



## PENELOPE DIXON & ASSOCIATES

### Terms and Definitions<sup>1</sup>

#### Value Definitions

**Actual Cash Value (ACV):** The term refers to Market Value (defined below) and is generally synonymous with payments restricted to cash. Some insurance policies also define ACV as the replacement cost minus any depreciation.

**Blockage Discount:** The principle is applied to the valuation of large groups of similar and like items which, if sold during a limited period of time, would result in a depression of the prices one might expect if the items were sold separately in an ordinary market cycle.

**Fair Market Value (FMV):** The price at which the property would change hands between a willing buyer and a willing seller; neither being under any compulsion to buy or to sell and both having reasonable knowledge of the facts.

**Market Value (MV):** This value is the most probable price at which a property would sell in a competitive and open marketplace where the sale needs to be consummated within a specified time frame and neither the buyer nor the seller are under a compulsion to buy or sell. In addition, the object to be sold needs to have had sufficient market exposure for a reasonable amount of time and payment is made in terms of cash in American dollars or comparable financial arrangements are made. This term is essentially the same as fair market value except this term does not have the provision stating that there is no compulsion to buy or sell within a specified period of time.

**Marketable Cash Value (MCV):** This is a net value usually for equitable distribution, resale or estate planning purposes. The value realized, net of expenses by a willing seller disposing of property in a competitive and open market to a willing buyer, both being reasonably knowledgeable of all relevant facts, and neither being under constraint to buy or sell. Marketable cash value takes into consideration insurance, dealer commissions, advertising, travel and shipping expenses that may be involved in the sale. Implicit in this definition is that a sale takes place within an agreed upon time period with a specified method of payment and that the sale takes place in the best available marketplace and that sufficient time is allowed to advertise the property properly.

**No Commercial Value (NCV):** this usually refers to an object a group of objects for which it is not reasonable to assign a monetary.

**Orderly Liquidation Value (OLV):** This term, a low range net value usually for quick sales purposes, is defined as the most probable price in terms of cash or other precisely revealed terms for which the property would change hands under required and limiting conditions in an orderly manner and generally advertised and with knowledgeable buyers advised.

---

<sup>1</sup> Adapted from *Appraisers Association of America*



**Replacement Value (RV):** The amount it would cost to replace an item with one of similar and like quality purchased in the most appropriate marketplace within a limited amount of time. Replacement value is applied almost exclusively to insurance policies and is generally the highest valuation figure for personal property.

**Retail Replacement Value (RRV):** This term is defined as the highest amount in terms of US dollars that would be required to replace a property with another of similar age, quality, origin, appearance, provenance and condition within a reasonable length of time in an appropriate and relevant marketplace. When applicable, sales and/or import tax, commissions and/or premiums are included in this report. Usually used for insurance purposes.

**Retail Value (RV):** Used to establish a price guideline for retail pricing, the appraised retail value is derived from retail replacement value. It is defined as a reasonable amount in terms of US dollars that would be required to purchase a property of similar age, quality, origin, appearance, provenance and condition with a reasonable length of time in an appropriate and relevant market. Unlike retail replacement value, retail values do not include any fees or additional costs such as taxes, framing, conservation, restoration and addition commissions.

**Salvage Value (SV):** This is a valuation term implying abandonment by the rightful owner in which the person recovering the property may be entitled to a pre-agreed percentage of any net price realized in a future sale. Although there have been some exceptions, salvage is generally the lowest or rock bottom price realized in a sale situation. This is the net price in cash or other precisely revealed terms for which the property would change hands if sold immediately without regard to the relevant marketplace and appropriate use. In certain cases, this may be a negative value because labor and other costs may be required to disassemble and dispose of the property in a quick, forced and expedient manner.

### **Valuation Approaches**

**Comparative Market Data Approach:** (alternately called: Market Data Approach, Comparable Market Data Approach and Sales Comparison Approach): This is the most commonly applied approach when appraising personal property in which the appraised value is based upon past prices (close to the Effective Date) for similar works by the same artists/makers or of similar works by another artist/maker of equal standing and related reputation.

**Cost Approach:** This approach is used to determine the value of an object based upon the cost of duplicating or recreating the identical piece.

**Income Approach:** This approach is used to determine the value of a work of art or object which will be used to generate future income.