

Demonstration Appraisal Form Report

of a

Single-Family Residence

Located at

(address)

(city, state, zip code)

Prepared for

Minnesota State Board of Assessors

Mail Station 3340

St. Paul, Minnesota 55146-3340

Prepared by

(name)

(address)

(city, state, zip code)

Date of Appraisal

(date)

**Letter of Transmittal**

(date)

Minnesota State Board of Assessors  
Minnesota Department of Revenue  
Mail Station 3340  
St. Paul, Minnesota 55146-3340

Dear Board Members:

Attached is a demonstration form appraisal report for a single-family dwelling located at (address, city, state, zip code). It is legally described as (legal description).

This report, containing (#) pages and an addendum of exhibits, is prepared as a demonstration of my knowledge of and ability to apply appraisal procedures to an actual property in fulfillment of one of the requirements of the Minnesota State Board of Assessors to achieve the licensure level of (Certified Minnesota Assessor Specialist (CMAS) or Accredited Minnesota Assessor (AMA)).

The purpose of this appraisal is to estimate the market value of fee simple title to the unencumbered rights to the subject property, as of (date of appraisal).

Market value as used in the context of this report is defined as:

“...the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.” (Property Assessment Valuation, Kansas City: International Association of Assessing Officers, 2010, page 15).

On the basis of my analysis, which is detailed in the report, I estimate the market value of the subject property as of the appraisal date as: \$ .

Sincerely,

( signature )

(candidate's name)

\_\_\_\_\_  
Assessor License Number

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## **SCOPE OF WORK**

According to the *Uniform Standards of Professional Appraisal Practice*, it is the appraiser's responsibility to determine the appropriate scope of work necessary to produce credible assignment results. USPAP defines the scope of work as: "The type and extent of research and analyses in an appraisal or appraisal review assignment."<sup>1</sup>

The following is an overview of the scope of work performed in completing this appraisal:

- An (interior and /or exterior) inspection was completed on (date) by the appraiser. The neighborhood of the subject property was also inspected.
- The highest and best use of the subject property was analyzed.
- Cost data, rental data, and residential sales have been researched and analyzed as to their applicability to the subject property.
- The cost approach; income approach; and sales comparison approach were fully developed and applied.

## **APPRAISAL REPORT TYPE**

This report was prepared as an appraisal report versus a restricted appraisal report.

## **INTENDED USE AND INTENDED USERS OF THE APPRAISAL**

The intended use of this appraisal report is to satisfy the demonstration of knowledge requirements of the Minnesota State Board of Assessors. Therefore, the intended user for this appraisal report is the Minnesota State Board of Assessors.

## **PURPOSE OF THE APPRAISAL**

The purpose of this report is to estimate the market value of the subject property located at (address, city, state, zip code) under the assumptions and definitions specified in this report.

## **EFFECTIVE DATE OF APPRAISAL AND DATE OF REPORT**

The effective date of the appraisal is (date). The completion date for this report is (date).

## **DEFINITION OF MARKET VALUE**

The term "market value" may have several variations that all share similar traits:

- The buyer and seller are typically motivated.
- Both parties are well informed and acting in their own best interest.
- A reasonable time is allowed for exposure to the open market.
- Payment is made in cash or its equivalent.
- Financing if any, is on terms generally available.

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<sup>1</sup> USPAP Definitions, 2018-2019 Edition, 5

### DEFINITION OF MARKET VALUE (continued)

The Minnesota State Statute definition of market value is defined as

“Market Value means the usual selling price at the place where the property to which the term is applied shall be at the time of assessment; being the price which could be obtained at a private sale or an auction sale, if it is determined by the assessor that the price from the auction sale represents an arms-length transaction. The price obtained at a forced sale shall not be considered.”<sup>2</sup>

The term “market value” as used in this report is defined as:

“...the most probable price, expressed in terms of money that a property would bring if exposed for sale on the open market in an arm’s-length transaction between a willing seller and a willing buyer, both of whom are knowledgeable concerning all the uses to which it is adapted and for which it is capable of being used.”<sup>3</sup>

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<sup>2</sup> Minnesota Statutes, Section 272.0, subdivision 8

<sup>3</sup> International Association of Assessing Officers (IAAO), *Property Appraisal and Assessment Administration* (Chicago: International Association of Assessing Officers, 1990), 80

## ASSUMPTIONS AND LIMITING CONDITIONS

This report is subject to the assumptions and limitations noted below.

1. The final estimate of value developed in this report is as of (date). The utilization of the property at that time determined the distribution of the valuation between site and improvements. Any change in the present utilization of the property or the date of valuation may or may not affect the final conclusion of the value that is stated in this report.
2. It is assumed that the legal description, status of title, and other matters legal in nature are correct. No responsibility is assumed by the appraiser for such legal matters, and this appraisal should not be construed as an opinion on such legal matters.
3. In the course of completing this appraisal, information was obtained from public records and from other individuals. Such information is assumed to be correct and reliable. No responsibility is assumed for any errors or omissions in such data.
4. The description and analysis of the improvements in this report are based upon visual inspection of the property. No liability is assumed for any hidden defects that may exist in any structure or improvement.
5. Building sketches, plot plans, photographs, and other such exhibits are included in the report only to aid in visualizing the property. No survey of the property was completed and drawings may not be to correct scale. No liability is assumed through any errors or omissions in such exhibits.
6. The existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property and is not qualified to detect such substances. The value estimate is predicated on the assumption there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them.
7. The appraiser does not agree to any appearance or the giving of testimony in any court, hearings, or conference unless prior arrangements have been made.

**PHOTOGRAPHS OF THE SUBJECT**

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**Front**

**Rear**

Date of Photo: (date)

**IDENTITY OF THE SUBJECT PROPERTY**

**HISTORY OF SUBJECT PROPERTY**

*(analyze all agreements of sale, options, or listings of the subject property current as of the effective date of the appraisal; and analyze all sales of the subject property that occurred within the three (3) years prior to the effective date of the appraisal.)*

**PROPERTY RIGHTS APPRAISED**

In keeping with the purpose and function of this appraisal, the property rights valued are the fee simple ownership rights of the subject property with no restrictions, indebtedness, or other encumbrances. This is the most complete type of ownership. It is ownership of all legal rights. Those rights are referred to as the bundle of rights and include the right to use, sell, rent or lease, enter or leave, give away, and to refuse to do any of the above.

**ASSESSMENT HISTORY AND ASSESSMENT LEVELS**

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**THREE-YEAR ASSESSMENT AND TAX HISTORY ANALYSIS – SUBJECT PROPERTY**

<i>Year</i>	<i>Assessor's Market Value</i>	<i>Taxable Market Value</i>	<i>Tax Capacity Ext. Rate</i>	<i>Annual Real Estate Taxes</i>	<i>Tax Per Square Foot</i>
20xx Pay 20xx					
20xx Pay 20xx					
20xx Pay 20xx					

**ASSESSMENT LEVEL ANALYSIS**

	<i>20xx Assessor's Market Value</i>	<i>Sale Price</i>	<i>Sq. Ft.</i>	<i>Sale Date</i>	<i>Assessment Ratio</i>	<i>Payable 20xx Real Estate Taxes</i>	<i>Tax Per Square Foot</i>
Subject							
Comparable 1							
Comparable 2							
Comparable 3							

**Comments:**

## **CITY AND AREA ANALYSIS**

**Description and History:**

**Population and Demographics:**

**Employment and Economic Factors:**

**Type of Government and Services:**

**Housing:**

**Conclusion:**

## NEIGHBORHOOD DESCRIPTION AND ANALYSIS

### Delineation of the Neighborhood:

### Neighborhood Life Cycle:

Neighborhoods go through a natural cycle of changes which have an effect on the character, desirability, and value of real estate. The four phases in these life cycles are: growth; stability; decline; and revitalization. The subject neighborhood is (characteristics of neighborhood relevant to current life cycle) which reflects a period of ( ).

### Description of Improvements:

### Range of Property Values and Monthly Rents:

**SITE DESCRIPTION**

**Location:**

**Size:**

**Features:**

**Zoning:**

	SUBJECT SITE	( ) ZONING REQUIREMENTS
Lot Size		
Lot Width		
Lot Depth		
Percentage of Impervious Surface Coverage		
Height Restrictions		
Front Yard Setback for Primary Structure		
Side yard Setback for Primary Structure		
Rear Yard Setback for Primary Structure		
Front yard Setback for Accessory Structures		
Side yard Setback for Accessory Structures		
Rear yard Setback for Accessory Structures		

**Utilities:**

## FACTORS INFLUENCING REAL ESTATE MARKET.

There are four major factors that affect all properties within a jurisdiction. These factors are: social, economic, governmental and environmental. These factors have been investigated and analyzed on the previous pages at the city level, but they will be summarized below. They will also be revisited at the neighborhood level. Consideration of these factors is essential to completing an appraisal of the subject property because they help determine the characteristics of the market in which the property (and all other properties) will sell and they will influence the market.

1. Social.

2. Economic.

3. Governmental.

4. Environmental.

## **HIGHEST AND BEST USE**

### **Definition:**

The Appraisal Institute in the Dictionary of Real Estate Appraisal, 5th Edition, defines the concept of highest and best use as:

“The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.<sup>4</sup>”

The highest and best use of a property as vacant and as improved, the following criteria must be considered:

1. Legally Permissible: The use must conform to zoning ordinances, building codes and other restrictions.
2. Physically Possible: The physical attributes of site determine its' development potential.
3. Financially Feasible: The use must provide a profitable return on investment.
4. Maximally Productive: The use that provides the highest rate of return on initial investment.

In each case the existing use may or may not be the same from the site's highest and best use. Each type requires a separate analysis and can be determined as though vacant and as improved by using the preceding criteria.

### **HIGHEST AND BEST USE OF THE SITE AS THOUGH VACANT:**

#### **Legally Permissible:**

#### **Physically Possible:**

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<sup>4</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal, 5<sup>th</sup> ed.* (Chicago: Appraisal Institute, 2010), 93.

**Financially Feasible:**

**Maximally Productive:**

**Summation:**

**HIGHEST AND BEST USE OF THE SUBJECT AS IMPROVED:**

**General:**

The same criteria used for highest and best use of the site as if vacant can be applied to the existing structure to determine the highest and best use as improved. It includes an examination of potential uses of the subject property to determine which are legally permissible, physically possible, financially feasible and maximally productive.

**Legally Permissible:**

**Physically Possible:**

**Financially Feasible:**

**Maximally Productive:**

**Summation:**

**HIGHEST AND BEST USE CONCLUSION:**

**IMPROVEMENTS DESCRIPTION**

**General:**

**Exterior Description:**

**Interior Description:**

**Equipment and Mechanical Systems:**

Heating and Cooling:

Plumbing:

Electrical:

**Driveway, Sidewalks:**

**Decks, Porches:**

### **Condition of Improvements:**

#### **Actual Age:**

Actual age as defined by the Appraisal Institute as: "The number of years that have elapsed since construction of an improvement was completed; also called historical or chronological age<sup>5</sup>." The subject property was constructed in [REDACTED] therefore; the actual age of the property is [REDACTED] years.

#### **Effective Age:**

Effective age is quoted by the Appraisal Institute as: "The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age<sup>6</sup>." Depending on the condition of the property, the effective age of a structure may differ from its actual age. If a home has been well maintained or updated, it will normally have an effective age typically less than the actual age and on contrast, if a home has been poorly maintained, it may have an effective age higher than the actual age.

(description of overall condition and maintenance of subject property including any updates)

Based on the overall condition of the subject property and market analysis of similar dwellings in the subject neighborhood, the effective age of the subject property is estimated at [REDACTED] years.

#### **Remaining Economic Life:**

The Appraisal Institute defines remaining economic life as: "The estimated period during which improvements will continue to represent the highest and best use of the property; an estimate of the number of years remaining in the economic life of the structure or structural components as of the date of the appraisal; used in the economic age-life method of estimating depreciation<sup>7</sup>."

The economic life of the subject property has been estimated to be (#) years. The following chart illustrates how the economic life was estimated using three sales in the area, located on comparable sites.

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<sup>5</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 3.

<sup>6</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 65.

<sup>7</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 167.

**Remaining Economic Life:** (continued)

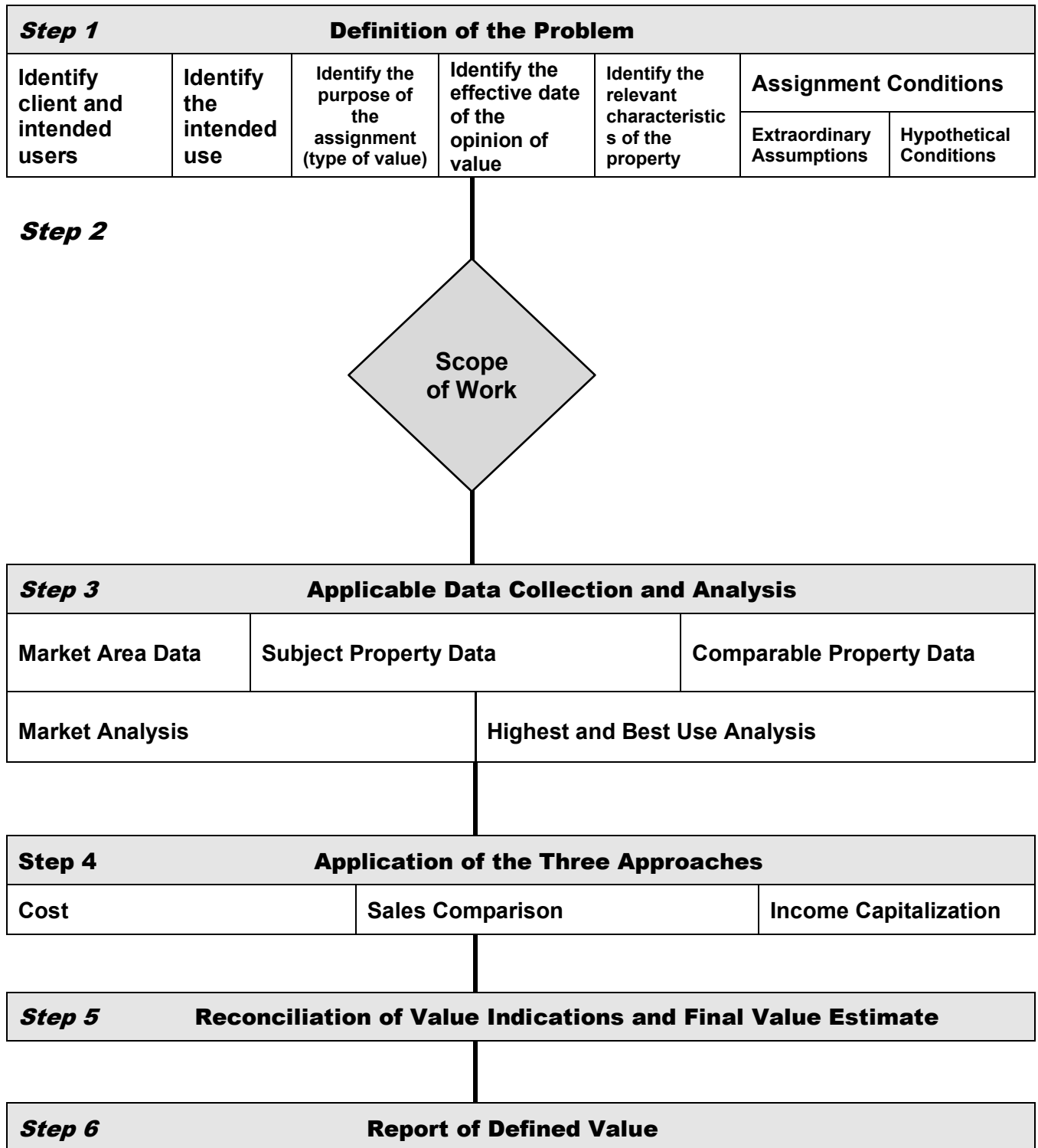
**Market Extraction Method**

	<b>Sales Comp #1</b>	<b>Sales Comp #2</b>	<b>Sales Comp #3</b>
<b>Sale Price</b>			
<b>Sale Date</b>			
<b>Site Value</b>			
<b>Improvement Value</b>			
<b>RCN (Improvements)</b>			
<b>Indicated Value Improvements</b>			
<b>Accrued Depreciation</b>			
<b>Percent Depreciation</b>			
<b>Indicated Effective Age</b>			
<b>Percent Annual Depreciation</b>			
<b>Estimated Total Economic Life (Years)</b>			

Estimated Annual Depreciation  
Average Effective Age (rounded)  
Median Effective Age  
Average Total Economic Life (rounded)  
Median Total Economic Life (rounded)

The indicated mean economic life is [redacted] years rounded, which supports the use of an economic life of the subject property of [redacted] years. Therefore, with an effective age of [redacted] years and an economic life of [redacted] years, the remaining economic life of the subject property is [redacted] years.

THE APPRAISAL PROCESS



## **COST APPROACH**

The cost approach relies on the principle of substitution as the basis for estimating market value. *The Dictionary of Real Estate Appraisal* defines the cost approach as “A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value<sup>8</sup>.”

*Appraising Residential Properties* lists eight steps in the cost approach. “An appraiser:

1. Estimates the value of the site as though vacant and available to be developed to the highest and best use.
2. Estimates the direct (hard) and indirect (soft) costs of the improvements as of the effective appraisal date.
3. Estimates an appropriate entrepreneurial incentive or profit from analysis of the market.
4. Adds estimated direct costs, indirect costs, and the entrepreneurial incentive or profit to arrive at the total cost of the improvements.
5. Estimates the amount of depreciation in the structure and, if necessary, allocates it among the three major categories: physical deterioration, functional obsolescence, and external obsolescence.
6. Deducts the estimated depreciation from the total costs of the improvements to derive an estimate of their depreciated cost.
7. Estimates the contributory value of any site improvements that have not already been considered. (Site improvements are often appraised at their contributory value, i.e., directly on a depreciated – cost basis.)
8. Adds the site value to the total depreciated cost of all improvements to arrive at the indicated value of the property<sup>9</sup>.”

### **Site Valuation:**

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<sup>8</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 47.

<sup>9</sup> Appraisal Institute, *Appraising Residential Properties*, 4<sup>th</sup> ed. (Chicago: Appraisal Institute, 2007), 257-58

**Site Sale #1**

Location:

Date of Sale:

Selling Price: CRV #

Recording Data: Document # Date:

Legal Description:

Type of Deed:

Seller:

Buyer:

Verification:

Parcel Identification:

Description of Property:

**Site Sale #2**

Location:

Date of Sale:

Selling Price: CRV #

Recording Data: Document # Date:

Legal Description:

Type of Deed:

Seller:

Buyer:

Verification:

Parcel Identification:

Description of Property: .

**Site Sale #3**

Location:

Date of Sale:

Selling Price: CRV #

Recording Data: Document #

Legal Description:

Type of Deed:

Seller:

Buyer:

Verification:

Parcel Identification:

Description of Property:

	<b>Subject</b>	<b>Site Sale #1</b>	<b>Site Sale #2</b>	<b>Site Sale #3</b>
<b>Address</b>				
<b>Lot Size</b>				
<b>Dimension</b>				
<b>Location</b>				
<b>Street Type</b>				
<b>Topography</b>				
<b>Landscaping</b>				
<b>Sale Price</b>				
<b>Sale Date</b>				
<b>Sale Term</b>				

**ESTIMATION AND EXPLANATION OF ADJUSTMENTS**

**Market Conditions:**

MARKET CONDITIONS ADJUSTMENT =        % PER MONTH

**Financing Terms:**

**Size:**

**Location:**

**Topography:**

**APPLICATION OF ADJUSTMENTS**

	Subject	Sale #1	Sale #2	Sale #3	% Difference
Property Address					
PID					
Lot Size					
Front Feet					
Sale Date					
Sale Price					
Market Conditions (0.00% per month)					
Adjusted Sale Price Per Site					
Adjusted Sale Price Per Sq. Ft.					
Adjusted Sale Price Per FF					
Street Type					
Location					
Topography					
Gross Adjustment					
Net Adjustments					
Final Adjusted Sale Price Per (site, sq. ft. or FF)					

**Selection and Justification of Indicated Site Value Estimate:**

Therefore, the estimated market value of the subject site as of (date of appraisal) is:

( ) DOLLARS  
(\$000,000)

**Improvement Valuation:**

Once the value of the site as though vacant has been estimated, there are four steps remaining to arrive at a value utilizing the cost approach. First, the reproduction or replacement cost of the improvements is estimated as of the date of the appraisal. Second, determine an estimate of the accrued depreciation of the improvements.

For the third step subtract the total accrued depreciation of the improvements from the reproduction or replacement cost to determine the structure value. The fourth and final step is to add the site value to the total depreciated cost of the improvements to arrive at an indicated total value of the property.

**Source of Cost Estimate:**

**Estimate of Replacement Cost New – Square Foot Method:**

Item		Cost
Average One Story Wood Frame		
Energy Adjustment (Extreme)		
Floors		
Carpet and Pad		
Wood Laminate		
Ceramic Tile		
Total		
Heating and Cooling		
Built-in Appliances (Lump Sum)		
Total		
Fireplace (Lump Sum)		
Basement		
Extreme Climate Foundation		
Unfinished		
Finished		
Total		
Garage		
Deck		
Subtotal Residence Cost		
Estimated Replacement Cost New Residence		
Concrete Driveway		
"other site improvements"		
Subtotal Site Improvements		
Estimated Replacement Cost New Site Improvements		

## DEPRECIATION ANALYSIS

### **Depreciation:**

This is the third step used in the cost approach to estimate the market value of the subject. It requires the appraiser to estimate all forms of accrued depreciation. The term accrued depreciation is defined by The Appraisal Institute as "In appraising, a loss in property value from any cause; the difference between the cost of the improvement on the effective date of the appraisal and the market value of the improvements on the same date."<sup>10</sup> The causes of accrued depreciation fall into three categories:

- Physical deterioration, which is a defect caused by deferred maintenance or the wearing out of the improvements. This form of depreciation can be both curable and incurable.
- Functional obsolescence, which is a defect caused by a deficiency or a superadequacy in the structure, material, or design. This form of depreciation can be both curable and incurable.
- External or economic obsolescence, which is a negative influence or loss of value caused by forces outside of the site.

### **Curable Physical Depreciation:**

This type of depreciation refers to items in need of repair as of the appraisal date. It is commonly referred to as deferred maintenance. An item is curable if the cost of curing it is less than or equal to the increase in property value. This justifies correcting the problem economically. The main causes of physical depreciation are aging, physical wear and tear, weather, and deterioration to the improvement.

The subject property **(does/does not)** exhibit any curable physical depreciation.

### **Incurable Physical Depreciation:**

These are items, which as of the appraisal date cannot be practically or economically corrected. It consists of all structural components which exhibit loss of value due to wear and tear that have not already been included as curable physical deterioration. Incurable physical deterioration occurs when the cost to cure the condition exceeds the anticipated increase in value thereby making correction economically unfeasible. It is measured against the remaining value after all curable physical deterioration has been subtracted from the reproduction cost of the structure.

The subject's incurable physical depreciation is estimated using the market extraction method and the percent annual depreciation derived from the sales on pages 26-27.

The calculation is as follows:

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<sup>10</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 56.

**Functional Obsolescence:**

This type of depreciation is a reduction in value of an improvement based upon characteristics built into the structure that prevent the property from being fully and efficiently used for its present functions. It can also be caused by changes that, over time, have made some aspect of a structure, material, or design obsolete by current standards.

**Curable Functional Obsolescence:**

This type of functional obsolescence is economically and physically feasible to cure. To be curable, the cost of replacing the outmoded or unacceptable aspect must be less than or equal to the anticipated increase in value. It is measured as the dollar amount of the cost to cure the deficiency that exceeds the amount if it were installed new during construction of the improvement. There are three subcategories curable functional obsolescence can fall into:

- 1) Deficiency requiring additions: measured by the additional cost to install the item now as opposed to having been installed originally.
- 2) Deficiency requiring substitution or modernization: measured by the cost to install the item minus any remaining value of the original component.
- 3) Superadequacy: measured by the current reproduction cost minus existing physical depreciation to the component plus the cost to install a normal component.

The subject property (does/does not) exhibit any curable functional obsolescence.

**Incurable Functional Obsolescence:**

For a functional deficiency or superadequacy to be incurable, the cost to cure it must be greater than the anticipated increase in value as of the appraisal date. In other words, the deficiency or superadequacy is not practical and is economically unfeasible to cure. If a deficiency is the cause of incurable functional obsolescence, the loss in value is measured by capitalizing the value of the actual income loss due to the deficiency. If the incurable functional obsolescence is caused by a superadequacy, the loss in value is measured by determining the reproduction cost of the superadequacy, minus any previously charged physical deterioration, plus the present value of any additional costs of ownership due to the superadequacy. These additional costs of ownership could include taxes, insurance, maintenance and utility charges.

The subject property (does/does not) exhibit any incurable functional obsolescence.

**Economic Obsolescence:**

This is a loss in value to the improvements as a result of negative influences outside the subject site. Because the negative influences are outside the subject site, this depreciation is also referred to as external obsolescence. Economic obsolescence can be caused by several factors. Examples would be changes in highest and best use, zoning, market conditions, and neighborhood decline.

Economic obsolescence affects the site and improvements and is rarely curable. It can be measured by two methods. One method is paired sales analysis, which is comparing sales of properties similar to the subject, which have the negative influence, to sales of similar properties that do not. This method is difficult if abundant comparable sales do not exist. The second method is to capitalize the income or estimated net rent loss due to the external influence. After the loss in value has been estimated, it must be allocated between the site and improvement values, because the land value that was determined in the site valuation portion already includes any value loss due to location. By calculating the ratio of site value or building value to total value will accomplish this.

There (is no/is) economic obsolescence exhibited by the subject property.

**SUMMARY OF THE COST APPROACH**

Replacement Cost New			\$
<i>less</i> Accrued Depreciation			
Physical Deterioration			
Curable	\$		
Incurable Lump Sum	\$		
Total Physical Deterioration		\$	
Functional Obsolescence			
Curable	\$		
Incurable	\$		
Total Functional Obsolescence		\$	
Total Economic Obsolescence		\$	
<i>less</i> Total Accrued Depreciation			\$
Total Depreciated Value of Improvements			
<i>plus</i> Depreciated Cost of Site Improvements			\$
<i>plus</i> Total Site Value			\$
Estimated Value by the Cost Approach			\$
		Rounded to nearest \$100	\$

The estimated market value of the subject property, utilizing the cost approach, as of (date of appraisal) is:

( ) DOLLARS

(\$xxx,xxx)

## INCOME APPROACH

The income approach is based on the principle of anticipation. "The perception that value is created by the expectation of benefits to be derived in the future<sup>11</sup>."

"To obtain a value indication for the subject property using the income capitalization approach with a *GRM*, an appraiser

1. Derives a GRM from market data. To do this, the appraiser finds recent sales of similar properties that were rented at the time of or immediately after the sale, divides the sale price of each property by its monthly rental income expectation, and reconciles the results.
2. Estimates the monthly market rent the subject property should command. This estimate can be based on
  - The actual rents of competitive properties that have been adjusted for the advantageous or disadvantageous features of the subject.
  - The current rental rates obtained by the owner of the subject property. These could be less than or more than the market rent, but so could the comparable rentals mentioned above. The actual rents for the subject are often a good indication of the market rent.
  - The current asking rental rates for competing properties. These comparable "for rent" properties will not give conclusive evidence of what the market will pay, but they will usually indicate a ceiling for the subject rents after adjustment.
3. Multiplies the estimated monthly market rent for the subject by the estimated GRM to obtain a value indication for the subject property<sup>12</sup>."

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<sup>11</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 9.

<sup>12</sup> Appraisal Institute, *Appraising Residential Properties*, 358.

**Comparable Rentals Analysis**

	Rental #1	Rental #2	Rental #3	% Difference	Subject
Monthly rent					
Size in square feet					
Number of rooms					
Number of bedrooms					
Rent per square foot					
Rent per room					
Rent per bedroom					
Indicated best unit of comparison					

**GROSS MONTHLY RENT MULTIPLIER ANALYSIS**

The establishment of the gross monthly rent multiplier (GMRM) is the second step in the estimation of subject's market value by using the income approach. The GMRM is the result of dividing the selling price of the property by the monthly gross rent. The rental sales selected for this appraisal are considered to be arms length transactions, unfurnished, and the monthly rents do not include utilities.

Rental Sale	Location	Sale Price	Rent	Monthly GMRM
#1		\$	\$	
#2		\$	\$	
#3		\$	\$	

**Reconciliation of Value by the Income Approach:**

The final step of the Income Approach is to multiply the gross monthly rent multiplier by the estimated market rent for the subject property to arrive at the estimated market value.

Gross Monthly Rent	x	Gross Monthly Rent Multiplier	= Estimated Value
\$	x		= \$
Rounded to nearest \$100			\$

The estimated market value of the subject property by application of the income approach as of (date of appraisal) is:

( ) DOLLARS

(\$xxx,xxx)

## **SALES COMPARISON APPROACH**

The sales comparison approach is based on the principle of substitution. "When several similar or commensurate commodities, goods, or services are available, the one with the lowest price will attract the greatest demand and widest distribution<sup>13</sup>."

"The sales comparison approach is the most direct and reliable valuation approach in many appraisal situations. The basic steps involved in the sales comparison approach are as follows:

- The appraiser finds recent sales, listings, and/or pending offers (if available) for properties that are comparable to the subject property.
- The appraiser verifies that the data obtained are accurate.
- The appraiser selects relevant units of comparison to analyze each sale.
- The appraiser compares sales of comparable properties to the subject property in terms of various elements of comparison and adjusts the sale prices of the comparable properties to reflect how they differ from the subject property.
- The appraiser reconciles the various value indications derived into a single value indication or a range of values<sup>14</sup>."

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<sup>13</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 190.

<sup>14</sup> Appraisal Institute, *Appraising Residential Properties*, 311.

Comparable Sale 1

(insert photo)

Date of Photo:

<b>ADDRESS:</b>			
<b>LEGAL DESCRIPTION</b>			
<b>DATE OF SALE:</b>		<b>YEAR BUILT:</b>	
<b>SELLING PRICE:</b>		<b>EFFECTIVE AGE:</b>	
<b>FINANCING:</b>		<b>CONDITION:</b>	
<b>RECORDING DATE:</b>		<b>SITE:</b>	
<b>TYPE OF DEED:</b>		<b>GROSS LIVING AREA:</b>	
<b>BUYER:</b>		<b>BASEMENT:</b>	
<b>SELLER:</b>		<b>GARAGE:</b>	
<b>PARCEL IDENTIFICATION:</b>		<b>FINANCING:</b>	
<b>SALES VERIFICATION:</b>		<b>ZONING:</b>	
<b>FUNCTIONAL OBSOLESCENCE:</b>		<b>ECONOMIC OBSOLESCENCE:</b>	
<b>COMMENTS</b>			

**Comparable Sale 2**

(insert photo)

Date of Photo:

<b>ADDRESS:</b>			
<b>LEGAL DESCRIPTION</b>			
<b>DATE OF SALE:</b>		<b>YEAR BUILT:</b>	
<b>SELLING PRICE:</b>		<b>EFFECTIVE AGE:</b>	
<b>FINANCING:</b>		<b>CONDITION:</b>	
<b>RECORDING DATE:</b>		<b>SITE:</b>	
<b>TYPE OF DEED:</b>		<b>GROSS LIVING AREA:</b>	
<b>BUYER:</b>		<b>BASEMENT:</b>	
<b>SELLER:</b>		<b>GARAGE:</b>	
<b>PARCEL IDENTIFICATION:</b>		<b>FINANCING:</b>	
<b>SALES VERIFICATION:</b>		<b>ZONING:</b>	
<b>FUNCTIONAL OBSOLESCENCE:</b>		<b>ECONOMIC OBSOLESCENCE:</b>	
<b>COMMENTS</b>			

**Comparable Sale 3**

(insert photo)

Date of Photo:

<b>ADDRESS:</b>			
<b>LEGAL DESCRIPTION</b>			
<b>DATE OF SALE:</b>		<b>YEAR BUILT:</b>	
<b>SELLING PRICE:</b>		<b>EFFECTIVE AGE:</b>	
<b>FINANCING:</b>		<b>CONDITION:</b>	
<b>RECORDING DATE:</b>		<b>SITE:</b>	
<b>TYPE OF DEED:</b>		<b>GROSS LIVING AREA:</b>	
<b>BUYER:</b>		<b>BASEMENT:</b>	
<b>SELLER:</b>		<b>GARAGE:</b>	
<b>PARCEL IDENTIFICATION:</b>		<b>FINANCING:</b>	
<b>SALES VERIFICATION:</b>		<b>ZONING:</b>	
<b>FUNCTIONAL OBSOLESCENCE:</b>		<b>ECONOMIC OBSOLESCENCE:</b>	
<b>COMMENTS</b>			

**SUMMARY OF COMPARABLE SALES**

<b>Units of Comparison</b>	<b>Subject</b>	<b>Comp #1</b>	<b>Comp #2</b>	<b>Comp #3</b>
Sale Price				
Sale Date				
Location				
Architectural Style				
Age/Condition				
Effective Age				
Gross Living Area				
Bedrooms/ Bathrooms				
Basement Finish				
Deck/Patio				
Garage				
Central Air				
Walk-Out				
Fireplace				
Sale Price/Bedroom				
Sale Price/Sq. Ft.				

**Financing:**

**Market Conditions:**

The market conditions adjustment is used to update sales, which have taken place more than one month prior to the date of the appraisal. Prior to the appraisal date, there have been (#) homes similar to the subject property that sold twice over a (#) month period. The following sales were used:

**Address**                      **Sale #1**   **Date**   **Sale #2**   **Date**   **Lapse**   **% Inc Mo**   **% Inc Yr**

**Location:**

**Basement Finish:**

**Gross Living Area:**

**Age and Condition:**

**Bathrooms:**

**Bedrooms:**

**Fireplace:**

**Decks:**

**Porches:**

**SALES COMPARISON ADJUSTMENT GRID**

	<b>Subject</b>	<b>Comparable #1</b>	<b>Comparable #2</b>	<b>Comparable #3</b>
Address				
Sale Date				
Sale Price				
Financing Adjustment				
Sale Price Adjusted for Financing				
Market Conditions Adjustment ( )% Per Month				
Adjusted Sale Price				
Number of Square Feet				
Adjusted Sale Price / Sq. Ft.				
Number of Rooms				
Adjusted Sale Price Per Room				
Number of Bedrooms				
Adjusted Sale Price Per Bedroom				
GLA Adjustment: \$ /Sq. Ft.				
Garage Stall Adjustment				
Walkout				
Bath Adjustment				
Bedroom Adjustment				
Fireplace				
Basement Finish Adjustment \$00.00/Sq. Ft.				
Gross Adjustments				
Net Adjustments				
Number of Adjustments				
Adjusted Sale Price Rounded to Nearest \$100				
Number of Square Feet				
Final Adjusted Sale Price Per Sq. Ft.				

**RECONCILIATION OF VALUE – SALES COMPARISON APPROACH**

The estimated market value of the subject property by application of the sales comparison approach as of (date of appraisal) is:

( [REDACTED] ) DOLLARS

(\$xxx,xxx)

## RECONCILIATION AND FINAL ESTIMATE OF VALUE

The objective of this appraisal is to estimate the market value of the fee simple interest of the subject property as of (date of appraisal). The subject is a single-family residence located at (address, city, state, zip code).

In order to estimate the market value of the subject property, all factors that affect the value must be identified, considered and analyzed. This information was checked for accuracy and reliability. In the examination of the subject site and improvements, it has been determined that the site has been developed to its optimal or highest and best use. The highest and best use of the subject is single-family residential. The site was examined as if vacant and improved.

The three traditional approaches to value were used to value the subject property and the following values were estimated for each:

Cost Approach	\$
Income Approach	\$
Sales Comparison Approach	\$

### **Cost Approach:**

The cost approach relies on the principle of substitution as the basis for estimating market value.

(Review of developed data and analysis of strength and weaknesses of cost approach)

### **Income Approach:**

The income approach is based on the principle of anticipation. This principle states that value is based on the theory that value is the present worth of estimated future benefits. Properties typically valued by this approach include commercial properties such as retail, warehouses and offices.

(Review of developed data and analysis of strength and weaknesses of income approach)

### **Sales Comparison Approach:**

The sales comparable approach is based on the principle of substitution in which an informed buyer will not pay more for a property than the cost of acquiring a substitute property.

(Review of developed data and applicability of the sales comparison. Logical selection of final value)

It is in the opinion of this appraiser, based on the facts stated above, that the market value of the subject property as of (date of appraisal) is:

( ) DOLLARS

(\$xxx,xxx)

## CERTIFICATION

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
8. I have (or have not) made a personal inspection of the property that is the subject of this report.
9. No one provided significant real property appraisal assistance to the person signing this certification.

Based upon my experience as an appraiser and consideration of the information contained in this report, it is my opinion that the estimated market value of the subject property, as of (date of appraisal) is:

( \_\_\_\_\_ ) DOLLARS

(\$xxx,xxx)

\_\_\_\_\_  
Candidate

\_\_\_\_\_  
Date

**ADDENDUM**

AREA MAP



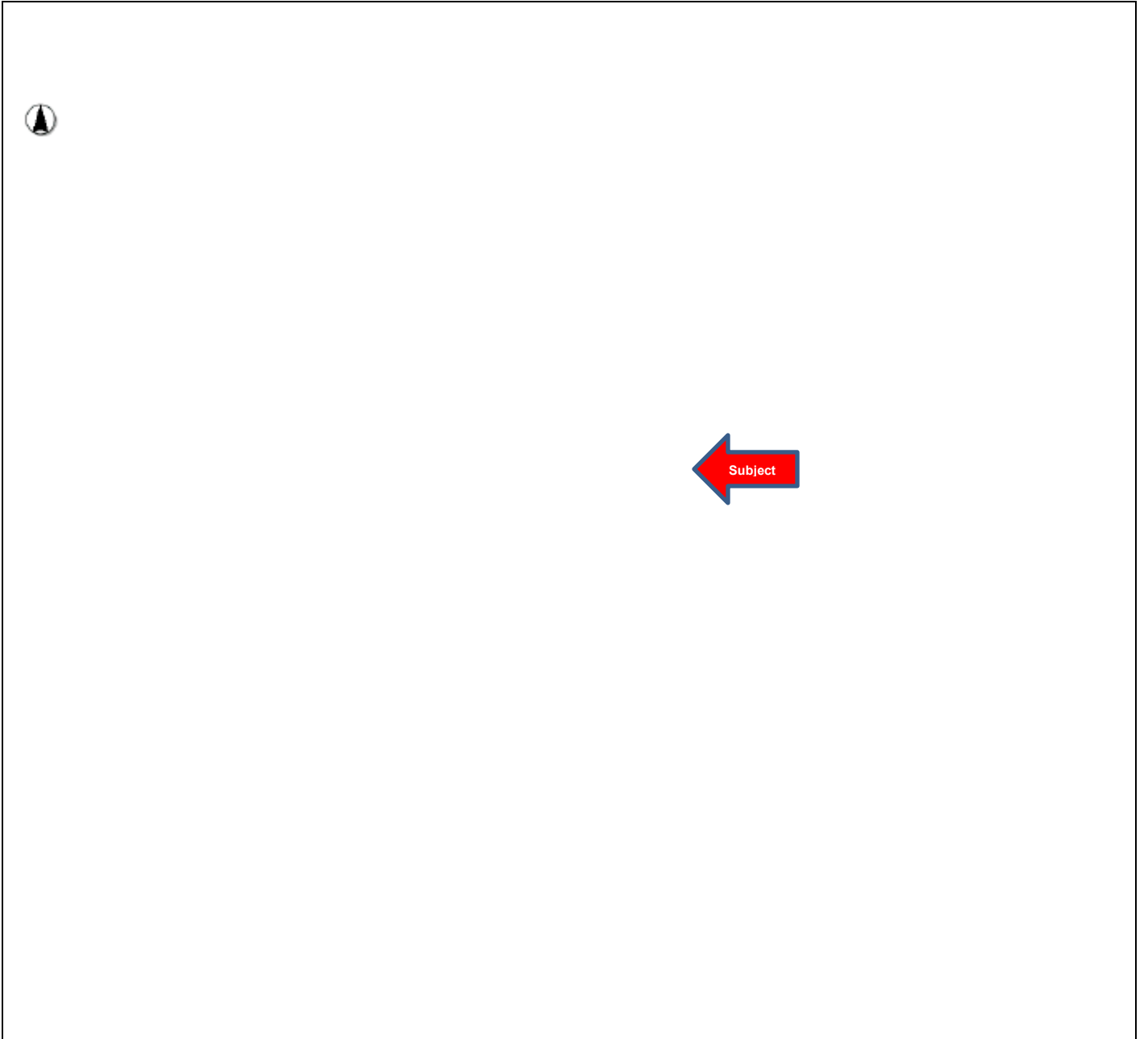
CITY MAP



**NEIGHBORHOOD MAP**



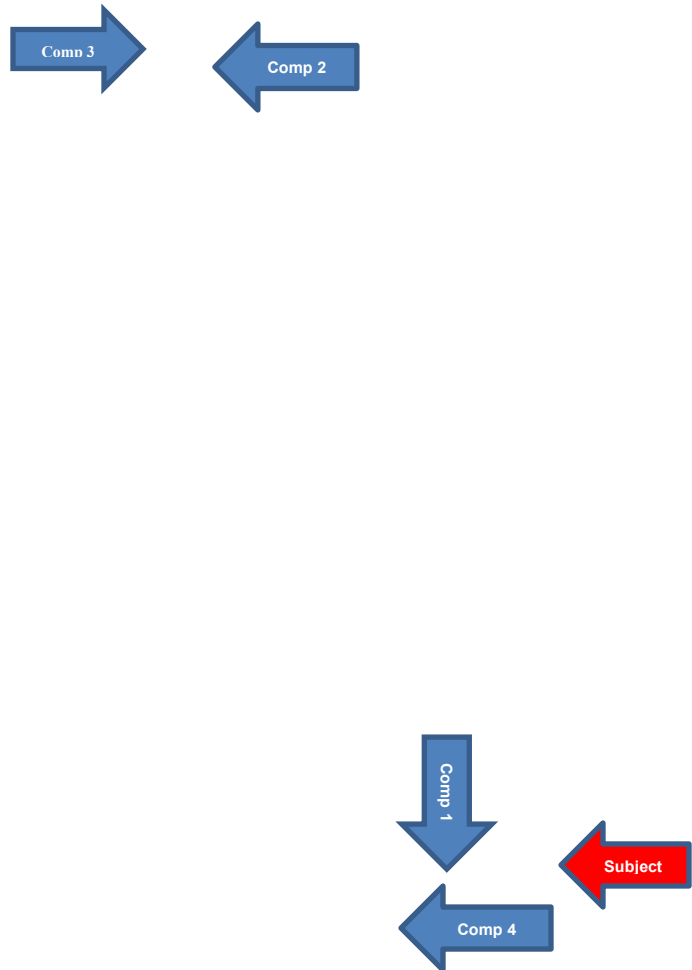
ZONING MAP



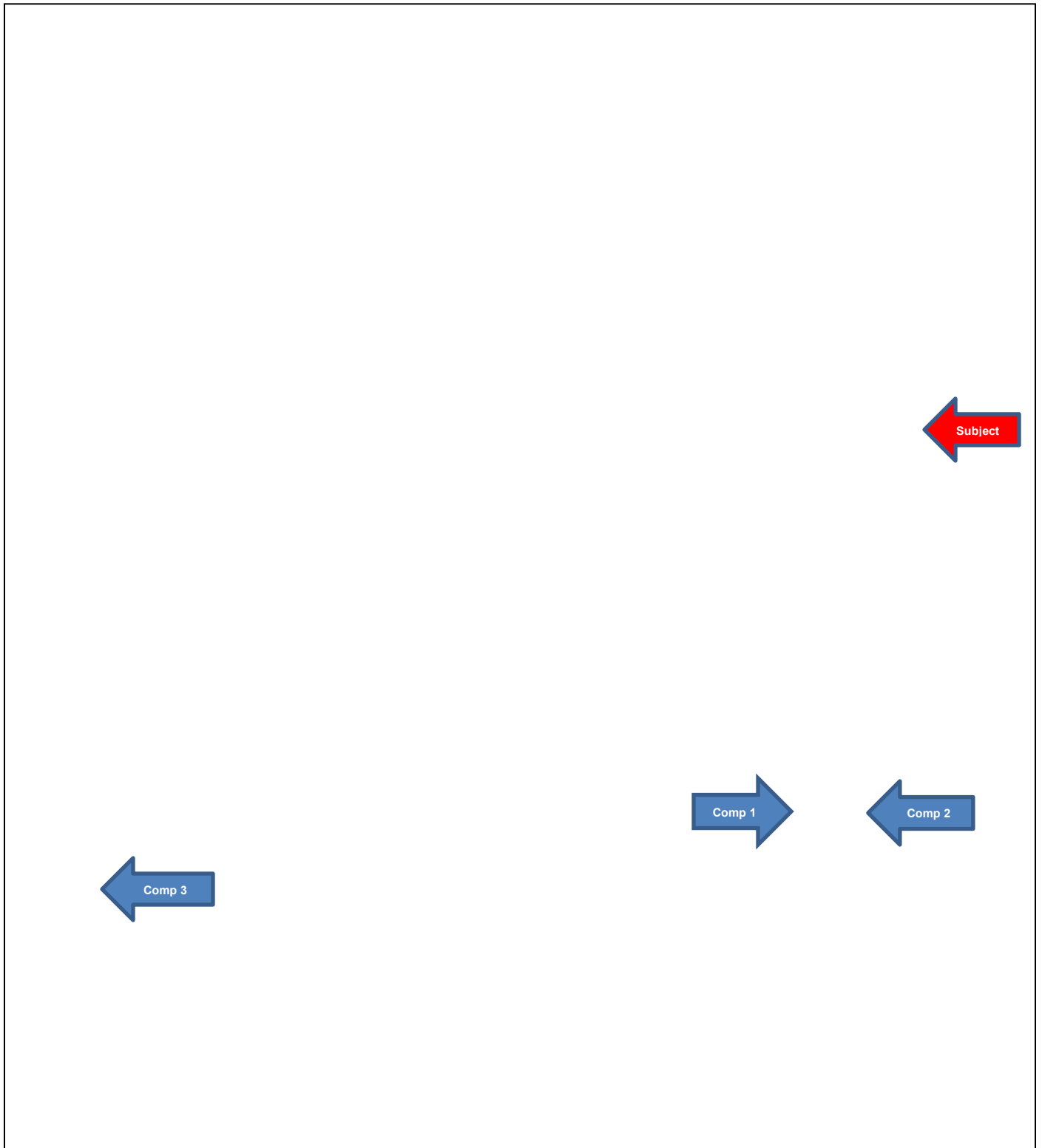
**SITE MAP**



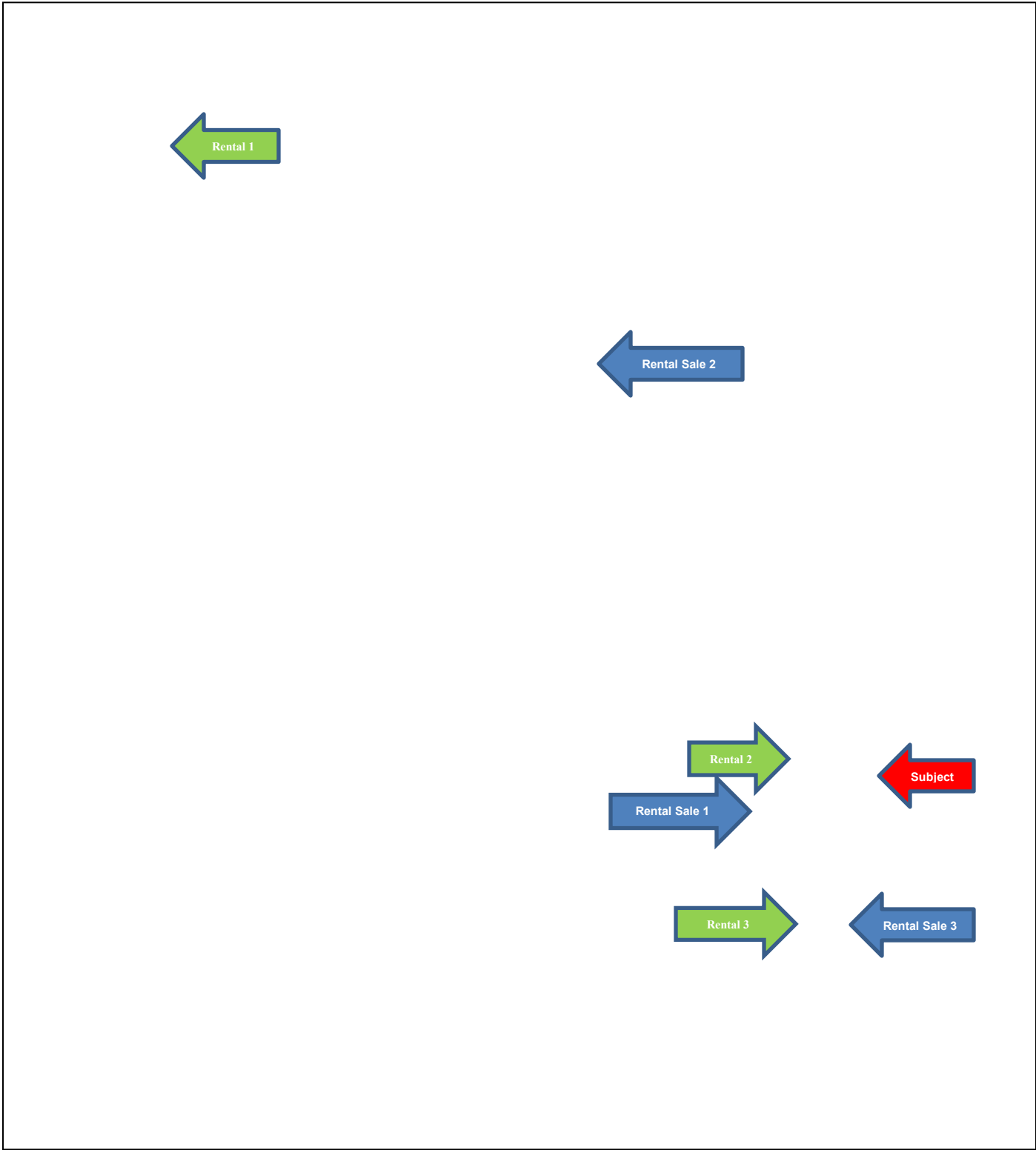
COMPARABLE LAND SALES MAP



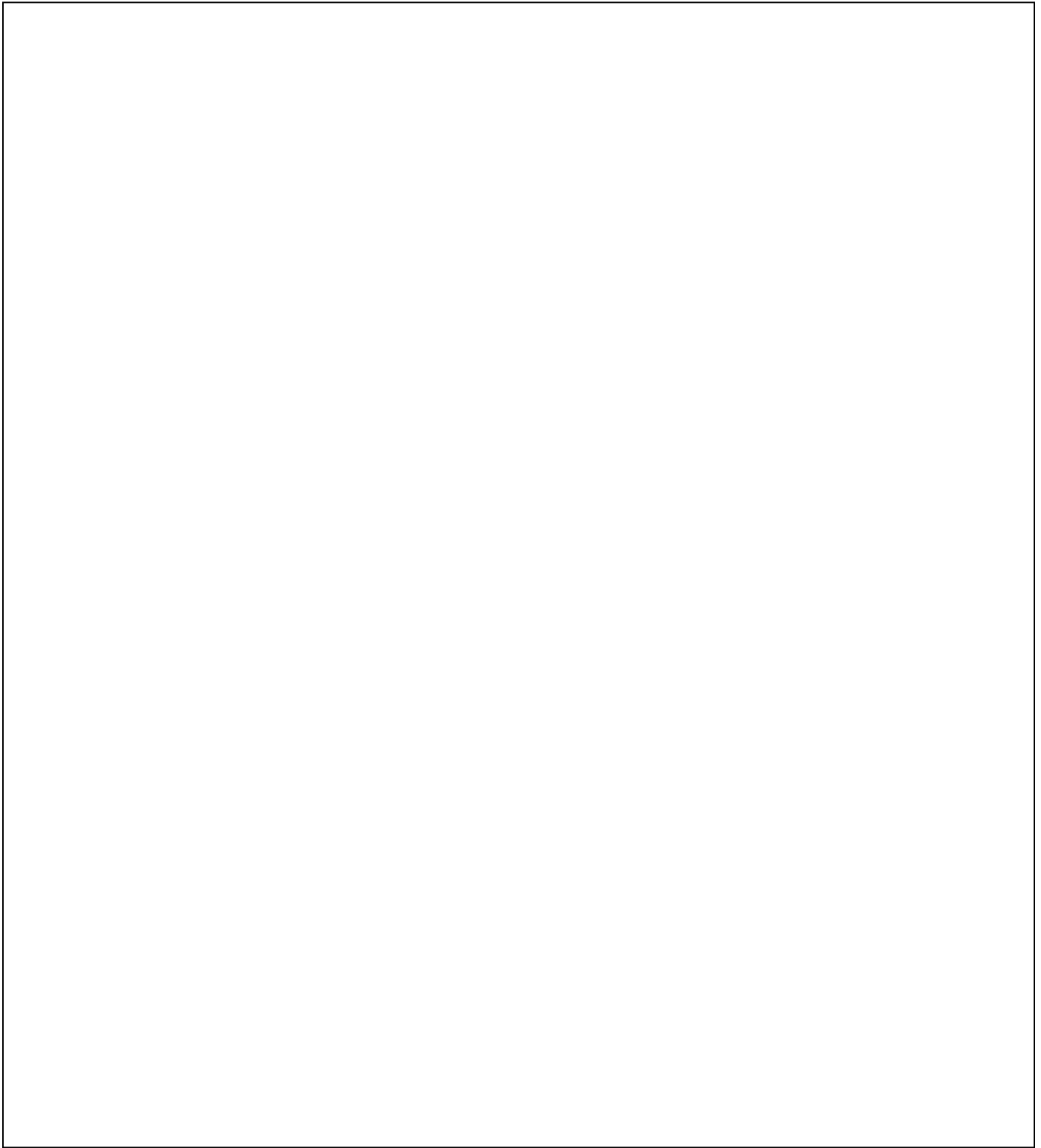
COMPARABLE SALES MAP



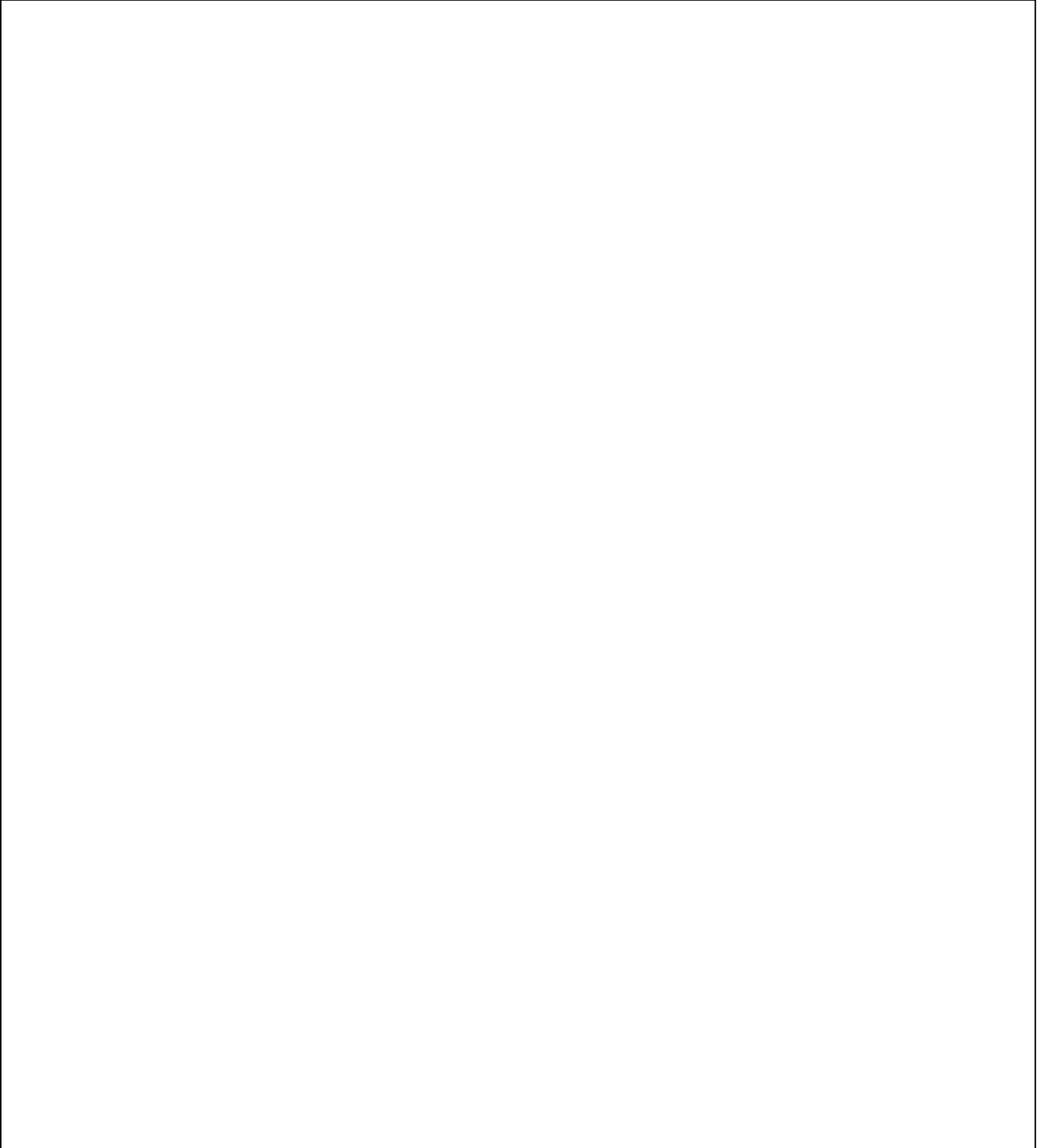
RENTAL COMPARABLE MAP



**PLOT PLAN**



**BUILDING SKETCH**



**APPRAISAL QUALIFICATIONS OF  
(candidate)**

**WORK EXPERIENCE:**

**EDUCATION:**

**REAL ESTATE EDUCATION:**

**PROFESSIONAL MEMBERSHIPS:**

**LICENSE INFORMATION:**