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Real Estate Appraisal Process Highlights

Appraisal Report:

A written report by a licensed, qualified real estate appraiser which contains an opinion of value for a property and the reasoning leading to the appraiser's value opinion. In the appraisal factual data is set forth supporting the appraiser's opinion, including researching comparable sales and a preparing a comparison grid that examines the differences between the comparable sales and the appraised property. The appraiser's grid analyzes and compares the appraised property to properties of comparable or similar characteristics that have recently sold taking into consideration factors such as time, market/property conditions, size, location, configuration, access, topography, visibility, zoning and utilities serving the comparable properties and the appraised property.

Appraisal Methods:

Three general methodology approaches are considered by the appraiser as applicable:

1. Cost Approach- Estimating the replacement cost of a structure, less depreciation, plus land value.
2. Income Approach- Value of a property that generates an income stream and capitalizing the net income to establish a present value.
3. Sales Comparison Approach- Comparing the sale price of similar properties (comparable sales) recently sold and making adjustments for the differences between them as well as any circumstances of a sale that may impact the sale prices.

Highest and Best Use:

The appraiser's conclusion whereby the use of the land which will bring the greatest economic return over time, giving consideration to the four criteria the highest and best value use must meet, with said use being:

1. Legally permissible (zoning)
2. Physically possible (site characteristics)
3. Financially feasible (market driven success)
4. Maximum profitability (property productivity)

Conclusion of Value:

The final step in the appraisal process whereby the appraiser correlates/reconciles the results of their analysis and furnishes their professional opinion as to what value is most representative of the property's market value (weighing the results to reach a value conclusion).

The Appraisal Report and Assembly Outline

1. Letter of transmittal
2. Contents (long reports only)
3. Purpose of the appraisal (*)
 - a. Why it is being performed
 - b. Date of the value to be determined
4. Identification of the property (*)
 - a. Address of approximate location
 - b. Legal description as recorded
5. Statement of highest and best use (*)
 - a. Present zoning
 - b. Appraiser's opinion of the highest use to which the property can be legally utilized
6. Owners of record
 - a. Name(s)
 - b. Address to which tax notices are being sent
 - c. How title is being held
 - d. If sold on contract, current contract owner
7. Regional, city, and neighborhood data (*)
8. Site data (*)
9. Improvements on the property (*)
10. Limitations of the appraisal
 - a. Items not included and reason
 - b. Accuracy limitations due to source or lack of data
11. Market approach, if applicable
12. Cost or replacement approach (*)
13. Income approach, if applicable
14. Reconciliation and final estimate of value(*)
 - a. Listing values determined by each approach
 - b. Determination of fair market value

Additional Data

1. Appraiser's qualification and experience (*)
2. Certification(s) (*)
3. Plot plan
4. Floor plans
5. Official plat (*)
6. Location maps
 - a. Subject property
 - b. Comparable sales
 - c. Current offerings
7. Photographs
8. Notice of recertification