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Adam Smith, the author of the book *The Wealth of Nations* in 1776 defined two forms of value. Value in Use defines the worth of an item, or a property in its use, or operation. The Value in Exchange is defined as the value, or cost of an item in the sale transaction. The understanding of these two values can help us gain by knowing this, that if market conditions in Commercial Real Estate financing are affecting the prices in the value in exchange, and property owners can gain additional wealth through the leasing of their properties and collecting rental income based on the "value of use" to the tenant.

If Real Estate does not go up in value, you can simply wait, and in the meantime, you can take the commercial property that you have invested in, and lease it to a tenant to receive income. This is the way to create wealth in real estate, by understanding the value of property to a tenant, and understanding the right timing to transfer the value for greater profit. Revenues minus expenses equals net income. Real estate revenues come from multiple ways to receive income.

A computer has a value in the way that it serves my efficiency and assistance in research and communication, It has a greater value of use and a limited value in exchange. Exchange could only occur in a used computer store, online auction, or other secondary market.

The infrastructure within a town has a value in use. I can drive on the highways, but I can't exchange my interest in the road system. I can borrow a book from the public library, but I have no right to sell it. I only have the right to absorb the knowledge that is in the book. After I have read it, I return it to the library. The information has a very strong value of use, and those books I keep for reference, I am not that interested in selling, for the value of exchange. They have a long term value of use over time.

Real Estate as a permanent asset accumulates large amounts of income, and is measured in large increments of value, usually requiring a Mortgage Loan to transfer the property, unless the ownership is cash only. Real Estate should also be developed to its highest and best use.

The word Mortgage comes from the root word Mort meaning "dead" and gage, which means pledge. The word means a pledge that is satisfied when it is fully paid, so it takes 30 years for the pledge on a 30 year mortgage to be satisfied. A satisfied mortgage is a pledge that has been fulfilled. The chances are that if someone can keep their mortgage and retain a leasehold beyond the period of the 18 year real estate cycle, or pay off a mortgage with a long term hold (without refinancing) they would be doing pretty well. Much of the potential long term solutions in real estate value as I referred to in the *Wealth of Nations*.

The coincidence of Real Estate as an asset is that it has a value in use to the people who live within a house, or use a commercial property to operate a business. A Landlord who owns a property receives rental according to the VALUE OF USE to serve the tenants residential or commercial business requirements. The Landlord received rent based on the VALUE OF USE to the tenant. The tenant enjoys the value of the operation and administrative, creative function

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of the property. The Landlord enjoys the fact that a tenant is paying their mortgage and in the future he maintains the VALUE OF EXCHANGE.

This is why for those that own properties, many weather the storm by leasing out their properties, and will in the future exercise their right of exchange and either sell in the future before the next peak in real estate prices, or decide to never sell, and keep the property past the point it's paid off for retirement income. An individual can extend their income by the Value in Use to the tenant who pays rent until the Landlord sells when the Value in Exchange is more favorable.

Everyone needs job, and everyone needs a place to stay. This is the underlying force behind real estate occupancy. The prices of real estate sales and leasing may adjust to equilibrium, downward when there is too much of a supply of real estate for sale, and upward when there are several buyers in the market. People choose real estate as a retirement investment, because over 20 – 30 years, their rental properties produce the monthly income that pays the mortgage, the property appreciates in value over the years, the owner has equity built up over time and if he holds it long enough, a property with a satisfied mortgage. These are the reasons that real estate will always be a significant investment.