

# Timber and Timberland Appraisal

**AFOA Annual Meeting**

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**Ed Travis, RF, ACF**

# Learning Objectives

- ▶ Explain difference between Timber and Timberland Appraisals
- ▶ Discussion of licensing and qualification of appraisers. Is the valuation issue a real estate or forestry problem or both?
- ▶ Discussion of the appraisal process and when you may be or should be required to get an appraisal
- ▶ Discussion of the importance of finding the right appraiser, independence and objectivity of the appraiser, scope of work and intended use of the appraisal

# This is what it is all about!



# Recreational Issues in Real Estate Appraisal



# 1<sup>st</sup> BB Gun in the river swamp



# Timber? Timberland? Or both?



# What is an Appraisal? Who does appraisals and when do we need one?

- ▶ By definition an appraisal is an unbiased, supportable and defensible estimate of value. Usually Market Value but other value definitions may also apply
- ▶ An appraiser must be licensed as a Certified Residential or a Certified General Appraiser. Timberland is considered to be a complex appraisal according to USPAP Standards thus requiring a General Appraiser
- ▶ Real estate appraisal or forestry issue? Big potential difference and why?

# Understanding the who should do what?

- ▶ Timberland presents an appraiser selection issue that is unique as most Certified General Real Estate Appraisers are not Registered Foresters . Most Registered Foresters are not licensed to perform real estate appraisals!
- ▶ Alabama Real Estate Appraiser Board, USPAP Standards, Federal Laws, IRS
- ▶ Alabama State Board of Registration for Foresters, ACF, SAF

# When Do We need a Real Estate Appraisal

- ▶ Sale or Purchase- 1031 exchanges
- ▶ Estate & Gift Tax Planning and Reporting
- ▶ Casualty Losses when real estate values are impacted
- ▶ Establish cost basis land, pre-merchantable and merchantable timber
- ▶ Transfer of assets into FLP's , LLC's etc.
- ▶ Litigation issues: Eminent Domain, Access, trespass and many more legal related situations

# When do you need a Timber Appraisal?

- ▶ Timber sales
- ▶ Casualty losses
- ▶ Financial reporting
- ▶ Asset transfers and estate and gift tax
- ▶ Eminent domain- right of way takings, etc.
- ▶ Litigation issues
- ▶ Timber cost basis and depletion studies-  
Retrospective

# Cruise This!



# Special differences between a real estate appraisal and a timber appraisal

- ▶ Timber Appraisal or Timberland appraisal?
- ▶ Timber Appraisal is a forestry practice
- ▶ Timberland Appraisal can involve real estate appraisal and forestry license practices
- ▶ Conflicts of interest in Appraisal.  
Understanding the roles of market participants

# Appraisal Procedures- Timberland

- ▶ Real Estate Appraisal. Cost , Sales Comparison and Income Approaches
- ▶ Stratified timberland markets require different emphasis on the valuation approach that is most applicable
- ▶ Recreational influences in market
- ▶ Use of other experts- USPAP Competency Provision, violations of forestry law

# Timber Appraisal- Forestry Practice

- ▶ Timber volume estimates by cruise
- ▶ Stumpage price and market studies
- ▶ Independence and Objectivity
- ▶ Certified appraiser must also be licensed as a professional forester to render forestry advice or value conclusions
- ▶ Anyone rendering forestry advice to the public without being Registered as a forester in Alabama is breaking the law.

# How do you find an Appraiser?

- ▶ Attorneys, CPA's, Banks, other landowners
- ▶ Regulatory boards- licensing
- ▶ Internet- Use caution
- ▶ Phone Book- use caution
- ▶ Social media

# Closing Comments and Questions

- ▶ Distinction between Real Estate Appraisal and Timber Appraisal
- ▶ Scope of work to be performed in appraisal assignment
- ▶ Independence of appraiser and conflicts of interest
- ▶ Effective date of the appraisal- Static number as of a specific point in time. Not dynamic.