

Financial News

How Do I Determine the Price and Value of a Strip of Land?

Dear Mr. Ketcham:
Q: A neighbor has approached me about purchasing a strip of my land for the purpose of widening his access road. The idea is acceptable, but what price for the land would be equitable and how would the value be determined?
 B. Saunders, Rough & Ready



Daniel Ketcham

A: In terms of the legal process, you will want to initially speak with a Licensed Surveyor, who will ultimately prepare and file a lot line survey and which usually requires a minimal amount of regulatory approval. With respect to determining the value of the land to be conveyed to the neighbor, the proper appraisal analysis will first estimate the value of the entire acreage as if unimproved, with no consideration to site improvements like wells, driveways, etc. A pro rata value on a per acre or per square foot can then be applied to the area of the proposed property to be conveyed. Next, consideration must then be given to the impact of the transfer on the "remainder" parcel. Will the removal of this portion of land alter your property in either a physical or legal manner? For instance, will the reduction of land area limit the ability to further subdivide your acreage by reducing

it below the minimum-size requirements? Or will the proposed reduction affect your future access, utility line extensions, or building setbacks requirements? All possible impacts on your remaining parcel must be identified and measured economically. This sum would then be added to the pro rata land value of the acreage to be conveyed. The valuation of partial interest you have described can range from very simple to extremely complex.

The first step in this process is to have the Surveyor prepare a preliminary drawing of the proposed area to be conveyed. Then, I would suggest that you and your neighbor mutually select a properly qualified appraiser to estimate the value. Relatively few appraisers have the necessary training to properly complete such assignments and therefore, in retaining an appraiser you will need to ask that he demonstrate his professional competency by virtue of completion of educational and field experience in the appraisal of right-of-way interest. As a practical matter, you might consider selling your neighbor a road easement rather than a fee interest, as this would be a much less complicated process for the surveyor and appraiser alike.

---Submitted by Daniel R. Ketcham, MAI, SRA, SR/WA, a member of the Appraisal Institute and the International Right of Way Association. He welcomes questions on real estate valuation and appraisal issues. Write to him in care of Real Estate Editor, The Union, 11464 Sutton Way, Grass Valley, CA, 95945.