



Memo from the Board to Nebraska Real Property Appraisers

September 3, 2015

WHAT IS EXPOSURE TIME AND WHEN IS IT USED

By Tyler Kohtz, Director

It has come to the Nebraska Real Property Appraiser Board's ("Board") attention that developing and reporting exposure time may not always be clear to Nebraska credentialed appraisers. After discussing this topic at its August meeting, the Board felt that it is important to remind credentialed appraisers of what exposure time is, and when to use it.

The Uniform Standards of Professional Appraisal Practice ("USPAP") defines exposure time as, "Estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal" (Page U-2, lines 68-70). USPAP also states, "Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market" (Page U-2, lines 71-72).

Where is exposure time found in the 2014-15 USPAP Standards? The first place is Standards Rule 1-2 (c). Lines 528-530 on Page U-17 state, "When exposure time is a component of the definition for the value opinion being developed, the appraiser must also develop an opinion of reasonable exposure time linked to that value opinion." The second place is Standards Rule 2-2 (a) (v). Lines 710-711 on Page U-23 declare, "When an opinion of reasonable exposure time has been developed in compliance with Standards Rule 1-2 (c), the opinion must be stated in the report."

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Now that we know what exposure time is, and where it appears in USPAP, how is reasonable exposure time developed? The Statement on Appraisal Standards No.6 in USPAP covers this topic in length. Reasonable exposure time is always presumed to precede the effective date of the appraisal, is different for various types of property and market conditions, and is a function of price, time, and use. However, the opinion of the time period for reasonable exposure is not intended to be a prediction of a date of sale, and is not an isolated opinion of time alone. The opinion may be expressed as a range, and can be based on statistical and sales verification information. Additionally, the opinion may be based on interviews of market participants. This information might include the identification of typical buyers and sellers for the type of property, and typical equity investment levels and/or financing terms. Lines 2500-2507 on Page U-80 in USPAP offers a great illustration of the use of reasonable exposure time.



Please keep in mind that reasonable exposure time is different than reasonable marketing time, which is an opinion regarding the amount of time it might take to sell a real property interest at the concluded market value level during the period immediately after the effective date of an appraisal (USPAP Page A-13, lines 14-16). Exposure time pertains to the subject property only, and marketing time pertains to the factual data (days on market) related to market transactions.

Once again, when an opinion of reasonable exposure time has been developed in compliance with USPAP Standards Rule 1-2 (c), the opinion must be stated in the report. If, after reading this, you still have questions regarding what exposure time is and when it is used, please feel free to contact the Board's office at 402-471-9015, or email me at tyler.kohtz@nebraska.gov.