

THE GREENFIELD ADVISOR**Hot off the Presses!**

Seattle, Washington area readers will want to look for “**5 Mega-Trends for Puget Sound Real Estate**” by Dr. John Kilpatrick of Greenfield, forthcoming in the October 6, 2005 issue of the Daily Journal of Commerce.

Dallas, Texas area readers will be interested in “**Brownfields Let Texans Do Well While Looking Good**” forthcoming in the October 28, 2005 issue of the Commercial Real Estate Quarterly published by the Dallas Business Journal. This article is co-authored by Dr. Kilpatrick and David I. Mayes, P.G., of SCS Engineers.

Finally, readers in the Washington, DC, area will want to check out “**Recycling Land Around D.C. Offers Field of Dreams**” co-authored by Dr. Kilpatrick and John E. Tabella, P.G., of SCS Engineers, which appeared in the September issue of Washington Construction News.

For more information on these or other articles by and about Greenfield, please contact us at info@greenfieldadvisors.com, or call *Client Services* at 206-623-2935.

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Dr. John Kilpatrick will speak on October 12th at a day-long seminar on Property Taxes at the Washington State Convention Center. The seminar is approved for both legal and appraisal continuing education credit. For more information, or a copy of the conference brochure, contact client services at Greenfield Advisors, 206-623-2935.

Dr. Max Kummerow Joins Greenfield Advisors

Greenfield Advisors is pleased to announce that Dr. Max Kummerow has joined as a consultant, effective September, 2005.

Dr. Kummerow is presently a visiting professor of Real Estate at Washington State University, and was previously on the faculty at the University of Washington and Curtin University (Australia). He studied real estate under James Graaskamp at the University of Wisconsin, is a prolific author on the subject of real estate valuation, frequently contributing to both the scholarly and practitioner press.

Dr. Kummerow has been particularly active in Pacific Rim real estate matters, complex valuation models, and advanced research in real estate. He will consult with Greenfield on the interface between the academic literature and practical valuation tools, on large, complex projects, and on advanced valuation methods. Our website, www.greenfieldadvisors.com, will soon feature contributions from Dr. Kummerow.

Sneak Peek:

Dr. Kilpatrick will also be the featured speaker at the CFA Society of Seattle (formerly the Seattle Society of Financial Analysts) on the evening of Wednesday, December 14th at the Rainier Club in Seattle. Dr. Kilpatrick will speak on the Opportunities and Pitfalls of Real Estate Investing. For more information, check the CFA web site, <http://www.cfaseattle.org>, in the very near future.

Greenfield Advisors and Hurricanes Katrina and Rita

Over the years, Greenfield Advisors has been extremely active in the Gulf Coast states, with a particular emphasis in Louisiana. For that reason, we've watched the recent reports with a great deal of sadness, hearing names of so many communities where we've made so many good friends — places like Lake Charles, Metairie, Plaquemine, Corpus Christi, and of course Houston. We would encourage all of our readers to contribute as they can to appropriate charities. From all accounts, the Salvation Army and the Red Cross have been on-the-ground with assistance to the beleaguered former residents of the affected areas.

Almost immediately after Hurricane Katrina hit, Greenfield Advisors was in contact with our clients and business colleagues in the affected areas. Our focus has been two-fold: First, to contact leading real estate advisory firms in the area — our colleagues and sometimes competitors — to aid them in getting their businesses back to normal. We've directed our offers through three of the key real estate counseling and valuation organizations: The Counselors of Real Estate, the Royal Institution of Chartered Surveyors, and the Louisiana Chapter of the Appraisal Institute. Second, we've contacted and are continuing to contact our clients and others in the region to find ways to serve them, their colleagues, and their clients in this time of need.

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Questions or comments? E-mail us at info@greenfieldadvisors.com or call Greenfield Advisors at 800-755-0966 and ask for Client Services.

Highest and Best Use

A lot of “complex case” appraisals cross our desks each month, and we often see an error in determination of the highest and best use (HBU) of a property, particularly when there is a complex change affecting the site, such as contamination or a partial eminent domain taking.

The impact of this was illustrated this month in *Steelcase, Inc., Petitioner-Appellant, v City of Kentwood (Michigan), Respondent-Appellee (2005 Mich. App. LEXIS 2237)*. The core of the case was a disagreement over the HBU of a multi-parcel property. The taxing authority claimed one use, and the taxpayer was able to convince the court of a much different use. The difference in value? The rejected HBU would have placed a value of \$115 million, but the actual HBU, as determined by the court, ended up with a value of slightly over \$91 million.

Airborne Contaminants

While *Citgo v. Garza (94 S.W.3d 322)* was actually tried back in the 1990's, some aspects of the case are still on appeal. The settlement offer by Citgo, however, is not at issue. After certification of the class, Citgo agreed that airborne hydrocarbon contaminants necessitated a complete buy-back of homes closest to the source of the contamination, and somewhat lesser settlements at a distance from the contamination. Notably, this case supports two of the core findings of our research at Greenfield: the economically significant impacts of contamination, and the locational gradient as an appropriate means for measuring the differential impacts

The Unit Rule

Recently, violations of the unit rule come up in several real estate valuation problems. In short, for purposes of a taking (eminent domain, contamination, etc.), an assemblage of properties must be treated as a whole if they substantively share ownership, location, and use. A recent court case out of Illinois (*Illinois DOT v. Kelly, 2004*) affirmed that even if these three conditions are not met fully, the preponderance of the law weights on the side of the unit rule. The difference can be meaningful — there is frequently a substantial value difference to an assemblage versus atomistic holdings. ***Greenfield Advisors is developing a position paper on this important issue, and would be glad to share this with interested parties. Contact client services for further information.***

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