

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



1st 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.