

Table of Contents

Overview	v
Seminar Schedule	ix
Part 1. Basic Appraisal Issues	
Preview Part 1.....	1
Who Is the Client?.....	3
Engagement Letters	5
Scope of Work	6
Report Dates	8
Definitions of Value	8
Property Rights Appraised	13
Extraordinary Assumptions Versus Hypothetical Conditions	21
Readdressing, Reassigning and Reappraising	23
Reporting Options	25
Review Part 1	27
Part 2. Understanding Client Regulatory Needs	
Preview Part 2	29
What Is FIRREA and How Does it Impact Client Needs?	31
Additional Requirements and Client-Specific Requirements.....	34
Advisory Opinion 30 of USPAP.....	35
Appraiser Independence and Client Pressure.....	36
Review Part 2	39
Part 3. Are You Overlooking This? Market Analysis	
Preview Part 3	41
What Is a Market and What Is Market Analysis?	43
What Are Market Cycles and Should They Affect Market Value?	46
How Does a Market Become a Bubble Market and How Do You Know?	50
Some CAB Questions About Deteriorating or Distressed Markets.....	55
Reporting Issues.....	61
Review Part 3	63

Part 4. Highest and Best Use

Preview Part 4	65
Highest and Best Use and the Four Tests	67
Area and Neighborhood Analysis	72
The Mechanics of Market Analysis.....	75
Property Productivity Analysis	79
Feasibility Rent	86
Review Part 4	93

Part 5. Approaches to Value

Preview Part 5	95
Special Issues for Vacant Land	97
Special Issues Related to the Sales Comparison Approach	99
Methods of Finding/Making Adjustments in the Sales Comparison Approach...	102
Special Issues Related to the Cost Approach	115
Special Issues Related to the Income Capitalization Approach.....	128
Review Part 5	143

Part 6. Reconciliation

Preview Part 6	145
What Is the Logic Behind Your Results?	147
Which Approach Best Reflects the Property Interest Being Appraised?	149
Limitations of Each Approach	149
Criteria of Analytical Review	150
Reasonableness	150
Conclusion	152
Review Part 6	153

Overview

The Appraisal Institute published the first version of this seminar in 2005. Five years later, appraisers are making the same errors, and too often providing little or no critical analysis in their reports, according to clients, bank reviewers, attorneys, government institutions, and other users of appraisal services.

Real estate markets have changed dramatically since 2005. Both new and pending legislation offer appraisers more independence, but many will find their volume of appraisals declining if the product does not improve.

This seminar was developed in cooperation with the Appraisal Institute's Client Advisory Board to refresh appraisers as to best practices when performing valuation assignments. Major areas of concern that arise when clients review appraisal reports are highlighted throughout the seminar.

Some thoughts and opinions from appraisal reviewers have been interspersed according to topic. These comments were compiled from the responses of Client Advisory Board members who were asked about the problems they most commonly find when reviewing appraisal reports.

Throughout the seminar, meaningful examples are provided through lectures and practice problems. The Seminar Handbook is intended to serve as a resource guide for your future reference.

Learning Enhancements

The seminar has been designed with a variety of elements to enhance your learning experience.

- **Preview.** To give you a taste of what is to come, you will find a Preview page that begins each Part. Included on the Preview page is a brief overview of the content, learning objectives to consider as you move through the content, and learning tips that will assist you in understanding the information you're about to learn.
- **Learning Objectives.** Each learning objective covers essential information you need to know to fully understand the concepts in the seminar. Look them over before the Part begins so that you have a frame of reference as you move through the material. At the end of each Part, reread the objectives. Are you able to do what is stated? If not, this is the time to ask your instructor for help. Or, review the concepts that you do not understand.
- **Examples and Problems.** Supplementing the discussions, we've included examples and problems to help you visualize and practice what you are learning.

- **Fill-in-the-Blanks.** It is a proven fact that when you write something down, you are more apt to remember it. The Seminar Handbook has “missing” content in the outline that you will need to add in the space provided in your handbook as the instructor goes over the content.
- **Review.** Each Part concludes with a review. Included in the review are the learning objectives and key terms and concepts that have been covered. Also, we’ve provided recommended readings from textbooks that will reinforce what you have learned in class.

Classroom Guidelines

To make the classroom environment a positive experience for everyone attending, we have some guidelines for your consideration:

- 100% attendance is required. No exceptions.
- Limit use of computers and wireless devices to classroom projects.
- Communicate with business associates during break time instead of class time.
- Put away reading materials such as newspapers and books that are not used in class.
- Silence cell phones.
- Use recording devices only if prior permission has been granted.
- Refrain from ongoing conversations with those seated near you and other distracting behavior.

General Information

- **Calculators.** A financial calculator is required. The accepted model used in the course is the HP-12C.
- **Breaks.** There will be two 10-minute breaks during the morning session and two 10-minute breaks during the afternoon session unless noted otherwise by the course sponsor. The lunch break is one hour.
- **Attendance sheets** will be distributed during class to verify your attendance during the morning and afternoon sessions.
- **Certificates of completion** will be mailed after completion of the course, and attendance during the entire course is required.

Learning Objectives

After completing this seminar, participants will be better able to:

- Satisfy clients' needs in order to get repeat business and higher fees.
- Recognize market cycles and how they affect market value.
- Identify when a market becomes a "bubble" market and what to do from the appraiser's perspective.
- Find answers to appraisal problems encountered in deteriorating or distressed markets.
- Understand how to use cost feasible rent with residual demand analysis to gain insight into the timing for a market turnaround for improved properties in depressed markets.
- Solve the problem of what to do when the sales comparison approach as a market value indicator is unavailable or unreliable in boom or bust markets.