



APPRAISAL FACT SHEET

1. What is an appraisal?

An appraisal is an opinion of value. It is also the process of developing a thoroughly researched and well supported opinion of value by an impartial and qualified individual.

2. Why are appraisal reports required?

Appraisal reports are required for uses such as estate planning, charitable contributions, estate or gift tax preparation liabilities, insurance or damage and loss claims, equitable distributions, fair sale decisions, and collateral loans. Appraisals conducted for fine and decorative art and antiques enable owners to obtain an independent opinion of value with descriptions of the appraised property.

3. Who needs an appraisal report?

Clients who own or manage items of valuable personal property such as paintings, photographs, prints, maps, sculpture, rare books, textiles, collectibles, and objects d'art may need objective opinions of value. Clients who should engage an appraiser include attorneys, private collectors, financial advisors, galleries, institutions, insurance companies, lending institutions, and museums.

4. What is personal property?

Personal property is defined in the *Uniform Standards of Professional Appraisal Practice (USPAP)* as: *identifiable tangible objects that are considered by the general public as being "personal" – for example, furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all tangible property that is not classified as real estate.* The main characteristic of personal property is its ability to be moved without damaging either itself or the real property to which it may be attached.

5. What is the appraisal process?

The appraiser interviews the client to determine the reason an appraisal is required. Once the objective is established and the intended users are identified, the appraiser develops the Scope of Work, which is the type and extent of research and analyses required to prepare an appraisal report. Then, a date for on-site inspection is scheduled when the appraiser will inspect, photograph, measure, and gather other pertinent information to fully document the appearance and condition of the object. After data collection, the best approach to value is determined.

6. What are the three approaches to value?

- a. The *cost approach* reports the present cost to reproduce the item or create a property with similar utility and marketability. This approach is often used when appraising items that are still in production or can be reproduced using contemporary artists or makers.
- b. The *sales comparison approach* utilizes recent sales of similar items and is accomplished by researching all relevant and available sales records and asking prices. The appraiser analyzes comparable sale characteristics that include age of the object, material or



medium, style, maker, manufacturer, artist, quality, rarity, exhibition and publication history, and the market in which they were sold. Careful research and analysis are required for the appraiser to reach a credible value conclusion.

- c. The *income approach* produces an opinion of the present value of anticipated monetary benefits for income producing objects such as fine or decorative art objects that are being leased or are part of a rental loan collection.

7. What values are used most regularly in appraisal reports and why?

- a. Fair Market Value: (FMV) is a value defined by a legal or regulatory jurisdiction and varies with individual jurisdictions. For federal uses in the U.S. such as estate and gift tax or charitable contributions, fair market value is the most probable price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell, both having reasonable knowledge of all relevant facts, and with the sale being made to the public in the most relevant market taking into consideration the location of the property.
- b. Replacement Value: is the amount it would cost to replace an item with one similar and like quality purchased in the most appropriate marketplace within a reasonable amount of time. Replacement value includes not only the cost of acquiring or replicating the property but also all the relevant costs associated with replacement. These costs may include framing, crating, transportation, and more. Replacement value is most often used for insurance coverage or insurance claims.

8. What are the essential elements of an appraisal report written to USPAP standards?

- a. Identification of the objects and a description of their relevant characteristics
- b. Scope of work performed by the appraiser
- c. Identification of the client, intended users, and intended use of the report
- d. Definition of value
- e. Effective Date

9. Are there other options for learning values without an appraisal report?

Yes, depending on the client objective, a Valuation may be sufficient. Market data is researched and analyzed, and values are provided, but supporting facts such as comparable sales and data sources are not included in the Valuation document. This information can also be conveyed in a Restricted Appraisal Report.