

906 Comment: Perfection is impossible to attain, and competence does not require perfection.  
 907 However, an appraiser must not render appraisal review services in a careless or negligent  
 908 manner. This Standards Rule requires a reviewer to use due diligence and due care.

909 **Standards Rule 3-2**

910 **In developing an appraisal review, the reviewer must:**

911 (a) **identify the client and other intended users;**

912 (b) **identify the intended use of the reviewer's opinions and conclusions;**

913 Comment: A reviewer must not allow the intended use of an assignment or a client's  
 914 objectives to cause the assignment results to be biased. A reviewer must not advocate for a  
 915 client's objectives.

916 The intended use refers to the use of the reviewer's opinions and conclusions by the client and  
 917 other intended users; examples include, without limitation, quality control, audit,  
 918 qualification, or confirmation.

919 (c) **identify the purpose of the appraisal review, including whether the assignment includes the  
 920 development of the reviewer's own opinion of value or review opinion related to the work under  
 921 review;**

922 Comment: The purpose of an appraisal review assignment relates to the reviewer's objective;  
 923 examples include, without limitation, to determine if the results of the work under review are  
 924 credible for the intended user's intended use, or to evaluate compliance with relevant USPAP  
 925 requirements, client requirements, or applicable regulations.

926 In the review of an appraisal assignment, the reviewer may provide an opinion of value for the  
 927 property that is the subject of the work under review.

928 In the review of an appraisal review assignment, the reviewer may provide an opinion of  
 929 quality of the work that is the subject of the appraisal review assignment.

930 (d) **identify the work under review and the characteristics of that work which are relevant to the  
 931 intended use and purpose of the appraisal review, including:**

932 (i) **any ownership interest in the property that is the subject of the work under review;**

933 (ii) **the date of the work under review and the effective date of the opinions or conclusions in  
 934 the work under review;**

935 (iii) **the appraiser(s) who completed the work under review, unless the identity is withheld by  
 936 the client; and**

937 (iv) **the physical, legal, and economic characteristics of the property, properties, property  
 938 type(s), or market area in the work under review.**

939 Comment: The subject of an appraisal review assignment may be all or part of a report, a  
 940 workfile, or a combination of these, and may be related to an appraisal or appraisal review  
 941 assignment.

942 (e) **identify the effective date of the reviewer's opinions and conclusions;**

943 (f) **identify any extraordinary assumptions necessary in the review assignment;**

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944 Comment: An extraordinary assumption may be used in a review assignment only if:

- 945 • it is required to properly develop credible opinions and conclusions;
- 946 • the reviewer has a reasonable basis for the extraordinary assumption;
- 947 • use of the extraordinary assumption results in a credible analysis; and
- 948 • the reviewer complies with the disclosure requirements set forth in USPAP for
- 949 extraordinary assumptions.

950 (g) identify any hypothetical conditions necessary in the review assignment; and

951 Comment: A hypothetical condition may be used in a review assignment only if:

- 952 • use of the hypothetical condition is clearly required for legal purposes, for purposes of
- 953 reasonable analysis, or for purposes of comparison;
- 954 • use of the hypothetical condition results in a credible analysis; and
- 955 • the reviewer complies with the disclosure requirements set forth in USPAP for
- 956 hypothetical conditions.

957 (h) determine the scope of work necessary to produce credible assignment results in accordance with

958 the SCOPE OF WORK RULE.

959 Comment: Reviewers have broad flexibility and significant responsibility in determining the

960 appropriate scope of work in an appraisal review assignment.

961 Information that should have been considered by the original appraiser can be used by the

962 reviewer in developing an opinion as to the quality of the work under review.

963 Information that was not available to the original appraiser in the normal course of business

964 may also be used by the reviewer; however, the reviewer must not use such information in the

965 reviewer's development of an opinion as to the quality of the work under review.

### 966 Standards Rule 3-3

967 In developing an appraisal review, a reviewer must apply the appraisal review methods and techniques

968 that are necessary for credible assignment results.

969 (a) When necessary for credible assignment results in the review of analyses, opinions, and

970 conclusions, the reviewer must:

- 971 (i) develop an opinion as to whether the analyses are appropriate within the context of the
- 972 requirements applicable to that work;
- 973 (ii) develop an opinion as to whether the opinions and conclusions are credible within the
- 974 context of the requirements applicable to that work; and
- 975 (iii) develop the reasons for any disagreement.

976 Comment: Consistent with the reviewer's scope of work, the reviewer is required to develop

977 an opinion as to the completeness, accuracy, adequacy, relevance, and reasonableness of the

978 analysis in the work under review, given law, regulations, or intended user requirements

979 applicable to the work under review.

980 (b) When necessary for credible assignment results in the review of a report, the reviewer must:

- 981 (i) develop an opinion as to whether the report is appropriate and not misleading within the  
982 context of the requirements applicable to that work; and
- 983 (ii) develop the reasons for any disagreement.

984 Comment: Consistent with the reviewer's scope of work, the reviewer is required to develop  
985 an opinion as to the completeness, accuracy, adequacy, relevance, and reasonableness of the  
986 report, given law, regulations, or intended user requirements applicable to that work.

- 987 (c) When the scope of work includes the reviewer developing his or her own opinion of value or  
988 review opinion, the reviewer must comply with the Standard applicable to the development of  
989 that opinion.

990 (i) The requirements of STANDARDS 1, 6, 7, and 9 apply to the reviewer's opinion of value  
991 for the property that is the subject of the appraisal review assignment.

992 (ii) The requirements of STANDARD 3 apply to the reviewer's opinion of quality for the  
993 work that is the subject of the appraisal review assignment.

994 Comment: These requirements apply to:

- 995 • The reviewer's own opinion of value when the subject of the review is the product of an  
996 appraisal assignment; or
- 997 • The reviewer's own opinion regarding the work reviewed by another when the subject of  
998 the review is the product of an appraisal review assignment.

999 These requirements apply whether the reviewer's own opinion:

- 1000 • concurs with the opinions and conclusions in the work under review; or
- 1001 • differs from the opinion and conclusions in the work under review.

1002 When the appraisal review scope of work includes the reviewer developing his or her own  
1003 opinion of value or review opinion, the following apply:

- 1004 • The reviewer's scope of work in developing his or her own opinion of value or review  
1005 opinion may be different from that of the work under review.
- 1006 • The effective date of the appraisal or appraisal review may be the same or different from  
1007 the effective date of the work under review.
- 1008 • The reviewer is not required to replicate the steps completed by the original appraiser.  
1009 Those items in the work under review that the reviewer concludes are credible can be  
1010 extended to the reviewer's development process on the basis of an extraordinary  
1011 assumption. Those items not deemed to be credible must be replaced with information or  
1012 analysis developed in conformance with STANDARD 1, 3, 6, 7, or 9, as applicable, to  
1013 produce credible assignment results.

1014 **Standards Rule 3-4**

1015 Each written or oral Appraisal Review Report must be separate from the work under review and must:

- 1016 (a) clearly and accurately set forth the appraisal review in a manner that will not be misleading;
- 1017 (b) contain sufficient information to enable the intended users of the appraisal review to understand  
1018 the report properly; and
- 1019 (c) clearly and accurately disclose all assumptions, extraordinary assumptions, and hypothetical  
1020 conditions used in the assignment.

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1021 Comment: An Appraisal Review Report communicates the results of an appraisal review,  
1022 which can have as its subject another appraiser's work in an appraisal or appraisal review  
1023 assignment.

1024 The report content and level of information in the Appraisal Review Report is specific to the  
1025 needs of the client, other intended users, the intended use, and requirements applicable to the  
1026 assignment. The reporting requirements set forth in this Standard are the minimum for an  
1027 Appraisal Review Report.

### 1028 Standards Rule 3-5

1029 **The content of an Appraisal Review Report must be consistent with the intended use of the appraisal**  
1030 **review and, at a minimum:**

- 1031 (a) state the identity of the client and any intended users, by name or type;
- 1032 (b) state the intended use of the appraisal review;
- 1033 (c) state the purpose of the appraisal review;
- 1034 (d) state information sufficient to identify:
- 1035 (i) the work under review, including any ownership interest in the property that is the  
1036 subject of the work under review;
- 1037 (ii) the date of the work under review;
- 1038 (iii) the effective date of the opinions or conclusions in the work under review; and
- 1039 (iv) the appraiser(s) who completed the work under review, unless the identity is withheld by  
1040 the client.

1041 Comment: If the identity of the appraiser(s) in the work under review is withheld by the  
1042 client, that fact must be stated in the appraisal review report.

- 1043 (e) state the effective date of the appraisal review and the date of the appraisal review report;
- 1044 (f) clearly and conspicuously:
- 1045 • state all extraordinary assumptions and hypothetical conditions; and
  - 1046 • state that their use might have affected the assignment results.
- 1047 (g) state the scope of work used to develop the appraisal review;

1048 Comment: Because intended users' reliance on an appraisal review may be affected by the  
1049 scope of work, the appraisal review report must enable them to be properly informed and not  
1050 misled. Sufficient information includes disclosure of research and analyses performed and  
1051 might also include disclosure of research and analyses not performed.

1052 When any portion of the work involves significant appraisal or appraisal review assistance,  
1053 the reviewer must state the extent of that assistance. The name(s) of those providing the  
1054 significant assistance must be stated in the certification, in accordance with Standards Rule 3-  
1055 6.

- 1056 (h) state the reviewer's opinions and conclusions about the work under review, including the reasons  
1057 for any disagreement;

1058 Comment: The report must provide sufficient information to enable the client and intended users to  
1059 understand the rationale for the reviewer's opinions and conclusions.

1060 (i) when the scope of work includes the reviewer's development of an opinion of value or review  
1061 opinion related to the work under review, the reviewer must:

1062 (i) state which information, analyses, opinions, and conclusions in the work under review  
1063 that the reviewer accepted as credible and used in developing the reviewer's opinion and  
1064 conclusions;

1065 (ii) at a minimum, summarize any additional information relied on and the reasoning for  
1066 the reviewer's opinion of value or review opinion related to the work under review;

1067 (iii) clearly and conspicuously:

- 1068 • state all extraordinary assumptions and hypothetical conditions connected with the  
1069 reviewer's opinion of value or review opinion related to the work under review; and
- 1070 • state that their use might have affected the assignment results.

1071 Comment: The reviewer may include his or her own opinion of value or review opinion  
1072 related to the work under review within the appraisal review report itself without preparing a  
1073 separate report. However, data and analyses provided by the reviewer to support a different  
1074 opinion or conclusion must match, at a minimum, except for the certification requirements,  
1075 the reporting requirements for an:

- 1076 • Appraisal Report for a real property appraisal (Standards Rule 2-2(a));
- 1077 • Appraisal Report for a personal property appraisal (Standards Rule 8-2(a));
- 1078 • Appraisal Review Report for an appraisal review (Standards Rule 3-5);
- 1079 • Mass Appraisal Report for mass appraisal (Standards Rule 6-8); and
- 1080 • Appraisal Report for business appraisal (Standards Rule 10-2(a)).

### 1081 Standards Rule 3-6

1082 Each written Appraisal Review Report must contain a signed certification that is similar in content to the  
1083 following form:

1084 I certify that, to the best of my knowledge and belief:

- 1085 — the statements of fact contained in this report are true and correct.
- 1086 — the reported analyses, opinions, and conclusions are limited only by the reported  
1087 assumptions and limiting conditions and are my personal, impartial, and unbiased  
1088 professional analyses, opinions, and conclusions.
- 1089 — I have no (or the specified) present or prospective interest in the property that is the  
1090 subject of the work under review and no (or the specified) personal interest with  
1091 respect to the parties involved.
- 1092 — I have performed no (or the specified) services, as an appraiser or in any other capacity,  
1093 regarding the property that is the subject of the work under review within the three-  
1094 year period immediately preceding acceptance of this assignment.
- 1095 — I have no bias with respect to the property that is the subject of the work under review  
1096 or to the parties involved with this assignment.
- 1097 — my engagement in this assignment was not contingent upon developing or reporting  
1098 predetermined results.
- 1099 — my compensation is not contingent on an action or event resulting from the analyses,  
1100 opinions, or conclusions in this review or from its use.

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- 1101 — my compensation for completing this assignment is not contingent upon the  
1102 development or reporting of predetermined assignment results or assignment results  
1103 that favors the cause of the client, the attainment of a stipulated result, or the  
1104 occurrence of a subsequent event directly related to the intended use of this appraisal  
1105 review.  
1106 — my analyses, opinions, and conclusions were developed and this review report was  
1107 prepared in conformity with the *Uniform Standards of Professional Appraisal Practice*.  
1108 — I have (or have not) made a personal inspection of the subject of the work under  
1109 review. (If more than one person signs this certification, the certification must clearly  
1110 specify which individuals did and which individuals did not make a personal  
1111 inspection of the subject of the work under review.) (For reviews of a business or  
1112 intangible asset appraisal assignment, the inspection portion of the certification is not  
1113 applicable.)  
1114 — no one provided significant appraisal or appraisal review assistance to the person  
1115 signing this certification. (If there are exceptions, the name of each individual(s)  
1116 providing appraisal or appraisal review assistance must be stated.)

1117 Comment: A signed certification is an integral part of the Appraisal Review Report. A  
1118 reviewer who signs any part of the appraisal review report, including a letter of transmittal,  
1119 must also sign the certification.

1120 Any reviewer who signs a certification accepts responsibility for all elements of the  
1121 certification, for the assignment results, and for the contents of the Appraisal Review Report.

1122 Appraisal review is distinctly different from the cosigning activity addressed in Standards  
1123 Rules 2-3, 6-9, 8-3, and 10-3. To avoid confusion between these activities, a reviewer  
1124 performing an appraisal review must not sign the work under review unless he or she intends  
1125 to accept responsibility as a cosigner of that work.

1126 When a signing appraiser has relied on work done by appraisers and others who do not sign  
1127 the certification, the signing appraiser is responsible for the decision to rely on their work.  
1128 The signing appraiser is required to have a reasonable basis for believing that those  
1129 individuals performing the work are competent. The signing appraiser also must have no  
1130 reason to doubt that the work of those individuals is credible.

1131 The names of individuals providing significant appraisal or appraisal review assistance who  
1132 do not sign a certification must be stated in the certification. It is not required that the  
1133 description of their assistance be contained in the certification, but disclosure of their  
1134 assistance is required in accordance with Standards Rule 3-5(g).

#### 1135 Standards Rule 3-7

1136 **To the extent that it is both possible and appropriate, an oral Appraisal Review Report must address the**  
1137 **substantive matters set forth in Standards Rule 3-5.**

1138 Comment: See the RECORD KEEPING RULE for corresponding requirements.

1139 **STANDARD 4: REAL PROPERTY APPRAISAL CONSULTING, DEVELOPMENT**

1140 This STANDARD has been retired by action of the Appraisal Standards Board.

**STANDARD 5**

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1141 **STANDARD 5: REAL PROPERTY APPRAISAL CONSULTING, REPORTING**

1142 This STANDARD has been retired by action of the Appraisal Standards Board.



## 1143 STANDARD 6: MASS APPRAISAL, DEVELOPMENT AND REPORTING

1144 **In developing a mass appraisal, an appraiser must be aware of, understand, and correctly employ those**  
 1145 **recognized methods and techniques necessary to produce and communicate credible mass appraisals.**

1146 Comment: STANDARD 6 applies to all mass appraisals of real or personal property  
 1147 regardless of the purpose or use of such appraisals.<sup>34</sup> STANDARD 6 is directed toward the  
 1148 substantive aspects of developing and communicating credible analyses, opinions, and  
 1149 conclusions in the mass appraisal of properties. Mass appraisals can be prepared with or  
 1150 without computer assistance. The reporting and jurisdictional exceptions applicable to public  
 1151 mass appraisals prepared for ad valorem taxation do not apply to mass appraisals prepared for  
 1152 other purposes.

1153 A mass appraisal includes:

- 1154 1) identifying properties to be appraised;
- 1155 2) defining market area of consistent behavior that applies to properties;
- 1156 3) identifying characteristics (supply and demand) that affect the creation of value in  
 1157 that market area;
- 1158 4) developing a model structure that reflects the relationship among the characteristics  
 1159 affecting value in the market area;
- 1160 5) calibrating the model structure to determine the contribution of the individual  
 1161 characteristics affecting value;
- 1162 6) applying the conclusions reflected in the model to the characteristics of the  
 1163 property(ies) being appraised; and
- 1164 7) reviewing the mass appraisal results.

1165 The JURISDICTIONAL EXCEPTION RULE may apply to several sections of STANDARD  
 1166 6 because ad valorem tax administration is subject to various state, county, and municipal  
 1167 laws.

1168 **Standards Rule 6-1**

1169 **In developing a mass appraisal, an appraiser must:**

- 1170 (a) **be aware of, understand, and correctly employ those recognized methods and techniques**  
 1171 **necessary to produce a credible mass appraisal;**

1172 Comment: Mass appraisal provides for a systematic approach and uniform application of  
 1173 appraisal methods and techniques to obtain estimates of value that allow for statistical review  
 1174 and analysis of results.

1175 This requirement recognizes that the principle of change continues to affect the manner in  
 1176 which appraisers perform mass appraisals. Changes and developments in the real property and  
 1177 personal property fields have a substantial impact on the appraisal profession.

1178 To keep abreast of these changes and developments, the appraisal profession is constantly  
 1179 reviewing and revising appraisal methods and techniques and devising new methods and  
 1180 techniques to meet new circumstances. For this reason it is not sufficient for appraisers to  
 1181 simply maintain the skills and the knowledge they possess when they become appraisers.

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<sup>34</sup> See Advisory Opinion 32, *Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments*.

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1182 Each appraiser must continuously improve his or her skills to remain proficient in mass  
1183 appraisal.

1184 (b) not commit a substantial error of omission or commission that significantly affects a mass  
1185 appraisal; and

1186 Comment: An appraiser must use sufficient care to avoid errors that would significantly affect  
1187 his or her opinions and conclusions. Diligence is required to identify and analyze the factors,  
1188 conditions, data, and other information that would have a significant effect on the credibility  
1189 of the assignment results.

1190 (c) not render a mass appraisal in a careless or negligent manner.

1191 Comment: Perfection is impossible to attain, and competence does not require perfection.  
1192 However, an appraiser must not render appraisal services in a careless or negligent manner.  
1193 This Standards Rule requires an appraiser to use due diligence and due care.

### 1194 Standards Rule 6-2

1195 In developing a mass appraisal, an appraiser must:

1196 (a) identify the client and other intended users;<sup>35</sup>

1197 (b) identify the intended use of the appraisal;<sup>36</sup>

1198 Comment: An appraiser must not allow the intended use of an assignment or a client's objectives to  
1199 cause the assignment results to be biased.

1200 (c) identify the type and definition of value, and, if the value opinion to be developed is market  
1201 value, ascertain whether the value is to be the most probable price:

1202 (i) in terms of cash; or

1203 (ii) in terms of financial arrangements equivalent to cash; or

1204 (iii) in such other terms as may be precisely defined; and

1205 (iv) if the opinion of value is based on non-market financing or financing with unusual  
1206 conditions or incentives, the terms of such financing must be clearly identified and the  
1207 appraiser's opinion of their contributions to or negative influence on value must be  
1208 developed by analysis of relevant market data;

1209 Comment: For certain types of appraisal assignments in which a legal definition of market  
1210 value has been established and takes precedence, the JURISDICTIONAL EXCEPTION  
1211 RULE may apply.

1212 (d) identify the effective date of the appraisal;<sup>37</sup>

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<sup>35</sup> See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

<sup>36</sup> See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

<sup>37</sup> See Statement on Appraisal Standards No. 3, *Retrospective Value Opinions*, and Statement on Appraisal Standards No. 4, *Prospective Value Opinions*.

- 1213 (e) identify the characteristics of the properties that are relevant to the type and definition of value  
1214 and intended use,<sup>38</sup> including:
- 1215 (i) the group with which a property is identified according to similar market influence;
- 1216 (ii) the appropriate market area and time frame relative to the property being valued; and
- 1217 (iii) their location and physical, legal, and economic characteristics;
- 1218 Comment: The properties must be identified in general terms, and each individual property in  
1219 the universe must be identified, with the information on its identity stored or referenced in its  
1220 property record.
- 1221 When appraising proposed improvements, an appraiser must examine and have available for  
1222 future examination, plans, specifications, or other documentation sufficient to identify the  
1223 extent and character of the proposed improvements.<sup>39</sup>
- 1224 Ordinarily, proposed improvements are not appraised for ad valorem tax. Appraisers,  
1225 however, are sometimes asked to provide opinions of value of proposed improvements so that  
1226 developers can estimate future property tax burdens. Sometimes units in condominiums and  
1227 planned unit developments are sold with an interest in un-built community property, the pro  
1228 rata value of which, if any, must be considered in the analysis of sales data.
- 1229 (f) identify the characteristics of the market that are relevant to the purpose and intended use of the  
1230 mass appraisal including:
- 1231 (i) location of the market area;
- 1232 (ii) physical, legal, and economic attributes;
- 1233 (iii) time frame of market activity; and
- 1234 (iv) property interests reflected in the market;
- 1235 (g) in appraising real property or personal property:
- 1236 (i) identify the appropriate market area and time frame relative to the property being  
1237 valued;
- 1238 (ii) when the subject is real property, identify and consider any personal property, trade  
1239 fixtures, or intangibles that are not real property but are included in the appraisal;
- 1240 (iii) when the subject is personal property, identify and consider any real property or  
1241 intangibles that are not personal property but are included in the appraisal;
- 1242 (iv) identify known easements, restrictions, encumbrances, leases, reservations, covenants,  
1243 contracts, declarations, special assessments, ordinances, or other items of similar nature;  
1244 and

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<sup>38</sup> See Advisory Opinion 23, *Identifying the Relevant Characteristics of the Subject Property of a Real Property Appraisal Assignment*, if applicable.

<sup>39</sup> See Advisory Opinion 17, *Appraisals of Real Property with Proposed Improvements*, if applicable.

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- 1245 (v) identify and analyze whether an appraised fractional interest, physical segment or  
1246 partial holding contributes pro-rata to the value of the whole;

1247 Comment: The above requirements do not obligate the appraiser to value the whole  
1248 when the subject of the appraisal is a fractional interest, physical segment, or a  
1249 partial holding. However, if the value of the whole is not identified, the appraisal  
1250 must clearly reflect that the value of the property being appraised cannot be used to  
1251 develop the value opinion of the whole by mathematical extension.

- 1252 (h) analyze the relevant economic conditions at the time of the valuation, including market  
1253 acceptability of the property and supply, demand, scarcity, or rarity;

- 1254 (i) identify any extraordinary assumptions and any hypothetical conditions necessary in the  
1255 assignment; and

1256 Comment: An extraordinary assumption may be used in an assignment only if:

- 1257 • it is required to properly develop credible opinions and conclusions;  
1258 • the appraiser has a reasonable basis for the extraordinary assumption;  
1259 • use of the extraordinary assumption results in a credible analysis; and  
1260 • the appraiser complies with the disclosure requirements set forth in USPAP for  
1261 extraordinary assumptions.

1262 A hypothetical condition may be used in an assignment only if:

- 1263 • use of the hypothetical condition is clearly required for legal purposes, for purposes  
1264 of reasonable analysis, or for purposes of comparison;  
1265 • use of the hypothetical condition results in a credible analysis; and  
1266 • the appraiser complies with the disclosure requirements set forth in USPAP for  
1267 hypothetical conditions.

- 1268 (j) determine the scope of work necessary to produce credible assignment results in accordance with  
1269 the SCOPE OF WORK RULE.<sup>40</sup>

### 1270 Standards Rule 6-3

1271 When necessary for credible assignment results, an appraiser must:

- 1272 (a) in appraising real property, identify and analyze the effect on use and value of the following  
1273 factors: existing land use regulations, reasonably probable modifications of such regulations,  
1274 economic supply and demand, the physical adaptability of the real estate, neighborhood trends,  
1275 and highest and best use of the real estate; and

1276 Comment: This requirement sets forth a list of factors that affect use and value. In considering  
1277 neighborhood trends, an appraiser must avoid stereotyped or biased assumptions relating to  
1278 race, age, color, gender, or national origin or an assumption that race, ethnic, or religious  
1279 homogeneity is necessary to maximize value in a neighborhood. Further, an appraiser must  
1280 avoid making an unsupported assumption or premise about neighborhood decline, effective  
1281 age, and remaining life. In considering highest and best use, an appraiser must develop the  
1282 concept to the extent required for a proper solution to the appraisal problem.

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<sup>40</sup> See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

1283 (b) in appraising personal property: identify and analyze the effects on use and value of industry  
 1284 trends, value-in-use, and trade level of personal property. Where applicable, analyze the current  
 1285 use and alternative uses to encompass what is profitable, legal, and physically possible, as  
 1286 relevant to the type and definition of value and intended use of the appraisal. Personal property  
 1287 has several measurable marketplaces; therefore, the appraiser must define and analyze the  
 1288 appropriate market consistent with the type and definition of value.

1289 Comment: The appraiser must recognize that there are distinct levels of trade and each may  
 1290 generate its own data. For example, a property may have a different value at a wholesale level  
 1291 of trade, a retail level of trade, or under various auction conditions. Therefore, the appraiser  
 1292 must analyze the subject property within the correct market context.

#### 1293 Standards Rule 6-4

1294 In developing a mass appraisal, an appraiser must:

1295 (a) identify the appropriate procedures and market information required to perform the appraisal,  
 1296 including all physical, functional, and external market factors as they may affect the appraisal;

1297 Comment: Such efforts customarily include the development of standardized data collection  
 1298 forms, procedures, and training materials that are used uniformly on the universe of properties  
 1299 under consideration.

1300 (b) employ recognized techniques for specifying property valuation models; and

1301 Comment: The formal development of a model in a statement or equation is called model  
 1302 specification. Mass appraisers must develop mathematical models that, with reasonable  
 1303 accuracy, represent the relationship between property value and supply and demand factors, as  
 1304 represented by quantitative and qualitative property characteristics. The models may be  
 1305 specified using the cost, sales comparison, or income approaches to value. The specification  
 1306 format may be tabular, mathematical, linear, nonlinear, or any other structure suitable for  
 1307 representing the observable property characteristics. Appropriate approaches must be used in  
 1308 appraising a class of properties. The concept of recognized techniques applies to both real and  
 1309 personal property valuation models.

1310 (c) employ recognized techniques for calibrating mass appraisal models.

1311 Comment: Calibration refers to the process of analyzing sets of property and market data to  
 1312 determine the specific parameters of a model. The table entries in a cost manual are examples  
 1313 of calibrated parameters, as well as the coefficients in a linear or nonlinear model. Models  
 1314 must be calibrated using recognized techniques, including, but not limited to, multiple linear  
 1315 regression, nonlinear regression, and adaptive estimation.

#### 1316 Standards Rule 6-5

1317 In developing a mass appraisal, when necessary for credible assignment results, an appraiser must:

1318 (a) collect, verify, and analyze such data as are necessary and appropriate to develop:

1319 (i) the cost new of the improvements;

1320 (ii) accrued depreciation;

1321 (iii) value of the land by sales of comparable properties;

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- 1322 (iv) value of the property by sales of comparable properties;
- 1323 (v) value by capitalization of income or potential earnings - i.e., rentals, expenses, interest
- 1324 rates, capitalization rates, and vacancy data;

1325 Comment: This Standards Rule requires appraisers engaged in mass appraisal to take

1326 reasonable steps to ensure that the quantity and quality of the factual data that are collected

1327 are sufficient to produce credible appraisals. For example, in real property, where applicable

1328 and feasible, systems for routinely collecting and maintaining ownership, geographic, sales,

1329 income and expense, cost, and property characteristics data must be established. Geographic

1330 data must be contained in as complete a set of cadastral maps as possible, compiled according

1331 to current standards of detail and accuracy. Sales data must be collected, confirmed, screened,

1332 adjusted, and filed according to current standards of practice. The sales file must contain, for

1333 each sale, property characteristics data that are contemporaneous with the date of sale.

1334 Property characteristics data must be appropriate and relevant to the mass appraisal models

1335 being used. The property characteristics data file must contain data contemporaneous with

1336 the date of appraisal including historical data on sales, where appropriate and available. The

1337 data collection program must incorporate a quality control program, including checks and

1338 audits of the data to ensure current and consistent records.

- 1339 (b) base estimates of capitalization rates and projections of future rental rates and/or potential
- 1340 earnings capacity, expenses, interest rates, and vacancy rates on reasonable and appropriate
- 1341 evidence;<sup>41</sup>

1342 Comment: This requirement calls for an appraiser, in developing income and expense

1343 statements and cash flow projections, to weigh historical information and trends, current

1344 market factors affecting such trends, and reasonably anticipated events, such as competition

1345 from developments either planned or under construction.

- 1346 (c) identify and, as applicable, analyze terms and conditions of any available leases; and

- 1347 (d) identify the need for and extent of any physical inspection.<sup>42</sup>

### 1348 Standards Rule 6-6

1349 When necessary for credible assignment results in applying a calibrated mass appraisal model an

1350 appraiser must:

- 1351 (a) value improved parcels by recognized methods or techniques based on the cost approach, the
- 1352 sales comparison approach, and income approach;

- 1353 (b) value sites by recognized methods or techniques; such techniques include but are not limited to
- 1354 the sales comparison approach, allocation method, abstraction method, capitalization of ground
- 1355 rent, and land residual technique;

- 1356 (c) when developing the value of a leased fee estate or a leasehold estate, analyze the effect on value,
- 1357 if any, of the terms and conditions of the lease;

1358 Comment: In ad valorem taxation the appraiser may be required by rules or law to appraise

1359 the property as if in fee simple, as though unencumbered by existing leases. In such cases,

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<sup>41</sup> See Statement on Appraisal Standards No. 2, *Discounted Cash Flow Analysis*.

<sup>42</sup> See Advisory Opinion 2, *Inspection of Subject Property*.

1360 market rent would be used in the appraisal, ignoring the effect of the individual, actual  
1361 contract rents.

1362 (d) analyze the effect on value, if any, of the assemblage of the various parcels, divided interests, or  
1363 component parts of a property; the value of the whole must not be developed by adding together  
1364 the individual values of the various parcels, divided interests, or component parts; and

1365 Comment: When the value of the whole has been established and the appraiser seeks to value  
1366 a part, the value of any such part must be tested by reference to appropriate market data and  
1367 supported by an appropriate analysis of such data.

1368 (e) when analyzing anticipated public or private improvements, located on or off the site, analyze  
1369 the effect on value, if any, of such anticipated improvements to the extent they are reflected in  
1370 market actions.

1371 Standards Rule 6-7

1372 In reconciling a mass appraisal an appraiser must:

1373 (a) reconcile the quality and quantity of data available and analyzed within the approaches used and  
1374 the applicability and relevance of the approaches, methods and techniques used; and

1375 (b) employ recognized mass appraisal testing procedures and techniques to ensure that standards of  
1376 accuracy are maintained.

1377 Comment: It is implicit in mass appraisal that, even when properly specified and calibrated  
1378 mass appraisal models are used, some individual value conclusions will not meet standards of  
1379 reasonableness, consistency, and accuracy. However, appraisers engaged in mass appraisal  
1380 have a professional responsibility to ensure that, on an overall basis, models produce value  
1381 conclusions that meet attainable standards of accuracy. This responsibility requires appraisers  
1382 to evaluate the performance of models, using techniques that may include but are not limited  
1383 to, goodness-of-fit statistics, and model performance statistics such as appraisal-to-sale ratio  
1384 studies, evaluation of hold-out samples, or analysis of residuals.

1385 Standards Rule 6-8

1386 A written report of a mass appraisal must clearly communicate the elements, results, opinions, and value  
1387 conclusions of the appraisal.

1388 Each written report of a mass appraisal must:

1389 (a) clearly and accurately set forth the appraisal in a manner that will not be misleading;

1390 (b) contain sufficient information to enable the intended users of the appraisal to understand the  
1391 report properly;

1392 Comment: Documentation for a mass appraisal for ad valorem taxation may be in the form of  
1393 (1) property records, (2) sales ratios and other statistical studies, (3) appraisal manuals and  
1394 documentation, (4) market studies, (5) model building documentation, (6) regulations, (7)  
1395 statutes, and (8) other acceptable forms.

1396 (c) clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical  
1397 conditions, and limiting conditions used in the assignment;

## STANDARD 6

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- 1398 Comment: The report must clearly and conspicuously:
- 1399       • state all extraordinary assumptions and hypothetical conditions; and
- 1400       • state that their use might have affected the assignment results.
- 1401 (d) state the identity of the client and any intended users, by name or type;<sup>43</sup>
- 1402 (e) state the intended use of the appraisal;<sup>44</sup>
- 1403 (f) disclose any assumptions or limiting conditions that result in deviation from recognized methods
- 1404 and techniques or that affect analyses, opinions, and conclusions;
- 1405 (g) set forth the effective date of the appraisal and the date of the report;
- 1406 Comment: In ad valorem taxation the effective date of the appraisal may be prescribed by law.
- 1407 If no effective date is prescribed by law, the effective date of the appraisal, if not stated, is
- 1408 presumed to be contemporaneous with the data and appraisal conclusions.
- 1409 The effective date of the appraisal establishes the context for the value opinion, while the date
- 1410 of the report indicates whether the perspective of the appraiser on the market and property as
- 1411 of the effective date of the appraisal was prospective, current, or retrospective.<sup>45</sup>
- 1412 (h) state the type and definition of value and cite the source of the definition;
- 1413 Comment: Stating the type and definition of value also requires any comments needed to
- 1414 clearly indicate to intended users how the definition is being applied.<sup>46</sup>
- 1415 When reporting an opinion of market value, state whether the opinion of value is:
- 1416       • In terms of cash or of financing terms equivalent to cash; or
- 1417       • Based on non-market financing with unusual conditions or incentives.
- 1418 When an opinion of market value is not in terms of cash or based on financing terms
- 1419 equivalent to cash, summarize the terms of such financing and explain their contributions to
- 1420 or negative influence on value.
- 1421 (i) identify the properties appraised including the property rights;
- 1422 Comment: The report documents the sources for location, describing and listing the property.
- 1423 When applicable, include references to legal descriptions, addresses, parcel identifiers,
- 1424 photos, and building sketches. In mass appraisal this information is often included in property
- 1425 records. When the property rights to be appraised are specified in a statute or court ruling, the
- 1426 law must be referenced.

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<sup>43</sup> See Statement on Appraisal Standards No. 9, *Identification of the Intended Use and Intended Users*.

<sup>44</sup> See Statement on Appraisal Standards No. 9, *Identification of the Intended Use and Intended Users*.

<sup>45</sup> See Statement on Appraisal Standards No. 3, *Retrospective Value Opinions*, and Statement on Appraisal Standards No. 4, *Prospective Value Opinions*.

<sup>46</sup> See Statement on Appraisal Standards No. 6, *Reasonable Exposure Time in Real Property and Personal Property Opinions of Value*. See also Advisory Opinion 7, *Marketing Time Opinions*.



- 1427 (j) describe the scope of work used to develop the appraisal;<sup>47</sup> exclusion of the sales comparison  
1428 approach, cost approach, or income approach must be explained;
- 1429 Comment: Because intended users' reliance on an appraisal may be affected by the scope of  
1430 work, the report must enable them to be properly informed and not misled. Sufficient  
1431 information includes disclosure of research and analyses performed and might also include  
1432 disclosure of research and analyses not performed.
- 1433 When any portion of the work involves significant mass appraisal assistance, the appraiser  
1434 must describe the extent of that assistance. The signing appraiser must also state the name(s)  
1435 of those providing the significant mass appraisal assistance in the certification, in accordance  
1436 with Standards Rule 6-9.<sup>48</sup>
- 1437 (k) describe and justify the model specification(s) considered, data requirements, and the model(s)  
1438 chosen;
- 1439 Comment: The appraiser must provide sufficient information to enable the client and  
1440 intended users to have confidence that the process and procedures used conform to accepted  
1441 methods and result in credible value conclusions. In the case of mass appraisal for ad valorem  
1442 taxation, stability and accuracy are important to the credibility of value opinions. The report  
1443 must include a discussion of the rationale for each model, the calibration techniques to be  
1444 used, and the performance measures to be used.
- 1445 (l) describe the procedure for collecting, validating, and reporting data;
- 1446 Comment: The report must describe the sources of data and the data collection and validation  
1447 processes. Reference to detailed data collection manuals must be made, as appropriate,  
1448 including where they may be found for inspection.
- 1449 (m) describe calibration methods considered and chosen, including the mathematical form of the  
1450 final model(s); describe how value conclusions were reviewed; and, if necessary, describe the  
1451 availability of individual value conclusions;
- 1452 (n) when an opinion of highest and best use, or the appropriate market or market level was  
1453 developed, discuss how that opinion was determined;
- 1454 Comment: The mass appraisal report must reference case law, statute, or public policy that  
1455 describes highest and best use requirements. When actual use is the requirement, the report  
1456 must discuss how use-value opinions were developed. The appraiser's reasoning in support of  
1457 the highest and best use opinion must be provided in the depth and detail required by its  
1458 significance to the appraisal.
- 1459 (o) identify the appraisal performance tests used and set forth the performance measures attained;
- 1460 (p) describe the reconciliation performed, in accordance with Standards Rule 6-7; and
- 1461 (q) include a signed certification in accordance with Standards Rule 6-9.

<sup>47</sup> See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure* and Advisory Opinion 29, *An Acceptable Scope of Work*.

<sup>48</sup> See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

## STANDARD 6

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### 1462 Standards Rule 6-9

1463 Each written mass appraisal report must contain a signed certification that is similar in content to the  
1464 following form:

1465 I certify that, to the best of my knowledge and belief:

- 1466 — the statements of fact contained in this report are true and correct.
- 1467 — the reported analyses, opinions, and conclusions are limited only by the reported  
1468 assumptions and limiting conditions, and are my personal, impartial, and unbiased  
1469 professional analyses, opinions, and conclusions.
- 1470 — I have no (or the specified) present or prospective interest in the property that is the  
1471 subject of this report, and I have no (or the specified) personal interest with respect to  
1472 the parties involved.
- 1473 — I have performed no (or the specified) services, as an appraiser or in any other capacity,  
1474 regarding the property that is the subject of this report within the three-year period  
1475 immediately preceding acceptance of this assignment.
- 1476 — I have no bias with respect to any property that is the subject of this report or to the  
1477 parties involved with this assignment.
- 1478 — my engagement in this assignment was not contingent upon developing or reporting  
1479 predetermined results.
- 1480 — my compensation for completing this assignment is not contingent upon the reporting  
1481 of a predetermined value or direction in value that favors the cause of the client, the  
1482 amount of the value opinion, the attainment of a stipulated result, or the occurrence of  
1483 a subsequent event directly related to the intended use of this appraisal.
- 1484 — my analyses, opinions, and conclusions were developed, and this report has been  
1485 prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- 1486 — I have (or have not) made a personal inspection of the properties that are the subject  
1487 of this report. (If more than one person signs the report, this certification must clearly  
1488 specify which individuals did and which individuals did not make a personal  
1489 inspection of the appraised property.)<sup>49</sup>
- 1490 — no one provided significant mass appraisal assistance to the person signing this  
1491 certification. (If there are exceptions, the name of each individual providing  
1492 significant mass appraisal assistance must be stated.)

1493 Comment: The above certification is not intended to disturb an elected or appointed assessor's  
1494 work plans or oaths of office. A signed certification is an integral part of the appraisal report.  
1495 An appraiser, who signs any part of the mass appraisal report, including a letter of transmittal,  
1496 must also sign this certification.

1497 In an assignment that includes only assignment results developed by the real property  
1498 appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for all  
1499 elements of the certification, for the assignment results, and for the contents of the appraisal  
1500 report. In an assignment that includes personal property assignment results not developed by  
1501 the real property appraiser(s), any real property appraiser(s) who signs a certification accepts  
1502 full responsibility for the real property elements of the certification, for the real property  
1503 assignment results, and for the real property contents of the appraisal report.

1504 In an assignment that includes only assignment results developed by the personal property  
1505 appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for all  
1506 elements of the certification, for the assignment results, and for the contents of the appraisal  
1507 report. In an assignment that includes real property assignment results not developed by the

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<sup>49</sup> See Advisory Opinion 2, *Inspection of Subject Property*.

1508 personal property appraiser(s), any personal property appraiser(s) who signs a certification  
1509 accepts full responsibility for the personal property elements of the certification, for the  
1510 personal property assignment results, and for the personal property contents of the appraisal  
1511 report.

1512 When a signing appraiser(s) has relied on work done by appraisers and others who do not sign  
1513 the certification, the signing appraiser is responsible for the decision to rely on their work.  
1514 The signing appraiser(s) is required to have a reasonable basis for believing that those  
1515 individuals performing the work are competent. The signing appraiser(s) also must have no  
1516 reason to doubt that the work of those individuals is credible.

1517 The names of individuals providing significant mass appraisal assistance who do not sign a  
1518 certification must be stated in the certification. It is not required that the description of their  
1519 assistance be contained in the certification, but disclosure of their assistance is required in  
1520 accordance with Standards Rule 6-8(j).<sup>50</sup>

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<sup>50</sup> See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

## STANDARD 7

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### 1521 STANDARD 7: PERSONAL PROPERTY APPRAISAL, DEVELOPMENT

1522 In developing a personal property appraisal, an appraiser must identify the problem to be solved,  
1523 determine the scope of work necessary to solve the problem, and correctly complete research and  
1524 analyses necessary to produce a credible appraisal.

1525 Comment: STANDARD 7 is directed toward the substantive aspects of developing a credible  
1526 appraisal of personal property. The requirements set forth in STANDARD 7 follow the  
1527 appraisal development process in the order of topics addressed and can be used by appraisers  
1528 and the users of appraisal services as a convenient checklist.

#### 1529 Standards Rule 7-1

1530 In developing a personal property appraisal, an appraiser must:

1531 (a) be aware of, understand, and correctly employ those recognized methods and techniques that are  
1532 necessary to produce a credible appraisal;

1533 Comment: This Standards Rule recognizes that change continues to affect the manner in  
1534 which appraisers perform appraisal services. Changes and developments in personal property  
1535 practice have a substantial impact on the appraisal profession. Important changes in the cost  
1536 and manner of acquiring, producing, and marketing personal property and changes in the legal  
1537 framework in which appraisers perform their assignments result in the need for corresponding  
1538 changes in personal property appraisal theory and practice. Social change has also had an  
1539 effect on appraisal theory and practice. The appraisal profession responds to changing  
1540 circumstances with revised and new appraisal methods and techniques. Therefore, it is not  
1541 sufficient for appraisers to maintain the skills and the knowledge they possess when they  
1542 become appraisers. Each appraiser must improve and update his or her skills and knowledge  
1543 to remain proficient in the appraisal of personal property.

1544 (b) not commit a substantial error of omission or commission that significantly affects an  
1545 appraisal; and

1546 Comment: An appraiser must use sufficient care to avoid errors that would significantly affect  
1547 his or her opinions and conclusions. Diligence is required to identify and analyze the factors,  
1548 conditions, data, and other information that would have a significant effect on the credibility  
1549 of the assignment results.

1550 (c) not render appraisal services in a careless or negligent manner, such as by making a series of  
1551 errors that, although individually might not significantly affect the results of an appraisal, in the  
1552 aggregate affect the credibility of those results.

1553 Comment: Perfection is impossible to attain, and competence does not require perfection.  
1554 However, an appraiser must not render appraisal services in a careless or negligent manner.  
1555 This Standards Rule requires an appraiser to use due diligence and care.

#### 1556 Standards Rule 7-2

1557 In developing a personal property appraisal, an appraiser must:

1558 (a) identify the client and other intended users;

1559 (b) identify the intended use of the appraiser's opinions and conclusions;

1560 Comment: An appraiser must not allow the intended use of an assignment or a client's  
1561 objectives to cause the assignment results to be biased.

1562 (c) identify the type and definition of value. If the value opinion to be developed is market value,  
1563 ascertain whether the value is to be the most probable price:

1564 (i) in terms of cash; or

1565 (ii) in terms of financial arrangements equivalent to cash; or

1566 (iii) in other precisely defined terms; and

1567 (iv) if the opinion of value is to be based on non-market financing or financing with unusual  
1568 conditions or incentives, the terms of such financing must be clearly identified and the  
1569 appraiser's opinion of their contributions to or negative influence on value must be  
1570 developed by analysis of relevant market data;

1571 Comment: When exposure time is a component of the definition for the value  
1572 opinion being developed, the appraiser must also develop an opinion of reasonable  
1573 exposure time linked to that value opinion.

1574 (d) identify the effective date of the appraiser's opinions and conclusions;

1575 (e) identify the characteristics of the property that are relevant to the type and definition of value  
1576 and intended use of the appraisal, including:

1577 (i) sufficient characteristics to establish the identity of the item including the method of  
1578 identification;

1579 (ii) sufficient characteristics to establish the relative quality of the item (and its component  
1580 parts, where applicable) within its type;

1581 (iii) all other physical and economic attributes with a material effect on value;

1582 Comment: Some examples of physical and economic characteristics include  
1583 condition, style, size, quality, manufacturer, author, materials, origin, age,  
1584 provenance, alterations, restorations, and obsolescence. The type of property, the  
1585 type and definition of value, and intended use of the appraisal determine which  
1586 characteristics have a material effect on value.

1587 (iv) the ownership interest to be valued;

1588 (v) any known restrictions, encumbrances, leases, covenants, contracts, declarations, special  
1589 assessments, ordinances, or other items of a similar nature if relevant to the assignment;  
1590 and

1591 (vi) any real property or intangible items that are not personal property but which are  
1592 included in the appraisal;

1593 Comment on (i)-(vi): The information used by an appraiser to identify the property  
1594 characteristics must be from sources the appraiser reasonably believes are reliable.

1595 An appraiser may use any combination of a property inspection and documents or  
1596 other resources to identify the relevant characteristics of the subject property.

1597 When appraising proposed modifications, an appraiser must examine and have  
1598 available for future examination, documentation sufficient to identify the extent and  
1599 character of the proposed modifications.

## STANDARD 7

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1600 An appraiser may not be required to value the whole when the subject of the  
1601 appraisal is a fractional interest, a physical segment, or a partial holding.

1602 (f) identify any extraordinary assumptions necessary in the assignment;

1603 Comment: An extraordinary assumption may be used in an assignment only if:

- 1604 • it is required to properly develop credible opinions and conclusions;
- 1605 • the appraiser has a reasonable basis for the extraordinary assumption;
- 1606 • use of the extraordinary assumption results in a credible analysis; and
- 1607 • the appraiser complies with the disclosure requirements set forth in USPAP for  
1608 extraordinary assumptions.

1609 (g) identify any hypothetical conditions necessary in the assignment; and

1610 Comment: A hypothetical condition may be used in an assignment only if:

- 1611 • use of the hypothetical condition is clearly required for legal purposes, for purposes  
1612 of reasonable analysis, or for purposes of comparison;
- 1613 • use of the hypothetical condition results in a credible analysis; and
- 1614 • the appraiser complies with the disclosure requirements set forth in USPAP for  
1615 hypothetical conditions.

1616 (h) determine the scope of work necessary to produce credible assignment results in accordance with  
1617 the SCOPE OF WORK RULE.

### 1618 Standard Rule 7-3

1619 In developing a personal property appraisal, when necessary for credible assignment results, an  
1620 appraiser must:

1621 (a) analyze the property's current use and alternative uses as relevant to the type and definition of  
1622 value and intended use of the appraisal;

1623 Comment: In the context of personal property, value can be a function of the choice of the  
1624 appropriate market or, in some cases, market level for the type of item, the type and definition  
1625 of value, and the intended use of the appraisal.

1626 The appraiser must consider the various uses of the property when viable alternative uses  
1627 exist and when those alternative uses may result in a different value.

1628 (b) define and analyze the appropriate market consistent with the type and definition of value; and

1629 Comment: The appraiser must recognize that there are distinct levels of trade (measurable  
1630 marketplaces) and each may generate its own data. For example, a property may have a  
1631 different value at a wholesale level of trade, retail level of trade, or under various auction  
1632 conditions. Therefore, the appraiser must analyze the subject property within the correct  
1633 market context.

1634 (c) analyze the relevant economic conditions that exist on the effective date of the valuation,  
1635 including market acceptability of the property and supply, demand, scarcity or rarity.

### 1636 Standards Rule 7-4

1637 In developing a personal property appraisal, an appraiser must collect, verify, and analyze all  
1638 information necessary for credible assignment results.

- 1639 (a) When a sales comparison approach is necessary for credible assignment results, an appraiser  
1640 must analyze such comparable sales data as are available to indicate a value conclusion.
- 1641 (b) When a cost approach is necessary for credible assignment results, an appraiser must:
- 1642 (i) analyze such comparable cost data as are available to estimate the cost new of the  
1643 property; and
- 1644 (ii) analyze such comparable data as are available to estimate the difference between cost  
1645 new and the present worth of the property (accrued depreciation).
- 1646 (c) When an income approach is necessary for credible assignment results, an appraiser must:
- 1647 (i) analyze such comparable data as are available to estimate the market income of the  
1648 property;
- 1649 (ii) analyze such comparable operating expense data as are available to estimate the  
1650 operating expenses of the property;
- 1651 (iii) analyze such comparable data as are available to estimate rates of capitalization and/or  
1652 rates of discount; and
- 1653 (iv) base projections of future income and expenses on reasonably clear and appropriate  
1654 evidence.
- 1655 Comment: An appraiser must, in developing income and expense statements and  
1656 cash flow projections, weigh historical information and trends, current supply and  
1657 demand factors affecting such trends, and competition.
- 1658 (d) When developing an opinion of the value of a lease, leased, or encumbered property, an  
1659 appraiser must analyze the effect on value, if any, of the terms and conditions of the lease(s) or  
1660 encumbrances.
- 1661 (e) When appraising multiple objects, the appraiser must consider the significance of the value of  
1662 the individual assets to the assignment results. Those objects which are more significant to the  
1663 assignment results should be the focus of the analysis and analyzed in appropriate detail.
- 1664 Comment: A group of objects may have a mix of high and low value items. Those objects  
1665 that are more significant to the assignment results should be subject to a greater and  
1666 appropriate depth of analysis.
- 1667 (f) When analyzing the assemblage of the various component parts of a property, an appraiser must  
1668 analyze the effect on value, if any, of the assemblage. An appraiser must refrain from valuing the  
1669 whole solely by adding together the individual values of the various component parts.
- 1670 Comment: Although the value of the whole may be equal to the sum of the separate parts, it  
1671 also may be greater than or less than the sum of such parts. Therefore, the value of the whole  
1672 must be tested by reference to appropriate data and supported by an appropriate analysis of  
1673 such data.
- 1674 A similar procedure must be followed when the value of the whole has been established and  
1675 the appraiser seeks to value a part. The value of any such part must be tested by reference to  
1676 appropriate data and supported by an appropriate analysis of such data.
- 1677 (g) When analyzing anticipated modifications to the subject property, an appraiser must analyze the  
1678 effect on value, if any, of such modifications to the extent they are reflected in market actions.
- 1679 (h) When real property or intangible items are included in the appraisal, the appraiser must analyze  
1680 the effect on value of such non-personal property items.

## STANDARD 7

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1681 Comment: When the scope of work includes an appraisal of real property or intangible items,  
1682 competency in real property appraisal (see STANDARD 1) or business appraisal (see  
1683 STANDARD 9) is required. In addition, competency in other types of personal property  
1684 outside of the appraiser's specialty area may be necessary (see STANDARD 7 and the  
1685 COMPETENCY RULE).

### 1686 Standards Rule 7-5

1687 **When developing an opinion of market value, an appraiser must, if such information is available to the**  
1688 **appraiser in the normal course of business:<sup>51</sup>**

1689 (a) **analyze all agreements of sale, validated offers or third-party offers to sell, options, and listings**  
1690 **of the subject property current as of the effective date of the appraisal if warranted by the**  
1691 **intended use of the appraisal; and**

1692 (b) **analyze all prior sales of the subject property that occurred within a reasonable and applicable**  
1693 **time period if relevant given the intended use of the appraisal and property type.**

1694 Comment: The data needed for the required analyses in Standards Rule 7-5(a) and 7-5(b)  
1695 may not be available or relevant in all assignments. See the Comments to Standards Rules 8-  
1696 2(a)(viii) and 8-2(b)(viii) for corresponding reporting requirements.

### 1697 Standards Rule 7-6

1698 **In developing a personal property appraisal, an appraiser must:**

1699 (a) **reconcile the quality and quantity of data available and analyzed within the approach or**  
1700 **approaches used; and**

1701 (b) **reconcile the applicability and relevance of the approach or approaches, methods and techniques**  
1702 **used to arrive at the value conclusion(s).**

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<sup>51</sup> See Advisory Opinion 24, *Normal Course of Business*.



1703 **STANDARD 8: PERSONAL PROPERTY APPRAISAL, REPORTING**

1704 **In reporting the results of a personal property appraisal, an appraiser must communicate each analysis,**  
 1705 **opinion, and conclusion in a manner that is not misleading.**

1706 Comment: STANDARD 8 addresses the content and level of information required in a report  
 1707 that communicates the results of a personal property appraisal.

1708 STANDARD 8 does not dictate the form, format, or style of personal property appraisal  
 1709 reports, which are functions of the needs of intended users and appraisers. The substantive  
 1710 content of a report determines its compliance.

1711 **Standards Rule 8-1**

1712 **Each written or oral personal property appraisal report must:**

- 1713 (a) **clearly and accurately set forth the appraisal in a manner that will not be misleading;**  
 1714 (b) **contain sufficient information to enable the intended users of the appraisal to understand the**  
 1715 **report properly; and**  
 1716 (c) **clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical**  
 1717 **conditions, and limiting conditions used in the assignment.**

1718 **Standards Rule 8-2**

1719 **Each written personal property appraisal report must be prepared under one of the following options**  
 1720 **and prominently state which option is used: Appraisal Report or Restricted Appraisal Report.<sup>52</sup>**

1721 Comment: When the intended users include parties other than the client, an Appraisal  
 1722 Report must be provided. When the intended users do not include parties other than the  
 1723 client, a Restricted Appraisal Report may be provided.

1724 The essential difference between these two options is in the content and level of information  
 1725 provided. The appropriate reporting option and the level of information necessary in the  
 1726 report are dependent on the intended use and intended users.

1727 An appraiser must use care when characterizing the type of report and level of information  
 1728 communicated upon completion of an assignment. An appraiser may use any other label in  
 1729 addition to, but not in place of, the label set forth in this Standard for the type of report  
 1730 provided.

1731 The report content and level of information requirements set forth in this Standard are  
 1732 minimums for each type of report. An appraiser must supplement a report form, when  
 1733 necessary, to ensure that any intended user of the appraisal is not misled and that the report  
 1734 complies with the applicable content requirements set forth in this Standards Rule.

1735 A party receiving a copy of an Appraisal Report or Restricted Appraisal Report in order to  
 1736 satisfy disclosure requirements does not become an intended user of the appraisal unless the  
 1737 appraiser identifies such party as an intended user as part of the assignment.

<sup>52</sup> See Advisory Opinion 11, *Content of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2* and Advisory Opinion 12, *Use of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2*.

## STANDARD 8

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- 1738 (a) The content of an Appraisal Report must be consistent with the intended use of the appraisal  
1739 and, at a minimum:
- 1740 (i) state the identity of the client and any intended users, by name or type;<sup>53</sup>
- 1741 Comment: An appraiser must use care when identifying the client to ensure a clear  
1742 understanding and to avoid violations of the Confidentiality section of the ETHICS  
1743 RULE. In those rare instances where the client wishes to remain anonymous, an  
1744 appraiser must still document the identity of the client in the workfile but may omit  
1745 the client's identity in the report.
- 1746 (ii) state the intended use of the appraisal;<sup>54</sup>
- 1747 (iii) summarize information sufficient to identify the property involved in the appraisal,  
1748 including the physical and economic property characteristics relevant to the assignment;
- 1749 (iv) state the property interest appraised;
- 1750 (v) state the type and definition of value and cite the source of the definition;
- 1751 Comment: Stating the definition of value also requires any comments needed to  
1752 clearly indicate to the intended users how the definition is being applied.
- 1753 When reporting an opinion of market value, state whether the opinion of value is:
- 1754 • in terms of cash or of financing terms equivalent to cash, or  
1755 • based on non-market financing or financing with unusual conditions or  
1756 incentives.
- 1757 When an opinion of market value is not in terms of cash or based on financing terms  
1758 equivalent to cash, summarize the terms of such financing and explain their  
1759 contributions to or negative influence on value.
- 1760 When an opinion of reasonable exposure time has been developed in compliance  
1761 with Standards Rule 7-2(c), the opinion must be stated in the report.<sup>55</sup>
- 1762 (vi) state the effective date of the appraisal and the date of the report;<sup>56</sup>
- 1763 Comment: The effective date of the appraisal establishes the context for the value  
1764 opinion, while the date of the report indicates whether the perspective of the  
1765 appraiser on the market and property as of the effective date of the appraisal was  
1766 prospective, current, or retrospective.
- 1767 (vii) summarize the scope of work used to develop the appraisal;<sup>57</sup>

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<sup>53</sup> See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

<sup>54</sup> See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

<sup>55</sup> See Statement on Appraisal Standards No. 6, *Reasonable Exposure Time in Real Property and Personal Property Opinions of Value*. See also Advisory Opinion 7, *Marketing Time Opinions*.

<sup>56</sup> See Statement on Appraisal Standards No. 3, *Retrospective Value Opinions*, and Statement on Appraisal Standards No. 4, *Prospective Value Opinions*.

- 1768                    Comment: Because intended users' reliance on an appraisal may be affected by the  
1769 scope of work, the report must enable them to be properly informed and not misled.  
1770 Sufficient information includes disclosure of research and analyses performed and  
1771 might also include disclosure of research and analyses not performed.
- 1772                    When any portion of the work involves significant personal property appraisal  
1773 assistance, the appraiser must summarize the extent of that assistance. The name(s)  
1774 of those providing the significant personal property appraisal assistance must be  
1775 stated in the certification, in accordance with Standards Rule 8-3.<sup>58</sup>
- 1776                    (viii)    **summarize the information analyzed, the appraisal methods and techniques employed,**  
1777                    **and the reasoning that supports the analyses, opinions, and conclusions; exclusion of the**  
1778                    **sales comparison approach, cost approach, or income approach must be explained;**<sup>59</sup>
- 1779                    Comment: An Appraisal Report must include sufficient information to indicate that  
1780 the appraiser complied with the requirements of STANDARD 7. The amount of  
1781 detail required will vary with the significance of the information to the appraisal and  
1782 with the significance of a particular object or group of objects to the overall  
1783 assignment results.
- 1784                    The appraiser must provide sufficient information to enable the client and intended  
1785 users to understand the rationale for the opinion and conclusions, including  
1786 reconciliation of the data and approaches, in accordance with Standards Rule 7-6.
- 1787                    When reporting an opinion of market value, a summary of the results of the analysis  
1788 of the subject sales, offers, options, and listings in accordance with Standards Rule 7-  
1789 5 is necessary. If such information was unobtainable, a statement on the efforts  
1790 undertaken by the appraiser to obtain the information is required. If such information  
1791 is irrelevant, a statement acknowledging the existence of the information and citing  
1792 its lack of relevance is required.
- 1793                    (ix)      **state, as appropriate to the class of personal property involved, the use of the property**  
1794                    **existing as of the date of value and the use of the property reflected in the appraisal;**
- 1795                    Comment: In the context of personal property, value can be a function of the current  
1796 and alternative use of the subject property, the choice of the appropriate market or  
1797 market level for the type of item, the type and definition of value, and intended use  
1798 of the report.
- 1799                    (x)      **when an opinion of the appropriate market or market level was developed by the**  
1800                    **appraiser, summarize the support and rationale for that opinion;**
- 1801                    (xi)     **clearly and conspicuously:**
- 1802                                       • **state all extraordinary assumptions and hypothetical conditions; and**  
1803                                       • **state that their use might have affected the assignment results; and**
- 1804                    (xii)    **include a signed certification in accordance with Standards Rule 8-3.**

<sup>57</sup> See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure* and Advisory Opinion 29, *An Acceptable Scope of Work*.

<sup>58</sup> See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

<sup>59</sup> See Advisory Opinion 2, *Inspection of Subject Property*.

## STANDARD 8

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- 1805 (b) The content of a Restricted Appraisal Report must be consistent with the intended use of the  
1806 appraisal and, at a minimum:
- 1807 (i) state the identity of the client, by name or type;<sup>60</sup> and state a prominent use restriction  
1808 that limits use of the report to the client and warns that the rationale for how the  
1809 appraiser arrived at the opinions and conclusions set forth in the report may not be  
1810 understood properly without additional information in the appraiser's workfile;
- 1811 Comment: An appraiser must use care when identifying the client to ensure a clear  
1812 understanding and to avoid violations of the Confidentiality section of the ETHICS  
1813 RULE. In those rare instances when the client wishes to remain anonymous, an  
1814 appraiser must still document the identity of the client in the workfile but may omit  
1815 the client's identity in the report.
- 1816 The Restricted Appraisal Report is for client use only. Before entering into an  
1817 agreement, the appraiser should establish with the client the situations where this  
1818 type of report is to be used and should ensure that the client understands the  
1819 restricted utility of the Restricted Appraisal Report.
- 1820 (ii) state the intended use of the appraisal;<sup>61</sup>
- 1821 Comment: The intended use of the appraisal must be consistent with the limitation  
1822 on use of the Restricted Appraisal Report option in this Standards Rule (i.e., client  
1823 use only).
- 1824 (iii) state information sufficient to identify the property involved in the appraisal;
- 1825 (iv) state the property interest appraised;
- 1826 (v) state the type of value and cite the source of its definition;<sup>62</sup>
- 1827 Comment: When an opinion of reasonable exposure time has been developed in  
1828 compliance with Standards Rule 7-2(c), the opinion must be stated in the report.
- 1829 (vi) state the effective date of the appraisal and the date of the report;<sup>63</sup>
- 1830 Comment: The effective date of the appraisal establishes the context for the value  
1831 opinion, while the date of the report indicates whether the perspective of the  
1832 appraiser on the market and property as of the effective date of the appraisal was  
1833 prospective, current, or retrospective.
- 1834 (vii) state the scope of work used to develop the appraisal;<sup>64</sup>

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<sup>60</sup> See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

<sup>61</sup> See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

<sup>62</sup> See Statement on Appraisal Standards No. 6, *Reasonable Exposure Time in Real Property and Personal Property Opinions of Value*. See also Advisory Opinion 7, *Marketing Time Opinions*.

<sup>63</sup> See Statement on Appraisal Standards No. 3, *Retrospective Value Opinions*, and Statement on Appraisal Standards No. 4, *Prospective Value Opinions*.

<sup>64</sup> See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure* and Advisory Opinion 29, *An Acceptable Scope of Work*.

- 1835 Comment: Because the client's reliance on an appraisal may be affected by the scope  
1836 of work, the report must enable them to be properly informed and not misled.  
1837 Sufficient information includes disclosure of research and analyses performed and  
1838 might also include disclosure of research and analyses not performed.
- 1839 When any portion of the work involves significant personal property appraisal  
1840 assistance, the appraiser must state the extent of that assistance. The name(s) of those  
1841 providing the significant personal property appraisal assistance must be stated in the  
1842 certification, in accordance with Standards Rule 8-3.<sup>65</sup>
- 1843 (viii) **state the appraisal methods and techniques employed, state the value opinion(s) and**  
1844 **conclusion(s) reached, and reference the workfile; exclusion of the sales comparison**  
1845 **approach, cost approach, or income approach must be explained;**<sup>66</sup>
- 1846 Comment: An appraiser must maintain a specific, coherent workfile in support of a  
1847 Restricted Appraisal Report. The contents of the workfile must include sufficient  
1848 information to indicate that the appraiser complied with the requirements of  
1849 STANDARD 7 and for the appraiser to produce an Appraisal Report.
- 1850 When reporting an opinion of market value, information analyzed in compliance  
1851 with Standards Rule 7-5 is significant information that must be disclosed in a  
1852 Restricted Appraisal Report. If such information was unobtainable, a statement on  
1853 the efforts undertaken by the appraiser to obtain the information is required. If such  
1854 information is irrelevant, a statement acknowledging the existence of the information  
1855 and citing its lack of relevance is required.
- 1856 (ix) **state, as appropriate to the class of personal property involved, the use of the property**  
1857 **existing as of the date of value and the use of the property reflected in the appraisal;**
- 1858 Comment: In the context of personal property, value can be a function of the current  
1859 and alternative use of the subject property, the choice of the appropriate market or  
1860 market level for the type of item, the type and definition of value, and intended use  
1861 of the report.  
1862
- 1863 (x) **when an opinion of the appropriate market or market level was developed by the**  
1864 **appraiser, state that opinion;**
- 1865 (xi) **clearly and conspicuously:**
- 1866 • **state all extraordinary assumptions and hypothetical conditions; and**  
1867 • **state that their use might have affected the assignment results; and**
- 1868 (xii) **include a signed certification in accordance with Standards Rule 8-3.**

1869 **Standards Rule 8-3**

1870 **Each written personal property appraisal report must contain a signed certification that is similar in**  
1871 **content to the following form:**

1872 **I certify that, to the best of my knowledge and belief:**

<sup>65</sup> See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

<sup>66</sup> See Advisory Opinion 2, *Inspection of Subject Property*.

## STANDARD 8

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- 1873 — the statements of fact contained in this report are true and correct.  
1874 — the reported analyses, opinions, and conclusions are limited only by the reported  
1875 assumptions and limiting conditions and are my personal, impartial, and unbiased  
1876 professional analyses, opinions, and conclusions.  
1877 — I have no (or the specified) present or prospective interest in the property that is the  
1878 subject of this report and no (or the specified) personal interest with respect to the  
1879 parties involved.  
1880 — I have performed no (or the specified) services, as an appraiser or in any other  
1881 capacity, regarding the property that is the subject of this report within the three-year  
1882 period immediately preceding acceptance of this assignment.  
1883 — I have no bias with respect to the property that is the subject of this report or to the  
1884 parties involved with this assignment.  
1885 — my engagement in this assignment was not contingent upon developing or reporting  
1886 predetermined results.  
1887 — my compensation for completing this assignment is not contingent upon the  
1888 development or reporting of a predetermined value or direction in value that favors  
1889 the cause of the client, the amount of the value opinion, the attainment of a stipulated  
1890 result, or the occurrence of a subsequent event directly related to the intended use of  
1891 this appraisal.  
1892 — my analyses, opinions, and conclusions were developed, and this report has been  
1893 prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.  
1894 — I have (or have not) made a personal inspection of the property that is the subject of  
1895 this report. (If more than one person signs this certification, the certification must  
1896 clearly specify which individuals did and which individuals did not make a personal  
1897 inspection of the appraised property.)<sup>67</sup>  
1898 — no one provided significant personal property appraisal assistance to the person  
1899 signing this certification. (If there are exceptions, the name of each individual  
1900 providing significant personal property appraisal assistance must be stated.)

1901 Comment: A signed certification is an integral part of the appraisal report. An appraiser who  
1902 signs any part of the appraisal report, including a letter of transmittal, must also sign this  
1903 certification.

1904 In an assignment that includes only assignment results developed by the personal property  
1905 appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for all  
1906 elements of the certification, for the assignment results, and for the contents of the appraisal  
1907 report. In an assignment that includes real property, business or intangible asset assignment  
1908 results not developed by the personal property appraiser(s), any personal property appraiser(s)  
1909 who signs a certification accepts full responsibility for the personal property elements of the  
1910 certification, for the personal property assignment results, and for the personal property  
1911 contents of the appraisal report.

1912 When a signing appraiser(s) has relied on work done by appraisers and others who do not sign  
1913 the certification, the signing appraiser is responsible for the decision to rely on their work.  
1914 The signing appraiser(s) is required to have a reasonable basis for believing that those  
1915 individuals performing the work are competent. The signing appraiser(s) also must have no  
1916 reason to doubt that the work of those individuals is credible.<sup>68</sup>

1917 The names of individuals providing significant personal property appraisal assistance who do  
1918 not sign a certification must be stated in the certification. It is not required that the description

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<sup>67</sup> See Advisory Opinion 2, *Inspection of Subject Property*.

<sup>68</sup> See Advisory Opinion 5, *Assistance in the Preparation of an Appraisal*.

1919 of their assistance be contained in the certification, but disclosure of their assistance is  
1920 required in accordance with Standards Rule 8-2(a)(vii) or 8-2(b)(vii) as applicable.<sup>69</sup>

1921 **Standards Rule 8-4**

1922 **To the extent that it is both possible and appropriate, an oral personal property appraisal report must**  
1923 **address the substantive matters set forth in Standards Rule 8-2(a).**

1924 Comment: See the RECORD KEEPING RULE for corresponding requirements.

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<sup>69</sup> See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

## STANDARD 9

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### 1925 STANDARD 9: BUSINESS APPRAISAL, DEVELOPMENT

1926 In developing an appraisal of an interest in a business enterprise or intangible asset, an appraiser must  
1927 identify the problem to be solved, determine the scope of work necessary to solve the problem, and  
1928 correctly complete the research and analyses necessary to produce a credible appraisal.

1929 Comment: STANDARD 9 is directed toward the substantive aspects of developing a credible  
1930 appraisal of an interest in a business enterprise or intangible asset.

#### 1931 Standards Rule 9-1

1932 In developing an appraisal of an interest in a business enterprise or intangible asset, an appraiser must:

1933 (a) be aware of, understand, and correctly employ those recognized approaches, methods and  
1934 procedures that are necessary to produce a credible appraisal;

1935 Comment: Changes and developments in the economy and in investment theory have a  
1936 substantial impact on the business and intangible asset appraisal profession. Important  
1937 changes in the financial arena, securities regulation, financial reporting requirements, and law  
1938 may result in corresponding changes in appraisal theory and practice.

1939 (b) not commit a substantial error of omission or commission that significantly affects an appraisal;  
1940 and

1941 Comment: An appraiser must use sufficient care to avoid errors that would significantly affect  
1942 his or her opinions and conclusions. Diligence is required to identify and analyze the factors,  
1943 conditions, data, and other information that would have a significant effect on the credibility  
1944 of the assignment results.

1945 (c) not render appraisal services in a careless or negligent manner, such as by making a series of  
1946 errors that, although individually might not significantly affect the results of an appraisal, in the  
1947 aggregate affect the credibility of those results.

1948 Comment: Perfection is impossible to attain, and competence does not require perfection.  
1949 However, an appraiser must not render appraisal services in a careless or negligent manner.  
1950 This Standards Rule requires an appraiser to use due diligence and due care.

#### 1951 Standards Rule 9-2

1952 In developing an appraisal of an interest in a business enterprise or intangible asset, an appraiser must:

1953 (a) identify the client and other intended users;<sup>70</sup>

1954 (b) identify the intended use of the appraiser's opinions and conclusions;<sup>71</sup>

1955 Comment: An appraiser must not allow the intended use of an assignment or a client's  
1956 objectives to cause the assignment results to be biased.

1957 (c) identify the standard (type) and definition of value and the premise of value;

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<sup>70</sup> See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

<sup>71</sup> See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.



- 1958 (d) identify the effective date of the appraisal;
- 1959 (e) identify the characteristics of the subject property that are relevant to the standard (type) and  
1960 definition of value and intended use of the appraisal, including:
- 1961 (i) the subject business enterprise or intangible asset, if applicable;
- 1962 (ii) the interest in the business enterprise, equity, asset, or liability to be valued;
- 1963 Comment: The interest to be valued may represent all ownership rights or a subset  
1964 of those rights, such as a specific right to use the asset.
- 1965 (iii) all buy-sell and option agreements, investment letter stock restrictions, restrictive  
1966 corporate charter or partnership agreement clauses, and similar features or factors that  
1967 may have an influence on value;
- 1968 (iv) the extent to which the interest contains elements of ownership control; and
- 1969 Comment: The elements of control in a given situation may be affected by law,  
1970 distribution of ownership interests, contractual relationships, and many other factors.
- 1971 (v) the extent to which the interest is marketable and/or liquid;
- 1972 Comment on (i)-(v): An appraiser must identify the attributes of the interest being appraised,  
1973 including the rights and benefits of ownership.
- 1974 The information used by an appraiser to identify the property characteristics must be from  
1975 sources the appraiser reasonably believes are reliable.
- 1976 (f) identify any extraordinary assumptions necessary in the assignment;
- 1977 Comment: An extraordinary assumption may be used in an assignment only if:
- 1978 • it is required to properly develop credible opinions and conclusions;
- 1979 • the appraiser has a reasonable basis for the extraordinary assumption;
- 1980 • use of the extraordinary assumption results in a credible analysis; and
- 1981 • the appraiser complies with the disclosure requirements set forth in USPAP for  
1982 extraordinary assumptions.
- 1983 (g) identify any hypothetical conditions necessary in the assignment; and
- 1984 Comment: A hypothetical condition may be used in an assignment only if:
- 1985 • use of the hypothetical condition is clearly required for legal purposes, for purposes  
1986 of reasonable analysis, or for purposes of comparison;
- 1987 • use of the hypothetical condition results in a credible analysis; and
- 1988 • the appraiser complies with the disclosure requirements set forth in USPAP for  
1989 hypothetical conditions.

## STANDARD 9

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1990 (h) determine the scope of work necessary to produce credible assignment results in accordance with  
1991 the SCOPE OF WORK RULE.<sup>72</sup>

### 1992 Standards Rule 9-3

1993 In developing an appraisal of an equity interest in a business enterprise with the ability to cause  
1994 liquidation, an appraiser must investigate the possibility that the business enterprise may have a higher  
1995 value by liquidation of all or part of the enterprise than by continued operation as is. If liquidation of all  
1996 or part of the enterprise is the indicated premise of value, an appraisal of any real property or personal  
1997 property to be liquidated may be appropriate.

1998 Comment: This Standards Rule requires the appraiser to recognize that continued operation of  
1999 a business is not always the best premise of value because liquidation of all or part of the  
2000 enterprise may result in a higher value. However, this typically applies only when the business  
2001 equity being appraised is in a position to cause liquidation. If liquidation of all or part of the  
2002 enterprise is the appropriate premise of value, the scope of work may include an appraisal of  
2003 real property or tangible personal property. If so, competency in real property appraisal  
2004 (STANDARD 1) or tangible personal property appraisal (STANDARD 7) is required.

### 2005 Standards Rule 9-4

2006 In developing an appraisal of an interest in a business enterprise or intangible asset, an appraiser must  
2007 collect and analyze all information necessary for credible assignment results.

2008 (a) An appraiser must develop value opinion(s) and conclusion(s) by use of one or more approaches  
2009 that are necessary for credible assignment results.

2010 (b) An appraiser must, when necessary for credible assignment results, analyze the effect on value, if  
2011 any, of:

2012 (i) the nature and history of the business enterprise or intangible asset;

2013 (ii) financial and economic conditions affecting the business enterprise or intangible asset,  
2014 its industry, and the general economy;

2015 (iii) past results, current operations, and future prospects of the business enterprise;

2016 (iv) past sales of capital stock or other ownership interests in the business enterprise or  
2017 intangible asset being appraised;

2018 (v) sales of capital stock or other ownership interests in similar business enterprises;

2019 (vi) prices, terms, and conditions affecting past sales of similar ownership interests in the  
2020 asset being appraised or a similar asset; and

2021 (vii) economic benefit of tangible and intangible assets.

2022 Comment on (i)-(vii): This Standards Rule directs the appraiser to study the prospective and  
2023 retrospective aspects of the business enterprise and to study it in terms of the economic and  
2024 industry environment within which it operates.

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<sup>72</sup> See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

2025 (c) An appraiser must, when necessary for credible assignment results, analyze the effect on value, if  
2026 any, of buy-sell and option agreements, investment letter stock restrictions, restrictive corporate  
2027 charter or partnership agreement clauses, and similar features or factors that may influence  
2028 value.

2029 (d) An appraiser must, when necessary for credible assignment results, analyze the effect on value, if  
2030 any, of the extent to which the interest appraised contains elements of ownership control and is  
2031 marketable and/or liquid.

2032 Comment: An appraiser must analyze factors such as holding period, interim benefits, and the  
2033 difficulty and cost of marketing the subject interest.

2034 Equity interests in a business enterprise are not necessarily worth the pro rata share of the  
2035 business enterprise interest value as a whole. Also, the value of the business enterprise is not  
2036 necessarily a direct mathematical extension of the value of the fractional interests. The degree  
2037 of control, marketability and/or liquidity or lack thereof depends on a broad variety of facts  
2038 and circumstances that must be analyzed when applicable.

2039 **Standards Rule 9-5**

2040 **In developing an appraisal of an interest in a business enterprise or intangible asset, an appraiser must:**

2041 (a) **reconcile the quality and quantity of data available and analyzed within the approaches,**  
2042 **methods, and procedures used; and**

2043 (b) **reconcile the applicability and relevance of the approaches, methods and procedures used to**  
2044 **arrive at the value conclusion(s).**

2045 Comment: The value conclusion is the result of the appraiser's judgment and not necessarily  
2046 the result of a mathematical process.

## STANDARD 10

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### 2047 **STANDARD 10: BUSINESS APPRAISAL, REPORTING**

2048 **In reporting the results of an appraisal of an interest in a business enterprise or intangible asset, an**  
2049 **appraiser must communicate each analysis, opinion, and conclusion in a manner that is not misleading.**

2050 **Comment:** STANDARD 10 addresses the content and level of information required in a report that  
2051 communicates the results of an appraisal of an interest in a business enterprise or intangible asset  
2052 developed under STANDARD 9.

2053 STANDARD 10 does not dictate the form, format, or style of business or intangible asset  
2054 appraisal reports, which are functions of the needs of intended users and appraisers. The  
2055 substantive content of a report determines its compliance.

#### 2056 **Standards Rule 10-1**

2057 **Each written or oral appraisal report for an interest in a business enterprise or intangible asset must:**

- 2058 (a) **clearly and accurately set forth the appraisal in a manner that will not be misleading;**  
2059 (b) **contain sufficient information to enable the intended user(s) to understand the report; and**  
2060 (c) **clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical**  
2061 **conditions, and limiting conditions used in the assignment.**

#### 2062 **Standards Rule 10-2**

2063 **Each written appraisal report for an interest in a business enterprise or intangible asset must be**  
2064 **prepared in accordance with one of the following options and prominently state which option is used:**  
2065 **Appraisal Report or Restricted Appraisal Report.**

2066 **Comment:** When the intended users include parties other than the client, an Appraisal Report  
2067 must be provided. When the intended users do not include parties other than the client, a  
2068 Restricted Appraisal Report may be provided.

2069 The essential difference between these options is in the content and level of information  
2070 provided. The appropriate reporting option and the level of information necessary in the  
2071 report are dependent on the intended use and intended users.

2072 An appraiser must use care when characterizing the type of report and level of information  
2073 communicated upon completion of an assignment. An appraiser may use any other label in  
2074 addition to, but not in place of, the label set forth in this Standard for the type of report  
2075 provided.

2076 The report content and level of information requirements set forth in this Standard are  
2077 minimums for both types of report.

2078 A party receiving a copy of an Appraisal Report or Restricted Appraisal Report does not  
2079 become an intended user of the appraisal unless the appraiser identifies such party as an  
2080 intended user as part of the assignment.

- 2081 (a) **The content of an Appraisal Report must be consistent with the intended use of the appraisal**  
2082 **and, at a minimum:**

- 2083 (i) state the identity of the client and any other intended users, by name or type;<sup>73</sup>
- 2084 Comment: An appraiser must use care when identifying the client to ensure a clear  
2085 understanding and to avoid violations of the Confidentiality section of the ETHICS  
2086 RULE. In those rare instances when the client wishes to remain anonymous, an  
2087 appraiser must still document the identity of the client in the workfile but may omit  
2088 the client's identity in the report.
- 2089 (ii) state the intended use of the appraisal;<sup>74</sup>
- 2090 (iii) summarize information sufficient to identify the business or intangible asset and the  
2091 interest appraised;
- 2092 Comment: The identification information must include property characteristics  
2093 relevant to the type and definition of value and intended use of the appraisal.
- 2094 (iv) state the extent to which the interest appraised contains elements of ownership control,  
2095 including the basis for that determination;
- 2096 (v) state the extent to which the interest appraised lacks elements of marketability and/or  
2097 liquidity, including the basis for that determination;
- 2098 (vi) state the standard (type) and definition of value and the premise of value and cite the  
2099 source of the definition;
- 2100 Comment: Stating the definition of value also requires any comments needed to  
2101 clearly indicate to the intended users how the definition is being applied.
- 2102 (vii) state the effective date of the appraisal and the date of the report;
- 2103 Comment: The effective date of the appraisal establishes the context for the value  
2104 opinion, while the date of the report indicates whether the perspective of the  
2105 appraiser on the market or property as of the effective date of the appraisal was  
2106 prospective, current, or retrospective.
- 2107 (viii) summarize the scope of work used to develop the appraisal;<sup>75</sup>
- 2108 Comment: Because intended users' reliance on an appraisal may be affected by the  
2109 scope of work, the report must enable them to be properly informed and not misled.  
2110 Sufficient information includes disclosure of research and analyses performed and  
2111 might also include disclosure of research and analyses not performed.
- 2112 When any portion of the work involves significant business and/or intangible asset  
2113 appraisal assistance, the appraiser must summarize the extent of that assistance. The  
2114 name(s) of those providing the significant business and/or intangible asset appraisal

<sup>73</sup> See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

<sup>74</sup> See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

<sup>75</sup> See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

## STANDARD 10

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- 2115 assistance must be stated in the certification, in accordance with Standards Rule 10-  
2116 3.<sup>76</sup>
- 2117 (ix) summarize the information analyzed, the appraisal procedures followed, and the  
2118 reasoning that supports the analyses, opinions, and conclusions; exclusion of the market  
2119 approach, asset-based (cost) approach, or income approach must be explained;
- 2120 Comment: An Appraisal Report must include sufficient information to indicate that  
2121 the appraiser complied with the requirements of STANDARD 9. The amount of  
2122 detail required will vary with the significance of the information to the appraisal.
- 2123 The appraiser must provide sufficient information to enable the client and intended  
2124 users to understand the rationale for the opinions and conclusions, including  
2125 reconciliation in accordance with Standards Rule 9-5.
- 2126 (x) clearly and conspicuously:
- 2127 • state all extraordinary assumptions and hypothetical conditions; and
  - 2128 • state that their use might have affected the assignment results; and
  - 2129
  - 2130 (xi) include a signed certification in accordance with Standards Rule 10-3.
- 2131 (b) The content of a Restricted Appraisal Report must be consistent with the intended use of the  
2132 appraisal and, at a minimum:
- 2133 (i) state the identity of the client, by name or type;<sup>77</sup> and state a prominent use restriction  
2134 that limits use of the report to the client and warns that the rationale for how the  
2135 appraiser arrived at the opinions and conclusions set forth in the report may not be  
2136 understood properly without additional information in the appraiser's workfile;
- 2137 Comment: An appraiser must use care when identifying the client to ensure a clear  
2138 understanding and to avoid violations of the Confidentiality section of the ETHICS  
2139 RULE. In those rare instances when the client wishes to remain anonymous, an  
2140 appraiser must still document the identity of the client in the workfile but may omit  
2141 the client's identity in the report.
- 2142 The Restricted Appraisal Report is for client use only. Before entering into an  
2143 agreement, the appraiser should establish with the client the situations where this  
2144 type of report is to be used and should ensure that the client understands the  
2145 restricted utility of the Restricted Appraisal Report.
- 2146 (ii) state the intended use of the appraisal;<sup>78</sup>
- 2147 Comment: The intended use of the appraisal must be consistent with the limitation  
2148 on use of the Restricted Appraisal Report option in this Standards Rule (i.e. client use  
2149 only).
- 2150 (iii) state information sufficient to identify the business or intangible asset and the interest  
2151 appraised;

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<sup>76</sup> See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

<sup>77</sup> See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

<sup>78</sup> See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

- 2152                    Comment: The identification information must include property characteristics  
2153                    relevant to the type and definition of value and intended use of the appraisal.
- 2154                    (iv)    state the extent to which the interest appraised contains elements of ownership control,  
2155                    including the basis for that determination;
- 2156                    (v)    state the extent to which the interest appraised lacks elements of marketability and/or  
2157                    liquidity, including the basis for that determination;
- 2158                    (vi)    state the standard (type) of value and the premise of value, and cite the source of its  
2159                    definition;
- 2160                    (vii)   state the effective date of the appraisal and the date of the report;
- 2161                    Comment: The effective date of the appraisal establishes the context for the value  
2162                    opinion, while the date of the report indicates whether the perspective of the  
2163                    appraiser on the market or property as of the effective date of the appraisal was  
2164                    prospective, current, or retrospective.
- 2165                    (viii)   state the scope of work used to develop the appraisal;<sup>79</sup>
- 2166                    Comment: Because the client's reliance on an appraisal may be affected by the scope  
2167                    of work, the report must enable them to be properly informed and not misled.  
2168                    Sufficient information includes disclosure of research and analyses performed and  
2169                    might also include disclosure of research and analyses not performed.
- 2170                    When any portion of the work involves significant business and/or intangible asset  
2171                    appraisal assistance, the appraiser must state the extent of that assistance. The  
2172                    name(s) of those providing the significant business and/or intangible asset appraisal  
2173                    assistance must be stated in the certification, in accordance with Standards Rule 10-  
2174                    3.<sup>80</sup>
- 2175                    (ix)    state the appraisal procedures followed, state the value opinion(s) and conclusion(s)  
2176                    reached, and reference the workfile; exclusion of the market approach, asset-based  
2177                    (cost) approach, or income approach must be explained;
- 2178                    Comment: An appraiser must maintain a specific, coherent workfile in support of a  
2179                    Restricted Appraisal Report. The contents of the workfile must include sufficient  
2180                    information to indicate that the appraiser complied with the requirements of  
2181                    STANDARD 9 and for the appraiser to produce an Appraisal Report.
- 2182                    (x)    clearly and conspicuously:
- 2183                           • state all extraordinary assumptions and hypothetical conditions; and  
2184                           • state that their use might have affected the assignment results; and

<sup>79</sup> See Advisory Opinion 28, *Scope of Work Decision. Performance. and Disclosure* and Advisory Opinion 29, *An Acceptable Scope of Work*.

<sup>80</sup> See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

## STANDARD 10

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2185 (xi) include a signed certification in accordance with Standards Rule 10-3.

### 2186 Standards Rule 10-3

2187 Each written appraisal report for an interest in a business enterprise or intangible asset must contain a  
2188 signed certification that is similar in content to the following form:

2189 I certify that, to the best of my knowledge and belief:

- 2190 — the statements of fact contained in this report are true and correct.
- 2191 — the reported analyses, opinions, and conclusions are limited only by the reported  
2192 assumptions and limiting conditions and are my personal, impartial, and unbiased  
2193 professional analyses, opinions, and conclusions.
- 2194 — I have no (or the specified) present or prospective interest in the property that is the  
2195 subject of this report, and I have no (or the specified) personal interest with respect to  
2196 the parties involved.
- 2197 — I have performed no (or the specified) services, as an appraiser or in any other capacity,  
2198 regarding the property that is the subject of this report within the three-year period  
2199 immediately preceding acceptance of this assignment.
- 2200 — I have no bias with respect to the property that is the subject of this report or to the  
2201 parties involved with this assignment.
- 2202 — my engagement in this assignment was not contingent upon developing or reporting  
2203 predetermined results.
- 2204 — my compensation for completing this assignment is not contingent upon the  
2205 development or reporting of a predetermined value or direction in value that favors  
2206 the cause of the client, the amount of the value opinion, the attainment of a stipulated  
2207 result, or the occurrence of a subsequent event directly related to the intended use of  
2208 this appraisal.
- 2209 — my analyses, opinions, and conclusions were developed, and this report has been  
2210 prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- 2211 — no one provided significant business and/or intangible asset appraisal assistance to the  
2212 person signing this certification. (If there are exceptions, the name of each individual  
2213 providing significant business and/or intangible asset appraisal assistance must be  
2214 stated.)

2215 Comment: A signed certification is an integral part of the appraisal report. An appraiser who  
2216 signs any part of the appraisal report, including a letter of transmittal, must also sign this  
2217 certification.

2218 In an assignment that includes only assignment results developed by the business and/or  
2219 intangible asset appraiser(s), any appraiser(s) who signs a certification accepts full  
2220 responsibility for all elements of the certification, for the assignment results, and for the  
2221 contents of the appraisal report. In an assignment that includes real property or personal  
2222 property assignment results not developed by the business and/or intangible asset appraiser(s),  
2223 any business and/or intangible asset appraiser(s) who signs a certification accepts full  
2224 responsibility for the business and/or intangible asset elements of the certification, for the  
2225 business and/or intangible asset assignment results, and for the business and/or intangible  
2226 asset contents of the appraisal report.

2227 When a signing appraiser(s) has relied on work done by appraisers and others who do not sign  
2228 the certification, the signing appraiser is responsible for the decision to rely on their work.  
2229 The signing appraiser(s) is required to have a reasonable basis for believing that those  
2230 individuals performing the work are competent. The signing appraiser(s) also must have no  
2231 reason to doubt that the work of those individuals is credible.



2232 The names of individuals providing significant business and/or intangible asset appraisal  
2233 assistance who do not sign a certification must be stated in the certification. It is not required  
2234 that the description of their assistance be contained in the certification but disclosure of their  
2235 assistance is required in accordance with Standards Rule 10-2(a)(vii) or 10-2(b)(vii), as  
2236 applicable.<sup>81</sup>

2237 **Standards Rule 10-4**

2238 To the extent that it is both possible and appropriate, an oral appraisal report for an interest in a  
2239 business enterprise or intangible asset must address the substantive matters set forth in Standards Rule  
2240 10-2(a).

2241 Comment: See the RECORD KEEPING RULE for corresponding requirements.

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<sup>81</sup> See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

**STATEMENT 1**

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2242 **STATEMENT ON APPRAISAL STANDARDS NO. 1 (SMT-1)**

2243 **SUBJECT: Appraisal Review—Clarification of Comment on Standards Rule 3-1(g)**

2244 This Statement has been retired by action of the Appraisal Standards Board.

2245 **STATEMENT ON APPRAISAL STANDARDS NO. 2 (SMT-2)**2246 **SUBJECT: Discounted Cash Flow Analysis**2247 **APPLICATION: Real Property**2248 **THE ISSUE:**

2249 Discounted cash flow (DCF) analysis is an accepted analytical tool and method of valuation within the income  
2250 capitalization approach to value. DCF is not a new method, but it did not enjoy widespread use until modern  
2251 computer technology enabled appraisers to automate the process. Because DCF analysis is profit oriented and  
2252 dependent on the analysis of uncertain future events, it is vulnerable to misuse. What steps can the appraiser  
2253 take to avoid misuse of DCF analysis?

2254 **THE STATEMENT:**

2255 The acceptance of DCF analysis as a method of valuation began in the institutional real estate market and has  
2256 spread to investment real estate in the general real estate market. DCF techniques may be applied in the  
2257 valuation or analysis of proposed construction, land development, condominium development or conversion,  
2258 rehabilitation development, and income-producing real estate of various types. DCF analysis is becoming a  
2259 requirement of advisors, asset managers, fiduciaries, portfolio managers, syndicators, underwriters, and others  
2260 dealing in investment-grade real estate. These users of appraisal services favor the inclusion of DCF analysis as  
2261 a management tool in projecting cash flow and return expectations, capital requirements, refinancing  
2262 opportunities, and timing of future property dispositions. DCF analysis is regarded as one of the best methods of  
2263 replicating steps taken to reach investor buy/sell/hold decisions and is often a part of the exercise of due  
2264 diligence in the evaluation of an investment.

2265 DCF methodology is based on the principle of anticipation - i.e., value is created by the anticipation of future  
2266 benefits. DCF analysis reflects investment criteria and requires the appraiser to make empirical and subjective  
2267 assumptions. DCF analysis can be used for investment value and market value appraisals, as well as for other  
2268 purposes such as sensitivity tests.

2269 DCF analysis is an additional tool available to the appraiser and is best applied in developing value opinions in  
2270 the context of one or more other approaches. This statement focuses on the criteria for proper DCF analysis and  
2271 does not imply that DCF analysis is or should be the only method employed.

2272 To avoid misuse or misunderstanding when DCF analysis is used in an appraisal assignment to develop an  
2273 opinion of market value, it is the responsibility of the appraiser to ensure that the controlling input is consistent  
2274 with market evidence and prevailing market attitudes. Market value DCF analyses should be supported by  
2275 market derived data, and the assumptions should be both market and property specific. Market value DCF  
2276 analyses, along with available factual data, are intended to reflect the expectations and perceptions of market  
2277 participants. They should be judged on the support for the forecasts that existed when made, not on whether  
2278 specific items in the forecasts are realized at a later date. An appraisal report that includes the results of DCF  
2279 analysis must clearly state the assumptions on which the analysis is based and must set forth the relevant data  
2280 used in the analysis.

2281 Standards Rule 1-1(b) states that the appraiser must not commit a substantial error of omission or commission  
2282 that significantly affects an appraisal. Standards Rule 1-1(c) states that the appraiser must not render appraisal  
2283 services in a careless or negligent manner, such as making a series of errors that, although individually might  
2284 not significantly affect the results of an appraisal, in the aggregate would affect the credibility of those results.  
2285 These two Standards Rules are significant for DCF analysis because of the potential for the compounding effect  
2286 of errors in the input, unrealistic assumptions, and programming errors.

## STATEMENT 2

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2287 Computer printouts showing the results of DCF analysis may be generated by commercial software or by  
2288 software prepared by the appraiser. Either way, the appraiser is responsible for the entire analysis including the  
2289 controlling input, the calculations, and the resulting output. If using commercial software the appraiser should  
2290 cite the name and version of the software and provide a brief description of the methods and assumptions  
2291 inherent in the software. Standards Rule 1-4(c)(iv) requires that projections of anticipated future rent and/or  
2292 income potential and expenses be based on reasonably clear and appropriate evidence. The Comment to this  
2293 Standards Rule makes specific reference to cash flow projections, the essence of DCF analysis.

2294 DCF accounts for and reflects those items and forces that affect the revenue, expenses, and ultimate earning  
2295 capacity of real estate and represents a forecast of events that would be considered likely within a specific  
2296 market. For example, in the appraisal of a multi-tenant property, a lease-by-lease analysis addresses contract  
2297 and market rents, specific escalations, operating expenses, pass-through provisions, market-derived or specific  
2298 concessions, capital expenditures, and any other measurable specific provisions applicable. Revenue growth  
2299 rate or decline rate assumptions are premised on analysis of supply/demand factors and other economic  
2300 conditions and trends within the market area of the subject. Operating expense change rates should reflect both  
2301 overall expense trends and the specific trend of significant expense items.

2302 Discount rates applied to cash flows and estimates of reversion should be derived from data and information in  
2303 the real estate and capital markets. Surveys of investor opinion and yield indices are also useful in the rate  
2304 selection process, but only when the type of and market for the real estate being appraised is consistent with the  
2305 type of and market for the real estate typically acquired by the investors interviewed in the survey.  
2306 Considerations used in the selection of rates are risk, inflation, and real rates of return.

2307 When reversion capitalization rates are used, they should reflect investor expectations considering the real  
2308 estate type, age and condition, cash flow characteristics, and related factors. The projection period is a variable  
2309 and should be set on the basis of the facts and circumstances of each analysis.

2310 The results of DCF analysis should be tested and checked for errors and reasonableness. Because of the  
2311 compounding effects in the projection of income and expenses, even slight input errors can be magnified and  
2312 can produce unreasonable results. For example, it is good practice to test whether cash flows are changing at  
2313 reasonable rates and to compare the reversion capitalization rate with the inferred entrance capitalization rate to  
2314 see if the relationship between these rates is reasonable and explainable.

2315 STANDARD 2 requires the appraiser to communicate each analysis, opinion, and conclusion in a manner that is  
2316 not misleading. Appraisals using the DCF method in the income capitalization approach may contain  
2317 computerized projections of itemized future cash flow supported by exhaustive printouts that can be misleading.  
2318 The seeming precision of computer-generated projections may give the appearance of certainty to projections  
2319 that are actually variable within a wide range. In DCF analysis, all of the assumptions (growth rates, decline  
2320 rates, rental rates, discount rates, financing terms, expense trends, capitalization rates, etc.) directly affect the  
2321 conclusion and must be clearly and accurately disclosed in the appraisal report.

### 2322 CONCLUSIONS:

- 2323 • DCF analysis is an additional tool available to the appraiser and is best applied in
- 2324 developing value opinions in the context of one or more other approaches.
- 2325 • It is the responsibility of the appraiser to ensure that the controlling input is
- 2326 consistent with market evidence and prevailing market attitudes.
- 2327 • Market value DCF analyses should be supported by market-derived data, and the
- 2328 assumptions should be both market- and property-specific.
- 2329 • If using commercial software the appraiser should cite the name and version of the
- 2330 software and provide a brief description of the methods and assumptions inherent in
- 2331 the software.

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- DCF accounts for and reflects those items and forces that affect the revenue, expenses, and ultimate earning capacity of real estate and represents a forecast of events that would be considered likely within a specific market.
- The results of DCF analysis should be tested and checked for errors and reasonableness.
- Standards Rule 1-1(b) states that the appraiser must not commit a substantial error of omission or commission that significantly affects an appraisal.

### STATEMENT 3

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2339 **STATEMENT ON APPRAISAL STANDARDS NO. 3 (SMT-3)**

2340 **SUBJECT: Retrospective Value Opinions**

2341 **APPLICATION: Real Property, Personal Property**

2342 **THE ISSUE:**

2343 Two dates are essential to an appraisal report. Standards Rules 2-2(a)(vi) and (b)(vi), and 8-2(a)(vi) and (b)(vi)  
2344 require that each appraisal report specify the effective date of the appraisal and the date of the report. The date  
2345 of the report indicates the perspective from which the appraiser is examining the market. The effective date of  
2346 the appraisal establishes the context for the value opinion. Three categories of effective dates - retrospective,  
2347 current, or prospective - may be used, according to the intended use of the appraisal assignment.

2348 When a retrospective effective date is used, how can the appraisal be prepared and presented in a manner that is  
2349 not misleading?

2350 **THE STATEMENT:**

2351 Retrospective appraisals (effective date of the appraisal prior to the date of the report) may be required for  
2352 property tax matters, estate or inheritance tax matters, condemnation proceedings, suits to recover damages, and  
2353 similar situations.

2354 Current appraisals occur when the effective date of the appraisal is contemporaneous with the date of the report.  
2355 Since most appraisals require current value opinions, the importance of specifying both the date of the report  
2356 and the effective date of the analysis is sometimes lost.

2357 Prospective appraisals (effective date of the appraisal subsequent to the date of the report) may be required for  
2358 valuations of property interests related to proposed developments, as the basis for value at the end of a cash  
2359 flow projection, and for other reasons. (See SMT-4 on *Prospective Value Opinions*.)

2360 The use of clear and concise language and appropriate terminology in appraisal reports helps to eliminate  
2361 misleading reports. To avoid confusion, the appraiser must clearly establish the date to which the value opinion  
2362 applies. In retrospective value opinions, use of a modifier for the term "market value" and past verb tenses  
2363 increases clarity (e.g., ". . . the retrospective market value was . . ." instead of ". . . the market value is . . .").

2364 A retrospective appraisal is complicated by the fact that the appraiser already knows what occurred in the  
2365 market after the effective date of the appraisal. Data subsequent to the effective date may be considered in  
2366 developing a retrospective value as a confirmation of trends that would reasonably be considered by a buyer or  
2367 seller as of that date. The appraiser should determine a logical cut-off because at some point distant from the  
2368 effective date, the subsequent data will not reflect the relevant market. This is a difficult determination to make.  
2369 Studying the market conditions as of the date of the appraisal assists the appraiser in judging where he or she  
2370 should make this cut-off. In the absence of evidence in the market that data subsequent to the effective date  
2371 were consistent with and confirmed market expectations as of the effective date, the effective date should be  
2372 used as the cut-off date for data considered by the appraiser.

2373 Use of direct excerpts from then-current appraisal reports prepared at the time of the retrospective effective date  
2374 helps the appraiser and the reader understand market conditions as of the retrospective effective date.

## 2375 CONCLUSIONS:

- 2376 • A retrospective appraisal is complicated by the fact that the appraiser already knows
- 2377 what occurred in the market after the effective date of the appraisal.
- 2378 • Data subsequent to the effective date may be considered in developing a
- 2379 retrospective value as a confirmation of trends.
- 2380 • The appraiser should determine a logical cut-off.
- 2381 • Use of direct excerpts from then-current appraisal reports prepared at the time of the
- 2382 retrospective effective date helps the appraiser and the reader understand market
- 2383 conditions as of the retrospective effective date.
- 2384 • In the absence of evidence in the market that data subsequent to the effective date
- 2385 were consistent with and confirmed market expectations as of the effective date, the
- 2386 effective date should be used as the cut-off date.

## STATEMENT 4

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2387 **STATEMENT ON APPRAISAL STANDARDS NO. 4 (SMT-4)**

2388 **SUBJECT: Prospective Value Opinions**

2389 **APPLICATION: Real Property, Personal Property**

2390 **THE ISSUE:**

2391 Two dates are essential to an appraisal report. Standards Rules 2-2(a)(vi) and (b)(vi), and 8-2(a)(vi) and (b)(vi)  
2392 require that each appraisal report specify the effective date of the appraisal and the date of the report. The date  
2393 of the report indicates the perspective from which the appraiser is examining the market. The effective date of  
2394 the appraisal establishes the context for the value opinion. Three categories of effective dates - retrospective,  
2395 current, or prospective - may be used, according to the intended use of the appraisal assignment.

2396 When a prospective effective date is used, how can the appraisal be prepared and presented in a manner that is  
2397 not misleading?

2398 **THE STATEMENT:**

2399 Retrospective appraisals (effective date of the appraisal prior to the date of the report) may be required for  
2400 property tax matters, estate or inheritance tax matters, condemnation proceedings, suits to recover damages, and  
2401 similar situations. (See SMT-3 on *Retrospective Value Opinions*.)

2402 Current appraisals occur when the effective date of the appraisal is contemporaneous with the date of the report.  
2403 Since most appraisals require current value opinions, the importance of specifying both the date of the report  
2404 and the effective date of the analysis is sometimes lost.

2405 Prospective appraisals (effective date of the appraisal subsequent to the date of the report) may be required for  
2406 valuations of property interests related to proposed developments, as the basis for value at the end of a cash  
2407 flow projection, and for other reasons.

2408 The use of clear and concise language and appropriate terminology in appraisal reports helps to eliminate  
2409 misleading reports. To avoid confusion, the appraiser must clearly establish the date to which the value opinion  
2410 applies. In prospective value opinions, use of the term "market value" without a modifier such as "forecasted"  
2411 or "prospective" and without future verb tenses is improper (i.e., "...the prospective market value is expected to  
2412 be..." and not "...the market value is...").

2413 Prospective value opinions, along with available factual data, are intended to reflect the current expectations  
2414 and perceptions of market participants. They should be judged on the support for the forecasts that existed when  
2415 made, not on whether specific items in the forecasts are realized at a later date.

2416 When prospective value opinions are required with regard to proposed improvements to real property, the  
2417 Comment to Standards Rule 1-2(e) regarding identification of the extent and character of the proposed  
2418 improvements and Standards Rule 1-4(c)(iv) regarding the basis for anticipated future rent and expenses are  
2419 relevant. Evidence that proposed improvements can be completed by the effective date of the appraisal is  
2420 important. Support for projected income and expenses at the time of completion of proposed improvements and  
2421 during the rent-up or sell-out period requires the incorporation of sufficient market research in the appraisal and  
2422 the consideration of existing and future competition. It is appropriate to study comparable projects for evidence  
2423 of construction periods, development costs, income and expense levels, and absorption. Items such as rental  
2424 concessions, commissions, tenant finish allowances, add-on factors, and expense pass-throughs must be studied  
2425 to develop realistic income expectancy. The same issues are relevant when appraising personal property with  
2426 proposed modifications, as set forth in Standards Rules 7-2(e) and 7-4(c)(iv).



2427 With regard to proposed developments of real property, two prospective value opinions may be required: one as  
2428 of the time the development is to be completed and one as of the time the development is projected to achieve  
2429 stabilized occupancy. These prospective values form a basis for investment decisions and loan underwriting.

2430 In a prospective appraisal, the appraiser analyzes market trends to provide support for forecasted income and  
2431 expense or sell-out opinions, absorption periods, capitalization rates, and discount rates as of the effective date  
2432 of the appraisal. Economic trends such as growth in population, employment, and future competition are also  
2433 analyzed. The overall economic climate and variations in the business cycle should be considered and weighed  
2434 in the performance of the appraisal process. All value conclusions should include reference to the time frame  
2435 when the analysis was prepared to clearly delineate the market conditions and the point of reference from which  
2436 the appraiser developed the prospective value opinion. It is essential to include a limiting condition citing the  
2437 market conditions from which the prospective value opinion was made and indicating that the appraiser cannot  
2438 be held responsible for unforeseeable events that alter market conditions prior to the effective date of the  
2439 appraisal.

2440 **CONCLUSIONS:**

- 2441 • Prospective value opinions, along with available factual data, are intended to reflect  
2442 the current expectations and perceptions of market participants. They should be  
2443 judged on the market support for the forecasts when made, not on whether specific  
2444 items in the forecasts are realized.
- 2445 • It is appropriate to study comparable projects for evidence of construction periods,  
2446 development costs, income and expense levels, and absorption.
- 2447 • Items such as rental concessions, commissions, tenant finish allowances, add-on  
2448 factors, and expense pass-throughs must be studied to develop realistic income  
2449 expectancy.
- 2450 • All value conclusions should include reference to the time frame when the analysis  
2451 was prepared to clearly delineate the market conditions and the point of reference  
2452 from which the appraiser developed the prospective value opinion.
- 2453 • It is essential to include a limiting condition citing the market conditions from which  
2454 the prospective value opinion was made and indicating that the appraiser cannot be  
2455 held responsible for unforeseeable events that alter market conditions prior to the  
2456 effective date of the appraisal.

**STATEMENT 5**

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- 2457 **STATEMENT ON APPRAISAL STANDARDS NO. 5 (SMT-5)**
- 2458 **SUBJECT: Confidentiality Section of the ETHICS RULE**
- 2459 This Statement has been retired by action of the Appraisal Standards Board.

## 2460 STATEMENT ON APPRAISAL STANDARDS NO. 6 (SMT-6)

2461 **SUBJECT: Reasonable Exposure Time in Real Property and Personal Property Opinions of Value**2462 **APPLICATION: Real Property, Personal Property**2463 **THE ISSUE:**2464 In USPAP, the Comment to Standards Rules 1-2(c) and Standards Rule 7-2(c) states:

2465 *When exposure time is a component of the definition for the value opinion being developed,*  
2466 *the appraiser must also develop an opinion of reasonable exposure time linked to that value*  
2467 *opinion.*

2468 The Comment to Standards Rules 2-2(a)(v) and 2-2(b)(v), states:

2469 *When an opinion of reasonable exposure time has been developed in compliance with*  
2470 *Standards Rule 1-2(c), the opinion must be stated in the report.*

2471 Similar Comments appear in Standards Rules 8-2(a)(v) and 8-2(b)(v).

2472 How is the opinion of reasonable exposure time developed? Is it presumed to occur prior to or starting from the  
2473 effective date of the appraisal?

2474 **THE STATEMENT:**

2475 Reasonable exposure time is one of a series of conditions in most market value definitions. Exposure time is  
2476 always presumed to precede the effective date of the appraisal.

2477 The DEFINITIONS in USPAP include the following:

2478 ***EXPOSURE TIME:** estimated length of time that the property interest being appraised would have*  
2479 *been offered on the market prior to the hypothetical consummation of a sale at market value on the*  
2480 *effective date of the appraisal.*

2481 *Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a*  
2482 *competitive and open market.*

2483 Exposure time is different for various types of property and under various market conditions. It is noted that the  
2484 overall concept of reasonable exposure encompasses not only adequate, sufficient, and reasonable time but also  
2485 adequate, sufficient, and reasonable effort. This statement focuses on the time component.

2486 The fact that exposure time is always presumed to occur prior to the effective date of the appraisal is  
2487 substantiated by related facts in the appraisal process: supply/demand conditions as of the effective date of the  
2488 appraisal; the use of current cost information; the analysis of historical sales information (sold after exposure  
2489 and after completion of negotiations between the seller and buyer); and the analysis of future income  
2490 expectancy projected from the effective date of the appraisal.

2491 **Rationale and Method for Developing an Opinion of Reasonable Exposure Time**

2492 The opinion of the time period for reasonable exposure is not intended to be a prediction of a date of sale or a  
2493 one line statement. Instead, it is an integral part of the analyses conducted during the appraisal assignment. The  
2494 opinion may be expressed as a range and can be based on one or more of the following.

- 2495
- statistical information about days on market;

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- 2496                   • information gathered through sales verification; and  
2497                   • interviews of market participants.

2498           Related information garnered through this process may include the identification of typical buyers and sellers  
2499           for the type of property involved and typical equity investment levels and/or financing terms.

2500           The reasonable exposure period is a function of price, time, and use, not an isolated opinion of time alone. As  
2501           an example, an office building, an important artwork, a fine gemstone, a process facility, or an aircraft could  
2502           have been on the market for two years at a price of \$2,000,000, which informed market participants considered  
2503           unreasonable. Then the owner lowered the price to \$1,600,000 and started to receive offers, culminating in a  
2504           transaction at \$1,400,000 six months later. Although the actual exposure time was 2.5 years, the reasonable  
2505           exposure time at a value range of \$1,400,000 to \$1,600,000 would be six months. The answer to the question  
2506           “what is reasonable exposure time?” should always incorporate the answers to the question “for what kind of  
2507           property at what value range?” rather than appear as a statement of an isolated time period.

### 2508           **Applications to Client Uses of an Appraisal**

2509           When an appraisal is commissioned as the result of a mortgage application after a potential seller and buyer  
2510           enter into a Contract for Sale, no conflict exists between the presumption in the appraisal process that exposure  
2511           time occurs prior to the effective date of the appraisal and the intended use of the appraisal.

2512           When an appraisal is commissioned for employee relocation, asset evaluation, foreclosure, or asset management  
2513           purposes, the presumption in the appraisal process that exposure time occurs prior to the effective date of the  
2514           appraisal may conflict with the intended use of the appraisal. Problems arise when clients attempt to make  
2515           business decisions or account for assets without understanding the difference between reasonable exposure time  
2516           and marketing time (see related Advisory Opinion 7, *Marketing Time Opinions*).

### 2517           **CONCLUSIONS:**

- 2518                   • The reasonable exposure time inherent in the market value concept is always  
2519                   presumed to precede the effective date of the appraisal.  
2520                   • Exposure time is different for various types of property and under various market  
2521                   conditions.  
2522                   • The answer to the question “what is reasonable exposure time?” should always  
2523                   incorporate the answers to the question “for what kind of property at what value  
2524                   range?” rather than appear as a statement of an isolated time period.

- 2525 STATEMENT ON APPRAISAL STANDARDS NO. 7 (SMT-7)
- 2526 SUBJECT: Permitted Departure from Specific Requirements in Real Property and Personal Property  
2527 Appraisal Assignments
- 2528 This Statement has been retired by action of the Appraisal Standards Board.

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- 2529 **STATEMENT ON APPRAISAL STANDARDS NO. 8 (SMT-8)**
- 2530 **SUBJECT: Electronic Transmission of Reports**
- 2531 This Statement has been retired by action of the Appraisal Standards Board.

## 2532 STATEMENT ON APPRAISAL STANDARDS NO. 9 (SMT- 9)

2533 SUBJECT: Identification of Intended Use and Intended Users

2534 APPLICATION: Real Property, Personal Property, Intangible Property

## 2535 THE ISSUE:

2536 An appraiser must identify and consider the intended use and intended users of the appraiser's reported opinions  
 2537 and conclusions in order to identify the problem to be solved and to understand his or her development and  
 2538 reporting responsibilities in an appraisal or appraisal review assignment. An appraiser must state the intended  
 2539 use and intended users of the opinions and conclusions in a report.

2540 What kind of information must an appraiser identify and consider regarding the intended use and intended users  
 2541 in the course of accepting and completing an assignment, and how much of that information must an appraiser  
 2542 include in the report?

## 2543 THE STATEMENT:

## 2544 Relevant USPAP References

2545 The term "Client" is defined in the DEFINITIONS section of USPAP as

2546 *the party or parties who engage, by employment or contract, an appraiser in a specific assignment.*

2547 *Comment: The client may be an individual, group, or entity, and may engage and communicate with*  
 2548 *the appraiser directly or through an agent.*

2549 The term "Intended Use" is defined as

2550 *the use or uses of an appraiser's reported appraisal or appraisal review, as identified by the*  
 2551 *appraiser based on communication with the client at the time of the assignment.*

2552 The term "Intended User" is defined as

2553 *the client and any other party as identified, by name or type, as users of the appraisal or*  
 2554 *appraisal review report by the appraiser on the basis of communication with the client at the*  
 2555 *time of the assignment.*

## 2556 General

2557 The SCOPE OF WORK RULE requires an appraiser to identify the intended use and intended users as part of  
 2558 problem identification. Identifying the intended use and intended users is required to determine the scope of  
 2559 work necessary to develop credible assignment results. The credibility of assignment results is always measured  
 2560 in the context of their intended use.

2561 STANDARDS 1, 3, 6, 7, and 9 require an appraiser to identify the intended use and intended users in the course  
 2562 of developing his or her opinions and conclusions in the assignment. In the context of a real property appraisal,  
 2563 Standards Rules 1-2(a) and (b) (for example) state:

2564 *In developing a real property appraisal, an appraiser must:*2565 (a) *identify the client and other intended users;*2566 (b) *identify the intended use of the appraiser's opinions and conclusions...*

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2567 STANDARDS 2, 3, 6, 8, and 10 require an appraiser to state the intended use in the report. In the context of a  
2568 written real property appraisal report, Standards Rule 2-2(a) (for example) states, *The content of an Appraisal*  
2569 *Report must be consistent with the intended use of the appraisal...* (bold added for emphasis).

2570 In the context of a real property appraisal report (for example), Standards Rules 2-2(a)(i) and (ii) require the  
2571 appraiser to:

2572 (i) state the identity of the client and any intended users, by name or type;

2573 (ii) state the intended use of the appraisal...

2574 An appraiser identifies the intended use by communicating with the client before accepting an appraisal or  
2575 appraisal review assignment. The intended use may encompass requirements of intended users other than the  
2576 client. An appraiser cannot reasonably identify the intended use without having identified the client and  
2577 communicating with the client or the client's agent.

2578 Although an appraiser must identify and consider the intended use of the appraiser's opinions and conclusions,  
2579 an appraiser must not allow the objectives of the client or other intended users of the report to affect the  
2580 appraiser's independence and objectivity. An appraiser must not allow the objectives of a client or other  
2581 intended users to cause the analysis or report to be biased.

### 2582 Identification of the Client and Other Intended Users in an Assignment

2583 In order to properly define the problem under study and to understand his or her responsibilities in an  
2584 assignment, an appraiser must identify the client and other intended users. This is accomplished by  
2585 communication with the client prior to accepting the assignment.

2586 An appraiser should use care when identifying the client to avoid violations of the Confidentiality section of the  
2587 ETHICS RULE. The client may be identified as a person or entity, or as an agent of an intended user. In  
2588 instances where the client wishes to remain anonymous, the appraiser must still document the identity of the  
2589 client in the workfile but may omit the client's identity in the appraisal or appraisal review report.

2590 Neither the client nor the appraiser is obligated to identify an intended user by name. If identification by name is  
2591 not appropriate or practical, an appraiser's client and the appraiser may identify an intended user by type.

2592 An appraiser's obligations to the client are established in the course of considering and accepting an  
2593 assignment. If an appraiser becomes aware of a change in the intended use of the report, the appraiser must  
2594 consider whether the extent of the development process and type of report initially identified are still  
2595 appropriate. If they are not, the appraiser must communicate with the client to establish an appropriate basis  
2596 upon which to proceed.

2597 If the appraiser is contacted regarding an assignment or report by a party other than the appraiser's client, before  
2598 responding the appraiser must review his or her obligations to that client. An appraiser may need to review the  
2599 Confidentiality section of the ETHICS RULE and Advisory Opinions 25, 26, and 27 for guidance.

2600 An appraiser's obligations to other intended users may impose additional development and reporting  
2601 requirements in the assignment. It is essential that an appraiser establish with the client a clear and mutual  
2602 understanding of the needs of all intended users prior to accepting an assignment. An appraiser's obligation to  
2603 intended users other than the client is limited to addressing their requirements as identified by the appraiser at  
2604 the time the appraiser accepts the assignment.

2605 A party receiving a report copy from the client does not, as a consequence, become a party to the appraiser-  
2606 client relationship.



2607 Parties who receive a copy of an appraisal or appraisal review report as a consequence of disclosure  
2608 requirements applicable to an appraiser's client do not become intended users of the report unless they were  
2609 specifically identified by the appraiser at the time of the assignment.

2610 **Disclosure of Client and Other Intended User(s) in an Appraisal or Appraisal Review Report**

2611 Except when specifically requested not to do so as part of the agreement with the client, an appraiser must  
2612 disclose the identity of the client and any other intended users in an appraisal or appraisal review report. The  
2613 purpose of this reporting requirement is to (1) ensure that the client and any other intended users can recognize  
2614 their relationship to the assignment and report, and (2) ensure that unintended users will not be misled by  
2615 notifying them that they are neither the client nor an intended user. For example, a statement similar to the  
2616 following may be appropriate:

2617           This report is intended for use only by (identify the client) and (identify any other intended  
2618           users by name or type). Use of this report by others is not intended by the appraiser.

2619 If the client's identity is omitted from an appraisal report, the appraiser must (1) identify the client in the  
2620 workfile, and (2) provide a notice in the appraisal report that the identity of the client has been omitted in  
2621 accordance with the client's request and that the report is intended for use only by the client and any other  
2622 intended users.

2623 **Identification of the Intended Use in an Appraisal or Appraisal Review Assignment**

2624 Identification of the intended use is one of the assignment elements necessary to properly identify the appraisal  
2625 or appraisal review problem. Identification of the intended use helps the appraiser and the client make two  
2626 important decisions about the assignment:

- 2627           • the appropriate scope of work for the appraisal or appraisal review development  
2628           process; and  
2629           • the level of detail to provide in the appraisal or appraisal review report.

2630 **Disclosure of the Intended Use in an Appraisal or Appraisal Review Report**

2631 An appraiser can avoid misleading parties in possession of an appraisal or appraisal review report by clearly  
2632 identifying the intended use in the report and stating that other uses are not intended. For example, a statement  
2633 similar to the following may be appropriate:

2634           This report is intended only for use in (describe the use). This report is not intended for any other  
2635           use.

2636 The intended use description provided in the statement must be specific to the assignment.

2637 **CONCLUSIONS:**

- 2638           • An appraiser must identify the client and other intended users as part of the process  
2639           of identifying the client's intended use of an appraisal or appraisal review report, by  
2640           communication with the client prior to accepting the assignment.  
2641           • Identification of the intended use and intended users are necessary steps in  
2642           determining the appropriate scope of work.  
2643           • Whether or not assignment results are credible is measured in the context of the  
2644           intended use of the opinions and conclusions.  
2645           • An appraiser should use care when identifying the client to ensure a clear  
2646           understanding and to avoid violations of the Confidentiality section of the ETHICS  
2647           RULE.

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- 2648 • The appraiser's obligations to the client are established in the course of considering  
2649 and accepting an assignment.
- 2650 • The appraiser's obligation to intended users other than the client is limited to  
2651 addressing their requirements as identified by the appraiser at the time the appraiser  
2652 accepts the assignment.
- 2653 • Identification of the intended use and intended users of the report is one of the  
2654 essential steps in order to identify the problem to be solved.
- 2655 • An appraiser identifies the intended use and any intended users of an appraisal or  
2656 appraisal review report by communicating with the client before accepting an  
2657 assignment.
- 2658 • Appraisers can avoid misleading parties in possession of a report by clearly  
2659 identifying the intended use and any intended users in the report and stating that  
2660 other uses and/or users are not intended by the appraiser.
- 2661 • Except when specifically requested not to do so as part of the agreement with the  
2662 client, an appraiser must disclose the identity of the client and any other intended  
2663 users of an appraisal report in the report.
- 2664 • If the client's identity is omitted from an appraisal report, the appraiser must (1)  
2665 document the identity of the client in the workfile, and (2) provide a notice in the  
2666 appraisal report that the identity of the client has been omitted in accordance with the  
2667 client's request and that the report is intended for use only by the client and any other  
2668 intended users.

2669 STATEMENT ON APPRAISAL STANDARDS NO. 10 (SMT-10)

2670 **SUBJECT: Assignments for Use by a Federally Insured Depository Institution in a Federally Related**  
2671 **Transaction**

2672 This Statement has been retired by action of the Appraisal Standards Board.