

An Excess Land & Surplus land And application of HABU

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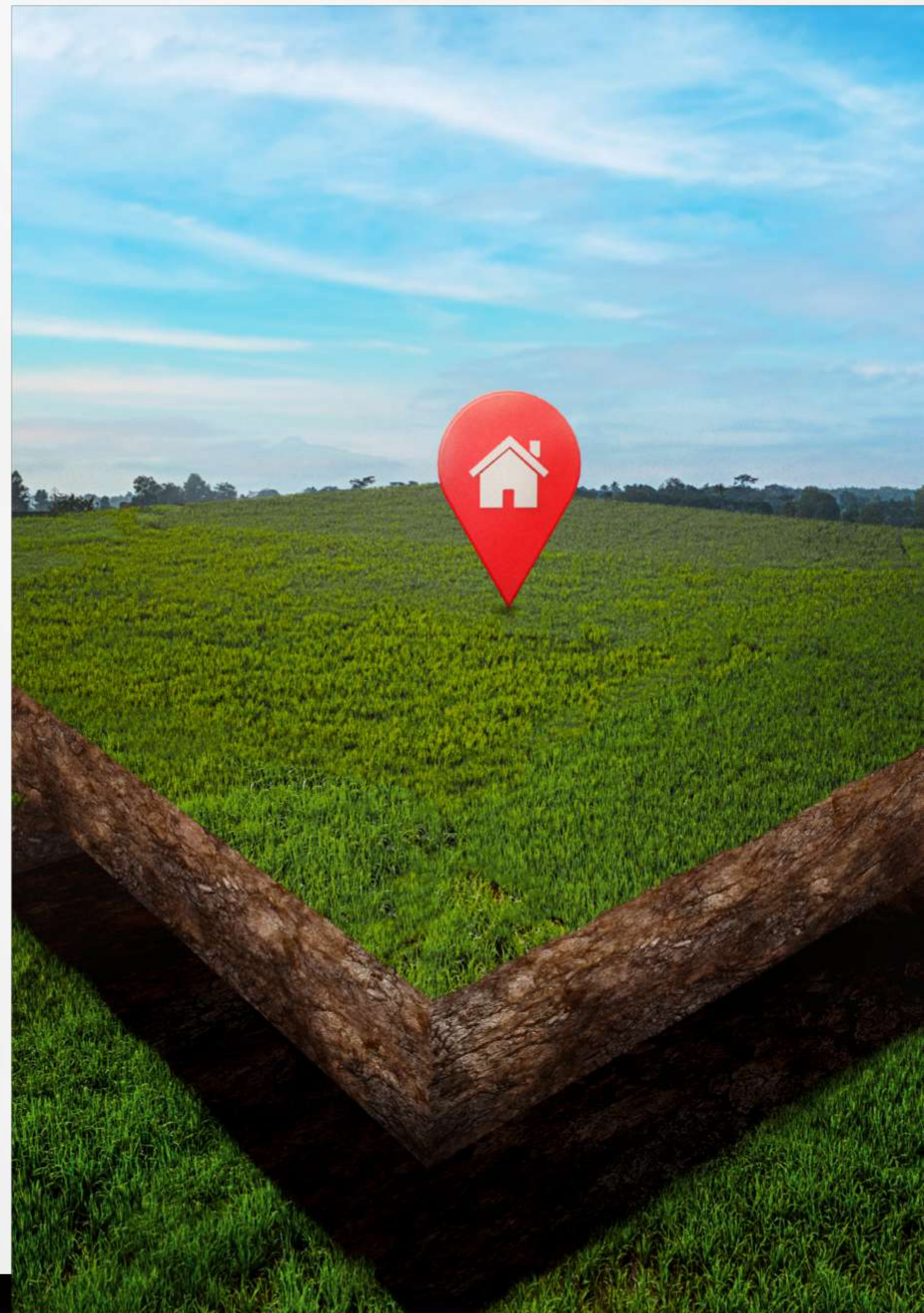


Introduction:

A larger than typical lot will be classified as excess land or surplus land. Excess land refers to the land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may be different than the improved parcel. It may be possible to sell off the excess, from the main parcel.

An example of excess land would be an adjacent vacant parcel that fronts a roadway and has easy access to the lot from the road. Excess land is valued separately and may have the potential to be sold as a separate parcel if subdivided .

On the other hand, the surplus land is not currently needed to support the existing use but cannot be separated from the property. However it cannot be separated and sold off. The surplus land does not have a different highest and best use and it may or may not contribute to the value of the overall parcel. An example of surplus land would be a home situated on a larger than typical parcel with no direct access, other than travelling over the main road.



The home or other improvements may be situated on the site possible without negatively affecting the functional and legal use of the property.

In both the situations, it is necessary to consider what is legally permissible considering the current zoning designation may allow parcel to be subdivided into smaller parcels with minimum size requirements.

It is easy to assume a larger lot is always more valuable, but we have to ask, if were dealing with surplus or excess land because it could make a difference in the value. But can the land be divided? What can it be used for? Does the parcel shape help the lot be useful for buyers?

A larger lot that can be divided might be worth for more than a larger lot that cannot be divided. What does zoning allow? In the market where values are up and construction is happening. There is higher probability of the lot being worth far more because it might be split. And Vica – Versa.

HABU & its applications:

The Highest & Best use of property is means which the property is put to its Highest & Best use which is:

1. Legally Permissible
2. Physically possible
3. Financially Feasible
4. Maximally Productive

The concept of Highest & Best use in fundamental to real estate valuation. In one application of the concept a site is valued as though vacant and available for its highest and best use. In other application, the Highest & Best use of the property is estimated as improved. Thus, a site may have Highest & Best use in a vacant condition. Another Highest & Best use in a combination of site and existing improvements. Thus the improvement that constitutes Highest & Best use is the one that adds the greatest value to the site.

So, the four factors of HABU are:

Legally Permissible will be current zoning regulations and/or deed restrictions allow the split.

2. Physically possible is the topographical size, shape or accessibility of the lot conducive to it being subdivided.
3. Financially Feasible will the split produce more value than the cost to do it.
4. Maximally Productive does the split produce the greatest return on the investment compared to other alternatives. Hence by applying HABU Test to land we are able to determine whether the land would be considered excess or surplus.

