

## GUIDELINES FOR DETERMINING SQUARE FOOTAGE

Because the Association has recently received several complaints regarding the display of inaccurate square footage information, the ECRIS Board of Directors felt that it was necessary to remind the members of the proper way to determine square footage. Improperly reporting square footage can lead to increased liability for your broker since, after location, square footage is one of the most important factors that buyers rely on to choose a home. The Board adopted the following guidelines at its meeting on March 12, 2003.

The square footage reported should reflect the living area in the home.

By definition, living area (sometimes referred to as "heated living area" or "heated square footage") is space that is intended for human occupancy and satisfies **all** of the following three conditions:

**Heated** by a conventional heating system or systems (forced air, radiant, solar, etc.) that are permanently installed in the dwelling - not a portable heater - which generates heat sufficient to make the space suitable for year-round occupancy;

**Finished**, with walls, floors and ceilings of materials generally accepted for interior construction and with a ceiling height of at least seven feet, except under beams, ducts, etc. where the height must be at least six feet four inches. In rooms with sloped ceilings (e.g., finished attics, bonus rooms, etc.) you may also include as living area the portion of the room with a ceiling height of at least five feet if at least one-half of the finished area of the room has a ceiling height of at least seven feet, and

**Directly accessible** from other living area (through a door or by a heated hallway or stairway).

The generally accepted rule among appraisers is to include only above grade living space in the square footage calculation. "Above-Grade" is defined as space on any level of a dwelling which has living area and no earth adjacent to any exterior wall on that level. Raised Ranches are an exception, however, if the three conditions are met. Also, space that is "at" or "on grade" is considered "above-grade."

Finished basements that satisfy the three conditions are below grade and should not be included in the total square footage. It makes sense to include a statement in the customer remarks that would say, for example, *Total square footage does not include a recreation room in the basement that contains 550 square feet.* If you insist on including the recreation room square footage in the total, you **must** include a statement at the beginning of customer remarks that says, for example, *The total square footage of 2,450 square feet includes 550 square feet in a recreation room in the basement.*

Members of the MLS should be aware that appraisers use the following FNMA gross living area guidelines which take exception to our policy with regard to Raised Ranches. Following our policy will, by properly representing the square footage, make the appraiser's job easier and will result in speeding up the appraisal process.

### XI, 405.06: Gross Living Area (06/30/02)

The most common comparison for one family properties (including units in PUD, condominium, or cooperative projects) is above grade gross living area. The appraiser must be consistent when he or she calculates and reports the finished above-grade room count and the square feet of gross living area that is above-grade. For units in condominium or cooperative projects, the appraiser should use interior perimeter unit dimensions to calculate the gross living area. In all other instances, the appraiser should use the exterior building dimensions per floor to calculate the above-grade gross living area of a property. Only finished above grade areas should be used – garages and basements (including those that are partially above-grade) should not be included. We consider a level to be below-grade if any portion of it is belowgrade – 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 and finished areas below-grade" line in the "sales comparison analysis" grid. To assure consistency in the sales comparison analysis, the appraiser generally should compare above-grade areas to above-grade areas and below-grade areas to below-grade areas. The appraiser may deviate from this approach if the style of the subject property or any of the comparables does not lend itself to such comparisons. However, in such instances, he or she must explain the reason for the deviation and clearly describe the comparisons that were made.