

# ASA Philadelphia Newsletter - October-December 2005

## President's Message - Susan Golashovsky, ASA

Dear Colleagues:


I would like to take this opportunity to thank you for your contributions to our Chapter and our website. I am very pleased with the way the website has developed and from what I am hearing, the feeling is mutual within the chapter membership.

I am sure that, like me, you cannot believe the Holidays are already upon us and we are fast closing in on 2006. For the upcoming year, our speaker line-up is superb and you will be doing yourself a great disservice if you do not attend the meetings. Look through this website for our speaker line-up and mark your calendar for attendance.

Candidate members, I would like to extend a special invitation to you. Come to the meetings to network and gain insight into the organization. You are welcome to arrive early and sit in on the open board meetings. Make yourself known to your Mentor. If you have a question, please call your mentor "do not wait for your mentor to call you. Ask, learn, and listen. Become a part of the American Society of Appraisers!

Happy Holidays, Everyone. May your holidays be free from stress and full of family warmth. Until next year, then!

With Sincere Best Wishes!



## Committee News

### Education Committee, Andrew Wilusz, ASA

### Advancements Committee, Bob Ardinger, ASA

Alan M. Gochman, ASA received his senior designation November 11, 2005. Mr. Gochman is a senior valuation consultant with Klaris, Thomson & Schroeder Inc of Havertown, PA. Mr. Gochman has been with his present firm for 5 years and is also a CPA and a Drexel grad. Congratulations, Alan!

### Public Relations Committee, Susan Golashovsky, ASA

## Ask George...

*Dedicated to the late George D. Sinclair, MAI, FASA, this column answers questions relating to the appraisal industry.*

### Question

I live and work just outside the area recently devastated by Hurricane Katrina. My market area is experiencing sudden changes in supply and demand, and real estate sales prices have climbed rapidly. Does USPAP provide advice to real estate appraisers on how to handle sudden market changes brought about by such catastrophic events?

### Answer

Although USPAP does not directly address the appraisal issues associated with catastrophic events, the following passages may be especially important in appraisals involving properties in markets that are changing rapidly, for any reason. Standards Rule 1-2(e) requires an appraiser to identify economic attributes relevant to the subject property. Standards Rule 1-3(a) specifically requires analysis of supply and demand.

For Self-Contained and Summary Appraisal Reports, USPAP requires disclosure of "economic property characteristics relevant to the assignment." Market conditions (including sudden market changes related to catastrophic events) are economic property characteristics, and so should be identified in the development of an appraisal and disclosed in the appraisal report.

Standards Rules 2-2(a)(v) and 2-2(b)(v) address the type and definition of value used in an assignment. The Comments to these Standards Rules state, in part: Stating the definition of value also requires any comments needed to clearly indicate to intended users how the definition is being applied.

In cases of sudden market change, it would be necessary to specifically disclose such things as how the appraisal has addressed the motivation of buyers and sellers, supply and demand, the conditions of the sale (e.g. exposure in a competitive market), etc. As noted in STANDARD 2, the content of all real property appraisal reports, "must be consistent with the intended use of the appraisal." In the case of a rapidly changing market, the report must have enough information to allow intended users to understand the market conditions and to use that information in their decision making.

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### Question

I have been asked to review three appraisal reports and to report my findings in one appraisal review report. Does USPAP permit this?

#### **Answer**

A single appraisal review assignment can include the review of several appraisal reports, with the assignment results presented in one appraisal review report. Similarly, a single appraisal report can provide assignment results for an appraisal that includes several properties.

## **Chapter News**

### **Robert W. Maher, Esq.**

For those of you not able to attend our December meeting, there was an introduction of Robert W. Maher, Esq. by Charles "Chuck" Basch, Esq. Bob Maher will be assisting Chuck in his work with ASA Philadelphia Chapter and the introduction included the open offer of assistance and availability to all members of the Philadelphia Chapter of ASA.

Bob is a partner in the law firm of Dyer & Maher with a Juris Doctor degree from Temple University School of Law and an Estate Planning Certificate from Temple University School of Law Graduate Tax Program. Bob is a member of the Pennsylvania Bar Association and the Montgomery County Estate Planning Council. He also served as an adjunct faculty instructor at St. Joseph's University for business law and real estate law and volunteers as a lecturer for retirement planning seminars.

The organization would like to warmly welcome Bob to our future meetings and, of course, we always look forward to Chuck's company. Both Bob and Chuck have an office at 400 Greenwood Avenue, Wyncote, PA 19195. Bob can be reached at 215-886-3588 (fax 215-884-9025) and, of course, Chuck can be reached at 215-887-9000.

### **November meeting of the Philadelphia Chapter ASA**

At the November meeting of the Philadelphia Chapter ASA, the featured speaker was Gordon Mair, Esq. Mr. Mair is an Equitable Distribution Conciliator for Montgomery County and presented several insightful tips for appraisers when they appear before a divorce master.

1. Do not assume that your complete report has been completely read or completely understood. Always start from that perspective. You can always refine your presentation if you think a lot of what you have prepared has been absorbed.
2. Start out by explaining the scope of your assignment. Explain the appraisal date or dates that you used and where you got them. Was the date or dates provided by the attorney, the client or did you come up with it? If there is an increase in value issue and you or the other side only used one valuation date, instead of date of marriage, date of gift or inheritance, date of separation and the present, that may be the end of you or the other side right from the beginning. The corollary of this is to find out your valuation date or dates at the inception of the assignment and if they are contested have the attorneys or the court sort these issues out and resolve them before you spend time that might be wasted.
3. Explain any issues having to do with ownership percentage such as the value of a purchase, inheritance or gift of a partial ownership interest during coverture and how you reached those conclusions and what documentation you relied on. Have the documentation available.
4. Define the terminology that appears in your report: fair market value, investment value, intrinsic value, liquidation value, book value, net asset value, goodwill, capitalization rate, discounted future returns, capitalized returns, excess earnings, reasonable compensation, and other arcane terms that you use. Many fact finders don't know some or all of this language and if you are going to be understood and accepted, the words you use need to have meaning.
5. Explain the different methodologies you used. The income approach, the market approach, the asset based approach. Again, this is a matter of making your language understood as well as the formulae that you apply.
6. Explain what is based on hard numbers and what is within the bounds of your discretion: you often exercise a very large element of discretion in determining factors such as gross income, net income, reasonable compensation, discount rate, capitalization rate, minority discount, and marketability discount. Fact finders do not always know what you do has that degree of personal discretion. They know it is not completely science but they do not always know why and to what extent. Teach them. Explain what resources you used to reach your conclusions so that factors decided within your discretion can appear to have some empirical basis other than you merely creating a number.
7. Do not be afraid to speak about what may seem to you to be very simple concepts which you are sure the fact finder understands. Not only may what you say reinforce the fact finder's understanding, it may give the fact finder the opportunity to pinpoint the real issues and compare and contrast the two competing reports. Often while testimony is taking place I am listening and confirming with my ears and searching out the reports for the real discrepancies with my eyes. If you jump right to the differences between the appraisals you do not always allow for the basic structure of your work to sink in. Do not be afraid to repeat your lesson plan over and over. That is how we learn from you.