



## **“The difference between Business Value v. Real Estate Value”**

A good question.....one that often leads to confusion on the part of the general public. The professional Valuation Advisors at the Olin Group, LLC. provide both services and explain the difference in this manner;

Tangible Assets (Real Estate/Machinery & Equipment)

Plus (+)

Intangible Assets (goodwill, trained workforce, patents etc.)

Equals (=)

Business Value

Real Estate is defined as “Land and anything fixed, immovable, or permanently attached to it such as appurtenances, buildings, fences, fixtures, improvements, roads, shrubs and trees (but not growing crops), sewers, structures, utility systems, and walls. Title to real estate normally includes title to air rights, mineral rights, and surface rights which can be bought, leased, sold, or transferred together or separately. Also called real property or realty.

For appraisal purposes, real estate value is typically based on the land, building and site improvements and their ability to be sold for money. Real Estate value does not concern itself with what the Business that occupies the real estate earns, rather just what that real estate could be sold for based on its rental income or value in trade (what other, similar real estate is selling for).

Business Value is defined as The entire value of a business; the summation of all its parts, tangible (real estate) and intangible (enterprise value).

Real Estate is considered part of an entity’s overall Business Value. When forming an opinion of Business Value the appraiser calculates the value of the intangible assets such as, goodwill, workforce, customer lists, patents, management expertise etc. and adds the value of the tangible assets, such as real estate, furniture, fixtures and Machinery & Equipment to arrive at the entities Business Value.

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