

Seminar Description

Many valuations developed by appraisers are valuations of partial interests. While fee simple appraisals are probably more typical, appraisals of fractional interests such as leased fee estates, leasehold interests, and surface rights are common. Much has been written about these appraisals and their associated valuation problems, and there are active real estate markets for some partial interests. The bundle of rights that make up real property can be divided in many ways. Some of the interests created are less common and are not actively traded.

This seminar discusses and demonstrates the valuation of partial interests that can be divided or separated from the bundle of rights. While it is not possible to cover all divided partial interests in a single day, this seminar establishes the basic highest and best use and valuation principles involved in the valuation of divided partial interests. Several controversial and complex valuation issues are discussed and suggested valuation guidelines are provided.

After divided partial interests are discussed in general, the seminar addresses the valuation of conservation easements, historic preservation easements, life estates, subsurface mineral rights, access easements, air rights, water rights, and transferable development rights. The general and specific principles and techniques discussed can provide a basis for the valuation of other divided partial interests as well.

While time precludes the discussion of the valuation of all divided rights, the seminar will explore the valuation of some of the most common, and perhaps controversial, partial interests. Many partial interest rights that are not discussed in this seminar can be valued using the procedures described. The discussion is to a great extent cumulative in that many of the valuation issues discussed apply to all partial interests.

Class problems are provided to help reinforce the valuation concepts learned and to address controversial problems and concepts.

Table of Contents

Seminar Schedule	vii
Introduction	ix
Seminar Description	x
Learning Objectives	xii

Part 1. Initial Concepts

Identification of the property rights to be valued.....	1
Professional standards.....	7
Highest and best use.....	8
Valuation techniques and methods applicable to partial interests	11

Part 2. Conservation Easements

Why conservation easements are valued	12
Identification of key real property rights	19
Factors affecting use and value.....	19
Valuation methodology applicable to conservation easements	23

Part 3. Historic Preservation Easements

Purpose.....	37
Why historic preservation easements are valued	37
Identification of key real property rights	38
Factors affecting use and value.....	38
Valuation methodology applicable to historic preservation easements	39

Part 4. Life Estates

Purpose.....45
Identification of key real property rights45
Factors affecting use and value.....45
Valuation methodology applicable to life estates46

Part 5. Subsurface Rights

Identification of key real property rights49
Factors affecting use and value.....49
Valuation methodology applicable to subsurface mining easements51
Valuation methodology applicable to surface rights55

Part 6. Access Easements

Identification of key real property rights56
Factors affecting use and value.....56
Valuation methodology applicable to access easements56

Part 7. Air rights

Definition60
Identification of key real property rights60
Factors affecting use and value.....60
Valuation methodology applicable to air rights.....61

Part 8. Water Rights

Identification of key real property rights64
Factors affecting use and value.....64
Valuation methodology applicable to water rights64

Part 9. Transferable Development Rights (TDRs)

Definition67
Identification of key real property rights67
Factors affecting use and value.....67
Valuation methodology applicable to TDRs.....68

Glossary

GlossaryGLOSS-1

Appendix

Rev. Rul 73-339, 1973-2 C.B. 68 APP-1
Rev. Rul. 76-376, 1976-2 C.B. 53 APP-3
CFR 1.170A-12..... APP-5
CFR 1.17A-12T APP-9
CFR 20.2031-7..... APP-11
CFR 20.2031-7T APP-19
CFR-1.170A-13 APP-32
CFR-1.170A-14 APP-50

Addenda Packet (under separate cover)