

# THE FORSYTHE APPRAISALS FLASH

Appraisal Insights for Real Estate Professionals



## Inflated Appraisals: Watch for Red Flags

Karen Oberman, SRA, Manager, National Review Division

*Even if you only have an infrequent occasion to read an appraisal report, there are few key things you can look for to avoid relying on an inflated appraisal.*

### **Does the report narrative or descriptive information adequately reflect the market area for the subject?**

Reports that have minimal or deficient narrative analysis may not have adequately addressed value-impacting factors. A quick visit to <http://maps.live.com/>, or other mapping web sites, can sometimes provide vivid aerial views of the subject property. If there is a glaring omission or commission (i.e., indicating that there are enhancing views which don't exist), then there is good reason to question the credibility of the report.

### **Are comparables, "truly comparable"?**

It is essential that the sales comparables included in the appraisal report are carefully scrutinized to ensure that the properties used are, in fact, comparable. Look closely at the photos to ensure that the sales used for analysis truly look "similar" to the subject.

Location, location, location! If the appraiser chooses comparable properties that are distantly located without adequate explanation, ask why.

### **Are there ample photos to support commentary?**

With the technology available to every sector of our society, an appraiser should include multiple photographs to support their conclusions and opinions.

If an appraiser reports that the subject has received extensive interior updating, then there should be a reasonable sampling of interior photographs included within the report to support this claim.

### **Has there been an unexplained increase in value? Or a value higher than recent previous listings/sales?**

There are times when properties sell for more or less than "market" value. In these situations, explanations should be

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Southern Minnesota

provided in the report and easily understood by the reader. Typically, this would be found in the appraiser's final reconciliation section of the report.

Spokane, WA  
Tampa, FL  
Tucson, AZ  
Twin Cities, MN

**Is there explanation and logic to support the adjustments, the analysis and the conclusions?**

Appraisals should present unbiased, independent, market driven opinions. As such, they should lead the reader of the report logically through the analysis, support adjustments with facts, and present the final opinion in a manner in which there simply isn't any other reasonable conclusion.

Large adjustments for condition, quality, or other elements with no support--or minimal or no explanation, should be carefully scrutinized.

*Inflated appraisals are a growing concern based on the increased risk of defaulted loans, which can often result in significant bottom-line losses. In small and large communities alike, defaulted loans can create neighborhood blights due to abandoned properties, as well as other difficult economic situations that could take years from which to recover.*

If you have any questions or comments, please feel free to email Karen Oberman at [kareno@review.forsytheappraisals.com](mailto:kareno@review.forsytheappraisals.com).