



## Workshop 158 – Highest & Best Use

### Course Description

This workshop is designed to provide a formal, systematic, comprehensive program of study for conducting a highest and best use analysis with emphasis mainly on mass appraisal. The very nature of a highest and best analysis provides a challenge for mass appraisers.

The concept of highest and best use is one of the most important steps in the appraisal process and sometimes a misunderstood principle in real estate appraisal. The principle of highest and best use means that the market value of property depends on potential use rather than on current use alone. However, the highest and best use can also be the current use. The determination of the highest and best use of a property, more than anything else, is what directs its market value. It provides conclusions that guide the assessor/appraiser in the application of the three approaches to value. Two assessors/appraisers may reach different highest and best use determinations that result in a wide range in values and can make it difficult for the intend users of the appraisal to distinguish an accurate opinion of value from the two appraisals.

Highest and best use is a concept in real estate appraisal in which market value is achieved by the reasonably and probable legal land use that results in the highest value. Highest and best use is an essential step in the mass appraisal process and is necessary before market value estimates can be made. Local law may mandate preferential assessments according to specific land uses such as agricultural, historic and so forth rather than the highest and best use. This workshop is designed to provide students with a more in-depth study and understanding of the role and purpose of highest and best use in the appraisal process. Finally, there will be discussion of the unique situations that sometimes arise in a highest and best use analysis.

This course consists of fourteen hours of classroom instruction and a final examination. A certified IAAO instructor will guide you through learning aids, which may include lectures, discussions, case problems, drills, review quizzes, and demonstrations. There is a twenty-five-question examination on the last day of class.

### Objectives

On completion of this workshop, the student should learn:

- The definition and fundamentals of highest and best use.
- Highest and best use versus current use.
- The role of the appraisal principles in a highest and best use analysis.
- The interaction of the market forces and highest and best use.
- The four tests for highest and best use.
- How to test highest and best use as though vacant.
- How to test highest and best use as improved.
- Highest and best use and the three valuation methods.
- Unique situations involved in a highest and best use analysis.

- Interim uses.
- Case studies.

## Timetable

| Topic  | Time Requirement | Day Covered |
|--|------------------|-------------|
| Objectives                                     | 15 Minutes       | Day One     |
| Introduction                                   | 20 Minutes       | Day One     |
| Highest & Best Use Definitions                 | 40 Minutes       | Day One     |
| Highest & Best Use Characteristics             | 85 Minutes       | Day One     |
| Highest & Best Use or Current Use              | 60 Minutes       | Day One     |
| Appraisal Principles and Highest & Best Use    | 85 Minutes       | Day One     |
| Market Forces and Highest & Best Use           | 85 Minutes       | Day One     |
| Application of Highest & Best Use – Four Tests | 150 Minutes      | Day One     |
| Two Perspectives of Highest & Best Use         | 60 Minutes       | Day Two     |
| Highest & Best Use and the Valuation Methods   | 40 Minutes       | Day Two     |
| Unique Situations in Highest & Best Use        | 85 Minutes       | Day Two     |
| Highest & Best Use in Court Cases              | 15 Minutes       | Day Two     |
| Sample Highest & Best Use Analysis             | 15 Minutes       | Day Two     |
| Case Studies                                   | 60 Minutes       | Day Two     |
| Review of Workshop                             | 25 Minutes       | Day Two     |
| Exam   |                  | Day Two     |