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It's all in what you say when you write an appraisal report

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I had a great idea for an article and decided I would write my opening statement and my final statement and leave the rest of the article blank. I had no doubt that if I stated what the article was about a reader would not need all that reasoning and support.

Then it occurred to me that I was writing so that others could understand it. The purpose of writing an article or an appraisal report is to communicate information in a way that allows others to following the reasoning to the same conclusion.

Appraisers seem to have adopted the trust me doctrine. They assume that by simply stating something it must be taken as a well supported truth the less is more philosophy. The reader on the other hand depends on the information provided to draw conclusions.

No one feels truly comfortable when presented with something they do not understand. It is the same with an appraisal report. A reader needs more than statements they need to see the analysis and support.

It is always a mistake to assume too much about a reader of technical reports such as an appraisal. The best approach is to assume that they live on the other side of the world and have to look at a map to find your state and have no idea of what is happening in your neighborhood.

Put yourself in the role of a reviewer who has been asked to review a property in India. The appraiser states that values in the neighborhood are stable but published statistics show values in that village are declining. They tell you the 109 year old property has new floors in the kitchen, all the rooms have been painted and most of the windows have been replaced in the past year and call the condition good and state it has an effective age of 5 years. All of the sales are from across the river in an area the census data shows has higher average income levels. MLS and public records are reported as the data sources but the gross living area of the comparables does not agree with those sources.

Is this an attempt to reach a predetermined value or could these statements be correct?

Possibly the neighborhood is a small pocket of stability that is supported by resale's and level listing prices. The property was totally renovated four years ago and the work in the past year what just the finishing touches. The area across the river is more reflective of the subject neighborhood than areas closer to the subject and was used because of the lack of similar sales in the subject neighborhood. The MLS could have relied on tax records that included finished basement area in the GLA. All of these explanations are possible but if true why are they not in the report?

Every time reviewers read a report they have to ask themselves if they would you be willing to attach your signature to a document that stated this report credibly supported the value conclusion. In these times everything appraisers do is being questioned. We should be looking at our reports

assuming the reader is halfway around the world with little or no understanding of the market we are appraising in.

There is a saying in real estate that the three greatest influences on value are location, location and location. Equally true is that the three greatest things you can do to produce a creditable report is to explain, explain and explain!

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