

**Don Epley, PhD, CCIM, MAI**  
**May Distinguished Professor of Real Estate**  
**University of South Alabama**

The typical concept and definition of highest and best use is not applicable in a situation where the marketplace has been severely impacted, and perhaps destroyed, by a catastrophe. The same is true for the concepts of market value and the sales comparison approach. Comparable neighborhoods are gone or severely impacted with a loss of information to the extent that the critical valuation process breaks down in the first step.

In this situation, a new definition is proposed tentatively labeled disaster highest and best use (D-HBU) that includes several unique criteria. It presumes that effective demand is present to make a current or changed use of the site happen. It suggests that the timing of the estimate occur in the short-run following the disaster as opposed to the commonly used longer-run. Further, the appraiser should estimate a value that is fair and just as opposed to market value. The analyst is free to use any valuation approach that can be logically applied using the criteria of physically possible, legally permissible, and financially feasible when possible.

An important part of this new D-HBU concept is a new valuation approach which is a version of contingent valuation estimates derived from surveys. Instead of asking for a range of opinions used to estimate a loss in value, a panel is established to solicit values. Each respondent is asked directly to offer an opinion of value on the property as is, and to estimate the use of the property at a date that is six months in the future. More time and experimentation needs to be given to a careful crafting of the survey instrument that can be universally used.

Interestingly, the survey results among a selected group of appraisers appeared to move in the direction of a new concept. Conversations with the respondents lead to the conclusion that the current market value, HBU, and sales comparison criteria concepts were not adequate.

The conclusion is that this project offers recommendations that are needed and will assist the appraiser who takes assignments on negatively impacted property. More time and public exposure needs to be devoted to a careful wordsmithing of the definitions proposed in this paper.

**The complete research can be obtained by contacting Dr. Epley at [depley\(at\)usouthal.edu](mailto:depley@usouthal.edu)**