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RERUM COGNOSCERE CAUSAS ET VALOREM

Comparing the rules of appraisal report evaluation in Poland with review and arbitration of valuation reports in the USA

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The project: ***The Restriction of Negative Consequences of Noise Nuisance from Airports in Poland - iimplementation of research results into the economy*** (given the names „Owl 2023”)



USA: REVIEW OF APPRAISAL (VALUATION) REPORTS

- 1) A relatively new **PROFFESIONAL DISCIPLINE**
- 2) **Valuation dates back about 100 years – review of appraisal reports dates back about 30 year**
- 3) **Review is not a mature discipline – formal sources of knowledge continue to emerge**
- 4) **Its maturity is facilitated by standards addressing appraisal review**
- 5) **The reviewer is acting in the capacity of an appraiser (valuation expertise, independent, unbiased, objective)**

SANDARDS ON APPRAISAL REVIEW (E.G.)

- **Uniform Standards of Professional Appraisal Practice (USPAP) by the Appraisal Foundation (Standard 3 and 4)**
- **Standards of Valuation Practice (SVP) by The Appraisal Institute (Standard B)**
- **Uniform Appraisal Standards for Federal Land Acquisitions (FLA) by the Interagency Land Acquisition Conference (Standard 3)**

ALSO:

- **International Valuation Standards (IVS), by IVS – valuation review, valuation reviewer: a valuation review is a valuation assignment**
- **European Valuation Standards (EVS), by TEGoVA – EVS 4.7**

Why review/evaluate appraisal/valuation reports?

- stakeholders in the appraisal process need assurance that the opinion expressed in an appraisal report is reliable
- Types of stakeholders: judges, legal counsel, business clients, private persons, regulatory bodies, public authorities...
- **REBUTTAL EXPERT** – used in litigation, to explain, repel, counteract or disprove evidence of the adverse party – a rebuttal report addresses flaws in the appraiser's data and basic assumptions, but does not itself contain an independent opinion of value

What is an appraisal review?

A valuation related service, involving the review of another appraiser's valuation in order to develop and communicate an opinion on the quality of another appraiser's appraisal or review report

The reviewer is obliged to :

- (1) Adhere to applicable standards on appraisal review, and**
- (2) determine if the appraisal is consistent with generally accepted valuation practices, applicable standards, and laws and regulations**
- (3) Be competent to undertake the review (type of property, market, purpose of valuation, methodology)**

The reviewer bears professional liability for the appraisal review report

Types of reviews

ADMINISTRATIVE (compliance review)

appraisers and non-appraisers

compliance with laws, regulations, standards, the assignment, mathematical correctness, correctness regarding the object of valuation (any one element or a combination)

no opinion on the quality of work

no opinion of value

TECHNICAL

only appraisers

Opinion on the quality of work: is the opinion of value are adequately supported, in compliance with appropriate standards, laws, and regulations relating to the appraisal of property for the specified valuation purpose

- containing a value opinion (apply valuation standards)
- not containing a value opinion

Field review

(site visits, independent confirmation of data, possible use of additional market data)

Desk review

(examination limited to information and analysis presented within the appraisal report)

The review process

- 1) Identify the problem (*the use of review, the objective of the review, special assumptions, applicable laws/guidelines/standards that influence the scope of work*)
- 2) Determine the scope of work (*to provide credible assignment results*)
- 3) Conduct the necessary research and analyses
- 4) Review the appraiser's analyses, opinions and conclusions
- 5) Review the appraiser's report
- 6) Where applicable – develop own opinion of value
- 7) Prepare the review report (*disclose the scope of performer work*)

The review process (source: AI Reviewe Theory and procedures)

Assess quality of work with reference to:

Completeness

Adequacy (compliance with standards, laws, regulations)

Accuracy (correctness + provability: use of approved methodology that supports the results)

Relevance (the appraisal needs to be applicable to the problem in connection with which it was developed)

Reasonableness (realistic, credible, rational, impartial, sound logic)

Criteria applicable to assess components of appraisal (source: AI Review Theory and procedures)

DATA – accurate or inaccurate

ANALYSES – developed accurately or inaccurately

- appropriate or not appropriate

REPORT – appropriate or inappropriate

- misleading or not misleading

OPINIONS AND CONCLUSIONS – credible or not credible

Providing an opinion of value (conformance with review and valuation standards) – e.g.

- **I agree/concur/disagree/ do not concur with the value**
- **The value should be XXXX**
- **The value is higher/lower**

Providing only an opinion on the quality of work (conformance with review standards) – e.g.

- **The value is not adequately supported; conclusions do not follow from the performed analyses**
- **The appraisal was/was not developed in accordance with valuation standards**
- **The appraisal is/is not suitable for use by the client**



POLAND

Before 1998 evaluating appraisal reports of other valuers was addressed in the Code of Ethics:

- **An assessment of an appraisal report in terms of its adherence with the law and valuation standards or an assessment of whether it is suitable to the purpose of valuation or the use of the report is not an evaluation of the report (§ 11)**
- **A valuer should not evaluate the appraisal report of another valuer unless it is done**
 - a) at the request or with the consent of the valuer
 - b) in a procedure conducted by an association or federation
 - c) at the request of the court or another body of the justice system.

POLAND – 1995 Valuation Standards

Standard VII.2 in point 1.3 stated that an **evaluation** (*opiniowanie*) of an appraisal report denotes: its analysis **by an appraiser or appraisers** in terms of formal and legal requirements and formulating an opinion on:

- the conformity of the appraisal report with the law, valuation standards, including the completeness of the report
- the relevance (appropriateness) of the report for the purpose it was prepared or was to be used

In point 1.4 it was stated that an **assessment** (*ocena*) of valuations is performed by a **professional organization** in order to establish their correctness in case there are significant discrepancies in value opinions of the same property (reminiscent of arbitration)

POLAND

After 1998 regulation in art. 157 of the Real Estate Management Act 1997

In the event of significant discrepancies in value opinions of the same property, drawn up by property appraisers, the assessment of the correctness of these valuations shall be made by a professional organization of property appraisers.

NOTE: the evaluation is conducted by the organizations, the appraisers conducting the assessment are not technically acting within their professional competencies

Currently (from 2004) art. 157 states: *the assessment of the correctness of preparing a valuation report is made by a professional organization of property appraisers - (in essence a rebuttal review)*

POLAND – CHALLENGES IN EVALUATIONS/ASSESSMENTS

- *the assessment of the correctness of preparing a valuation report* - very narrow scope, no guidance as to how correctness should be interpreted, what is the object, scope and purpose of assessment?
- who bears professional liability?
- no standards applicable to the assessment
- no steps of assessment
- no explicit criteria of assessment (CT judgment 2 Apr. 2014, SK 26/13)
- competence requirements (?) of reviewers; ethics (?)
- confusing REBUTTAL EXPERTS with appraisal reviewers
- acceptance only of perfect appraisals (?)

GENERAL CONCLUSIONS

- 1) Review of appraisals is a still developing field
- 2) American and international (IVSC, TEGoVA) organizations have introduced standards on performing appraisal reviews
- 3) A technical appraisal review is a valuation service, performed by an appraiser within his appraising capacities and competencies
- 4) The objective of the review is to give an opinion on the quality of work and not to look for 'perfect' appraisals
- 5) Standardization of the review purpose, scope, steps, criteria and results facilitates eliminating arbitrary conclusions of reviewers
- 6) Polish regulation of appraisal reviews (evaluations) lacks a clear understanding of the purpose and types of reviews; consequently procedures, criteria, objectives, steps and results of the evaluations are incidental, inconsistent and do not aid the user of the review, the appraiser or the profession in improving the quality and credibility of appraisals.



“Think before you speak.
Read before you think.”

— Fran Lebowitz, [The
Fran Lebowitz Reader](#)

The project: ***The Restriction of Negative Consequences of Noise Nuisance from Airports in Poland***, given the names: ***“Owl 2020”*** (2019-2021) and ***“Owl 2023”*** (2021-2024) involves independent scientific research carried out by the Cracow University of Economics as a part of the basic task of pursuing scientific activities, rendering research services and transfer of knowledge and technologies to the economy. In 2016, the research team initiated the first scientific research on the subject matter of compensations relating to the public intervention implemented on residential property markets in airport vicinity. The unit implementing the research in the years 2016-2019 was the University of Economics in Katowice.

The research team of the SOWA 2023 project is composed, beside the employees of the implementing unit, of the academic staff from the following universities: University of Silesia in Katowice, University of Szczecin, University of Warmia and Mazury, University of Gdańsk; Silesian University of Technology in Gliwice, University of Economics in Katowice, AGH University of Science and Technology in Krakow and economic practitioners unaffiliated in academic institutions. The project is implemented for five national airports (Warsaw Chopin Airport, Krakow Airport, Gdansk Lech Walesa Airport, Katowice Airport Poznan Airport and for the Association of Regional Airports (ZRPL), which supports publications popularizing and presenting research results.

For more information about the project and study announcements, visit: <https://ie.uek.krakow.pl/kenipi/projekty/>.

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