

MARKET VALUE APPRAISAL

**Of
Anderson, Berg, & Indian River Subdivision parcels
For 2007 Land Auction**



APPRAISAL REPORT No. 3423

**STATE OF ALASKA
Department of Natural Resources
Division of Mining, Land & Water
550 West Seventh Avenue Suite 650
Anchorage, AK 99501-3576**

MEMORANDUM

State of Alaska

Department of Natural Resources

Tel (907) 269-8513

Fax (907) 269-8914

brandon_simpson@dnr.state.ak.us

Division of Mining, Land and Water

550 West 7th Avenue, Suite 650

Anchorage AK 99501-3576

DATE: December 20, 2006

TO: Kevin Hindmarch
Review Appraiser

FROM: Brandon Simpson 

SUBJECT: Appraisal of 4 parcels of vacant land located along the Parks Highway between Talkeetna and Nenana. The two Indian River Subdivision parcels are located just east of the Parks Highway and just south of Hurricane. The Berg Subdivision parcel is located just north of the Parks Highway in Nenana and the Anderson parcel is located west of the Parks Highway near the town of Anderson.

As requested, I have completed an appraisal of the referenced parcels. I understand that this appraisal will be used to determine the minimum purchase price for the above referenced parcels. I am submitting this report for your review and approval.

The appraisal was completed in accordance with the "Uniform Standards of Professional Appraisal Practice" of the Appraisal foundation and in accordance with the General Appraisal Instructions, DNR. This is a Summary Appraisal Report based on the General Assumptions and Limiting Conditions stated in the report, as well as the facts, analyses, and reasoning leading to the opinions of value.

I have inspected the subject area and most of the comparable sales used in this report. Physical descriptions of the subject area are based on physical inspections, soil maps, aerial photography and topographic maps. Based on my observations and analysis of all available data, I have formed an opinion of market value as of the effective date of value.

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APPRAISAL SUMMARY

Location

Subdivision Name	ADL	Location	Legal Description
Anderson	417053	West of Parks Highway, near Clear and Anderson	Lot 9, ASLS 79-25
Berg Subdivision	411037	North of Parks Highway, 9 miles north of Nenana, near Little Goldstream	Lot 1, ASLS 82-181
Indian River Subdivision	210349 & 210242	East of Parks Highway, between Cantwell & Trapper Creek at approximately milepost 169	ADL 210349, L3 B1, ASLS 80-131 ADL 210242, L6 B8, ASLS 80-131

Value Summary

Subdivision	ADL	Lot	Block	ASLS	Size - acres	Appraised Value
Anderson	417053	9		79-25	37.61	\$9,300
Berg	411037	1		82-181	11.552	\$27,700
Indian River	210349	3	1	80-131	4.963	\$5,100
Indian River	210242	6	8	80-131	4.652	\$5,600

PREMISES OF THE APPRAISAL

Type of Appraisal and Report

This appraisal is a Summary Appraisal Report prepared in accordance with Standards Rule 1 and 2 of the current edition of **Uniform Standards of Professional Appraisal Practice** (USPAP), and in accordance with DNR's General Appraisal Instructions.

Purpose of Appraisal

The purpose of this appraisal is to estimate current market value.

User and Client Identity

This appraisal is prepared for the State of Alaska, Department of Natural Resources and the general public.

Intended Use of Appraisal

The appraisal will be used by DNR to determine the minimum bid for parcels to be acquired during the auction sale program (AS 38.05.055) for the potential reoffer parcels. For the remaining parcels the appraisal will be used to establish purchase price for over the counter sales.

Property Rights Appraised

Rights appraised are fee simple estate less mineral rights reserved to the State of Alaska under **AS 38.05.125(a)**.

Fee simple estate is defined as¹:

"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

AS 38.05.125(a) states²:

Reservation. (a) Each contract for the sale, lease or grant of state land...is subject to the following reservations: "[sic] the party of the first part, Alaska, hereby expressly saves, excepts and reserves... unto itself, its lessees, successors, and assigns forever, all oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils of every name, kind or description, and with may be in or upon said land...[and the right] to occupy as much of said land as may be necessary or convenient... to render beneficial and efficient the complete enjoyment of the property and rights hereby expressly reserved."

Definition of Market Value³

"The most probable price, as of a specified date, in cash, or terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress."

Effective Date of Value

July 27, 2006 for Indian River parcels
August 8, 2006 for Anderson and Berg parcels

Date of Report

December 20, 2006

¹ The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.69

² Alaska Statutes Title 38, Public Land Article 5, State of Alaska, 2002, pp. 590-591

³ The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.22

Exposure Time

Exposure time is defined as ⁴: "...the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal..."

Exposure time can vary depending on the type of property being appraised and constantly changing market conditions. Supply and demand of similar properties to the subject is an important factor for determining exposure time.

Parcels similar to the subjects typically require up to three years of marketing time. The subject parcels are considered average to below average when compared with other available properties on the market. Based on exposure time for similar properties, the estimated values are based on an exposure time of up to three years.

Marketing Time

"Marketing time is an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal."⁵

Based on current market conditions for similar properties the estimated value is based on a marketing time of up to three years.

Sale History

ADL 411037, L1, ASLS 82-181 (Berg Subdivision) sold March 2003 and the contract was terminated May 2005.

It is not uncommon for DNR land to sell and then later be relinquished to the state. The remaining subject parcels have not sold in the last three years.

SCOPE OF WORK**Property and Comparable Sales Inspection**

I inspected the Indian River parcels and some of the comparable sales 7/27/06 from the air. The Anderson and Berg Subdivision parcels and comparable sales were inspected 8/7/06 on the ground.

Research and Analysis Conducted

Interviews were conducted with local real estate agents, appraisers, and other individuals familiar with the area who provided information about trends in values, supply and demand. DNR records were searched for recent comparable sales. The recorder's office was also searched to identify any recent sales. Sellers and buyers were contacted to verify recent sale prices and other transaction details.

After analysis of all available data, appropriate comparable sales were selected. The market value estimate was derived from this process and is based on the following assumptions and limiting conditions. Individual lot values were derived by correlating the "key lot" value.

⁴ Uniform Standards of Professional Appraisal Practice 2004, Appraisal Foundation, p. 94.

⁵ Op Ci, p. 141

Assumptions and Limiting Conditions

1. The property is appraised as vacant land without structural or site improvements.
2. The appraiser assumes no responsibility for legal matters. The subject lots are assumed to be free and clear of encumbrances, except as otherwise noted, and title is assumed to be marketable.
3. All engineering studies are assumed to be accurate. Plats and illustrative material included in the report are intended to help the reader in visualizing the properties.
4. Information furnished by others and included in the report is believed to be reliable but the appraiser does not warrant the accuracy of such information.
5. Unless otherwise noted in the report, the appraiser did not find any evidence that hazardous materials exist on these properties. The estimate of value is based on the assumption that there are no such materials on the property. The appraiser is not qualified to detect these substances. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge that is required to discover these substances.
6. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony, or be in attendance in court with reference to the property in question unless arrangements have been made in advance.
7. The data and conclusions in this report are a part of the whole valuation. Each part of this report is only part of the evidence upon which the final judgment is based. Therefore, no part should be used out of context and by itself alone.
8. It is assumed that there are no hidden or apparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for any such conditions, or for arranging engineering studies to discover them.
9. The estimate of value in this report is not based in whole or in part upon the race, color, or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
10. Some parcels may contain saw timber, but not necessarily in commercial quantities. The estimated market value does not include that value of commercial timber, if any.
11. The Indian River parcels were inspected from the air. Due to the lack of on-site inspections (aerial only) some physical features are assumed based on conversations with those knowledgeable about the area and interpretation of existing maps and aerials. The appraiser reserves the right to modify the value conclusions if an on-site inspection reveals a variation in site features from those assumed in this report.

PRESENTATION OF DATA

Property Identification

ADL	Subdivision	MTRS	Lot	Block	ASLS	Size - acres
417053	Anderson	T7S R9W, Sec. 19, F.M.	9		79-25	37.61
411037	Berg	T3S R7W, Sec. 17, F.M.	1		82-181	11.552
210349	Indian River	T33N R2W Sec. 16, S.M.	3	1	80-131	4.963
210242	Indian River	T33N R2W Sec. 16 & 21, S.M.	6	8	80-131	4.652

Personal Property

There is no personal property involved with the appraisal of these properties.

Market Area

The Anderson parcel is located near the communities of Clear and Anderson, within the Denali Borough. The Berg Subdivision parcel is located north of Nenana. This parcel is not in an organized borough. The Indian River Subdivision parcels are located between Talkeetna and Cantwell on the east side of the Parks Highway at approximately milepost 169. These parcels are located within the Matanuska Susitna Borough.

Anderson and Clear

Anderson lies on a spur road which spans 6 miles west off the George Parks Highway, 76 miles southwest of Fairbanks and 285 miles north of Anchorage. Clear Air Force Station is located within the City boundaries.

Clear Air Force Station, the school, City, and other government positions employ most of the residents. A \$106.5 million intercontinental ballistic missile radar warning system is under construction at Clear AFS. "PAVE PAWS" will identify and warn of missiles launched from Asia and Europe. The Clear Fish Hatchery provides small stocks of gamefish to area streams and lakes, and has been the only commercial hatchery to rear sheefish. Residents often travel to Fairbanks to purchase goods and services.

The George Parks Highway provides access to Anchorage and Fairbanks. The Alaska Railroad serves Anderson and Clear. A State-owned 4,000' lighted asphalt runway is located at Clear Airport, 4 miles south of town along the access road. Charters and private aircraft serve the airstrip. A private 2,500' dirt strip is located at Clear Sky Lodge. Lost Slough, a large slough of the Nenana River is located less than a mile west of town. It is used for fishing, but the river is too shallow for cargo transportation.

Nenana

Nenana is located in Interior Alaska, 55 road miles southwest of Fairbanks on the George Parks Highway. Nenana is located at mile 412 of the Alaska Railroad, on the south bank of the Tanana River, just east of the mouth of the Nenana River. It lies 304 road miles northeast of Anchorage.

Over 40% of the year-round jobs are government-funded, including the City, Tribe, Nenana School District, Yukon-Koyukuk School District, and DOT highway maintenance. Nenana has a strong seasonal private sector economy as the center of rail-to-river barge transportation center for the Interior. Yutana Barge Lines is the major private employer in Nenana, supplying villages along the Tanana and Yukon Rivers each summer with cargo and fuel. The City also attracts independent travelers with fuel and supplies, the Alaska Railroad Museum, the Golden Railroad Spike Historic Park and Interpretive Center, the historical Episcopal Church, Iditarod dog kennels, and a replica of the sternwheeler Nenana. A heritage center is also under development. The Nenana Ice Classic administration provides short-term employment for nearly 100 locals. 27 residents hold commercial fishing permits. The majority of Native households rely on subsistence foods, such as salmon, moose, caribou (by permit), bear, waterfowl and berries.

Nenana has excellent air, river, road and railroad access. The George Parks Highway provides road access to Fairbanks and Anchorage. The railroad provides daily freight service. The Nenana Municipal Airport offers a 5,000' long by 100' wide asphalt, lighted runway, in addition to a turf, 2,520' long by 80' wide air strip. The airport also has float plane and ski plane landing areas. The Nenana Port Authority operates the dry cargo loading and unloading facilities, dock, bulkhead, and warehouse. The Tanana River is shallow, with a maximum draft for loaded river barges of 4.5 feet; by comparison, the Yukon River has very few shallow areas.⁶

Detailed Site Descriptions & Subject Pictures

ANDERSON (ADL 417053, Lot 9, ASLS 79-25)

Location	Located about 6 miles west of the Clear Air Force Station, near the community of Anderson. Subject is located west of the Parks Highway and Nenana River.
Access	Road/trail access begins just south of the bridge over the Nenana River. Trails are minimally constructed in some sections. ATV's or 4-wheel drive vehicles are required to reach the subject parcel. Access may be difficult during wet periods. Winter access via snowmachine.
Size & Shape	37.61-acre, square parcel
Topography	Mostly level parcel
Soils	Majority of parcel appears to be fair to well-drained with some wet areas present.
Vegetation	Most of the parcel appears to be burned birch trees. The parcel is partially re-vegetated.
Utilities	None
Water & Sewer	None
Easements	30' utility easement
Environmental Hazards	None observed
Zoning Regulations	Located within the Denali Borough, all borough land is currently zoned unrestricted
Hazardous Waste & Toxic Materials	None observed
Tax Assessments	Denali Borough is the taxing authority. The Borough currently does not assess property taxes
Ownership History	State of Alaska
Adjacent Land Use	Primarily recreational with sporadic rural residential uses

⁶ Alaska DCCED 'Community Database Online', accessed 13 December 2006. <http://www.commerce.state.ak.us/dca/commdb/CF_BLOCK.htm>.



ADL 417053, Lot 9, ASLS 79-25 (Anderson)

Picture is looking north along eastern boundary of parcel (section line). Road/trail is overgrown and narrow at this point. It is possible to drive this far during dry conditions. All vegetation seen was burned at some point with re-vegetation started.

BERG SUBDIVISION (ADL 411037, Lot 1, ASLS 82-181)

Location	Berg Subdivision is located approximately 9 miles north of Nenana, at approximately mp 313. Subdivision is located on north side of Parks Highway.
Access	Access via Kiglowa Drive (unmarked). Kiglowa is a constructed gravel road.
Size & Shape	11.552-acre, irregular shaped parcel
Topography	Parcel has gentle to moderate slope to southwest.
Soils	Soils appear well-drained
Vegetation	Heavily forested with mature aspen, and sporadic spruce, willow and berry bushes.
Utilities	A GVEA power line runs parallel to Parks Highway, near parcel boundary.
Water & Sewer	None
Easements	None noted on plat
Environmental Hazards	None observed
Zoning Regulations	Parcel is not located in organized borough
Hazardous Waste & Toxic Materials	None observed
Tax Assessments	Parcel is not located in organized borough
Ownership History	State of Alaska
Adjacent Land Use	Rural residential and undeveloped land



ADL 411037, Lot 1, Block 1, ASLS 82-181 (Berg)

Picture taken from Parks Highway looking north. Parcel is left of Kiglowa Road (pictured).

INDIAN RIVER SUBDIVISION (ADL 210349, Lot 3 Block 1, ASLS 80-131 & ADL 210242, Lot 6 Block 8, ASLS 80-131)

Location	Approximately 40 miles north by northeast of Talkeetna, on east side of Parks Highway at about milepost 169. Subdivision is found where Alaska Railroad crosses Parks Highway.
Access	Via the Parks Highway at about milepost 169, just north of railroad crossing utilizing one of two platted rights-of-ways: Kieen Lane or Traviros Land. The Alaska Railroad right-of-way may not be used as legal access. Access had not been developed at time of inspection.
Size & Shape	4.652 and 4.963-acres. Both parcels are irregular shaped
Topography	Level to gently rolling
Soils	Treed areas appear well-drained. Subdivision has sporadic recreational cabins present. Lower areas appear wet.
Vegetation	Primarily treed with spruce
Utilities	None
Water & Sewer	None
Easements	ADL 210242, Lot 6, Block 8 has a 100' screening easement running along mutual lot line with Lot 5, Block 8. This easement does not diminish the utility of the parcel.
Environmental Hazards	None observed
Zoning Regulations	Located within Matanuska Susitna Borough. No known zoning regulations that would effect development of the parcels
Hazardous Waste & Toxic Materials	None observed
Tax Assessments	Matanuska Susitna Borough is the taxing authority. Parcels owned by the State of Alaska are tax-exempt. Once ownership is transferred from the State of Alaska, property taxes become the responsibility of the purchaser. Current Tax Assessment <i>ADL 210349, Lot 3, Block 1, ASLS 80-131:</i> 2004 - \$6,000 2005 - \$6,000 2006 - \$6,000 <i>ADL 210242, Lot 6, Block 8, ASLS 80-131</i> 2004 - \$5,600 2005 - \$5,600 2006 - \$5,600
Ownership History	State of Alaska
Adjacent Land Use	Majority of subdivision is undeveloped. Sporadic recreational cabins can be found within the subdivision. Indian River Subdivision is located near the boundary of Denali State Park and is surrounded by undeveloped land.



ADL 210349, L3 B1, ASLS 80-131
Approximate parcel boundaries shown in red. Picture taken looking north



ADL 210242, L6 B8, ASLS 80-131
Approximate parcel boundaries shown in red. Picture taken looking north

ANDERSON

ADL 417053, Lot 9, ASLS 79-25 is a 37.61-acre parcel and described as 'Anderson'.

The subject parcel included in this analysis is summarized below:

	Lot	ASLS	Size (acres)
Anderson (ADL 417053)	9	79-25	37.61

Key Lot Description

ANDERSON	
Location	Located about 6 miles west of the Clear Air Force Station, near the community of Anderson. Subject is located west of the Parks Highway and Nenana River. (T7S, R9W, Section 19, F.M.)
Legal Description	Lot 9, ASLS 79-25, Plat 79-12 (ADL 417053)
Access	Road/trail access begins just south of the bridge over the Nenana River. Trails are minimally constructed in some sections. ATV's or 4-wheel drive vehicles are required to reach the subject parcel. Access may be difficult during wet periods. Winter access via snowmachine.
Size and Shape	37.61-acres, square parcel
Topography/Vegetation/Soils	Level parcel with well-drained soils. Most of the parcel appears to be burned birch trees. The parcel is partially re-vegetated.
Utilities	None
Easements	Typical
Hazardous Waste and Toxic Materials/Environmental Hazards	None observed
Zoning Regulations	Located within the Denali Borough, all borough land is currently zoned unrestricted
Amenities	Interior lot, limited view potential, no frontage

Highest and Best Use

Analysis of highest and best use for the subject property is necessary to accurately estimate the value of the land. Highest and best use analysis ensures that the value estimate is derived with the use in mind that maximizes the utility for a given property. The appropriate highest and best use for a given property is determined by the conditions of the market. Highest and best use can be defined as⁷:

"The reasonably probable and legal use of vacant land or an improved property, that is physically possible, legally permissible, appropriately supported, financially feasible, and that results in the highest value."

The land to be valued is considered vacant and thus valued with the highest and best potential use for the property. Value for improvements (when present on the site) is then based on their contribution to this use.

Legally Permissible

The subject parcels are not subject to any known zoning requirements that would be restrictive to potential development. Development of well and septic systems must comply with the requirements of the Department of Environmental Conservation. Therefore, almost any legal use of the site would be possible.

⁷ The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.306

BERG SUBDIVISION

ADL 411037, Lot 1 Block 1, ASLS 82-181 is an 11.552-acre parcel located in the Berg Subdivision.

The subject parcel is summarized below:

Subdivision	Lot	Block	Survey	Size (acres)
Berg (ADL 411037)	1	1	82-181	11.552

Key Lot Description

BERG	
Location	Berg Subdivision is located approximately 9 miles north of Nenana, at approximately mp 313. Subdivision is located on north side of Parks Highway (T3S, R7W, Section 17, F.M.)
Legal Description	Lot 1, Block 1, ASLS 82-181, Plat 83-4 (ADL 411037)
Access	Access via Kiglowa Drive (unmarked). Kiglowa is a constructed gravel road.
Size and Shape	11.552-acre irregular shaped parcel
Topography/Vegetation/Soils	Parcel has gentle to moderate slope to southwest. Heavily forested with mature aspen, and sporadic spruce, willow and berry bushes. Soils appear well-drained.
Utilities	A GVEA power line runs parallel to the Parks Highway, near the parcel boundary. The cost to install new service is dependent on the location of the improvement on the lot and the distance from the existing power line.
Easements	Typical
Hazardous Waste and Toxic Materials/Environmental Hazards	None noted
Zoning Regulations	Parcel is not located in organized borough
Amenities	Interior lot. Limited view potential. Lot is wooded with mature aspen.

Highest and Best Use

Analysis of highest and best use for the subject property is necessary to accurately estimate the value of the land. Highest and best use analysis ensures that the value estimate is derived with the use in mind that maximizes the utility for a given property. The appropriate highest and best use for a given property is determined by the conditions of the market. Highest and best use can be defined as⁸:

“The reasonably probable and legal use of vacant land or an improved property, that is physically possible, legally permissible, appropriately supported, financially feasible, and that results in the highest value.”

The land to be valued is considered vacant and thus valued with the highest and best potential use for the property. Value for improvements (when present on the site) is then based on their contribution to this use.

Legally Permissible

The subject parcels is not subject to any known zoning requirements that would be restrictive to potential development. Development of well and septic systems must comply with the

⁸ The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.306

INDIAN RIVER SUBDIVISION

Two Indian River Subdivision parcels will be offered. These lots are valued based on a 4.963-acre "Key Lot" analysis. ADL 210349, Indian River Subdivision, Lot 3 Block 1, ASLS 80-131 has been identified as the 'Key Lot'.

The subject parcels included in this analysis are summarized below:

Subdivision	Lot	Block	Survey	Size (acres)
Indian River (ADL 210349)	3	1	80-131	4.963
Indian River (ADL 210242)	6	8	80-131	4.652

Key Lot Description

INDIAN RIVER 'KEY LOT'	
Location	Approximately 40 miles north by northeast of Talkeetna, on east side of Parks Highway at about milepost 169. Subdivision is found where Alaska Railroad crosses Parks Highway. (T33N, R2W, Section 16, S.M.)
Legal Description	Lot 3, Block 1, ASLS 80-131, Plat 81-50 (ADL 210349)
Access	Via the Parks Highway at about milepost 169, just north of railroad crossing utilizing one of two platted rights-of-ways: Kieen Lane or Travios Land. The Alaska Railroad right-of-way may not be used as legal access. Access had not been developed at time of inspection.
Size and Shape	4.963-acre irregular shaped parcel
Topography/Vegetation/Soils	Level to gently rolling parcel. Treed with spruce. Appears to have adequate drainage.
Utilities	None
Easements	Typical
Hazardous Waste and Toxic Materials/Environmental Hazards	None noted
Zoning Regulations	Located within unregulated region of Matanuska Susitna Borough
Amenities	Interior lot. Limited view potential of surrounding landscape.

Highest and Best Use

Analysis of highest and best use for the subject property is necessary to accurately estimate the value of the land. Highest and best use analysis ensures that the value estimate is derived with the use in mind that maximizes the utility for a given property. The appropriate highest and best use for a given property is determined by the conditions of the market. Highest and best use can be defined as⁹:

"The reasonably probable and legal use of vacant land or an improved property, that is physically possible, legally permissible, appropriately supported, financially feasible, and that results in the highest value."

The land to be valued is considered vacant and thus valued with the highest and best potential use for the property. Value for improvements (when present on the site) is then based on their contribution to this use.

⁹ The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.306