

**Page 69653 /Tract Developments With Unsold Units, subsection Raw Land:**

The clause covering raw land indicates that appropriate deductions and discounts should be applied. “Appropriate deductions and discounts should include items such as holding cost, marketing costs, and entrepreneurial profit”.

The following are my thoughts on the above section: If raw land is being appraised utilizing a discounted cash flow analysis that residuals from a finished or entitled land basis, the deductions and discounts are typically included in the cash flow. However, if the appraiser has similar raw land comparables, the discounts and deductions are typically an inherent part of the raw land sales comparable sales prices. Buyers would typically factor in these costs to determine how much they would pay for the raw land and this would be reflected in the final sales price of the comparables. The concern is that the regulators would expect to see deductions and discounts even when the value is determined from similar raw land sales.

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RegComments