

How To Critique a Fee Appraisal



What is a Fee Appraisal?

- A Fee Appraisal is a private, certified appraisal of an individual property done by a professional (certified) appraiser
- Fee Appraisals are typically done for financial purposes

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Examples...

- Buying and selling of property
- Refinancing of property
- Property disputes
- Foreclosure of property
- Valuation of investor portfolios

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During the Mass Appraisal Process, when do we critique Fee Appraisals?

- Informal Hearings
 - Any time a taxpayer provides a fee appraisal as proof of value, it should be treated as an Informal Hearing. The Fee Appraisal should be critiqued or analyzed. After analysis, if the Fee Appraisal appears to be valid, it should be compared to the Property Record Card

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During the Mass Appraisal Process, when do we critique Fee Appraisals?

- Litigation
 - After Formal Board of Equalization Hearings, if the taxpayer files in Circuit Court, the Fee Appraisal provided should be critiqued or analyzed for multiple reasons:
 - » Educating Counsel for Defense
 - » Determining the appropriate plan of action

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Gaining the ability to accurately critique a Fee Appraisal will benefit us in our goal to achieve Equalization

- Some of the benefits are:
 1. Obtaining property specific information
 2. Obtaining additional market data (data previously unavailable to us)
 3. Additional exposure to the real estate market and its functions

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Types of Fee Appraisals

- Residential
- Commercial
- Industrial
- Vacant Land

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Types of Fee Appraisals

- Residential
 - Full Appraisal: Appraiser measures improvements and completes analysis based on his or her field work
 - Exterior only (drive-by): Appraiser completes analysis based on property record card from county appraisal office

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Types of Fee Appraisals

- Residential
 - Emphasis in a residential fee appraisal is typically the sales comparison approach with support of cost approach and incomes approach

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Types of Fee Appraisals

- Commercial
 - Typically a full appraisal is done
 - Emphasis in a commercial fee appraisal is typically the sales comparison approach and income approach with support of cost approach

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Types of Fee Appraisals

- Industrial
 - Typically a full appraisal is done
 - Emphasis in an industrial fee appraisal is typically the sales comparison approach and cost approach with support of the income approach (income data is usually limited)

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Types of Fee Appraisals

- Vacant land
 - Typically a full appraisal is done
 - Emphasis in a vacant land fee appraisal is typically the sales comparison approach

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Due to the volume of residential property, it would be a safe assumption that the majority of fee appraisals completed are residential

Lets focus on Residential...

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Components of a Fee Appraisal

- Property Characteristics
- Valuation Analysis (3 approaches to value)

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Property Characteristics

Uniform Residential Appraisal Report

File # _____

The purpose of this summary appraisal report is to provide the lender/client with an accurate and adequately supported opinion of the market value of the subject property.

| | | | |
|---|--|-----------------------------------|---|
| Property Address | City | State | Zip Code |
| Barometer | Owner of Public Record | County | |
| Legal Description | Assessor's Parcel # | Tax Year | R.F. Taxes \$ |
| Neighborhood Name | Map Reference | Neighborhood | Census Tract |
| Occupant <input type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant <input type="checkbox"/> | Special Assessments \$ | PUD | HOA \$ _____ per year <input type="checkbox"/> per month <input type="checkbox"/> |
| Property Rights Appraised <input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold <input type="checkbox"/> Other (describe) | Assignment Type <input type="checkbox"/> Purchase Transaction <input type="checkbox"/> Refinance Transaction <input type="checkbox"/> Other (describe) | Lender/Client _____ Address _____ | |
| Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal? <input type="checkbox"/> Yes <input type="checkbox"/> No | | | |
| Report data source(s) used, offering price(s), and date(s). | | | |
| <input type="checkbox"/> I did <input type="checkbox"/> I did not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed. | | | |
| Contract Price \$ _____ Date of Contract _____ Is the property seller the owner of public record? <input type="checkbox"/> Yes <input type="checkbox"/> No Data Source(s) _____ | | | |
| Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower? <input type="checkbox"/> Yes <input type="checkbox"/> No | | | |
| If Yes, report the total dollar amount and describe the items to be paid. | | | |

Tips for critiquing on next slide...

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Property Characteristics

Tips for critiquing:

1. Verify that subject data (address, legal, parcel number) matches the property under appeal
2. If Occupant is marked "Tenant", request rent amount for use in income approach
3. If Assignment Type is marked "Purchase", refer to "Contract" section to obtain details of sale
4. If Lender / Client is a financial institution, the appraisal has often times been reviewed by an underwriter

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Property Characteristics

| Neighborhood Characteristics | One-Unit Housing Trends | One-Unit Housing | Present Land Use % |
|---|--|---|--------------------|
| Location <input type="checkbox"/> Urban <input type="checkbox"/> Suburban <input type="checkbox"/> Rural | Property Values <input type="checkbox"/> Increasing <input type="checkbox"/> Stable <input type="checkbox"/> Declining | PRICE | One-Unit % |
| Built-up <input type="checkbox"/> Over 75% <input type="checkbox"/> 25-75% <input type="checkbox"/> Under 25% | Demand/Supply <input type="checkbox"/> Shortage <input type="checkbox"/> In Balance <input type="checkbox"/> Over Supply | \$ (000) (M) | 2-4 Unit % |
| Growth <input type="checkbox"/> Rapid <input type="checkbox"/> Stable <input type="checkbox"/> Slow | Marketing Time <input type="checkbox"/> Under 3 mths <input type="checkbox"/> 3-6 mths <input type="checkbox"/> Over 6 mths | Low | Multi-Family % |
| Neighborhood Boundaries _____ | Neighborhood Description _____ | High | Commercial % |
| Market Conditions (including support for the above conclusions) | Dimensions _____ Area _____ Shape _____ View _____ | Public | Other % |
| Specific Zoning Classification _____ Zoning Description _____ | Zoning Compliance <input type="checkbox"/> Legal <input type="checkbox"/> Legal Nonconforming (Grandfathered Use) <input type="checkbox"/> No Zoning <input type="checkbox"/> Illegal (describe) | Alley | |
| Utilities Public Other (describe) _____ | Public Other (describe) _____ | Off-site Improvements - Type _____ Public _____ Private _____ | |
| Electricity <input type="checkbox"/> Gas <input type="checkbox"/> Water _____ | Sanitary Sewer _____ | FEMA Map # _____ FEMA Map Date _____ | |
| Are the utilities and off-site improvements typical for the market area? <input type="checkbox"/> Yes <input type="checkbox"/> No | Are there any adverse site conditions or external factors (assessments, encroachments, environmental conditions, land uses, etc.)? <input type="checkbox"/> Yes <input type="checkbox"/> No | | |

Tips for critiquing on next slide...

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Property Characteristics

Tips for critiquing:

1. Verify that site data (dimensions, site size) matches the property record card of property under appeal
2. If property is in a city, verify the zoning to determine if current zoning matches use of property
3. Check if appraiser listed any adverse site conditions

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Property Characteristics

| General Description | Foundation | Exterior Description | Interior |
|---|--|--|--|
| Units <input type="checkbox"/> One <input type="checkbox"/> One with Accessory Unit | Concrete Slab <input type="checkbox"/> Full Basement <input type="checkbox"/> Partial Basement | Foundation Walls <input type="checkbox"/> Exterior Walls | Floors <input type="checkbox"/> Stairs |
| # of Stories _____ | Basement Area _____ | Roof Surface _____ | Trim/Finish _____ |
| Type <input type="checkbox"/> Det. <input type="checkbox"/> Att. <input type="checkbox"/> S-Unit/End Unit | Basement Finish _____ | Gutters & Downspouts _____ | Bath Floor _____ |
| Design (Style) _____ | Outside Entry/Exit <input type="checkbox"/> Sump Pump _____ | Window Type _____ | Bath Vanity/Cout _____ |
| Year Built _____ | Evidence of <input type="checkbox"/> Infestation _____ | Storm Sash/Insulated _____ | Car Storage _____ |
| Effective Age (Yrs) _____ | Dampness <input type="checkbox"/> Settlement _____ | Screens _____ | # of Cars _____ |
| ESC <input type="checkbox"/> None <input type="checkbox"/> History <input type="checkbox"/> FWS <input type="checkbox"/> HHSSE <input type="checkbox"/> Radon <input type="checkbox"/> Greenhouse _____ | Woodwork # _____ | Woodwork # _____ | Shelving Surface _____ |
| <input type="checkbox"/> Drop Stair <input type="checkbox"/> Stairs _____ | Other <input type="checkbox"/> Fuel _____ | Fireplace(s) # _____ | Fence _____ |
| <input type="checkbox"/> Floor <input type="checkbox"/> Scoops _____ | Cooling <input type="checkbox"/> Central Air Conditioning _____ | Patio/Deck _____ | Garage # of Cars _____ |
| <input type="checkbox"/> Finished <input type="checkbox"/> Unfinished _____ | Other _____ | Pool _____ | Carport # of Cars _____ |
| Appliances <input type="checkbox"/> Refrigerator <input type="checkbox"/> Range/Oven <input type="checkbox"/> Dishwasher <input type="checkbox"/> Microwave <input type="checkbox"/> Washer/Dryer <input type="checkbox"/> Other (describe) _____ | Rooms _____ | Bedrooms _____ | Baths _____ |
| Finished area above grade contains _____ | Rooms _____ | Bedrooms _____ | Baths _____ |
| Additional features (special energy efficient items, etc.) _____ | Square Feet of Gross Living Area Above Grade _____ | | |
| Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.). | | | |
| Are there any physical deficiencies or adverse conditions that affect the liability, soundness, or structural integrity of the property? <input type="checkbox"/> Yes <input type="checkbox"/> No | | | |
| Does the property generally conform to the neighborhood functional utility, style, condition, use, construction, etc.? <input type="checkbox"/> Yes <input type="checkbox"/> No | | | |

Tips for critiquing on next slide...

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Quality Ratings and Definitions

Q1

Dwellings with this quality rating are usually unique structures that are individually designed by an architect for a specified user. Such residences typically are constructed from detailed architectural plans and specifications and feature an exceptionally high level of workmanship and exceptionally high-grade materials throughout the interior and exterior of the structure. The design features exceptionally high-quality exterior refinements and ornamentation, and exceptionally high-quality interior refinements. The workmanship, materials, and finishes throughout the dwelling are of exceptionally high quality.

Q2

Dwellings with this quality rating are often custom designed for construction on an individual property owner's site. However, dwellings in this quality grade are also found in high-quality tract developments featuring residence constructed from individual plans or from highly modified or upgraded plans. The design features detailed, high quality exterior ornamentation, high-quality interior refinements, and detail. The workmanship, materials, and finishes throughout the dwelling are generally of high or very high quality.

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Quality Ratings and Definitions (continued)

Q3

Dwellings with this quality rating are residences of higher quality built from individual or readily available designer plans in above-standard residential tract developments or on an individual property owner's site. The design includes significant exterior ornamentation and interiors that are well finished. The workmanship exceeds acceptable standards and many materials and finishes throughout the dwelling have been upgraded from "stock" standards.

Q4

Dwellings with this quality rating meet or exceed the requirements of applicable building codes. Standard or modified standard building plans are utilized and the design includes adequate fenestration and some exterior ornamentation and interior refinements. Materials, workmanship, finish, and equipment are of stock or builder grade and may feature some upgrades.

Q5

Dwellings with this quality rating feature economy of construction and basic functionality as main considerations. Such dwellings feature a plain design using readily available or basic floor plans featuring minimal fenestration and basic finishes with minimal exterior ornamentation and limited interior detail. These dwellings meet minimum building codes and are constructed with inexpensive, stock materials with limited refinements and upgrades.

Q6

Dwellings with this quality rating are of basic quality and lower cost; some may not be suitable for year-round occupancy. Such dwellings are often built with simple plans or without plans, often utilizing the lowest quality building materials. Such dwellings are often built or expanded by persons who are professionally unskilled or possess only minimal construction skills. Electrical, plumbing, and other mechanical systems and equipment may be minimal or non-existent. Older dwellings may feature one or more substandard or non-conforming additions to the original structure.

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Examples...

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Example #1
Subdivision Appraisal

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| Reference | COMPARABLE SALE # 1 | COMPARABLE SALE # 2 | COMPARABLE SALE # 3 |
|----------------------------|---------------------------|---------------------------|----------------------------|
| Address | 123 Tangewood Dr | 456 Tangewood Dr | 789 Sunset Ln |
| Proximity to Subject | 2.15 miles SW | 0.14 miles NE | 1.33 miles W |
| Sale Price | \$ 140,000 | \$ 140,000 | \$ 107,000 |
| Sale Price Gross Liv. Area | \$ 66.66 sq ft | \$ 66.66 sq ft | \$ 65.00 sq ft |
| Data Source(s) | Dorner M.S.#10905.COM.200 | Dorner M.S.#10905.COM.200 | Dorner M.S.#109107.COM.198 |
| Verification Source(s) | Public Records | Public Records | Public Records |
| VALUE ADJUSTMENTS | DESCRIPTION | DESCRIPTION | DESCRIPTION |
| Size of Property | Acres | Acres | Acres |
| Occupation | Unk/000 | Com/000 | Unk/000 |
| Date of Sale/Time | 4/2/16 11:19 | 4/2/16 10:18 | 4/2/16 06:18 |
| Location | 16/Sec | 16/Sec | 16/Sec |
| Leasable/Free Simple | Fee Simple | Fee Simple | Fee Simple |
| Site | 24852 sq ft | 25200 sq ft | 24,800 sq ft |
| View | None | None | None |
| Design (Style) | 021A/Residential | 021A/Residential | 021A/Residential |
| Quality of Construction | SA | SA | SA |
| Actual Age | SA | SA | SA |
| Condition | C1 | C1 | C1 |
| Above Grade | 1,816 sq ft (1,816) 1,816 | 1,788 sq ft (1,816) 1,816 | 1,816 sq ft (1,816) 1,816 |
| Room Count | 8 3 2 2 0 | 8 3 2 2 0 | 8 3 2 2 0 |
| Gross Living Area | 1,677 sq ft | 1,677 sq ft | 1,681 sq ft |
| Basement & Popped | 0 sq ft | 0 sq ft | 0 sq ft |
| Rooms Below Grade | None | None | None |
| Functional Utility | Operl/Operl | Operl/Operl | Operl/Operl |
| Heating/Cooling | Operl/Operl | Operl/Operl | Operl/Operl |
| Energy Efficient Items | None | None | None |
| Garage/Carport | Single | Single | Single |
| Porch/Patio/Deck | Partial, CP/CP | Partial, CP/CP | Partial, Partial |
| Fireplace/Woodstove | None | 1,500 | None |
| Fence, Pool, etc. | None | None | None |
| Miscellaneous Improvements | Special Features | Special Features | Special Features |
| Net Adjusted Sale Price | \$ 147,400 | \$ 147,400 | \$ 107,000 |
| Net Adj. Gross Adj. | 0.3% | 3.7% | 4.9% |
| Adjusted Sale Price | \$ 144,000 | \$ 140,000 | \$ 102,100 |
| % Comparable | 5.7% | 3.7% | 0.8% |

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Example #2
Rural Appraisal

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| FEATURE | SUBJECT | COMPARABLE SALE # 1 | COMPARABLE SALE # 2 | COMPARABLE SALE # 3 |
|----------------------------|--------------------------|---------------------|---------------------|---------------------|
| Address | 1900 S State Highway 103 | 450 Hwy 94 | 477 Spyness Dr | 2805 County Road 68 |
| Property to Subject | 0.20 miles E | 0.20 miles E | 0.20 miles W | 0.52 miles NE |
| Sale Price | \$ 172,000 | \$ 212,000 | \$ 189,900 | \$ 140,000 |
| Sale Price/Gross Liv. Area | \$ 86.14 sq ft | \$ 86.27 sq ft | \$ 86.42 sq ft | \$ 83.14 sq ft |
| Data Source(s) | Public Records | Public Records | Public Records | Public Records |
| Verification Source(s) | Public Records | Public Records | Public Records | Public Records |
| VALUE ADJUSTMENTS | DESCRIPTION | DESCRIPTION | DESCRIPTION | DESCRIPTION |
| Date of Planning | None | None | None | None |
| Concessions | None | None | None | None |
| Date of Sale/Time | None | None | None | None |
| Location | None | None | None | None |
| Leasable/Free Single | Free Single | Free Single | Free Single | Free Single |
| View | None | None | None | None |
| Quality of Construction | None | None | None | None |
| Actual Age | None | None | None | None |
| Condition | None | None | None | None |
| Above Grade | None | None | None | None |
| Room Count | None | None | None | None |
| Below Grade | None | None | None | None |
| Basement & Finished | None | None | None | None |
| Rooms Below Grade | None | None | None | None |
| Functional Utility | None | None | None | None |
| Heating/Cooling | None | None | None | None |
| Energy Efficient Items | None | None | None | None |
| Garage/Carport | None | None | None | None |
| Porch/Patio/Deck | None | None | None | None |
| Stairs/Woodwork | None | None | None | None |
| Fence, Pool, Etc. | None | None | None | None |
| Miscellaneous | None | None | None | None |
| Net Adjustment (Total) | None | None | None | None |
| Adjusted Sale Price | None | None | None | None |
| % of Comparable | None | None | None | None |

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Example #3

Invalid Appraisal - Residential

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| FEATURE | SUBJECT | COMPARABLE SALE # 1 | COMPARABLE SALE # 2 | COMPARABLE SALE # 3 |
|----------------------------|-----------------------|-----------------------|---------------------|---------------------|
| Address | 2462 N County Road #1 | 2462 N County Road #1 | 2462 Silverstone Dr | 17 Equal Dr |
| Property to Subject | 0.00 miles | 0.00 miles | 8.05 miles SW | 8.95 miles NE |
| Sale Price | \$ 272,000 | \$ 272,000 | \$ 208,000 | \$ 210,000 |
| Sale Price/Gross Liv. Area | \$ 86.27 sq ft | \$ 86.27 sq ft | \$ 86.19 sq ft | \$ 101.89 sq ft |
| Data Source(s) | Public Records | Public Records | Public Records | Public Records |
| Verification Source(s) | Public Records | Public Records | Public Records | Public Records |
| VALUE ADJUSTMENTS | DESCRIPTION | DESCRIPTION | DESCRIPTION | DESCRIPTION |
| Date of Planning | None | None | None | None |
| Concessions | None | None | None | None |
| Date of Sale/Time | None | None | None | None |
| Location | None | None | None | None |
| Leasable/Free Single | Free Single | Free Single | Free Single | Free Single |
| View | None | None | None | None |
| Quality of Construction | None | None | None | None |
| Actual Age | None | None | None | None |
| Condition | None | None | None | None |
| Above Grade | None | None | None | None |
| Room Count | None | None | None | None |
| Below Grade | None | None | None | None |
| Basement & Finished | None | None | None | None |
| Rooms Below Grade | None | None | None | None |
| Functional Utility | None | None | None | None |
| Heating/Cooling | None | None | None | None |
| Energy Efficient Items | None | None | None | None |
| Garage/Carport | None | None | None | None |
| Porch/Patio/Deck | None | None | None | None |
| Stairs/Woodwork | None | None | None | None |
| Fence, Pool, Etc. | None | None | None | None |
| Miscellaneous | None | None | None | None |
| Net Adjustment (Total) | None | None | None | None |
| Adjusted Sale Price | None | None | None | None |
| % of Comparable | None | None | None | None |

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Example #4

Commercial Appraisal

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| Sales Comparison Approach Adjustment Grid | | | | | | | |
|--|----------------|-------------|-----------------|-------------|----------------|-------------|-------------|
| | Sale 1 | Sale 2 | Sale 3 | Sale 4 | Sale 5 | Sale 6 | Sale 7 |
| Comparable property: | Magnuson Hotel | Hotel 2 | Hotel 3 | Hotel 4 | Hotel 5 | Hotel 6 | Econo Lodge |
| Location: | Opelika, AL | Mobile, AL | Hattiesburg, MS | Dorhan, AL | Montgomery, AL | Santee, SC | Cordoba, GA |
| Sale date: | 01/01/2017 | Sep-17 | Sep-17 | Mar-17 | Oct-16 | 01/01/2017 | Sep-16 |
| Price: | \$1,800,000 | \$1,250,000 | \$1,775,000 | \$1,850,000 | \$2,094,000 | \$2,464,000 | \$1,320,000 |
| Transaction adjustments | | | | | | | |
| Property rights conveyed: | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Financing terms: | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Subtotal: | \$1,800,000 | \$1,250,000 | \$1,775,000 | \$1,850,000 | \$2,094,000 | \$2,464,000 | \$1,320,000 |
| Sale conditions: | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Subtotal: | \$1,800,000 | \$1,250,000 | \$1,775,000 | \$1,850,000 | \$2,094,000 | \$2,464,000 | \$1,320,000 |
| Reparations made immediately after purchase: | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Subtotal: | \$1,800,000 | \$1,250,000 | \$1,775,000 | \$1,850,000 | \$2,094,000 | \$2,464,000 | \$1,320,000 |
| Market conditions (time): | \$0 | \$5,140 | \$7,299 | \$54,363 | \$304,707 | \$0 | \$73,729 |
| Adjusted sale price: | \$1,800,000 | \$1,255,140 | \$1,782,299 | \$1,904,363 | \$2,398,707 | \$2,464,000 | \$1,393,729 |
| Date of completion: | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Adjusted price of cost: | \$17,308 | \$12,888 | \$15,233 | \$18,854 | \$11,981 | \$25,132 | \$12,458 |
| Property adjustments | | | | | | | |
| Location: | \$0 | \$5,123 | \$5,017 | \$0 | \$0 | (\$2,513) | \$0 |
| Physical characteristics: | \$0 | \$0 | \$0 | \$0 | (\$5,980) | (\$5,000) | \$0 |
| Economic characteristics: | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Operating class: | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Marketability components of value: | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Adjusted price/cost: | \$17,308 | \$17,951 | \$18,250 | \$18,854 | \$17,980 | \$17,939 | \$12,458 |
| Net adjustment (%): | 0.0% | 46.6% | 20.5% | 2.9% | -16.0% | -0.0% | 1.4% |

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SALES COMPARISON APPROACH CONCLUSION

The adjusted comparable sales indicate a range of \$17,308 to \$18,854 per room. They provide an average indication of \$17,859 and a median indication of \$17,592.

All of the comparables provide important value indications and were given consideration in reconciling an opinion of value for the subject. Overall, this data was reconciled to an indication of \$18,000 per room for the subject property "as is."

Calculations are shown in the following chart.

Sale Comparison Calculations

Market Indication: \$18,000

Rooms: 104

Indication "as is": \$1,872,000

Rounded: \$1,870,000

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| Comparable Operating Statements | | | | | | | | | | | | | | | | | | | | |
|---------------------------------|--------------|---|------|------|--------------|---|------|------|--------------|---|------|------|--------------|---|------|------|------------------------|---|------|------|
| | Comparable 1 | | | | Comparable 2 | | | | Comparable 3 | | | | Comparable 4 | | | | Consolidated (Average) | | | |
| | \$ | % | SPAR | SPOR | \$ | % | SPAR | SPOR |
| Revenues | 112 | | | | 109 | | | | 108 | | | | 110 | | | | 112 | | | |
| Expenses | 100 | | | | 98 | | | | 96 | | | | 99 | | | | 100 | | | |
| Net Operating Income | 12 | | | | 11 | | | | 12 | | | | 11 | | | | 12 | | | |
| Capitalization Rate | 10.0% | | | | 10.0% | | | | 10.0% | | | | 10.0% | | | | 10.0% | | | |
| Indicated Value | \$120,000 | | | | \$110,000 | | | | \$120,000 | | | | \$110,000 | | | | \$120,000 | | | |
| Overall Capitalization Rate | 10.0% | | | | 10.0% | | | | 10.0% | | | | 10.0% | | | | 10.0% | | | |
| Room Revenue Multiplier | 10.0x | | | | 10.0x | | | |

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| CAPITALIZATION RATE & ROOM REVENUE MULTIPLIER SUMMARY | | | | | | | | | | | | |
|---|------------------------|--------------------|-------|-------|-----------|-------------|------------------------|-------|-----------|--------|-------------------|--|
| # | Comparable Property | Location | Rooms | Built | Sale Date | Sale Price | Historical Indications | | | | Value Indications | |
| | | | | | | | Room Revenue | OER | NOR | OAR | RMR | |
| 1 | Super 8 Motel | Huntsville, SC | 100 | 1987 | Jun-85 | \$997,500 | \$500,041 | 73.5% | \$148,555 | 14.67% | 1.78 | |
| 2 | Magnuson Hotel | Mobile, AL | 100 | 1972 | Apr-16 | \$1,600,000 | \$975,277 | 71.4% | \$281,259 | 14.66% | 1.65 | |
| 3 | Days Inn/Home Lodge | Atlanta, AL | 6040 | 1963 | Apr-16 | \$1,450,000 | \$703,670 | 76.1% | \$168,257 | 11.65% | 1.95 | |
| 4 | Motel 6 | Mobile, AL | 98 | 1985 | Sep-17 | \$1,250,000 | \$545,697 | N/A | N/A | N/A | 1.48 | |
| 5 | Motel 6 | Hattiesburg, MS | 117 | 1975 | Sep-17 | \$1,775,000 | \$769,628 | 92.4% | \$87,683 | 3.28% | 2.34 | |
| 6 | Motel 6 | Dorhan, AL | 100 | 1994 | Mar-17 | \$1,650,000 | \$665,891 | 78.7% | \$211,349 | 11.42% | 1.91 | |
| 7 | La Quinta Inn & Suites | Montgomery, AL | 101 | 1985 | Oct-16 | \$2,004,000 | \$1,035,635 | 78.5% | \$222,383 | 10.62% | 2.02 | |
| 8 | Budget Inn & Suites | Stone Mountain, GA | 132 | 1988 | Jan-17 | \$2,000,000 | \$62,789 | 42.1% | \$36,083 | 17.82% | 2.22 | |
| 9 | Motel 6 | Genevieve, SC | 170 | 2000 | Jan-16 | \$2,700,000 | \$1,014,111 | 53.5% | \$50,481 | 18.54% | 2.66 | |
| 10 | Quality Inn & Suites | Sumter, SC | 124 | 1985 | Apr-16 | \$2,800,000 | \$1,428,989 | 91.1% | \$136,610 | 4.68% | 1.96 | |
| 11 | Quality Inn & Suites | Santee, SC | 106 | 1970 | Apr-16 | \$2,694,000 | \$1,267,885 | 80.8% | \$278,793 | 10.46% | 2.10 | |
| 12 | Days Inn | Americus, GA | 73 | 1992 | Apr-16 | \$2,016,000 | \$650,982 | 78.7% | \$23,852 | 11.50% | 2.12 | |
| 13 | Econo Lodge | Conley, GA | 60 | 1994 | Sep-16 | \$1,325,000 | \$650,000 | 67.0% | \$214,632 | 16.20% | 2.04 | |
| 14 | HomeLodge | Atlanta, AL | 40 | 1964 | Apr-16 | \$446,154 | \$188,025 | 73.9% | \$49,326 | 11.00% | 2.36 | |

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How To Critique a Fee Appraisal

| Direct Capitalization | |
|-----------------------------------|--------------|
| Net Operating Income (NOI) | \$ 281,059 |
| Overall Capitalization Rate (OAR) | 15.00% |
| Indicated Value As Is | \$ 1,873,727 |
| Rounded | \$ 1,870,000 |
| Per Room | \$ 17,981 |

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How To Critique a Fee Appraisal

Sales Comparison Approach
 This approach is usually given less emphasis by buyers and sellers because of the difficulty in reconciling differences between different hotels due to the complexities, location differences, operational differences, and buyer and seller motivations. However, market data for this approach was good and investors do place some reliance on what other people are paying for hotels. Therefore, secondary consideration was given to this approach in reconciling a final value opinion. The Sales Comparison Approach indicated a value of **\$1,870,000** for the subject.

Income Capitalization Approach
 This approach is usually given most weight by buyers and sellers because it is based on more objective criteria. Lodging properties are first and foremost income-producing real estate and that is the primary motivation for investment. Consequently, this is the approach most buyers and sellers use when determining price. Data support for this approach was strong and sufficient to provide a **credible** opinion of value. The Income Capitalization Approach indicated a value of **\$1,850,000** for the subject.

CONCLUSION
 Primary consideration was given to the income capitalization approach in reconciling a final value opinion. Therefore, subject to the reported assumptions and limiting conditions, it is our opinion that the Market Value of the subject property interest on October 25, 2017, was:

One Million Eight Hundred Fifty Thousand Dollars (\$1,850,000)

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How To Critique a Fee Appraisal

Example #5 Invalid Appraisal - Commercial

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How To Critique a Fee Appraisal

Appraiser Comments

After reviewing the rates reflecting market transactions from national levels during 2011 and based on all models and data available and the specific characteristics of the subject, an overall percentage rate of 10.00% is selected and viewed as reliable and well supported.

Appraiser Analysis

| | | | |
|----------------------|---------|-----------|-------------|
| Net Operating Income | \$1,928 | \$146,547 | 61.43% |
| Overall Rate | | | 38.57% |
| Indicated Value | | | 10.50% |
| Round To | | | \$1,400,000 |

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Things to Remember

- **Do your homework, don't take anything at face value**
 - **Sales data, Income data**

- **Have up-to-date, accurate records**
 - **Property characteristics (square footage, effective age, etc.)**