



### **Market Value Appraisals**

The appraisal of real estate is primarily based on the principal of substitution, that a person would pay no more for a property than the price to acquire a property offering similar utility and need satisfaction. Real estate, like most products, is a commodity, and value is based on supply and demand for the product. While real estate is immobile, the users of real estate are not.

The majority of appraisal requests are from lenders or investors requiring an estimate of market value of the transferable rights to a property. These rights range from the unencumbered fee simple estate to minor rights granted by lease or easement. Defining the rights to be appraised is the most basic and important appraisal question.

Most assignments begin with an analysis of the property, evaluating physical characteristics, governmental services and regulations, economic forces and market positioning. All possible uses for the site are considered and narrowed to the most logical use or uses. Any improvements on the site are carefully inspected and analyzed by the cost, sales comparison and income capitalization approaches to value, and all in the context of highest and best use.

Some improvements may have significant value, while others have none, and only a thorough economic analysis will help decide which.