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Deriving market prices for forestland properties from comparables

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Abstract

Purpose

The purpose of this paper is to construct a market price predictor (MPP) for forestland properties by applying a sales comparison approach (SCA) with several value-related characteristics obtainable from the property-specific sales line declarations.

Design/methodology/approach

An SCA-based predictor was designed for appraising and valuing forestland properties with varying quantitative features that impact their overall value. Using a two-stage classification procedure, representative reference sales (i.e. comparables) are objectively and commensurately selected for the subject using location and forest characteristics as classifiers.

Findings

The new SCA-based MPP is a stable and reliable tool applicable for pricing forestland properties in any location when data from comparables are available.

Research limitations/implications

A systematic and spatio-temporally continuous data collection procedure is a prerequisite for obtaining appropriate data for the SCA-based appraisal and valuation techniques, including the MPP model presented in this study.



It is expected that by applying the MPP model for the appraisal and valuation of forestland properties, positive societal contributions will be achieved through the intensification of the forestland property market.

Originality/value

The MPP model provides an objective alternative to the adding-value technique, which is the most commonly applied tool to appraise forestland properties in Finland. It is also offers an assumption-free alternative to the income approach.

Keywords

- Asset valuation
- Appraisal

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