as bedroom.

Typically, the answer is found in local market custom or defined in codes specific to a local community

### ***The final answer to the bedroom question***

In summary, the classification of a room as a bedroom largely rests upon market acceptance and safety issues relative to egress. Other physical short comings can often be accounted for by either market based or cost to cure based adjustments to value.

### **Ann O'Rourke additional comments**

#### **What about apartment bedroom counts?**

This is a problematic issue. In my market there are many pre-1920 homes converted during World War II to house shipyard and naval base employees.

Apartments are typically rented by the number of bedrooms, so it is a very critical determination. I have

seen tandem rooms, dining rooms, living rooms, very small rooms, etc. rented as a bedroom.

This is a very different market than single family homes.

I typically ask the owner or property manager how many bedrooms are in the apartments they rent, as apartments are rented by bedroom.

Sometimes I see rooms that are considered bedrooms by appraisers, but are not rented as bedrooms by the owners for varying reasons. I include them as bedrooms and increase the market rent. But, more often I see rooms that would not be counted in a single family house rented as bedrooms.

For example, homes in vacation rental areas are often maximized for the number of bedrooms.

#### **Home design trends over time**

Over the years, interior floor plans have changed significantly. In the Victorian era bedrooms often did not have closets. In today's tract homes, the floorplans are fairly standard for bedrooms.

There are many historic "shot gun" cottages in New Orleans, where you go through one room to get to the next room.

#### **Septic tanks and bedroom count limitations**

In areas where there are septic tanks and leach fields, the number of bedrooms allowed is determined by the maximum size of the septic tank and leach fields.

Rooms that look like a typical bedroom are not listed as bedrooms. You could have a home that has five typical modern bedrooms, but only three can be counted as bedrooms. The other 2 rooms are dens, sewing rooms, etc. in the appraisal.

#### **Local jurisdictions can vary on what is a bedroom**

Fannie says to consider local regulations. Some require more or less

ceiling height, don't consider any basement rooms to be bedrooms, etc. Be sure to check with the local building department. In my market, we have many Victorians with converted basements that are lower than the current 8 ft. ceiling heights. The local building code specifies the required ceiling height.

#### **Always include floor plans in your sketch if there are walk-through rooms, shotgun floor plan, etc.**

This lets the client know exactly why you did not include it as a bedroom.

#### **What about additions?**

This is where I mostly see rooms that I don't consider bedrooms because a former bedroom is used for a stairway to access a second floor addition or provide access to a rear one story addition.

There is seldom any way to fix the problem.

#### **What about tandem or "walkthrough" bedrooms**

Some tract homes have "walk-through" bedrooms. These are created often by additions (i.e. a second story is built, but one of the original bedrooms is used for the stairs). Also rooms built as dens are converted to bedrooms. If they open into the living room, a wall can be built with access off a hallway, for example.

In some markets there are many pass through bedrooms and it is not an issue with buyers. In other markets they are not considered bedrooms.

One way to handle it is to call it a "plus" room. That's what I do in my local market. It includes many types of pre-1930 including Victorians, non-standard rooms that can be used for sleeping or a child's sleeping room.

Another approach is to call them functionally obsolescent and make an adjustment on the grid for the cost of installing a closet.

# How to get referrals from real estate agents

**R**eal estate agents are my primary referral source for both residential and commercial non-lender appraisals. Of course, prior to the AMC take over, they were also a very good referral source for lender work.

Always, always, always mention that you regularly give referrals to real estate agents.

50% of my referrals are from real estate agents. The other 50% is from my web site and Google free business listing.

## **Who gives you referrals ?**

I always ask where a prospective client got my name. Otherwise, you can't thank them, find out which market is best for you, etc. I have done this since I started my business.

I always thank the referral source, by email, phone or a handwritten note sent by postal mail.

If you don't do this, and want to get more non-lender work, start now.

## **Why market to real estate agents?**

There are many reasons:

- Easier than attorneys, CPAs, etc. as they are sales persons and understand why referrals are important. They are not offended or find it a nuisance.
- Many, many opportunities to market, including face to face and social media.
- Appraisers already communicate with them when doing appraisals for sales, both listing and selling agents. Just add that you are available for non-lender referrals.

## **Why not to market to real estate agents**

The only reason that I know is if you don't like/trust real estate agents and/or have an adversarial relationship with them.

You can try going directly to markets, such as attorneys, bail bonds and consumers. They are more difficult, but can work.

## **Every communication with an agent is a marketing opportunity!**

Real estate agents are sales people and understand about marketing. For them, every person who owns, or wants to own, real estate is a potential client.

## **Always, always, always mention that you regularly give referrals to real estate agents and that you do non-lender appraisals**

Many, or most, agents are not aware of this.

## **Always be polite to agents if you want referrals**

Always, always say Thank You.

Don't burn your bridges.

Many years ago a local agent was very rude to me on the phone. I never forgot it and have never given him a referral. I give out lots of referrals to other real estate agents.

## **When calling agents, always provide your contact information, and get their info**

I can't even remember how many times I failed to get contact info, or lost it. I lose business cards all the time. Real estate agents are probably better, but don't take a chance.

When using the phone, state your name and city at least once, plus your phone number. Email addresses are hard to write down.

Get their preferred phone number and email address to contact them if you have a possible referral.

## **What should you say to real estate agents when working on an appraisal of a property in escrow**

At the on-site visit is the best time to do this.

I always ask for any sales, pendings, or listings they think are relevant as a way to think that what they know can be valuable. Of course, often the data is not helpful, but it shows you think positively about agents. Also, appraisers can sometimes miss non-MLS sales, or the MLS has incorrect location information so you miss it when searching.

Ask the agent questions about the subject property. Agents spend a lot more time at the property than you do. They are also responsible for disclosing any defects, not already included in the seller's disclosure statement.

Always mention that you do non-lender work. For estates, you can mention that getting a date of death appraisal can save their client lots of money due to the step up in basis.

Also, briefly mention other uses such as divorce, partnership breakup, etc.

## **What about when calling for more information on a listing or comp?**

Always mention that you are available for non-lender work. Offering appraisal advice is also good. Sent thank you emails, phone calls, notes, etc. Also see the above section.

## **What if the agent is rushed or brusque and does not want to say much**

We all get busy and sometimes have a "bad day". For agents and appraisers, time is money. Don't take it personally.

Try sending an email. Some people prefer email. I do when I am busy.

Always say thank you and do a follow up email.

### **When agents help you, particularly when they give a referral, always say Thank You**

I have greeting cards I send with a personal note and my business card.

Email is good. Have a template set up, then add something relating to how they helped you. Such as: "Thank you for giving me XXX information on a sale or a listing. I will keep your name handy for any referrals."

Phone is also good. Have a standard message. If you get voicemail, leave a shorter message.

### **Speaking at real estate office weekly sales meetings**

When I started my appraisal business in 1986, I spoke at all the local real estate offices. No one knew me as I had not been appraising here. Repeat speaking at the office meetings is a good idea. There are lot of topics, such as the difference between Price and Market.

*I wrote about how to do this in the November 2018 issue of Appraisal Today, available on the paid subscriber web page "Speaking at real estate sales meetings is an easy way to market your business."*

### **Market to local agents**

What is local? Of course, if you are in a large city it is easier. I am in a small city, Alameda, CA, but it is the same name as the county: Alameda County, so I get inquiries about appraisals in a much larger geographic area.

Marketing yourself as a local expert works best -people look first for an appraiser in their city.

Almost all my Internet calls are from people Googling appraiser in Alameda CA. Of course, my web site "tag" is " Looking for a local appraiser for Estate and Trust appraisals in Alameda, California? Go to About Us!"

### **Go on weekly open house tours (caravans, etc.)**

Weekend open houses are okay, but you don't meet many other real estate agents. I have been going on my local weekly 2-hour tours since 1990.

Advantages:

- Free lunch.
- All the agents know me. If they give a referral to another appraiser, I know about it.
- I have seen many of the comps and listings that I use in my appraisals.
- If I am trying to find out more info on a sale, I go to the agent's open house. They can't escape...
- I file each listing flyer in a binder, by year, with my notes as a reference.
- They see me as an expert and regularly ask me questions about GLA, number of bedrooms, conflicts with public records, etc.

Disadvantages

- Time required.
- Can be hard to figure out which geographic area to target if there are many open houses at the same time in your market. You can specialize in a specific area. For example, in my city I don't go to the open houses in the newer part of the city, built since 1970 in small tracts. Most of the homes were in older areas, built prior to 1930 and are not very similar.

### **Be active in your local association of Realtors**

Soon after I started my business in 1986 I became active in the local association on the MLS committee. I attended association meetings, banquets, etc. I also attended the weekly breakfast marketing meetings.

I got my broker's license before I started my appraisal business, but did not plan on selling real estate. They were increasing the requirements and I did not want to take any more classes. I was lucky as it gave me full MLS access to all nearby cities, who had their own MLSs of course.

We did not have an MLS until the early 90s, so I met a lot of local

appraisers who came to my office to use my data. Great networking.

You will probably be the only appraiser doing this and will really stand out. They will ask you questions and you will be seen as an expert.

The agents will think of you when someone asks for a referral to an appraiser.

### **Postal and email mailings**

This is possible, but I think face to face marketing is better for real estate agents.

Local agents I spoke with said they delete the emails and throw postal mailings in the trash.

See what local agents where you work do.

### **Do a blog that focuses on your local market**

This marketing does not require face to face marketing and works very well establishing yourself as a local expert and getting agent referrals.

You Must make a commitment to doing regular market updates, preferably weekly. The vast majority of blogs have very few posts. You Must have a way for people to sign up for your blog posts, otherwise few will read them.

All the successful appraiser blogs I have seen focus on the local market and are primarily written for real estate agents. They are also written for consumers. Lots of stats and graphs are included.

In my free weekly email, I often include links to these. Here are a few:

- [www.sacramentoappraisalblog.com](http://www.sacramentoappraisalblog.com) - Ryan Lundquist. weekly post with lots of graphs and stats on local markets, plus tips for real estate agents which also are good for appraisers. He only does non-lender work and speaks at meetings, radio and TV shows, etc.
- [www.birminghamappraisalblog.com](http://www.birminghamappraisalblog.com) Tom Horn. Seen as a local expert. Gets non-lender referrals. Some speaking engagements.

- [www.dwslaterco.blogspot.com](http://www.dwslaterco.blogspot.com)  
D.W. Slater Company
- <https://www.millersamuel.com/blog/>  
Jonathan Miller. Speaks on national TV, teaches course at universities. The Expert on New York city and nearby areas. Columns in other publications. Separate blog for appraisers. [www.millersamuel.com/note/february-18-2019](http://www.millersamuel.com/note/february-18-2019) Most recent post.
- [www.annarborappraisal.blog/](http://www.annarborappraisal.blog/)  
Rachel Massey. Writes for various appraisal publications, including this one. Blog has appraiser topics and local market analysis.
- [josephlynchappraisal.com](http://josephlynchappraisal.com) Joe Lynch. Focuses on appraisal topics, some agent focus.
- [www.clevelandappraisalblog.com](http://www.clevelandappraisalblog.com)  
- local stats and appraisal topics oriented to consumers and agents.

• [www.homeappraisalsbatonrouge.com](http://www.homeappraisalsbatonrouge.com)  
Focuses on agents and local topics.

My blog is for real estate appraisers, not the local market. There was no Internet when I started my business in 1986. I wrote a column for the local newspaper for a year, but did not like writing for consumers. I decided to write for appraisers instead.

I will do a future article on how to do a successful appraisal blog. I started my blog in 2015 and post every week. Do not start one unless you can commit to weekly posts, or maybe bi-weekly. Most blogs fail after a few weeks, as postings stop.

### **Social media - Facebook, Twitter, Instagram**

I am "old school". I have always done face to face marketing to real estate agents and have never used social media. I will research and write about how use social media in a future article.

Here is a comment from Ryan Lundquist, Appraiser Social Media Expert:

"It's easy to think of social media as marketing, but the word 'social'

tells us all we need to know. It's about connections and building relationships. So when people jump on Facebook and other platforms and try to do traditional marketing (blasting ads like the yellow pages), it very often feels awkward because social media is not a one-way street. It's a relationship with people. It's not just talking at others."

"The key is to jump in there and do the marathon approach of building relationships with others. Try to connect with market participants, listen, ask questions, share life, and be relational. It's like a networking meeting but in a digital place."

"You'd never walk up to someone at a networking event and say, 'Hire me, I'm an appraiser. Please refer me.' It would feel out-of-place, and that's exactly why it feels off in a digital space too. But when you're connected with the right people online and you're interacting with them on a regular basis, relationships tends to happen. And that's good for business. Like the saying goes, if you want to catch fish, go where the fish are. Well, the fish are online..."

A future article will discuss social media for marketing. It takes a larger commitment, different from what I discuss in this article.

This can be effective if local agents use social media. What do they use in your market?

### **What about flyers, Facebook ads, etc.?**

These can be useful when marketing your services directly to agents, such as home measuring and pre-listing appraisals. Facebook ads and dropping off flyers or brochures at local real estate office may work.

They are not helpful when looking for referrals.

Of course, when you are speaking at a local real estate office, bring lots of information on what you do. Many agents only think of appraisers as only doing lender appraisals.

### **What about commercial appraisers?**

Commercial appraisers tend to work a wider geographic area. But, maybe there is a local group in your city. You probably already know where to network with commercial brokers - SIOR, larger commercial broker groups, etc.

I get some referrals for commercial and apartment appraisals from local commercial real estate brokers. I am the only local commercial fee appraiser in my city.

There is also a commercial group part of a larger Association of Realtors. We have them in the Bay Area.

### **What if you want to work a wide geographic area**

In many areas, there has been significant consolidation of MLSs and Realtor association offices. Become involved in the larger organizations. Volunteer to work the registration table.

Get on a committee. Go to meetings. You will probably be the only appraiser there.

### **Marketing home measurement services and pre-listing appraisals is much easier**

See the article on home measurement in this newsletter. This is an easier "sell" as you are helping agents get a listing, not trying to get them to give you a referral.

Web sites, Facebook ads, etc. can work for this, but are harder for getting referrals.

### **Where to get more information**

Check out what your local real estate agents do and how to connect with them.

# Home Measurement Services - How to Use Your Appraisal Skills to Make Money

Most of us get occasional requests to measure homes. When I speak with appraisers, they are usually doing 1-2 per month. None of them were specifically marketing the service. But, you can get lots more business by marketing measurement services to real estate agents.

Now that we are declining into another lull slow period, AMC fees are plunging (again) and hybrid products are expanding, is there any hope for appraisers?

In this article, I focus on residential appraisals. However, measurements are made for commercial and industrial properties, often involving a lease dispute.

Note: Below I refer to "Measurement", easier than typing "Home Measurement Services". For Square footage I will use GLA, but don't use this in any marketing materials as most non-appraisers and some real estate agents don't know what this means.

## Why appraisers provide the most accurate Measurements

Everyone agrees that appraisers are the most reliable source of accurate square footage. All appraisers are trained to measure homes.

Not every home is an easy to measure tract home. I regularly have above ground basements, homes with everything except the garage below grade, "nightmares" to measure, etc. What is included in GLA in a local market can vary from ANSI. (American National Standards Institute). ANSI-Z765-2003. See below for more info on ANSI.

## Who needs Measurement Services?

Almost everyone involved in real estate wants accurate GLA. Except maybe some real estate agents who want the highest possible GLA, and include everything they can, including detached semi-finished structures.

Appraisers, including myself, complain a lot about inaccurate public records GLA.

Of course, they are widely used in AVMs which can create very inaccurate "values". For all the AVMs I have ever seen, GLA is the most reliable value factor.

## Who will pay for Measurement?

The primary market is real estate agents who want accurate square footage for their listings. Sometimes the home owner wants a more accurate GLA for their listing.

## Who operates national Measurement businesses?

Home Depot, national measurement services and a few non-appraisal companies.

## What are the problems with Assessor's office measurements?

Be sure to check your assessor's measurement methods. If there is a discrepancy, you may want to include an explanation if your GLA differs from the Assessor.

The reason agents (and owners) want a correct measurement is that they say the Assessor's office is not correct.

Assessors have their own measurement methods and standards. They may, or may not, conform to ANSI or such as 100% below grade living area. Also, check how they handle basements.

I started appraising at an assessor's

office in 1975. In California, the State Board of Equalization set the standards and taught appraisers what to do. However, since 1979, when "Proposition 13" passed, the GLA is only re-measured or checked when there is new construction.

Also, neighborhood accuracy can vary. In my city, the Gold Coast with many large classic homes is inaccurate. Other neighborhoods are much more accurate.

Some of the problems I have heard or seen:

- New home subdivisions. Assessor uses what the builder says. But, a home had an additional room added to the original plan. Or, another model was built on the lot. Or the builder does not conform to ANSI, which the National Association of Home Builders helped set up.
- Don't use any national standard for assessor's offices. Maybe they say ANSI, but don't know what it is or don't want to re-measure all the homes.
- Trainees with little training sent out to measure homes.
- Records not updated when there is new construction

## What affects the demand for Measurement Services by real estate agents?

How accurate are the assessors where you work? For most appraisers, that is the primary factor in demand.

Other factors:

- County assessors can vary widely from county to county. If your counties are questionable, appraiser measuring can correct this.
- The MLS says listing agents must have accurate GLA.
- Agents are more worried they would be sued for inaccurate GLA, often because of a recent lawsuit.

Licensed appraisers are covered by most E%O policies.

- The real estate company has a requirement that all listings be measured.
- Demand can be higher for high end homes, if you have many of them.

### **How to advertise to real estate agents for measurement services**

See the article in this newsletter for marketing for referrals. Many of the ideas work for measurement services.

The advertising methods below can also work for pre-listing services as you are helping an agent get a better listing price.

I recently interviewed local agents about how to advertise these services to them. If they used Facebook, they suggested Facebook ads. Some suggested using email flyer services.

Both are inexpensive. Your local or regional Association of Realtors may have an email flyer service available.

In the past, pre-Internet, they sent out ad flyers with their printed newsletters. They are not very effective now.

Check with your local market. They may be receptive to email and postal advertising.

Like appraisers, most agents just delete email ads for products and throw postal mailings in the trash without reading them.

### **Try to get business from all the listings in a real estate company (or branch)**

A good idea to immediately increase volume.

### **Measurement fees for appraisers**

As compared with non-AMC appraisals, the fees seem low. Several appraisers said they think of it as a "trip fee", update, or re-inspection after completion of work.

However, the marketing methods used in this article apply to pre-listing appraisals, which have appraisal fees well above AMC fees.

There are two levels for most Measurements

Level 1 - GLA and other improvements (basement, inlaw unit, detached bonus room, etc.)

Level 2 - Interior floor plan with walls, doors, possibly windows. Similar to floor plans in new home developments.

Most appraisers are charging \$100 to \$150 for the basic floor plan, with an additional \$50 to \$100. The fees seemed to be similar around the country, not dependent on median sales price.

A few appraisers I spoke with charge by the hour, such as \$100 to \$150. They did a lot of high end homes.

Google measurement services in your area. There are some lower priced non-appraisal measuring services. If so, you can explain your years of experience measuring homes as an appraiser vs. someone who has never heard of GLA.

### **How will your Measurement be used by real estate agents**

Some agents just want GLA.

Savvy agents get a Measurement with a complete floor plan to put into their listing material. This is a primary reason for them to hire you. It makes for a better sales brochure/flyer.

If you don't want to do this, you will have less business.

I spoke with an appraiser who was really upset when one of her clients put her drawing in the MLS. I told her that is what agents can really use and will pay for.

### **Factors that can increase the measurement fee**

What homes take longer to measure in your market? Think of how much time. A few appraisers mentioned the factors below, but most websites quoted fees by square footage of the home.

Some I heard are:

- Higher for 2 story
- Older homes - additions and changes over time. Some go by GLA, usually base fee for under 3,000 sq.ft.
- Strange homes, such as dome homes, etc.
- Larger homes
- Outbuildings are measured
- Travel time (appraisers don't typically don't travel very far)

In my market, they would have to pay a lot more for 3 story Victorian with a large finished basement. Very high fee if converted to 4 units.

### **Using an online order form**

I don't recommend this for online appraisal ordering, unless you have a prominently displayed phone number, as too many people, including myself, don't like them. Also, you have to make a commitment to reply to the forms quickly.

However, because measurement fees are relatively low, compared with appraisals, an online form can save time.

### **How to pre-screen for difficult to measure**

Every web site I saw had flat fees, based on square footage.

Your order form could include the address, so you could check.

You know your local market. In my market, with many difficult to measure homes, I would probably use Google street View and Google Earth and quote higher fees when necessary.

### **What is included in GLA?**

Anyone can use a tape measure, but only appraisers really understand what is in GLA.

Not included are most basements, attics with a ladder to get to it, very narrow stairs, etc. Above grade "high basements" with no interior access from the main floor. Detached living areas are not included. This depends a lot on your local market.

Another issue is what is permitted and what is not. Of course, I see all of this a lot in my market, home of "no permits".

### **Measurements vary among appraisers**

Measurements are not exact. For many years I did lots of relocation appraisals, where 2-3 appraisers measured the same home. They were almost always different, depending on rounding, using ft/inches vs. decimal usually.

I recently had lunch with a commercial appraiser who did litigation work. She never measured a building. She was taught to use an architect to measure. She sometimes used the assessor's office measurements as they were public.

She also mentioned, of course, that if your comps sq.ft. was from the assessor's office, how could they be compared with your measurements if they differed from the assessor. I try not to think about this comment...

### **What is a bedroom?**

This will show up in your Measurement, particularly if you do full floor plans. It can be controversial.

See Doug Smith's article, What is a bedroom? include in in this newsletter.

### **Home Depot Measurement Services**

Last month Home Depot, they had a price list online with a base price of \$99 if under 3,000 sq.ft. This has been removed. You have to fill in a form which includes zip code. A 2,000 sq.ft. house in my zip code is \$99.

Home Depot also provides floor plans.

I checked at indeed.com for the job: Measure Technician. Monthly income averaged \$2,500.

[www.homedepotmeasures.com](http://www.homedepotmeasures.com)

### **How do you compete with Home Depot and cheap online services**

You have been measuring homes your entire appraisal career. Home Depot hiring requirements are a GED and No experience.

Fortunately, you are marketing to real estate agents, who know that appraisers are experts in estimating square footage.

### **Become a Home Measurement Specialist?**

With two 7-hour classes and a test, you can become a Home Measurement Specialist. They have a list of people, but there were only a few in the Bay Area. I did not call anyone to see if it helped them get business.

Job requirements:

- Must be eighteen years of age or older.
- Must be legally permitted to work in the United States.

Education Required: The knowledge, skills and abilities typically acquired through the completion of a high school diplomas and/or GED.

Years of Relevant Work Experience: 0 years

Preferred Qualifications: Previous customer service or retail sales experience is preferred.

Average total pay is \$30,000 per year from [www.Glassdoor.com](http://www.Glassdoor.com). 10 samples.

[www.homemeasurementspecialist.com](http://www.homemeasurementspecialist.com)

### **Google Home measurement services to see samples and prices**

There are not a lot of measurement services being offered.

Google home measurement services in your area. See who is doing it and what they charge.

Some appraiser websites have a brief description of Measurement services and prices.

Two samples of web sites with detailed information:

A Quality Measurement. Based in Portland, OR. Prices start at \$150.

[www.aqualitymeasurement.com](http://www.aqualitymeasurement.com).

Good web page. Run by an appraiser, Gary Kristensen.

[www.wemeasurehomes.com](http://www.wemeasurehomes.com) has very detailed sample sketches. Not run by an appraiser.

### **What type of advertising on your web site, flyers, etc.**

Remember, your primary market is real estate agents. They know that appraisers measure homes.

Google home measurement services appraiser and see how other appraisers advertise to give you some ideas.

Have special page (s) on your web site.

Anyone can measure. The most important feature is that you are an appraiser and are the expert on measuring and determining what is in GLA.

As always, be sure contact information is prominently posted on you web site. Do not only use a form to fill out as many prospects don't want to fill it out. Have a phone number and email address.

If you don't have a web site, have something to send to them by email or postal mail. However, a web site is best.

### **How to use printed flyers or brochures**

Email and postal mailings are not typically effective.

Instead, drop off flyers at local real estate offices. See if you can put them on a registration table for a local marketing meeting.

### **Ideas for why real estate agents need appraiser measurements**

*Written for real estate agents*  
[www.birminghamappraisalblog.com/appraisal/blog-roundup-resource-real-estate-agents-needing-get-accurate-square-footage/](http://www.birminghamappraisalblog.com/appraisal/blog-roundup-resource-real-estate-agents-needing-get-accurate-square-footage/) (2014) Written for real estate agents.

[www.birminghamappraisalblog.com/appraisal/top-9-reasons-get-home-measured-professional/](http://www.birminghamappraisalblog.com/appraisal/top-9-reasons-get-home-measured-professional/) (2014) Well written list for real estate agents

[www.birminghamappraisalblog.com/appraisal/5-ways-appraisal-can-help-sell-stale-listing/](http://www.birminghamappraisalblog.com/appraisal/5-ways-appraisal-can-help-sell-stale-listing/) (2015)

<https://birminghamappraisalblog.com/realtor-tips/agents-source-of-square-footage/> (2018)

*Written for agents and home owners*  
[www.dwslaterco.blogspot.com/2018/06/what-counts-as-living-area-in-appraisal.html](http://www.dwslaterco.blogspot.com/2018/06/what-counts-as-living-area-in-appraisal.html) (2018) .

### **Who does the measuring?**

Almost all of the appraisers I spoke with did the measuring themselves as they only did 1-2 per month. However, trainees and unlicensed persons could be used,

The larger companies don't give the qualifications of the persons doing the measurements. Home Depot hires people with GEDs and no experience. No information provided on training.

### **Measuring to correct inaccurate assessors records**

This is not unusual. Usually the home owner is upset with this. My county assessor accepts new measurements. Yours may not.

For this measurement, they would not need a floor plan.

### **What about USPAP?**

If you are acting as an appraiser, you are subject to USPAP.

Because it is not a service for which there are standards such as an appraisal, there are no specific standards. Only the general USPAP obligations (ethics, competency, etc.) are required.

Scope of work is not required, but a description of what you are doing is always good. See the sample long disclaimer below.

There is no requirement for a certification. Don't include a certification as your measurement may be misconstrued as an appraisal.

### **Most appraisers use ANSI Z765-2003**

Be sure you read, and understand, the ANSI requirements. ANSI standard was developed by the NAHB, National Association of Home Builders to be used for new homes. Get a copy by google the name.

This ANSI standard was developed in 1996 and has not been changed since 2003. ANSI does standards for many industries and was established in 1918. Go to [www.ansi.org](http://www.ansi.org) for more information.

I don't use it much in my market as most homes were built prior to 1930. I would refer to ANSI (modified) for my sketches.

### **Other measurement methods**

*Note: Italics were used in the text of the original blog post, but were not used in this reprint.*

*FHA Guidelines: (HUD Handbook 4000.1)*

When any part of a finished level is below grade, the Appraiser must report all of that level as below-grade finished area, and report that space on a different line in the appraisal report, unless the market considers it to be Partially Below-Grade Habitable Space.

*Fannie Mae Selling Guide: (March 2017)*

Only finished above-grade areas can be used in calculating and reporting of above-grade room count and square footage for the gross living area. Fannie Mae considers a level to be below-grade if any portion of it is below-grade, regardless of the quality of its finish or the window area of any room. Therefore, a walk-out basement with finished rooms would not be included in the above-grade room count.

Rooms that are not included in the above-grade room count may add substantially to the value of a property, particularly when the quality of the finish is high. For that reason, the appraiser should report the basement or other partially below-grade areas separately and make appropriate adjustments for them on the Basement & Finished Rooms Below-Grade line in the Sales Comparison Approach adjustment grid.

*ANSI ( American National Standards Institute)*

For detached single-family houses, the finished square footage of each level is the sum of finished areas on that level measured at floor level to the exterior finished surface of the outside walls.

The above-grade finished square footage of a house is the sum of finished areas on levels that are entirely

above grade. The below-grade finished square footage of a house is the sum of finished areas on levels that are wholly or partly below grade.

Garages and unfinished areas cannot be included in the calculation of finished square footage. Chimneys, windows, and other finished areas that protrude beyond the exterior finished surface of the outside walls and do not have a floor on the same level cannot be included in the calculation of square footage.

#### *ERC ( Employee Relocation Council)*

Gross Living Area (GLA) is the calculation of the total living area in the residence expressed in square footage. This is calculated using exterior measurements (except condominiums and cooperatives), and is generally limited to the habitable above-grade living area only. Basements and attic areas (finished or unfinished) are not included in GLA, room and bath counts. However, they may make a valuable and significant contribution to the property value, and should be calculated and shown separately in the report.

*Source: "What counts as living area in an appraisal?" June 06, 2018*  
To read full article, click here:  
[www.dwslaterco.blogspot.com/2018/06/what-counts-as-living-area-in-appraisal.html](http://www.dwslaterco.blogspot.com/2018/06/what-counts-as-living-area-in-appraisal.html)

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#### **What to write on Web site page and print flyers/brochures for home measurement services**

There are lots of appraisers, and other companies, offering this service. Google home measuring service and home measurement service for ideas.

Your floor plan drawings help them sell homes. The cost is minor compared with their commission.

Some appraisers also target home owners, but this is a much smaller market.

You may also see much more "high end" more expensive services by architectural and marketing companies.

#### **Is E&O available?**

The number one complaint that E&O companies receive is square footage. They know how to handle them.

I spoke with most of the main appraiser E&O companies. Home Measurement Services done by an appraiser would be covered in the appraiser's E&O policy for LIA, Landy, Intercorp and Realcare. Check with your E&O company.

In 2016, they did not insure Home Measurement Services.

If a non-appraiser is used for the Measurement, the person may be included in a firm policy. Check with your E&O company.

#### **Sketch program options for layouts**

See what your sketch program provides for colors and a visually appealing format. Also, how to insert a disclaimer.

You may be able to insert the sketch into a word template that is more appealing and includes your disclaimer.

#### **How much time does it take at the home?**

For basic sketch with no floor plan, you already know how long you spend. If you don't measure interior rooms, you will need to practice. An hour is a reasonable amount of time.

#### **Do you want to do floor plans?**

Demand is much stronger, and fees higher, for floor plan sketches.

For many years, I did floor plans for relocation appraisals. A while ago, I forget when, Fannie wanted floor plans included. I always do rough floor plans on site. Why? So I don't miss a bathroom, small bedroom etc.

If you have never done floor plans, it will take a while to build up speed. Practice doing them with your appraisals. It only takes me a few minutes to do an approximate floor plan.

I have never measured interior walls, but you may want to. You can do it easily with a laser measurer.

You can practice with your own house.

#### **Use a tablet record your drawings**

Saves a lot of time and reduces error. Practice doing floor plans on the device.

#### **What type of disclaimer should be on the sketch to limit your liability?**

There are a few appraisers who use disclaimers on their sketches. They said there was very little resistance from real estate agents. We have to agree to this stuff when we use software, buy an app, etc.

Remember, your primary market is for real estate agents to use in their listing promo material. Hundreds of people may see it.

It is strongly recommended that you put a statement, similar to what you put on your appraisals, on the sketch.

Some clients may object to this, but real estate agents are familiar with it on appraisal forms.

Here is a link to Liability Insurance Administrator Q&A about a dispute over a home's square footage, with good information and sample disclaimers. Read this document.

[www.liability.com/claudia-says/claudia-effective-disclaimer-language](http://www.liability.com/claudia-says/claudia-effective-disclaimer-language)

Here is one suggestion from LIA (Replace "report" with measurement sketch: "The appraiser will have no legal liability to any third party who claims to have relied upon the report, in whole or in part, for any purpose, whatsoever, unless such reliance was agreed to, in advance, by the appraiser, in writing."

Comment from LIA, "Please understand, there is no "magic" language I could suggest that will keep you from getting sued, but including strong disclaimer language, specific to each assignment, and to each report, gives your defense counsel a lot to work with."

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### What type of disclaimer should be sent to the client?

Most appraisers don't use one. Not a good idea.

You should write one up to be sent to clients.

One appraiser, who measures commercial buildings, sends an engagement letter specifying what he will do, including the standard used (BOMA). He is an appraisal instructor and is very savvy. He includes this in his engagement letters.

Here is what he included (I have modified it to refer to residential properties).

"The following sets forth the purpose, function, scope of work, and fee for the measurement/floor plan sketch of the following residential property:  
Address xxxxx

"The purpose and function of the floor plan sketch is to provide the client with an accurate square footage for listing purposes for the home (and accessory buildings if needed). A floor plan is also included."

"The Scope of Work is to include the following:

"Method for Calculating is ANSI Z765-2003 (American National Standards Institute)"

"Calculations on square footage are provided. "

"The Gross Living Area will be indicated. This does not include unfinished areas, attics, detached buildings, etc. Their measurements and square footage will be included in the sketch."

"The fee quoted and agreed to for the sketch is XXX."

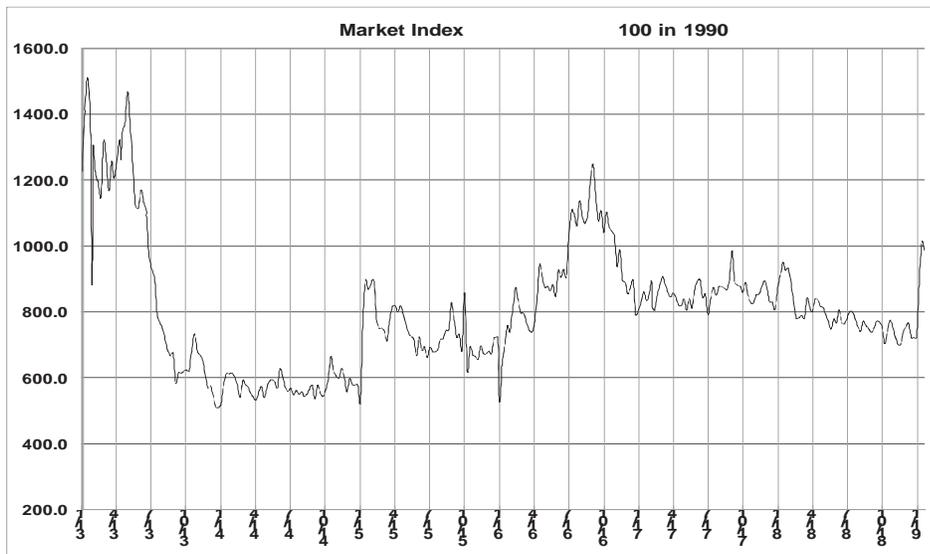
"The estimated delivery date for the completed measurement and floor plan sketches is within XX business days after the inspection of the properties above. It is anticipated that the inspection will take place on XXX. The appraisal is to be addressed to XX, as client."

"Three original copies and/or emailed copy of the sketch will be provided. This work product is prepared for the exclusive use of the client: no other party may rely on its contents; no liability is assumed by the appraiser for the use of, or reliance on this work product by any unintended user".

### NOTE ON GRAPH BELOW

There was no data reported over the long Christmas and New Year's Day holidays. The big jump in the right end of the graph was due to few loan applications during the long holiday period.

## MBA Loan Volume Application Index – 1/13 to 1/19



"The herein referenced floor plan is not an architectural rendering of the subject improvements and is not to be considered as such as such as the appraiser is not a licensed architect. The dimensions and the Gross Living Area stated in this sketch may or may not agree with the Gross Living Area published by the tax assessor, MLS, other property information/data services and/or those maintained by the architect/builder/property owner for the subject."

"The above represents the entire scope of the agreement between client and appraiser and court testimony is not included in the above fee."

"It concludes with the signature and name of the appraiser and the date plus a space for the client to sign and date."

*Note: this was not reviewed by an attorney. Scope of work is not required by USPAP for sketches but is a good idea to include.*

I was unable to get any residential samples, except for a very short one. Few appraisers use them, I suspect. I have not done any Measurements for a long time and never thought about it. Not good.

I would put something in for floor plans, such as "the floor plan interior measurements (or dimensions such as 10 ft. x 10 ft) are approximate.", if you include them. I usually don't, as they take time to measure and are interior walls.

Getting an agent signature can be a hassle.

I recommend using the same type of checkbox that is widely used for "agreeing" to disclaimers for software, etc. Put the disclaimer on your web site with a link to it. Pay someone to set it up on your web site.

Example: (x) I have read, understand and agree to the *Terms and Conditions*. Have a separate link to *Terms and Conditions* statement.

### **Should you have a Home Measurement Service?**

Do you like measuring or not? Some like it, some don't.

If you like measuring, this service could work well for you. It pays less than a full appraisal, but is a good source of extra income. When appraisal business slows down a lot, as it always does, it can provide income for you.

Compare how much per hour gross you get from a measuring service as compared with an appraisal. When AMC fees go way down, it may be higher for measuring.

I did a few measurements many years ago, but quit doing them. I realized that I preferred doing the valuation rather than measuring. After over 40 years of appraising, I really like the challenges of developing a value opinion. Measuring was okay, but was just a part of what I liked doing.

### **Many thanks to the appraisers who helped me with this article!!**

Lori Horn, Shannon Slater, Gary Kristensen, Bob Lutz, Tom Horn, Abdur Abdul-Malik, Dann Cann, John Rusting and those whose names I may have forgotten...