

Land Appraisal Review Checklist

The Land Review Appraisal Checklist was developed to be used as a tool to assist the reviewer in evaluating the appraisal report. The review appraiser or loan underwriter should focus on the following items when conducting an appraisal review. They should be disclosed in the report.

Subject Property:

◆ Survey Plat of Subject Property Showing:

- Location of improvements; (if any);
- Easements;
- Access roads or street;
- Any restricted areas;
- Elevations, contours, and flood plains, etc.;
- Ponds, lakes, streams;
- Any other environs.

◆ Ownership (Title Search or Abstract):

List all owners and known addresses of :

- Fee owners and percent of ownership; parties in possession;
- Leasehold estates;
- Minerals;
- Reversions;
- Life estates;
- Easements and any apparent encroachments/wetlands;
- Any restrictive covenants;
- Statutory or agency restrictions or permits;
- Zoning or regulatory controls;
- Liens of any nature.

◆ Legal Description

- By metes and bounds;
- Area location if farm or rural;
- Street location if urban or city;
- Identify property right to be appraised.

◆ Aerial Photos of Subject Property and Surrounding Area:

- These should be obtained as close as possible to date of valuation;
- Subject property (and comparable sales, if possible) should be identified and marked on aerial.

◆ County or City Maps Showing Location of:

- Subject and comparable sales in relation to each other;
- Business districts;
- Schools, regional malls, major recreation;
- Major roads and access;
- Economic impact areas, etc.;
- Toxic waste sites within 2 miles of site;
- Proximity to public water and sewerlines;
- Proximity of public transportation, airports.

◆ Comprehensive Narrative Description of Area:

- Area growth factors (population trends, social trends, etc.);
- Economic influences (employment opportunities, average purchasing power);
- Type of business community (farming, manufacturing, retail, etc.);
- Schools, recreational facilities and other civic factors;
- Narrative account of study of the flavor and the characteristics of area (changing land uses, utility patterns, population shifts, etc.)

◆ Ground Photos of Subject Property:

(Should be a comprehensive photographic description or property)

- Emphasis on utility of land use;
- Improvements (if any);
- Any unique features.

◆ Land Analysis:

- Size of tract;
- Detailed narrative description of physical characteristics (soil, topography, water, vegetation, etc.);
- Location of tract in its economic environment (type of neighborhood, area uses, etc.);
- External access to tract and internal accessibilities;
- Relationship of subject tract to neighborhood and area land patterns;
- Type of ownerships, parties in possession and known claims;
- Encumbrances (liens, easements, restrictions by deed reversions, and observed encroachments, etc.)
- Governmental regulation (zoning, building restrictions or requirements, etc);
- Utilities, existing or proposed, their proximity and capacity.

◆ Establishment of Highest and Best use of Subject Tract:

- Present use;
- Transitional uses;
- Establishment of the highest and best use to which the property can be put in the reasonably foreseeable future by taking into consideration:
 - Neighborhood and area analysis;
 - Impact of the present social and economic atmosphere;

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♦ Establishment of Highest and Best Use of Subject Tract: (continued)

- Anticipation of future markets, availability of capital, projected earnings, stability of national and local economy;
- Property rights involved;
- Trends in governmental controls and regulations;
- Adaptability of land to uses and demand for the use;
- Adaptability of improvements to land uses.

♦ Similarity of Type and Uses of Sales Property;

(apartment site, single family dwelling, various kinds of commercial properties, various kinds or acreage, various kinds of farming units, leasehold estate, etc.) to the type of uses of the subject property.

♦ Factors Determining the Degree of Comparability of Land

- Kind of type ownership;
- Shape, size, footage or acreage;
- Physical condition of tract, including topography, elevation, type of soil, etc.;
- External access and internal accessibilities;
- Encumbrances;
- Relationship to land patterns in the neighborhood and area:
- Availability of utilities;
- Government regulation;
- Growth trends in neighborhood or area;
- Economic and social stability or comparative areas or neighborhoods;
- Comparative highest and best uses;
- Permitted development area/number of units.

♦ Real Estate Assessment and Tax Rate:

- Assessor's parcel number or numbers;
- Assessed value, tax rate and total tax;
- Address exemptions, special assessments (bonds) and their effect on value;
- Compare assessments and tax rate with other properties of comparable nature;
- Disclose past trends and project to the future.

♦ Property History:

- If the appraisal is prepared for lending purposes, a good ownership history is required, including sales, contracts, options, listings, offers, foreclosures, etc.

♦ Effective Date of Valuation:

- If the value is current it should be referred to as "Is;"
- If the value is in retrospect it should be referred to as "Was;"
- If the value is in the future it should be referred to as "Will be."

♦ Environmental Issues

- Did the appraiser note any environmental problems?
- Has a site assessment been performed?
- Have government environmental agency records been searched?
- Is there anything to indicate that an environmental problem could result in owner or lender liability?

♦ Confirmation by buyer, seller or agent that the sale was an "arm's length transaction."

♦ Tax renditions, contracts of sale, written options, leases, written offers and closing statements, when confirmed, are indication of market value in limited circumstances.

♦ Parties to transaction and type of conveyance (deed, contract, etc.).

♦ Date of sale; proximity in time of sale date to validation date.

♦ Supply and demand of particular type of property (the number available in the market of the area of neighborhood, rates of turn-over, vacancies, amount of similar construction etc.).

♦ Projected market absorption and basis.

♦ Financial conditions of buyer or seller (hardship sale, purchase of necessity, etc.)

♦ Length of time on sale property.

♦ Encumbrances on sale property.

♦ Terms and financial conditions of sale.

DEFINITION OF MARKET VALUE:

"Market Value" the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.

"Market Data Approach to Valuation" (use of prices paid for comparable or similar properties as the basis of a comparison to form an opinion of the Market value of the subject property); also referred to as substitution theory.