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PRESENT WORTH VALUATION METHODS

Of the five generally accepted land valuation methods in use by appraisers, described in **Chapter 2, Appraisal Process, Economic Areas, and the Approaches to Value**, vacant land present worth valuation procedures involves only two. The two are the sales comparison method and the anticipated use or developmental cost method.

Sales Comparison Method

Whenever adequate quantities of qualified sales data are available, direct sales comparison is the best method to value vacant land.

When 80 percent of the lots or tracts are sold, typically, a definitive market value per lot or tract is established. The appropriate unit of comparison value, **as adjusted for differing property characteristics**, is extended to all vacant lots or tracts in an approved plat or competitive environment. The qualified sales are used as the primary basis for valuing all the lots or tracts regardless of ownership.

The appropriate level of value is used with consideration given to, and adjustments made for, each individual lot or tract's location, desirability, and use. The only change required in intervening years, other than for an unusual condition, is to reduce the absorption period by one year. Then, calculate the present worth actual value for the intervening year using the present worth factor for the modified absorption period. For absorption periods calculated to be two years at a change in level of value, the absorption period could be one year in an intervening year.

EXCEPTION: If the number of sales within the approved plat, beginning the July 1 following the appraisal date, for 12 months, is less than the absorption rate calculated for the plat, the absorption period may be left unchanged.

If nonrealty items or unincurred direct development costs are included in the sales price of the lot or tract, appropriate deductions must be made to the sales price before making market adjustments.

> Refer to **Step #5 - Deduct Unincurred Direct Development Costs Included in the Selling Price**, earlier in this chapter, for a discussion of appropriate deductions for unincurred direct development costs.

The following process is used when applying the market approach:

1. Identify all lots or tracts within an approved plat or competitive environment.
2. Determine the actual value of raw land before development.
3. Determine the adjusted selling price.
4. Determine the absorption period.
5. Determine a discount rate and apply present worth procedures to the adjusted selling price.