



Rural Valuation Topic #RVT 21: Easements (A Partial Interest)

Easements are defined as, “the right to use another’s land for a stated purpose”¹. Easements are discussed in Chapter 20 of *Valuing Rural America*, ASFMRA, 2019 Edition, p. 514-523; paraphrased as:

The notion that “property easements” have value needs to be explored. Easements encumber a larger property, either entirely or partially. Rural properties commonly have multiple encumbrances such as roads, utility lines, pipelines, powerlines, etc. They could also contain one or more conservation easements (several wildlife species, viewshed, historic sites, etc.) each reserving differing property rights and changing the underlying owner’s “remainder rights”. Appraisers faced with valuing properties that are encumbered can only value the “remainder rights”. *Rights or reservations that cannot be described individually cannot be bought and sold in the marketplace.* Go to a Realtor™ and ask to see their easement listings --- they don’t exist.

ASFMRA Recommendation: Easements contribute to, detract from, or are neutral to the base property to which they are attached. The encumbered property, or “sandwich” (see Advisory 12) is what sells. To measure the impact of an easement taking or acquisition, the traditional “before” versus “after valuation procedure should be applied; a two-step process requiring two different data sets:

1. value “before” utilizing sales unencumbered by the easement, *versus*
2. valuation “after” utilizing similarly encumbered sales.

The summary at the completion of the assignment should be shown as in this hypothetical example:

Value Before =	\$1,000,000
Value After =	<u>800,000</u>
Difference =	\$ 200,000 <i>the easement contribution to the whole</i>

NOTE: The mathematical difference is “contribution to the whole” NOT the value of the easement. If the easement had “independent value”, it could be sold standing alone.

¹ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th Ed., (Chicago: AI 2015, p. 61)