Issues, Deficiencies, and Inconsistencies

Categories:

General

Accepting an assignment without appropriate education/training/experience to competently perform
Agreeing to deliver an appraisal assignment within an unrealistic time frame
Analysis based on flawed data.
Apparent non-compliance with FIRREA
Apparent non-compliance with USPAP
Excessive limiting conditions
Excessive Use of Meaningless Statements and Non-Relevant Material
Extremely dated reference citations
Failed to follow client appraisal requirements
Failure to provide an effective "As Complete" and/or "As Stabilized" date(s) for "to-be-built" projects
Highest & Best Use section lacks any meaningful analysis and fails to arrive at any conclusion.
Hypothetical conditions that are implied and/or "buried" deep within the report
Inadequate exhibits
Inappropriate carryover material from other appraisal reports
Mathematical errors
Missing pages from report
Omission of market trend discussion
Overuse of extracted textbook boiler plate material
Repetition overload
Replete with typos, errors, and inconsistencies
Report not signed by appraisers
Suspected lack of independent verification of comparable data based on presentation (need substantiation)
Use of non-market-oriented units of comparison

Descriptive Sections

Improvement condition description is vague and inconsistent
Lack of adequate detail throughout
Omission of current use and occupancy of appraised property
Smudgy black-and-white photographs and/or exhibits
Vague property description overall

Methodology

Analysis based on flawed assumptions

“As Is” value assumes rezoning, repairs, completion of construction, etc.
Confusion in distinctions of leased fee and leasehold interests
Failure to segregate going concern or business enterprise value when significant
Failure to segregate personal property value when significant
Imbalance of key value assumptions
Inappropriate valuation technique or methodology
Inclusion of a non-relevant value approach
Key assumptions outside of reasonable ranges
Lack of meaningful discussion and analysis, and logical rationale that reflect the complexity of the real estate appraised
Omission of a relevant value approach
“Rear View Mirror” oriented value assumptions
Selection of extreme “edge of envelope” key value assumptions
Use of statistical analysis lacking any adequate data sample size

Land Value

Illogical rationale and adjustments to comparables
Inconsistent application or omission of demolition costs
Reliance on non-market oriented unit of comparison
Use of dated land sales
Use of dissimilar comparable land sales
Use of land sales that are actually improved sales

Cost Approach

Failure to reconcile cost data for “to-be-built” projects
Flawed cost approach
Inconsistency between property and/or location descriptions and application of functional and/or external obsolescence
Omission of construction cost data for “to-be-built” projects
Omission of costing reference source
Omission of entrepreneurial profit consideration

Sales Comparison Approach

Adjustment Grid Errors and Inconsistencies
Apparent Lack of Verification of Comparable Sales Data
Confusion in Differences of Discount and Capitalization Rates
Dissimilar Comparable Improved Sales
Extremely Dated Sales Data
Flawed Sales Comparison Approach
Inconsistent Reconciliation

Income Capitalization Approach

Apparent lack of verification of lease data
Capitalization rate selection lacks direct market relevance
Capitalizing income from “interim” improvements into perpetuity
Flawed absorption analysis
Flawed income capitalization approach
Inadequate operating expense support
Inadequate rate selection support
Inadequate rental support
Inclusion of inappropriate operating expenses
Omission of typical line item operating expenses
Sole use of Ellwood formulae to develop a capitalization rate
Unexplained gaps in operating statement line items between actual and projected income and expenses
Use of net income multiplier in sales comparison approach, and its inverse, direct capitalization, in the income approach

Reconciliation

Concluding two or more “As Is” Values
Disconnect between the analysis and the value conclusion rationale
Failure to identify likely purchaser type (investor, owner-occupant, developer, etc.)
Omission of reasonable exposure period linkage to concluded value
Unexplained gap in recent/pending sale price versus appraised value
Unexplained extraordinary wide gap between the two or three value indications