

DEFINITION OF MARKET VALUE

"Market value" means the usual selling price at the place where the property to which the term is applied shall be at the time of assessment; being the price which could be obtained at a private sale or an auction sale, if it is determined by the assessor that the price from the auction sale represents an arm's length transaction. The price obtained at a forced sale shall not be considered. (M.S. 272.03)

"It is up to the assessor to form an opinion of the market value even when there is no market or sales to aid in fixing values.***Where there have been no actual sales for a long period of time, there is no way of determining values except by the judgment and opinion of people acquainted with the lands, their adaptability for use, and the circumstances of the surrounding community.***" (State v. Fritch, 175 Minn. 478, 221 N.W. 725).

The above definition of market value is Minnesota's statutory definition. However, many of the professional appraiser/assessor organizations have developed their own definitions of market value which may be more detailed than the statutory definition. The International Association of Assessing Officers defines market value in the following manner:

Market value is the most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.

The Society of Real Estate Appraisers defines market value as:

The highest price in terms of money which a property will bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably and assuming that the price is not affected by undue stimulus.

Other professional organizations have defined market value in approximately the same terms.

The definitions generally imply the consummation of a sale as of a specific date under the following conditions:

1. The buyer and seller are typically motivated;
2. Both parties are well informed or well advised and each is acting in what is considered to be their own best interest;

3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in cash or its equivalent;
5. Financing, if any, is on terms generally available in the community at the specified date and typical for the property type in its locale;
6. The price represents a normal consideration for the property sold unaffected by special financing amounts and/or terms, services, fees, costs or credits incurred in the transaction.

In other words, market value is the price that would tend to prevail under typical, normal competitive open market conditions.

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http://www.taxes.state.mn.us/taxes/property_tax_administrators/other_supporting_content/administrators_manual.pdf