

STANDARD 2: REAL PROPERTY APPRAISAL, REPORTING

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

FAQ
See also
FAQ 242-
304

576 Comment: STANDARD 2 addresses the content and level of information required in a report
577 that communicates the results of a real property appraisal.

578 STANDARD 2 does not dictate the form, format, or style of real property appraisal reports. The form, format,
579 and style of a report are functions of the needs of intended users and appraisers. The substantive content of
580 a report determines its compliance.

581 **STANDARDS RULE 2-1**

582 **Each written or oral real property appraisal report must:**

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

584 **(b) contain sufficient information to enable the intended users of the appraisal to understand the report**
585 **properly; and**

586 **(c) clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and**
587 **limiting conditions used in the assignment.**

588 **STANDARDS RULE 2-2**

589 **Each written real property appraisal report must be prepared under one of the following options and prominently**
590 **state which option is used: Appraisal Report or Restricted Appraisal Report.²⁸**

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

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

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

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

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

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

28 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*.

- (i) state the identity of the client, unless the client has specifically requested otherwise; state the identity of any intended users by name or type;²⁹** 609
610
- Comment: An appraiser must use care when identifying the client to avoid violations of the 611
Confidentiality section of the ETHICS RULE. If a client requests that the client's identity be withheld 612
from the report, the appraiser may comply with this request. In these instances, the appraiser must 613
document the identity of the client in the workfile and must state in the report that the identity of the 614
client has been withheld at the client's request. 615
- Types of intended users of the report might include parties such as lenders, employees of government 616
agencies, partners of a client, and a client's attorney and accountant. 617
- (ii) state the intended use of the appraisal;³⁰** 618
- (iii) summarize information sufficient to identify the real estate involved in the appraisal, including the physical, legal, and economic property characteristics relevant to the assignment;³¹** 619
620
- Comment: The real estate involved in the appraisal can be specified, for example, by a legal description, 621
address, map reference, copy of a survey or map, property sketch, and/or photographs or the like. The 622
summarized information can include a property sketch and photographs in addition to written comments 623
about the legal, physical, and economic attributes of the real estate relevant to the type and definition of 624
value and intended use of the appraisal. 625
- (iv) state the real property interest appraised;** 626
- Comment: The statement of the real property rights being appraised must be substantiated, as 627
needed, by copies or summaries of title descriptions or other documents that set forth any known 628
encumbrances. 629
- (v) state the type and definition of value and cite the source of the definition;** 630
- Comment: Stating the definition of value also requires any comments needed to clearly indicate to the 631
intended users how the definition is being applied. 632
- When reporting an opinion of market value, state whether the opinion of value is: 633
- in terms of cash or of financing terms equivalent to cash, or 634
 - based on non-market financing or financing with unusual conditions or incentives. 635
- When an opinion of market value is not in terms of cash or based on financing terms equivalent to cash, 636
summarize the terms of such financing and explain their contributions to or negative influence on value. 637
- When an opinion of reasonable exposure time has been developed in compliance with Standards Rule 638
1-2(c), the opinion must be stated in the report.³² 639
- (vi) state the effective date of the appraisal and the date of the report;³³** 640
- Comment: The effective date of the appraisal establishes the context for the value opinion, while the 641
date of the report indicates whether the perspective of the appraiser on the market and property as of 642
the effective date of the appraisal was prospective, current, or retrospective. 643

29 See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*, and Advisory Opinion 25, *Clarification of the Client in a Federally Related Transaction*.

30 See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

31 See Advisory Opinion 2, *Inspection of Subject Property*, and Advisory Opinion 23, *Identifying the Relevant Characteristics of the Subject Property of a Real Property Appraisal Assignment*.

32 See Advisory Opinion 7, *Marketing Time Opinions*, Advisory Opinion 22, *Scope of Work in Market Value Appraisal Assignments, Real Property*, and Advisory Opinion 35, *Reasonable Exposure Time in Real and Personal Property Opinions of Value*.

33 See Advisory Opinion 34, *Retrospective and Prospective Value Opinions*.

644 **(vii) summarize the scope of work used to develop the appraisal;³⁴**

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

649 When any portion of the work involves significant real property appraisal assistance, the appraiser must
650 summarize the extent of that assistance. The name(s) of those providing the significant real property
651 appraisal assistance must be stated in the certification, in accordance with Standards Rule 2-3.³⁵

652 **(viii) summarize the information analyzed, the appraisal methods and techniques employed, and the**
653 **reasoning that supports the analyses, opinions, and conclusions; exclusion of the sales comparison**
654 **approach, cost approach, or income approach must be explained;**

655 Comment: An Appraisal Report must include sufficient information to indicate that the appraiser
656 complied with the requirements of STANDARD 1. The amount of detail required will vary with the
657 significance of the information to the appraisal.

658 The appraiser must provide sufficient information to enable the client and intended users to
659 understand the rationale for the opinions and conclusions, including reconciliation of the data and
660 approaches, in accordance with Standards Rule 1-6.

661 When reporting an opinion of market value, a summary of the results of analyzing the subject sales,
662 agreements of sale, options, and listings in accordance with Standards Rule 1-5 is required.³⁶ If such
663 information is unobtainable, a statement on the efforts undertaken by the appraiser to obtain the
664 information is required. If such information is irrelevant, a statement acknowledging the existence of
665 the information and citing its lack of relevance is required.

666 **(ix) state the use of the real estate existing as of the date of value and the use of the real estate**
667 **reflected in the appraisal;**

668 **(x) when an opinion of highest and best use was developed by the appraiser, summarize the support**
669 **and rationale for that opinion;**

670 **(xi) clearly and conspicuously:**

- 671 • state all extraordinary assumptions and hypothetical conditions; and
- 672 • state that their use might have affected the assignment results; and

673 **(xii) include a signed certification in accordance with Standards Rule 2-3.**

674 **(b) The content of a Restricted Appraisal Report must be consistent with the intended use of the appraisal**
675 **and, at a minimum:**

676 **(i) state the identity of the client, unless the client has specifically requested otherwise;³⁷ and state**
677 **a prominent use restriction that limits use of the report to the client and warns that the rationale**
678 **for how the appraiser arrived at the opinions and conclusions set forth in the report may not be**
679 **understood properly without additional information in the appraiser's workfile;**

680 Comment: An appraiser must use care when identifying the client to avoid violations of the
681 Confidentiality section of the ETHICS RULE. If a client requests that the client's identity be withheld
682 from the report, the appraiser may comply with this request. In these instances, the appraiser must

34 See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

35 See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

36 See Advisory Opinion 1, *Sales History*.

37 See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

document the identity of the client in the workfile and must state in the report that the identity of the client has been withheld at the client's request.	683 684
The Restricted Appraisal Report is for client use only. Before entering into an agreement, the appraiser should establish with the client the situations where this type of report is to be used and should ensure that the client understands the restricted utility of the Restricted Appraisal Report.	685 686 687
(ii) state the intended use of the appraisal;³⁸	688
<u>Comment:</u> The intended use of the appraisal must be consistent with the limitation on use of the Restricted Appraisal Report option in this Standards Rule (i.e., client use only).	689 690
(iii) state information sufficient to identify the real estate involved in the appraisal;³⁹	691
<u>Comment:</u> The real estate involved in the appraisal can be specified, for example, by a legal description, address, map reference, copy of a survey or map, property sketch, and/or photographs or the like.	692 693
(iv) state the real property interest appraised;	694
(v) state the type of value and cite the source of its definition;⁴⁰	695
<u>Comment:</u> When an opinion of reasonable exposure time has been developed in compliance with Standards Rule 1-2(c), the opinion must be stated in the report.	696 697
(vi) state the effective date of the appraisal and the date of the report;⁴¹	698
<u>Comment:</u> The effective date of the appraisal establishes the context for the value opinion, while the date of the report indicates whether the perspective of the appraiser on the market and property as of the effective date of the appraisal was prospective, current, or retrospective.	699 700 701
(vii) state the scope of work used to develop the appraisal;⁴²	702
<u>Comment:</u> Because the client's reliance on an appraisal may be affected by the scope of work, the report must enable them to be properly informed and not misled. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.	703 704 705 706
When any portion of the work involves significant real property appraisal assistance, the appraiser must state the extent of that assistance. The name(s) of those providing the significant real property appraisal assistance must be stated in the certification, in accordance with Standards Rule 2-3. ⁴³	707 708 709
(viii) state the appraisal methods and techniques employed, state the value opinion(s) and conclusion(s) reached, and reference the workfile; exclusion of the sales comparison approach, cost approach, or income approach must be explained;	710 711 712
<u>Comment:</u> An appraiser must maintain a specific, coherent workfile in support of a Restricted Appraisal Report. The contents of the workfile must include sufficient information to indicate that the appraiser complied with the requirements of STANDARD 1 and for the appraiser to produce an Appraisal Report.	713 714 715
When reporting an opinion of market value, a summary of the results of analyzing the subject sales, agreements of sale, options, and listings in accordance with Standards Rule 1-5 is required. If such	716 717

38 See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

39 See Advisory Opinion 2, *Inspection of Subject Property*.

40 See Advisory Opinion 7, *Marketing Time Opinions*, Advisory Opinion 22, *Scope of Work in Market Value Appraisal Assignments, Real Property*, and Advisory Opinion 34, *Retrospective and Prospective Value*.

41 See Advisory Opinion 34, *Retrospective and Prospective Value*.

42 See Advisory Opinions 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

43 See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

718 information is unobtainable, a statement on the efforts undertaken by the appraiser to obtain the
 719 information is required. If such information is irrelevant, a statement acknowledging the existence of
 720 the information and citing its lack of relevance is required.

721 **(ix) state the use of the real estate existing as of the date of value and the use of the real estate**
 722 **reflected in the appraisal;**

723 **(x) when an opinion of highest and best use was developed by the appraiser, state that opinion;**

724 **(xi) clearly and conspicuously:**

- 725 • state all extraordinary assumptions and hypothetical conditions; and
- 726 • state that their use might have affected the assignment results; and

727 **(xii) include a signed certification in accordance with Standards Rule 2-3**

728 **STANDARDS RULE 2-3**

729 **Each written real property appraisal report must contain a signed certification that is similar in content to the**
 730 **following form:**

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

- 732 — the statements of fact contained in this report are true and correct.
- 733 — the reported analyses, opinions, and conclusions are limited only by the reported assumptions and
 734 limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and
 735 conclusions.
- 736 — I have no (or the specified) present or prospective interest in the property that is the subject of this report
 737 and no (or the specified) personal interest with respect to the parties involved.
- 738 — I have performed no (or the specified) services, as an appraiser or in any other capacity, regarding the
 739 property that is the subject of this report within the three-year period immediately preceding acceptance
 740 of this assignment.
- 741 — I have no bias with respect to the property that is the subject of this report or to the parties involved with
 742 this assignment.
- 743 — my engagement in this assignment was not contingent upon developing or reporting predetermined
 744 results.
- 745 — my compensation for completing this assignment is not contingent upon the development or reporting
 746 of a predetermined value or direction in value that favors the cause of the client, the amount of the value
 747 opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to
 748 the intended use of this appraisal.
- 749 — my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity
 750 with the *Uniform Standards of Professional Appraisal Practice*.
- 751 — I have (or have not) made a personal inspection of the property that is the subject of this report. (If more
 752 than one person signs this certification, the certification must clearly specify which individuals did and
 753 which individuals did not make a personal inspection of the appraised property.)⁴⁴
- 754 — no one provided significant real property appraisal assistance to the person signing this certification. (If
 755 there are exceptions, the name of each individual providing significant real property appraisal assistance
 756 must be stated.)

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

759 In an assignment that includes only assignment results developed by the real property appraiser(s), any
 760 appraiser(s) who signs a certification accepts full responsibility for all elements of the certification, for the
 761 assignment results, and for the contents of the appraisal report. In an assignment that includes personal property,
 762 business or intangible asset assignment results not developed by the real property appraiser(s), any real property

44 See Advisory Opinion 2, *Inspection of Subject Property*.

appraiser(s) who signs a certification accepts full responsibility for the real property elements of the certification, 763
for the real property assignment results, and for the real property contents of the appraisal report. 764

When a signing appraiser(s) has relied on work done by appraisers and others who do not sign the certification, 765
the signing appraiser is responsible for the decision to rely on their work. The signing appraiser(s) is required 766
to have a reasonable basis for believing that those individuals performing the work are competent. The signing 767
appraiser(s) also must have no reason to doubt that the work of those individuals is credible. 768

The names of individuals providing significant real property appraisal assistance who do not sign a 769
certification must be stated in the certification. It is not required that the description of their assistance be 770
contained in the certification, but disclosure of their assistance is required in accordance with Standards Rule 771
2-2(a)(vii) or 2-2(b)(vii) as applicable.⁴⁵ 772

STANDARDS RULE 2-4

**To the extent that it is both possible and appropriate, an oral real property appraisal report must address the 773
substantive matters set forth in Standards Rule 2-2(a).** 774
775

Comment: See the RECORD KEEPING RULE for corresponding requirements. 776

⁴⁵ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.