What Kind of Value do You Order from Your Appraiser

By

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1. **ACV Value**: Generally the cost new less market depreciation. May deduct footings and foundation value.

2. **After Value**: Generally a term applied to the value of a parcel after a taking by eminent domain proceedings. The difference between the before and after value is the amount of "just compensation" the property owner is entitled to.

3. **Alternate Use Value**: Generally the value of an asset that was built for one purpose and is now valued based on another use.

4. **Amenity Value:** An intangible that may be above that attributable to the cost usually attributed to the amenities of ownership such as pride of possession, comfort, security, appearance. It may also be attributed to value created by elements of enjoyable living conditions.

5. **Antique Value:** The value attributable to the age, beauty, rarity, condition, utility, personal

emotional connection, craftsmanship or historical significance.

6. **Appraised Value:** An appraiser's opinion of value.

7. **Assessed Value:** It is the percentage applied to the tax appraised value against which the tax rate or millage is applied to determine the amount of taxes the owner owes to the taxing authority.

8. **Before Value:** Generally a term applied to the value of a parcel before a taking by eminent domain.

9. **Book Value**: Generally the cost of assets less accumulated depreciation. The depreciation may be determined by extraction, age/life, specified rate from a set rate of depreciation.

10. **Bulk Value:** Value produced if all of the assets are packaged together as one and sold.

11. **Capitalized Value:** The value determined by dividing the net income by a capitalization rate.

12. **Caprice Value:** This is the price for a particular buyer that will pay a price over and

above that paid by the market in general. This may be referred to as a price paid by a strategic buyer who can benefit more than a typical buyer.

13. **Cash Value:** The value assuming the buyer pays the seller cash without a third-party lender.

14. **Comparative Value:** Sometimes used to refer to the value arrived at by a Comparative Market Analysis (CMA) or Brokers Price Opinion (BPO). This is a value arrived at by using only the market approach to value.

15. **Condemnation Value:** Sometimes used to describe the amount of just compensation due an owner for having his property taken by eminent domain or condemnation.

16. **Conservation Easement Value**: The value of a conservation easement encumbering a property.

17. **Control Value**: Generally the value of a shareholder who owns over 50% ownership interest in a corporation and can control the operation and distributions to minority shareholders.

18. **Depreciated Value:** This term may be used to reflect the cost new less depreciation.

19. **Economic Value:** In the appraisal practice, it may be determined by capitalizing the equivalent of the net income by a market capitalization rate. It is sometimes used when the market rent or net income cannot be determined for a particular property that has sold but the capitalization rate is known.

20. **Enterprise Value: Enterprise Value (EV)**: *Total Enterprise Value or Firm Value is a financial measure of market value of the whole business. It is the total of all invested capital including: common and preferred shareholders, debt holders, and others. It includes all invested capital not just the market capitalization (market cap) which includes only common equity.*

Enterprise Value is basically the sum of the equity plus debt less cash and cash-equivalents.

$$(EV = + equity + debt - cash)$$

All of the components are brought to market value – not book value, reflecting the entrepreneurial nature of the term. Cash is subtracted because it is paid out as a dividend after purchase. It reduces the net cost to the purchaser. In essence, the business was only worth the reduced amount to start with. The debt may also be used to pay down debt. Of course, unfunded pension liabilities, employee stock options, environmental liabilities, and other claims on the company's assets should also be deducted.

EV is basically what's left over for the operating business after all claims have been paid. EV is useful when comparing companies with diverse capital structures. For example, the P/E ratio may be very volatile in highly leveraged companies. Valuers may use the EV to EBITDA ratio to compare returns between companies on a purer basis without complicating the process with the risk of debt. It is much cleaner to compare returns between companies without debt. The buyer can change the debt structure to suit his needs after purchase.

21. **Equity Value:** It may apply to all assets less liabilities.

22. **Face Value:** From Wikipedia, the free encyclopedia

    The **Face value** is the value of a printed on the coin, stamp or bill itself by the minting authority. While the face value usually refers to the true value of the coin, stamp or bill in question (as with circulation coins) it can sometimes be largely symbolic, as is often the case with coins. For example, a one troy ounce (31 g) bullion coin was worth and sold for about $1200 during 2009 market prices (as of November 14, 2009) and yet has a face value of only $50 USD.

23. **Fair Market Value**: Used by IRS and Business Valuation discipline – the *"price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the relevant facts."* Does not address the issue of marketing time, condition of sale, cash equivalency, etc.

24. **"Fair Value" in Business Valuation**: Applies to dissenting shareholders in most states specifying that there is to be no discount applied in valuing a minority interest. North Carolina adopted this position.

25. **"Fair Value" in Real Estate**: Specifies 12 months marketing time in real estate using the discounted cash flow (DCF-calculation of the present worth of future benefits) analysis and consideration of marketing time. Issued by the Treasury Department – Comptroller of Currency. Some accounting disciplines have adopted a similar definition.

26. **Forced Liquidation Value**: A process of selling the assets at the court house door, generally within 90 days. Usually applies to machinery and equipment but can apply to any asset. Lenders may refer to it as “fire sale’ or “quick sale” or “90 day sale.”

27. **Forced Sale Value:** May refer to a sale where a willing seller is not assumed or that a shorter than normal marketing time is used.

28. **Fractional Interest Value**: Generally applies to real estate as the value of a partial or undivided interest in real estate where the owner has the right to petition the courts to have their part separated from the other owners or sold and the cash divided. Cost of the petition to partition may be deducted from the 100% value to arrive at the fractional interest value.

29. **Going Concern Value**: Generally used by real estate appraisers to specify the value if the property continues to be used for a particular purpose. I.e. The real estate occupied by a Fast Food Restaurant business may have one value as a restaurant and one value for alternate use.

30. **Inheritance Value:** May imply a value used in filing the estate tax return to the state revenue department. It may involve a shorter than normal marketing time or some discounts allowed under the revenue codes.

31. **Insurance Value**: Generally divided into two parts – ACV and Replacement Cost. ACV may refer to the value of a property based on what it would sell for in the open market and may be the cost new less depreciation from all causes. The Replacement Cost may be the cost new less depreciation due to age and expected life of an asset. Sometimes the cost of the foundation is not included since it is assumed that it will not burn or get destroyed.

32. **Intangible Value**:The value of non-tangible assets.

33. **Intrinsic Value**: Generally applies to valuation of stock by a stock broker using fundamental ratios commonly applied in the securities discipline.

34. **Investment Value**: Value to a particular investor. May not be market value.

35. **Leased Fee Value**: Generally means the market value of a property subject or encumbered by a lease. May be more or less than market value.

36. **Leasehold Value:** There are generally two concepts of leasehold value. One applied to the value of the physical leasehold assets while the other applies to the intangible leasehold value.

An example of physical leasehold improvement value may be the value of improvements installed by the tenant in a leased property.

An example of intangible leasehold value may be due to a tenant paying an above market rental rate.

37. **Life-Cycle Value:** The value determined by analyzing the cost benefits of installing more or less expensive components or buildings in exchange for cost savings resulting from lower utility cost, insurance expense or other costs of ownership.

38. **Loan Value:** Lenders may use the term to mean the amount that would be loaned on a property.

39. **Market Value**: Used by the Real Estate profession and specifies reasonable marketing time, conditions of sale, cash equivalency, etc.

> "*Market value means the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is consummation of a sale as of a specified date and passing of title from seller to buyer under conditions whereby:*
>
> *Buyer and seller are typically motivated;*
>
> *Both parties are well informed or well advised, and each is acting in what they consider their own best interest;*

A reasonable time is allowed for exposure in the open market;

Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

Source: Office of the Comptroller of the Currency, 12CFR, part 34

Some types of real estate may take 10 years to market. How do we equate the first two definitions?

40. **Maximum Value:** The maximum expected price in a range.

41. **Minority Interest Value**: Generally a less than 50% ownership interest in a business entity reflecting loss of rights of control of the entity. The controlling owner may not make distributions. Some states have provisions to protect minority interest owners.

42. **Net Value:** The Net Worth of a business or the value of all assets less depreciation.

43. **Orderly Liquidation Value**: A process to sell the assets of a business over a period of time, generally less than a year, to maximize the total value.

44. **Owners Value:** This is the value to the owner. It is the amount it is worth to the owner under his plan of utilization. It is similar to investment value but applies only to the owner.

45. **Physical Value:** The Cost or value less physical depreciation.

46. **Plottage Value:** The increase in value resulting from the combination of two or more parcels to create a higher and better use.

47. **Potential Value:** The value expected upon completion of certain improvements. It is sometimes referred to as a hypothetical value because it does not exist at the present time.

48. **Present Value:** Sometimes used to indicate the present value of future benefits or present worth.

49. **Present Use Value:** A value typically used by the county tax assessor to indicate a value-in-use as a farm. In North Carolina, this value is established by a state committee taking into consideration soil types, federal loan rate, etc.

50. **Public Interest Value:** What something is worth to the public where the noneconomic use is recognized. For example, the value of a public park, wetlands, open space, etc.

51. **Public Use Value**: A non-economic term that may be applied to a parcel of land that may have environmental benefits to the public.

52. **Real Value:** Sometimes used by the local tax assessor to separate the value of real estate from personal property. It may also be used in casual conversation to refer to what it is really worth in the market and not just the tax value, liquidation value, etc.

53. **Remainder Value:** The market value of the remainder property left after a partial taking, partial leasing, partial easement, partial sale, or division of property.

54. **Rental Value:** Sometimes used to indicate the fair market rental rate of a property. It is usually determined by comparing the rental rate of similar properties.

55. **Replacement Cost Value**: Generally the replacement cost new without deduction for depreciation but subject to any co-insurance clauses. Applies more to newer buildings.

56. **Retail Value:** Generally the value of one item priced to sell to one individual in the retail market.

57. **Salvage Value:** The value that an asset will bring upon it sale at the end of its useful life.

For tax purposes it may be determined by a set formula.

58. **Scarcity Value:** An enhancement in value due to the demand exceeding the supply of an item.

59. **Sound Value:** A cost concept calculated by physically depreciating the cost.

60. **Speculative Value:** Sometimes applied in a segmented market where the supply of an item exceeds the demand and it becomes a "buyers' market." Speculators or investors expect to purchase at a discount in order to allow them to make a profit in the future. The end user would be the buyer who would pay "full" price of the item.

61. **Stabilized Value:** The value of a multi-tented parcel of real estate when it is fully occupied and no further improvement is expected. It may also apply to the worth of a property when the economy stabilizes after a recession or other economic fluctuation.

62. **Take-Over Value:** The price at which one company takes over control of another.

63. **Tax Value**: Value established by your tax assessor using mass appraisal techniques. The goal is to create equality among properties and

not necessarily market value. "Feed everybody out of the same spoon" by applying the same model or formula to everybody's property in the valuation of their property.

64. **Timber Value:** Generally the value of standing timber attached to the land and considered part of the real estate. Sometimes the forester's commission is deducted. The market may indicate that standing timber may not have the same value when combined with the land.

65. **True Value:** From Wikipedia, the free encyclopedia

    True Value Company is a retailer-owned hardware cooperative with over 5,000 independent retail locations worldwide.[1] Members of the True Value cooperative own their individual stores and operate independently of True Value Company.

66. **Undivided Interest Value**:Same as Fractional interest value.

67. **Unit Value**: A unit price applied to a unit of land or building. For example the value per square foot of building or land area. The value per front foot or per square foot.

68. **Use Value:** The value of a property for a particular use. It is sometimes referred to a "value in use" It may be above or below be market value.

69. **VA Value**: A term which applies to the value arrived at by an appraiser performing work for the Veterans Administration. Sometimes discount points and other closing cost may be added to the market value to cover loan servicing fees and mortgage insurance over the life of the loan in order to increase the yield to the investor.

70. **Value in Place**: Term generally used by M & E appraisers to specify that the machinery is mounted, wired, plumbed, and ready to be turned on and operated.

71. **Value in Place and Use**: Same as "value in place" but is valued as part of a going concern.

72. **Value in Use**: Specifies value for the use to which the property is being put to. May not be market value.

73. **Value Removed:** Value used by M&E appraisers to indicate the machinery is removed, disconnected, stored and ready to market to other users.

74. **Warranted Value:** The value established by a contract or warranty document. It may not be market value.

75. **Wholesale Value:** Generally a large quantity of items valued in "bulk."

Some things to think about

Q. Do different disciplines use different value definitions, concepts, and assumptions?

Q. What kind of value determination to order from the real estate, machinery and equipment appraiser, and business appraiser?

Q. Does your real estate appraiser know how to value a fractional or undivided interest?

Q. Is the practice in the industry the same as what's in the textbooks?

Q. Does marketing or exposure time have a bearing on the value?

Q. Do you want a value subject to lease or free and clear of lease?

Q. Is the sum of the parts equal to the whole?

Q. Is the business worth more dead than alive?

Q. Does your valuation team need to be able to communicate with each other?

Q. Who coordinates the ordering of the various values from the real estate,

machinery and equipment, and business valuation discipline?

Q. Can you sum up assets with different marketing times?

a. **i.e. Cash with marketing time of -0-**
b. **Accounts with marketing time of 90 days,**
c. **Inventory with marketing time of 6 months,**
d. **M&E, FF&E with marketing time of 9 months, and**
e. **Real Estate with marketing time of 5 years.**

Q. What is the value of 50 $30,000 lots in a subdivision?

Q. What is the value of 50 prints of 500 when each print will sell for $200 each?

Q. Is an estate or gift to be valued in bulk or by summing up the individual assets?

Q. Which value definition is used when valuing an ESOP (employee stock option plan)?

- *MAI = Member Appraisal Institute of the Appraisal Institute
- CBA = Certified Business Appraiser by the Institute of Business Appraisers
- ASA = Accredited Senior Appraiser in Business Valuation by the American Society of Appraisers