

The Greenfield Advisor

News From Greenfield!

Issue 1-3, December, 2005

When Bad Things Happen to Good Property (edited by Dr. Roby Simon) is now slated for publication in February 2006. The chapter "Valuation of Contaminated Property" was authored by Dr. John Kilpatrick, Dr. Ron Throupe, Dr. Bill Mundy, and Will Spiess of Greenfield Advisors. There will be more information on how you can obtain a copy in a forthcoming issue of this newsletter.

Dr. John Kilpatrick has been named to author the forthcoming re-write of Chapter 29 – "Valuation of Brownfield Properties", which will appear in the upcoming update of *Brownfields Law and Practice*, published by Lexis Nexis Matthew Bender & Company. The updated version will be available in early 2006. For more information, contact Lexis-Nexis via bookstore.lexis.com/bookstore/product/10737.html

Greenfield Advisors has three papers accepted for presentation at the 2006 annual meetings of the American Real Estate Society, to be held in Key West, Florida, in April. The first is "The Impact of Transit Corridors on Property Values" by Drs. John Carruthers, Ron Throupe, and John Kilpatrick, which is also currently under review at a major real estate journal. The second is "Application of Repeat Sales Analysis to Determine the Impact of a Contamination Event" by Dr. John Kilpatrick. Finally, "Stigma Revisited Again", by Drs. Max Kummerow and John Kilpatrick. Abstracts of these papers are on page 2 of this issue.

"Brownfield Redevelopment: A Place Where Developers and Conservationists Can Agree" by Dr. John Kilpatrick of Greenfield Advisors and Nina G. Marshtein, P.G., of SCS Engineers is slated to appear in the *Charleston (SC) Regional Business Journal*.

Dr. John Kilpatrick will speak on March 3, 2006 at the Brownfield Redevelopment Workshop, to be held in Anchorage Alaska. More information will appear in the next issue of The Greenfield Advisor.

Goodbye to Dr. John Carruthers...

Dr. John Carruthers, formerly Director of Research at Greenfield Advisors, has accepted an appointment with Economic Development and Public Finance Division of the Office of Policy Development and Research at HUD. There, Dr. Carruthers will maintain a regional science oriented research program and analyze federal policy related to housing and urban development. His office at HUD is responsible for all economic and regulatory analysis for HUD on new rules and regulations as required by OMB. It also conducts policy research studies of public finance, economic development, taxation, and general economic policy as it affects housing, public sector financing, and community development. This responsibility includes development and monitoring of major databases, analysis of major economic and fiscal trends, research on major fiscal and economic policy development, and preparation of a biennial report to Congress on urban policy.

Dr. Carruthers will be greatly missed here at Greenfield. While here, he worked on several notable projects, including the adaptive re-use of the Twin Cities Army Ammunition Plant in Minnesota and the Big Rock Nuclear Power Plant site in Michigan. All of us at Greenfield Advisors wish him the best in his new endeavors!

...and Hello to Dr. Sandy Bond

Dr. Sandy G. Bond, Ph.D., SNZPI, ANZIV, currently a Visiting Professor at University of North Florida in Jacksonville, has joined Greenfield Advisors as a consultant on complex valuation. Dr. Bond is an Associate Member of the New Zealand Institute of Valuers (registered Public Valuer), a Senior Member of the New Zealand Property Institute, and an Executive Director on the Board of the International Real Estate Society. She is also on the Editorial Board for the *Pacific Rim Property Research Journal*. Dr. Bond holds a Ph.D. in Real Estate from Curtin University (Australia). She has already consulted on one project with Greenfield in Vancouver, British Columbia, and we look forward to working with Dr. Bond on many other projects in the near future.

Central Puget Sound Real Estate Research Report

The latest issue of this 54-year-old publication has just gone to press! The *CPSRER Report* is a compendium of data and analysis on all sectors of the three-county real estate market, and is a must-have for real estate analysts, attorneys, lenders, and investors in the Seattle/Tacoma area. Dr. John Kilpatrick of Greenfield Advisors is the Editor of this twice-yearly not-for-profit Report. For more information, visit the Report's website, www.realestatereport.org.

Marketability and Income Effects of Stigma

Many projects here at Greenfield involve estimation of stigma damages inherent in impaired real estate. While there is widespread agreement in the valuation community that stigma exists and that it has a major, long-term impact on property values, the exact mechanisms for stigma aren't fully understood by either lay-people or even appraisers. Dr. Bill Mundy, founder of Greenfield Advisors, set forth the principles for stigma analysis in a series of seminal 1992 Appraisal Journal articles, as well as many other subsequent articles.

In a recent working paper, now available on the Greenfield Advisors website, Dr. John Kilpatrick provides a summary of the current thinking in the valuation field on the primary mechanisms, diminished marketability and impaired income. His study shows that income effects can be partitioned between a risk effect (increased discount rate) and a diminished operating cash flow. He further shows that a single property can be affected simultaneously by all of these impacts, and that non-income-producing properties are affected by reduced non-pecuniary benefits. For a copy of the current version of Dr. Kilpatrick's working paper, visit our web site, www.greenfieldadvisors.com

The Impact of Transit Corridors on Residential Property Values

Most of the literature on transit corridors, such as superhighways and tunnels, focuses on the positive externality of transit access (e.g. – interstate access, transit station) and fails to isolate the negative externality of the corridor itself. A recent empirical study by Greenfield Advisors controls for the access benefit, and shows that proximity to the transit corridor alone conveys a negative impact on nearby housing values. The study finds that the impact of a tunnel is about 20% of otherwise unimpaired market value, for homes directly over a tunnel, and diminishes to statistical insignificance at about 300 feet. *Note: Copies of this article will be available on the Greenfield Advisors website after the 2006 American Real Estate Society meetings, upcoming in April.*

Stigma Revisited Again

Patchin (1992) and Mundy (1992) are widely credited with contributing the word "stigma" to the real estate valuation lexicon, outlining the necessary and sufficient conditions for stigma to arise, and modeling the mechanism for stigma to impact property values. In the ensuing years, stigma analysis has been the impetus for a significant body of theoretical, empirical, and practitioner literature. This paper, authored by Dr. Max Kummerow (Washington State U. and Greenfield Advisors) and Dr. John Kilpatrick (Greenfield) summarizes two principle sets of methods for measuring stigma impacts – cross sectional and time series – and provides examples of how academic methods can be employed in practice in stigma analysis problems. *Note: Copies of this article will be available on the Greenfield Advisors website after the 2006 American Real Estate Society meetings, upcoming in April.*

Application of Repeat Sales Analysis to Determine the Impact of a Contamination Event

Most studies analyzing the impacts of environmental contamination examine the cross-sectional impacts, either through a sales-comparison-type model or a hedonic pricing model. Neither model is robust at analyzing the impact on values of an event, such as a contamination announcement. Longer term longitudinal studies may not control for exogenous events. This study, authored by Dr. John Kilpatrick of Greenfield Advisors, uses a repeat-sales index to extract value-trend changes immediately after a contamination announcement, thus isolating the impacts of the event itself and controlling for exogenous factors. While the study is focused on a contamination event, the methodology can be generalized to any systemic event affecting a large number of properties with arms-length sales before and after the event. *Note: Copies of this article will be available on the Greenfield Advisors website after the 2006 American Real Estate Society meetings, upcoming in April.*

Investing in Real Estate

Greenfield Advisors has received requests for the handouts from Dr. John Kilpatrick's December 12, 2005, talk on Real Estate Investing to the Seattle Society of Chartered Financial Analysts. Copies of his handouts are available on our web site, www.greenfieldadvisors.com/publications.

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