

A Guide to Demonstration Appraisal Reporting: Residential

January 2005

This guide is not intended to be a textbook or all-inclusive. This material is updated periodically and can be found in the Appraisal Institute Web site www.appraisalinstitute.org.

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Table of Contents

| | |
|--|-------------------------------------|
| General Information | 1 |
| Demonstration Appraisal Report Defined..... | 1 |
| Types of Residential Demonstration Appraisal Reports..... | Error! Bookmark not defined. |
| Selection of a Subject Property..... | 1 |
| The Physical Report..... | 2 |
| Market Extraction..... | 3 |
| Exhibits..... | 3 |
| Properties That Cannot Be the Subject of a Demonstration Appraisal Report..... | 4 |
| Definition of Without Assistance..... | 5 |
| Residential Demonstration Appraisal Report Writing Seminar..... | 5 |
| | |
| Part One: Introduction | 6 |
| Title Page..... | 6 |
| Letter of Transmittal..... | 6 |
| Table of Contents..... | 7 |
| Photographs..... | 7 |
| Summary of Important Facts and Conclusions..... | 7 |
| Description of the Process..... | 8 |
| Purpose of the Appraisal..... | 8 |
| Intended Use of the Appraisal..... | 8 |
| Property Rights Appraised..... | 8 |
| Date of Value Estimate and Date of Report..... | 9 |
| Definition of Value..... | 9 |
| Identification of the Property..... | 9 |
| History of the Property..... | 9 |
| | |
| Part Two: Descriptions, Analysis, and Value Conclusions | 10 |
| Regional/Area Analysis..... | 10 |
| Neighborhood Analysis..... | 11 |
| Tax and Assessment Analysis..... | 12 |
| Site Data and Analysis..... | 13 |
| Improvement Analysis..... | 13 |
| Highest and Best Use..... | 14 |
| The Valuation Process..... | 15 |
| Cost Approach..... | 15 |
| Accrued Depreciation Estimate..... | 16 |
| Sales Comparison Approach..... | 17 |
| Income Approach/Gross Rent Multiplier Analysis..... | 18 |
| Reconciliation and Final Value Estimate..... | 19 |

| | |
|--|-----------|
| Part Three: Certification and Addenda | 20 |
| Certification of Value | 20 |
| Assumptions and Limiting Conditions | 20 |
| Qualifications of the Appraiser..... | 20 |
| Statement of Associate Membership | 20 |
| Addenda | 21 |
| Miscellaneous Information | 22 |
| Things To Do..... | 22 |
| Things Not To Do..... | 23 |
| Conclusion..... | 23 |

The Traditional Appraisal Report is a complete appraisal in the self-contained format with all three approaches applied to one subject property. The property must suffer from obsolescence as well as physical incurable deterioration.

The Modular Demonstration of Knowledge Appraisal Report is a combination of complete and limited appraisal reports utilizing templates provided by the Appraisal Institute for specific sections of the report, the Property Identification, Neighborhood Analysis, Site Analysis, and Improvement Analysis, with the remainder of the report being in the narrative format. The Modular Report includes three (3) separate reports and they may be on three (3) different properties. The reports will be the Sales Comparison Module, Income Module, and the Cost Approach Module. The final Module is an assessment test that may be proctored locally and will cover the Associates ability to reconcile, treat obsolescence since the modular demo does not require obsolescence and some basic multiple choice questions that are general in nature.

45-Hour Package Alternative

A residential Associate Member may satisfy the demonstration appraisal report requirement by receiving credit for a 45-Hour Package of Residential Courses, which includes the 15-hour Advanced Residential Applications and Case Studies Course and the 30-hour Advanced Residential Report Writing Course. To receive such credit, a residential Associate Member must attend both Courses and pass the examinations for both Courses.

45-Hour Package Alternative includes:

Advanced Residential Application and Case Studies/Part 1

Advanced Residential Report Writing/Part 2

General Information

Demonstration Appraisal Report Defined

A demonstration appraisal report is the most complete presentation of a property appraisal that an individual can produce given the limits of the individual's abilities and the market evidence available at the time. The term most complete simply means the most concise but thorough presentation of each section of the report demonstrating the Associate's level of knowledge and expertise.

A demonstration appraisal report is actually a special, "open book" examination. The residential demonstration appraisal report is intended to test the associate member's ability to assemble a complete appraisal report and handle each section thoroughly and concisely. Therefore, each important element of the report is given maximum consideration. When the demonstration appraisal report is completed, each section is linked with other sections to provide a continuous narrative leading to the final value conclusion.

The purpose of preparing a demonstration appraisal report is to test the associate member's ability to gather the necessary data, analyze the data properly, and write an appraisal report setting forth the analysis and conclusions, which will lead the reader to the same conclusion as the author of the report.

This guide is not intended to be a textbook or all-inclusive. It is anticipated that the associate member will have received a basic education in appraisal theory and application prior to the preparation of this report. Reference should be made to the latest editions of *Appraising Residential Property*, *The Appraisal of Real Estate* and *The Dictionary of Real Estate Appraisal* for current definitions, techniques and theoretical applications.

Selection of a Subject Property

The most important step in preparing a demonstration appraisal report is the selection of a subject property. If a poor selection is made, it may not be possible to write a demonstration appraisal report that could receive a passing grade. Many properties do not lend themselves to demonstrating all that is required. For many properties in the market, sufficient comparable market data are not available.

If the right property is chosen, there will be ample data to prepare all segments of the report and the work of the Associate will be significantly easier. The associate member can then concentrate on preparing the best appraisal report that the market data will permit.

It is suggested that the associate member select a residential neighborhood of one- to four-family properties within a community where ample market data regarding sales, market rents, etc., are available. From the data available, select a subject property that best fits the data.

If the community in which the associate member works has limited market data, it may be necessary to investigate a nearby community that has a more active market.

Strict Adherence to the Following General Requirements Must Be Maintained or Your Report Will Not Be Accepted for Grading

The following elements must be present to qualify the report for grading:

- a. The property selected must suffer from incurable physical deterioration and at least one form of obsolescence. If more forms of depreciation are present, they must be treated. The breakdown method must be applied.
- b. The selected property must allow for proper demonstration and use of all three approaches to value. As this is a demonstration of technical competence, NO deviation from this rule will be permitted. **You must select a subject that meets the demonstration report requirements.**
- c. The effective date of value can be no more than five calendar years prior to the year the report is submitted.
- d. "Market value" must be the type of value estimated.
- e. Adequate market data must be available for proper demonstration of site valuation and the sales comparison approach.
- f. Sufficient income data must exist to justify, support, and document rental data, sales of rental properties, and gross rent multipliers.

Please Note: Effective January 1, 1995 and after, all residential demonstration reports which are submitted for grading must include two methods of estimation of accrued depreciation; one of which must be the breakdown method. In addition to the breakdown method, which is required, one of the following methods are acceptable: economic age/life, modified economic age-life, or market extraction technique. Currently, only one method of estimation, the breakdown method, is required.

The Physical Report

The demonstration appraisal report should be the best work of the associate member's career. Therefore, the photographs, exhibits, grammar, spelling, overall presentation, and binding of the physical report should be as professional as the associate member can possibly produce. It is recommended the report be prepared on 8 1/2-by-11 in. paper and bound securely to ensure that the report remains intact through shipping and grading.

The analysis section of the report, which includes everything after the introduction (i.e., area analysis through the reconciliation and final value estimate), should provide adequate justification, support, and documentation.

Justification demands evidence that a statement is well founded. Justification is best provided by reference to market-extracted data. It is an explanation of how the supporting data and documentation have been interpreted to reach the conclusion.

Support means to verify or substantiate statements with as much factual data as possible. For example, the estimate of remaining economic life should be supported with a statement of how it was extracted and confirmed in the market and what sources were referenced.

Documentation is the process of providing evidence for a statement or fact. Reliable or authoritative sources should always be used and referenced. Examples of some areas of the report requiring extensive documentation are: comparable sales, market rentals, gross rent multiplier selection, cost new estimates, and depreciation.

Market Extraction

One of the major objectives of the demonstration appraisal report is to demonstrate the process of extracting data from the market to support, document and justify the conclusions presented throughout the report. Some examples of extracted support data follow.

In the sales comparison approach, all adjustments to comparable sales should be market supported. The method for extracting market support can vary significantly depending on the kind of data available. Examples of market extraction may include extracting accrued depreciation from comparable sales. A location adjustment could be supported by demonstrating the difference in value from one property location to another. Other means of extracting market support could include paired sales analysis and examining differences in rent caused by varying conditions.

In the cost approach, the cost new estimate could include estimates from published cost services and a detailed cost breakdown prepared by a qualified building contractor. These costs can be further supported using cost comparables found in the market.

Depreciation must be supported by the breakdown method. Short- and long-lived items to be considered under the depreciation section of the cost approach should be detailed. These same items (like other items of depreciation) should be adequately covered in the sales comparison and income approaches as well. The condition of the improvements, actual age, estimate of effective age, and remaining economic life must be explained and justified. Depreciation consistency should be demonstrated in all approaches to value.

In the income approach, market rent estimates and gross rent multipliers can be supported with an appropriate analysis of comparable rentals.

It is not required that all facts be documented through the market extraction process. However, sufficient exhibition of the method should be included to demonstrate its proper use, application, and comprehension.

Exhibits

Exhibits should contribute to the clear understanding of your written description and discussion. Place illustrations within the report where they will be most helpful to the reader. Exhibits should include, but are not be limited to, the following:

Photographs: Photographs of the subject property (front, rear, side, interior, and street scene), comparable sales, land sales, and rentals should be included along with any other scene that might be considered important to understanding the value conclusion. This would include cost new comparables, rental comparables, and gross rent comparables. Photographs should be identified and dated.

Maps: Maps indicating the neighborhood boundaries and the location of all comparable properties must be included in the report. Be sure to include a directional arrow on each map. Other maps that may be helpful could include an area map locating the subject and the subject neighborhood in relation to the central business district, work centers, schools and parks, competing neighborhoods, and other important locational considerations, which relate to the property being appraised. Maps should show street names in legible print.

Plot Plan: A plot plan that shows lot and exterior dwelling dimensions, easements, the placement of the improvements on the site, setback lines, and abutting street rights of way is required. The plan could also indicate the location of any major site improvements (i.e., walks, drives, pools, etc.) and any other characteristics, which would help the reader better visualize the site. The scale or drawings should be shown.

Building Sketch and Floor Plan: Provide a scale drawing of the floor plan including all floors, basement area, and attached structures. The plan should indicate all windows, door swings, cased openings, cabinets, appliances and plumbing fixtures, stairways, etc. Include all exterior dimensions, room sizes, and area calculations.

Properties That Cannot Be the Subject of a Demonstration Appraisal Report

- a. A property that is the subject of a demonstration report used in a real estate course, clinic, seminar, etc.
- b. A property that was involved in litigation at the time the report was submitted or at the date of valuation.

Please note: According to the Code of Professional Ethics, it is unethical to accept an appraisal assignment if the member or affiliate has any direct or indirect, current or prospective personal interest in the subject of the appraisal matter or the outcome of the appraisal assignment or any personal bias toward the parties involved in the assignment, unless:

- (1) prior to accepting the assignment, the member or affiliate carefully considers the facts and concludes that his or her professional judgment will not be affected and reasonable persons, under the same circumstances, would reach the same conclusion; and
- (2) such personal interest or bias is disclosed to the client prior to acceptance of the appraisal assignment; and

- (3) such personal interest or bias is fully and accurately disclosed in each written and oral appraisal report resulting from such assignment.

Definition of Without Assistance

The Demonstration Appraisal Reports Grading Panel developed the following definition of “without assistance” as used in Regulation No. 2:

Assistance should be limited to verbal advice, suggestions, theoretical explanation, references to textbooks and techniques, available literature, etc., relating to existing appraisal practice. Assistance should not include specific educational instruction or commentary on the possible pass/fail capability of the demonstration appraisal report.

Residential Demonstration Appraisal Report Writing Seminar

The *Guide to Demonstration Report Writing: Residential* is intended to be an overview or outline of the demonstration report. The most complete document and source is the residential demonstration report seminar. This one-day seminar is taught by demonstration report graders and/or members of the Demonstration Appraisal Reports Grading Panel. The Residential Demonstration Appraisal Report Writing Seminar is a one-day seminar designed primarily for Associates who are preparing to write an appraisal report. Attendance is mandatory for those Associates whose report failed to meet the technical requirements. The Admissions Designation Qualifications Committee strongly encourages Associates to attend the Residential Demonstration Appraisal Report Writing Seminar before submitting a demonstration appraisal report.

Associates who have attended the seminar in the past have found it very helpful in writing their demonstration appraisal report.

Please contact the national Associate and Affiliate Member Service Center (312-335-4111) to receive a current seminar schedule, or the name and phone number of a grader if you have further questions regarding writing your demonstration report.

Most states recognize this seminar for continuing education. (Check with your state regulatory agency.)

The seminar is helpful to those individuals looking to expand their knowledge in acceptable methods for report writing.

Introduction

The outline shown below is suggested for the demonstration appraisal report. It is highly recommended this outline be followed closely. It is recommended, but not necessary, that the Associate follow the exact order of the outline. Each individual segment of each section of the outline should be addressed in the demonstration appraisal report.

Title Page

The title page should include:

- Identification as an appraisal report
- Property type
- Property address
- Date report is written
- Date of valuation
- Name and address of the appraiser
- Name and address of client or person authorizing the report (i.e., the Appraisal Institute)

Letter of Transmittal

The letter of transmittal formally presents the appraisal report. It may be addressed to the Appraisal Institute or to a client. A suitable letter of transmittal may include:

- Date of letter and salutation
- Street address or location of the property and a brief description, if necessary
- Property type
- Intended use and intended user of the appraisal
- Statement identifying the interest in the property being appraised

- Statement that inspection of the property and necessary investigation and analyses were performed by the appraiser
- Reference that the letter is accompanied by a complete self-contained appraisal report
- Reference to the addenda of the attached appraisal report
- Effective date of appraisal (The date must be within five calendar years of the year the demonstration report is submitted.)
- Final estimate of value (expressed both numerically and in words)
- Appraiser's signature

Table of Contents

The table of contents lists the major components of the report in sequence with page references. The numbering of pages normally begins after the table of contents. Use headings and subheadings to identify the major sections of the report. Include the items in the addenda.

Photographs

A good frontal photograph of the subject property at the beginning of the report is recommended to give the reader a visual representation of the property.

Summary of Important Facts and Conclusions

An outline of the report's major points and important conclusions is recommended. Such a statement provides the reader with a convenient summary and gives the appraiser an opportunity to stress points that were considered in reaching the final estimate.

Major items to be included:

- a. Location
- b. Owner of record
- c. Land area
- d. Improvements
- e. Highest and best use
- f. Value indicated via the sales comparison approach

- g. Value indicated via the income approach
- h. Value indicated via the cost approach
 - (1) Estimated value of site
 - (2) Estimated value of improvements
 - (3) Indicated value estimate
- i. Final value estimate
- j. Date of value estimate

Description of the Process

Describe the extent of the process of collecting, confirming, and reporting data. This requirement is designed to protect third parties whose reliance on an appraisal report may be affected by the extent of the appraiser's investigation (i.e., the process of collecting, confirming, and reporting data).

Purpose of the Appraisal

The purpose of the appraisal is its main objective, which is to arrive at a supported estimate of the market value of the subject property as of the effective date of value.

Intended Use of the Appraisal

The intended use of the appraisal is what it will be used for by the client, which may dictate some exclusions or additional inclusions. The intended use of the appraisal, in this instance, should be to satisfy the requirements of the Appraisal Institute. The intended user is the Appraisal Institute.

Property Rights Appraised

The property rights appraised should be clearly identified and defined. These rights should then be consistently considered throughout the remainder of the report. It is important that the property rights appraised are handled consistently. If a property is subject to any easement, there may be a limitation on the fee simple interest. Any easement or encumbrance should be specified here and defined in the Definitions section. Any effect on value should be noted in the report.

Date of Value Estimate and Date of Report

The effective date of value and the date of the report must be included in an appraisal. The effective date of value of a demonstration appraisal report can be no more than five calendar years prior to the year the report is submitted for credit.

Definition of Value

The only suitable value for a demonstration appraisal report is market value as set forth in the Appraisal Institute's Standards of Professional Appraisal Practice or USPAP.

Identification of the Property

At a minimum, the property should be identified by a complete address, legal description, owner, and type of ownership. Other identifying remarks may also be included.

History of the Property

A comprehensive statement regarding the property history, including both positive and negative factors, should be made. According to the Standards of Professional Appraisal Practice, at least a one-year period should be covered when dealing with a one- to four-unit residential property. However, sometimes information on previous years should be included, especially if there is known contamination, recent improvements or other problems affecting the property. If a prior sale, listing, lease, recent remodeling, or another such factor-involving subject would influence the conclusion of the appraisal, it should also be addressed regardless of one-year time requirement.

Descriptions, Analysis, and Value Conclusions

Regional/Area Analysis

This section of the report should describe area background information pertinent to the valuation of the subject property. Consideration should be given to all significant factors in this analysis, but only data relevant to the subject property should be discussed, analyzed, and included in this section of the report.

One of the keys to determining the scope of this discussion is the behavior pattern of typical buyers for similar properties in the local market. For purposes of analysis and identification, the forces of supply and demand that influence the value of real property may be classified under the following major categories:

- Economic
- Governmental
- Social
- Environmental

Identification of key points under these four major topics can help in organizing this section. Once the broad background features have been defined, narrow the consideration to the most pertinent points affecting the appraisal. Typical market behavior in the area should be the guide in determining the appropriateness of the information you report.

The following represents a minimum list of items that should be discussed:

- a. Population data and growth statistics
- b. Employment and activity sources
- c. Regional sources
- d. Governmental services
- e. Government efficiency or inefficiency
- f. Unemployment
- g. Traffic, street, and parking problems

- h. Location of support services
- i. Other pertinent features such as:
 - (1) Climate
 - (2) Topography
 - (3) Soil and subsoil conditions

This section should identify the economic basis for the value conclusion. Extremely pertinent factors include employment, economic base, income, price levels, interest rates, population, financing, supply and demand for similar properties, and typical buyer attitudes. Avoid the canned material and flowery rhetoric found in some promotional materials. Exhibits in this section of the report followed by a narrative analysis are helpful.

This section must have a conclusion relative to the probable future of the area, residential property values, and the relationship of these future conditions to the property being appraised.

Neighborhood Analysis

The neighborhood analysis should be a continuation of the analysis set forth in the Regional/Area Analysis section. The following is an outline of some of the significant factors that should be considered and analyzed in this section.

- a. Define, support, and document neighborhood boundaries.
- b. Describe the predominant types of improvements, including the typical home, as to quality and type of construction and the conformity or lack of conformity of the subject property.
- c. Describe the history of the neighborhood.
- d. Discuss and analyze the price range and rental rates of properties.
- e. Describe the typical age and condition of improvements.
- f. Describe and analyze the life stage and trends of the neighborhood.
- g. Describe and analyze the extent to which the neighborhood is built up.
- h. Consider the most probable sources of financing, loan ratios, and current and available mortgage rates.
- i. Describe and analyze the location and accessibility of the neighborhood compared to other, competing neighborhoods.

- j. Describe and analyze the appropriate characteristics of land usage including planning, zoning, and other restrictions.
- k. Consider the degree of homogeneity of surrounding properties (or lack thereof) and its effect on value.
- l. Describe and analyze vacancy and/or occupancy rates or ratios.
- m. Analyze and describe the turnover in ownership or occupancy.
- n. Discuss new construction activity, if any, and the inventory of competitive properties.
- o. Discuss the availability and adequacy of utilities.
- p. Discuss any detrimental influences, nuisances, or hazards external to the property.
- q. Discuss and analyze the location of the neighborhood in regard to employment centers, the central business district, shopping districts, schools, churches, transportation, civic services, recreational and cultural facilities, and any other locational characteristics relevant to values and market acceptance of the neighborhood.

The neighborhood analysis must end with a conclusion. The conclusion should consist of a summary of pertinent factors affecting property values and a projection of economic trends for the neighborhood.

The neighborhood analysis like the regional/area analysis helps to establish a framework for remaining economic life and the existence of external, and possibly functional, obsolescence. This section should also point out the price and rental levels of other properties that directly compete with the subject in the neighborhood. This section should include a map locating the neighborhood and graphically delineating the neighborhood boundaries. It is helpful to include a zoning map as well.

Tax and Assessment Analysis

This section should present tax and assessment information that might affect the valuation of the subject property. The subject's current taxes and assessed value should be presented. Any special assessments should also be discussed at this point. Taxing trends in the area of the subject property should be discussed and analyzed. In addition, a comparison of the subject taxes and assessment with other competing properties' taxes and assessment could also be helpful in assessing and supporting future taxes for the subject. This section should end with an examination of tax trends as they relate to the subject property.

Site Data and Analysis

The site must be accurately described. A plot plan should be inserted here. The plot plan should include a drawing of the site with site dimensions. Identify road frontages, the location of the dwelling and possibly landscaping, or any other characteristics that help describe the site and its present use. Other items to include could be information on easements, neighboring encroachments, or any other factor that helps graphically depict the site. This section should include the following as a minimum:

- a. Site dimensions, area, and shape
- b. Topography
- c. Drainage, soil, and subsoil conditions
- d. Access (Describe streets and their adequacy.)
- e. Utilities and the adequacy of utilities
- f. Man-made improvements such as walks, curbs, and drives
- g. Proximity to any nuisances, hazards or detrimental influences
- h. Flood zone and map references and their effect, if any, on site usability
- i. Easements and encroachments and analysis as to their effect on the site
- j. Zoning designation and its meaning
- k. Allowable uses under the zoning
- l. A conclusion as to the conformity or nonconformity of the site or property to public or private restrictions
- m. A final conclusion as to how the site conditions previously described ultimately affect the use of the site

Improvement Analysis

The improvement analysis should contain a detailed description of all improvements on the site followed by an analysis of the improvements as to their age, condition, physical and/or economic life, etc.

Description Portion. The description portion should include the current use, architectural style, type and quality of construction, dwelling dimensions, area, interior layout, structural and construction details, mechanical equipment description, and any ancillary improvements such as porches and swimming pools. The improvement can be described in an abbreviated outline, in narrative form, or in

combination of both, but must be detailed and complete. A scaled drawing of the improvements must be provided here showing the dwelling's layout and exterior dimensions.

Analysis Portion. The analysis portion should include a discussion of the age and condition of the improvements. It is suggested that this analysis include an age and condition analysis of the dwelling components. Since the breakdown method of depreciation must be used in the cost approach, discussion for the dwelling's effective age and remaining life should be included here. The functional utility or inutility of the structure should be discussed and analyzed. This analysis should be continued later in the Highest and Best Use section where more proper conclusions can be reached.

Highest and Best Use

This section of the report must be complete and thorough. It should begin with a proper definition of highest and best use and include the source of the definition.

Two separate studies are mandatory for this section:

- A highest and best use analysis of the site as vacant
- A highest and best use analysis of the property as improved

Highest and Best Use of the Land as Vacant

This analysis must address four criteria. The highest and best use must be:

- Physically possible
- Legally permissible
- Financially feasible
- Maximally productive

This analysis should end with a conclusion as to the ideal improvement, which would represent the highest and best use of the land if it were vacant.

Highest and Best Use of the Property as Improved

Through an analysis of the four criteria for highest and best use, this discussion should establish which use is maximally productive. This analysis should reach a highest and best use conclusion that includes curing any curable deficiencies, making repairs, or renovating the structures. A comparison of the existing improvements with the ideal improvements should identify functional obsolescence, which is shown in the cost approach. Any deficiencies must also be considered in the sales comparison and income approaches.

All basic principles of real estate valuation should be considered. Mathematical support should be provided for conclusions where needed (i.e., financial feasibility).

The Valuation Process

At the beginning of each approach or as a separate section, briefly explain the theory of each approach and outline how it will be handled in the valuation process. The appropriate economic principles should be quoted with an explanation of how they apply to each approach. The section should end with the reconciliation process.

Cost Approach

Site Valuation. The best method for estimating site value is through comparable vacant land sales. The sales should be reduced to appropriate units of comparison. The value of the land or site should be estimated as if the site were vacant and available for its highest and best use. Each comparable sale should be described. As a minimum, the description must include the following data:

- Location
- Grantor
- Grantee
- Recording data
- Date
- Sale price
- Financing
 - Units of Comparison
- Person who verified sale
- Lot dimensions, configuration, and size
- Physical and topographical characteristics
- Zoning
 - Utilities
- Environmental influences

The report must include a photograph of each sale and a sales map locating the sales.

Each sale should be analyzed with consideration of the recognized elements of comparison:

- Property rights conveyed
- Financing terms
- Conditions of sale
- Market conditions
- Location
- Physical characteristics

It is recommended that an adjustment grid be included to show the adjustments. The selection of comparables **must** permit Associates to demonstrate market-extracted support for at least two adjustments. If you prove, through analysis of paired sales, that no adjustment is required, you have proven an adjustment. For example, if Site Sale 1 sold for “X” dollars one year and Site Sale 2, which is similar in all respects, sold for the same amount of money the following year, these two sales can be paired to demonstrate that there is no time adjustment. All adjustments must be explained and supported.

This section should end with a reconciliation of the comparable sales into a final value indication. Where adjustments are not shown because of a lack of market support, these differences should be reconciled in the reconciliation section.

Cost New Estimate

The cost new estimate should be developed from at least two sources. If a cost service is used, the source material must be specifically identified and the process demonstrated. If cost estimators or contractors supplied cost figures, their expertise must be established. Cost estimators’ or contractors’ bids should be prepared on their letterhead and should be signed by the person providing the estimate. A qualification summary for estimator or contractor should be included. If reference is made to recently completed comparable structures, they must be photographed, identified, and analyzed with appropriate adjustments to the property being appraised.

Accrued Depreciation Estimate

For a property to qualify for grading as a demonstration report, it must suffer from incurable physical deterioration and some form of obsolescence. **Effective January 1, 1995 and after, all residential demonstration reports which are submitted for grading must include two methods of estimation of accrued depreciation; one of which must be the breakdown method. In addition to the breakdown method, which is required, one of the following methods is acceptable: economic age/life modified economic age-life, or market extraction technique.** The report must demonstrate the appraiser’s ability to estimate depreciation factually. The estimate of depreciation must be substantiated with market data analysis to the fullest possible extent.

Finally, the computations of the cost approach must be shown. This will include an estimate of the total cost new of the improvements, an itemized breakdown of depreciation, and deduction of the total depreciation from the total cost new to indicate the depreciated improvement value. To this figure the contributory value of the site improvements and the site value are added.

This section must end with an indication of value derived by the cost approach.

Sales Comparison Approach

This section should begin with a brief discussion of the criteria used in the selection of comparable sales. The selection of comparables must permit the Associate to demonstrate market-extracted support for at least two adjustments. But, all adjustments must be explained and supported. It is recommended that more than one matched pair be used to support an adjustment when possible.

Provide an adequate and sufficiently detailed description of each comparable sale. Present this detailed information in a uniform manner and, at a minimum, include the following:

- Date of transaction and recording data, including name of buyer and seller
- Sale price, verification, and source
- Location, zoning, and environmental influences
- Sufficient detail on physical characteristics, condition, and obsolescence features to lead the reader to your conclusion of comparability

The report must include a photograph of each sale and a sales map locating the sales.

Sales should be presented on an adjustment grid that demonstrates all adjustments. All adjustments should be market supported. Each sale should be analyzed with consideration of the recognized elements of comparison:

- Property rights conveyed
- Financing terms
- Conditions of sale
- Market conditions
- Location
- Physical and economic characteristics

This approach should end with reconciliation of the value indications derived from the comparable sales. The reconciliation should end with a final indicated value by the sales comparison approach. When adjustments were not made due to a lack of market support, these differences should be reconciled in the reconciliation section. Appropriate consideration must be given to all forms of depreciation identified in the cost approach.

Income Approach/Gross Rent Multiplier Analysis

The income approach is applied to one- to four-family residential properties through gross rent multiplier (GRM) analysis. The value estimate represents the relationship between the market rent (quantity of the income stream) and the GRM. The quality and durability of the income stream are represented in the GRM.

The steps in the income approach are:

- a. estimate market rent
- b. select or estimate an appropriate GRM
- c. calculate a value indication

The market rent estimate must be based on a comparison of the subject property with similar properties that are rented or leased. Adjustments for differences in physical or economic characteristics must be made. The resulting market rent indications must then be reconciled. It is suggested that the rentals also be presented on an adjustment grid. Along with adequate explanation, there should be market support and justification for the adjustments.

The GRM is most reliable when developed through a comparison of properties that were rented at the time of the sale. In the absence of adequate data, it is permissible to estimate market rent for an improved property that has sold. The reconciliation of GRM indications should include consideration of the degree of similarity between properties.

Data for this approach includes, but is not limited to, a complete description of all rent and GRM comparables including lease periods, condition, photo, and location.

The condition and functional utility of the property must be considered to maintain consistency with items of depreciation identified in the cost approach.

Reconciliation and Final Value Estimate

The purpose of reconciliation is to complete the process of correlation, which has taken place throughout the report. Reconciliation is a discussion that analyzes the quantity and quality of the data examined throughout the report. This analysis includes examination of the inherent advantages and disadvantages of the three approaches and the relevance they have to the property being appraised and the appraisal problem.

Explain any discrepancies and apply sound reasoning to the facts and interpretations that lead to the final conclusion, keeping in mind the definition of value and the use of the report.

Certification and Addenda

Certification of Value

In the demonstration report, the certification is appropriately placed after the final value estimate. It must include the signature of the appraiser and the date signed. The certification must conform to the wording set forth in the Appraisal Institute's Standards of Professional Appraisal Practice and the Supplemental Standards and USPAP for certified or licensed appraisers.

Any factors peculiar to the assignment in question should be fully explained.

Assumptions and Limiting Conditions

Assumptions and limiting conditions in the demonstration appraisal report generally follow the certification of value. See the current edition of *The Appraisal of Real Estate* for suggested wording and examples of general assumptions and limited conditions.

Qualifications of the Appraiser

The appraiser's qualifications may be placed in the introduction or after the reconciliation section of the report. Qualifications should be listed in a brief and concise fashion. Qualifications may include:

- Educational background and training
- Professional experience
- Business, professional, and academic affiliations and activities
- Some important clients and appraisal assignments
- Identification of candidacy status in accordance with the Appraisal Institute's Standards of Professional Appraisal Practice. An associate member may not refer to his or her status in a written statement without stating whether he or she is an MAI associate or an SRA associate. Associate membership must not be listed in an associate's qualifications under a heading that refers to "Designations" because an associate is not a designated member of the Appraisal Institute. An associate may use the heading "Professional Affiliations."

Statement of Associate Membership

Associates often ask how they may refer to their Appraisal Institute affiliation. For a detailed explanation, please refer to Article II, Part B of Regulation No. 2. This information also appears in the

pledge and certification that is signed when an individual applies for associate membership, as follows:

An associate member may be identified as such in stating his or her qualifications in appraisal reports and as an expert witness in judicial proceedings, in a resume or brochure submitted to a potential employer or client, and in a classified advertisement seeking employment if the advertisement is published in a National, Regional, or Chapter publication of the Appraisal Institute, on a business card, letterhead, or any other publication, and may indicate such associate membership by a title under his or her signature. In addition, in a written statement, an associate may not refer to his or her Associate status without stating whether he or she is a “general associate member” or a “residential associate member.”

SRPA members on the alternative SRPA track to MAI membership may refer to themselves both as SRPA members and as “applicants for the MAI designation.” Individuals may refer to themselves as “general associates” if they were Society Associates and are eligible to follow the alternative track for associate members working to complete the SRPA requirements as part of the requirements of MAI membership.

Please be aware that associates who are not designated members of the Appraisal Institute and who refer to themselves as a “member” must be referred to the Ethics and Counseling Department. These associates will receive a letter indicating that they are in violation of Standards.

Addenda

Addenda are supplements to a report and may be used to avoid interrupting the narrative. Data that pertain directly to your narrative, such as comparable sales data, other market data, maps, and sketches, should be included in the body of the report unless they are overly lengthy. The addenda should include any necessary supplementary exhibits, including some of the items listed below:

- Additional photographs of the subject property. When possible, include pictures of curable depreciation and interior views to help the reader visualize the property.
- Photographs of street views in the immediate area (neighborhood) and of the properties referred to in the report.
- Maps of secondary importance.
- City and regional statistical data.
- Any additional supporting data referred to in the body of the report.

Please Note: This Guide does not nullify, amend, or in any way change the requirements set forth in the Appraisal Institute’s Bylaws and Regulations.

Miscellaneous Information

The rules pertaining to appraisal reports are set forth in Article III, Part E, of Regulation No. 2. They include, but are not limited to, the following:

- The date of value in the report can be no more than five years prior to the year the report is submitted for credit.
- The subject property for a demonstration report for SRA credit must be a one- to four-family residence.
- The property chosen must allow the appraiser to demonstrate all three approaches to value and must suffer from incurable physical deterioration and at least one form of obsolescence.

On the “Application for Demonstration Appraisal Report Credit,” you are required to certify that you personally and without assistance assembled all of the data used in preparing the appraisal, analyzed the data, formed the conclusions, and prepared the appraisal report, and that the appraisal and the appraisal report comply with the requirements of Regulation No. 2; the Standards of Professional Appraisal Practice of the Appraisal Institute, including the Supplemental Standards of Professional Practice; and the Code of Professional Ethics. If the demonstration report is found to be nonfactual or not the Associate’s own work, it will not receive credit. The Associate would then be required to select another property for any subsequent demonstration appraisal report.

The completed “Application for Demonstration Appraisal Report Credit” and a check for the grading fee must accompany the report. The package should be mailed to Associate and Affiliate Member Service Center of the Appraisal Institute at 550 W. Van Buren Street, Suite 1000, Chicago, IL 60607. For information regarding the amount of the grading fee, contact the national Membership Services staff.

Send one copy of the report. **Keep a good complete copy, including photos or negatives and any maps, in case the package is lost in the mail. The report becomes the property of the Appraisal Institute and will not be returned to the Associate.** For additional information and assistance, contact your Chapter Admissions or Associate Guidance Chair or the National Associate and Affiliate Member Service Center.

Things To Do

- Explain your reasoning completely, yet concisely.
- Put directional arrows on maps, plats, and aerial photos.
- Give sources for all definitions.
- Affix inserts such as photographs in an attractive, stable manner and identify them adequately.
- Type the body of the report double-spaced.

- Explain any departure from normal procedure and consider the effects of any adverse conditions noted in the subject property.
- Remember that the factors affecting the subject property in one approach should also be considered in the other two approaches.

Things Not To Do

- Do not fabricate data.
- Do not rely on unsupported assumptions, conclusions, or opinions.
- Do not rely on outdated course material or textbooks.
- Do not use formats from demonstration reports prepared several years ago.
- Do not select a new, or almost new, property that will not give you an opportunity to measure required forms of depreciation.
- Do not adjust gross rent multipliers.
- Do not conclude that the present use is the highest and best use of the property simply because it conforms to the existing zoning.
- Do not express estimates or conclusions based on estimates with an unrealistic degree of precision. Use good judgment.
- Do not use statements such as “Based on my experience and knowledge...” or “Knowledgeable people in the area say...” to support your adjustments. They are unacceptable.

Conclusion

Best wishes in successful completion of a residential demonstration appraisal report. If you have any questions or comments, please feel free to call the national Associate and Affiliate Member Service Center. If necessary, staff will refer you to a grader to answer your questions.

—Demonstration Appraisal Reports Grading Panel

Application for Demonstration Appraisal Report Credit

Return to:

Appraisal Institute T 312-335-4111
 550 W. Van Buren St. F 312-335-4146
 Suite 1000 associate@appraisalinstitute.org
 Chicago, Illinois 60607
 Attn: Associate Member Services - Demo

Identification

| | | |
|-----------------|--------|----------------|
| Last | First | Middle Initial |
| Mailing Address | | City/State/Zip |
| Account Number | Region | |

Important Notice

Before mailing your demonstration appraisal report, please read the pertinent Appraisal Institute Regulation governing the preparation and submission of the report and the *Official Guide to Demonstration Appraisal Reporting*. Mail one copy of your report with this completed application and your payment to the Associate Member Services Department at the above address. Keep a good copy of the report, including photos or negatives and any maps in the event of loss in the mail. The report will become the property of the Appraisal Institute and will not be returned to you. The date of valuation of your demonstration appraisal report can be no more than five (5) years prior to the year of submission to the Appraisal Institute.

Date of Valuation

I am submitting a revised submission of a 1-to-4 family residential property demonstration appraisal report (\$250 fee)**
 an initial submission of a 1-to-4 family residential property demonstration appraisal report (\$250 fee)

Address of Subject Property _____

Seminar Attendance

****Note: You must complete this section if submitting a revised demonstration appraisal report**

I attended the Demonstration Appraisal Writing Seminar on:

Location and Date _____

Method of Payment

Check (payable to Appraisal Institute)
 VISA MasterCard American Express

Card Number Expiration Date Signature

| Accounting Use Only | |
|--------------------------|------------------------------|
| Amt. of Dep. \$250.00 | Dep. Number |
| Date of Dep. | Acct. Number 3560-30-3005 |

(continued on back)

In submitting this application, I represent and certify that:

- A. The enclosed demonstration appraisal report complies with the pertinent Appraisal Institute Regulation governing the preparation and submission of this demonstration appraisal report, the Code of Professional Ethics & the Standards of Professional Practice of the Appraisal Institute and the Overview of the Demonstration of Knowledge Appraisal Report Writing: Residential.
- B. I personally and without assistance assembled all of the data used in preparing the enclosed demonstration appraisal report, analyzed the data, formed the conclusions and prepared the demonstration appraisal report. I understand that in preparing the enclosed demonstration appraisal report I may receive assistance in matters such as photography, drawings, typing and word processing. Neither the real estate which is the subject of this demonstration appraisal report nor any of the data relating to it has been the topic of or was secured through participation in any real estate course, clinic, seminar or other similar source.
- C. All appraisal data contained in the enclosed demonstration appraisal report and all statements in this application for credit are factual. All comparable sales or rental properties were personally viewed or inspected and confirmed by me.
- D. I understand that if the enclosed demonstration appraisal report does not receive credit because the data in the appraisal report or the statements in this application for credit are not factual, then I may not submit this demonstration appraisal report for regrading or revise this demonstration appraisal report.
- E. The enclosed demonstration appraisal report demonstrates the proper methods of handling at least two forms of depreciation, one which is physical incurable and the other either functional or external obsolescence. It contains all three recognized approaches to value.
- F. The real estate which is the subject of the demonstration appraisal report is not involved in, or subject to, any type of litigation in the courts.
- G. Appraisal Institute credit for the enclosed demonstration appraisal report will not be sought by me if it is graded and failed by the Appraisal Institute and subsequently graded and passed by any other appraisal organization with which the Appraisal Institute has a demonstration appraisal report reciprocal credit agreement.
- H. I understand that the granting of demonstration appraisal report credit by the Appraisal Institute does not imply the Appraisal Institute's agreement with either the opinions expressed or the value(s) concluded in the enclosed demonstration appraisal report.

Signature

Date

Report to Residential Associate Member: Traditional Demonstration of Knowledge Report

Associate Member _____ Grader _____

Subject Property _____

City/State _____ Date Mailed to Grader _____

Original Submission _____ Revised Submission _____

| EXPLANATION | | | |
|-------------|--|-----------------------------------|--|
| COLUMN | PRINCIPLES, TECHNIQUE AND THEORY | PRESENTATION AND ANALYSIS OF DATA | |
| 5 | 100% Complete understanding | Very effective and convincing | |
| 4 | 80% Adequate understanding; complete in part | Good; convincing | |
| 3 | 70% Marginal understanding | Adequate; acceptable | |
| 2 | 50% Minimal understanding | Unacceptable; unconvincing | |
| 1 | 30% Poor understanding | Poor effort; erroneous | |
| 0 | 0% No understanding | No effective effort | |

| RATING GRID | | | | | | | | |
|---------------------|---------------------------------------|-----------|-----------|-----------|-----------|---------|-------|-------|
| SECTION | DESCRIPTION | COLUMN | | | | | | SCORE |
| | | 5 | 4 | 3 | 2 | 1 | 0 | |
| Part I | Introductory Information | 4.0-3.6 | 3.5-3.2 | 3.1-2.8 | 2.7-2.0 | 1.9-1.2 | 1.1-0 | |
| Part II | Area Analysis | 3.0-2.7 | 2.6-2.4 | 2.3-2.1 | 2.0-1.5 | 1.4-0.9 | 0.8-0 | |
| | Neighborhood Analysis | 6.0-5.4 | 5.3-4.8 | 4.7-4.2 | 4.1-3.0 | 2.9-1.8 | 1.7-0 | |
| | Taxes and Assessment Analysis | 1.0-0.9 | 0.8 | 0.7 | 0.6-0.5 | 0.4-0.3 | 0.2-0 | |
| | Site Analysis | 3.0-2.7 | 2.6-2.4 | 2.4-2.1 | 2.0-1.5 | 1.4-0.9 | 0.8-0 | |
| | Improvement Analysis | 5.0-4.5 | 4.4-4.0 | 3.9-3.5 | 3.4-2.5 | 2.4-1.5 | 1.4-0 | |
| | Highest and Best Use | 7.0-6.3 | 6.2-5.6 | 5.5-4.9 | 4.8-3.5 | 3.4-2.1 | 2.0-0 | |
| | Appraisal Process | 1.0-0.9 | 0.8 | 0.7 | 0.6-0.5 | 0.4-0.3 | 0.2-0 | |
| | Site Valuation | 6.0-5.4 | 5.3-4.8 | 4.7-4.2 | 4.1-3.0 | 2.9-1.8 | 1.7-0 | |
| | Cost New Estimate | 4.0-3.6 | 3.5-3.2 | 3.1-2.8 | 2.7-2.0 | 1.9-1.2 | 1.1-0 | |
| | Depreciation | 10.0-9.0 | 8.9-8.0 | 7.9-7.0 | 6.9-5.0 | 4.9-3.0 | 2.9-0 | |
| | Sales Comparison Approach | 20.0-18.0 | 17.9-16.0 | 15.9-14.0 | 13.9-10.0 | 9.9-6.0 | 5.9-0 | |
| | Income Approach (GRM Analysis) | 14.0-12.6 | 12.5-11.2 | 11.1-9.8 | 9.7-7.0 | 6.9-4.2 | 4.1-0 | |
| | Reconciliation & Final Value Estimate | 6.0-5.4 | 5.3-4.8 | 4.7-4.2 | 4.1-3.0 | 2.9-1.8 | 1.7-0 | |
| Part III | III. Certification and Addenda | 10.0-9.0 | 8.9-8.0 | 7.9-7.0 | 6.9-5.0 | 4.9-3.0 | 2.9-0 | |
| TOTAL POINTS | | | | | | | | 0.0 |

TOTAL POINTS/GRADE (100 maximum; 70 passing) Acceptable Unacceptable **FINAL GRADE** _____
 First Submission (can revise) First Submission (revision not recommended) Revised Submission (cannot revise)

Instructions to staff: _____

Grader's Signature _____ Date Returned _____

Report to Residential Associate Member: Traditional Demonstration of Knowledge Report

Associate Member

Subject Property

City/State

Date

Pass *Revise/Resubmit (Original Submissions) Fail (Revised Submissions Only)

* Is it recommended that he be revised using the same subject property? Yes No

EXPLANATION

| COLUMN | PRINCIPLES, TECHNIQUE AND THEORY | PRESENTATION AND ANALYSIS OF DATA |
|--------|--|-----------------------------------|
| 5 | 100% Complete understanding | Very effective and convincing |
| 4 | 80% Adequate understanding; complete in part | Good; convincing |
| 3 | 70% Marginal understanding | Adequate; acceptable |
| 2 | 50% Minimal understanding | Unacceptable; unconvincing |
| 1 | 30% Poor understanding | Poor effort; erroneous |
| 0 | 0% No understanding | No effective effort |

RATING GRID

| SECTION | DESCRIPTION | COLUMN | | | | | | SCORE |
|---------------------|---------------------------------------|--------|---|---|---|---|---|-------|
| | | 5 | 4 | 3 | 2 | 1 | 0 | |
| Part I | Introductory Information | | | | | | | |
| Part II | Area Analysis | | | | | | | |
| | Neighborhood Analysis | | | | | | | |
| | Taxes and Assessment Analysis | | | | | | | |
| | Site Analysis | | | | | | | |
| | Improvement Analysis | | | | | | | |
| | Highest and Best Use | | | | | | | |
| | Appraisal Process | | | | | | | |
| | Site Valuation | | | | | | | |
| | Cost New Estimate | | | | | | | |
| | Depreciation | | | | | | | |
| | Sales Comparison Approach | | | | | | | |
| | Income Approach (GRM Analysis) | | | | | | | |
| | Reconciliation & Final Value Estimate | | | | | | | |
| Part III | III. Certification and Addenda | | | | | | | |
| TOTAL POINTS | | | | | | | | 0.0 |

NOTE TO THE ASSOCIATE MEMBER: This is a summary for grading purposes only, for further details of requirements see *Overview of the Demonstration of Knowledge Appraisal Report Writing: Residential*.

***ORIGINAL SUBMISSION—FAILING REPORTS ONLY:** Any section or subsection receiving a rating of 2 or less needs to be revised in order to meet the criteria for that section described in *The Official Guide To Demonstration Appraisal Reporting: Residential*.

I. Introductory Information

| DESCRIPTION | COLUMN | | | | | |
|--|--------|---|---|---|---|---|
| | 5 | 4 | 3 | 2 | 1 | 0 |
| Title Page | | | | | | |
| Letter of Transmittal | | | | | | |
| Table of Contents | | | | | | |
| Subject Photographs | | | | | | |
| Summary of Important Facts and Conclusions | | | | | | |
| Description of the Process/Scope | | | | | | |
| Purpose of the Appraisal | | | | | | |
| Intended Use and User of Appraisal | | | | | | |
| Property Rights Appraised | | | | | | |
| Date of Value and Report | | | | | | |
| Definition of Value | | | | | | |
| Identification of the Property | | | | | | |
| History of the Property | | | | | | |

II. Area Analysis

| DESCRIPTION | COLUMN | | | | | |
|---|--------|---|---|---|---|---|
| | 5 | 4 | 3 | 2 | 1 | 0 |
| Description of Area | | | | | | |
| Discussion of Four Forces | | | | | | |
| Analysis/Conclusions Relative to Property Appraised | | | | | | |

II. Neighborhood Analysis

| DESCRIPTION | COLUMN | | | | | |
|---|--------|---|---|---|---|---|
| | 5 | 4 | 3 | 2 | 1 | 0 |
| Boundaries defined and justified | | | | | | |
| Predominant types of improvements | | | | | | |
| History/Development | | | | | | |
| Price range and rental rates | | | | | | |
| Typical age and condition of improvements | | | | | | |
| Life stage and trends | | | | | | |
| Percent built-up | | | | | | |
| Typical financing | | | | | | |
| Location and accessibility | | | | | | |
| Land usage | | | | | | |
| Homogeneity of surrounding properties | | | | | | |
| Vacancy | | | | | | |
| Turnover in ownership | | | | | | |
| New construction activity | | | | | | |
| Utilities/Adequacy | | | | | | |
| Nuisances and/or hazards | | | | | | |
| Support facilities | | | | | | |
| Analysis/Conclusions relative to property appraised | | | | | | |

II. Tax and Assessment Analysis

| DESCRIPTION | COLUMN | | | | | |
|---|--------|---|---|---|---|---|
| | 5 | 4 | 3 | 2 | 1 | 0 |
| Subject Assessment/Mileage Rates/Taxes | | | | | | |
| Subject Assessments | | | | | | |
| Subject Compared to Competing Properties, if applicable | | | | | | |
| Taxing Trends and Conclusions | | | | | | |

II. Site Analysis

| DESCRIPTION | COLUMN | | | | | |
|--|--------|---|---|---|---|---|
| | 5 | 4 | 3 | 2 | 1 | 0 |
| Dimensions, area and shape | | | | | | |
| Topography and drainage | | | | | | |
| Soil and sub-soil conditions | | | | | | |
| Access | | | | | | |
| Utilities/Adequacy | | | | | | |
| Walks, curbs and drives | | | | | | |
| Landscaping | | | | | | |
| Nuisances and/or hazards | | | | | | |
| Flood zone | | | | | | |
| Easements and encroachments | | | | | | |
| Zoning/Allowable uses/Conformity or non-conformity | | | | | | |
| Conclusion relating to use | | | | | | |

II. Improvement Analysis

| DESCRIPTION | COLUMN | | | | | |
|---|--------|---|---|---|---|---|
| | 5 | 4 | 3 | 2 | 1 | 0 |
| Current use | | | | | | |
| Architectural style | | | | | | |
| Type and quality of construction | | | | | | |
| Dimensions/GLA | | | | | | |
| Interior layout/floor plan | | | | | | |
| Structural and construction details | | | | | | |
| Mechanical equipment | | | | | | |
| Built-in equipment | | | | | | |
| Porches, stoops, etc. | | | | | | |
| Physical condition/Deferred maintenance | | | | | | |
| Actual and effective age | | | | | | |
| Economic life (market support) | | | | | | |
| Functional utility or inutility | | | | | | |

II. Highest and Best Use Analysis

| DESCRIPTION | COLUMN | | | | | |
|---|--------|---|---|---|---|---|
| | 5 | 4 | 3 | 2 | 1 | 0 |
| Definition and source | | | | | | |
| Land as if vacant | | | | | | |
| <ul style="list-style-type: none"> • Legally permissible • Physically possible • Financially feasible • Maximally productive • Consideration of ideal improvement • Conclusion "as vacant" | | | | | | |
| Property As Improved: | | | | | | |
| <ul style="list-style-type: none"> • Legally permissible • Physically possible • Financially feasible • Maximally productive • Comparison of ideal use with actual use • Conclusions and support for obsolescence | | | | | | |

II. Appraisal Process

| DESCRIPTION | COLUMN | | | | | |
|---|--------|---|---|---|---|---|
| | 5 | 4 | 3 | 2 | 1 | 0 |
| Beginning of each approach or as a separate section | | | | | | |

II. Site Valuation

| DESCRIPTION | COLUMN | | | | | |
|--|--------|---|---|---|---|---|
| | 5 | 4 | 3 | 2 | 1 | 0 |
| Description of comparable sales | | | | | | |
| Quality of comparable sales | | | | | | |
| Market supported adjustments – matched pairs | | | | | | |
| Adequate demonstration of adjustments | | | | | | |
| Other valuation methods (if applicable) | | | | | | |
| Reconciliation of value opinion | | | | | | |

II. Cost New Estimate

| DESCRIPTION | COLUMN | | | | | |
|-------------------------------|--------|---|---|---|---|---|
| | 5 | 4 | 3 | 2 | 1 | 0 |
| Sources | | | | | | |
| Development and support | | | | | | |
| Reconcile final cost estimate | | | | | | |

II. Depreciation

| DESCRIPTION | COLUMN | | | | | | |
|---|--------|---|---|---|---|---|----|
| | 5 | 4 | 3 | 2 | 1 | 0 | na |
| Physical | | | | | | | |
| <ul style="list-style-type: none"> • Curable D deferred maintenance • Incurable short lived • Incurable long lived | | | | | | | |
| Additional method of depreciation (required) | | | | | | | |
| Functional | | | | | | | |
| <ul style="list-style-type: none"> • Curable (support) • Incurable (support) | | | | | | | |
| External (support) | | | | | | | |
| Cost Approach summary | | | | | | | |

II. Sales Comparison Approach

| DESCRIPTION | COLUMN | | | | | |
|--|--------|---|---|---|---|---|
| | 5 | 4 | 3 | 2 | 1 | 0 |
| Description of comparable sales | | | | | | |
| Quality of comparable sales | | | | | | |
| Market supported adjustments—matched pairs | | | | | | |
| Adequate demonstration of adjustments | | | | | | |
| Depreciation consistency: Physical, functional, external | | | | | | |
| Reconciliation of values | | | | | | |

II. Income Approach (GRM Analysis)

| DESCRIPTION | COLUMN | | | | | |
|--|--------|---|---|---|---|---|
| | 5 | 4 | 3 | 2 | 1 | 0 |
| Description of sales and rentals | | | | | | |
| Quality of comparables | | | | | | |
| Selection and support of market rent | | | | | | |
| Selection and support of GRM | | | | | | |
| Adequate demonstration of adjustments | | | | | | |
| Depreciation consistency: Physical, functional, external | | | | | | |
| Reconciliation of values | | | | | | |

II. Reconciliation & Final Value Estimate

| DESCRIPTION | COLUMN | | | | | |
|--|--------|---|---|---|---|---|
| | 5 | 4 | 3 | 2 | 1 | 0 |
| Discussion of strengths and weaknesses | | | | | | |
| Quantity and quality of data presented | | | | | | |
| Logical conclusion | | | | | | |

III. Certification and Addenda

| DESCRIPTION | COLUMN | | | | | |
|---|--------|---|---|---|---|---|
| | 5 | 4 | 3 | 2 | 1 | 0 |
| Certification of Value | | | | | | |
| Assumptions and Limiting Conditions | | | | | | |
| Photographs | | | | | | |
| Quality of maps | | | | | | |
| Floor and site plans | | | | | | |
| Presentation and organization | | | | | | |
| Appearance, grammar, punctuation, spelling and math | | | | | | |