

Standards of Valuation Practice

Effective January 1, 2015

Copyright © 2015 Appraisal Institute. All rights reserved.

Printed in the United States of America. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopy, recording or otherwise, without the prior written consent of the publisher.

Contents

- Definitions3
- STANDARD A: An appraisal must be credible5
- STANDARD B: A review must be credible 7
- STANDARD C: A Report must be clear and not misleading..... 9

1 **Definitions**

2 The following definitions apply to these Standards of Valuation Practice.

3 **Appraisal**

4 The act or process of developing an opinion of value; an opinion of value. An appraisal must be
5 numerically expressed as a specific amount, as a range of numbers, or as a relationship (e.g., not more
6 than, more than, not less than, less than) to a stated amount.

7 **Assignment Results**

8 Opinions and conclusions developed in an appraisal or review.

9 **Biased**

10 Not reasonably supported, and favoring or promoting the cause or interest of the client, one's self, or
11 another.

12 **Client**

13 The individual, group or entity who engage a valuer to perform a Service.

14 **Credible**

15 Worthy of belief; supported by analysis of relevant information. Credibility is always measured in the
16 context of intended use.

17 **Date of Report**

18 The date on which the Report is transmitted to the client.

19 **Effective Date**

20 The date on which the appraisal or review opinion applies.

21 **Engagement**

22 An agreement between a valuer and a client to provide a Service.

23 **Hypothetical Condition**

24 A condition that is presumed to be true when it is known to be false.

25 **Intended Use**

26 The valuer's intent as to how the Report will be used.

27 **Intended User**

28 The party or parties the valuer intends will use the Report.

29 **Report**

30 The final communication, written or oral, of an appraisal or review transmitted to the client. Finality is
31 evidenced by the presence of the valuer's signature in a written Report or a statement of finality in an oral
32 Report. All communications to the client prior to the final communication must be conspicuously
33 designated as such.

- 34 **Review**
35 The act or process of developing and communicating an opinion to a client about the quality of another's
36 appraisal or review Report.
- 37 **Reviewer**
38 A valuer performing a review.
- 39 **Scope of Work**
40 The type of data and the extent of research and analyses.
- 41 **Service**
42 Work that a valuer performs for a client that is subject to these Standards, including but not limited to
43 appraisal and review.
- 44 **Special Assumption**
45 An assumption, directly applicable to a specific Service, which, if found to be false, could alter the
46 opinions or conclusions in an appraisal or review.
- 47 **Value**
48 The monetary relationship between properties and those who buy, sell, or use those properties. Value
49 expresses an economic concept. As such, it is never a fact but always an opinion of the worth of a
50 property at a given time in accordance with a specific definition of value. In appraisal practice, value must
51 always be qualified - for example, market value, liquidation value, or investment value.
- 52 **Valuer**
53 One who is expected to provide Services in an unbiased and competent manner.

54 **STANDARD A:**
55 **An appraisal must be credible.**

56 **SR A-1: Competency**

57 In developing an appraisal, a valuer must:

- 58 (a) be aware of and understand methods and techniques that are necessary to produce credible
59 assignment results;
- 60 (b) not commit a substantial error of omission or commission that significantly affects the
61 assignment results; and
- 62 (c) not make a series of errors that, considered individually, may not significantly affect the
63 assignment results but which, when considered in the aggregate, establish that the appraisal is
64 being rendered in a careless or negligent manner.

65 **SR A-2: Problem Identification**

66 The valuer must identify the appraisal problem to be solved at the time of engagement. To identify the
67 appraisal problem, the valuer must ascertain:

- 68 (a) the client and any other intended users;
- 69 (b) the intended use of the Report;
- 70 (c) the type and definition of value;
- 71 (d) the effective date of the valuer's opinions and conclusions;
- 72 (e) the property that is the subject of the appraisal and the interest in that property to be
73 appraised;
- 74 (f) the characteristics of the subject property that are relevant to the type and definition of value
75 and intended use of the appraisal;
- 76 (g) any special assumptions necessary in the appraisal;
- 77 (h) any hypothetical conditions necessary in the appraisal; and
- 78 (i) other conditions of the engagement that affect the scope of work, including general
79 assumptions and applicable laws, regulations and guidelines.

80 **SR A-3: Scope of Work**

81 The valuer must determine the scope of work necessary to develop an appraisal that is credible given its
82 intended use. The scope of work for an appraisal is appropriate when it meets:

- 83 (a) what the actions would be of another valuer who possesses competency to prepare the same
84 appraisal, and
- 85 (b) the expectations of parties who are regularly intended users of appraisals under similar
86 circumstances.

87 **SR A-4: Application of Methodology**

88 The valuer must:

89 (a) research and verify data necessary to develop a credible appraisal, and

90 (b) correctly employ methods and techniques necessary to produce a credible appraisal.

91 **STANDARD B:**
92 **A review must be credible.**

93 **SR B-1: Competency**

94 In developing a review, a reviewer must:

95 (a) be aware of and understand methods and techniques that are necessary to produce credible
96 assignment results;

97 (b) not commit a substantial error of omission or commission that significantly affects the review;
98 and

99 (c) not make a series of errors that, considered individually, may not significantly affect the review
100 but which, when considered in the aggregate, establish that the review is being rendered in a
101 careless or negligent manner.

102 **SR B-2: Problem Identification**

103 The reviewer must identify the review problem to be solved at the time of engagement. To identify the
104 review problem, the reviewer must ascertain:

105 (a) the client and any other intended users;

106 (b) the intended use of the Report;

107 (c) the objective of the review, including whether it will include the development of the reviewer's
108 own opinion of value (in the case of a review of an appraisal) or the reviewer's own review
109 opinion (in the case of a review of a review);

110 (d) the work under review, which may be a written or oral appraisal or review Report, or portion
111 thereof;

112 (e) any special assumptions necessary in the review; and

113 (f) other conditions of the engagement that affect the scope of work, including general
114 assumptions and applicable laws, regulations and guidelines.

115 **SR B-3: Scope of Work**

116 The reviewer must determine the scope of work necessary to develop a review that is credible given its
117 intended use. The scope of work for a review is appropriate when it meets:

118 (a) what the actions would be of another reviewer who possesses competency to prepare the
119 same review, and

120 (b) the expectations of parties who are regularly intended users of reviews under similar
121 circumstances.

122 **SR B-4: Application of Methodology**

123 The reviewer must:

- 124 (a) correctly employ methods and techniques necessary to produce a credible review;
- 125 (b) support review opinions with relevant evidence and logic;
- 126 (c) develop rationale for any disagreement with the data, analyses, opinions or conclusions
- 127 presented in the work under review; and
- 128 (d) when the reviewer's scope of work includes development of the reviewer's own opinion of
- 129 value, comply with the requirements of Standard A.

130 **STANDARD C:**
131 **A Report must be clear and not misleading.**

132 **SR C-1: Not Misleading**

133 A Report must clearly and accurately set forth the appraisal or review opinions and conclusions in a
134 manner that will not be misleading in the context of the intended use.

135 **SR C-2: Sufficient Report Content**

136 An appraisal or review Report, whether oral or written, must contain sufficient information to enable the
137 intended user(s) to understand the Report properly in the context of the intended use.

138 (a) A written appraisal Report must:

- 139 i. include a signed certification statement in accordance with SR C-3;
140 ii. state that the valuer has no (or the specified) present or prospective interest in the
141 property that is a subject of this engagement and no (or the specified) personal
142 interest with respect to the parties involved;
143 iii. state either that no one provided significant property appraisal assistance to the
144 valuer signing the certification, or state the name of each individual who provided
145 such assistance;
146 iv. state the identity of the client; or if the client requested anonymity, state that the
147 client's identity is withheld but retained with the valuer's records;
148 v. state the identity of any other intended user(s), by name or type, of the appraisal
149 Report;
150 vi. state the intended use of the appraisal Report;
151 vii. identify the property involved in the appraisal;
152 viii. state the property interest appraised;
153 ix. state the type of value and cite the source of its definition;
154 x. state the effective date of the appraisal;
155 xi. state the date of Report;
156 xii. state the scope of work used to develop the appraisal;
157 xiii. state the methods and techniques used to develop the opinions and conclusions;
158 xiv. state the extent of any significant appraisal assistance provided to the valuer;
159 xv. state the opinion(s) and conclusion(s) reached; and
160 xvi. clearly and conspicuously state all special assumptions and hypothetical conditions;
161 and that their use might have affected the valuer's opinion(s) and conclusion(s).

162 (b) A written review Report must:

- 163 i. include a signed certification statement in accordance with SR C-3;
164 ii. state that the reviewer has no (or the specified) present or prospective interest in the
165 property that is a subject of the work under review and no (or the specified) personal
166 interest with respect to the parties involved;

- 167 iii. state either that no one provided significant property appraisal or review assistance to
168 the valuer signing the certification, or state the name of each individual who provided
169 such assistance;
170 iv. state the identity of the reviewer’s client; or if the client requested anonymity, state
171 that the client’s identity is withheld but retained with the reviewer’s records;
172 v. state the identity of any other intended user(s), by name or type, of the review
173 Report;
174 vi. state the intended use of the review Report;
175 vii. state the objective of the review;
176 viii. state the identity of the work under review, including the date of Report and effective
177 date of value specified in the work under review;
178 ix. state the date of the appraisal review Report;
179 x. state the scope of work used to develop the review;
180 xi. when the reviewer’s scope of work includes the reviewer’s development of an opinion
181 of value:

182 • state which information, analyses, opinions and conclusions in the work under
183 review the reviewer accepted as credible and used in developing the reviewer’s
184 own opinion,

185 • state any additional information relied on, and
186 • summarize the reasoning for the reviewer’s opinion of value;

187 xii. state the extent of any significant appraisal or review assistance provided to the
188 reviewer;
189 xiii. clearly and conspicuously state any special assumptions used in the review, and
190 state that their use might have affected the reviewer’s opinion(s) and conclusion(s);
191 and
192 xiv. state the reviewer’s opinion(s) and conclusion(s) about the work under review,
193 including the reasons for any disagreement.

194 (c) An oral appraisal or review Report must, to the extent that it is both possible and appropriate,
195 address the substantive matters set forth in SR C-2(a) or (b). A written copy of a signed
196 certification in accordance with SR C-3 must be retained by the valuer or reviewer.

197 **SR C-3: Certification**

198 A Report must contain the following statement signed by the valuer(s):

199 I certify that, to the best of my knowledge and belief, my analyses, opinions and
200 conclusions were developed, and this Report complies with the Standards of Valuation
201 Practice.

202 When the signing valuer(s) relied on work done by others who do not sign the certification, each signing
203 valuer is responsible for the decision to rely on their work. Each signing valuer is required to have a
204 reasonable basis for believing that those individuals performing the work are competent and that their
205 work is credible.