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Appraisal Insights for the Real Estate Professional



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Outbuildings – What are they worth?

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When doing an appraisal for a property that occupies a few acres, it is not uncommon for there to be a pole shed (outbuilding-typically 40x 60 square feet) on the property. These pole sheds may be used to store a boat, RV, all terrain vehicles, horses, etc. Most pole sheds can cost \$20,000-\$40,000 to build. It is typical to value the pole shed at \$5,000-\$10,000 in the appraisal. Ideally, all three comparable sales would have similar pole sheds and no adjustment would be used. The homeowner who owns that pole shed typically has a difficult time understanding why.

When we are completing a mortgage appraisal, we are answering the hypothetical question from the lender “if we (lender) take possession of this home, what can we reasonably sell it for in a reasonable amount of time”? It is our job as appraisers, to approach an appraisal thinking about the “typical buyer” or the majority of buyers. What will the average buyer pay for an amenity such as a pole shed? The typical buyer will usually pay less for an owner built amenity than the owner’s cost. A specific buyer is one who is looking for a home with some acreage and a pole shed for a specific purpose, while the typical buyer is someone just looking to get out of town and live on some acreage.

It could be argued that an outdoor swimming pool in colder climates could have the same obsolescence as a pole shed due to the shortened outdoor swimming season and the maintenance involved with an outdoor swimming pool. It might be nice to have, but how much more will the average buyer pay for that feature: Not as much as a specific buyer who is looking to purchase a home with a need for a specific use amenity.

Frequently Asked Questions

Q: Is it worth it for me to build a pole shed on my property?

A: If it is something you want and have the money to build it, by all means, yes. If your property is residential in nature and you are looking at that building as an investment, you probably will not recoup the money it costs to build. The value of its utility and your personal use of the amenity must factor into the decision to invest in an outbuilding and not solely the resale value.

Mortgage Rates As of August 11, 2005

30 Year Fixed: **5.89%**

15 Year Fixed: **5.47%**

1- Year ARM: **4.57%**

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