

Appraisal Basics

The appraisal process is the practice of gathering, verifying, documenting and analyzing information in order to estimate the market value of a property.

Real Estate Appraisal

Three typical approaches to value are used in the real estate appraisal process. Not all of the approaches may be used on every appraisal – the appraiser selects those approaches that are most applicable to the subject property.

Cost Approach	Income Approach	Sales Comparison Approach
Derives value by estimating the current cost to reproduce or replace existing improvements, deducts all accrued depreciation and adds in the estimated land value.	Derives value from income producing potential, expense schedules and associated risk.	Assumes that a buyer would not pay more than the cost of another asset with the same benefits.
<p>Process</p> <ol style="list-style-type: none"> 1. Develop a land value estimate 2. Estimate the reproduction or replacement cost of all structural and applicable site improvements 3. Estimate the accrued depreciation from all improvements 4. Add the land value and improvements and deduct obsolescence 	<p>Process</p> <ol style="list-style-type: none"> 1. Verify typical lease arrangements in the industry 2. Obtain typical expense data for the operation. 3. Analyze income potential associated with sales 4. Divide net operating income by sales price to obtain a capitalization rate 5. Determine net income by selected capitalization rate to reach a conclusion of value 	<p>Process</p> <ol style="list-style-type: none"> 1. Research sales, listings, and contracts of comparable properties 2. Verify that the sales information is factually accurate 3. Select relevant units of comparison 4. Reconcile value indicators into a single value

What to Have Ready When You Request an Appraisal

- Address or Legal Description of the Property
- What the land is used for (grazing, dry crop, etc)
- List of improvements
- Water Rights
 - Well tests
- Purpose of the appraisal (i.e. market value estimate for lending purposes)
- Intended users (personal, estate, etc.)

Appraisal

Frequently Asked Questions

Why is the market value not always equal to the price paid?

Market value may or may not be equal to the purchase price for a variety of reasons, including: motivation of the buyer, supply and demand for similar property, method of sale (private vs public auction) and market knowledge.

What is included in the measurement of depreciation?

1. Physical deterioration
2. Function obsolescence (Deficiencies due to design or utility)
3. External obsolescence (Factors that affect value from outside the property itself)

What are some forces of value in our area?

Some key factors include demand, location, soil types, and water.

What will it cost?

The fee is based on the amount of time expected to be spent on the appraisal. Factors that also influence the cost are property type, location, size and complexity of the property, and the available market data for the area.

How do I get started?

Contact Premier Farm Credit at 970-522-5295, submit a request through premieraca.com, or email marketing@premieraca.com. Our appraisers are USPAP compliant and adhere to the highest standards of ethics and conduct, stay current in the markets, and are licensed in Colorado and Nebraska.

What is a Chattel Appraisal?

Chattel is referring to personal property that is not included in the land or buildings associated. A chattel appraisal is an estimate of the current value(s) of the chattel asset(s). For agricultural uses, that usually includes machinery, equipment, livestock, and crops.

What to Have Ready When You Request a Chattel Appraisal

- Complete list of items to be appraised, including crop inventories, growing crops and livestock
- Your percentage of ownership
- Ability to provide proof of ownership (bills of sale, scale tickets, brand papers, etc.)