

APPROACHES TO VALUE

Requirements

In Standard Rule 7-4, USPAP requires appraisers to consider and use all approaches to value that are applicable in an appraisal assignment. In Standard Rule 8-2 USPAP requires appraisers to include in their reports the reason for the exclusion of any approach to value and to describe the appraisal methods and techniques that support the appraisers' opinions and conclusions.

The ASA Personal Property Committee Checklist for appraisal reports requires appraisers to define all three approaches to value in their reports. In addition, appraisers are required to provide reasons for why they did or did not use each approach for their analysis.

Definitions

The Sales Comparison Approach to Value

A procedure to conclude an opinion of value for a property by comparing it with similar properties that have been sold or are for sale in the relevant marketplace by making adjustments to prices based on marketplace conditions and the properties' characteristics of value.

The Cost Approach to Value

A procedure to estimate the current costs to reproduce or create a property with another of comparable use and marketability.

The Income Approach to Value

A procedure to conclude an opinion of present value by calculating the anticipated monetary benefits (such as a stream of income) for an income-producing property.
