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| Highest and Best Use Analysis |

The Highest and Best Use of a property is the use that is legally permissible, physically possible, and financially feasible which results in the highest value. An opinion of the highest and best use results from consideration of the criteria noted above under the market conditions or likely conditions as of the effective date of value. Determination of highest and best use results from the judgment and analytical skills of the appraiser. It represents an opinion, not a fact. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.

Analysis of Highest and Best Use As If Vacant

In determining the highest and best use of the property as if vacant, we examine the potential for: 1) near term development, 2) a subdivision of the site, 3) an assemblage of the site with other land, or 4) holding the land as an investment.

Legally Permissible

The subject site is zoned by the City of ${city} as ${zoning\_code}, ${zoning\_desc} (${grossacre} gross acres / ${netacre} net developable acres), which permits various medium density, attached residential or multi-family uses. The location of the subject is appropriate for all these uses allowed, as noted previously, and a change in zoning is unlikely. There are no known easements, encroachments, covenants or other use restrictions that would unduly limit or impede development.

Physically Possible

The physical attributes allow for a number of potential uses. Elements such as size, shape, availability of utilities, known hazards (flood, environmental, etc.), and other potential influences are described in the Site Description and have been considered. The subject site has a ${shape} shape with a net land area of ${netacre} net developable acres. The site has a ${topography} topography and is situated on a mid-block frontage along a residential collector street. There are no items of a physical nature that would materially limit appropriate and likely development.

After determining the uses that are physically possible and legally permissible, an appraiser considers the uses that are likely to produce an adequate return on investment based on a cost/benefit analysis or through direct market observation. The market demand for the development of the subject site is considered good. New mult-family development is considered financially feasible.

Maximally Productive

With respect to the ${netacre} net developable acres zoned ${zoning\_code}, the maximum development density is 15 units per acre while the minimum is 12 units per acre. This would equate to a total range in potential units of between 68 and 85 units, based on the net developable land area.

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. Considering these factors, the maximally productive use as though vacant is for mult-family development to its maximally profitable number of units.

Conclusion of Highest and Best Use As If Vacant

The conclusion of the highest and best use as if vacant is for mult-family development to its maximally productive use (reflecting a total of 85 units; and a density of 15 units per net acre).

Analysis of Highest and Best Use as Improved

In determining the highest and best use of the property as improved, the focus is on three possibilities for the property: 1) continuation of the existing use, 2) modification of the existing use, or 3) demolition and redevelopment of the land.

Retaining the improvements as they exist meets the tests for physical possibility, legal permissibility and financial feasibility. The subject consists of a proposed rental apartment project, with the proposed improvements anticipated to be in excellent condition, and any alternative use of the existing improvements is unlikely to be economically feasible. The proposed use as a rental apartment property is legally permitted. The improvements are physically possible, financially feasible, and maximally productive.

A use which produces a positive net income to the property is considered to be the most financially feasible. As indicated later in this appraisal report, the final value indicated is $10,420,000. The Cost Approach indicated a value of $10,400,000, which is nearly the same as the overall value conclusion, which indicates the project is feasible at a market level of profit. However, the developer has a low cost basis in the existing land, and the project still makes even more sense with additional profit. Thus, overall the costs are considered reasonable and the new units our considered to increase the productivity of the overall site.

Overall, the market value of the property as improved exceeds the combination of vacant site value plus cost of demolition of the improvements. Therefore, demolition and redevelopment of the site is not maximally productive.

Conclusion of Highest and Best Use As Improved

The highest and best use of the subject property, as proposed for improvement, is the proposed rental apartment project.

Most Probable Buyer/User

As of the date of value, the most probable buyer of the subject property is an investor due to the size of the improvements and multi-tenant occupancy as a rental apartment project. The most probable user would be for multi-family project is for residential users.