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Topics Covered

As Is Value, Prospective Value, and Extraordinary Assumptions & Hypothetical Conditions
As Is Market Value - Definition

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal’s effective date.
Hypothetical Condition - Definition

*That which is contrary to what exists but is supposed for the purpose of analysis.*
Therefore:

- Market Value ‘As Is’ **CANNOT** have a Hypothetical Condition associated with it !!!

- Market Value ‘As Is’ can have an Extraordinary Assumption associated with it – probably a good idea to get Client approval beforehand though
Prospective Market Value

According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report.
Prospective Market Value (Cont.)

- The prospective market value “as completed” reflects the property’s market value as of the time that development is expected to be completed.
- The prospective market value “as stabilized” reflects the property’s market value as of the time the property is projected to achieve stabilized occupancy.
Therefore:

• The Prospective Market Value ‘As Completed’ and ‘As Stabilized’ CANNOT have a Hypothetical Condition associated with them !!!

• Extraordinary Assumptions are associated with Prospective Market Value
The URAR Conundrum

This appraisal is made [ ] "as is", [X] subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed, [ ] subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or [ ] subject to the following required inspection based on the extraordinary assumption that the condition or deficiency does not require alteration or repair:
The URAR Conundrum (Cont.)

• Residential Appraisers need to ask client if loan is going to stay on the Bank’s books or be sold to the secondary market

• For loans staying on the Bank’s books, FIRREA must be followed; Dodd-Frank Act does not apply; URAR may not be appropriate form to use
The URAR Conundrum (Cont.)

Client File #:          Appraisal File #:  

Summary Appraisal Report • Residential

Appraisal Company:  
Address:  
Phone:            Fax:            Website:  

Form 100.03*
The URAR Conundrum (Cont.)

Opinion of Value as of: $ 

The above opinion is subject to:  □Hypothetical Conditions and/or 
□Extraordinary Assumptions cited on the following page.