

Highest and best use analysis of two properties

Law



Lots of money would be required to renovate the building in which I live. The building is in urgent need of total maintenance. Keeping in mind the cost of buying a flat in this building and then contributing 1/6 of the total cost of renovation is high. But to make my flat financially feasible to the prospective buyer as well as lucrative enough for me to sell, I will have to invest money in its renovation. Then only can it be termed financially feasible from both the buyer and seller's point of view? There is no question about the supermarket not being financially feasible. Since it is a recent construction, there will hardly be any renovation required for a long time to come. This supermarket is economically doing fine so it is at its highest and best use.

Legal conformity: Both the properties are legally fine. The only thing is that the residential building can legally never be converted into the commercial property as it is situated in an area meant for residential houses.

Maximal productivity: Both the properties are maximally productive. The flat in which I live will guarantee the highest net value to the developer because of the area in which it is situated. The supermarket is fit in all aspects and is unquestionably maximally productive.

Physical possibility: Both the properties scored well in the physical possibility test. Keeping in mind the topography, shape, size, and other attributes of the sites, any potential future use will not be a problem for both the sites.

After analyzing the results of the four tests of the highest and best use on both the properties, it can be concluded that there is no doubt about the fact that the supermarket is currently at its highest and best use. The residential property under discussion can also be said to be in its highest and best use phase but a degree lower than that of the supermarket. This can largely be attributed to the age of the two properties. Since the residential building is <https://assignbuster.com/highest-and-best-use-analysis-of-two-properties/>

older and is not generating any revenue, its financial feasibility status is understandable. Since the building residents are planning renovation work in the near future, it is very soon going to reach the highest and best use level of the supermarket. If the building owners decide to sell it then they will add the cost of the renovation too, to the selling price of the building. If the purchaser interested in it plans to demolish it and build a totally different structure then there is no requirement for the renovation at all as it is at present at its highest and best use from the purchaser's point of view. It is useless to pay more money in this situation. Hence a purchaser can expect profit as both the properties are currently at their highest and best use.