

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

V. INDUSTRY SEMINARS AND SPEECHES - SHORT TERM

- I. Other Presentations In Which Either The Date And /
Or Sponsoring Organization Is Missing
2. Appraisal Topics
 - j. "Contemporary Real Estate Appraisal
Report", January 1, 1978

CONTEMPORARY REAL ESTATE APPRAISAL REPORT

Suggested Outline

1/1/78

Letter of Transmittal

1. Brief statement of appraisal issue
2. Definition of value applied
3. Value conclusion (qualified by financing, terms of sale, and range of probable transaction zone as appropriate)
4. Sensitivity of conclusion to critical assumptions
5. Property observations or recommendations
6. Incorporation by reference of limiting assumptions and conditions

Table of Contents

List of Exhibits

Digest of Facts, Assumptions, and Conclusions

1. Property type
2. Property location
3. Property ownership
4. Determinant physical attributes
5. Controlling legal-political attributes
6. Pivotal linkage attributes
7. Marketable dynamic attributes
8. Most probable use conclusion
9. Most probable buyer profile assumed
10. Initial probable price prediction and central tendency
11. Adjustment of preliminary value estimate for external factors or market position of parties
12. Testing of corrected probable price for consistency with most probable buyer objectives
13. Final value conclusion and range of error estimate as appropriate

I. Appraisal Problem Assignment

- A. Statement of issue or circumstances for which appraisal is intended to serve as a decision benchmark and date of valuation
- B. Special problems implicit in property type or issue that affect appraisal methodology and definition of value
- C. Special assumptions or instructions that are provided by others
- D. Definition of value, which is the objective of appraisal analysis and disciplines appraisal process
 1. Selected definition and source
 2. Implicit conditions of the definition
 3. Assumptions required by relevant legal rulings
- E. Definition of legal interests to be appraised
 1. Legal description and source
 2. Permits, political approvals, and other public use entitlements
 3. Fixtures or personalty to be included with sale
 4. Specific assets or liabilities excluded as inconsistent with issue or premise of appraisal

II. Property Analysis to Determine Alternative Uses

A. Site Analysis

1. Physical (static) site attributes (size, shape, geology, slope, soil hydrology, etc.)
2. Special site improvements (wells, bulkheads, irrigation systems, parking surfaces with unique salvage or re-use characteristics, etc.)
3. Legal-political attributes (applicable federal, state and local zoning, covenants, easements, special assessments, or other land use codes and ordinances, etc.)
4. Linkages of site (key relationships to networks, populations, or activity centers that might generate need for subject property)
5. Dynamic attributes of site (perceptual responses of people to site in terms of anxiety, visibility, prestige, aesthetics, etc.)
6. Environmental attributes of site as related to off-site systems or impact areas.

B. Improvement Analysis

1. Physical (static) attributes of improvements, cataloged by type, construction, layout, condition, structural flaws, etc.
2. Mechanical attributes (brief statement of heating, ventilating, air conditioning, electrical, plumbing, and fire or safety systems in terms of limitations on use or efficiency)
3. Special structural linkages to off-site elements (tunnels, bridges, adjoining structures, etc.)
4. Legal-political constraints on use of existing improvements (federal, state and local building codes, fire codes, conditional use procedures, neighborhood associations, and inspection liens of record for violations).
5. Dynamic attributes of existing improvements (impressions created by type, bulk, texture, previous uses, past history, or functional efficiency)
6. Current uses and tenancies of improvements, if any
7. Environmental impact attributes of improvements on environs

E. Identification of Alternative Use Scenarios for Subject Property

1. Marketing existing uses of property as is
2. Renovation of existing property and marketing improved space
3. Redirection of existing property to alternative tenancies and uses
4. Replacement of existing improvements or program with new uses

III. Selection of Most Probable Use

A. Comparative Analysis of Alternative Uses

1. Testing and ranking alternative-use strategies for legal-political compatibility
2. Testing alternative-use scenarios for fit to physical property attributes within reasonable cost to cure
3. Selection of scenarios that justify market research

B. Analysis of Effective Demand for Selected Uses

1. Search for rents and income potentials of scenario space-time products
2. Screen and rank market targets
3. Apply income-justified residual investment approach to rank economic power of alternative market scenarios
4. Evaluate marginal revenue, marginal investment risk trade-offs

C. Summary Matrix for Selection of Most Probable Use Scenario

1. Physical fit
2. Legal-political risk
3. Strength of market demand
4. Adequacy of available financing
5. Revenue and cost assumptions risk

IV. Prediction of Price for Subject Property

A. Specification of Most Probable Buyer Type Implied by Most Probable Use

1. Criteria motivations of alternative buyer types
2. Selection of most probable buyer type as basis for prediction of a sales transaction with logic for ranking of alternatives
3. Specification of essential site, improvement, financial, or key decision criteria of principal alternative buyer types

B. Explanation of Appraisal Methodology for Prediction of Probable Purchase Price

1. Preferred method: to infer buyer behavior from actual market transaction and market data available from sales by comparable buyers of acceptable alternative properties
2. In the absence of adequate market sales data, the alternative method selected for simulation of probable buyer decision process
3. If market influence of simulation is impossible, select normative model such as investment value, or cost to replace

C. Search for Comparable Market Sales Transactions

1. Unit of comparison
2. Method of comparison
3. Explanation of search parameters
4. Investigation of sale transaction circumstances
5. Evaluation for comparability
6. Definition of predominant terms of sale
7. Source of comparative adjustments

D. Determination of Suitability of Existing Market Data for Inference of Value for Subject Property

1. Where data is adequate, selection of market comparison method to estimate value
2. Where data is lacking or misleading, selection of alternative valuation method and reasoning
3. Conclusion leads to E or F

- E. Simulation of Probable Buyer Decision Process If Market Comparison Approach Is Inconclusive or Impossible
 - 1. Source and explanation of simulation model
 - 2. Schedules of simulation assumptions
 - 3. Range of alternative simulation value predictions (sensitivity analysis)

(OR) F. Selection of Normative Model of Buyer Behavior

- 1. Investment model
- 2. Cost-to-replace model
- 3. Nonquantitative decision models

G. Computation of Most Probable Price and Standard Error of Prediction

H. Correction of Preliminary Value Estimate for External Factors

- 1. Identification of conditions relative to date of appraisal not present in market comparison assumptions
- 2. Specification of political contingencies that might upset normal appraisal assumptions of substitution
- 3. Identification of any violation of conditions in the definition of value by the appraisal methodology
- 4. Indication of adjustment necessary to preliminary probable price estimate or
- 5. Explicit statement that no adjustment is necessary

I. Test of Most Probable Price or Value Conclusion by Means of:

- 1. Comparison to values derived from selected alternative appraisal methodology
- 2. Demonstration of achievement of objectives of most probable buyer minimum selection criteria
- 3. Measurement of fit of financial cash requirements to market rents, lender ratios, or other relevant constraints
- 4. Comparison to decision criteria appropriate to issue (financial ratios required by mortgage lender, comparative assessments of similar property for the tax appeal board, rates of return in alternative investments, construction prices for similar property, or whatever demonstrates consistency with statement of the issue)

V. Appraisal Conclusion and Limiting Conditions

A. Definition of Value and Value Conclusion of the Report

B. Certification of Independent Appraisal Judgment

C. Statement of Limiting Conditions That Establish:

- 1. Contributions of other professionals on which report relies
- 2. Facts and forecasting under conditions of uncertainty
- 3. Critical assumptions provided by the appraiser
- 4. Assumptions provided by the client
- 5. Controls on use of appraisal imposed by the appraiser

Appendices

Maps, data sets, only if referred to in the text. These data collections would slow down the reader if included as an exhibit and are secondary to the argument in the body of the report.