



Log and Timber
Homes Council

Appraising Log Homes: Comparing Processes

Appraisers and lenders face two types of log home appraisals:

- (1) appraisal of a home to be constructed
- (2) appraisal of an existing home.

Appraising a log home guided only by blueprints is difficult, especially for someone not familiar with log construction. Existing log homes are easier to appraise because there is a tangible product to evaluate. Other variables, however, are introduced, such as quality of construction.

The comparable value approach is made difficult because of wide variation in style and design. Also, some of the features in a log home appeal to log home buyers, but not necessarily the mass home buying market.

These don't actually lower the value of the home (they may in fact increase it), they simply change its market position. Not everyone likes the rough hewn look of certain types of log homes, but those that do are prepared to pay as much, or more, for a conventional home of similar design.

Traditionally, appraisers and lenders based comparisons on homes of similar construction and design. This often made it impossible to appraise a log home simply because no similar home existed in the market area.

Fannie Mae addressed this problem in Announcement 91-28 which stated "We have no requirement that one or more of the comparable sales must be of the same design and appeal as the property being appraised ... If recent comparable sales of the same design and appeal as the property that is being appraised are not available, but the appraiser is able to determine sound adjustments for the differences between the comparables that are available and subject property and to demonstrate the marketability of the property-based on older comparable sales, comparables sales in competing neighborhoods, the existence of similar properties in the market area, and other reliable market data – the mortgage is acceptable to Fannie Mae."

Fannie Mae's guideline leaves more flexibility in choosing comparables, but the appraiser or lender is still left with the challenge of choosing realistic comps. Because log homes are usually sold and delivered as packages, there has been a natural tendency to label them as a type of prefabricated home for which cost comparison data is more readily available. There is some prefabrication involved in log home construction, including pre-cutting and pre-drilling logs. As with custom

conventional construction, a bulk of the log home materials must be assembled on the site. However, the uniqueness of log homes can often call for skills beyond those of conventional carpentry, making a finished log home truly a work of custom craftsmanship. Given the intricacies in construction, a log home can be compared to any custom home. When comparing log homes with conventional ("stick-built") homes it is important to recognize that log homes are usually highly customized both in design and materials. They often include features considered upgrades in other types of housing.

These include:

- Open beamed ceilings
- Cathedral ceilings
- Solid wood wall coverings
- Solid wood siding
- Custom wood stairs and railings
- Custom wood trim
- Custom or solid wood interior doors
- Solid wood floors
- Custom wood cabinetry
- Masonry fireplaces
- Energy efficient windows
- Cedar shake, metal or slate roofs
- Set on large, often secluded lots
- Porches and decks

When comparing a log home to a similar sized custom conventional home that does not include these features, the value contributed to a conventional home can be added to give a more realistic picture of the value of the log home. Because of their custom features, log homes are often more expensive to construct than basic tract-built stick homes.

Comparing Construction Processes		
Stage	Conventional Stick Construction	Log Construction
Excavation	Typical	Typical
Foundation	Typical	Typical

Structural Shell	Typical	Higher labor costs for log construction, timbered roofs
Interior Framing	Typical	Higher costs due to construction details required in framing to accommodate log shape and settling
Mechanical Systems	Typical	Typical to higher costs, depending on system
Roofing	Typical	Typical to higher costs, depending on owner preference
Trim	Typical	Typical to higher costs if custom trim is used; custom cabinetry, stairs and rails are common
Painting, Varnishing	Typical	Typical to higher costs, because of staining and sealing of logs
Exterior	Typical	Higher cost because of staining and sealing logs