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San Diego, CA

appraisalinstitute.org/aiconnect



APPRAISAL CONSISTENCY

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DEFINE THE PROBLEM

Understand:

- Assignment Intended Use
- Client Expectations
- Client Appraisal Requirements

SCOPE OF WORK

- Intended Use is the Framework for SOW
- SOW establishes the Level of Development
- Once Development of Conclusion is Complete, Appraiser needs to tell the Client the Story

Meaning???

- How well do we Report our Development analysis?
- Great at Development – Standard 1
- Not so Great as a Writer – Standard 2



APPRAISAL CONSISTENCY

- Regional Analysis
 - Population Trends, Employers and Unemployment Data
- Local Analysis
 - Surrounding Uses, Transportation, Roads, etc.

(Make Sure They Are Up-To-Date!!!)

APPRAISAL CONSISTENCY

- Market Analysis
 - Competitive Inventory
 - Vacancy
 - Absorption
 - Future Construction

WHY ARE THESE IMPORTANT?

APPRAISAL CONSISTENCY

Provides Support for:

- H&BU “As Vacant & “As Improved”
Conclusions
- Opinion of Market Rent
- Vacancy Forecast
- Lease-up/Absorption Forecast

CONCLUSION

- Make Sure Front Half of the Report Supports Stated Conclusions
- Take Time to Review Report Before Being Sent to the Client
- Avoid Boilerplate Trap!!!

PROPOSED GUIDE NOTE 13

**“Performing Evaluations of
Real Property Collateral for
Lenders”**

EVALUATION DEFINITION

Defined in the Interagency Appraisal and Evaluation Guidelines as:

“A valuation permitted by the Agencies’ appraisal regulations for transactions that qualify for the appraisal threshold exemption, business loan exemption, or subsequent transaction exemption.”

EVALUATIONS PERMITTED

- Transaction value of \$250,000 or less
- Business loan with a transaction value of \$1MM or less and is not dependent on the sale of, rental income derived from, real estate as the primary source of repayment

EVALUATIONS PERMITTED (con't)

An existing extension of credit provided:

- No obvious and material change in market conditions, or physical aspects of subject that threatens collateral even with new money; or
- No new monies other than to cover reasonable closing costs.

WHO CAN PERFORM EVALUATIONS

- Requisite education, expertise and experience
- Render an unbiased opinion
- Appraisers, Real Estate Lending Professionals, Agricultural Extension Agents, or Foresters

EVALUATIONS

- Individuals need not be state licensed or certified
- However, not precluded if you are

EVALUATIONS

Interagency Guidelines Establish:

- Development Requirements
- Reporting Requirements

EVALUATIONS & USPAP COMPLIANCE

- SOW allows considerable flexibility in development
- SOW adjusted to Intended Use
 - As long as the opinions and conclusions are credible given the intended use

REPORT OPTIONS

- Self-Contained, Summary and Restricted-Use
- If client is the only Intended User, a Restricted-Use report may be appropriate

REPORT GUIDANCE

Proposed Guide Note 13 presents an outline for an Evaluation (Appraisal) in a Restricted-Use reporting format



CLOSING THOUGHTS

- “Evaluation” is a Banking term that is not defined in USPAP
- Appraisers can perform an “evaluation”
- An “evaluation” to an appraiser is an appraisal with a more narrow scope of work that is acceptable given the intended use

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