

market data, highly sophisticated statistical software, highly skilled staff, and usually the hiring of external consultants. The feasibility of using multiple regression analysis in the State of Florida may be limited to counties with larger resource bases and the required quantities of market data. Separate multiple regression models may be developed for residential market areas and other real property groups. Multiple regression models produce useful diagnostics indicating the predictive ability of individual property characteristics within models, and the overall accuracy and reliability of the models. When applying this technique, specific diligence is required to assure the reasonableness of regression coefficients and the stability of regression coefficients and just valuations from year to year. The effective implementation of multiple regression analysis carries several assumptions, the most important of which are complete, accurate, and representative mass appraisal data.

**14.5.3 Adaptive Estimation Procedure.** Adaptive estimation procedure, also referred to as "feedback," is another useful mass appraisal tool that may be applied in the sales comparison approach.<sup>55</sup> Like multiple regression analysis, this is a highly complex statistical procedure that analyzes the relationships between the property characteristics and sale prices of sold property to develop a mathematical equation that may be used to determine the just valuations of groups of real property. Separate feedback models may be developed for residential market areas and other real property groups. The adaptive estimation procedure has requirements, possible limitations, and assumptions similar to those of multiple regression analysis.

**14.6 Quality Assurance in the Sales Comparison Approach.** If this approach is used, its effectiveness may depend in part on the following: reliable data collection and management; effective exploratory data analysis; good market knowledge; sound appraisal judgment; and application of mass appraisal quality assurance tools.

## 15.0 THE INCOME CAPITALIZATION APPROACH

**15.1 Description of the Approach.** The collection and management of income capitalization data is described in section 6.13. In its basic applications, the income capitalization approach is a set of procedures where stabilized income from income-producing real property is capitalized into a just value indication by dividing stabilized net operating income by an overall capitalization rate, or by multiplying stabilized gross income by a gross income multiplier. A buyer of income-producing property exchanges current dollars for the expectation of receiving future dollars.

**15.2 The Importance of Stratification.** The income capitalization approach relies upon proper stratification of real property. Stratification criteria may include property use code, location, quality grade, effective age, or size. The appropriate level of stratification may vary based on the number and type of real property parcels involved and the amount of market data available.

---

<sup>55</sup> Ibid, pages 196-201.

## **SCOPE OF WORK PERFORMED IN THIS APPRAISAL ASSIGNMENT:**

The three traditional approaches to value real estate are the Cost Approach, the Sales Comparison Approach, and the Income Capitalization Approach. Based upon the type and specific characteristics of the subject property, the Cost Approach was not considered to be appropriate to provide credible results for this valuation. Due to the age and condition of the subject improvements, the estimating of accrued depreciation was considered to be too speculative to produce credible results in the Cost Approach. Accordingly, the appraiser did not perform this particular approach to value the subject property in this assignment.

In performing this appraisal of the subject property, Charles C. Sherrill, Jr., MAI first identified the problem to be solved. Based upon the property type and intended use of this appraisal, the appraiser determined and performed the scope of work necessary to develop assignment results that were credible, and disclosed this scope of work in the appraisal report. In doing so, the appraiser inspected the subject site and the interior of one of the two subject units, conducted multiple telephone interviews with the designated property contact (owner), reviewed and analyzed the two subject leases, and researched and analyzed the actual rent/expense data that were furnished by the client for this assignment. Comparable rental units considered to be similar to the subject property were also researched and analyzed for this valuation. Operating expenses and overall capitalization rates were extracted from the local market. A value was concluded by use of the Income Capitalization Approach to valuation, and it was given primary consideration in the final value conclusions.

Secondly, building sales and offerings considered to be similar to the subject property were also researched and analyzed for this valuation. A value was concluded by use of the Sales Comparison Approach, and it was given additional consideration in the final value conclusions. Additionally, the omission of the Cost Approach is not considered to have a negative effect on the credibility of this appraisal. The above particular scope of appraisal work is considered to be sufficient to achieve credible assignment results. Furthermore, the appraiser performed multiple interviews with various market participants (such as real estate brokers, owners, developers, and lenders) to closely monitor the rapidly-developing coronavirus issue.

This is a Restricted Appraisal Report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Restricted Appraisal Report. As such, it might not include detailed or complete discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. It should be emphasized that the rationale for how the appraiser arrived at the opinions and conclusions that are set forth in this report may not be properly understood without the additional information in the appraiser's work file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated within this report. The appraiser is not responsible for unauthorized use of this report.