



Report Writing Best Practices

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Writing Reports that are
Clear Concise and Credible



Best way to view your report

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- The Scope of Work determines the type and content of your report.
- The presentation of your report makes it accessible to the intended users.
- If a report is complex and convoluted, the intended users will look at the value page and skip the rest of the report.
- “Through the eyes of the reader” is the most useful way to write a report.



Scope of Work

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The Scope of Work has a number of components:

- The Letter of Engagement which sets out the anticipated Scope of Work.
- The Scope of Work section in the Appraisal Report which shows the work done.
- The Hypothetical Conditions are usually present at the beginning of the process.
- Extraordinary Assumptions are required during the process to produce a credible report



Intended Use and Purpose

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- Intended Use is specifically what is the use of the appraisal by the Intended User
- Purpose of the Appraisal is to define the definition of value: or more specifically the Purpose of the Appraisal is to develop and convey an opinion(s) of.....FMV, OLV, FLV, etc.



Intended Use and Purpose

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- Intended Use is the heart of the appraisal problem to be solved
- Intended Use drives the Scope of Work
- As per USPAP and the Scope of Work Rule
 - 1) Identify the problem to be solved
 - 2) Determine and perform the scope of work necessary to develop credible assignment results and
 - 3) Disclose the scope of work in the report



Intended Use and Purpose

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- Hint, or recommendation:
- Include a separate section “Scope of Work” and describe scope of work in some detail
 - 1) Was the scope of work discussed with the client and included in your letter of engagement?
 - 2) Gather and analyze information about the assignment elements
 - 3) The SoW must reflect the work actually done
 - 4) This may vary from the Letter of Engagement



Intended Use and Purpose

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Assignment Elements

- Client and any other intended users
- Intended use of the appraiser’s opinions and conclusions
- Type and definition of value
- Effective date of the appraiser’s opinions and conclusions
- Subject of the assignment and it’s relevant characteristics
- Assignment conditions



Intended Use and Purpose

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Note also:

- Scope of Work also includes the research and analyses that are necessary to develop credible assignment results
- Disclosure Obligation: report must contain sufficient information to allow intended users to understand the scope of work



Alternate Use & Level of Trade

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What is alternate use?

Why is it important?

Can alternative use affect value?

- remember the old Highest and Best Use?

USPAP, SR8-2(a)(ix)- state as appropriate to the class of personal property involved, the use of the property existing as of the date of value and the use of the property reflected in the appraisal

- The narrative must include a description of property



Alternate Use & Level of Trade

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Description of Property, may include

- Legal rights and restrictions where not obvious
- Value characteristics- lease, money or other finance terms
- Physical condition
- Others?



Alternate Use & Level of Trade

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Level of Trade: USPAP SR8-2(a)(x)

When an opinion of the appropriate market or market level was developed by the appraiser, summarize the support and rationale for that opinion

- what is this?
 1. Appropriate market or market level, changes with different definitions of value
 2. Type and definition of value, intended use



Alternate Use & Level of Trade

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USPAP AO 7 Marketing Time Opinions

USPAP recognizes that some assignment conditions require the appraiser to analyze and report a reasonable marketing period (marketing time) for the subject property when reporting an opinion of market value..."

Recommendation/Best Practice?



Multi-Object Appraisals

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- **USPAP (2018 - 2019) Page 47 line 1505**
Standard 7-4 (e)
- When appraising multiple objects, the appraiser must consider the significance of the value of the individual assets to the assignment results. Those objects which are more significant to the assignment results should be the focus of the analysis and analyzed in appropriate detail.
Comment: A group of objects may have a mix of high and low value items. Those objects that are more significant to the assignment results should be subject to a greater and appropriate depth of analysis.



Multi-Object Appraisals

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- Follow the 80: 20 rule which says:
- “80% of the value will be represented by 20% of the property”
- So the appraiser should focus on the 20% which has 80% of the value
- Research, descriptions and photographs of high value items should be extensive
- Low value items can “lotted”



Condition Reporting

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- Because the majority of M & E appraisal activity concerns used equipment, condition and description of condition is fundamental to the values provided
- Most M & E inspections are external visual inspections and are limited
- Proper disclaimers are required as to the nature and limitations of the inspection
- A simple five point scale is usually the best



The Narrative

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- The appraisal narrative is intended to provide context to the appraisal report
- The narrative section may include:
- Condition of the business
- Condition of the industry
- Condition of the secondary market and number of players
- Exit strategies
- New technologies which may impact values



Industry Conditions

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- Discuss the state of the industry with reference to activity levels in the past and expectations for the future
- Effects of competition both domestic and foreign
- Changes in technology and any impact it may be having on the industry



Business Conditions

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- Discuss the condition of the business
- How many and relative size of competitors
- Number and size of customer base
- Number of employees and how they are managed i.e. unions
- Number of shifts per day
- Any seasonal variations



Secondary Market Conditions

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- If a significant portion of the appraised value lies in a particular class of equipment, it is appropriate to discuss the secondary market conditions for that class of equipment
- Discuss the activity in this class of equipment
- Discuss the number of dealers in the market
- Discuss any seasonal variations in the secondary market



Exit Strategies

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- When appraising for financing it is appropriate to discuss exit strategies
- Recommendations for disposal, auction, private treaty sale, dealer involvement
- Recommendations for sale conditions
- Recommendations for removal



Managing Revisions

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- Revisions: *client was not happy with your value and now you have to change it to get paid?*
- **NOT!** Just kidding there....
- What revisions and is there an allowance in your LOE for that?
- Is it a draft report?
- Frequent when working with legal opinions
- Does the revision include value? Or Narrative?
- Justified with new or better information?
- How many revisions?
- For how long is the report open to revisions?



Managing Revisions

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What is appropriate way to handle old reports and then issue new?

- Change of issue date?
- Change of effective date?
- Note revision and what changed?
- Collection of all old reports

- USPAP: address draft reports and “final”



Techniques

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The widespread use of computers and online research has brought about significant changes in written communication and report writing. Some of the topics for discussion:

- Using PDF to submit appraisal reports
- Best fonts to use - avoid confusion
- Good simple clear language
- Lexicon - using proper terms
- Proper punctuation & layout
- Underline, bold & italics - when to use them
- Capitalization
- First person voice vs. third person voice
- Photo catalogues
- Appraisers seal



Using PDF in appraisal reports

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- Many users now require that appraisal reports be submitted in PDF format. Need to consider:
- Font type and size Serif vs. Sans Serif fonts
- Serif reads better in print form
- Sans Serif reads better on a computer screen
- Larger fonts read easier on a screen (12pt.)
- Be aware that capital L is the same as number 1 in some fonts



Fonts

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Serif fonts look like:

- Times New Roman
- Century



Sans Serif fonts look like:

- Arial
- Tahoma

Be consistent throughout the appraisal report



Good simple clear language

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- Consider the reader. They are often in a completely different profession from the appraiser or the client.
- Refer to a lexicon to ensure you are using terms in the correct context.
- Keep sentence structure simple to avoid confusion.
- Provide a table of contents
- Provide proper pagination



Punctuation & layout

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- Follow the rules of proper punctuation
- In particular pay attention to:
 - Colon vs. semi colon
 - Apostrophe to show possessive or plural
Appraiser's vs. appraisers'
- Use an index and follow the index in the body of the report.
- Use consistent level of indent



Underline, bold & italics

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- Underline, bold & italics should be used as follows:
 - Underline headings only
 - Italics used for names of references only
 - Bold can be used for heading or emphasis
 - Do not use underline with italics
 - Use ampersand (&) sparingly. If it is in a proper name or you are short of space



Capitalization

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- Capitalization is the most frequent weakness amongst appraisers
- All caps does not distinguish between proper names and common names
- All caps is very difficult to read

INSULATION LINE, INCLUDING BUT NOT LIMITED TO:
 - RECEIVING BIN / BREAKER, WITH 23' LONG X 82" WIDE X 4' HIGH CHAMBER, CHAIN CONVEYOR
 TRANSPORT, FLUFFER WHEEL WITH 20HP MOTOR
 - BCA INDUSTRIES FLAT RUBBER BELT INCLINE, WITH 4' WIDE CONVEYOR, 13' LONG INGROUND & 24' INCLINE, APPROXIMATELY 5HP MOTOR



Third person voice

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- First person voice vs. third person voice
- “I consider” vs. “The appraiser considers”
- Third person voice is more professional
- First person voice only applies in Appraisal Certification page “ I hereby certify”



Photo catalogues

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- Photo catalogues add a great deal of informational value to an appraisal report.
- The catalogue must be able to easily cross reference to the equipment description
- File size become a consideration as the report can easily become too large for email.



Appraisers seal

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- If you have an appraiser seal it should be placed on:
- The Appraisers Certification page
- The page used to provide the values in the report



Presenters

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