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then estimated by comparison with sales of similar unimproved tracts and added to the depreciated value of the improvements. This procedure is also referred to as the Summation Approach. This approach is always applicable in the valuation of publicly owned structures such as schools, fire houses, etc.

(3) In the MARKET APPROACH, the appraiser compares the subject property on an overall basis with similar properties which have recently sold. Adjustments are made for all factors of dissimilarity. All known sales are considered, but the appraiser selects only those which are verified to be good ''arms length transactions'' and considered to be most similar to the property appraised. After these sales are analyzed and adjusted to the subject, this data is then correlated into a final estimate of value as indicated by the market.

(4) In the INCOME APPROACH, the appraiser estimates the probable gross and net income to be expected from the rental of the property, adjusts for the quality and durability of this income stream, and processes this income into a value estimate by use of an appropriate capitalization rate.

(5) The appraiser then correlates the indicated value estimates from the three approaches into a final estimated market value. Consideration is given to the relative strengths and weaknesses of each approach. Normally, the most weight is given to the approach commonly used by the typical purchasers of the type of property appraised. In almost all routine appraisals the market approach is most applicable.

(f) *Importance of the appraisal function.* The measure of success or failure in any real estate transaction is inseparably bound up in the matter of price. The heart of the real estate business is the price estimate or appraisal. The importance of sound appraisals for the Department of the Army cannot be over-emphasized. The courts have established basic rules governing exercise of the power of eminent domain.

(g) *Appraisal is an ''Estimate.''* The market value of any real estate interest is not a matter of exact determination, and the appraiser does not ''establish'' or ''determine'' the value. An appraisal is an ''estimate'' of current value based upon and supported by an analysis of all the factors, physical, economic, and social which influence the present and future benefits to be derived from the ownership of the property appraised.

(h) *The appraisal format.* In order to establish a degree of uniformity throughout the Corps as to an appraisal format, all staff appraisers and contract appraisers will follow the outline as set forth in the ''Uniform Appraisal Standards For Federal Land Acquisition'' and § 644.42.

§ 644.42 Appraisal report.

(a) *Preface.* The appraisal report is an important document which serves as a material aid in the acquisition of required real estate interests. It is also an indispensable factor in justifying expenditures of public funds. It is essential that the report indicates conclusively that the appraiser has considered and analyzed all available data and used logical reasoning and judgment in developing his value conclusions.

(b) *Scope of reports.* (1) It is the Corps' practice that all appraisal reports will be prepared in narrative form. The report will include, as a minimum, all essential data which will disclose the purpose, the scope of the problem and the principal techniques and approaches employed. The report should contain all the pertinent supporting data required to sustain the appraiser's final conclusion of market value.

(2) The use of preprinted narrative sales data sheets is authorized. Care should be exercised to properly relate each sale to subject in the narrative. Use of individual forms is also authorized for tabular exercises, such as the ''cost approach.'' In every instance the narrative should reflect the appraiser's reasoning.

(c) *Narrative report format.* (1) The following report format is taken verbatim from ''Uniform Appraisal Standards For Federal Land Acquisitions,'' published by the Interagency Land Acquisition Conference, 1973.

B-1. Contents of appraisal report: The text of the appraisal report shall be divided into four parts as outlined below:

PART I—INTRODUCTION

1. TITLE PAGE. This shall include (a) the name and street address of the property, (b) the name of the individual making the report, and (c) the effective date of the appraisal.

2. TABLE OF CONTENTS.

3. LETTER OF TRANSMITTAL.

4. PHOTOGRAPHS. Pictures shall show at least the front elevation of the major improvements, plus any unusual features. There should also be views of the abutting properties on either side and that property directly opposite. When a large number of buildings are involved, including duplicates, one picture may be used for each type. Views of the best comparables should be included whenever possible. Except for the overall view, photographs may be bound as pages facing the discussion or description which the photographs concern. All graphic material shall include captions.

5. STATEMENT OF LIMITING CONDITIONS AND ASSUMPTIONS.

6. REFERENCES. If preferred, may be shown with applicable approach.

PART II—FACTUAL DATA

7. PURPOSE OF THE APPRAISAL. This shall include the reason for the appraisal, and a definition of all values required, and property rights appraised.

8. LEGAL DESCRIPTION. This description shall be so complete as to properly identify the property appraised. If lengthy, it should be referenced and included in Part IV. If furnished by the Government and would require lengthy reproduction, incorporate by reference only.

9. AREA, CITY AND NEIGHBORHOOD DATA. This data (mostly social and economic) should be kept to a minimum and should include only such information as directly affects the appraised property together with the appraiser's conclusions as to significant trends.

10. PROPERTY DATA:

a. Site. Describe the soil, topography, mineral deposits, easements, etc. A statement must be made concerning the existence or nonexistence of mineral deposits having a commercial value. In case of a partial taking, discuss access both before and after to remaining tract. Also discuss the detrimental and hazardous factors inherent in the location of the property.

b. Improvements. This description may be by narrative or schedule form and shall include dimensions, cubic and/or square foot measurements, and where appropriate, a statement of the method of measurement used in determining rentable areas such as full floor, multitenancy, etc.

c. Equipment. This shall be described by narrative or schedule form and shall include all items of equipment, including a statement of the type and purpose of the equipment and its state of cannibalization. The current physical condition and relative use and obsolescence shall be stated for each item or group appraised, and, whenever applicable, the repair or replacement requirements to bring the property to usable condition.

Any related personalty or equipment, such as tenant trade fixtures, which are not attached or considered part of the realty, shall be separately inventoried. Where applicable, these detachable or individually owned items shall be separately valued.

d. History. State briefly the purpose for which the improvements were designed, dates of original construction and/or additions; include, for privately owned property, a ten-year record as to each parcel, of all sales and, if possible, offers to buy or sell, and recent lease(s); if no sale in the past ten years, include a report of the last sale.

e. Assessed value and annual tax load. If the property is not taxed, the appraiser shall estimate the assessment in case it is placed upon the tax roll, state the rate, and give the dollar amount of the tax estimate.

f. Zoning. Describe the zoning for subject and comparable properties (where Government owned, state what the zoning probably will be under private ownership), and if rezoning is imminent, discuss further under item 11.

PART III—ANALYSES AND CONCLUSIONS

11. ANALYSIS OF HIGHEST AND BEST USE. The report shall state the highest and best use that can be made of the property (land and improvements and where applicable, machinery and equipment) for which there is a current market. The valuation shall be based on this use.

12. LAND VALUE. The appraiser's opinion of the value of the land shall be supported by confirmed sales of comparable, or nearly comparable lands having like optimum uses. Differences shall be weighed and explained to show how they indicate the value of the land being appraised.

13. VALUE ESTIMATE BY COMPARATIVE (MARKET) APPROACH. All comparable sales used shall be confirmed by the buyer, seller, broker, or other person having knowledge of the price, terms and conditions of sale. Each comparable shall be weighed and explained in relation to the subject property to indicate the reasoning behind the appraiser's final value estimate from this approach.

14. VALUE ESTIMATE BY COST APPROACH, IF APPLICABLE. This section shall be in the form of computative data, arranged in sequence, beginning with reproduction or replacement cost, and shall state the source (book and page if a national service) of all figures used. The dollar amounts of physical deterioration and functional and

economic obsolescence, or the omission of same, shall be explained in narrative form. This procedure may be omitted on improvements, both real and personal, for which only a salvage or scrap value is estimated.

15. VALUE ESTIMATE BY INCOME APPROACH, IF APPLICABLE. This shall include adequate factual data to support each figure and factor used and shall be arranged in detailed form to show at least (a) estimated gross economic rent or income; (b) allowance for vacancy and credit losses; (c) an itemized estimate of total expenses including reserves for replacements.

Capitalization of net income shall be at the rate prevailing for this type of property and location. The capitalization technique, method and rate used shall be explained in narrative form supported by a statement of sources of rates and factors.

16. INTERPRETATION AND CORRELATION OF ESTIMATES. The appraiser shall interpret the foregoing estimates and shall state his reasons why one or more of the conclusions reached in items (13), (14), and (15) are indicative of the market value of the property.

17. CERTIFICATION. This shall include statement that Contractor has no undisclosed interest in property, that he has personally inspected the premises, date and amount of value estimate, etc.

PART IV—EXHIBITS AND ADDENDA

18. LOCATION MAP. (Within the city or area)

19. COMPARATIVE MAP DATA. Show geographic location of the appraised property and the comparative parcels analyzed.

20. DETAIL OF THE COMPARATIVE DATA.

21. PLOT PLAN.

22. FLOOR PLANS. (When needed to explain the value estimate.)

23. OTHER PERTINENT EXHIBITS.

24. QUALIFICATIONS. (Of all Appraisers and/or Technicians contributing to the report.)

(2) The following exceptions are made to the above format:

(i) Estate, either a copy of the estate appraised should be included in the report or by reference in the report to the appropriate estate.

(ii) Legal description must be included in the appraisal report, either in the body or as an exhibit.

(3) Photographs of important buildings and unusual land conditions are considered an integral part of each appraisal report. Judgment should be exercised in conserving time and expense, and several small buildings can often be covered in one photograph. The use of color film and photographs is encouraged, especially wherein development cost either ''in-house'' or by outside firms is reasonable.

(d) *Brief appraisals.* (1) Brief narrative appraisal reports, of a one-to-four page composition, are authorized for use in many instances wherein the evaluation or per annum rental value does not exceed $3,600. The use of this type of report is encouraged and authorized for:

(i) Family housing appraisals,

(ii) Inleasing of privately-owned quarters and outleasing of government-owned quarters to civilian tenants,

(iii) The purchasing or leasing of undeveloped land,

(iv) Rentals of small office-type space (example: Recruiting facilities),

(v) Rights of way for utility lines and roadways,

(vi) Leases; easements, and

(vii) Other minor interests in real property.

(2) Appraisals exceeding $2,000 per annum rental are subject to the Economy Act, and the fee value must be shown if improvements are included. A brief or short form-type of appraisal is adequate.

(3) All appraisals will be supported by at least three comparable sales or rentals of similar properties. A narrative discussion of each will be included. In bulk acquisition projects the use of prepared sales data sheets is authorized and encouraged. Each sale or rental must be discussed and compared to the subject property within the narrative of the report.

(4) Brief narrative appraisals will be reviewed under the same requirements as normal appraisal reports.

§ 644.43 Gross appraisals.

(a) *Preparation.* (1) The gross appraisal sections of real estate design memoranda and planning reports are subject to minute scrutiny by higher authority in the Department of Defense and by Congressional Committees. It is essential that they be meticulously prepared to reflect actual market conditions and unit prices.

(2) Each gross appraisal will be supported by detailed analyses of an adequate number of typical comparable sales. Each index sale will be analyzed to show various land classifications