

DEFINITION OF MARKET VALUE FOR NON-LENDERS

USPAP does not specifically endorse a single definition of Market Value. Rather, it encourages appraisers to confer with their clients to determine the appropriate definition.

"The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress." Source: The Appraisal of Real Estate, 13th Ed., p.23 by The Appraisal Institute

Further, the value defined (unless otherwise stated and defined in this report) is considered to be held in "Fee Simple " which is defined as: "Absolute ownership of real estate, unencumbered by any other interest or estate, subject only to the limitations of eminent domain, escheat, police power, and taxation."

MARKET VALUE vs. MARKET PRICE

The essential difference between Market Value and Market Price lies in the premises of intelligence, willingness, and knowledge, - all of which are considered in Market Value but not necessarily in Market Price. In other words, Market Value connotes what a property is actually worth, based on market history, as of a given moment in time while Market Price may reflect any unusual or peculiar circumstances surrounding the sale transaction, such as motivations of adjacent land owners, tax-exchange buyers, sentimentality, duress, etc. In light of these potential differences the prudent appraiser must analyze the details of a sale price to ascertain as to whether or not the transaction fulfills the criteria of Market Value.

In practice, Market Price may actually be higher or lower than Market Value, depending upon the influences which the parties to a transaction may be subject to.