

## Definitions of Common Appraisal Terms

**Appraisal** - The act or process of developing an opinion of value; an opinion of value. (USPAP, 2020-2021 ed.)

**Appraisal Report** - Any communication, written or oral, of an appraisal that is transmitted to the client upon completion of an assignment. (USPAP, 2020-2021 ed.)

**Appraisal Review** - The act or process of developing an opinion about the quality of another appraiser's work that was performed as part of an appraisal or appraisal review assignment. (USPAP, 2020-2021 ed.)

**Before and After Rule** – A procedure in which just compensation is measured as the difference between the value of the entire property before the taking and the value of the remainder after the taking. (*The Dictionary of Real Estate Appraisal*, 7<sup>th</sup> ed.)

**Client** - The party or parties who engage an appraiser by employment or contract in a specific assignment, whether directly or through an agent. (USPAP, 2020-2021 ed.)

**Comparables** - A shortened term for similar property sales, rentals, or operating expenses used for comparison in the valuation process. (*The Dictionary of Real Estate Appraisal*, 7<sup>th</sup> ed.)

**Conservation Easement** - An interest in real estate restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature as well as some types of conservation-oriented development to continue, subject to the easement. (*The Dictionary of Real Estate Appraisal*, 7<sup>th</sup> ed.)

**Date of Report** - The date on which the report is transmitted to the client. (*The Dictionary of Real Estate Appraisal*, 7<sup>th</sup> ed.)

**Deed Restriction** – A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (*The Dictionary of Real Estate Appraisal*, 7<sup>th</sup> ed.)

**Effective Date** - The date to which an appraiser's analyses, opinions, and conclusions apply; also referred to as *date of value*. (USPAP, 2020-2021 ed.)

**Encumbrance** - Any claim or liability that affects or limits the title to property. An encumbrance can affect the title such as a mortgage or other lien, or it can affect the physical condition of the property such as an easement. An encumbrance cannot prevent the transfer of possession, but it does remain after the transfer. (*The Dictionary of Real Estate Appraisal*, 7<sup>th</sup> ed.)

**Extraordinary Assumption** - An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. (USPAP, 2020-2021 ed.)

**Highest and Best Use** – The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. (*The Appraisal of Real Estate*, 14<sup>th</sup> ed.)

**Hypothetical Condition** - A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. (USPAP, 2020-2021 ed.)

**Intended User** - The client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser based on communication with the client at the time of the assignment. (USPAP, 2020-2021 ed.)

**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 and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

(1) Buyer and seller are typically motivated;

(2) Both parties are well informed or well advised, and acting in what they consider their own best interests;

(3) A reasonable time is allowed for exposure in the open market;

(4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

(5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(12 C.F.R. Part 34.42(g); 55 *Federal Register* 34696, August 24, 1990, as amended at 57 *Federal Register* 12202, April 9, 1992; 59 *Federal Register* 29499, June 7, 1994)

**Restrictive Covenant** - A private agreement that restricts the use or occupancy of real estate that is part of a conveyance and is binding on all subsequent purchasers. (*The Dictionary of Real Estate Appraisal*, 7<sup>th</sup> ed.)

**Sales Comparison Approach** - The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. (*The Dictionary of Real Estate Appraisal*, 7<sup>th</sup> ed.)

**Uniform Standards of Professional Appraisal Practice (USPAP)** - In the United States, professional standards, developed for appraisers and users of appraisal services by the Appraisal Standards Board of The Appraisal Foundation, that are required for use in federally related transactions. Compliance with USPAP is also required in certain appraisals by state certification and licensing board. (*The Dictionary of Real Estate Appraisal*, 7<sup>th</sup> ed.)