AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

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

and values, building contribution estimates and other relevant information. The sales prices should be verified by someone having knowledge of the transaction.

(3) Where letter-type or brief real estate design memoranda on civil works projects are submitted, comparable sales data will be presented in one of the following methods:

(i) Be submitted within the report in a brief manner, with at least three truly comparable sales discussed in narrative form and comparisons shown to the subject lands covered by the memorandum.

(ii) Be referenced to the last real estate design memorandum issued on the same project and if values have changed in the interim, additional sales data submitted to support the changes. If the last design memorandum is over a year old, new supporting data must be submitted.

§ 644.44 Fee appraisals.

(a) *Definitions and procedures.* (1) The complete and unrestricted ownership of all the rights to the full use and enjoyment of a parcel of real estate is called the ''fee simple estate.'' An appraisal of this interest is referred to as ''Fee Value.''

(2) Most fee appraisals require the use of all three of the standard appraisal approaches.

(b) *Applicability.* Appraisals of the fair market value of the free and clear fee title to the subject property is necessary in the greatest majority of the Corps of Engineers' real estate responsibilities be it acquisition (full or partial), disposal, inleasing, outleasing, rentals, etc. In almost every case the monetary value of the required estate and interest is based on the fee value of the property; therefore, the Corps' greatest appraisal requirement is for fee appraisals.

(c) *Approaches.* (1) It is recommended that whenever possible all three of the standard appraisal approaches, Cost-Market-Income, be used in a fee appraisal. However, if due to the type of property, is is not practical, beneficial, or necessary to use a particular approach, the appraiser is required to indicate in his report that consideration was given to its use and discuss why it was not used.

(2) In the Cost Approach it is extremely important that the appraiser document all items of costs for development, construction, utilities, etc. It also is extremely important that he fully consider all forms of depreciation such as physical deterioration, functional obsolescence, economic obsolescence, etc., and justify his methods and factors used in developing his depreciation factors.

(3) The Market Approach or Comparative method of appraisal is the most direct approach to a market value estimate and is preferred above all others. It is basically an application of the principle of substitution wherein the sales of similar type properties are analyzed to develop a price at which an equally desirable and similar property can be obtained. It involves the collection and analyzing of current sales of comparable properties and comparing these sales to the subject property. Since no two properties are identical, the appraiser must make adjustments for differences between the two. Adjustments may be by a dollar amount (per unit, per acre, or lump sum) or on a percentage basis. Full support and justification must be given for each amount. Adjustments may be shown either by a tabular analysis or by a narrative discussion.

(4) The market value of an income-producing property is quite often governed by the net income it will produce. The fair market value may be estimated by developing the expected net income and processing it into a value estimate by use of an appropriate capitalization rate. The keynote of this approach lies in the sound development of a proper rate. The appraiser must have a basic knowledge of the principle and techniques involved and must be certain that he has adequate data to develop this rate and properly process the income into a fair market value.

(5) It is most important that the valuation estimates developed by all of the approaches used are correlated into one conclusive value. In those cases where there is a substantial spread among values, the appraiser is cautioned to recheck all his data and figures for accuracy. The cost figures and