

USPAP Q&A

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This communication by the Appraisal Standards Board (ASB) does not establish new standards or interpret existing standards. The ASB USPAP Q&A is issued to inform appraisers, regulators, and users of appraisal services of the ASB responses to questions raised by regulators and individuals; to illustrate the applicability of the Uniform Standards of Professional Appraisal Practice (USPAP) in specific situations; and to offer advice from the ASB for the resolution of appraisal issues and problems.

Appraisal versus Appraisal Consulting Assignment

Question:

What is the difference between an appraisal assignment and an appraisal consulting assignment?

Response:

Appraisal assignments are those where the purpose is to provide an opinion of value. Appraisal consulting assignments are those where the purpose is to provide an analysis, recommendation or opinion to solve a problem where an opinion of value is a component of the analysis. USPAP defines appraisal consulting as:

the act or process of developing an analysis, recommendation, or opinion to solve a problem, where an opinion of value is a component of the analysis leading to the assignment results.

Comment: An appraisal consulting assignment involves an opinion of value but does not have an appraisal or an appraisal review as its primary purpose.

Also, the Comment to STANDARD 4 (Real Property Appraisal Consulting, Development) states, in part:

...the purpose of an assignment under this Standard is always to develop, without advocacy, an analysis, recommendation, or opinion where at least one opinion of value is a component of the analysis leading to the assignment results.

...An opinion of value or an opinion as to the quality of another appraiser's work cannot be the purpose of an appraisal consulting assignment. Developing an

assignment for those purposes is an appraisal or an appraisal review assignment, respectively.

An example of a real property appraisal consulting assignment is a feasibility study where the client is seeking advice regarding most profitable development strategies. In the feasibility study, opinions of value would be used to test different scenarios. Those opinions of value may be provided by the appraiser doing the consulting assignment (feasibility study) or by another appraiser.

Market Rent Opinion

Question:

I was asked by a client to provide an opinion of the market rental rate for a commercial property. Is such an assignment considered an appraisal?

Response:

Yes. USPAP defines an appraisal as “an opinion of value,” and market rent is an expression of value for the right to use a property. Therefore, to comply with USPAP in this assignment, an appraiser would have to follow STANDARD 1 to develop the opinion of the market rent, and STANDARD 2 to report the assignment results.

Income and Expense Analyses

Question:

I was asked by a client to prepare a five-year market-based forecast of income and expenses for a specific commercial property. Is such a request an appraisal assignment or an appraisal consulting assignment?

Response:

The request is an appraisal consulting assignment, which includes an appraisal. The market-based income and expense forecast is an *analysis* by the appraiser that includes an opinion of market rent, which is an opinion of value. The process of developing an opinion of market rent *to be used* in the analysis is an appraisal, since USPAP defines an appraisal as “an opinion of value.” Therefore, to comply with USPAP an appraiser would have to follow STANDARD 1 to develop the opinion of the market rent (value), and STANDARD 4 to develop the income and expense analysis. The appraisal consulting report would have to comply with STANDARD 5.

Each year the ASB compiles the monthly USPAP Q&A into a publication entitled Frequently Asked Questions, or FAQ's. In addition to compiling the new FAQ's for the year, all of the FAQ's in the publication are reviewed and updated, if necessary, to ensure they represent the most recent guidance from the Board. Frequently Asked Questions is published as an adjunct to each edition of USPAP, and has become a valuable reference for appraisers, users of appraisal services, and regulators. The Frequently Asked Questions publication can be purchased for \$20.00 by visiting the "Foundation Store" page on The Appraisal Foundation website (<https://commerce.appraisalfoundation.org>).

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