



# nerenj

## Appraising partial RE acquisitions & dispositions

November 29, 2007 - Connecticut

In real estate, as in all aspects of life, a person, corporation or government's ultimate success or failure depends upon recognizing, anticipating and planning their precise requirements, and efficiently allocating their resources to achieve their specific goal.

Having been a staff appraiser in the public sector for approximately 20 years, I have spent the majority of my career appraising partial acquisitions by which the government acquired real estate interests for highway right of way purposes. As my career with the government progressed, I was solicited by clients in the private sector to assist them in all types of commercial, industrial, residential appraisals, and on occasion, partial acquisitions involving these types of appraisals. I always found these partial acquisition appraisals to be the most interesting and challenging. They can also be a less expensive alternative to a fee simple acquisition.

How then does an appraiser approach this type of appraisal problem? What the appraiser must do is essentially prepare two, before and after appraisals, under one cover, reflecting two different temporal perspectives. The difference between the two opinions of value reveals an indication of damages as a result of an acquisition, or in the case of an assemblage, benefits.

The appraiser starts by analyzing the appraisal problem. Generally, they are observing a before and after situation whereby there is a change in the aspects of a particular property over a period of time. In most circumstances, the "as of date" of the appraisal generally reflects the date the change has taken place. In some cases, a portion of the rights to a property are acquired, in other cases a portion of a parcel may be assembled. I have found it to be a relatively uncomplicated exercise to appraise the fee simple rights to a property, however, when you take a portion of a site, utility easement, drainage right, air rights, parking spaces, a right of way, a right of access, the appraisal problem becomes much more complex.

The appraiser considers the three approaches to value and applies the methods that are appropriate. If the income approach is deemed appropriate, the previous rent schedule, and the negative impact on rent schedules in the after, will have to be capitalized, and damages estimated.

Most often the sales comparison approach is used. The appraiser begins by gathering comparable sales similar to the subject property, and selecting a unit value of measurement. After making the appropriate adjustments, the appraiser arrives at an opinion of value, before the acquisition. After the acquisition, the aspects of the subject property may remain relatively similar after the acquisition. Under these circumstances the appraiser may elect to use the same comparable sales in the after situation, and modify their adjustments to arrive at an after opinion of value. If the aspects of the subject property are significantly different, in the after, the appraiser may select a different, more appropriate set of comparables. If the unit value of the subject property decreases in the after, the property is said to have severance damages. If the unit value of the subject property is said to increase in regard to an assemblage of the subject property, the property is said to have received

special benefits.

In conclusion, acquiring partial interests can be a more efficient, cost effective alternative to fee simple acquisitions and dispositions. A certified general real estate appraiser, specializing in partial acquisitions and assemblages can provide you with an informed opinion of value to assist you in your decisions regarding these valuation matters.

Thomas Fox, SR/WA, R/W-AC is the owner of Fox Realty, LLC, Willington, Conn.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540