

Meaning of Value

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Two basic types of value appraisers use:

- ✦ value in use (or use value), and
- ✦ value in exchange (or market value).



Types of Value

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- ✦ Property's value in exchange should be basis for listing price.



Definition of Market Value

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“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.”



Value vs. Price

Market price: How much someone actually paid for a property.



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- ✦ Usually also represents market value, but not if seller was under pressure to sell quickly.



Value vs. Cost

Cost: Amount of money paid to build property, including cost of buying land, improving land, and building improvements.



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Construction cost rarely equals market value, since developer intends to sell property for gain.



Summary Value

- Competitive market analysis
- Market value
- Value in use
- Price
- Cost

