



Besides an opinion of value, how do appraisals clarify assumptions and limitations to the client?

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Communication with the client is an important issue for all appraisers. A vast majority of the time the appraiser's job is to render an opinion of value. How can an opinion generate confusion for the client? Part of the problem is the client's preconceived perception of the valuation process and the appraisers themselves.

Within recent years the Uniform Standards of Professional Appraisal Practice (USPAP) was changed to encompass three levels of appraisals 1) Restricted Reports, 2) Summary Reports and 3) Self-contained Reports. This simplified the appraisal ordering process for the client. More emphasis now is put upon the "scope of work" section which explains the level of detail which will go into the report. Besides the general assumptions, limiting conditions and any extraordinary assumptions; the intended use and intended users play an important role in insuring there is clear communication between the appraiser and the client.

Vacant land can sometimes be the most difficult assignment because of the uncertainty of approvals, topography, environmental contamination, utility availability, etc. The appraisal is an opinion of value based upon the appraiser's perception of buyers and sellers in the marketplace. Heavy reliance is placed upon previously mentioned assumptions and limiting conditions. If one of these assumptions and limiting conditions are changed, the opinion of value could also be significantly changed. Appraisers generally are not site/structural engineers, environmental engineers, architects, attorneys, etc. Thus, the client must not rely solely upon the appraisal other than for an opinion of market value.

If there is a change to assumption(s) and/or limiting conditions(s), amending the appraisal may be proper. As an example, water, gas, sewer, etc. may not be right at the lot line or there may be some rock on the site which would create extraordinary costs to develop. Without an engineering study, the appraiser generally uses public records that are available in a number of different published sources and by confirmation with the municipality. If the appraiser is given differing information after the appraisal is completed, it may warrant a valuation change.

The appraisal generally does not state that the utilities are at the lot line but "available." Furthermore the appraisers do not hold themselves out as site engineers but only as appraisers who give an opinion of value based upon a universal appraisal process using public records and discussions with municipal officials. Also, the appraiser maintains a work file which preserves the research sources.

Vacant land appraisals probably require more care because of there is not a track record of utility connections and topographical considerations. That's why general assumptions and limiting conditions are important along with sometimes extraordinary assumptions. Another common discrepancy is site size. Many times the appraiser does not have a recent survey map and must rely upon tax maps. Of course, these tax maps do not always reflect the true size of the parcel. There

can be significant differences. Fortunately tax maps are generally accurate.

When research is completed, appraisers are careful in not sharing confidential information about the property with assessor, zoning and building departments. Also, appraisers are careful with other sensitive client information such as leases, income, expenses, and other proprietary information that a client gives to the appraiser.

When appraisals are being completed for estates, donations, gifts, etc, the client should make sure they consult with their attorney/accountant regarding Section 6662 and Section 6695A of the Internal Revenue Code. There are various forms which have strict compliance mandates. Non-compliance can be result in substantial fines to the client and the appraiser. The appraiser is not an expert in the practice of law or accounting.

Effective appraisals will follow USPAP and will clearly outline assumptions, limiting conditions and other criteria. This will minimize miscommunication during the appraisal process and maximize the effectiveness of the report for the client.

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