

# NC State Property Office Appraisal Requirements and Guidelines

January 19, 2007

The following real estate appraisal requirements and guidelines were developed by the State Property Office. These guidelines are to be used in conjunction with the Uniform Standards of Professional Appraisal Practice.

## Requirements:

\* All Appraisers must be either N.C. State Certified Residential or N.C. State Certified General Real Estate Appraisers currently on active status with the North Carolina Appraisal Board.

\* Appraisal reports must comply with Uniform Standards of Professional Appraisal Practice (USPAP) as published by the Appraisal Standards Board.

\* A Complete Summary Report or Complete Self Contained Report is required unless otherwise authorized by the State Property Office.

\* All appraisals received by the State Property Office will be reviewed for accuracy, data, substance, and logic. Appraisals that do not reasonably provide sufficient detail or data or are determined to be inadequate will be returned to the appraiser, and additional work will be required at no additional compensation.

\* The owner of the subject property must be provided an opportunity to accompany the Appraiser at the time of site inspection.

## State Property Office Guidelines:

### Narrative Appraisal Reports

#### A. Introduction

- Letter of Transmittal
- Summary of Important Facts and Conclusions
- Table of Contents
- Certification of Value
- Assumptions and Limiting Conditions
- Purpose and Scope of Appraisal
- Effective Date of Valuation

#### B. Description of Property

- Complete Area or Neighborhood Description
  - Marketing Trends
  - Economic Conditions
- Description of Appraised Property
  - Legal Description, Include Copy of Deed in Addenda
  - County Tax Office Property Data with PIN & ID Numbers
  - Detailed Description of Subject Site
    - Approximate Acreage Cleared & Acreage Wooded, (if applicable)
    - Type of Legal Access, if any
    - Frontage and Shape of Parcel
    - Topography, USDA Soil Types and FEMA Flood Map Data
    - View, Appeal and Visibility
    - Utilities Available to Site
  - Detailed Description of Subject Improvements, (if any)
    - Complete Description of Building and/or Site Improvements
    - Sketch of Building and Floor Plan

- Describe Fixed Equipment
- Utilities
- Personal Property Exempted in Report
- Ownership, Encumbrances, Easements and Appurtenances
- Subordination Agreements, (if any)
- Zoning and Comments on Compliance
- Taxes
- Five Year Property Ownership History

#### C. Analyses and Conclusions

- Valuation Procedures
  - Apply All Three Approaches to Value As Appropriate
  - Thorough Discussion of Methodology and Sources used
  - Do Not Use Methods Which are not Applicable to the Type of Property Appraised
  - Before and After Method Should be Used Where Partial Takings are Appraised
- Highest and Best Use Analysis
  - Highest and Best Use as if Vacant
  - Highest and Best Use As Improved
  - Carefully Consider Aspects of Highest and Best Use Discussion of legal permissibility, physical possibility, financial feasibility and maximum profitability
- Approaches to Value
  - Land Value, Must Be Appropriate for the Scope, Purpose, and Intended Use (Do Not Use Subdivision Analysis or Absorption Rates Unless Specifically Instructed by the State Property Office)
  - Sales Comparison Approach
  - Research the Market for Data
  - Verify the Data is Accurate and are Arms Length Transactions
  - Determine Relevant Units of Comparison
  - State and Compare Specific Sales Data in Grid or Table Format. Be Specific and Consistent. Include Information Such as Grantor/Grantee, Date of Sale, Verification, History, Location, Description, Zoning, Current Use, Deed Book and Page, etc.
  - Reconcile and Discuss the Value Indications
- Cost Approach
  - Include Source of Data, (i.e. Marshall & Swift Valuation Service, Local Contractors, etc.)
  - Show Effective Age and Economic Life Factors
  - Physical Depreciation, External Factors and Obsolescence, (if applicable)
- Income Approach
  - Derivation and Discussion of Capitalization Rate
  - Provide Lease Analysis and Data, (if applicable)
  - Provide Grid of Leased or Rental Sales (if applicable)
  - Use Band of Investment Technique and Operating Statements Only Where Applicable and Valid Data is Available
  - Discounted Cash Flow Analysis to be Used Only with Prior Approval of the State Property Office and When Applicable
- Final Reconciliation of Values with a Complete Explanation of the Final Value Conclusion
- Summary Page of Value with Signature and Seal (May be Incorporated with Letter of Transmittal)

#### D. Addenda and Exhibits

- Qualifications of the Appraiser
- Photographs of Subject Property
- Site Plan, Survey or Tax Map
- Soils Map, (if applicable)
- Copy of Deed
- Copy of Leases
- Location Map of Subject and Sales
- Any Other Exhibits the Appraiser Deems Necessary for Clarity