



Key Elements of Narrative Report Writing

Presented by

Dean Potter, MAI

And

Cheri Kelley Farivar, GAA-RAA



What is a Narrative Report?

Definition:

- *The most complete type of written appraisal, appraisal consulting, or appraisal review report; includes an introduction, the premises of the appraisal, the presentation of data, an analysis of data and conclusions and often addenda. In a narrative report, the appraiser supports and explains the opinions and conclusions presented and demonstrates the soundness of the final value opinion. Source: Fourth Edition, The Dictionary of Real Estate Appraisal, Appraisal Institute, 2002.*



What is Narrative Report Writing?

- As appraisers, we are technical writers, not prosaic authors. We have a specific problem to solve, and we are most effective when we strive to efficiently communicate our appraisal conclusions in a manner that is easily understood and complete. This is true in both narrative and form reporting.



USPAP and Client Requirements:

The report represents your first best chance of demonstrating that you satisfied USPAP and any client imposed format or content requirements.

What are your second chance opportunities?



Disclosure of the Scope of Work plus the Seven Parameters:

1. Who Hired You?
2. Who is intended to rely on your opinion?
3. What is the Intended Use of the Appraisal?
4. What are the expected assignment results; i.e., market value?
5. What is the effective date of value?
6. What are the relevant characteristics of the subject property?
7. What are assignment conditions?



Plus

- Disclose the applicable Scope of Work. Should you make (in the report) the argument defending your Scope of Work decision?
- NOTE: This is your opportunity to describe the process of your valuation of the subject property.
- OBJECTIVE: Enable the reader to be properly informed and not misled. Include disclosure of research and analyses performed, and MIGHT include disclosure of research and analyses NOT performed (as relevant).



ALSO

Supplemental Standards (Client Requirements); i.e., appraisal content, format, or other standards by government agencies, government sponsored enterprises, or other entities that establish public policy. Assignments accepted that include performance to a supplemental standard(s) are subject to USPAP Ethics Rule and/or Competency Rule.



Potential Uses for Narrative Reports

Lending and foreclosure

Eminent Domain

Non-eminent domain government acquisition

Government agency due diligence

Corporate or Trust due diligence

Lease renewals or buyouts

Insurance losses and settlements

Estate and trust management and distribution

IRS disputes

Partnership setups and dissolutions



Potential Uses for Narrative Reports

- Marriage dissolutions
- Public Agency bonding
- Conservation Trust acquisitions and management
- Preservation Trust acquisitions and management
- Bankruptcy
- Current Cost Accounting
- Dispute resolution through mediation or arbitration
- Land partitions
- Litigation
- Other



Report Writing Resources

A dictionary, any dictionary!

Dictionary of Real Estate Appraisal; Appraisal Institute, Fourth Edition, 2002.

The Appraisal of Real Estate, Appraisal Institute, Twelfth Edition, 2001

Scope of Work, Appraisal Institute, Stephanie Coleman, MAI, SRA, 2006

Appraisal Writing Handbook, Appraisal Institute, Blankenship, Alan, 1998



Narrative Report Writing Classes

Appraisal Institute

National Association of Independent
Fee Appraisers

American Society of Farm Manager
and Rural Appraisers

American Society of American Society
of Appraisers



Appraisal Journal Articles:

Appraisal Institute

The Appraisal Journal, July 1998, p 252, Joe Granger, SRA, Writing Comparative Analyses and Correlations

The Appraisal Journal, Gregory Accetta, MAI, April 1999, p. 168, Presenting Convincing Residential Appraisals

The Appraisal Journal, Jared Shales, MAI, October 1993, p. 483, The Quality Appraisal Report



Other Resources

Uniform Appraisal Standards for Federal Land Acquisitions, Interagency Land Acquisition Conference, Washington DC, 2000.

Washington Department of Transportation Right of Way Manual, Chapter 4, Appraisals

Washington State Interagency Committee on Outdoor Recreation - Salmon Recovery Funding Board, Acquiring Land: Policies. March 8, 2007.

US Department of the Treasury - Internal Revenue Service, various publications depending on intended appraisal use; i.e., Estate 706 filing; Donation, IRS Form 8283; Trust establishment or management;

What are other resources that you might use?



Effective Writing Strategies

- Finish the appraisal before writing the report.
- Write each report section with the intent of demonstrating why it is a relevant part of the appraisal report.
- This burden increases when writing a narrative addenda for a form report.



Relevancy

- **Introduction:** The subject property is located within the greater Phoenix metropolitan area. While the individual physical characteristics of the subject property are relevant considerations in its valuation, to a significant extent, its value is also influenced by the area's economic, physical, demographic and governmental trends. Accordingly, it is relevant to describe, analyze and relate these influences to the subject property.



Relevancy

- **Summary and Conclusions:** Based on the foregoing Regional Description and Analyses, economic, physical, demographic and governmental influences relevant to the subject property all appear positive in nature. The subject property is a 25 acre tract of land with a highest and best use for suburban density residential subdivision use. Local economic indicators portray a strong economy experiencing an extended period of low unemployment, comparatively high per capita income levels, and single family mortgage interest rates at unprecedented lows.



Relevancy

- The regional interstate freeway system was recently rebuilt to accommodate future growth. Corresponding with this upgrade to the public infrastructure, two major arterial streets in the vicinity of the subject property have recently expanded. Additional water rights have been secured by the city thereby assuring sufficient water for new development and allowing for expansion of the city's regional sewer system. Population forecasts are for continued in-migration due to job growth and affordable home prices. Government continues to be pro-active in attracting new industry to the area. The rapidly expanding industrial base broadens the property tax base resulting in comparatively low single family tax assessments. These combined factors all bear as positive influences on the subject property.



Relevancy

- Be concise, avoid redundancies. Applies to narrative appraisal reports as well as narrative addenda for form reports.
- Break up run-on sentences. They make sense to the writer since the writer is already informed; but they can be confusing to follow for the reader. Increases reader frustration. Does not motivate the reader to understand the narrative presented.



The 3 C's of Effective Writing

The most effective written communication is understandable to the reader, clear, brief and complete.

According to writing guru George Schmutz, *“The weaving of words into a clear, concise, yet sufficiently comprehensive report is an art that should be an attribute of every appraiser. Unfortunately it is not. Too often appraisal reports are merely a splash of sterile words on paper.”*



The 3 C's of Effective Writing

Be CLEAR – Strive to make your words understandable to the reader. Avoid technical terms that the reader won't likely understand.

“Poor and obscure writing is the refuge of lazy thinkers and of charlatans who wish to cloak their ignorance in the trappings of wisdom.”

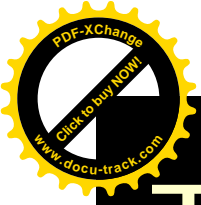
G. Schmutz



The 3 C's of Effective Writing

Be CONCISE – Say just enough, then stop!

Many residential appraisers have perfected this rule because of the space constraints of the form report. Studies show that the human brain can easily follow a sentence of about 16 to 20 words. This sentence length will avoid tiring the reader. These studies also show that, when reading for pleasure, readers can grasp paragraphs of about 100 to 125 words, but only 75 to 100 when reading documents. Observing these guidelines will encourage the reader to continue reading without confusion.



The 3 C's of Effective Writing

Let's dissect this example:

Be CONCISE – Say just enough, then stop!

Many residential appraisers have perfected this rule because of the space constraints of the form report. (16) Studies show that the human brain can easily follow a sentence of about 16 to 20 words. (17) This sentence length will avoid tiring the reader. (8) These studies also show that, when reading for pleasure, readers can grasp paragraphs of about 100 to 125 words, but only 75 to 100 when reading documents. (27) Observing these guidelines will encourage the reader to continue reading without confusion. (12) (Paragraph total 87 words)



The 3 C's of Effective Writing

Be COMPREHENSIVE

Arrange the reported data in a fashion that takes the reader on the same trip that the appraiser traveled in the research. Encourage the reader to follow the appraisal process and lead him, (or her), to your conclusion. An orderly and complete arrangement of your analysis will do the convincing for you! Don't leave out anything that will serve to convince your audience. Disclose your findings completely.



Run on Sentence

- Example:
- In this analysis, the subject (which consists of vacant land only) will be valued using the subdivision residual development analysis technique, because the property has a highest and best use for segregation to smaller acreage and small acreage residential home sites, and there is insufficient recent comparable market information from which to generate a credible estimate of value by the sales comparison approach.



Elements of the sentence:

- The subject is vacant land
- Highest and Best use is segregation to smaller tracts
- There are insufficient recent comparable sales
- Appraiser is using Subdivision Residual Development analysis instead.



A better description

- Development of a market value opinion for vacant land like the subject property routinely employs comparable sales in a direct comparison process. Comprehensive market research for this appraisal did not yield a sufficient number of direct comparison sales to effectively apply this technique. Accordingly, the alternative valuation technique applied is that of subdivision residual development analysis.





Remember to...

- Anticipate who will read report
- Anticipate who will criticize report
- Anticipate key issues and develop them logically
- Keep the reader informed; Motivate the reader
- Clarity in your writing is achieved by reducing the need for the reader to draw inferences.
- Make effective use of transitional sentences and paragraphs



Remember

- No surprises in the report. Development of subject property valuation issues should be mentioned in all of the relevant report sections.
- Report Flow is Important
- Develop a consistent conversational tone in your report.
- Avoid hyperbole or passionate adverbs and adjectives. Describe professional observations of the subject property and the market data on which you are presenting in support of your value opinion.



Avoiding *hyperbole*-What is it?

- **hy-per-bo-le** Pronunciation: \hī-pər-bə-lē\
- **Function:** *noun*
- **Etymology:** Latin, from Greek *hyperbolē* excess, hyperbole, hyperbola, from *hyperballein* to exceed, from *hyper-* + *ballein* to throw
- **Date:** 15th century
- : extravagant exaggeration (as “mile-high ice-cream cones”)
- — **hy-per-bo-list** \-list\ *noun* .
- (Ever meet a Hyperbolist?)



Avoiding hyperbole

- **Avoid:** After the new freeway is constructed, the traffic noise will undoubtedly be unbearable.
- **Better:** After the new freeway is constructed, the traffic noise will increase.
- **Avoid:** The property has a breathtaking view of Mount Rainier.
- **Better:** The property has an unobstructed view of Mount Rainier.



Avoiding hyperbole

- **Avoid:** Property values have been skyrocketing.
- **Better:** Property values have been increasing at unprecedented rates over the past three years.
- **Better Still:** Residential values in Leavenworth have been increasing over the past three years at the annual rate of 20%, as reported in the Real Estate Snapshot, a publication that tracks and records real estate activity in the Wenatchee Valley.
- **Important!** *It's good practice to be specific and state your source.*



Use conversational language, not big words.

- Example: Homogeneous ho·mo·ge·neous
- Pronunciation: HO-MO\-jē-nē-əs, -nyəs\
- Function: *adjective*
- 1 : of the same or a similar kind or nature 2 : of uniform structure or composition throughout <a culturally *homogeneous* neighborhood>
- Why not just describe the neighborhood as consistent or similar?



Cite your sources!

- **Important!**
- *It's good practice to be specific and cite your source. It adds to your credibility and shares the liability. When you cite your sources throughout the report, it indicates to the reader that you really did your homework. If you talk to an expert upon who's information you relied, state who you interviewed and synopsise the interview.*



Cite your sources!

- **Example**
- As a part of this research, your appraiser interviewed Joe Dokes, Kendall County Senior Planner. Mr. Dokes indicated that the subject property is not suitable for subdivision into smaller lots under the existing zoning, RR 2.5, which allows for lots with a minimum size of 2.5 acres. He also stated that the subject's existing 20' private roadway would not likely be sufficient in width to support more than the four existing dwelling units.



Be Understandable

- *Briefly* describe the valuation approaches and why they are (or are not) relevant to the subject property.
- *Summarize* report sections demonstrating the relevance of such report section to the subject property.
- Presentation of caveats; i.e., Extraordinary Assumptions or hypothetical conditions.
- Make your writing interesting and use synonyms - it makes your writing more enjoyable to read. Enjoyable reading = a more satisfied reader.



Be Understandable

- Convince the reader of your value conclusion by the orderly presentation of your subject property observations and your analysis of relevant market data. The reader should be *led* to the conclusion.
- Narrative reports are often employed in the valuation of properties that present valuation issues less frequently observed in market data. The narrative format allows you to describe these less than ideal circumstances and why your appraisal processes mirror the thought processes of informed buyers and sellers of properties of the subject property's type.



Outline Format

- **Construction Summary:**
- Foundation: Concrete footings and concrete slab floor.
- Exterior Walls: Concrete tilt-up
- Interior walls: Wood frame interior partitions; painted concrete and/or gypsum wallboard.
- Windows and Doors: Exterior: Stationary, tinted, dual pane windows with anodized aluminum frames. Main entry doors are glass store-front style. Fire doors are steel clad. The building also includes one overhead cargo door.
- Interior: Windows between most rooms; stationary, single pane. Interior doors are painted flat panels.



Outline Format

- Roof Structure & Covering: Wood trusses, flat built-up roof.
- Floor Coverings: Sealed concrete slab with resilient vinyl covering.
- Ceilings and Lighting: Suspended acoustical tile ceilings with ceiling mounted and fluorescent tube fixtures.
- Fire Sprinklers: None.
- Insulation: Exterior walls and ceiling in both ground floor and basement.
- Restroom: One average quality, with two-fixtures; Additional plumbing is in the grooming room.



Outline Format

- Heating and Air Conditioning: HVAC system.
- Parking: Approximately 20,000 sq.ft. asphalt paved parking lot. A portion of this is now in use as a playground.
- Landscaping and Site Improvements: Average quality lawn and planting strip between front of building and street with sprinklers. The rear includes approximately 400 linear feet of 6' chain link fencing.
- Obsolescence: None noted.
- Site Coverage: The building footprint covers 15% of the subject site.
-



Creative Writing?

- *Be an advocate for your value conclusion by applying persuasive writing techniques.*
- Title Page
- Table of Contents, be consistent with text and level of detail.
- Letter of Transmittal - a chance to preview the relevant issues. This may be the only pages that are read.
- Summary of Conclusions
- Reconciliation - “as mentioned throughout the report, these issues will be dealt within the reconciliation report section.”
-



Reconciliation

- In the foregoing, three sales comparison based valuation techniques were applied in the valuation of the subject property. All three yielded similar value conclusions and as such, they tend to support one another. They are as follows:
 - Sales Price Per Acre, Overall: \$X,XXX,XXX
 - Sales Price Per Acre
(Developable Land +
Limited Utility Land): \$X,XXX,XXX
 - Sales Price Per Potential Lot: \$X,XXX,XXX



Reconciliation

- The overall sales price per acre unit of comparison is considered to be the least reliable since the market data on which the valuation was based did not include sales of properties with the subject's proportionate amount of limited utility land.

The other two units of comparison are considered equivalent in terms of applicability to the subject's circumstances. In terms of the comparability of data to the subject, most of the sale properties that reflected a wetland component required some wetland mitigation so those sales generally reflected that circumstance in common with the subject property. (continued next slide)



Reconciliation

However, only one of the sale properties required a wastewater pump station, similar to what is anticipated for the subject property. Accordingly, while a reasonable market value conclusion for the subject property is clearly between \$X,XXX,XXX and \$X,XXX,XXX, the final reconciliation is slightly toward the lower limit at \$X,XXX,XXX to recognize this factor.

In this connection, the final market value opinion developed herein is that of \$X,XXX,XXX.





Effective use of Statistics

- ***Effective use of Tables and Statistics can make compelling comparisons in the data presented.***
- ***Factual:*** The 2001 per household income for Lake Oswego was \$68,468.
- ***Better:*** The 2001 per household income for Lake Oswego was \$68,468. It has incrementally increased over the past ten years at 3.25% per annum outpacing the national economy. This is the highest per household income in the Portland-Vancouver, WA Metropolitan area, and being greater than Portland (\$48,398), Vancouver (\$53,556), Beaverton (\$55,998), Gresham (\$51,224) and Tigard (\$52,854).



Effective use of Statistics

- ***Effective use of comparison statistics can make compelling comparisons in the data presented.***

- ***Factual:*** The Leavenworth residential market has experienced annual appreciation of 20% over the past three years.

- ***Better:*** For the past three years the Leavenworth residential market has recently experienced record appreciation for homes in all price ranges. This appreciation has outpaced appreciation in the neighboring communities of Cashmere, (15%), and Wenatchee, (18%), which is due, in part, to the resort atmosphere of the community and the attractiveness of the mountain village location.



Effective use of Exhibits

- A picture is worth a thousand words. The most convincing appraisals, both narrative and form reports, use copious numbers of photos.
- Good maps with appropriate highlighting can be excellent descriptive tools.
- Remember that the finished product, the report itself, needs to look appealing and professional.
- Report printing, binding, report covers.



Pitfalls and how to avoid them

- *Is there a right or wrong way to write a report?*
- Context: USPAP/client supplement standards compliant - otherwise, it is qualitative.
- Avoid writing distractions; i.e., errors, bad grammar, typos, logical errors.
- Do not make elements of the valuation process overly complicated.
- Include required items that demonstrate that you satisfied USPAP Standard 2.
- As part of Scope of Work, you should make sure that you satisfy any format or content requirement imposed by the client as part of the assignment.



Pitfalls and how to avoid them

- ***Avoid “leap of faith” statements.***
- **If you have limited market data, describe your search for data and how you came to rely on the valuation processes applied. If a market value conclusion is being sought, demonstrate in your narrative that your valuation process mirrors that of typical buyers and sellers of this property type.**



Pitfalls and how to avoid them

- ***Report writing begins with the engagement contract, be proactive and anticipate issues and resolve them in the engagement letter.***
- ***When you “Clone” or “Overtyp” all or part of an old report, be careful to proof the former specificity out and include the new specificity.***
- ***Spell correctly, be careful of spell check homonyms***
- ***Use proper syntax and proper language***



Pitfalls and how to avoid them

- **Use proper terminology**
- **Double check the math!! Even residential form reports should do this!**
- **Proof read the report. Be careful to insure that use of pronouns are not potentially misunderstood**
- **Avoid inconsistencies**



Pitfalls and how to avoid them

- **Don't write like you are using a thesaurus, (but do use one).**
- **Don't use slang or contractions**
- **Dating photos can eliminate "I don't know's" in court**
- **Be careful when doing analysis in a report to demonstrate a point. Ideally, have these worked out before the report is written.**



The Report

- **Outline of Report, how to organize individual report sections, what should be included and why.**
- Introduction
- Appraisal Premises
- Descriptions
- Analyses and Conclusions
- Addenda



Some Final Thoughts

- **Any appraiser can learn to write a better report, no matter how long you've been at it.**
- **Improve your vocabulary, it can be fun!**
- **Use your spell checker! But realize that it's not foolproof, (*and we are fools to trust it!*)**
- **Leave yourself time to proofread the report.**
- **There's no excuse for carelessness. It will return to haunt you.**



***THANKS
FOR
LISTENING***