



# Appraisal Information & Trends

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# Agenda

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- Introduction
- Deriving Value in Commercial and Residential Real Estate
- What are potential issues to look for in appraisals (USPAP)
- Current Market Trends
- Forecast



# Quick Intro

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- Appraising since 2002
- Santa Cruz to San Francisco Bay Area to San Luis Obispo
- FHA and VA approved, Certified General Appraiser
- Types of Appraisals: Lender, Estate, Date of Death, Internal Trust Decision Making, Fractional Interest, Divorce and Settlement.



# Deriving Value in Commercial and Residential Real Estate



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## Approaches to value

- Income Approach
- Cost Approach
- Sales Comparison Approach

# Deriving Value in Real Estate



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## Approaches to value

- Income Approach
  - Investment type property considers Cap Rate and Income potential
  - Might include a discounted cash-flow (DCF) analysis which determines the present value of future income
- Cost Approach
  - Considers the cost to build new and estimates depreciation
  - Should consider soft costs, entrepreneurial profit and items beyond structural costs
- Sales Comparison Approach
  - Most typical and reliable in residential real estate
  - Should include relevant comparable sales with accurate adjustments that are explained and supported

# Sales Comparison Approach



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- Key factors include:
  - Location, lot size, view, quality of construction, age, condition, room count and living space, amenities
  - Paired sales analysis, market reaction, interviews with market participant
- Art vs. Science in making adjustments

# What to look for when reviewing appraisals for accuracy

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Nearly all issues with appraisals are due to USPAP violations.

What is USPAP?

The Uniform Standards of Professional Appraisal Practice (USPAP) is the generally recognized ethical and performance standards for the appraisal profession in the United States. USPAP was adopted by Congress in 1989, and contains standards for all types of appraisal services, including real estate, personal property, business and mass appraisal. Compliance is required for state-licensed and state-certified appraisers involved in federally-related real estate transactions.

# USPAP

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USPAP includes five rules that appraisers must follow.

These rules are the Ethics Rule, the Record-keeping Rule, the Competency Rule, the Scope of Work Rule, and the Jurisdictional Exception Rule.

Most USPAP issues in residential and commercial appraisals have to do with Standards 1 and 2.

Standard 1 covers real property appraisal development. In this kind of an appraisal, the appraiser should recognize the problem, estimate the work that will be necessary to fix the problem, and follow through with a credible appraisal with reliable research and analysis



# USPAP Standard 1

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435 **STANDARDS RULE 1-1, GENERAL DEVELOPMENT REQUIREMENTS**

436 **In developing a real property appraisal, an appraiser must:**

437 **(a) be aware of, understand, and correctly employ those recognized methods and techniques that are**  
438 **necessary to produce a credible appraisal;**

450 **(b) not commit a substantial error of omission or commission that significantly affects an appraisal; and**

# USPAP Standard 2

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Standards Rule 2 relates to the report itself and states “In reporting the results of a real property appraisal, an appraiser must communicate each analysis, opinion, and conclusion in a manner that is not misleading.” The key word here is misleading.

573 **STANDARDS RULE 2-1, GENERAL REPORTING REQUIREMENTS**

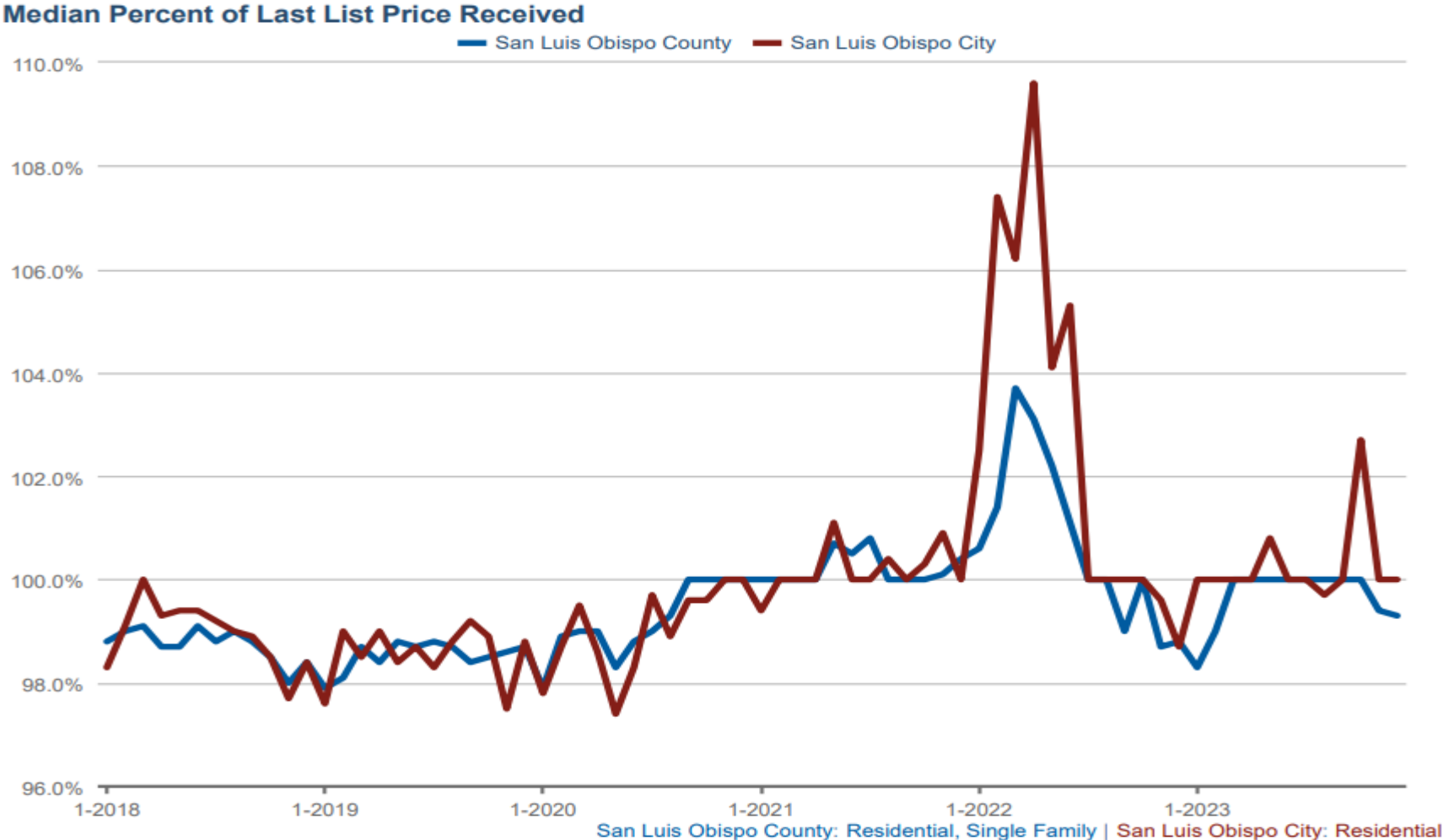
574 **Each written or oral real property appraisal report must:**

575 (a) clearly and accurately set forth the appraisal in a manner that will not be misleading;

576 (b) contain sufficient information to enable the intended user(s) of the appraisal to understand the report  
577 properly; and

578 (c) clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and  
579 limiting conditions used in the assignment.

# Current Market Trends

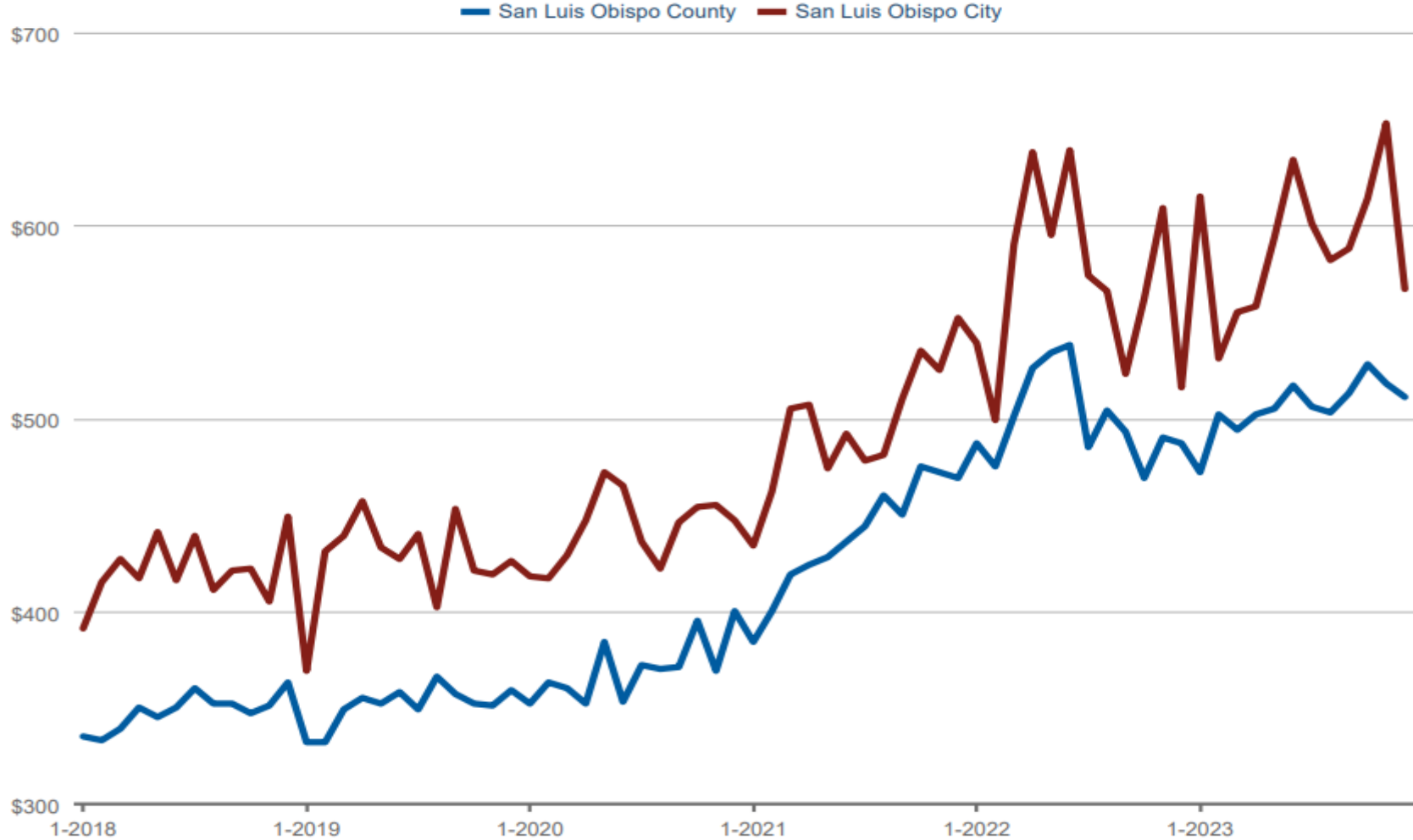


Each data point is one month of activity. Data is from January 29, 2024.

All data is from the California Regional Multiple Listing Service, INC. InfoSparks © 2024 ShowingTime.

# Current Market Trends

Median Price Per Square Foot

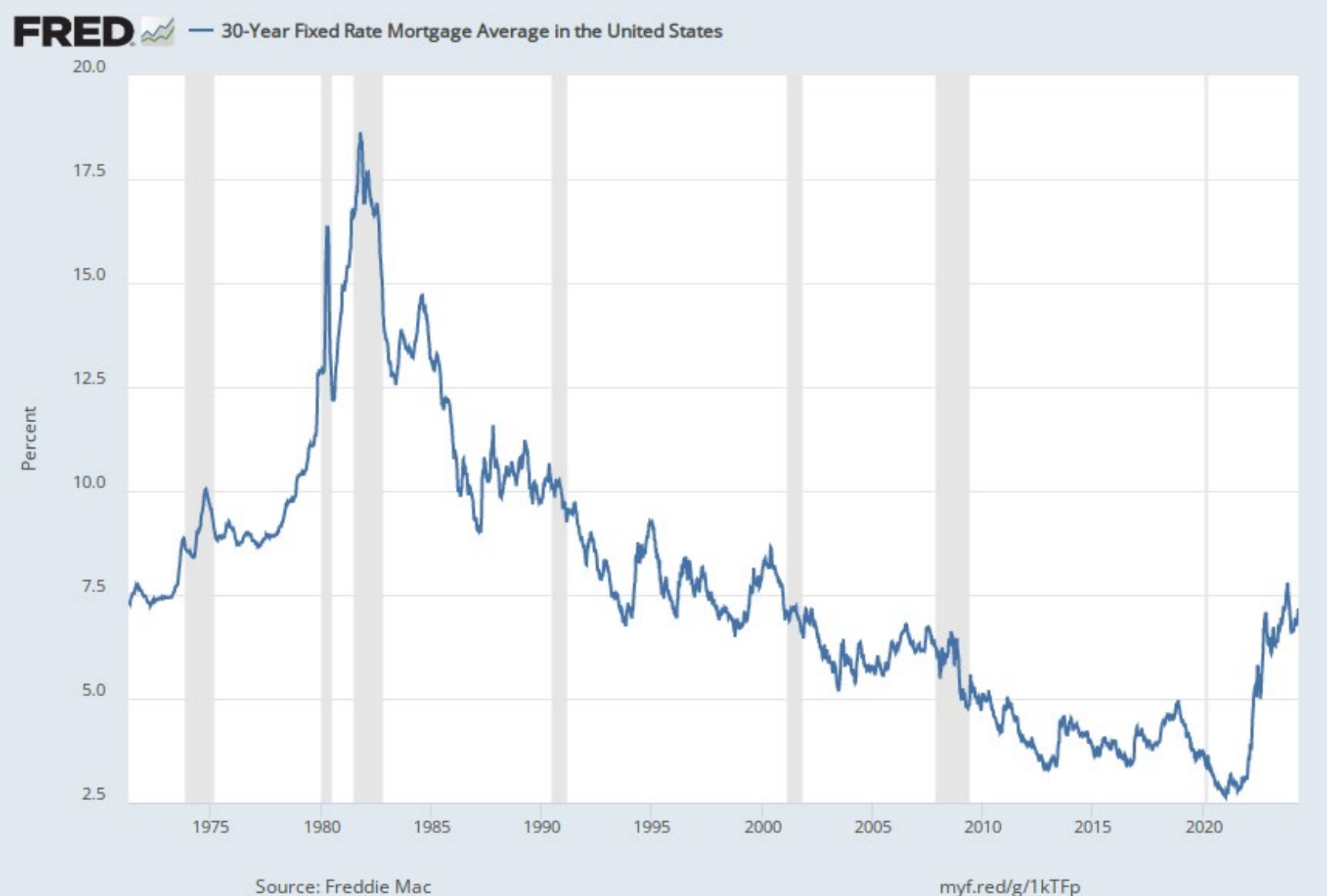


San Luis Obispo County: Residential, Single Family | San Luis Obispo City: Residential

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# Interest Rates Over Time



# Recent Interest Rates



# Forecast



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Commercial still seeing vacancies at a higher rate

- Interest rates have come up, but seller expectations have not changed

Residential still showing limited inventory

- Less ‘bidding wars’ but competitively priced homes are selling fast (within 30 days)



**Thank you**

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