

Abigail Hartmann Associates

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VALUES

RETAIL REPLACEMENT VALUE (RRV) - HIGHEST VALUE (USUALLY FOR INSURANCE PURPOSES) is defined as the highest amount in terms of US dollars that would be required to replace a property with another of similar age, quality, origin, appearance, provenance, and condition within a reasonable length of time in an appropriate and relevant market. When applicable, sales and/or import tax, commissions, advisement fees, and/or premiums are included in this amount. (NYU Appraisal Studies Program definition)

AUCTION REPLACEMENT VALUE (ARV) - (USUALLY FOR INSURANCE PURPOSES) is defined as a reasonable amount in terms of US dollars that would be required to replace a property with another of similar age, quality, origin, appearance, provenance, and condition within a reasonable length of time in an appropriate and relevant auction market. Since the client regularly and routinely buys at auctions, the appraisers rarely examined the retail market. When applicable, sales and/or import tax, commissions and/or premiums are included in this amount. BE SURE THAT THE CLIENT UNDERSTANDS THE IMPLICATION OF THIS VALUE!

RETAIL VALUE (RV) - (USUALLY TO ESTABLISH A PRICE GUIDELINE FOR RETAIL PRICING)

Appraised "retail value" is derived from "retail replacement value". It is defined as a reasonable amount in terms of US dollars that would be required to purchase a property of similar age, quality, origin, appearance, provenance, and condition within a reasonable length of time in an appropriate and relevant market. Unlike "retail replacement value", "retail value" does not include any fees or additional costs, such as taxes, framing, conservation, restoration, and additional commissions.

MARKET VALUE (MV) - (USUALLY TO ESTABLISH A PRICE GUIDELINE WHEN THE EXACT TERM MARKET VALUE IS USED IN A LEGAL CONTEXT)

as defined by the Federal Deposit Insurance Corporation, Section 323.2 (g) is 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. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) Buyer and seller are typically motivated; (2) both parties are well informed or well advised, and acting in what they consider their own best interests; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

FAIR MARKET VALUE (FMV) - MIDDLE "SECONDARY MARKET" VALUE (USUALLY FOR IRS PURPOSES)

"Fair market value" as defined by Treasury Regulation Sections 1.170A-1(c)(2) and 20.2031-1(b) is "the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts." (According to Technical Advisory Memorandum 9235005 [May 27, 1992], fair market value should include the buyer's premium.) Treasury Regulation Section 20.2031-1(b) continues "the fair market value of a particular item of property includible in the decedent's gross estate is not to be determined by a forced sale price. Nor is the fair market value of an item of property to be determined by the sale price of the item in a market other than that in which such item is most commonly sold to the public, taking into account the location of the item wherever appropriate. Thus, in the case of an item of property includible in the decedent's gross estate, which is generally obtained by the public in the retail market, the fair market value of such an item of property is the price at which the item or a comparable item would be sold at retail."

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MARKETABLE CASH VALUE (MCV) - MIDDLE/LOW "NET" VALUE (USUALLY FOR EQUITABLE DISTRIBUTION, RESALE OR ESTATE PLANNING PURPOSES) is defined as the net value a willing seller realizes after disposing of property in a competitive and open market to a willing buyer. Both the buyer and seller must be reasonably knowledgeable of all relevant facts, and neither being under constraint to buy or sell. Marketable cash value takes into consideration insurance, dealer commissions, advertising, travel, and shipping expenses that may be involved in the sale.

ORDERLY LIQUIDATION VALUE (OLV) - LOW RANGE "NET" VALUE (USUALLY FOR QUICK SALE PURPOSES) is defined as "the most probable price in terms of cash, or other precisely revealed terms, for which the property would change hands under required and limiting conditions in an orderly manner, generally advertised, with reasonable time constraints, in an appropriate and relevant marketplace, with knowledgeable buyers." (ASA 1994 Handbook, p. 2)

FORCED LIQUIDATION VALUE (FLV) - LOWEST RANGE "NET" VALUE (USUALLY FOR A QUICK AND FORCED SALE PURPOSES) is defined as "the most probable price in terms of cash, or other precisely revealed terms, for which the property would change hands if sold immediately, without regard to relevant market place." (ASA 1994 Handbook, p. 2)

SALVAGE VALUE (SV) - ROCK BOTTOM VALUE - CAN BE A NEGATIVE VALUE (USUALLY FOR MANDATED QUICK AND FORCED SALE PURPOSES) is defined as the net price in terms of cash, or other precisely revealed terms, for which the property would change hands if sold immediately, without regard to relevant market place and appropriate use. In certain cases, this may be a negative value as labor and other costs may be required to disassemble and dispose of the property in a quickly and expedient manner.

It is not unusual for an various items to have the following values:

<u>Painting by an artist w/ a solid Retail and Auction presence</u> RRV = \$22,000 AV = \$12,000 RV = \$20,000 MV = \$20,000 FMV for estate = \$6,000-10,000 FMV for donation = \$6,000 -10,000 MCV = \$5,000 OLV = \$3,500 FLV = \$2,000 SV = N/A	<u>Painting by an artist w/ a solid Retail and Auction presence</u> RRV = \$120,000 AV = \$70,000 RV = \$100,000 MV = \$100,000 FMV for estate = \$40,000-60,000 FMV for donation = \$40,000-60,000 MCV = \$35,000 OLV = \$30,000 FLV = \$15,000 SV = N/A
<u>Contemporary Sofa from a decorator</u> RRV = \$22,000 AV = \$2,000 RV = \$20,000 MV = \$20,000 FMV for estate = \$1,000-15,000 FMV for donation = \$1,000-15,000' MCV = \$1,000 OLV = \$500 LV = \$100 SV = (\$1,000)	<u>Painting by a Contemporary artist w/o a significant Auction presence</u> RRV = \$120,000 AV = \$5,000 or N/A RV = \$100,000 MV = \$100,000 FMV for estate = \$4,000-90,000 FMV for donation = \$4,000-90,000 MCV = \$3,000 OLV = \$2,000 FLV = \$500 SV = N/A