



**PAUL R. HYDE**  
EA, MCBA, ASA, MAI

# **HYDE Valuations, Inc.**

**We Value Both Real Estate and Businesses  
Including Machinery & Equipment**

**APPRAISERS:  
PAUL R. HYDE  
BRIAN D. HYDE  
JOSEPH PHELON**

**June 2013**

***An Appraisal – The Opinion Must be  
Supported!***

---

I'm often surprised when someone asks me to give them a value for something after a passing comment or a glance at a property. For example, it is not that unusual for me to be asked by a business owner after a brief conversation – “What do you think my business is worth?” I guess this idea comes from watching television shows like “Antique Roadshow” and other similar events in which it appears that the appraiser glances at an object and is able to immediately render an opinion of value. If you go to the show's website and investigate, you find that these appraisals are called “verbal approximations of value,” however, the appraisers often do considerable research and make investigations before providing even these “verbal approximations of value.”

An appraisal is a supportable opinion of value. An appraiser must do the work necessary to gather data then prepare documentation to support his or her analyses, opinions, and conclusions.

A properly prepared appraisal clearly defines the subject of the appraisal and then illustrates how the appraiser developed and supported his or her opinion of value. Methods within one or more of the three standard approaches (sales comparison, income, cost) are used as applicable. Data from the market is used as the appraisal methods are applied. The process takes time, training, expertise, and most often research on the part of the appraiser. If the reader cannot follow the appraisal process as reported in the appraisal report and understand how the appraiser arrived at the conclusion, then the appraiser has not done a proper job. Even if the reader disagrees with the appraiser's conclusion, he or she should be able to understand the process undertaken to arrive at that opinion of value.

This topic came to mind as I was recently asked to review an equipment appraisal by a financial institution that had obtained it as part of a loan process. The appraisal subject was some logging and land clearing equipment. The equipment appraisal report was a total of 15 pages (most of which was boilerplate material) and included the appraiser's concluded value for each of the pieces of equipment with a total value of about \$500,000. The appraiser stated that the sales comparison approach was utilized, but gave no data to support the conclusions for each piece of equipment – simply gave the value for each with a very brief description of each. It appeared to me that the appraiser was very new to the appraisal profession and this likely was the very first assignment ever undertaken. Now, everyone has to have a first time, but when a new appraiser is starting out they generally work with an experienced person for a while to make sure they learn how to properly do the work. In this case, I had to go back to the lender and ask them to ask the appraiser to provide me with all of the supporting data, i.e. the sales comparables researched and the notes illustrating and explaining the adjustments to arrive at the value for each piece of equipment. I haven't yet received this information and my suspicion is that it does not yet exist – based on the fee paid the appraiser for the work it is unlikely that the appraiser expected to do anything other than provide a “guesstimate” based on his “experience” in selling used equipment. Unfortunately for the appraiser, this will not work for an actual appraisal submitted to a financial institution. I imagine that the appraiser will now have to do the work for which he was paid, even though he wasn't paid what I would have charged for this assignment. It will likely be a great learning experience for him as such occurrences usually are.

I have learned a great deal over the years from difficult assignments and assignments for which I ultimately had to perform a great deal extra work than I initially expected. I am actually looking forward to helping this new equipment appraiser figure out what should have been done to support his value conclusions and complete the work assignment appropriately.

Valuations play a part in all strategic transactions, tax, and many litigation matters. For additional information or advice on a current situation, please do not hesitate to call. **We value real estate, businesses, and personal property including livestock and machinery & equipment.**

Sincerely,



---

Paul R. Hyde, EA, MCBA, ASA, MAI  
Enrolled to Practice Before the IRS (Enrolled Agent)  
Master Certified Business Appraiser  
Accredited Senior Appraiser – Business Valuation  
Designated Member (MAI) - Appraisal Institute  
(Real Estate Appraiser)  
Senior Appraiser – American Society of Agricultural  
Appraisers (Machinery & Equipment and Livestock Appraiser)



**504 Grove Avenue • P. O. Box 9 • Parma, Idaho 83660 • (208) 722-7272**

[www.hydevaluations.com](http://www.hydevaluations.com)      Email: [prh@hydevaluations.com](mailto:prh@hydevaluations.com)