



Austin • Dallas • Fort Worth • Houston • San Antonio

March 24, 2009

The Honorable Helen Giddings
Texas House of Representatives
P.O. Box 2910
Austin, Texas 78768-2910

Dear Representative Giddings,

On behalf of the members of the Real Estate Councils of Texas, the unified voice of the commercial real estate industry, I would like to thank you for your hard work and your service to the state of Texas. While the Real Estate Councils of Texas respectfully oppose House Bill 2257 requiring mandatory sales price disclosure for commercial properties, we *are* very supportive of meaningful property tax appraisal reform. The issue of mandatory sales price disclosure for commercial property has sidetracked the process of meaningful tax reform and if enacted would continue to perpetuate an inequitable system of valuation and increase virtually everyone's ad valorem taxes. In addition, it will create a disincentive to the sale and purchase of commercial real estate, especially if such a disclosure leads to a real estate transfer tax, as has been the case in most states.

Tax appraisals are assumed to be based on market value and the sales price is not always a good measure of market value for income-producing real estate. This is why competent commercial appraisers rely upon the income approach and not the market approach to determine value. The Uniform Standards of Professional Appraisal Practice does not mention the use of comparable sales when attempting to value commercial property. Factors such as rental rates, rental terms, and capitalization rates are used.

As you know, commercial property is bought and sold for a wide range of reasons. The investment value of a property and the market value are not necessarily the same. Sales prices of commercial properties do not adequately assign value for portfolio transactions, assumption of existing debt, personal property included in the sale, intangibles such as good will and many other variables that affect the sales price but have no bearing on the market value. Sales price does not account for occupancy levels, resident profiles, economic rents, highest and best use of the property and other economic indicators that are accounted for under the income approach to most accurately assign market value.

Thank you for your attention to this matter and please do not hesitate to call us should you have any questions about the impact of this proposal on our industry.

Respectfully,

Macey Davis
Chair, Real Estate Councils of Texas

cc: Representative Joe Deshotel
Representative Wayne Christian
Representative Kirk England
Representative Dan Gattis
Representative Sid Miller



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March 31, 2009

The Honorable Mike Villarreal
Texas House of Representatives
P.O. Box 2910
Austin, Texas 78768-2910

Dear Representative Villarreal,

The Real Estate Councils of Texas, the unified voice of the commercial development industry in Texas, respectfully opposes House Bill 133 requiring mandatory sales price disclosure for commercial properties. The issue of mandatory sales price disclosure for commercial property has sidetracked the process of meaningful tax reform: a goal toward which our member organizations have been working. The mandatory disclosure of the sales price of commercial properties will create a disincentive to the sale and purchase of commercial real estate, especially if such a disclosure leads to a real estate transfer tax, as has been the case in most states.

Tax appraisals are assumed to be based on market value and the sales price is not always a good measure of market value for income-producing real estate. This is why competent commercial appraisers rely upon the “income approach” and not the “market approach” to determine value. The Uniform Standards of Professional Appraisal Practice does not mention the use of comparable sales when attempting to value commercial property, but instead relies on “income approach” factors such as rental rates, rental terms, and capitalization rates.

As you know, commercial property is bought and sold for a wide range of reasons. The investment value of a property and the market value are not necessarily the same. Sales prices of commercial properties do not adequately reflect the market value of that property because of certain factors including portfolio transactions, assumption of existing debt, personal property included in the sale, intangibles such as good will and many other variables that affect the sales price. In addition, sales price does not account for occupancy levels, resident profiles, economic rents, highest and best use of the property and other economic indicators that are accounted for under the income approach.

Thank you for your attention to this matter and please do not hesitate to call us should you have any questions about the impact of this proposal on our industry. On behalf of the members of the Real Estate Councils of Texas, I would like to thank you for your hard work and your service to the state of Texas.

Respectfully,

Macey Davis
Chair, Real Estate Councils of Texas

cc: Representative Rene Oliveria
Representative John Otto
Representative Dwayne Bohac
Representative Will Hartnett
Representative Harvey Hilderbran
Representative Charlie Howard
Representative Phil King
Representative Ken Paxton
Representative Aaron Pena
Representative Larry Taylor