

# LAMPASAS CENTRAL APPRAISAL DISTRICT

## *"HOW YOUR PROPERTY IS APPRAISED"*

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Please contact our office if you have any questions or comments concerning this information.

**Market Value** is the price at which a property would sell for cash or its equivalent under prevailing market conditions if:

- Exposed for a reasonable time in the open market
- Both the buyer and the seller are well informed of all the property uses, purposes, and restrictions
- Both parties seek to maximize their gains
- Neither party is in a position to take advantage of the other

### **THERE ARE THREE APPROACHES TO VALUE: MARKET, COST AND INCOME**

The Value of real property subject to local property taxation is determined by the use of Mass Appraisal techniques. Within the Mass appraisal system, there are three widely recognized approaches to determining the value.

The Sales Comparison or Market approach, the Cost approach and the Income approach are all considered in the value determination.

The type of property being appraised will determine how much weight will be given to the values derived for a property under each approach.

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## ***Data Collected***

The appraisal district staff begins the appraisal process by performing data collection of all property. Staff appraisers will inspect each property noting the individual characteristics of the property that affect value such as size (square feet), quality of construction, physical condition, restrictions to use of property, terrain or topography, etc. The district has developed valuation schedules and models based on the different types of properties. Each property will be placed on the appropriate model based on its individual characteristics.

## ***Mass Appraisal***

In appraising property for Ad Valorem taxation, the appraisal district utilizes a method called mass appraisal to calculate the value of a large number of properties. Mass appraisal is the process of valuing a group of properties as of a given date using common data, standardized methods and statistical testing. In mass appraisal, values for individual parcels should not be based solely on the sale price of a property; rather, valuation schedules and models should be consistently applied to property data that is correct, complete and up-to-date.

The ***sales comparison/market approach*** to value is based on sales prices of similar properties. It compares the property being appraised to similar properties that have recently sold and then adjusts the comparable properties differences between them and the property being appraised.

The ***income approach*** is based on income and expense data and is used to determine the present worth of future benefits. It seeks to determine what an investor would pay now for a future revenue stream anticipated to be received from the property.

The ***cost approach*** is based on what it would cost to replace the building (improvement) with one of equal utility. Depreciation is applied and the estimate is added to the land value.

Lampasas Central Appraisal District primarily uses the ***Sales Comparison/Market Approach***.

### ***a.) Sales Comparison/Market Approach:***

This approach asks "What are properties similar to this property selling for?" In the absence of a sale of the subject, sales prices of comparable properties are usually considered the best evidence of market value. The sales comparison approach models the behavior of the market by comparing the properties being appraised (subjects) with similar properties that have recently sold (comparable sales). Comparable sales are selected for similarity to the subject property. Their sales prices are then adjusted for their differences from the subject. Finally, a market value for the subject is estimated from the adjusted sales prices of the comparable sales.

This document was intended to give property owners the basic framework of property appraisals and does not include detailed information regarding property appraisal. For more information please feel free to contact our office at **512-556-8058** and one of our staff members will assist you with any questions you might have.