

Real Property Tool Kit Articles

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Application of Critical Thinking Skills Reasoning and the Real Property Appraiser

Part 5

This Tool Kit article continues to reference “The Thinker’s Guide to Analytical Thinking” published by the Foundation for Critical Thinking. The authors of the Thinker’s Guide text list eight items in “A Checklist for Reasoning.” This article refers to item number 5 which states that “All reasoning is based on DATA, INFORMATION and EVIDENCE.” The text further indicates:

“Restrict your claims to those supported by the data you have.”

“Search for information that opposes your position as well as information that support it.”

“Make sure that all information used is clear, accurate and relevant to the question at issue.”

“Make sure you have gathered sufficient information.”

For appraisers it is important to distinguish the subtle and not so subtle differences between data, information and evidence. This is important because of the scope of work requirements as well as the development and reporting of a credible opinion. Data is considered to be factual information that can be used for calculation and reasoning. We use data in the analysis process and in communicating our opinions. Information infers instruction and study. Information is where we can gain knowledge such as valuation principles and economic theory. It includes investigation and a course of study. Evidence infers something that is used in a legal context to ascertain something that is a matter of truth. Witnesses present evidence under a set of legal rules.

The appraiser in performing an appraisal must determine the quality and quantity of data necessary to develop a credible opinion or recommendation. The availability of data will determine how the problem will be approached as well as the scope of work requirements. The required, data, information and evidence for any appraisal assignment will be different depending on the subject property and the needs of the intended users of the appraisal services. As an appraisal instructor said “data drives the model.” How the appraisal problem is solved is greatly dependent on the available data. Obviously, the data should represent reasonable substitutes to the subject property. However, some assignments may require greater dependence on economic reasoning such as reasoning in reference to valuation principles. Principles are best classified as information.

Nonetheless, the selection of available data should be done considering the application of the appropriate appraisal principles.

Consider an eminent domain case where the appraiser is to develop an opinion of value of a rural property. Typically, in rural properties the value of the land represents a higher percentage of the ratio between land and improvements. In eminent domain it is often necessary to determine the value of the land.

Limited land only sales can be problematic for analysis purposes. Extending the search area and market condition (time) parameters can be done to help solve the problem. Nonetheless, using sales with improvements may be necessary in the analysis. However, using sales with improvements may be difficult to use under evidence requirements in a legal context. Interviewing buyers may help solve this problem if the buyer had an idea what the contributory value of the land was in the purchase price. The appraiser takes data from the recorded information; applies and develops information; and develops evidence that is used to develop an opinion of value.

The selection of market data should be reasonable substitutes to the subject property to be “clear, accurate and relevant.” The degree of verification should be determined by the scope of work necessary to develop a credible opinion of value. There should be sufficient market data to produce a credible opinion.

Many eminent domain and diminution of value problems are sufficiently unique that data alone provides a limited solution to solving the problem. Economic reasoning and application of appraisal principles may play a larger role in developing an opinion of value. The art of the profession is applied using information.

