

CATEGORY: COST APPROACH

TOPIC: CONTRIBUTORY VALUE OF IMPROVEMENTS

Problem – What is the contributory value of the improvements?

A single-unit residence has a cost new (to build) of \$74 per square foot for living area
The detached garage has a current cost new of \$40 per square foot
The current cost multiplier is 0.94 and the local multiplier is 0.97
The garage contains 400 square feet. The house contains 2,600 square feet
The total depreciation is 47% (includes all forms of depreciation)

Problem Solution – NEXT PAGE

Practice Problems

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Problem Solution

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|---------------------------|-----------------------------------|------------|
| Residence current cost | $2,600 \text{ sf} \times \74 | \$ 192,400 |
| Garage current cost | $400 \text{ sf} \times \$40$ | \$ 16,000 |
| Total current cost | | \$208,400 |
| Apply multipliers | $\$208,400 \times .94 \times .97$ | \$ 190,019 |
| Deduct total depreciation | $-(\$190,019 \times .47)$ | -\$ 89,309 |
| Equals Contributory Value | | \$ 100,710 |