

1: Highest and best use - Wikipedia

The Fifth Edition of The Dictionary of Real Estate Appraisal by the Appraisal Institute defines highest and best use as: The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible and that results in the highest value.

This story is taken from the current print edition of Working RE , mailing now. Am I a Subscriber? Spool, ASA In any appraisal assignment the importance of identifying the appraisal problem will determine the scope of work. The highest and best use of the property is determined afterwards. Why is the highest and best use so important in the appraisal process? It is because the highest and best use determines the most profitable use of the site, whether the subject is vacant land or an improved property on the site. This article applies to both residential and commercial appraisers. The highest and best use usually requires less analysis when appraising an existing property rather than a proposed property. However, an improved structure is not always its highest and best use. The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible and that results in the highest value. However, if an appraisal report is prepared, it requires the appraiser to summarize the support and rationale for that opinion. In basic appraisal courses, we are taught various appraisal theories and the approaches to value. An essential element in the preparation of highest and best use is to understand the market forces that affect the subject property. What are the surrounding properties? Are they similar to your subject property? This is most important when appraising a proposed structure, whether it is a residential or commercial property. The first two tests are interchangeable in order and, in many circumstances, the last two are combined. Legally Permissible Legally permissible primarily pertains to the zoning of the property and its restrictions, such as a deed restriction. For the most part, residential appraisers center their analysis on the various zoning aspects, such as minimum lot size and maximum building size. Waterfront properties may have a maintenance easement that affects the existing or proposed structure. Therefore, be sure to obtain a current survey of the property. For commercial appraisers, zoning becomes more of an issue with the building height and size. If appraising an apartment complex, it is important to consider the density or number of units per acre of a property that is zoned multifamily. A boundary survey is necessary to indicate if there are any easements or encroachments. Another consideration is whether the existing structure is a legal non-conforming use. But it was considered legal when it was built. An example of a legal, non-conforming use would be a duplex, in a site zoned for a single family or multifamily residence, with a higher density than would be allowable today. Physically Possible The appraiser must take into consideration the size, shape, topography and accessibility of the site when determining what is physically possible. Is the size of the site adequate to construct an improvement? What if the site is much larger than the surrounding lots? Can the site be split physically into additional sites? Is the site level or sloping, requiring additional fill to level it or is that typical for the properties in story continues below story continues that area? Is the property easily accessible? Is it on a one-way street, divided road or a main thoroughfare? All these situations have to be taken into consideration and mentioned in the report if necessary. Even if there is an existing improvement on the property, you must explain this in your appraisal report so that your client will fully understand the property you are appraising. An existing property that underutilizes the site, such as a small structure on a large lot, should have this issue addressed in the appraisal report. This is an example of a non-conforming use that is not necessarily a legal non-conforming use. It may also be considered an interim use or valued for just the site. Financially Feasible Financially feasible may also consider whether the property is economically feasible. This pertains to the highest and best use as if vacant. Again, it is important to know the surrounding properties. If the proposed property would be an average single family residence, more than likely, it would not be financially feasible to have a house that plans on including many high-end extras, in comparison to the surrounding houses, because that would create an over-improvement. The same applies to a proposed large two-story house with twice the gross living area of the one story houses in its surrounding neighborhood. The appraiser needs to mention in the report that the cost to construct the improvements is well beyond the cost to construct a typical house that

is more acceptable in the immediate area. No one wants to pay dollar for dollar for a large house if it is the only one like it on the block. The value by the cost approach would be greater than the sales comparison approach unless you deduct for functional obsolescence, which would be difficult to quantify. Another consideration is the design of the property. There are many unusually designed houses that only the property owner would want. There is one house in the Florida Keys that is shaped like the bow of a fishing vessel with a two-story lighthouse attached to its side. I have also seen commercial properties where the design of the building is unique to the area. The cost of these structures is not financially feasible and would be greater than the financial return. Most Profitable The most profitable use generally pertains to commercial properties. The bottom line is what would be the highest net income for a proposed structure. Determining the most profitable use might require a market analysis or a feasibility study. Prior to accepting the assignment and quoting a fee, communicate with your client what your scope of work will be. A commercial appraiser valuing a vacant commercial lot on a corner of a busy intersection needs to consider what type of commercial property should be built and its most profitable use. For a commercial appraiser, the highest and best use conclusion is more specific as to the type of improvement that should be built retail, office, fast food restaurant, service station, etc. Again, this would require an analysis of the net operating income for each potential building that can be legally and physically constructed on the site. For residential appraisers, the financially feasible use generally goes hand-in-hand with the most profitable use and can be combined. The residential appraiser need not be as specific to the exact type of house to be constructed. But the residential appraiser does not make that specific conclusion. That is up to the owner or buyer of the property. Older homes are being purchased and demolished to make way to build custom homes. You need to determine if the existing house is an interim use with some contributory value. In this case, your highest and best use conclusion would indicate that you utilize the sales comparison approach with other, older single family residences. Your highest and best use conclusion would indicate that you utilize the sales comparison approach for vacant lots or other houses with no contributory value. In either case, the best way to determine if the improvements have any contribution to the overall value is by valuing story continues below story continues the land. For those residential appraisers who do the cost approach in their appraisal report, an accurate valuation of the site is important for an older house. Find land sales or do a proper land extraction abstraction analysis. Appraisal assignment for Commercial Appraisers What happens when the appraisal assignment is a house that was originally zoned as a single family residence but where the zoning has changed to commercial use? An example would be an appraisal of a vacant house located on a busy street and surrounded by other houses. The properties along this street were previously zoned for single family residences but now are rezoned for small office usage. Many were converted into small medical offices. Across the street are single family residences with a similar building and lot size that remained zoned for single family residence. Part of the highest and best use analysis would be to determine if the value of the house zoned for office usage is greater than the houses across the street zoned for single family residences. In this case, the appraiser will not only have to find sales of other former houses that were converted into an office but more than likely will have to use the income approach to determine whether the value indicated by the income approach is greater than that of the sales comparison approach. If the highest and best use conclusion is office usage, then it would require a state certified General Real Estate Appraiser, due to its commercial zoning and potential use as an office building. Scenarios like this are important to understand before taking on the assignment. Standards Rule a ix indicates: But Standards Rule a x goes further by stating: A simple paragraph is sufficient to cover all four parts of highest and best use. The following is an example for a residential appraisal report that can be used and modified if necessary: Also, the lot size, shape and land-to-building ratio allow the present structure and indicate a good utilization of the improvements. Based on current market conditions, the existing structure as a single family residence is its financially feasible and maximally productive use. The highest and best use, as if vacant, would be to construct a single family residence. A more detailed explanation would be necessary. About the Author Philip G. In addition to appraising, he is an instructor with Miami Dade College, teaching appraisal courses and continuing education. He can be reached at pgs pool bellsouth. I really enjoyed the webinar and put the information from it into immediate use. Now I have all kinds of graphs and charts in my workfile. How to Support and Prove Your

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Adjustments Available Now Richard Hagar, SRA explains the most common appraisal pitfalls when determining adjustments and shows you how to provide the proper support, analysis and documentation for adjustments in your appraisal report and workfile. This course will help you understand and utilize quick and simple methods for proving adjustments and help you avoid problems, blacklisting and legal actions.

2: Highest and Best Use | Duncan & Brown, Inc.

Since the value of a property and its use are closely linked, its highest and best use is that which results in the highest present value, and brings in the greatest net return over a given period or the foreseeable future - within the applicable constraints. The value of, and return on, a property are related to its surrounding environment so.

Prev Article Next Article I have been involved in many multiple offer situations as a buyer, seller and listing agent. I just made an offer on a short sale late last week where they received multiple offers and they have asked for highest and best. There are many different strategies you can use when trying to win a highest and best situation. It is tough to decide how to revise your offer and how much to raise your offer in a highest and best situation. All you can do is analyze the situation as best you can, and make the best offer you can based on your own numbers and needs. As an investor myself, I have won and lost many highest and best situations. A key to my investing strategy is buying homes below market value and I detail many of my strategies in my complete guide to purchasing long-term rental properties. What does highest and best mean? Highest and best has become more popular in the last few years due to decreasing inventory and increased buyer demand. The seller will review all offers at the same time and pick the offer they like best. Banks can take a long time to respond to offers, and some banks have policies that they will not review offers until a home has been on the market a certain amount of time. Because of these policies, banks end up with multiple offers on many of their properties. The banks started asking for highest and best to give every buyer a fair chance to revise their offers. In a highest and best situation, the bank notifies every buyer they have multiple offers, and to submit their highest and best by a certain date and time. I am seeing many traditional sellers not banks using highest and best as well. Even if a seller does not formally ask for highest and best, I would treat any situation where a seller gets multiple offers as highest and best. Do not be scared off by a highest and best situation Many buyers do not like it when a seller asks for highest and best. If you want to get the best deals you have to take part in highest and best bidding wars. The worst thing that can happen is you get beat out, so why not try? Why not leave your offer the same as your original offer and if you get it great, if not move on. For more detailed tips on getting your offer accepted here is a great article on how to make an offer that will be accepted. Why do sellers use highest and best when they receive multiple offers? Highest and best situations can make buyers mad, but the sellers have a good reason to use it. The biggest reason is they want to formally give every buyer notice of multiple offers and give them a chance to raise their offer. Banks and traditional sellers also use highest and best to try to get the most money they can for their house. They are the owner of the house and they have every right to try to maximize their profit or cut their losses. For more great information on how to buy and sell houses check out: [How to Buy a House: This book is available as an eBook and paperback on Amazon.](#) Here are some great questions to ask: How many offers are there? Are any of the offers cash? When is highest and best due? What is the highest offer you have now? Is there anything special the seller is looking for? Closing date, financing, rent back? If you have any experience with highest and best, you know the listing agent will not answer most of these questions. How much should you offer in highest and best? There is very little chance the listing agent will tell you how much the other offers are and even if they do, the other buyers could raise their offers. It helps to know how many offers there are, but It only takes one offer to beat you. Whenever I am in a highest and best situation I make the highest offer I can based off my buying criteria and profit potential. My theory is that I would rather pay a little more, and get a great deal than try to save money and get beat out. Most of this advice applies to investor offers if you are an owner occupant you have many factors to consider. You need to look at supply and demand, how much you love the house, and what neighborhood prices are. Emotion will come into play much more with an owner occupant offer than with an investor offer. Remember that the list price is not the only thing you should base your offer on in a highest and best situation. Some buyers will think of the list price as the most they will offer, but this may be a huge mistake. I try to think of a multiple offer situation in this way: What is the most I would pay for the home if the house did not have a list price. If someone is willing to pay more, then I am confident I made my best offer and gave it my best shot. Should you use an escalation clause in highest and

best? Financing options when making a highest and best offer For myself, I have the option of offering with a loan or cash on most properties. On my long-term rentals, I like to use financing, but I may use a cash offer to give myself a better chance. If you can offer cash, it almost always looks better than a financed offer. Just make sure you can produce a proof of funds letter showing you have the cash. In some situations like with HUD, financing does not matter. HUD only cares about the net price to them. I have much more information on HUD in this article. Additional ideas to increase the chances of your highest and best offer being accepted I always explain my financing if I submit a financed offer in a highest and best situation. My portfolio lender does not require an appraisal or repairs on most of my properties. I make sure I tell this to the seller so they know I will close quickly without having any appraisal issues. Sometimes I will ask for the seller to pay closing costs in my offer to save cash. I will remove my inspection contingency on some properties. Usually, I only remove my inspection contingency on newer homes that I have a very good idea about the repairs needed. If a home has had a few offers fall apart because of inspection issues this can be a great way to get the seller to accept your offer. Only remove your inspection contingency if you are experienced with repairs and evaluating a home. An increase in earnest money can also get the sellers attention in a highest and best offer situation. If you raise the earnest money and remove the inspection contingency, this can really increase the chances of your offer being accepted. Should you remove your inspection contingency? What if the seller has not officially asked for highest and best? Many times traditional sellers will receive multiple offers, but not ask for highest and best. There is a chance they will never ask for highest and best, but you can still revise your offer. If I am notified a seller has multiple offers, I immediately ask if they are asking for highest and best. If you revise your offer right away, they may accept your offer without asking for highest and best and giving other buyers a chance to raise their offers. Another tip is to always ask the listing agent to notify you if they receive other offers after you have submitted your offer. I hate it when I find out I lost out on a house, and I was never notified they had other offers! Should you use an escalation clause when submitting highest and best? An escalation clause is when a contract states the price will be this unless a higher offer is received, then the price will raise this much over the next highest offer. Any other higher offers must be given to buyers agent to confirm the higher price. Many buyers feel this is a great way to get the lowest price on a home in a highest and best situation. However, there are many problems with an escalator clause and it may actually cause the buyer to pay more than they would have otherwise. The seller is not obligated to show any other offers to the buyer or their agent. I also do not know how legal it is to show a confidential offer from one buyer to another buyer without their permission. Some offers may ask the seller to pay for closing costs and this will change the net price to the seller. Most banks simply will not accept an escalator clause. It may actually hurt your chances of getting the house and if your agent argues that they have to accept the escalator clause, it could make the banks and listing agent mad, hurting your chances even more. Conclusion It is tricky to know how much to offer in a highest and best situation, but stick to your numbers and do not let emotion get involved. It is better to lose out on a home than pay so much that it stops becoming a great deal. I hate it when I find out I lost out on a house and I was never notified that they had other offers.

Highest and best use, or highest or best use (HBU), is a concept that originated with early economists such as Irving Fisher (), who conceptualized the idea of maximum productivity.

Legally permissible[edit] Only those uses that are, or may be, legally permitted are potential highest and best uses. This may exclude uses that are not, and unlikely to become, permitted by zoning , land use planning , uses forbidden by government regulations, and uses prohibited by deed restrictions or covenants. Properties with a use that predates existing zoning or other property regulations may be legally nonconforming. Such grandfathered uses are generally legal even though they do not meet current zoning or other regulations. Since their use predates these regulations, they are "grandfathered in". However, some such uses may not be reproduced if the legally nonconforming improvement is destroyed or damaged beyond a certain point.

Physically possible[edit] Any potential use must be physically possible given the size, shape, topography, and other characteristics of the site.

Financial feasibility[edit] The highest and best use of a property must be financially feasible: In the case of an improved property, with obvious remaining economic life, the question of financial feasibility is somewhat irrelevant. In the case of an improved property with limited remaining economic life, the question of financial feasibility becomes a question of the maximally productive use of the site.

Maximally productive use[edit] Finally, the use must generate the highest net return profit to the developer. A property that could hypothetically be developed with residential, commercial or industrial development might only have one of those uses as its highest and best use. These three hypothetical development scenarios follow to illustrate the test of maximally productive use. In reality, short term constraints on availability of capital and labour, inevitable conflicts between the other key factors, as well as the predisposition and experience of the developers, often lead to developments that are not maximally productive, but are a compromise. They are productive enough and safe enough that the developer proceeds, but they are not maximally productive. James Graaskamp fully developed a model that reflects this reality more clearly, and termed it most probable use.

Vacant and improved[edit] The Test of Highest and Best Use is applied to an improved property both as improved and as if vacant. Vacant properties are generally only given the as vacant test. The Highest and Best Use as vacant may be the same or different as the Highest and Best use as improved. For improved properties, the first analysis applied is the use of the property based on the assumption that the parcel is vacant. Then, the analysis focuses on the use that should be made of the property as it is currently improved. The extent to which the existing improvements differ from the highest and best use as-if vacant, reveals the extent of any functional obsolescence. Further, there are three potential actions that can be undertaken regarding the existing improvements: Retention of the existing improvements, modification of the improvements or the development scheme of the site, or demolition and removal of the improvements. For example, house A in an area zoned for residential use may have a highest and best use as vacant and a highest and best use as improved that are both residential. A similar house B in a commercially zoned area may have a highest and best use as vacant as development to a commercial development, and the highest and best use as improved may be for continued use as a single family residence. If the value of the commercial lot as vacant in "House B" exceeds the value of house as a residence as improved plus demolition costs, the overall highest and best use of this property would be the as vacant value of the commercial lot. The highest and best use of the site is to demolish the house and sell the site as a commercial lot. This would be the highest and best use of the property, even though it is contrary to what actually exists. Even if the house is not razed and the site sold as a commercial lot, the highest and best use is the commercial lot use. The market value of the property is driven by this hypothetical conversion, even if it never takes place, due to the utility that this potential conversion would bring to a purchaser.

Economic theory[edit] The economic concepts of utility and substitution drive the highest and best use analysis. The highest and best use of a property determines its utility to a potential purchaser. A purchaser will pay no more for a property than a competing property with the same utility would command, while a seller would accept no less than another seller of a comparable property.

Other HBU Considerations[edit] HBU is a designation to identify an entity that could

have a higher value if used for a different purpose. However, proponents of alternate valuation metrics point out that valuing land through a purely economic perspective often fails to capture important benefits to the public such as clean water, pleasing scenery, erosion control, and recreation. In appraisals, an entity is assessed at its highest or best use to maximize value and increase revenue. However, the value of an entity at its highest or best use may not be greater than the value of an entity in its present use if remediation is required to convert the entity to a different use. Cengage Learning, , p.

4: Forbes' list of the world's highest-paid athletes - Wikipedia

The top-earning athletes hail from 21 countries and compete in 11 sports with Americans and basketball players the most prevalent. Over the last 12 months, they banked a cumulative \$

Imagine this! You are thrilled. The owners of your dream home are selling and they have accepted the offer you made on their house! However, before you can get the deal in to contract, a dreaded phone call comes. Another offer has been made by a competing buyer. What does this mean? The listing broker and the current owner had conversations regarding different situations that may arise throughout the sale process. For example, handling multiple offers as well as how to handle offers that come in AFTER they have an accepted offer. In actuality there are not black and white rules defining how to handle these situations, in fact there are several ways one can proceed, however it is important to be fair and ethical to all parties involved. First and foremost it is important to understand each offer, not just the price offered. We instruct our clients to always look at the whole package of the offer that is presented to them. Meaning, does one offer require a mortgage and one is all cash? Cash offers tend to move quicker. Does one offer carry a contingency that the buyer must sell their current home and one offer does not? Can one offer close ASAP but the other cannot close for 5 months due to a relocation? You get the idea. The seller also has choices on how to handle a higher offer once they have already accepted a different offer. One way is to stick with the first deal and keep the second offer as a back-up offer in the event the first deal dies. Another option is, assuming the 2nd offer is higher than the original offer, ask the original buyer if they would match the increase. Finally, the seller can ask both buyers to give their highest and best offer, which is also their final offer. So back to the original question what does highest and best mean? In simple strategy terms, both parties are asked to give their final offer. The offer should be the highest they are willing to pay and carry the best terms they can present. The offer should be in writing, accompanied by a pre-approval if you are financing or a proof of funds letter if the offer is all cash. There should be a deadline to present the highest and best offer which all parties must adhere to. Once all of the highest and best offers are submitted, the owner will be able to make a decision on which deal is the best for them. All other offers should remain in a back-up position. At the end of the day, your broker will be your best source of information on the subject and will be able to answer questions and clarify terms. Although everyone practices real estate slightly differently, trust your broker to guide you through your entire real estate transaction.

5: How to Win Highest and Best When Multiple Offers Are Submitted

The NFL's highest-paid players for the most part are quarterbacks, with a few defensive players sneaking into the top Here are the richest players in the league based on average annual salary.

6: Best Sports Headphones for - CNET

Highest and Best Use is the likely use, selected from a number of available choices, to which an area of land or a building may be put, based on what is physically possible and in compliance with zoning and building regulations and which, at the time of an appraisal, produces the most profitable present value of the land.

7: Highest and Best Use Analysis

Highest and best use analysis produces the highest value for a property based on the concept of maximum productivity. The concept of highest and best use was popularized by economists Irving Fisher. In this post on highest and best use analysis, we will focus only on real estate although this concept can be applied many [].

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More on Sports and Money Cristiano Ronaldo and 6 of the World's Highest-Paid Soccer Players How Dan Marino, Vince Young and Other Broke NFL Players Lost Their Fortunes.

9: What is Highest And Best Use? definition and meaning

These 10 sports stars banked \$ million from prize money, appearances and endorsements over the past 12 months. Tennis is the prime outlet for the top-earning female athletes, with eight of the.

The northern D'Entrecasteaux A question of identity Confidences : listening to the voice within The Chumash at historic contact The universe against her 10. The Denial of Episcopal Communion 30 Alternative narratives and the uncertain cartography of the present Nuclear Superiority Chicanos and Film F Isms.dadeschools.net 2017_k-12_summer_ing_guidelines-final. Cottage piety exemplified Handbook New Sexuality Studies Handbook of Parenting, Second Edition: Volume 5 Awesome Sega Genesis Secrets 3 Astronomy Today, Volume 1 Single-molecule studies of rotary molecular motors Teuta Pilizota, Yoshiyuki Sowa, and Richard M. Berry 13. Sejong and Sejo, Kings of Achievements The myth of American decline Diseases of conjunctiva The professional fence Applications of polymers in controlled drug delivery system The literary corkscrew David H. Keller, M.D. Irene, or, The autobiography of an artists daughter Hornady reloading manual 9th Theology from the perspective of a living adept by Herbert D. Long Honda trx450r service manual Beverly Hills, 90210 factfile Hindi English code switching Cold war scavenger hunt The hearts yearning Life of Madame Guyon International handbook of suicide prevention A Guide To Spiritual Success The Victorious Christian Life Business model canvas report Reading Fluency Anthology 1 Book B (15 Nonfiction Selections (Reading Success Series (Passageways Series, Texts and the repression of medieval heresy International cyclopedia of music and musicians Conditional formatting in excel 2007 tutorial Buz (Trophy Picture Books) Clinical lectures on stricture of the urethra and other disorders of the urinary organs