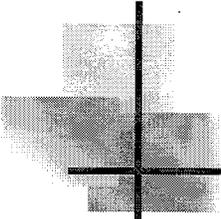


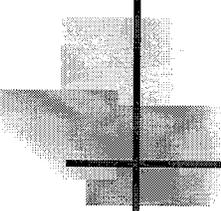
Market Value(s)

John A. Kilpatrick
Mundy Associates LLC
September 19, 2001



Market Value(s)

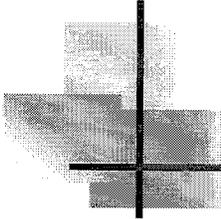
- The History of “Market Value”
- Several Useful Definitions
- Other “Value” Opinions



Market Value(s)

USPAP 2001, page 3:

Appraisers are cautioned to identify the exact definition of market value, and its authority, applicable in each appraisal assignment completed for the purpose of market value.



Market Value(s)

Example:

The most probable price which a property... from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated

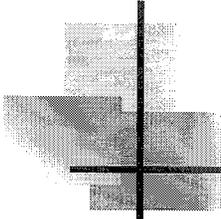
-

-

5. The price represents...

Then insert some reference or footnote:

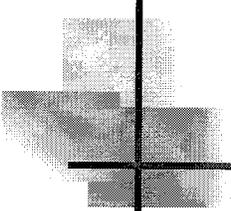
Federal Register, Vol. 55, No. 163, August 22, 1990.



Market Value(s) History

The assessor was instructed to judge how much the said land would sell for by the acre, if exposed for sale in moderate quantities according to the usual course of things for ready money".

Boykin, James H., "Real Property Appraisal in the American Colonial Era", Appraisal Journal, July, 1976.

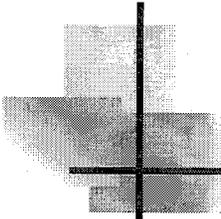


Market Value(s) History

As defined by the courts, market value is the highest price estimated in terms of money which a property will bring if exposed to sale in the open market, allowing a reasonable time to find a purchaser who buys with knowledge of all the uses to which it is adapted and for which it is capable of being used.

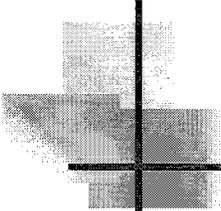
Appraisal Terminology and Handbook (Chicago: American Institute of Real Estate Appraisers, 1950).

The definition actually derives from one set down in *Sacramento Railroad Company v. Heilbron* 156 Calif 408 (1909)



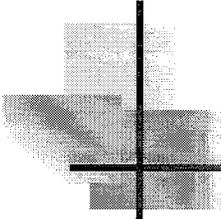
Market Value(s)

- Alternative Definitions
 - “Federal” Definition
 - Land Acquisition
 - Washington State Litigation
 - International Standards



Uniform Standards for Federal Land Acquisitions

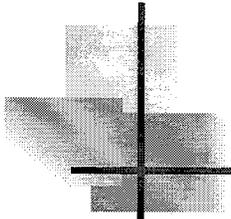
"Fair Market Value" is defined as the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would be sold by a knowledgeable owner willing but not obligated to sell to a knowledgeable purchaser who desired but is not obligated to buy. In ascertaining that figure, consideration should be given to all matters that might be brought forward and reasonably be given substantial weight in bargaining by persons of ordinary prudence, but no consideration whatever should be given to matters not affecting market value.



Washington State Litigation

Fair market value is the amount in cash which a well-informed buyer, willing but not obligated to buy the property, would pay, and which a well-informed seller, willing but not obligated to sell it, would accept, taking into consideration all uses to which the property is adapted or may be reasonably adaptable.

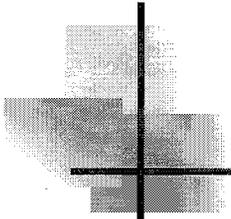
State v. Rowley, 74 Wn. 2nd 328, 334, 444 P. 2nd 695 (1968)



International Standards

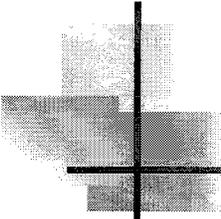
Market Value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

International Valuation Standards Committee,
International Valuation Standards 2000 (London, 2000), 92-93.



Other Values

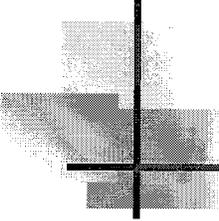
- Value in Use (IRS)
- Limited Market Property (A.I. 1993)
 - Liquidation Value
 - Disposition Value
- Special Purpose Property
- Investment Value
- Going Concern Value
- "Property Tax" Value



Value In Use

IRS Instructions for Form 706 for Estate and Generation Skipping Transfers

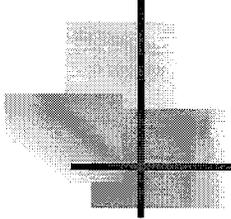
“Under Section 2032A, you may elect to value certain farm and closely held business property at farm or business use value rather than at fair market value. You may elect both special use valuation and alternate valuation.”



Limited Market Properties

“A property that has relatively few potential buyers at a particular time, sometimes because of unique design features or changing market conditions. Large manufacturing plants, railroad sidings, and research and development property....”

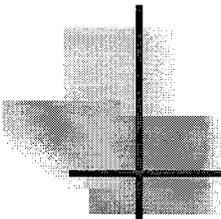
The Appraisal of Real Estate 12th ed. (Chicago: Appraisal Institute, 2001), pg. 25



Investment Value

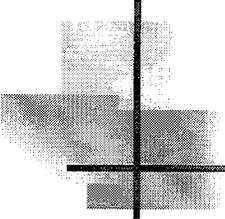
“The specific value of a property to a particular investor or class of investors based on individual investment requirements; distinguished from market value, which is impersonal and detached.”

The Appraisal of Real Estate 12th ed. (Chicago: Appraisal Institute, 2001), pg. 26



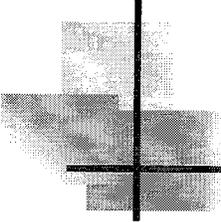
“Market” Value

$$V = \frac{NOI}{R_o}$$



Investment Value

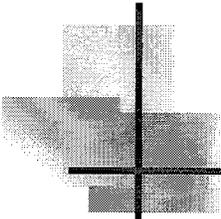
$$V = \frac{BTCF}{EDR}$$



Going Concern Value

“The market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate”

The Appraisal of Real Estate 12th ed.
(Chicago: Appraisal Institute, 2001),
pg. 27



Tax Assessment Value

“Fair and True Value” (WAC 458-07)

Typical Assessments (statewide): 89.2%

Statewide Range:

Island County (97.7%)

Pend Oreille (73.5%)

King County: 89.4%

Snohomish: 82%, Pierce: 93.1%

“99% Rule” (WAC 458-53-070.3)