Real Property Tool Kit Articles

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Application of Critical Thinking Skills
Reasoning and the Real Property Appraiser

Part 7

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 “All reasoning leads somewhere or has IMPLICATIONS and CONSEQUENCES.” The text further indicates:

“Trace the implications and consequences that follow from your reasoning.”

“Search for negative as well as positive implications.”

“Consider all possible consequences.”

Implications can be small or large. There may be implications how a sentence is written and one’s choice of words. There could be implications in what valuation approach is given the greatest weight in the analysis. Consequences infer behavior and actions taken. For example, the scope of work decision can lead to negative consequences if the scope of work decision does not lead to a credible opinion. The extent of research and analysis depends, in part, on the specific property characteristics. The appraiser should mentally “Trace the implications and consequences” of the scope of work decision.

One of the most basic responsibilities an appraiser must be is independent in the development of an opinion. Appraisers are required not only to be independent but objective. It is not possibly to be fully objective without competency. There can be negative implications and consequences if the appraiser does not maintain a level of objectivity, independence, and competency. A highly competent appraiser that can prepare an easily understood and defensible report can help promote independence. Therefore, application of critical thinking skills, which is a competency, has a role in developing opinions. A logical path in the decision making process should be transparent. A logical path would be to connect the appraisal principles with the decision making process.

Consider an appraisal assignment where the subject property is large industrial zoned property. A number of utility easements encumbered the property. One of the most significant features is a rail line that physically divides several acres from the larger parcel. This remnant is situated in a location where public facilities require upgrading. The general plan identifies this portion of the property a restricted area for development until public facilities are installed. Essentially, there are two zones of value. While the entire property is legally one parcel, a portion requires a different approach to develop an
opinion. One approach is to find comparable properties with similar conditions. If such data is lacking, a discounting process may be appropriate. The appraiser will then need to determine a reasonable time before public facilities might be installed and the appropriate discount rate to develop a present worth calculation. In this case, the appraiser should include an extraordinary assumption regarding the timing of the improvements. Such an assumption would help the client understand the implications and control possible consequences if the approach is brought into question.

Either approach on how to solve the opinion of value problem produce different implications and possible consequences. The appraiser must determine which approach best represents the motives of the market participants. Complete staff work (scope of work decisions) helps manage potential problems.