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How to Prepare a Picture-perfect Relocation Appraisal

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This article will help the transferee understand the appraiser's role in the relocation process and aid the transferee in gathering the information necessary to complete the appraisal.

The relocation appraisal process can seem confusing to average homeowners. Therefore, the more a relocation coordinator knows about the process, the more smoothly the appraiser will be able to get his or her job done.

Appraisers follow a set of federally accepted guidelines and practices known as the Uniform Standards of Professional Appraisal Practice (USPAP), which govern the ethical and legal aspects of the appraisal reporting process. Relocation appraisers must follow a set of guidelines and instructions set forth in ERC's *Residential Appraisal Report*. Occasionally, the appraiser is asked by a client to depart from those instructions to accommodate a corporation's relocation policy.

Depending on the appraisal's purpose and type, its size and detail will vary. The relocation appraisal commands a more thorough analysis than the typical residential appraisal, which is performed on the standardized, two-page *Uniform Residential Appraisal Report* (URAR) for mortgage appraisals and other purposes.

When an appraisal is done for a relocation, the appraiser may spend from one to two hours inspecting the interior and exterior of the home. The appraiser will pay special attention to the overall interior condition, decor, and appeal of the home. In addition to the standard exterior photos that are taken of the front, rear, and street views of the home, the relocation appraiser will take interior photographs of every room in the home, including the bathrooms and basement.

The relocation appraiser also will interview the transferee extensively regarding the features of the home and any improvements that might have been done by the homeowner. The appraiser also may discuss the market and any comparable sales and listings in the neighborhood that he or she is considering for the assignment. The appraiser does this to place the transferee in his or her shoes so that the transferee better understands the relocation appraisal process.

During the inspection, the appraiser will spend several minutes in each room, carefully noting its condition and decoration, and will complete a sketch of the floor plan. The appraiser is not interested in whether or not the owner had dusted that day or if he or she is in the middle of folding laundry. Housekeeping is not the issue, although a clean home can indicate a home that has been well taken care of. The overall maintenance of the home is of primary interest: Are the walls, flooring, and floor coverings in good shape? Are the built-in appliances in good working order? Are the mechanical systems (plumbing, electrical, heating, and cooling) functioning properly?

The appraiser's research will be reported on ERC's *Residential Appraisal Report*, a six-page form with space for substantial narrative comments. When expanded, it can exceed 40 pages and include photographs, sketches, maps, and other addenda.

The key element in the relocation appraisal report is "forecasting," which is an analytical adjustment based on market conditions. In essence, the appraiser is asked to develop an appraisal with an "anticipated sales price" based on a market exposure time of up to 120 days. For the homeowner and

the corporation that may end up with the homes, the most important aspect of the relocation appraisal process is learning the anticipated sales price and understanding how it was reached.

If the current market calls for longer market times— six months or a year due to a soft market created by an oversupply, high inventory levels, or new construction competition— appraiser is required to consider a forecasting adjustment. In the above example, the forecasting adjustment would be downward for the additional market time needed to sell the home to bring it to a 120-day market time. The forecasting adjustment also may be considered in rapidly appreciating markets due to high demand, a low supply, or other market factors.

Information from the Homeowner

To do a proper relocation appraisal, the appraiser needs the most accurate information obtainable about a home. During the initial interview to set up the appointment the appraiser will ask various questions about the home. The information includes, but is not limited to, the style of the home (two-story, ranch, split, condo), garage/room/bed/bath count, the home's age, and any remodeling or addition work that has been completed. This information allows an appraiser to research more accurately available market data sources prior to inspecting the home.

Typically the appraiser will ask the transferee to prepare information in advance of the appraisal for discussion during the appointment and for the appraiser to take back to the office. This list may vary from state to state or region to region, as appraisers' information and sources are stronger in some areas than others. If the appraiser can get any of the information from other sources, it is better not to burden the transferee with the additional research to prepare for the appraisal inspection. To help the appraiser complete the job, the following items are necessary:

Real estate tax bill. It verifies the personal identification number (PIN) and property taxes as well as school district and government serving the property.

Title policy. It verifies that the owner of the property is the title holder as well as the legal description and any easements, encroachments, or encumbrances to the property.

Deed. It verifies the legal description and when the property was purchased.

Plat of survey. Also called a "survey" or a "plot plan," it is a document that shows the home on the lot with the dimensions. It also will identify easements and encroachments that might affect the property.

Blueprints/floorplans. If the home was purchased as new construction, the builder might have provided a brochure with a floor plan of the home, and perhaps the homeowner has a set of blueprints. This provides the appraiser with the floor plan.

List of improvements. A list of improvements made since the home was purchased as well as any major improvements prior owners might have made will be considered in the appraisal, including additions, recent modernization (new carpet or fresh paint), updated mechanical items, and so forth. The approximate cost of improvements also might help.

Brag sheet. A list of positive features that the homeowner believes the home has. This list gives owners the opportunity to brag about their home. The appraiser might ask, "What sold you on your home when you purchased it?"

Items included, but not limited to, are remodel-ed kitchens or baths, finished basements, new decks or patios, walk-in closets, bay windows, custom built-ins, vaulted or custom ceilings, upgraded flooring (hardwood or ceramic versus carpet or vinyl), and so forth. Also, amenities such as proximity to schools, parks, public transportation, expressways, or employment centers that increase the subject's value could be included.

Personal property and items staying with the home. It is good to give transferees an opportunity to think about what will be staying at the home and what they will be taking with them. This includes appliances, window treatments, light fixtures, and other items that may appear to be attached that the transferee will be removing and/or replacing.

Comparable sales and listings. For relocation appraisals, the appraiser will ask the transferee if he or she is aware of any sales or listings of similar homes in the area that they would like the appraiser to consider or not to consider. If the appraiser feels those listings are the best available, he or she will use them in the report. If not, the appraiser will declare why they are not deemed comparable. It is important for the appraiser to convey to transferees that they are doing the research for themselves, not for the appraiser. The rationale is to give the transferee a role in the appraisal process.

The residential real property disclosure report. This disclosure report might vary from state to state, and if the property is inspected prior to listing, the disclosure report may not be available. This signed seller disclosure form is mandatory in many states and will disclose any material or structural defects as well as unsafe conditions.

Comparables

After the physical inspection is completed, the appraiser will compare the home to recent sales and current listings in the neighborhood. These sales and listings are called comparables.

Ideally, the appraiser would like to find a home that sold yesterday that is exactly like the subject property and right next door. However, this rarely happens. The appraiser will compare the home to homes that are as similar as possible. Similarities include, but are not limited to, cash equivalency and financing terms, market change since date of sale, style and appeal, quality of materials used in construction, age, condition, room/bed/bath count, square footage, basements, garages, functional utility, and other significant features and amenities.

When differences occur, the appraiser makes adjustments. These adjustments are based on the particular appraiser's experience and knowledge of the market and what the typical buyer would place on a given amenity. They are extracted from the market using the appraiser's best judgment.

The transferee and the client must understand that part of this process includes interviews with individuals who have actually been in the home (such as the broker), and that it takes time. After all adjustments are made, the comparables indicate a value range. This value range is then narrowed to the final estimate of anticipated sales price, which is based on market trends, such as: "Are sales prices in the area stable, rising or falling?" and "What are the current inventory levels?"

After the appraisal is completed, it is submitted to the client. The client can be a person or institution. If a relocation management company or the transferee's employer ordered the appraisal, then it is the client; "it owns" the appraisal and is considered the intended user. According to the confidentiality section of USPAP, the appraiser can discuss only the particulars and outcome of each appraisal with the client.

Many times the relocation appraisal is shared with the transferee, although he or she is not considered the intended user of the report by the appraiser. After this point, any specific questions the transferee has must be directed to the relocation counselor. Any appeal typically is directed in writing to the counselor, who will, in turn, contact the appraiser for a prompt response.

The appraiser follows federal guidelines and uses knowledge based on techniques learned in classroom education, industry-sponsored conferences, and experience in the field to arrive at a logical conclusion regarding the value of the home.

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