

# Items of Value, Inc.

A Full-Service Appraisal and Estate Sale Firm

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## DIFFERENT VALUES OF MOVABLE PROPERTY AND THE RELATION OF THESE VALUES

Nota bene: “Movable property” is non-real estate. It encompasses items belonging to individuals, businesses, and organizations. Thus “movable property” is more expansive than “personal property”.

### BASIC TERMS AND DEFINITIONS

Three terms are crucial: current replacement value, fair market value, and bankruptcy/liquidation value.

- A. **Current Replacement Value** (CRV) is the cost/price charged to buy currently at full retail price from a retail establishment.
- B. **Fair Market Value** (FMV) is the actual selling price in the secondary market (not retail market), given a (1) willing buyer, (2) willing seller, (3) no time constraint to conclude the purchase/sale, and (4) knowledge by both parties of the item and type of item offered for sale.
- C. **Bankruptcy/Liquidation Value** (BLV) is the actual selling price in the secondary market place given a (1) willing buyer, (2) not so willing seller, and (3) serious time constraint to conclude the sale.

“Current Replacement Value” excludes consideration of all types of discounts, be they seasonal sale discounts or clearance sale discounts of discontinued or retired items. “Fair Market Value” is defined by the Internal Revenue Service, notably in publication no. 561 (Department of the Treasury catalog no. 15109Q) and is the type of value used by the courts in estate cases for divorce, decease, or transferring legal custody of items. “Bankruptcy/Liquidation Value” involves a forced sale; the “serious time constraint” of a bankruptcy or liquidation sale means less than a month, usually two to three weeks or ten to twenty days, sometimes only five business days. All valuations assume continuing good condition of the item. Defects, degradation, deterioration, wear, tears, rips, chips, cracks, soiling and reduction in size reduce value even more drastically.

### OTHER TERMS AND VALUES

“**Suggested Selling Range**” (SSR) involves the low end and high end of a range in which an item is expected or anticipated to sell. This range is usually applied in considering or estimating secondary market sales when no time constraint is involved (although retail merchandising also computes SSRs).

Based on knowledge of actual selling prices in the secondary market, a range can be predicted for same or similar items. The low end is the bottom price that an item is expected to fetch; it is often the price at which a secondary market dealer would buy for resale. The high end of the SSR is the highest price that can normally be expected to be paid by a collector or dealer who has both the interest in the particular item offered for sale and the funds to afford it.

### RELATION OF VALUES

Taking Current Replacement Value (CRV) as 100%, the other two basic values exist in descending order. Fair Market Value is often erroneously guessed to be 50% of current replacement value. Research and data evaluation has shown this is seldom true. Fair Market Value is generally 25% to 46% of current replacement value, depending on the type of item and its desirability to the general public. A statistical average of FMV is 33% (1/3) of CRV.

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However, the safest percentage to use in predicting FMV of a group of items is the lower end of the range, being 25% (1/4) because, unless items are individually assessed, any higher percentage may lead to faulty expectations. As an equation, the simplest formula is the following:

$$\text{FMV} = 25\% \text{ of CRV}$$

Bankruptcy/Liquidation Value (BLV) is below fair market value and is the lowest value of the three. Data tracking and evaluation of actual selling prices shows that bankruptcy or liquidation sales yield 10% to 22% of current replacement values, again depending on the type of item and its desirability to the general public. A statistical average of BLV is 14% of CRV. However, the safest percentage to use in predicting BLV of a group of items is the lower end of the range, being 10%. As an equation, the simplest formula is the following:

$$\text{BLV} = 10\% \text{ of CRV}$$

An important caveat must be remembered for BLV. Due to the buying nature of the general public, several types of items have BLV far lower than others. For example, BLV for sterling silver and jewelry is usually 10% of CRV. BLV for computers and other electronic items outdated by more recent technological advances is 4-5% of CRV. BLV for clothing and upholstered furniture is 10% down to 0% of CRV, due largely to ever-changing styles. At the other end, motor vehicles must be evaluated relative to FMV and not CRV (blue book or other dealer data reference for vintage vehicles). They have a BLV of 60-66% (2/3) of FMV. This indicates that the general public is ready and willing to pay two-thirds of a blue book-cited value to purchase a vehicle below dealer quote.

In summary, the following formulas generally hold true; rounding to the nearest 5%:

$$\begin{aligned} \text{FMV} &= 25\% - 45\% \text{ of CRV} \\ &25\% \text{ is safest for general calculations.} \end{aligned}$$

$$\begin{aligned} \text{BLV} &= 10\% - 20\% \text{ of CRV} \\ &10\% \text{ is safest for general calculations.} \end{aligned}$$

Remember the caveat for special types of items.

Suggested Selling Range (SSR) spans a range from the midpoint of BLV to the high end of FMV. Statistical analysis shows that SSR is most accurate using the following formula:

$$\text{SSR} = 15\% \text{ to } 45\% \text{ of CRV}$$

This formula has the notable exclusion of cars, vans, trucks, and boats, which often sell on the secondary market at 60% to 80% of the value quoted in reference resale indices compiled for motor vehicles.

## QUALIFIED APPRAISERS

A person qualified to assess the relative values of an item must have current knowledge of the selling environments for that type of item. This person may be dealer or an appraiser. It should not be assumed that any dealer in the retail market automatically knows the secondary market or bankruptcy/liquidation market for the same items. The dealer must also be involved in buying in the secondary market. Nor should it be assumed that an appraiser who determines CRV for insurance coverage is qualified to determine FMV or BLV. Persons who are

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the most qualified to determine FMV and BLV include individuals/businesses, who regularly conduct estate sales, bankruptcy sales, and other court-ordered sales. Actual selling experience and reliable data can come only from individuals who are actively involved in secondary market or bankruptcy/liquidation sales or from data bases compiled and kept current by such individuals.

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