

REVIEW ISSUES

- ADMINISTRATIVE
- PUBLISHING ERRORS
- TECHNICAL ERRORS

ADMINISTRATIVE

- Correct Certification
- Is format appropriate for assignment
- Market Conditions Form
- Write knowing there are likely other uses
 - Underwriters for reselling of loan
 - Underwriters for flood insurance
 - Reviewers for purchase of loans/institution
 - Review for subordination
- Appraisals for loan purposes need to be done for lenders
- Reflect Intended Use
 - Correct definition of Value
- Commercial
 - Should have transmittal letter

PUBLISHING ERRORS

- Wrong direction in adjustments
- Wrong Photo
- Lack of adjustments when adjustments are included in narrative
- Incorrect location maps
- Carry-over from prior reports
- Are 20 – 25 pages regional discussion really necessary?

TECHNICAL ERRORS

ERRORS THAT REALLY MAKE A DIFFERENCE ON VALUE

Immediate Red Flags

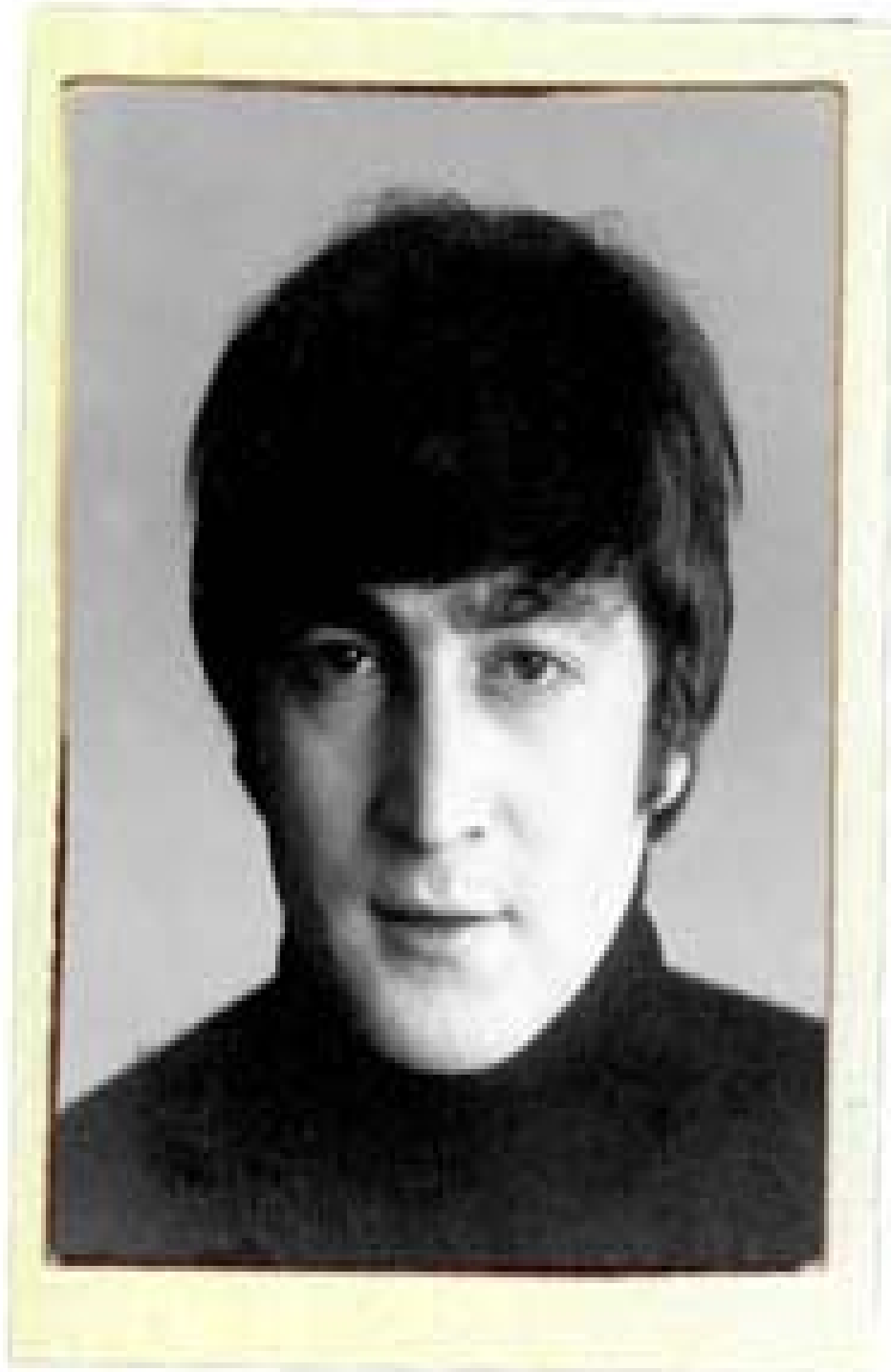
- Recent sale of subject and significant value difference
- Photos of subject and comps – do they even resemble each other
- Data in same neighborhood (SFR)
- Are approaches used consistent with investment type?
 - Is Cost Approach valid in current market

THE FAB FOUR

Facts, Cash Flow, Skills & Intangibles



John – Truth Teller



PRELIMINARY REPORTS OF TITLE

- They note legal exceptions to title including:
 - Property Taxes
 - Bonds
 - Recorded debt
 - Recorded leases
 - Easements
 - Life Estates
 - Development Agreements
 - Reimbursement Agreements
 - Other recorded documentation that may have a direct impact on value
 - Example – land swap agreement with municipality to trade site in exchange for stormwater retention basin.

HOW TO ADDRESS IN REPORT

- If don't have one; clearly state in transmittal letter as well as extraordinary assumptions and limiting conditions.
- If have one
 - Go over each item and discuss in report
 - If an item is unclear, get clarification or note in the Extraordinary Assumptions and Limiting Conditions. Also include in subject property discussion.

PAUL – The Rich One

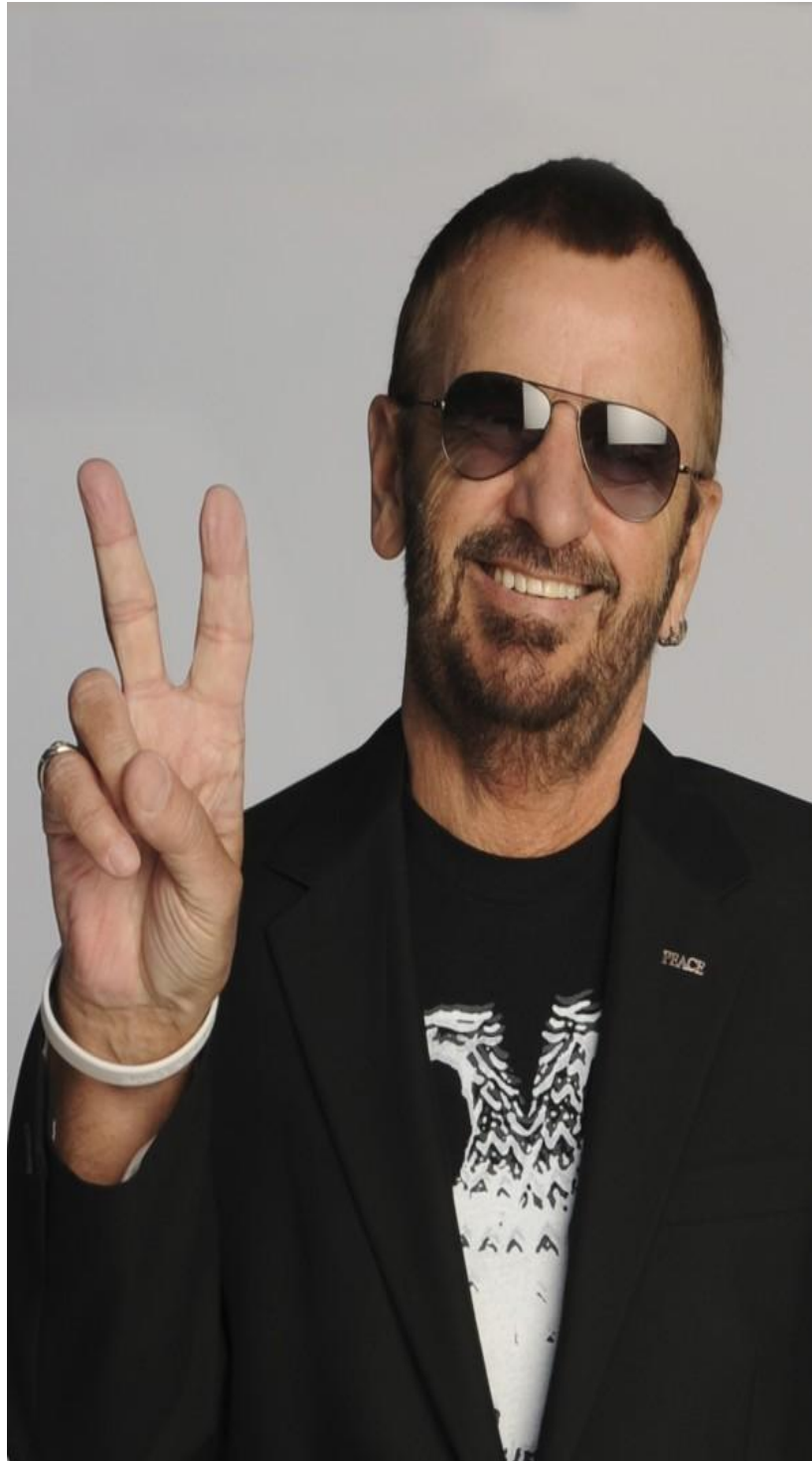


Cash Flow is KING

If leased:

1. Attempt to receive entire lease copies, including all amendments, addendums, etc.
2. Summary each lease in report.
3. If any lease is particularly dominant in the real estate, detail the information including the credit quality of the tenant.
4. Try to get 3 years operating and expense history
5. Watch out for lease modifications and the return of Expense Stops where the tenant only pays up to a portion of NNN costs.

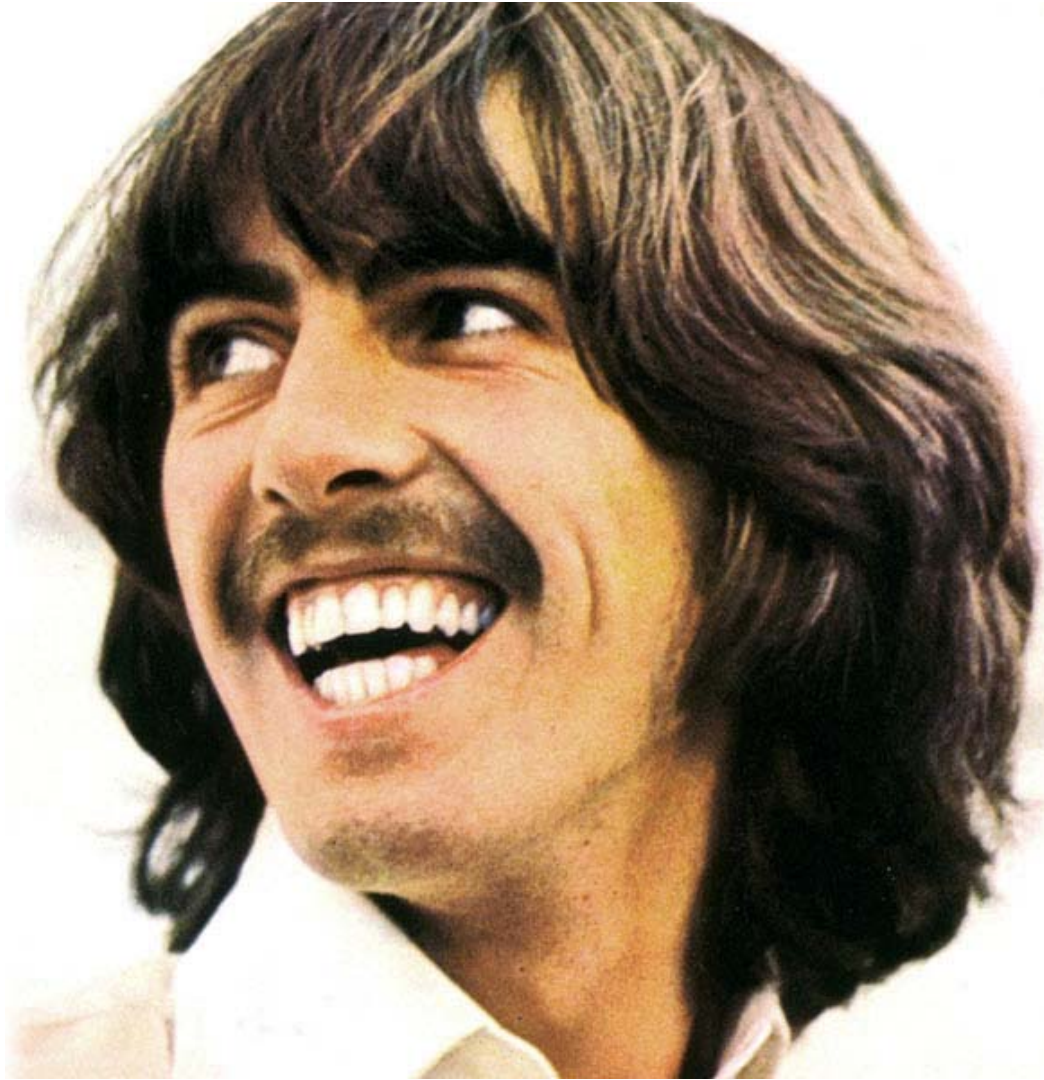
RINGO -- SKILLS



Real Estate Skills Are Very Important

1. Understanding the entitlement process and status of subject
2. Understanding infrastructure issues for undeveloped land
3. Understanding the appropriate valuation methodology for various property types
4. Other real estate experience very helpful; ie sales or development experience – become a real estate expert; not just an appraiser
5. Relationships in the brokerage community
6. The ability to properly confirm and understand the motivations behind a sale.
7. Sometimes valuation analysis only needs to be very brief to come up with accurate valuation.
8. Address items of deferred maintenance.

GEORGE -- INTANGIBLES



WHAT'S AFFECTING VALUE TODAY?

1. Confirm data and determine if market value or liquidation value
 1. Do data meet test of market value? If not, do they represent market value? Begs question of when market value is equivalent to liquidation value.
2. Impact of REO Markets
 1. Residential
 2. Commercial