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# Overview

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- Highest and best use in a down market from the eyes of an independent appraiser
- Appraisers versus The Others
- Funding shortfalls in U.S., State and Local and how this may impact real estate
- New facets of 2010 USPAP

# Highest and Best Use

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- In highest and best use , a parcel must be looked at two ways:
  - ✓ As vacant and available
  - ✓ Property as improved

Which is easier?

# Highest and Best Use – As Vacant

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- Highest and best use of a property is estimated from 4 tests:
  - ✓ Legally permissible uses  
What is typically considered?
  - ✓ Physically possible uses  
What is typically considered?

Does it make a difference which one comes first?

From these two tests is developed a short list of reasonably probable alternative uses

# Highest and Best Use – *As Vacant*

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- ✓ Financially feasible uses are then considered with the one that produces the highest land value being the:
- ✓ Maximally productive use or the highest and best use

# Highest and Best Use – As Vacant

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A conclusion to highest and best use should state *(as per the text book)*:

- Uses (broad or specific)
- Competing properties
- Timing
- Market participants (owner/users or speculators)
- How has the down market impacted our analysis of the property as vacant?

# Highest and Best Use – *As Improved*

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- Highest and best use of the property as improved places the focus on three possibilities:
  1. Continuation of existing use,
  2. Modification of existing use, or
  3. Demolition and redevelopment of site

What is an interim use?

# Highest and Best Use – As Improved

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- ✓ How is deferred maintenance typically measured?
- ✓ How does deferred maintenance show up in:
  - The cost approach?
  - The sales comparison approach?
  - The income approach?

# Appraisers Versus The Others

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- ✓ Expectations
- ✓ Time and expense sometimes gets in the way
- ✓ Use of preliminary / informal meetings as discovery

# Funding Shortfalls

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What economic factors are most relevant to what we do?

- ✓ Jobless rate currently at 12.3%
- ✓ Personal income
- ✓ Debt levels
- ✓ Tax rates

# New Facets of 2010 USPAP Ethics Rule

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- ✓ A new requirement calls for appraisers to notify clients of any current or prospective interest or prior services, prior to accepting an assignment. This section now states:

If known prior to accepting an assignment, and/or if discovered at any time during the assignment, an appraiser must disclose to the client, and in the subsequent report certification:

Any current or prospective interest in the subject property or parties involved; and

Any services regarding the subject property performed by the appraiser within the three year period immediately preceding acceptance of the assignment, as an appraiser or in any other capacity.

# New Facets of 2010 USPAP Ethics Rule

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- ✓ An appraiser must not accept an assignment, or have a compensation arrangement for an assignment, that is contingent on any of the following:
  1. The reporting of a predetermined results (e.g., opinion of value);
  2. A direction in assignment results that favor the cause of the client;
  3. The amount of a value opinion;
  4. The attainment of a stipulated result (e.g., that the loan closes, taxes are reduced); or
  5. The occurrence of a subsequent event directly related to the appraiser's opinions and specific to the assignment's purpose.

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The End