The Official Guide to the Demonstration of Knowledge Requirement: Residential

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Contents

General Information 3

Recommended Texts and Resources 3

Contact List 4

Grading Sheets 4

45-Hour Residential Demonstration Appraisal Report Course Package....5

Traditional Demonstration Appraisal Report Option 6

Demonstration Appraisal Report Defined....6
Selection of a Subject Property....6
The Physical Report 7
Market Extraction....8
Exhibits....9
Properties That Cannot Be the Subject of a Demonstration Appraisal Report 10
Demonstration Appraisal Report Option Outline.... 11
Descriptions, Analysis, and Value Conclusions 14
Certification and Addenda....23
Things to Do 24
Things Not to Do 24
Sample Title Page 25
Sample Letter of Transmittal....26
Sample Summary of Important Facts and Opinions....27
Highest and Best Use 28
Grading Eligibility Requirements 30
Double-Blind Grading....30
Without Assistance 31
FAQs: Traditional Demonstration Appraisal Reports 32

Peer Reviewed Publications Option....33

Preliminary Screening 34
Submission Requirements 34
Double-Blind Grading....35
Without Assistance....35

Master's Thesis or Doctoral Dissertation Option....36

Overview... 36
Submission Requirements 36
Double-Blind Grading....36
Without Assistance....37

Grading Processes for Demonstration of Knowledge Options 38

Traditional Demonstration Appraisal Report Submission.... 40
Peer Reviewed Publications and Master's Thesis or Doctoral Dissertation Submissions....42
45-Hour Residential Demonstration Appraisal Report Option Course Package....42

Verification of Traditional Demonstration Appraisal Report....43

Verification Process....43

General Information

The Official Guide to the Demonstration of Knowledge Requirement: Residential provides details regarding policies and procedures relating to the Demonstration of Knowledge requirement for admission to SRA Designated membership. It is a companion document to Regulation No. 2, Admission to Residential Candidacy and SRA Membership. Definitions of terms used in this guidebook are provided in Regulation No. 2.

Wherever this guidebook grants permission to a Chair or Vice Chair of a body to appoint a person or persons to perform a task, the same appointive permission is extended to any person who is designated by the Chair or Vice Chair to make such appointments. Only SRA members of the Demonstration of Knowledge Grading Panel (or designee) are permitted to grade or review residential demonstration of knowledge requirement submissions to determine if such submissions meet the requirements for credit.

Recommended Texts and Resources

This guide is not intended to be a textbook. It is expected that the Candidate has completed a basic education in appraisal theory and application and possesses the requisite experience to complete the Demonstration of Knowledge requirement.

- *The Appraisal of Real Estate* (current edition)
- *The Dictionary of Real Estate Appraisal* (current edition)
- *Standards of Professional Practice* and the *Guide Notes to the Standards of Professional Practice*
- *General Demonstration Appraisal Report Writing* seminar
- Residential Demonstration Report Grading Sheet (section of this guidebook)
- Regulation No. 2, Admission to Residential Candidacy and SRA Membership

Appraisal Institute currently offers several options for completing the Residential Demonstration of Knowledge requirement. The information contained in this guidebook will help you identify which may be the best option for you.

1. 45-Hour Residential Demonstration Appraisal Report course package
2. Traditional Demonstration Appraisal Report
3. Peer Reviewed Publications
4. Master's Thesis or Doctoral Dissertation

Contact List

If you have technical questions regarding your residential demonstration of knowledge requirement, please contact the following.

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Grading Sheets

These grading sheets indicate the areas that are graded in options for the Residential Demonstration of Knowledge requirement.

Residential Traditional Report Grade Sheet

Thesis/Dissertation Grade Sheet

(Next page)

45-Hour Residential Demonstration Appraisal Report Course Package

To receive credit, a residential Candidate must attend both courses back-to-back and pass both examinations, along with completing writing assignments for *Advanced Residential Report Writing*. These two courses must be taken as a package over a span of consecutive days at the same location.

1. *Advanced Residential Applications and Case Studies / Part 1*

   This course/exam is a prerequisite to entering the SRA designation path.

2. *Advanced Residential Report Writing / Part 2*

The 45-Hour Residential Demonstration Appraisal Report course package is made up of two education courses/exams and writing assignments. The grading, re-exam and re-writing opportunities for this option are governed through the policies and procedures of the Appraisal Institute Education Department.

(Next page)

Traditional Demonstration Appraisal Report Option

Demonstration Appraisal Report Defined

A demonstration appraisal report is the most complete presentation of a property appraisal that an individual can produce, given the limits of the individual's abilities and the market evidence available at the time. The term *most complete* simply means the most concise yet detailed presentation of each section of the report, demonstrating the Candidate's level of knowledge and expertise.

A demonstration appraisal report is a special, "open book" examination. The residential demonstration appraisal report is intended to test the Candidate's ability to assemble a complete appraisal report and handle each section thoroughly and concisely. Therefore, each important element of the report is given maximum consideration. When the demonstration appraisal report is completed, each section is linked with other sections to provide a continuous narrative leading to the final value conclusion.

The purpose of preparing a demonstration appraisal report is to test the Candidate's ability to gather the necessary data, analyze the data properly, support conclusions and write an appraisal report setting forth the analysis and conclusions, which will lead the reader to concur with the opinion of value.

This guide is not intended to be a textbook or all-inclusive. It is anticipated that the Candidate will have received a basic education in appraisal theory and application prior to the preparation of this report. Reference should be made to the latest editions of *Appraising Residential Property*, *The Appraisal of Real Estate* and *The Dictionary of Real Estate Appraisal* for current definitions, techniques and theoretical applications.

Selection of a Subject Property

The most important step in preparing a demonstration appraisal report is the selection of a subject property. If a poor selection is made, it may not be possible to write a demonstration appraisal report that could receive a passing grade. Many properties do not lend themselves to demonstrating all that is required. For many properties in the market, sufficient comparable market data are not available. As a matter of practicality, it may be wise to choose a market where comparable market data is plentiful and then select a subject property that fits well within that market data set.

If the right property is chosen, there will be ample data to prepare all segments of the report, and the work of the Candidate will be significantly easier. The Candidate can then concentrate on preparing the best demonstration appraisal report that the market data will permit.

If the community in which the Candidate works has limited market activity, the Candidate may choose to investigate a nearby community that has a more active market. On the other hand, a well-supported opinion of value done on a property in a small market will be rated by the grader in that context.

The Physical Report

The demonstration appraisal report should be the best work of the Candidate's career to this point. Therefore, the photographs, exhibits, grammar, spelling, and overall presentation should be as professional as the Candidate can produce.

In accordance with this option, and to ensure that the Demonstration of Knowledge requirement accurately evaluates a Candidate's competency and professional experience, the use of the Uniform Residential Appraisal Report (URAR) and the General-Purpose Appraisal Report (GPAR) forms is strictly prohibited. AI-Reports® form reports are acceptable with required narrative and analytical support. In addition, full narrative reports are acceptable and welcomed as well. Any report must be submitted in electronic PDF format with search and highlight capability enabled.

The analytical sections of the report, which include everything after the introduction (i.e., market area analysis through the reconciliation and final value opinion), should provide adequate justification, support, and documentation.

> Justification demands evidence that a statement is well-founded. Justification is best provided by reference to market-extracted data. It is an explanation of how the supporting data and documentation have been interpreted to reach the conclusion.
>
> Support means to verify or substantiate statements with as much factual data as possible. For example, the estimate of remaining economic life should be supported with a statement of how it was extracted and confirmed in the market and what sources were referenced.
>
> Documentation is the process of providing evidence of a statement or fact. Reliable or authoritative sources should always be used and referenced. Examples of some areas of the report requiring extensive documentation are comparable sales, market rentals, gross rent multiplier selection, cost new estimates, and depreciation.

(Next page)

Market Extraction

One of the major objectives of the demonstration appraisal report is to demonstrate the process of extracting data from the market to support, document, and justify the conclusions presented throughout the report. Some examples of extracted support data follow.

In the sales comparison approach, all adjustments to comparable sales should be market-supported. The method for extracting market support can vary significantly depending on the kind of data available. Examples of market extraction may include extracting accrued depreciation from comparable sales. A location adjustment could be supported by demonstrating the difference in value from one property location to another. Other means of extracting market support could include paired data analysis and examining differences in rent caused by varying conditions. The rental difference could then be used with a GRM to develop the value of a feature.

In the cost approach, the cost new estimate could include estimates from published cost services and a detailed cost breakdown prepared by a qualified building contractor. These costs can be further supported using cost comparables found in the market. Other cost sources might include extracting cost from a new construction sale when the site value and site improvement value can be supported and deducted from the sale price to result in a cost of the structure.

Depreciation must be supported by the breakdown method and one additional depreciation method. Short- and long-lived items to be considered under the depreciation section of the cost approach should be detailed. These same items (like other items of depreciation) should be adequately covered in the sales comparison and income approaches as well. The condition of the improvements, actual age, estimate of effective age, and remaining economic life must be explained and justified. Depreciation consistency should be demonstrated in all approaches to value.

In the income approach, market rent estimates and gross rent multipliers can be supported with an appropriate analysis of comparable rentals.

It is not required that all facts be documented through the market extraction process. However, sufficient exhibition of the method should be included to demonstrate its proper use, application, and comprehension.

Exhibits

Exhibits should contribute to a clear understanding of your written description and discussion. Place illustrations within the report where they will be most helpful to the reader. Exhibits should include, but not be limited to, the following:

Photographs of the subject property (front, rear, side, interior, and street scene), comparable sales, land sales, and rentals should be included, along with any other scene that might be considered important to understanding the value conclusion. This would include cost new comparables, rental comparables, and gross rent comparables. Photographs should be identified and dated.

Maps indicating the neighborhood boundaries and the location of all comparable properties must be included in the report. Be sure to include a directional arrow on each map. Other maps that may be helpful could include an area map locating the subject and the subject neighborhood in relation to the central business district, work centers, schools and parks, competing neighborhoods, and other important locational considerations, which relate to the property being appraised. Maps should show street names in legible print

Plot Plan A plot plan that shows lot and exterior dwelling dimensions, easements, the placement of the improvements on the site, setback lines, and abutting street rights of way is required. The plan could also indicate the location of any major site improvements (i.e., walks, drives, pools, etc.) and any other characteristics, which would help the reader better visualize the site. The scale or drawings should be shown. Please also include an aerial view as an exhibit, which can be taken from Google Earth or another software program.

Building Sketch and Floor Plan Provide a scale drawing of the floor plan, including all floors, basement area, and attached structures. The plan should indicate all windows, door swings, cased openings, cabinets, appliances and plumbing fixtures, stairways, etc. Include all exterior dimensions, room sizes, and area calculations.

(Next page)

Properties That Cannot Be the Subject of a Demonstration Appraisal Report

1. A property that is the subject of a demonstration appraisal report used in a real estate course, clinic, seminar, or other organized appraisal learning experience.

2. A property that was involved in litigation at the time the report was submitted or at the date of valuation or likely to be in litigation during the grading process.

According to the Code of Professional Ethics, it is unethical to accept an appraisal assignment if the individual has any direct or indirect, current or prospective personal interest in the subject of the appraisal matter or the outcome of the appraisal assignment or any personal bias toward the parties involved in the assignment, unless:

a. Prior to accepting the assignment, the individual carefully considers the facts and concludes that his or her professional judgment will not be affected and reasonable persons, under the same circumstances, would reach the same conclusion; and

b. Such personal interest or bias is disclosed to the client prior to acceptance of the appraisal assignment; and

c. Such personal interest or bias is fully and accurately disclosed in each written and oral appraisal report resulting from such assignment.

(Next page)

Demonstration Appraisal Report Option Outline

The outline shown below is suggested for a demonstration appraisal report. It is highly recommended that this outline be followed closely. It is recommended, but not necessary, that the Candidate follow the exact order of the outline. Each individual segment of each section of the outline should be addressed in the demonstration appraisal report.

A. Title Page
The title page should include:

- Identification as an appraisal report
- Property type
- Property address
- Effective date of report
- Effective date of value
- AI Account number of the appraiser
- Name and address of client and intended user (i.e., Appraisal Institute)

B. Letter of Transmittal
The letter of transmittal formally presents the appraisal report. It may be addressed to the Appraisal Institute or to a real client. A suitable letter of transmittal may include:

- Date of letter and salutation
- Street address or location of the property and a brief description, if necessary
- Property type
- Statement of appraisal's intended use/user
- Statement identifying the interest in the property being appraised
- Statement that inspection of the property and necessary investigation and analysis were performed by the appraiser
- Statement as to the type of appraisal report
- Reference to the addenda of the appraisal report
- Effective date of appraisal (must be within five calendar years of the year the demonstration report is submitted)
- Final opinion of value (written and numerical)
- Appraiser's AI account number, serving as signature

C. Table of Contents

The table of contents lists the major components of the report in sequence with page references. The numbering of pages normally begins after the table of contents. Use headings and subheadings to identify the major divisions of the report. Include the items in the addenda.

D. Photographs

A good frontal photograph of the subject property at the beginning of the report is recommended to give the reader a visual representation of the property.

E. Summary of Important Facts and Conclusions

An outline of the report's major points and important conclusions is recommended. Such a statement provides the reader with a convenient summary and gives the appraiser an opportunity to stress points that were considered in reaching the final opinion.

Examples of items to include: Location, owner of record, land area, zoning, improvements, gross living area, year built, highest and best use, value indicated via the sales comparison approach, value indicated via the income approach, value indicated via the cost approach (opinion of site value, estimated replacement cost new), final opinion of value, date of value, inspection and report.

F. Scope of Work

Describe the extent of the process of collecting, confirming, and reporting data. This is required by the current *Standards of Professional Practice*. The extent of the appraisal investigation should include details of the property inspection.

The appraiser should also describe the extent of the investigation, such as the parameters for comparable sales and rental searches and the extent of the confirmation process.

This requirement is designed to protect third parties whose reliance on an appraisal report may be affected by the extent of the appraiser's investigation (i.e., the process of collecting, confirming, and reporting data).

G. Identify the Type and Definition of Value

The purpose of the appraisal must be to arrive at a supportable opinion of market value of the property in its current condition. Include definition. The most recent edition of *The Dictionary of Real Estate Appraisal* is an appropriate source.

H. Intended Use of Appraisal and Intended User

The intended use of the appraisal should be to satisfy the requirements of the Appraisal Institute pertaining to demonstration appraisal reports. Intended users include representatives of the Appraisal Institute.

I. Property Rights Appraised

The property rights appraised should be clearly identified and defined. These rights should be consistently valued throughout. It is important to remember that the property rights appraised should be handled consistently throughout the analysis. If a property is subject to any easement, there may be a limitation on the fee simple interest. Any easement or encumbrance should be specified here and defined in the Definitions section. Any effect on value should be noted in the report.

J. Date of Value Opinion

The effective date of value is integral to the report. The effective date of value in a demonstration appraisal report must be no more than five (5) calendar years prior to the year that the report is submitted for credit.

K. Identification of the Property

At a minimum, the property should be identified by a complete address, legal description, owner, and type of ownership. Other identifying remarks may also be included.

L. History of the Property

A detailed history of the property should be provided *and analyzed.* This should include both positive and negative factors. According to the Appraisal Institute *Standards of Professional Practice*, at a minimum

(a) analyze all agreements of sale, options, and listings of the subject property current as of the effective date of the appraisal; and

(b) analyze all sales and other transfers of the subject property that occurred within the three (3) years prior to the effective date of the appraisal.

However, sometimes information on previous years should be included, especially if there is known contamination, recent improvements, or other problems affecting the property. If a prior sale, listing, lease, recent remodeling, or another such factor-involving subject would influence the conclusion of the appraisal, it should also be addressed, regardless of three-year time requirement.

Descriptions, Analysis, and Value Conclusions

A. Market Area and Neighborhood Analysis

The purpose of the market area and neighborhood analysis is to provide a context for developing your value opinion. Information about the market area and neighborhood is gathered and analyzed in order to accomplish the following goals:

- Form an understanding of market preferences and pricing trends
- Analyze supply and demand of competitive properties
- Discern if and why different locations within the same market area have different values
- Identify primary areas from which to select comparable properties
- Consider positive and negative influences on land/site use and neighboring properties
- Learn about recent changes in the market area and neighborhood and how they may have affected value
- Examine and draw conclusions about how the long-term prospects for a market area and neighborhood affect the subject property's use and value
- Gather adequate information for a conclusion of the highest and best use of the site as though vacant, including the ideal improvement and a preliminary conclusion of the highest and best use of the property as improved

Understand the Value Opinion

To help the reader of the appraisal report understand the value opinion, a market area and neighborhood analysis should accomplish the following goals:

- Describe all beneficial and detrimental conditions that affect property values in the market area and neighborhood
- Identify motives and attitudes of market participants
- Convey and interpret meaningful information about the value-influencing factors at work in the area
    - Governmental and legal forces
    - Economic forces
    - Social forces
    - Environmental and geographic forces
- Provide an adequate basis for and link to highest and best use analysis

Market area. The geographic region from which a majority of demand comes and in which the majority of competition is located. Depending on the market, a market area may be further subdivided into components such as primary, secondary, and tertiary market areas, or the competitive market area may be distinguished from the general market area.

Neighborhood.

1. A group of complementary land uses.
2. A geographic area around a property that influences that property, i.e., its environment.

Boundaries. Any recognized line or barrier that delineates a perimeter of a physical area. Boundaries may coincide with changes in prevailing land use, occupant characteristics, natural boundaries, or man-made boundaries.

Factors Affecting Market Area and Neighborhood Boundaries

- Physical barriers (highways, rivers, cliffs, ridges, lakes, swamps, marshes, railroad tracks, topography)
- Social considerations (traffic levels, fire and police protection)
- Economic factors (traffic congestion, tolls, expectations of higher prices, lower quality, inadequate tenant mix)
- Land-use patterns (industrial areas, open areas such as parks)
- Government regulations (speed limit, signalization, restricted areas, such as military bases)
- Environmental factors (health hazards)
- Location and linkages (existing and planned)

Market Area and Neighborhood Analysis Is an Organized Process

The market area and neighborhood analysis is an organized process by which data is gathered and analyzed. First, you must learn about the subject property and note its relevant characteristics. Then, examine the nearest properties to determine if they are similar to the subject property. Once you have gathered the data, you must interpret it by deciding which characteristics and occurrences most strongly affect the value of properties similar to the subject and how they do so.

(Next page)

You can begin by asking yourself the following questions:

- Do physical characteristics of the market area and neighborhood make properties more or less in demand (i.e., a growing trend for energy-efficient upgrades or growth in the use of solar photovoltaic or geothermal energy)?
- Does location within the neighborhood or larger market area influence what a buyer will pay for the property?
- Are there any external influences that positively or negatively affect demand? If so, what are the factors, why do they have such effects, and what is the extent of these effects?

The market area and neighborhood analysis objectively presents observable and/or quantifiable data indicating discernible patterns of growth, structure, and change that may detract from or enhance property values. The conclusions drawn in this analysis are likely to affect all aspects of your valuation.

This preliminary analysis affects the determination of highest and best use, selection of appropriate comparable data, adjustment of the sale prices and rental rates of comparable properties, estimation of depreciation, and derivation of income and expense information.

Writing Effective Conclusions to Market Area and Neighborhood Analysis

A conclusion is a paragraph or series of paragraphs that when organized in a coherent manner synthesizes the evidence that precedes it.

Conclusions occur throughout a report, beginning with a conclusion to the factual description of a market area and neighborhood.

Effective conclusion writing relies on a pattern that includes an answer to the "So what?" question. Because the abundance of facts and calculations can obscure the answer to this question, a conclusion synthesizes the points already made.

- A synthesis brings together the evidence and analysis into a logical statement of what is true.
- It is not a summary, which is simply a restatement of some of the factual evidence in the body of the section.
- In short: evidence + opinion = conclusion

An effective conclusion should:

- Stress the importance of the inferences that a reader can draw from the facts presented
- Give a sense of completeness
- Convince the reader that the inferences (the conclusions) are valid

Note. *Advanced Residential Report Writing/Part 2* addresses the topic of writing effective conclusions in greater depth.

B. Taxes and Assessment Analysis

This section should present taxes and assessment information that might affect the valuation of the subject property. The subject's current taxes and assessed value should be presented. Any special assessments should also be discussed at this point. Taxing trends around the subject property should be discussed and analyzed. A tax and assessment history of the subject property should be provided in support of that analysis. In addition, a comparison of the subject taxes and assessments with other, competing properties' taxes and assessments should be provided to assess and support future taxes for the subject. This section should end with a conclusion regarding the subject current and forecast tax liability.

C. Site Data and Analysis

The site must be accurately described. A plot plan and aerial map should be inserted here. The plot plan should include a drawing of the site with site dimensions. Identify road frontages, the location of the dwelling and possibly landscaping, or any other characteristics that help describe the site and its present use. Other items to include could be information on easements, neighboring encroachments, or any other factor that helps graphically depict the site. This section should include the following as a minimum:

a. Site dimensions, area, and shape

b. Topography

c. Drainage, soil, and subsoil conditions

d. Access (Describe streets and their adequacy.)

e. Utilities and the adequacy of utilities

f. Man-made improvements such as walks, curbs, and drives

g. Proximity to any nuisances, hazards or detrimental influences

h. Hazard and flood zone along with map references and their effect, if any, on site usability

i. Easements and encroachments and analysis as to their effect on the site

j. Zoning designation and its meaning

k. Allowable uses under the zoning

l. A conclusion as to the conformity or nonconformity of the site or property to public or private restrictions

m. A final conclusion as to how the site conditions previously described ultimately affect the use of the site

D. Improvement Analysis

The improvement analysis should contain a detailed description of all improvements on the site followed by an analysis of the improvements as to their size, age, condition, quality, etc.

Description Portion. The description portion should include the current use, architectural style, type and quality of construction, dwelling dimensions, area, interior layout, structural and construction details, mechanical equipment description, and any ancillary improvements such as porches and swimming pools. The improvement can be described in an abbreviated outline, in narrative form, or in combination of both, but must be detailed and complete. A scaled drawing of the improvements must be provided here showing the dwelling's layout and exterior dimensions.

Analysis Portion. The analysis portion should include a discussion of the age and condition of the improvements. It is suggested that this analysis include an age and condition analysis of the dwelling components. Since the breakdown method of depreciation must be used in the cost approach, discussion for the dwelling's economic life should be included here. The functional utility or inutility of the structure should be discussed and analyzed. This analysis should be continued later in the Highest and Best Use section, where more proper conclusions can be reached.

E. Highest and Best Use

This section of the report must be complete and thorough. It should begin with a proper definition of highest and best use and include the source of the definition.

Two separate studies are mandatory for this section:

- A highest and best use analysis of the site as vacant
- A highest and best use analysis of the property as improved

Highest and Best Use of the Land as Vacant

This analysis must address four criteria. The highest and best use must be:

- Physically possible
- Legally permissible
- Financially feasible
- Maximally productive

This analysis should end with a conclusion as to timing of development and a description of the ideal improvement, which would represent the highest and best use of the land if it were vacant. User type should be identified as owner-occupant or tenant.

(Next page)

Highest and Best Use of the Property as Improved

Through an analysis of the four criteria for highest and best use, this discussion should establish which use is maximally productive. This analysis should reach a highest and best use conclusion that includes curing any curable deficiencies, making repairs, or renovating the structures. A comparison of the existing improvements with the ideal improvements should identify significant and measurable elements of functional obsolescence, which need to be quantified in the cost approach. Any deficiencies must also be considered in the sales comparison and income approaches.

All basic principles of real estate valuation should be considered. Mathematical support should be provided for conclusions where needed (i.e., financial feasibility).

F. The Valuation Process

At the beginning of each approach or as a separate section, briefly explain the theory of each approach and outline how it will be handled in the valuation process. The appropriate economic principles should be quoted with an explanation of how they apply to each approach. The section should end with the reconciliation process.

G. Cost Approach

The preferred and required method for estimating site value is via analysis of verified comparable vacant site sales. The sales should be reduced to appropriate units of comparison. The value of the site should be estimated as if the site were vacant and available for its highest and best use. Each comparable sale should be briefly described. The description must include the following data for each sale:

- Buyer
- Seller
- Location
- Recording data
- Date
- Sale price
- Financing
- Units of comparison
- Person who verified sale
- Lot dimensions, configuration, and size
- Physical and topographical characteristics
- Zoning
- Utilities
- Environmental influences

The report must include a photograph of each sale and a map locating the sales. Each sale should be analyzed with consideration of the recognized elements of comparison:

- Property rights conveyed
- Financing terms
- Conditions of sale
- Expenditures made immediately after purchase
- Market conditions
- Location
- Physical characteristics

It is recommended that an adjustment grid be included to show the adjustments. The selection of comparables must permit Candidates to demonstrate market-extracted support for all adjustments using paired data analysis. Done appropriately, and with ample data, linear regression may be acceptable. If you support, through analysis of paired data, that no adjustment is required, you have supported an adjustment. For example, if Site Sale 1 sold for "X" dollars one year ago and Site Sale 2, which is similar in all respects, sold for the same amount of money the following year, these two sales can be paired to demonstrate that there is no market conditions adjustment. All adjustments must be explained and supported.

This section should end with a reconciliation of the comparable sales into a final value indication. Where adjustments are not shown because of a lack of market support, these differences should be reconciled in the reconciliation section. (Averaging the adjusted sales prices is not reconciling.)

In preparing a cost approach, two sources of cost (replacement or reproduction) are required. A cost service can be one source and cost comparables, or a contractor bid can be a second source. For replacement cost new, contractor bids should be prepared on their letterhead and should be signed by the person providing the estimate. A qualification summary for the estimator or contractor should be included. If reference is made to recently completed comparable structures, they must be photographed, identified, and analyzed with appropriate adjustments to the property being appraised.

Accrued Depreciation Estimate

For a property to qualify for grading as a demonstration report, it must suffer from incurable physical deterioration and some form of obsolescence. All residential demonstration reports that are submitted for grading must include two methods of estimation of accrued depreciation; one of which must be the breakdown method. In addition to the breakdown method, which is required, one of the following methods is acceptable: economic age/life modified economic age/life. Market extracted depreciation technique is required in order to estimate economic life. The report must demonstrate the appraiser's ability to estimate depreciation factually. The estimate of depreciation must be substantiated with market data analysis to the fullest possible extent.

Finally, the computations of the cost approach must be shown. This will include an estimate of the total cost new of the improvements, an itemized breakdown of depreciation, and deduction of the total depreciation from the total cost new to indicate the depreciated improvement value. To this figure, the contributory value of the site improvements and the site value are added. This section must end with an indication of value derived by the cost approach.

H. Sales Comparison Approach

This section should begin with a brief discussion of the criteria used in the selection of comparable sales. The selection of comparables must permit the Candidate to demonstrate market-extracted support for at least two adjustments. But all adjustments must be explained and supported. It is recommended that more than one paired-data analysis be used to support an adjustment when possible. When more than one paired-data analysis is not possible, another method should be illustrated to provide a test of reasonableness (i.e., GRM x Rent or depreciated cost or present value of energy savings for energy efficient features). All methods should be supported and acceptable methods currently taught in AI courses.

Provide an adequate and sufficiently detailed description of each comparable sale. Present this detailed information in a uniform manner and, at a minimum, include the following:

- Date of transaction and recording data, including names of buyer and seller
- Sale price, verification, and source
- Location, zoning, and environmental influences
- Sufficient detail on physical characteristics, condition, and obsolescence features to lead the reader to your conclusion of comparability

The report must include a photograph of each sale and a map locating the sales. Sales should be presented on an adjustment grid that demonstrates all adjustments. All adjustments should be market-supported. Each sale should be analyzed with consideration of the recognized elements of comparison:

- Property rights conveyed
- Financing terms
- Conditions of sale
- Expenditures made immediately after purchase
- Market conditions
- Location
- Physical and economic characteristics

This approach should end with reconciliation of the value indications derived from the comparable sales. The reconciliation should end with a final indicated value by the sales comparison approach. When adjustments were not made due to a lack of market support, these differences should be reconciled in the reconciliation section. Appropriate consideration must be given to all forms of depreciation identified in the cost approach.

I. Income Approach/Gross Rent Multiplier Analysis

The income approach is applied to one- to four-family residential properties through gross rent multiplier (GRM) analysis. The value estimate represents the relationship between the market rent (quantity of the income stream) and the GRM. The quality and durability of the income stream are represented in the GRM.

The steps in the income approach are:

a. estimate market rent
b. select or estimate an appropriate GRM
c. develop a value indication

The market rent estimate must be based on a comparison of the subject property with similar properties that are rented or leased. Adjustments for differences in physical or economic characteristics must be made. The resulting market rent indications must then be reconciled. The comparable rentals should also be presented on an adjustment grid. Along with adequate explanation, there should be market support and justification for the adjustments.

The GRM is most reliable when developed through a comparison of properties that were rented at the time of the sale. In the absence of adequate data, it is permissible to estimate market rent for an improved property that has sold. The reconciliation of GRM indications should include consideration of the degree of similarity between properties.

Data for this approach includes, but are not limited to, a complete description of all rent and GRM comparables, including lease periods, condition, photo, and location.

The condition and functional utility of the property must be considered to maintain consistency with items of depreciation identified in the cost approach.

J. Reconciliation and Final Value Opinion

Reconciliation is the process in which different indications of value are converted into a value conclusion. Appraisers resolve multiple value indications derived within a single approach as part of the application of that approach. After resolving multiple value indications within a single approach, an appraiser applies the same process to the value indications of multiple approaches, providing clear analyses of why the results of one (or more) of the approaches to value is given more weight than the results of the others.

Explain any discrepancies and apply sound reasoning to the facts and interpretations that lead to the final conclusion, keeping in mind the definition of value and the use of the report.

Certification and Addenda

A. Certification

A signed certification must be included in the appraisal report. The certification must conform to the wording set forth in the *Code of Professional Ethics of the Appraisal Institute* and *Standards of Professional Practice.*

- A Word about Appraisal Institute Standards, Certifications, Compliance Statements, and Appraisal Institute Certification Statements
- Sample Certification Statement Appraisal Report

B. Assumptions and Limiting Conditions

Assumptions and limiting conditions in the demonstration appraisal report generally follow the certification. See *The Appraisal of Real Estate* for suggested wording, appropriate standard conditions, and examples of general assumptions and limited conditions.

Any factors peculiar to the assignment in question should be fully explained. Hypothetical conditions are not appropriate for demonstration report purposes.

C. Qualifications of the Appraiser

Qualifications should be listed in a brief and concise fashion.

D. Addenda

Addenda are supplements to a report and may be used to avoid interrupting the narrative. Data that pertain directly to your narrative, such as comparable sales data, other market data, maps, and sketches, should be included in the body of the report unless they are overly lengthy. The addenda should include any necessary supplementary exhibits, such as:

- Additional photographs of the subject property. When possible, include pictures of items of curable depreciation and interior views to help the reader visualize the property.
- Photographs of nearby properties referred to in the report.
- Maps of secondary importance.
- Statistical data, other similar study results, related to subject property.
- Any additional supporting data referred to in the body of the report.

E. Additional Important Information

The rules pertaining to demonstration appraisal reports are set forth in Regulation No. 2 and its supporting policy and procedures. They include, but are not limited to, the following:

- The date of value in the report must be no more than five calendar years prior to the year the demonstration appraisal report is submitted for credit.
- The residential demonstration appraisal report must be for a one- to four-family residence.
- The property chosen must allow the appraiser to demonstrate all three approaches to value and must suffer from incurable physical deterioration and at least one form of obsolescence.
- All appraisal data contained in the report must be factual.

Things to Do

- Explain your reasoning completely, yet concisely. Conciseness is important. Too many Candidates tend to write lengthier reports than are needed.
- Put directional arrows indicating north on maps, plats, and aerial photos.
- Give sources of all definitions. Use current references.
- Explain any departure from normal procedure and consider the effects of any adverse conditions noted in the subject property.
- Remember that the factors affecting the subject property in one approach should also be considered in the other two approaches.

Things Not to Do

- Do not fabricate data.
- Do not rely on unsupported assumptions, conclusions, or opinions.
- Do not rely on outdated course material or textbooks.
- Do not use formats from demonstration appraisal reports prepared several years ago.
- Do not select a new or almost new property that will not give you an opportunity to measure incurable long-lived depreciation.
- Do not adjust gross rent multipliers.
- Do not conclude that the present use is the highest and best use of the property simply because it conforms to the existing zoning.
- Do not express opinions or conclusions based on estimates with an unrealistic degree of precision. Use good judgment and round appropriately.
- Do not use statements such as “Based on my experience and knowledge…” or “Knowledgeable people in the area say…” to support your adjustments. They are unacceptable.

Sample Title Page

Market Value

Appraisal Report

of

The Single-Unit Residence
Northwest Corner Main and Green Streets
1234 West Main Street
Downtown, Indiana
12345

At the Request of
Appraisal Institute
200 W. Madison St., Ste. 2630
Chicago, IL 60606

Reflecting physical improvements and market conditions as of
December 25, 2022

Prepared by
AI Account Number

Prepared on
June 24, 2023

Note: This is a sample to be used for the Residential Traditional Demonstration of Knowledge.

Sample Letter of Transmittal

June 1, 20xx

Membership Department
Appraisal Institute
200 W. Madison Street, Suite 2630
Chicago, Illinois 60606

Re: Appraisal of
1234 West Main Street
Orlando, Florida 12345

Dear _____:

As required by Regulation No. 2 of the Appraisal Institute, I have made the necessary inspection and analysis to appraise the above-referenced single-family residence. The report is an appraisal report in the format using _____ Approaches. The attached report provides essential data and detailed reasoning employed in reaching my opinion of value.

In response to your request to prepare an appraisal, I personally inspected this property during the week of June 8th, 20xx. All necessary data gathering and analysis were done by myself either before or after the site visit.

This inspection and appraisal were made for forming an opinion of the market value, as defined in this attached report, of the fee simple interest in the property on the date of the inspection. The intended use of this analysis and report is to satisfy the demonstration of knowledge requirement for SRA designated membership.

This report, which includes exhibits and addenda, describes the approach to value and the opinion derived by the application of the approach. This appraisal is made subject to the limiting conditions and certification that are attached.

Based on my investigation and analysis of the data gathered, I have formed the opinion that the market value of the fee simple interest in the subject property was, DATE, the amount of:

Five-Hundred Thousand Dollars
$500,000

AI Account number
(acting as signature)

Sample Summary of Important Facts and Opinions

Property type:	Single-family residence
Location:	1234 West Main St., Downtown, Indiana 99999
Owner of record:	James J. Jones, Downtown, USA
Type of value:	Form an opinion of market value
Property rights appraised:	Fee simple interest
Effective date of appraisal:	June 8, 2018
Date of report completion:	January 10, 2017 Assessor's Plat and Lot No.: Map #2727, Parcel #87
Site area:	60 ft. x 135 ft. or 8,100 sq. ft., fully improved and conforms to all appropriate ordinances
Improvements:	A 12-year-old, one-story, frame ranch house with 6 rooms, 3 bedrooms, 1-1/2 bathrooms, 1,080 sq. ft. of gross living area, and a one-car frame attached garage
Zoning:	Single-family residential
Highest and best use:	As presently improved
Value indicated by means of sales comparison approach:	$52,500
Estimated exposure time:	2 to 4 months, assuming the subject property were listed at or near the appraised value herein by an experienced competent broker.

Note: This is a sample to be used for the Residential Traditional Demonstration of Knowledge.

Highest and Best Use

Present Use

Definition of highest and best use: USE CURRENT DEFINITION

Analysis of highest and best use as vacant

Legal use:

- What is current zoning (r-1, single family)?
- What does zoning allow?
- Are there deed restrictions?
- What are minimum lot sizes and setbacks?
- Is there a possibility of change in zoning?

Conclusion: What options are legally allowed? Only those options should be carried to the next test.

Physical:

- Size
- Shape
- Access
- Utilities
- Flood plain
- Wetlands
- Special view
- Quality of roads
- Special nuisances or hazards such as location next to gas station, etc. (External Obsolescence)
- Location

Conclusion: What options are legally and physically possible? Only those options are discussed in the next test.
Financially feasible: Be sure the neighborhood sets the stage for the following analysis.

- What is the market currently doing in this neighborhood or marketing area? What are the typical days on the market?
- Is financing available and at what terms?
- What are the income levels of buyers, and are there ample buyers to necessitate a particular product?
- Are builders building in this area, and if so, are they able to command a reasonable profit?
- What is the market most in need of that the legal aspects of this property would allow, and the physical characteristics would accommodate?
- What is the value for the site as vacant for each option that is legally and physically possible?

Conclusion: What options for the site as vacant are legally, physically and financially feasible?

Maximally Productive

- What would be the best product to build on this site? Single-family, multifamily, etc.
- What size? (Range of most typical size would be acceptable.)
- How many bathrooms, bedrooms, garage, carport, etc.?
- What is the quality and general price range? Be sure to look at the neighborhood to be sure this is set up properly?
- When should the ideal improvement be built?

Describe the Ideal Improvement

Highest and best use as improved:

The four tests as improved should address each test based on the current improvement. Use headings to identify each test and conclude at the end of each test what is allowed. The final conclusion should provide the reader with the answer as to the highest and best use as improved. Use subheadings in this section as well as the as vacant section to address each test. A good example of a Highest and Best Use can be found in the Highest and Best Use course material.

The Candidate should consider the above four tests and how the subject does or does not meet the four tests of highest and best use. For the Traditional Report, the Candidate should comment on functional or external obsolescence and how it affects the "as improved" product.

Physical depreciation and obsolescence should also be discussed, and the way it affects the "as improved" product.

(Next page)

Grading Eligibility Requirements

To receive credit for the Demonstration of Knowledge Requirement, a Traditional Demonstration Appraisal Report must pass both a technical grading process and a verification process. To be eligible for grading, the demonstration appraisal report submission, at a minimum, must contain organized data, analysis and conclusions in support of the following:

A. The property selected must suffer measurably from incurable physical deterioration and at least one form of obsolescence. If more forms of depreciation are present, they must be analyzed. The breakdown method must be applied. Therefore, new or proposed construction as a subject property will not qualify. Ideally, a subject property will be in the range of (5) five to (20) twenty years old.

B. The selected property must allow for proper demonstration and use of all three approaches to value. As this is a demonstration of technical competence, no deviation from this rule will be permitted. *You must select a subject that meets the demonstration report requirements.*

C. The effective date of value can be no more than five (5) calendar years prior to the year the report is submitted.

D. "Market value" must be the type of value estimated.

E. Adequate market data must be available for proper demonstration of site valuation and the sales comparison approach.

F. Sufficient income data must exist to justify, support, and document rental data, sales of rental properties, and a gross rent multiplier analysis (the income approach).

All residential demonstration reports that are submitted for grading must include the breakdown method. In so doing, market extracted depreciation technique is required in order to estimate economic life. The economic age/life or modified economic age/life method of overall depreciation is acceptable as additional support.

Double-Blind Grading

To ensure the highest level of objectivity and fairness, all submissions for the Demonstration of Knowledge (except for the 45-hour package) are subject to a double-blind grading process.

Under this system, the identity of the Candidate is concealed from the grading panel, and the identity of the grader is concealed from the candidate.

Please review the section, Double-Blind Grading (All Options), before remitting your demo submission.

For all other grading guidelines and policies, refer to Grading Processes for Demonstration of Knowledge Options.

Without Assistance

You are required to certify that you, personally and without assistance, assembled all the data used in preparing the appraisal, analyzed the data, formed the conclusions, and prepared the appraisal report. You must also certify that the appraisal and the appraisal report comply with the requirements of Regulation No. 2, policies and procedures further implementing Regulation No. 2, the Standards of Professional Practice of Appraisal Institute, and the Code of Professional Ethics. If the demonstration appraisal report is found to be nonfactual or not the Candidate's own work, it will not receive credit. The Candidate will then be required to submit another demonstration appraisal report on another subject or another Demonstration of Knowledge requirement option.

In preparing the demonstration appraisal report, the residential Candidate may receive assistance in matters such as photography, drawings, and word processing.

A Candidate may also receive verbal advice, suggestions, theoretical explanations, and references to textbooks and techniques, available literature, etc., relating to appraisal practice, but such advice, suggestions, explanations, or references should not include review or commentary on the demonstration appraisal report.

(Next page)

FAQs: Traditional Demonstration Appraisal Reports

1. Why are demonstration reports required?

   Preparing a report demonstrates the Candidate's ability to focus appraisal theory and principles on a specific appraisal problem and develop an acceptable solution. A report can determine whether a Candidate has attained the level of performance necessary for Designated membership in the Appraisal Institute.

2. May others help me prepare my demonstration appraisal report? To what extent?

   Others may help by typing or word processing the report and proofreading the copy for spelling or grammatical errors. All the writing, analysis, numerical calculations, and conclusions must be your own. It is unethical for a Designated member or fellow Candidate of the Appraisal Institute to correct your demonstration report prior to submission.

3. What happens if Appraisal Institute discovers that a demonstration report is entirely or partly the work of another? What if the facts have been fabricated?

   By signing the application, the Candidate certifies that the report is his/her own work and that the report complies with the requirements of Regulation No. 2, Admission to Residential Candidacy and SRA Membership, and the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. If this statement is found to be untrue, credit will be rescinded, and the Candidate will not be allowed to base any new submission upon the same property. Fabricated data will also result in a loss of credit for the report.

4. How can I ensure that my report qualifies for grading?

   For grading, refer to Grading Processes for Demonstration of Knowledge Options.

5. What are some reasons that a traditional report might not be successful?

   Insufficient justification or support for opinions, insufficient presentation of reasoning for opinions, inclusion of factual information without subsequent analysis of its effect on the value of the subject property, lack of compliance with the Appraisal Institute Code of Professional Ethics and Standards of Professional Practice, failure to include items listed under "Grading Eligibility Requirements", selection of a subject property that is inappropriate for a demonstration appraisal report, lack of continuity or correlation between various sections of the report, sloppy, incomplete, or unprofessional work.

(Next page)

Peer Reviewed Publications Option

A Candidate, who is a PhD., may satisfy the Demonstration of Knowledge requirement by receiving credit for at least two (2) peer reviewed publications based on original research (in a field related to real property economics) approved by the ADQC or its designee. Multi-authored publications will be accepted.

A Candidate, who is not a PhD., may satisfy the Demonstration of Knowledge requirement by receiving credit for at least two (2) peer reviewed publications based on original research (in a field related to real property economics) approved by the ADQC or its designee. All publications must be authored solely by the applicant. Multi-authored publications will not be accepted.

The submissions must be quantitatively rigorous and deal with valuation or economic issues relevant to real property appraising and/or real property analysis. The submissions must be directly applicable to valuation issues and/or real property economic issues. There must be a nexus between real property appraising and the article that is being submitted.

The submission should be specifically related to valuation or valuation issues. When a Demonstration Report is written, what is being sought is for the Candidate to illustrate that he or she has mastered the application of the economic tools (i.e., sales comparison approach, cost approach, income approach, statistical analysis, etc.) employed in the valuation of real property. Consequently, what we hope to see in a published peer reviewed article is research on a topic that directly relates to the economic tools that are used or could be used by appraisers in the valuation of real property. The logic being that if the goal is to see if the Candidate has mastered the use of those economic tools by which the industry at large values real property, then a Candidate who has published research on those economic tools that are employed in the valuation of real property is an indication of his or her mastery of the discipline itself.

The published peer reviewed article is research on a topic that directly relates to the economic tools that are used or could be used by appraisers in the valuation of real property.

(Next page)

Preliminary Screening

Before applying, a Candidate must submit either abstracts or summaries of each of his/her three peer reviewed publications to the Demo Panel Chair for preliminary review to determine if the articles qualify per submission guidelines. The published peer reviewed article is research on a topic that directly relates to the economic tools that are used or could be used by appraisers in the valuation of real property. Summaries or abstracts of these peer-reviewed publications must demonstrate how they:

- are quantitatively rigorous;
- deal with a topic of valuation or economic issues relevant to real property appraising and/or real property analysis;
- directly apply to valuation issues and/or real property economic issues; and
- contain sufficient scope and complexity to demonstrate that the Candidate has a thorough understanding of the principles, theories, techniques and applications of real estate economics.

Submission Requirements

- The submission must have sufficient scope and complexity to demonstrate that the Candidate has a thorough understanding of the principles, theories, techniques, and applications of real estate economics.
- The submission must include at least two (2) peer reviewed publications (in accredited journals and/or periodicals) and must reflect original research in a field related to real property economics.
- The peer reviewed publications must be submitted to the Appraisal Institute for credit within five (5) years from the date of publication and may only be submitted by one author. Additional co-authors will not be permitted to submit the same publication for consideration.
- Must submit an electronic copy of the publications.
- Must include a statement of contribution for each publication submitted for consideration.

(Next page)

Double-Blind Grading

To ensure the highest level of objectivity and fairness, all submissions for the Demonstration of Knowledge (except for the 45-hour package) are subject to a double-blind grading process.

Under this system, the identity of the Candidate is concealed from the grading panel, and the identity of the grader is concealed from the candidate.

Please review the section, Double-Blind Grading (All Options), before remitting your demo submission.

For all other grading guidelines and policies, refer to Grading Processes for Demonstration of Knowledge Options.

Without Assistance

You are required to certify that you, personally and without assistance, prepared the demonstration of knowledge submission. You must also certify that the submission complies with the requirements of Regulation No. 2, policies and procedures further implementing Regulation No. 2, the Standards of Professional Practice of Appraisal Institute, and the Code of Professional Ethics. If the demonstration submission is found not to be the Candidate's own work, it will not receive credit. The Candidate will then be required to submit another demonstration appraisal report on another subject or another Demonstration of Knowledge requirement option.

(Next page)

Master’s Thesis or Doctoral Dissertation Option

Overview

A Candidate may satisfy the Demonstration of Knowledge Requirement by receiving credit for a master's thesis or doctoral dissertation (in a field related to real property economics) approved by the Admissions Committee, or its designee.

Submission Requirements

- The submission must have received credit toward a graduate or doctoral diploma or degree.
- The submission must reflect original research.
- The submission must be quantitatively rigorous, and deal with valuation or economic issues relevant to real property appraising and/or real property analysis. The submissions must be directly applicable to valuation issues and/or real property economic issues. There must be a nexus between real property appraising.
- The master's thesis or doctoral dissertation must be submitted to the Appraisal Institute for credit within ten (10) years from the date of submission to the college or university.
- Must submit an electronic copy of the thesis or dissertation and a signed and dated letter from the college or university stating that the master’s thesis or doctoral dissertation was approved.

Double-Blind Grading

To ensure the highest level of objectivity and fairness, all submissions for the Demonstration of Knowledge (except for the 45-hour package) are subject to a double-blind grading process.

Under this system, the identity of the Candidate is concealed from the grading panel, and the identity of the grader is concealed from the candidate.

Please review the section, Double-Blind Grading (All Options), before remitting your demo submission.

For all other grading guidelines and policies, refer to Grading Processes for Demonstration of Knowledge Options.

Without Assistance

You are required to certify that you, personally and without assistance, prepared the demonstration of knowledge submission. You must also certify that the submission complies with the requirements of Regulation No. 2, policies and procedures further implementing Regulation No. 2, the Standards of Professional Practice of Appraisal Institute, and the Code of Professional Ethics. If the demonstration submission is found not to be the Candidate's own work, it will not receive credit. The Candidate will then be required to submit another demonstration appraisal report on another subject or another Demonstration of Knowledge requirement option.

(Next page)

Grading Processes for Demonstration of Knowledge Options

The Appraisal Institute policy is that numerical grades cannot be given. Demonstration of Knowledge submissions will become the property of the Appraisal Institute and will not be returned to you.

Double-Blind Grading (All Options)

To ensure the highest level of objectivity and fairness, all options (except the 45-hour package) for the Demonstration of Knowledge are subject to a double-blind grading process. Under this system, the identity of the Candidate is concealed from the grading panel, and the identity of the grader is concealed from the candidate. To maintain this anonymity, the following protocols are mandatory:

1. Candidate Anonymity: Candidates must remove all personal references from the submission, including their name, firm name, personal address, and actual signature.
2. Identification via AI Account Number: In place of a name and signature, the Candidate must use their unique Appraisal Institute (AI) account number on all transmittal letters, certifications, cover pages, and any other section where identification is typically required. Note: You can find your AI account number by logging into your AI account.
3. Digital Certifications: For sections requiring a signature, such as certifications or statements, Candidates must type the following in the signature line: *"Electronically Signed: AI Account # [Your Number]."*
4. Redaction Responsibility: The Candidate is responsible for ensuring that no letterheads, logos, or biographical data (e.g., in a Thesis or Published Article) remain that could identify them or their employer to the Grader.

Redaction Checklist

- ✓ Cover Page & Title Page: My name and any company logos have been removed and replaced with my AI Account Number.
- ✓ Letter of Transmittal: I have deleted my name, firm address, and physical signature. The letter is now "signed" only with my AI Account Number.
- ✓ Certification: The signature line does not contain my name or a digital replica of my signature. It explicitly states: *"Electronically Signed: AI Account # [Number]"*.
- ✓ Addenda & Exhibits: I have meticulously reviewed all maps, tax records, deeds, and subject photographs for any watermarks, firm names, or stamps that could identify my employer or me.
- ✓ Professional Biography: For Peer Reviewed Publications, Master's Thesis, or Doctoral Dissertation options, I have removed the "About the Author" or biography section entirely.
- ✓ File Metadata: I have cleared the "Author" or "Last Modified By" properties in the document's digital metadata (File > Info > Properties in Word documents and Adobe PDFs).

Dos & Don’ts of Double-Blind Grading Compliance

✅ DO

- Do remove all personal identifiers from your submission, including your name, firm name, personal address, and actual or scanned signature.
- Do use your Appraisal Institute (AI) account number in place of your name on all cover pages, transmittal letters, certifications, and any other identifying sections.
- Do include your AI account number on any page where identification is normally required.
- Do use the required digital signature format for certifications or statements: *“Electronically Signed: AI Account # [Your Number]”*
- Do review all addenda and exhibits carefully, including maps, tax records, deeds, and photographs, to ensure no watermarks, stamps, firm names, or logos appear.
- Do remove professional biographies (such as “About the Author” sections) from peer-reviewed publications, Master’s theses, or doctoral dissertations.
- Do clear file metadata before submission, including “Author” and “Last Modified By” fields in Word documents and PDFs.
- Do verify anonymity on every document before submitting, recognizing that the Candidate is solely responsible for complete redaction.

❌ DON’T

- Don’t include your name, firm name, or employer information anywhere in the submission.
- Don’t use letterhead, logos, or branded templates that identify you or your firm.
- Don’t include handwritten or image-based signatures, including digital replicas of your signature.
- Don’t leave biographical information in academic or published work submitted for review.
- Don’t overlook embedded identifiers in exhibits, scanned documents, or photographs.
- Don’t forget to check document metadata, which can unintentionally reveal your identity.
- Don’t assume graders will redact for you—maintaining anonymity is entirely the Candidate’s responsibility.

Note: the 45-hour package option is not subject to this policy.

Traditional Demonstration Appraisal Report Submission

Grading Process

If eligible for grading, the report will be graded. After the grading is completed, the Candidate will receive a notice that the report either passed or failed the technical grading process, along with a critique.

If the report passes the technical grading process, it will then go through a verification process (this applies only to traditional demo submissions). Demonstration of Knowledge credit will not be awarded unless the report passes both the grading process and the verification process (applies only to traditional submissions).

If a report fails the technical grading process, the Candidate may, at that point, either request a re-grade or prepare and submit a revised report within the allotted timeframe for revisions. Any section of the report that receives a correlated rating of less than three (3) must be revised to meet the criteria for that section described in this guidebook.

Ungradable/Incomplete Report

If a report *does not contain the components* listed under the section, Grading Eligibility Requirements, it is considered incomplete/ungradable, thus ineligible for grading. If a Candidate believes his/her report is gradable, he/she may request (in writing), within sixty (60) days of the date of their ungradable report letter, that the Demo Panel Chair reconsider the initial determination. The request must detail the reasons for contesting the initial determination.

Requesting a Re-Grade of an Initial Submission

If an initial grader determines that the submission fails to meet the technical requirements, the Candidate may file a Demonstration of Knowledge Re-Grade Request Application within sixty (60) days of the date of the notice advising the Candidate that the submission did not meet the technical requirements. The Application must include an attachment detailing the reasons for contesting the initial grading and a filing fee. If a request for re-grading is granted, the re-grading shall not be performed by the initial grader, and the re-grader will determine whether the initial grading should be revised.

Upon written request and for good cause shown, the Chair of the Demonstration of Knowledge Grading Panel may grant an extension of the 60-day period for filing a Demonstration of Knowledge Re-Grade Request Application.

If re-grading results in a determination that a submission still fails to meet technical requirements and the submission is eligible for revision, the Candidate may revise and re-submit the submission as set forth in the following section.

Revising a Report

If a traditional report fails to meet the technical requirements at the initial grading stage, the Candidate may revise the traditional report and submit it for grading along with the appropriate fee.

The revised report must be filed within one (1) year of the date on which notice was sent to the Candidate that the initial report did not meet the technical requirements. Only one revised report concerning the same subject property may be filed. The Chair of the Demonstration of Knowledge Grading Panel may grant a request for extension of this one (1) year period for good cause shown. After the period expires, the Candidate may not use the same subject property for a future report.

Re-Grading of a Revised Traditional Demonstration Appraisal Report

If the revision grader determines that the revised submission still fails to meet the technical requirements, the Candidate may file a Demonstration of Knowledge Re-Grade Request Application within sixty (60) days of the date of the notice advising the Candidate that the submission did not meet the technical requirements. The application must include an attachment detailing the reasons for contesting the revised grading and a filing fee.

The report will be re-graded by the Chair of the Demonstration of Knowledge Grading Panel, or a member of the Panel selected by the Chair who is other than a member who previously graded or re-graded the report. If a re-grading results in a determination that the revised report fails to meet technical requirements, the Candidate may not use the same subject property for a future report.

Upon written request and for good cause, the Chair of the Demonstration of Knowledge Grading Panel may grant an extension of the 60-day period for filing a Demonstration of Knowledge Re-Grade Request Application.

(Next page)

Peer Reviewed Publications and Master's Thesis or Doctoral Dissertation Submissions

Requesting a Re-Grade

If an initial grader determines that the submission fails to meet the requirements, the residential Candidate may file a Demonstration of Knowledge Re-Grade Request Application within sixty (60) days of the date of the notice advising the residential Candidate that the submission did not meet the requirements. The Application must include an attachment detailing the reasons for contesting the initial grading and a filing fee. If a request for re-grading is granted, the re-grading shall not be performed by the initial grader, and the grader will determine whether the initial grading should be revised.

Upon written request and for good cause shown, the Chair of the Demonstration of Knowledge Grading Panel may grant an extension of the 60-day period for filing a Demonstration of Knowledge Re-Grade Request Application.

45-Hour Residential Demonstration Appraisal Report Option Course Package

The 45-Hour Residential Demonstration Appraisal Report course package is made up of two education courses/exams and writing assignments (*Advanced Residential Applications and Case Studies/Part 1* and *Advanced Residential Report Writing/Part 2*). The grading, re-exam and re-writing opportunities for this option are governed through the policies and procedures of the Appraisal Institute Education Department. They may be contacted via AI's Support Center.

(Next page)

Verification of Traditional Demonstration Appraisal Report

If a determination is made that a traditional report meets the technical requirements, the application and report will then be processed for factual verification.

If a traditional demonstration appraisal report does not receive credit because the appraisal report or application for credit is not factual, then the Residential Candidate may not submit the appraisal report for re-grading or revise the appraisal report and the Residential Candidate may not use the same subject property for a subsequent demonstration appraisal report.

Verification Process

The following procedures shall be used to verify factual data in a report and the statements of the residential Candidate in the application for credit:

A. Upon being notified by the Membership Department that a residential Candidate's report meets the technical requirements, the Chair of the Demonstration of Knowledge Grading Panel (or designee) shall assign a Representative:

    1. to verify the factual data in the report and the statements in the application for credit; and/or

    2. to make a recommendation, as appropriate, whether the report and the statements in the application for credit should be accepted as factual or be rejected as being non-factual.

B. If a Representative determines that he or she has a conflict of interest or a personal bias for or against the residential Candidate, he or she must decline serving as a Representative and the Chair of the Demonstration of Knowledge Grading Panel (or designee) shall assign a replacement.

C. If at any time the Chair of the Demonstration of Knowledge Grading Panel (or designee) determines that a Representative is not conducting the verification process adequately, the Chair (or designee) may order further investigation and/or rescind the appointment of the Representative and appoint a replacement.

D. If at any point in the verification process the Representative can verify the factual data in the report and the statements in the application for credit, the Representative shall notify the Membership Department in writing. If all the requirements of the Demonstration of Knowledge requirement are met, the Membership Department shall then post credit for the Demonstration of Knowledge requirement on the residential Candidate's record and notify the residential Candidate that credit has been awarded.

E. Unless there is a recommendation by the Representative that credit not be given, the verification process should not exceed twenty (20) days. This period may be extended by the Chair of the Demonstration of Knowledge Grading Panel.

F. If the Representative fails to file a recommendation within twenty (20) days of the date the Representative received the report and application for credit (or any extension thereto), the Chair of the Demonstration of Knowledge Grading Panel shall determine whether additional time should be granted for the Representative to file a recommendation, whether a replacement Representative should be appointed, or whether the residential Candidate should receive credit for the report without any further review.

G. At the request of the Representative, the Chair of the Demonstration of Knowledge Grading Panel (or designee) may appoint one or two additional Representatives to assist in conducting an interview and/or investigation.

H. At an interview, the residential Candidate shall be allowed to explain how the factual data in the report was obtained and/or to furnish information to show that the factual data in the report and/or the statements in the application for credit are factual. The applicant may request additional time to obtain information or to assemble documentation in support of his or her position.

I. If, after completing his or her investigation, the Representative concludes, by the greater weight of the evidence, that the data in the report and/or the statements in the application for credit are not factual, the Representative shall prepare a formal written recommendation ("Recommendation") which recommends that the report not receive credit. The Recommendation shall set forth in detail the relevant factual information relied on as the basis for the Representative's conclusion. Before completing the Recommendation, the Representative shall make a reasonable effort to verify and substantiate all factual data relied on as the basis for the Recommendation and include with the Recommendation a brief statement describing such efforts.

J. The Representative shall submit the Recommendation to the Membership Department. If the Membership Department determines that the Representative's Recommendation is not in compliance with the requirements of this guidebook, the Membership Department shall return the Recommendation to the Representative with instructions to take such further steps as may be required to bring the Recommendation into compliance with the requirements of this guidebook. On determination by the Membership Department that the Representative's Recommendation complies with the requirements of this guidebook, the Membership Department shall submit a copy of the Recommendation to the Chair of the Demonstration of Knowledge Grading Panel.

K. If, after review, the Chair of the Demonstration of Knowledge Grading Panel determines that the Recommendation that a report not receive credit is without a reasonable basis in fact, he or she shall instruct the Membership Department to post credit for the report.

   If, after review, the Chair of the Demonstration of Knowledge Grading Panel determines that there may be a reasonable basis in fact for the Recommendation, the Membership Department shall send a copy of the Recommendation to the residential Candidate.

L. A residential Candidate who has received an unfavorable Recommendation by the Representative shall have the right to request a Conference. This right may be exercised only by filing a Request for Conference by traceable carrier, with the Membership Department, within thirty (30) days after the date of the notice from the Membership Department advising the residential Candidate of the unfavorable Recommendation. A Request for Conference must state the residential Candidate's reason(s) for requesting a Conference. If no timely and complete Request for Conference is filed, the unfavorable Recommendation shall be final, and the residential Candidate shall have no further right of review or appeal.

M. If a residential Candidate files a timely Request for Conference, the Chair or Vice Chair of the Admissions Committee shall appoint a Conference Board. The residential Candidate shall have the right to appear at the Conference in person, individually or with legal counsel or a personal representative. By advance request, a residential Candidate may participate by telephone.

    At the Conference, the residential Candidate shall have the right to present evidence, both testimony and documents, with respect to the unfavorable Recommendation. The Representative shall present evidence and respond to questions of the Conference Board. The Representative shall have the burden to prove, by the greater weight of the evidence, that data in the report and/or statements in the application for credit are not factual.

    If the Conference Board finds, by the greater weight of the evidence, that data in the report and/or that the statements in the application for credit are not factual, the Conference Board shall prepare and submit a written decision concluding that the report not receive credit.

    If the Conference Board determines that the data in the residential Candidate's report and the statements in the residential Candidate's application for credit are factual, the Membership Department shall post credit for the report.

N. A residential Candidate who receives an adverse decision from a Conference Board with respect to verification of a report and/or statements in an application for credit shall have the right to appeal the adverse decision. This right may be exercised only by filing a Notice of Appeal, by traceable carrier, with the Membership Department, within sixty (60) days after the date of the notice advising the residential Candidate of the adverse decision of the Conference Board. The Notice of Appeal must state the residential Candidate's reason(s) for contesting the decision. If the residential Candidate fails to file a timely and complete Notice of Appeal, the right of such residential Candidate to appeal shall terminate, and the decision of the Conference Board shall become final. Procedures governing formal appeals and Appeal Hearings regarding verification of demonstration appraisal reports are contained in the Admissions Appeals Procedure Manual.