Liberty County Central Appraisal District
Summary Appraisal Report

Alan D. Conner
Chief Appraiser

Dated: December 1, 1999
Updated: September 30, 2014
# Table of Contents

Introduction ............................................................................................................. 7
General Assumptions and Limiting Conditions ....................................................... 7
Effective Date of the Appraisal and Date of the Report ......................................... 8
Definition of Value .................................................................................................. 8
Properties Appraised ............................................................................................... 9
Personnel Resources ............................................................................................... 10
Determination of Highest and Best Use ................................................................. 10
Appraisal Performance Tests and Performance Measures Attained ..................... 11
Certification Statement ......................................................................................... 13
Area and Neighborhood Analysis ....................................................................... 14
Data Collection and Valuation ............................................................................. 15
Model Specification and Calibration Market Analysis .......................................... 16
Land Schedules .................................................................................................... 16
Residential and Commercial Schedules ............................................................... 17
Personal Property Schedules ............................................................................... 17
Sales Review ......................................................................................................... 18
Statistical Analysis ............................................................................................... 18

## Addendum

Taxing Units Served by LCCAD ............................................................................ Attachment “A”
PTD Codes ........................................................................................................... Attachment “B”
Organization Chart .............................................................................................. Attachment “C”
Contract Appraisal Group’s Summary Report ..................................................... Attachment “D”
  - Industrial Property
  - Utility, Railroad and Pipeline Properties;
  - Special Purpose Properties
  - Business and Industrial Tangible Personal Properties
  - Mineral Properties
Comparison of Market Values and Definitions and Questionable Sales .... Attachment “E”
IAAO Standards .................................................................................................... Attachment “F”
  - On Mass Appraisal;
  - On Ratio Studies;
  - On Professional Development
  - On Valuation of Personal Property
  - On Public Relations
  - On Contracting for Assessment Services
  - On Verification and Adjustment of Sales
INTRODUCTION

Scope of Responsibility

The Liberty County Central Appraisal District has prepared and published this report to provide our citizens and taxpayers with a better understanding of the district's responsibilities and activities. This mass appraisal report was written in compliance with Standards Rule 6-7 of the Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Standards Board of The Appraisal Foundation. This report has several parts: a general introduction and then several sections describing information specific to particular appraisal divisions. The CAD also adheres to the IAAO Standards, see addendum.

The 2014 mass appraisal was prepared under the provisions of the Texas Property Tax Code. Taxing jurisdictions that participate in the district must use the appraisals as the basis for imposition of property taxes. The State of Texas allocates state funds to school districts based upon the district’s appraisals, as tested and modified by the State Comptroller of Public Accounts.

The 2014 mass appraisal results in an estimate of the market value of each taxable property within the district’s boundaries. Where required by law, the district also estimates value on several bases other than market value. These are described where applicable later in this report.

General Assumptions and Limiting Conditions

The appraised value estimates provided by Liberty County Central Appraisal District are subject to the following conditions:

• The appraisals were prepared exclusively for ad valorem tax purposes.
• The property characteristics data upon which the appraisals are based is assumed to be correct.
• Physical inspections of the property appraised were performed as staff resources and time allowed.
• Validation of sales transactions occurred through questionnaires to buyer and seller, telephone survey and field review. In the absence of such confirmation, residential sales data obtained from vendors was considered reliable.
• No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to any property is assumed to be good and marketable, unless otherwise stated.
• All property is appraised as if free and clear of any or all liens or encumbrances, unless otherwise stated. All taxes are assumed to be current.
• All property is appraised as though under responsible, adequately capitalized ownership and competent property management.
• All engineering is assumed to be correct. Any plot plans and/or illustrative material contained with the appraisal records are included only to assist in visualizing the property.
• It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined and considered in this mass appraisal report.
• It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless non-conformity has been stated, defined and considered in this mass appraisal report.
• It is assumed that all required licenses, certificates of occupancy, consents or other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
• It is assumed that the utilization of the land and improvements of the properties described are within the boundaries or property lines, and that there are no encroachments or trespasses unless noted on the appraisal record.

Unless otherwise stated in this report, the appraiser is not aware of the existence of hazardous substances or other environmental conditions. The value estimates are predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them.

Effective Date of Appraisal and Date of the Report

With the exception of certain inventories for which the property owner has elected a valuation date of September 1, 2013; all appraisals are as of January 1, 2014. The date of this report is September 30, 2014.

Definition of Value

Except as otherwise provided by the Texas Property Tax Code (hereafter “Tax Code”), all taxable property is appraised at its “market value” as of January 1. Under the tax code, “market value” means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:
• exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
• both the seller and the buyer know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use, and;
• both the seller and buyer seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

The Tax Code defines special appraisal provisions for the valuation of several different categories of property. Specially appraised property is taxed on a basis other than market value as defined above. These categories include residential homestead property (Sec. 23.23, Tax Code), agricultural and timber property (Chapter 23, Subchapters C and D, Tax Code), real and personal property inventory (Sec. 23.12, Tax Code), certain types of dealer inventory (Sec. 23.121, 23.124, 23.1241 and 23.127), and nominal (Sec. 23.18) or restricted use properties (Sec. 23.83).
“Agricultural or Timber Use Value” means land designated for agricultural or timber use is appraised at its value based on the land’s capacity to produce agricultural or timber products but this value cannot exceed the market value of the land.

“Real Property Inventory Value” the market value of an inventory is the price for which it would sell as a unit to a purchaser who would continue the business. An inventory is defined as residential real property which has never been occupied as a residence and is held for sale in the ordinary course of a trade or business, provided that the residential real property remains unoccupied, is not leased or rented, and produces no income.

“Dealer Inventory Value” means the market value of a dealer’s inventory on January 1, is the total annual sales from the dealer’s inventory, less sales to dealer’s fleet transactions, and subsequent sales, for the twelve (12) month period corresponding to the prior tax year, divided by twelve (12).

“Nominal Value” means a trivial value placed on the property nominally owned by a non-profit organization for the benefit of its members.

“Restricted Use Value” means the value of land devoted exclusively to recreational, park, or scenic uses considering only those factors relating to the value of land as restricted and sales of comparable land not similarly restricted may not be used to determine value.

Properties Appraised

The Liberty County Central Appraisal District operates a computer assisted mass appraisal system utilizing recognized mass appraisal techniques in conformance with USPAP and IAAO standards. Annually the District appraises in excess of 100,000 properties. These properties make up the appraisal roll for the district and are described in the District’s property records maintained by the Chief Appraiser. These properties are categorized in accordance with the use classification codes established by the State Comptroller’s Office Property Tax Division (PTD). Please see addendum for a list of these codes.

All the above definitions established by the State Property Tax Code differ from the definitions established by USPAP; therefore, a jurisdictional exception applies. Please reference Section 23 of the Property Tax Code for further guidance on appraisal methods and special valuation provisions.

All properties rights are appraised in fee and in compliance with Texas Property Tax Code Sec. 25.06. The District will take into consideration the extent to which any restriction on use of the property or how other individual characteristics of the property may affect market value.

Furthermore, the LCCAD property records contain data on property characteristics, ownership, address, situs, legal descriptions, exemptions and new construction. These
property record cards and frequently used forms may be accessed on-line at www.libertycad.com

Personnel Resources/Scope of Work Used to Develop the Appraisal

This mass appraisal valued all taxable real and tangible personal property within the boundaries of the Liberty County Central Appraisal District, which encompasses all of Liberty County, Texas.

The Chief Appraiser, who is the chief executive officer of the appraisal district, manages the district. All district departments report to the chief appraiser. The district’s appraisers are subject to the provisions of the Property Taxation Professional Certification Act and must be duly registered with The Texas Department of Licensing and Regulation. Please see attachment C for the list of employees who contributed to the mass appraisal of property.

While the appraisal district staff conducted most of the appraisal activities, the district received assistance from Hugh Landrum & Associates and from the staffs of those appraisal districts whose boundaries overlap ours. The district complies with procedures whereby ownership and property data information are routinely exchanged. The staff is assigned to oversee the ongoing exchange of data with overlap districts. Liberty County Central Appraisal District staff and adjacent appraisal districts discuss data collection and valuation issues to minimize the possibility of differences in property characteristics, legal descriptions, and other administrative data.

The law governing the responsibility of overlapping appraisal districts was recently amended in the 80th legislative session. Effective January 1, 2008, HB 1010 sets the appraisal district’s boundaries the same as the county’s boundaries. The need to share property record and maintenance data is no longer necessary for parcels located within the Liberty County boundaries.

 Determination of Highest and Best Use for Real Property

The district’s market value appraisals are performed pursuant to Article VIII, Sec. 1., Texas Constitution, which provides that property must be taxed in proportion to its value as determined by law, Sec. 23.01; Tax Code implements this provision as follows:

§ 23.01. Appraisals Generally

(a) Except as otherwise provided by this chapter, all taxable property is appraised at its market value as of January 1.

(b) The market value of property shall be determined by the application of generally recognized appraisal methods and techniques. If the appraisal district determines the appraised value of a property using mass appraisal standards, the mass appraisal standards must comply with the Uniform Standards of Professional Appraisal Practice. The same or similar appraisal methods and techniques shall be used in appraising the same or similar kinds
of property. However, each property shall be appraised based upon the individual characteristics that affect the property’s market value.

While there is no specific statute defining highest and best use as it applies in appraisals conducted under the Property Tax Code, Texas courts have acknowledged that highest and best use is a factor that must be considered in determining market value. King v. Real 466 S.W.2d 1 TEX.Civ.App., 1971, Exxon Pipeline Co. v. Zwahr 2002 WL 1027003 Tex.,2002.

In an unpublished opinion, the Houston Court of Appeals approved the following definition of highest and best use:

"Highest and best use" is the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability. Clear Creek Drainage Dist. of Galveston County v. Manison Not Reported in S.W.3d Tex.App.-Houston [14 Dist.],1997.

**Appraisal Performance Tests and Performance Measures Attained**

The Texas Comptroller of Public Accounts conducts a biannual study to determine the degree of uniformity of and the median level of appraisals by the appraisal district within each major category of property, as required by Section 5.10, Property Tax Code.

If the locally appraised value in a school district is within the statistical margin of error of the state value, the Comptroller’s Property Tax Division (PTD) certifies a school district’s local tax roll value to the Commissioner of Education. A 5% margin of error is used to establish the upper and lower value limit for each school district. If the local value is outside the acceptable range, the PTD certifies the state value, unless the school district is eligible for a grace period, which is a two-year period when local value is used even though it is determined to be invalid.

**HB 8** changes the frequency of the PVS from every year to every other year, unless the study reveals invalid findings, in which case, the study is conducted every year until the school district receives valid findings. The bill creates the Comptroller’s Property Value Study Advisory Committee, including a Speaker-appointed House member, a Lieutenant Governor-appointed Senate member, two Comptroller-appointed appraisal district representatives, two Comptroller-appointed school district representatives, and three additional appointments by the Comptroller. The bill directs the Comptroller to review each CAD every other year concerning governance, taxpayer assistance and compliance with generally accepted appraisal standards, procedures and methodology.
Certification Statement:

“I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three year period immediately preceding acceptance of this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have not made a personal inspection of the properties that are the subject of this report.
- No one provided significant mass appraisal assistance to the person signing this certification, aside from the parties named on attachment “C”.

"I, Alan D. Conner, Chief Appraiser for the Liberty County Central Appraisal District, solemnly swear that I have made or caused to be made a diligent inquiry to ascertain all property in the district subject to appraisal by me, and that I have included in the records all property that I am aware of at an appraised value which, to the best of my knowledge and belief, was determined as required by law."

_______________________________
Alan D. Conner
Chief Appraiser
Area and Neighborhood Analysis

Liberty County is located Northeast of Harris County, South of San Jacinto County, West of Jefferson County, and North of Chambers County. Downtown Houston is located approximately thirty (30) miles to the Southeast. LCCAD encompasses all of Liberty County.

The District analyzes social, economic, governmental, and environmental forces which influence property values in the area. This area of influence is delineated into neighborhoods. A “neighborhood” is defined as a group of complimentary land uses. A “District” is a type of neighborhood with homogeneous land use.

The primary neighborhood boundaries for LCCAD is the seven (7) school district neighborhoods based on land use, type of structures, transportation arteries or topography. Market and sales data is gathered and analyzed by neighborhood or district.

Data Collection and Valuation

The District has developed a separate appraisal manual for real and personal property. These manuals contain appraisal procedures, codes, model specifications and value schedules. Annually, these manuals are reviewed to meet changing requirements, neighborhoods and market conditions. Copies of these manuals are maintained in the Appraisal District’s Office. The Appraisal of industrial and mineral properties is contracted out to Hugh Landrum & Associates in Houston, Texas. See Addendum for copies of their summary reports.

Specific data on individual properties is collected from inspection, property owners, brokers, appraisers, land men, etc. Additionally, data obtained from existing public records, published sources and regulatory reports.

Field inspections are the primary source of data on individual properties. An efficient field data collection system requires organization, planning and supervision. LCCAD has seven (7) supervisors and eleven (11) staff appraisers. Three (3) of these appraisers are primarily assigned to appraise personal property but are cross-trained in real property. The remaining staff members specialize in real property. Information gathered from inspections is recorded on an appraisal card or field inspection data sheet and then key punched into the automated appraisal system. Appraisal cards may be printed from the system.

For personal property appraisal the county is divided into two (2) zones – one consisting of all properties east of the Trinity River and the other consisting of all property west of the Trinity River. Real property zones coincide with the boundaries of the County’s seven (7) school districts. Appraisers are assigned primary appraisal responsibility to one (1) zone but may be assigned to assist in other zones depending on the District’s resources and workload. Supervisors are charged with the responsibility of ensuring the appraisers follow procedures and are adequately trained. They are also responsible for reviewing the field appraisers’ work.
Model Specification and Calibration

Market Analysis

A market analysis relates directly to market forces affecting supply and demand. This study involves the effect of social, environmental, economic, governmental, and site conditions on the universe of property appraised by the Liberty County Central Appraisal District.

The district reviews weekly local newspapers including the Liberty Gazette, Liberty Vindicator the Cleveland Advocate to stay abreast on changes in the local market. In addition, on a daily basis the District reviews the Houston Chronicle and the Beaumont Enterprise for information on both local and regional influences affecting supply and demand. State wide publications such as the Texas Real Estate Center’s “Trends” magazine, Texas Association of Appraisal District’s “The Appraiser” and the Texas Association of Assessing Officers’ “Texas Assessor’s News” are reviewed periodically. Other local sources include Chamber of Commerce newsletters.

Since Liberty County does not have the advantage of a multiple listing service for real estate sales information, the Appraisal District maintains its own sales data base. The information in this data base is gathered from contact with buyers, sellers, appraisers and brokers. This data base is used extensively by outside appraisers and brokers.

Model Specification and Calibration

The District’s valuation schedules are divided into four (4) main classifications; land; residential improvements, commercial improvements and personal property.

Land Schedules

The land tables are built primarily from a market analysis of comparable sales. These sales must be stratified into homogeneous groups reflecting geographic areas subject to different market influences. Within strata, land tables should be built using units of comparison found in the market (i.e., acre, square foot, front foot, etc.). In some cases the appraisal staff may use the abstraction method to determine, adjust or reconcile land values. The base values reflected in the land tables are built around three (3) primary influences: location, size and access. Adjustment for special influences such as drainage, easements, and frontage may be necessary to reconcile base values to individual properties.

Residential and Commercial Schedules

All residential and commercial parcels are valued using schedules which are cost based tables adjusted by sales or income data from Liberty County. The comparative unit of measure used in these tables is price per square foot. Base values are established based on quality of construction and size and modified for locational factors by neighborhood. Additional adjustments to these bases values are made for condition of improvements based on the District’s depreciation schedules. These schedules are calibrated from cost and sales data and are tested to ensure they reflect current market conditions. Adjustment factors for functional and external obsolescence are applied to individual properties or specific locations when warranted. The value of improvements not included in the base
values will be estimated based on their contributory value to the property. These contributory values may be estimated by square foot or as a lump sum adjustment.

The income approach to value may be used to reconcile market value estimates derived from the District’s schedules when appropriate and reliable data is available. This approach is applied to those properties typically viewed as income producing and the income methodology is considered a leading value indicator. Reliability of this approach depends on accurate estimates of stabilized income, vacancy and collection losses and expenses. Estimates of market rent are derived from market surveys or actual rents from property owners. Vacancy and collection loss must account for periodic fluctuations in occupancy above and below estimated stabilized level. Allowable expenses estimates are based on a study of the local market assuming prudent management. Capitalization rates may be derived from the market or from the band of investment method. The band of investment relates to satisfying the market return requirements of both debt and equity positions.

In addition, the sales comparison or market approach may be used to reconcile market value estimates derived from the District’s schedules when appropriate and sales are available. This approach is utilized not only for estimating land value but also in comparing sales of similarly improved properties to the District’s appraised values. Sales may also provide a basis for depreciation schedules or capitalization rates. Sales are used in ratio studies which affords the analyst an excellent means of judging the present level and uniformity of the District’s appraised values.

**Personal Property Schedules**

Four digit codes called Standard Industrial Classification Codes (sic) developed by the Federal Government are used by LCCAD to classify personal property by business type. The District’s personal property schedules are developed by analyzing data from personal property renditions, ARB hearings, state schedules, published cost guides and neighboring appraisal districts. The schedules are reviewed as necessary to conform to changing market conditions. Depreciation schedules and trending factors are used to adjust historical cost to a market value estimate.

**Sales Review**

The District gathers sales information on vacant land, lots, improved residential, commercial properties and industrial properties. These sales are confirmed by property owners, appraisers and brokers. Next, the District’s Review Appraiser compiles this sales data and compares it to the District’s appraised values. When warranted, field inspections and photographs are ordered.

This sales data assists the District in identifying changes in property uses neighborhoods and market trends. If justified by the sales data, the District may schedule reappraisals of neighborhoods, areas or districts.

Also, individual sales are analyzed to meet the test of market value. Only arm’s length transactions are considered. Please see addenda for a comparison of value definitions and a list of questionable or invalid sales.
In prior years, district-acquired sales information was made public on our website and in Information & Assistance. HB 2188, a new Texas law that became effective June 18, 2007, makes confidential any information about properties that an appraisal district obtains from private sources. Because of this change in law, we are no longer able to publicly disclose (or display on our website) property sales information we obtain from private sources. The sales books, listing only public information are available for public inspection at the Liberty office, and sales information has been removed from the LCCAD website.

**Statistical Analysis**

Statistics is a way to analyze data and study characteristics of a collection of properties. In general, it is not feasible to study the entire population; therefore, statistics are introduced into the process. The District performs statistical analysis periodically to evaluate whether appraisal roll values are equitable and consistent with market values. Appraisal statistics of central tendency and dispersion are generated from sales ratios through the District’s computer sales module. These ratio studies are conducted by neighborhood, property type and/or class for a predetermined time period. Ratio studies are conducted in accordance with IAAO Standards. Please see IAAO Standards on ratio studies in the addenda.

An independent test of the District’s appraisal performance is conducted annually by the Property Tax Division of the State Comptroller’s Office. This study is performed and published by school district and includes those statistical measures that the Comptroller considers appropriate. In addition, a summary of the medium levels of appraisal is prepared for the appraisal district by property category.
Taxing Units

Liberty County

Hospital District

Chambers Liberty Navigation District
Navigation—North
Navigation—South

Schools
Cleveland Independent School District
Dayton Independent School District
Devers Independent School District
Hardin Independent School District
Hull-Daisetta Independent School District
Liberty Independent School District
Tarkington Independent School District

Cities
Ames
Cleveland
Daisetta
Dayton
Dayton Lakes
Devers
Hardin
Liberty
Mont Belvieu

Drainage Districts
Drainage District #1—Old River
Drainage District #2—Raywood
Drainage District #4—Devers

Emergency Service Districts
Emergency Service District #2—Hull
Emergency Service District #3—Dayton
Emergency Service District #1—Kenefick
Emergency Service District #7—Hardin

Water Districts
Water Control Improvement District #1—Eastgate
Water Control Improvement District #5—Liberty
Water Control Improvement District #6—Governor’s Road

ATTACHMENT “A”
## Property Use Category

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Real, Residential, Single Family</td>
</tr>
<tr>
<td>B</td>
<td>Real, Residential, Multi-Family</td>
</tr>
<tr>
<td>C1</td>
<td>Real, Vacant, Platted Lots/Tracts</td>
</tr>
<tr>
<td>D1</td>
<td>Real, Qualified Open-Space Land</td>
</tr>
<tr>
<td>D2</td>
<td>Real, Farm and Ranch Improvements Qualified Open-Space Land</td>
</tr>
<tr>
<td>E</td>
<td>Real, Rural Land, not qualified for Open-Space Appraisal, and Residential Improvements</td>
</tr>
<tr>
<td>F1</td>
<td>Real, Commercial</td>
</tr>
<tr>
<td>F2</td>
<td>Real, Industrial</td>
</tr>
<tr>
<td>G</td>
<td>Real, Oil, Gas and other Mineral Reserves, Subsurface Interests</td>
</tr>
<tr>
<td>H1</td>
<td>Tangible Personal, Personal Vehicles, not used for Business Purposes</td>
</tr>
<tr>
<td>H2</td>
<td>Tangible Personal, Goods in Transit</td>
</tr>
<tr>
<td>J</td>
<td>Real and Intangible, Personal, Utilities</td>
</tr>
<tr>
<td>L1</td>
<td>Tangible Personal, Business</td>
</tr>
<tr>
<td>L2</td>
<td>Tangible Personal, Industrial and Manufacturing</td>
</tr>
<tr>
<td>M</td>
<td>Tangible Personal, Mobile Homes &amp; Other</td>
</tr>
<tr>
<td>N</td>
<td>Intangible Personal</td>
</tr>
<tr>
<td>O</td>
<td>Real, Inventory</td>
</tr>
<tr>
<td>S</td>
<td>Special Inventory</td>
</tr>
<tr>
<td>X</td>
<td>Exempt Property and subcategories</td>
</tr>
</tbody>
</table>

ATTACHMENT “B”
MARKET VALUE

Tax Code Definition of Market Value is as Follows:

“Market value” means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if;

(a) Exposed for sale in the open market with a reasonable time for the seller to find a purchaser;

(b) Both the seller and the purchaser know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use; and

(c) Both the seller and purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

Two Definitions of Market Value Implied by Supreme Court Rulings May be Stated as Follows:

Personal Property Market value is the price that the dealers in the goods are willing to receive and purchasers are willing to pay when goods are bought and sold in the ordinary course of trade.

Real property market value is the amount of money that probably would be arrived at through fair negotiations between a willing seller and a willing buyer, taking into consideration the uses to which the property may be put.

The Appraisal Institute’s definition of market value, disposition value and liquidation value are as follows:

Market Value
Market value is based on the concept of an open and competitive market in which transactions are free of duress or forced liquidation. The report clarifies and rearranges the conditions set forth in the definition, as follows:

Market value is the most probable price at which a specified interest in real property is likely to bring under all of the following conditions:

1. Consummation of a sale as of a specified date.

2. Open and competitive market for the property interest appraised.

3. Buyer and seller each acting prudently and knowledgeably.
4. Price not affected by undue stimulus.

5. Buyer and seller typically motivated.

6. Both parties acting in what they consider their best interests.

7. Adequate marketing efforts made and a reasonable time allowed for exposure in the open market.

8. Payment made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.

9. 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.

Disposition Value

Disposition value is the most probably price which a specified interest in real property is likely to bring under all of the following conditions:

1.Consummation of a sale within a severely limited future marketing period specified by the client.

2. Current actual market conditions for the property interest appraised.

3. Buyer acting prudently and knowledgeable.

4. Seller under extreme compulsion to sell.

5. Buyer typically motivated.

6. Buyer acting in what he/she considers his/her best interests.

7. Limited marketing effort made and limited time allowed for completion of sale.

8. Payment made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.

9. Price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with this sale.


**Liquidation Value**

Liquidation value is the most probable price which a specified interest in real property is likely to bring under all of the following conditions:

1. Consummation of sale within a severely limited future marketing period specified by the client.
2. Current actual market conditions for the property interest appraised.
3. Buyer acting prudently and knowledgeable.
4. Seller under extreme compulsion to sell.
5. Buyer typically motivated.
6. Buyer acting in what he/she considers his/her best interests.
7. Limited marketing effort made and limited time allowed for completion of sale.
8. Payment made in cash to U.S. dollars or in terms of financial arrangements comparable thereto.
9. Price represents the normal concessions granted by anyone associated with the sale.

**The following types of sales are generally NOT considered arm’s-length transaction:**

1. Sales involving courts, or in which government agencies or public utilities are principals.
2. Sales in which charitable, religious or educational institutions are principals.
3. Sales in which a financial institution is the buyer and a lienholder or the seller of property taken through foreclosure.
4. Sales between relatives.
5. Sales between corporate affiliates.
7. Sales of settling an estate.
8. Forced sales.
10. Auctions.
11. Foreclosure sales, condemnation sales or other sales which the price was not representative of market.

12. Sales resulting from divorce proceedings.

Although the following are considered arm’s-length, open-market sales, because they involve special circumstances, they should be either excluded from analysis or used with caution:

1. Trades.

2. Transactions involving partial interests.

3. Land Contracts, contracts-for-deed and other installment purchase agreements.

4. Incomplete or un-built property.