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Things that appraisers do right - by Bill Pastuszek

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Appraisers have been under some heat in the recent past. And, the heat, if this summer is any predictor, is not likely over. But today we're going to focus on something more useful – things that appraisers do well.

1. Transparency – From Beginning to End. Having a scope of work explanation gives the report reader: it gives the reader insight into the appraisal process. The best appraisals disclose the scope of work in a separate section and continue to disclose scope of work decisions throughout the report—what is being done; how it is being done; and why it is being done.

Every appraisal has its own specific scope of work: while certain activities take place in every appraisal assignment, each assignment has its own particular flavor. The best appraisals disclose both those activities that occur in every appraisal, and also document scope of work decisions that are specific to the assignment. The best appraisals disclose scope of work decisions throughout as needed.

2. Logic and Reasoning. The best appraisals contain a series of supported arguments that build to a value conclusion. Strong appraisals contain the data, analyses, and opinions that lead the reader of the report to understand how the appraiser reached his or her conclusions and why the data presented is relevant to the subject. Consider this definition of critical thinking: “the objective analysis and evaluation of an issue in order to form a judgment.” Sounds a lot like the definition of an appraisal.

3. Support not Assertion. Saying something is true does not make it true. The very good appraisals do not assert; they provide support for opinions rendered. For example: “I have the opinion, based on my many years of appraising, that the market value of the property is \$1,000,000.” Without data, and appropriate analysis to back up this judgment, a reader should question the appraisal's conclusion.

4. Anticipation. The best reports adopt the positioning of the readers—clients and intended users. There are a lot of eyes on reports. Anticipate what questions they will have related to the subject property, and answer those questions proactively in the report. From the perspective of a user of the report, are you answering the questions that will come up with respect to the specific assignment, and the analyses, data, and opinions that make up that particular assignment. The best appraisals identify problematic aspects of the assignment and address them in the report.

5. Data Presentation and Analysis. Persuasive appraisals provide relevant data, and meaningfully analyze the data. Good appraisals do not put 20 rentals in a chart without a map or other exhibits and conclude, “the comparable rents range from \$19.85 to \$43.25 PSF. Thus, the subject's market rent is concluded to be \$30 PSF, which falls within the range of the data.” That's a wide range, a dartboard, if you will. Good appraisals narrow down the data set to those rentals that are truly relevant and provide discussion and analysis of similarities and differences to support the appraisal's opinion.

6. Reconciliation. Reconciliation takes place in each approach. There is also a final reconciliation. Often the reconciliation within each approach is where the best appraisals provide support to identify the strengths and weaknesses of the comparable data and to ascertain which sales or rentals are the best: all comparables are not necessarily equal after adjustments.

For example, relying on a comparable that has a total of 60% adjustments may not be perceived as reliable as one that has 10% adjustments. The good appraisal reports will explain and support the inclusion of reliance on the highly adjusted comparable.

7. Writing Reports that are Readable. The best appraisers work hard at providing reports that are visually appealing, well-organized, and are easy to read and understand. Excellent appraisals have attractive, non-obtrusive graphics, consistency in charts and exhibits, do not constantly repeat information, and have a digestible “flow” to the presentation.

8. Information Relevance. The best appraisals provide an appropriate quantity of relevant data and answer the questions of why this data is relevant and how does it affect the subject? The inclusion of vast amounts of data with no or very weak conclusions is not a practice of great appraisals. Above average appraisals also attribute sources for their data.

9. The Basics and Attention to Detail. Grammar, organization, proofreading, formatting, and labeling exhibits all count. If total reliance is placed on grammar and spell check, there are likely to be some potential whoppers in the report. Readers pay attention to inconsistent headings, missing page numbers, orphaned sentences, blank pages, relics from overwriting of old reports, and also have some objections in having to plow through page after page of unfiltered secondary source information.

10. Persuasiveness. Good appraisers look back at their reports and try to poke holes in the data and logic presented. Readers will be doing the same. The best appraisers will address “holes” in the appraisal and be willing to admit – in the report – that the data may not be the best, and that there is a heightened amount of judgment being applied. It’s not enough to say, “The data is the best available,” or some variation of the same: this sounds like a concession.

Summing Up. Appraisers are tasked with providing reports that are meaningful, objective, and not misleading. To accomplish this, the best reports provide relevant research and analyses that give credible results. The best appraisers also constantly look for ways to improve. There’s never a wrong time to evaluate if we are doing things as well as they can be done, knowing that perfection is impossible to achieve - for most appraisers, anyway!

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