



**Demonstration Appraisal Report
Utilizing a Form Report**

National Association of Independent Fee Appraisers

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This guide is not intended to be all-inclusive,
nor is it intended to be used as a textbook.

For demonstration report purposes, a candidate may choose to write a full narrative report or an expanded form report. The report submitted should demonstrate the candidate's understanding of, and ability to apply, basic appraisal concepts and procedures in a "real world" situation. The candidate is encouraged to submit a narrative style report. However, if the candidate chooses to follow the structured form report format for demonstration purposes, it must be remembered that comprehensive supporting data is required. Substantial narrative addenda are to be integrated into this reporting format even though some of the data may be contained on the form itself. This would be an Appraisal Report per USPAP; the expanded section of the report should contain significant information typically associated with a narrative report. The candidate is advised to read Advisory Opinion 11 (AO-11) before beginning this process. The candidate is encouraged to use statistical tools to extract market adjustments; documentation of any such tools used should be included as part of the report.

Subject property

The subject property selected for demonstration report writing purposes should allow the appraiser to demonstrate a thorough understanding of all forms of depreciation. The subject property must have at least one type of depreciation. Additional discussion regarding other types of depreciation should be provided, as a demonstration of the appraiser's comprehension of all types of depreciation. Additionally, the appraiser should show how s/he developed effective age. The subject property should not be new construction unless it has some type of obsolescence.

It is suggested that, to facilitate the review of the report, all narrative addenda pages should be double-spaced. Appraisers are encouraged to use 12-point Arial or Verdana, again to facilitate the review process.

A Title Page should:

- Identify the report as an appraisal
- Specify the property type (i.e., single family residence)
- Provide complete property address
- Provide the effective date of the valuation
- Provide the date the report is written
- Include the name and address of the appraiser and his/her NAIFA Membership Number
- Specify the National Association of Independent Fee Appraisers as the client or authorizing entity

A **Letter of Transmittal** introduces your report to the reader, typically with less formality than the report itself. The **Letter of Transmittal** should:

- Be addressed to NAIFA
- Specify the location of the subject property and provide a brief description, including property type
- Outline the intended use and intended user of the report
- Identify the interest in the property being appraised
- State that the interior and exterior inspection of the property and the analyses contained within the report were completed by the appraiser
- State that the letter is accompanied by an Appraisal Report of “x number” of pages (including all addenda)
- Specify the effective date of the appraisal
- Provide the final value estimate, properly displayed both in words and in numerals
- Be signed by the appraiser

Table of Contents

- Should list the major components of the report in sequence with specific page numbers. Headings and subheadings should identify the key segments of the report.

Fill in all parts of the form as appropriate.

- Use narrative addendum to discuss all aspects of neighborhood
- Use narrative addendum to discuss site conditions and factors. Remember that descriptions here may need to transfer to the Cost Approach (external depreciation factors)
- Use narrative addendum to describe the condition of the subject property. Remember that descriptions here may need to transfer to the Cost Approach (physical and/or functional depreciation factors)
- Sales Comparison Approach
 - The grid on the form should be used only to summarize what is in the narrative addenda.
- Cost Approach
 - The form should summarize the detailed information provided in the narrative addenda.
- Income Approach
 - The form should summarize the detailed information provided in the narrative addenda.
- Reconciliation

Within the narrative addendum provide the following:

- Comment on the appraisal's conformity to the most recent edition of the Uniform Standards of Professional Appraisal Practice
- Comment on the appraiser's **competency** to appraise the subject property
- Identify the **type of appraisal** report being developed
- Identify **Intended Use and Intended User** (No lender involved)
- **Scope of Work:** Provide a detailed narrative discussion outlining the appraisal process utilized in researching and analyzing the market and the subject and comparable properties.
- **Area/Neighborhood:** Describe and discuss area and neighborhood market conditions and market trends in detail, providing a portrayal of national, regional, and local economic forces that could affect market value in the subject property's area/neighborhood. This section of the demonstration report should provide sufficient information to convey that the appraiser understands the local factors that influence market appeal and value.
- **Zoning:** Provide a complete description of the zoning category, its requirements, and their impact on the subject property
- **Subject:** Provide a detailed discussion of the subject property describing its characteristics including, but not limited to, ceiling heights, floor covering (type/quality) appliances (age/condition), HVAC, roof, etc. (age/condition), construction items (block, brick, frame, etc.). Discuss overall condition and the subject property's conformity with the neighborhood and local market. Cite any physical, functional, or external obsolescence that exists in the subject property.
- Discuss the **Purpose of the Appraisal**
- Comply with the **property history** requirement in USPAP
- Provide full **tax information** of the subject property, including any special assessments
- **Highest & Best Use:** Provide a definition of Highest & Best Use and cite the source. Develop a Highest & Best Use analysis of the subject site as if vacant, and a Highest & Best Use of the property as improved.

Cost Approach

- Using a sales comparison approach, support the **site value estimate**.
- Include detailed comparable data.
- Provide a location map showing each of the comparable sales in relation to the subject as well as photographs of each sale.
- Include an adjustment grid.
- Using a recognized **cost estimating service or detailed builder costs**, fully develop the Cost Approach. Source material must be clearly identified.
- Fully discuss **physical, functional and external depreciation**. Develop and support any/all depreciation factors applicable to the subject property. The report must demonstrate support for the appraiser's estimate of depreciation and effective age.
- Provide a value indication by the Cost Approach.

Sales Comparison Approach

- Detailed comparable data should be included
- Provide a location map showing each of the comparable sales in relation to the subject.
- Provide original photographs (not MLS photos) of each sale cited in the report.
- The adjustment grid should summarize the data provided in the narrative addendum.
- Develop **paired sales analyses** to support at least two or three adjustments applied in the Sales Comparison Adjustment grid. Any/all adjustments should be fully discussed and market supported.
- **Summarize and Reconcile** all sales to arrive at an indicated value by this approach.

Income Approach

- Provide detailed market support (comparable rentals) for the estimated **monthly market rent** for the subject property.
- Detailed comparable data should be included
- Provide a location map showing each of the comparable rental properties in relation to the subject
- Provide original photographs (not MLS photos) of each comparable rental.
- Develop **adjustments** (supported by pairing comparable properties) to substantiate differences between the comparable rental properties and the subject.
- An adjustment grid should be provided. The market rent indicators should be reconciled to reflect a market rent for the subject.
- **Gross Monthly Rent Multiplier:** Develop, and provide detailed market support.
- **Summarize and Reconcile** to an indicated value by this approach.

Summarize and reconcile the indicated values from all three approaches to correlate a final estimate of value for the subject property. Examine the advantages as well as the disadvantages of each of the approaches in relation to the property being appraised. Demonstrate sound reasoning leading to the final value conclusion.

Required Additional Addenda

- Ensure that appropriate certification(s) and Assumptions and Limiting Conditions are signed and attached to this demonstration report.
- Qualifications of the appraiser.
- Detailed photographs of the subject, preferably to include interior photographs. At a minimum, front, rear and street scenes.
- Photographs of each of the comparable properties (land, improved sales, and comparable rentals). All photographs should be original, not copied or imported from MLS or tax records.
- Location maps indicating the subject neighborhood and the locations of all comparable properties (land, improved sales, rentals)
- Plat or Tax Map
- Zoning Map
- Flood Map
- Subject building sketch with detailed floor plan and dimensions displayed.

Verify accurate spelling, punctuation, grammar, and sentence structure in your report. Save your demonstration report in portable document format (pdf) and submit your demonstration report electronically, as a PDF, to info@naifa.com.

We wish you well in the successful completion of your demonstration report.