The Webb Discount Chart: A Simple Fast Method for Valuing Fractional Interests

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SUMMARY

The business valuation and real estate appraisal professions are facing intractable problems with multidisciplinary valuations, particularly fractional interests in real estate. They simply don’t collaborate. The Narrative Discount Valuation Method© is a fact-based approach that resolves such issues simply and quickly.

The Webb Discount Chart is an important tool of this Method. It embodies 20 years of market data and experience in an easily-used tool designed to help valuers resolve valuation problems that have existed for decades. Discover how fractional ownership affects value in a way that is easily understood and communicated – for the benefit of valuers, lawyers, taxing authorities, property owners and their partners.

The Webb Discount Chart is a simple, clear and essential but easy-to-learn valuation tool. It takes technology developed at great effort in the U.S. and makes it available for all valuers and users of fractional interest valuations. It is now possible to quickly build a domestic valuation best practice in this interdisciplinary field.

The advantages for planning purposes are huge, and had not been available to non-valuers before advent of the Webb Discount Chart. In the hands of experienced valuers, it assists immeasurably in providing highly supportable evidence for value.

1. INTRODUCTION

The business valuation and real estate appraisal professions are continuously examining and developing practices to meet a very wide range of client needs. Business valuation in particular is charged with addressing a few valuation problems for which accepted processes are not well established. The most intractable of these arises when the valuation assignment requires skills of both professions. They don’t mix well. This valuation frontier has posed major challenges in the U.S. that have not yielded in more than two decades. The ability to fairly value fractional interests in real estate is a challenge for both professions. This has not gone well – until now.

This paper introduces the Narrative Discount Valuation Method© (NDVM), as part of the
Integral Valuation Approach, and the Webb Discount Chart, the NDVM’s principal tool for valuing fractional interest discounts. The NDVM is a fact pattern-based method, and the Discount Chart is designed to work directly with specific fact patterns that have been elusive with respect to discounts. The NDVM and Discount Chart are both designed to foster collaboration between the two professions and their clients: attorneys, property owners, partners, families, regulatory authorities and the courts. Both fact pattern analysis and collaboration are essential and both have been largely missing from this valuation practice area.

The NDVM is a major reorientation of the valuer’s process for analyzing and developing discounts for fractional interests in real estate. Its Webb Discount Chart begins with fact patterns and embodies multiple rigorous valuation models in a graphic form. This allows for making clear connections between facts and discounts that are otherwise meaningless and confusing at worst and a very long presentation at best.

The Discount Chart pictures the major types of value impairments in relation to upper and lower limits within each type, and also in relationship to each other. Pictures can indeed be “worth 1,000 words,” and the Webb Discount Chart’s portrayal of the relationship between structure types, holding periods and discounts provides the basis for understanding between valuers and non-valuers alike. Understanding fosters collaboration, and a work culture that values collaboration allows for many important resources that would not be captured to inform the valuation.

The valuation report must lead to understanding – to agreement with tax authorities and the court – with the partners who are being bought out – and with attorneys planning wealth-preservation strategies at a minimum. A collaborative effort supports understanding and the desired result. What if we thought about valuation in an integrated way, not in terms of separate disciplines? After all, the real world is affected by the facts that influence value, and is much less interested in professional classifications.

This paper begins with a short background on the Webb Discount Chart and the need for cross-discipline collaboration. The Discount Chart is presented in its most basic form and its structure and use are discussed. The overlying NDVM is then described, followed by an illustrative list of typical facts that are the essential core of a successful integrated valuation.

1.1 Background

The Webb Discount Chart is the embodiment of 20 years of accumulated market data and observations coupled with 20 years of experience in valuing real estate, businesses and real estate holding companies (Limited liability companies (LLCs), partnerships and others) in the U.S. It makes use of five rigorous valuation models in combination with a comprehensive real world catalog of fact patterns that drive discounts. This experience and analytical power is available to users who need only to understand their partnership facts and then compare those patterns with others. Those facts define the degree of control and marketability impairments that lead to discounts from underlying net asset value.

The author has been engaged in fractional interest valuation since 1994, has been speaking, writing and teaching on the topic since 1997, and has written the key case studies textbook on
the subject, published by the Appraisal Institute in 2004 (see Webb, Valuing Undivided Interests in Real Property: Partnerships and Cotenancies). He then began a major collaborative effort with the U.S. Internal Revenue Service (IRS) in 2005, and together with the American Society of Appraisers has hosted a series of symposia aimed at increasing the level of collaboration between IRS and the valuation community. The need for collaboration was also raised in an earlier FIG Congress paper (see Webb, Why, How and Who of Direct Fractional Interest Valuation). The NDVM is the next step in bringing together the wide range of interests involved in discount valuation.

The need is critical. The U.S. taxation system relies on fair market value determinations for a great many purposes. Massive abuse of valuations for estate & gift purposes in particular have been such a big headache for the Internal Revenue Service that it received new draconian powers from the U.S. Congress in 2006, allowing it to sanction appraisers with no due process and no appeal. The Tax Court repeatedly rejects expert testimony as unhelpful (see Case of Ludwick and Case of Mandelbaum). The situation continues to be an unnecessary mess.

The Narrative Discount Valuation Method mirrors the type of valuation work that is accepted, and its underlying models are very successful with IRS. It was created from much collaboration and long years of successful practice (above). It is capable of producing more reliable and better-understood opinions of discounts than are produced by the great majority of appraisers doing this type of work in the U.S. It helps clean up the mess.

1.2 Cross-Discipline Collaboration

The unfortunate cause of discount valuation troubles is the fact that it requires an interdisciplinary approach. The fact patterns that concern minority partners in asset holding companies (partnerships, for example) span both real estate and business valuation domains. The analytical skills required to understand how they affect value must be taken from two entirely different professions: Real estate appraisal and business valuation, with an understanding of accounting, finance and law.

Collaboration is the key but one for which the professions were not designed; they necessarily see the world differently. Real estate appraisal is transaction-driven, relying on comparable sales and markets that embody the economic value of any particular property. Its primary concern is not the business that occupies the property. Business valuation is more concerned with operating fundamentals and financial metrics. It values all business assets and can allocate value to real estate, but is not concerned with analyzing real estate transactions or markets. The distinctions that are important for understanding real estate (its very specific and often complicated ‘bundle of rights’ for example) are not taught.

The two professions developed entirely separate from each other, and to this day struggle with topics that involve each other’s domains. Many important skills simply do not translate well from one “language” to the other, and lead to the problems stated above. One solution might be to qualify a large number of appraisers in both disciplines, but that is not practical. Even in the U.S. the number of experts professionally-designated in both fields can be counted using your fingers on both hands! The real solution is collaboration, which leads to an integrated understanding of the facts. Those facts can then make their way into the real estate appraisal
and business valuation work products. The Webb Discount Chart supports just that.

It is a challenge for smaller countries and for those that are now establishing both real estate appraisal and business valuation professions to also develop capabilities to value partnership interests. This is a side problem that can be huge, but one that demands a degree of professional development that is not even fully accomplished in the U.S. Fortunately, the NDVM can be adopted and applied as a best practice standard that eliminates the need to qualify appraisers in multiple disciplines, a big step forward for reliable valuation and compliance regimes.

2. THE WEBB DISCOUNT CHART

The Narrative Discount Valuation Method© is designed to foster collaboration and easily spans disciplines. This occurs because it is fact-based, just like the due-diligence process used by any market participant. Its principal tool for valuing fractional interests in real estate is The Webb Discount Chart, which is a graphic portrayal of distinct fact patterns.

The Discount Chart is structured to show different methods of holding fractional interests in real estate in three zones. Each zone includes ownership structures that are similar with respect to their value-influencing characteristics.

- The Discount Chart shows holding period along the horizontal axis and the concluded discount from net asset value, for lack of control and marketability, along the vertical axis.
- The upper and lower lines represent sets of commonly-encountered conditions that are essentially high-risk/low growth (upper) and low-risk/high growth (lower).
- Risk places a particular interest between each pair of lines, and the facts &
circumstances place a reasonable holding period along the horizontal axis.

Users can study the illustrative examples (below in italics) to understand the meaning of the upper/lower limits, and get an idea of a range of discounts from the chart. In general, the lower lines are interests you would be willing to buy (good cash flow, growth, low risk), the upper lines are interests that you wouldn't (risky and problematic). Both the reference narratives and application of the underlying models embody the author’s 20 years of experience valuing these types of interests in real estate.

The high-level (most generalized) chart presented in this paper allows for a rough estimate of discount based on a few scenarios and zone selections. The higher level chart is directly usable by lawyers, general partners and others in both planning for eventually-applicable discounts and also screening valuation work for reasonableness.

Detailed-level charts are available for practitioners’ use in making more refined estimates, and seminars are available to train valuers in using online versions of the underlying models. Detailed evidence from the underlying valuation models is needed for presentation of results to the court or for other circumstances where value must be proved.

The three zones correspond to the primary characteristics of three basic types of ownership. They are not absolute; for example, a general partnership interest might be so restrictive that it is more like a limited partnership interest. The upper and lower lines correspond to extremes, but we could, of course, generate more lines (and do for the more detailed Discount Charts).

The following descriptions are provided to illustrate the process.

2.1 Zone 1

Zone 1 is for limited liability structures such as LLCs and limited partnerships, corporations and related structures. Their common characteristics are a relatively long life, no structured exit opportunity (such as a buy/sell agreement), and little or no control attributable to the interest. They rarely have a short expected holding period. If the concluded period is short, then the interest is more akin to a general partnership interest and belongs in Zone 2.

The interest may have a very long expected holding period, but even so, the analysis is limited to a 10 to 15 year maximum because of model limitations. (Real estate yield rates seldom represent longer holds. In general, returns for distant events are discounted at a much lower rate than events within typical investor periods. This idea is supported by the author’s observations of family investing behavior, and also by Frazier, Quantitative Analysis of the Fair Market Value of an interest in a Family Limited Partnership; also Airaksinen and Hannelius, The Income Approach Combined with Market Prices in Forest Property Valuation. The fact patterns often suggest specific periods.

Once the holding period is determined, the cash flow and relative risk of the position for a variety of causes can be compared with the high-risk and low-risk descriptions. The location between the two lines is estimated, and along with the period leads to a selected point on the vertical axis, which is the concluded discount.
The lower limit is for a minority partner position in a limited partnership. It holds moderate risk stabilized assets such as apartment buildings, and revenues are expected to grow at or a little faster than inflation. Leverage is low, and distributions are made pro rata, (with no extraordinary management fees or preferences). The partnership distributes at a rate of 6.5% to its net asset value. The hold period can vary from four years to more than 10 years, depending on the facts. This is a partnership that you might like to buy into.

Partnerships could have somewhat greater cash flows, but they would probably need to have riskier assets in the 2014 market. An extraordinarily well-managed partnership with institutional-grade assets and exceptional tenants could lie below this line (lower discount) but such a partnership is unusual.

The upper limit is also for a minority partner position in a limited partnership. It holds higher risk assets such as a mobile home park. Revenue growth may be constrained by rent control ordinances. Leverage is moderate to high, and there could be some refinancing risk. Distributions are also made pro rata, at a rate of 2.5% to its net asset value. The hold period can also vary from four years to more than 10 years, depending on the facts. This is not such an attractive investment.

A partnership could have no cash flow, in which case all of its value would be in asset price appreciation. Value growth is the driver in that case, but holding period becomes a bigger issue, and whether a partner would sell such an interest at a heavy discount is strongly dependent on the facts. Such potentially awful investments need special consideration, and their discounts can lie above the upper limit. It is also possible that very good situation would lie below the lower limit. They are well within the capabilities of the Webb Discount Chart, but are beyond the scope of this paper.

The data shown as the two lines in this zone is generated by a multiple linear regression model that uses a large database of limited partnership transactions (control discount) and a present value model correlated with restricted stock studies (marketability discount), as described in Webb, Valuing Undivided Interests in Real Property: Partnerships and Cotenancies.

2.2 Zone 2

Zone 2 is for ownership structures that allow the interest to have varying degrees of control. For example, property held as tenants-in-common under English common law usually provides each interest-holder the right to bring a partition action aimed at obtaining that person’s pro rata share of the whole. If the property cannot be physically divided, then the court will usually order it sold and the proceeds equitably divided.

Each interest also has specified rights concerning use, major improvements and other matters. This arrangement can be modified by agreement. A general partnership usually gives control and sometimes exit rights to each of its partners. This is the more difficult valuation problem, since rights are so variable. Still, they translate to an estimated holding period, based on the facts and an estimate of overall risk.
The holding periods in this zone tend to be shorter not because the partners will sell the property soon, but because the interest-holder can force sale or exit with its pro rata share of the whole. The discount is selected based on holding period and risk in the same manner as for Zone 1, above. The situation in Zone 2 is more complicated because the ownership rights are less well-structured and predictable.

**The lower limit** is for an unstructured tenant-in-common interest in moderate risk real estate (say, an apartment building), and revenues are expected to grow a little faster than inflation. There are no loans against the property. Pro rata distributions are about 6.5% of net asset value (only the property and cash) and must be made pro rata. The hold period is shortened by the ability of the interest to bring a partition lawsuit. If the interest is relatively small (cannot afford to bring a lawsuit) or is likely to encounter serious resistance and counter-actions by other owners that would not be happy with a forced sale, then the time can extend or risk can increase.

The discount can increase with management issues, a history of conflict, or (in the case of a vacation home, say) personal use difficulties. The discount can also be increased with an operating agreement that grants or limits specific rights. Too many limitations might make a tenant-in-common interest with an operating agreement equivalent to a limited partner interest, which then requires using Zone 1.

**The upper limit** is for a partner position in a general partnership. It holds higher risk assets (such as the mobile home park, above, for which revenue growth may be constrained). Leverage is moderate to high, and there could be some refinancing risk. Distributions are made pro rata, at a rate of 2.5% to its net asset value. Risk is very much affected by the degree of control that the partner can exercise. She usually cannot make decisions on her own, but can often block decisions made by others that she doesn’t like. It would not have a clear and simple way to exit with its pro rata share of net asset value. If too restricted and if its voting rights are not very strong, this could be very similar to a limited partnership, and would be valued in Zone 1.

A general partnership interest could have an exit right that would all but eliminate its marketability impairment – at least if it could get out with the (discounted) value of its interest. If it could get out with its pro rata share of underlying value, say based on a buy-sell agreement, then risk would be reduced further, and the resulting discount would be much lower.

The data shown as the two lines in this zone is generated by an option pricing model, present value models for overall delay and for the partition (lawsuit) exit as described in Webb, Valuing Undivided Interests, and an analysis of “near-term liquidating partnerships.”

### 2.3 Zone 3

Zone 3 is unusual, and is included to make the Discount Chart complete. It applies for whole-property interests (not fractions) whose value is impaired by specific facts and circumstances. Examples would be market failure (say, no sales at all due to an extreme event, like the economic collapse of 2008-2009), a highest & best use that is conditional on some future event and no reasonable market prior to that event, and others. Of course, if transactions...
involving similar conditions can be located, then the normal real estate appraisal process will produce a credible result. But if there are no observable market data, then the risk and delay are more like a tenant-in-common structure, and the discount will be found in Zone 2.

Even a short delay exacerbates risk and leads to significant discount, as demonstrated by options markets for publicly-traded securities. Since facts that land the analysis in Zone 3 are unusual, only one scenario is offered. Of course, the facts can vary and generate two (or more) lines, as shown in the Discount Chart.

Suppose one holds a development property that would have been purchased by a developer a few years before the date of value, subdivided, and the buyer would have constructed houses. But the date of value is during an economic recession (2009 for example) where lending was strongly curtailed and development was all but stopped nationwide. Appraising the real estate is made difficult by the fact that there are zero sales of development land during this period – the market has failed (no development taking place and no buyers). Of course, there is theoretically a buyer at some price, for example a financial buyer who would hold the property for eventual sale to a developer when economic conditions improve.

Time delay and risk can be determined from expected changes in market conditions – how long would this hypothetical financial buyer have to wait for developers to return. When they do, will they pay as much as they were prior to the recession? Maybe adjusted for inflation? Based on these facts, we can determine a holding period and an eventual “take out” price for development. That price is then adjusted for risk and holding period using the chart. If the period is expected to be very long, Zone 2 might be used, as stated above. Any delay beyond that is built into market pricing data generates a discount, and that discount can be valued by the Webb Discount Chart.

The data shown as the two lines in this zone is generated by an option pricing model and an analysis of “near-term liquidating partnerships.”

3. THE NARRATIVE DISCOUNT VALUATION METHOD©

This is a new valuation method that is part of the Integral Valuation Approach. The traditional “approaches to value” normally include: The asset accumulation approach (the cost approach in real estate appraisal); the market approach (the sales comparison approach in real estate appraisal); and the income approach.

Within each of these approaches are various valuation methods. Multidisciplinary valuation requires different methods for each asset type and for the business (holding company) itself, which produces a complex and hard-to-comprehend valuation process. The NDVM operates under all of these approaches, which apply at different steps in the valuation process.

For example, Webb Discount Chart is part of this method and it includes several methods under both the market and income approaches; its overall (discount) application is used in the net asset value method (asset accumulation approach). As you can see, tracking specific methods and their application can become quite complicated in multidisciplinary situations if the reader...
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is based on the facts and the case fact pattern.

3.2 Key #2 – Connect the Dots

Once all the facts are gathered, the valuation expert must demonstrate how these are connected with market evidence. Facts are on one hand and data are on the other. Understanding how the connections will be drawn provides a way to evaluate which facts are important, which circumstances must be investigated in more detail.

The Webb Discount Chart provides graphic dot-connecting for fractional interest valuations, an otherwise difficult task. The connections are understood through advanced study of the workings of the chart, but their result is readily connected with the facts and provides even non-valuers with a reasonable understanding of how the facts lead to the conclusion.

3.3 Key #3 – Tell the Story

Once the facts are identified and analytical connections drawn, the valuation still needs a coherent story to carry the message to a successful conclusion. A persuasive story is a requirement for every legal argument and for every valuation. It clearly explains why the seller of the business or property interest would part with it, and why the buyer should pay the concluded price.

The basic Discount Chart and its story-based discount boundaries allow for discussion of applicable discounts and the underlying reasoning. The advanced user can build a persuasive story from both the facts and the Discount Chart’s internal analytical models that combine to provide exactly the winning presentation that is needed for the Court and for all the other audiences for fractional interest valuation reports.

3.4 Important Advantages

An assemblage of the facts – essentially the buyer’s due-diligence – is first a narrative. The story of how the facts affect value must be told, and collaboration is essential for building fact patterns. When valuers become immersed in their analytical process, facts and the story are very often lost, and the reader all too often gives up. The U.S. Tax Court has famously done this repeatedly; see Case of Ludwick and Case of Mandelbaum. None of this is desirable.

The NDVM all but guarantees that reality will be presented in the form of the facts. The second key is in large part satisfied by the Webb Discount Chart with respect to discounts. The resulting valuation report cannot help but persuade the reader.

The Discount Chart is a nonverbal tool that eliminates the need to communicate the appraiser’s process in technical terms, and allows all involved to focus on understanding what is important in the underlying fact patterns. Collaboration between the real estate appraiser, the business valuer and other asset appraisers, the client and the partner, lawyer and other advisors is helped immeasurably by the Discount Chart.

The Webb Discount Chart not only allows the relationship between facts and value to be readily seen, it also allows the effect of changing facts to be understood. It is very difficult to
read appraisals of interests held under differing conditions (say, limited partnership vs. general partnership vs. tenants-in-common) and understand the value effect of choosing one ownership form over another.

Property effects can be tracked too. What if the real estate were riskier? What if cash flow was greater? These could change over time, and the effect on value of these expected changes could be understood (based on combination of asset appraisal and discounts revealed by the Discount Chart).

The advantage for planning purposes is huge, and has only been available at great effort before the Webb Discount Chart. And for experienced valuers, it assists immeasurably in providing easily supportable evidence for value.

4. SHOPPING FOR THE FACTS

The facts are the one indispensable element in a successful valuation. The description that follows is an outline of the major facts and principles that guide this process.

The touchstone for fact-finding is the hypothetical buyer’s due diligence. What would interest that buyer? How would they see and understand risk, particularly in relationship to alternative investments (say, a 100% interest in a smaller property)? How is the partnership being run, and what are its future prospects? How is it different from the typical public limited partnership? The valuer will, of course, consider these elements in a very detailed way. A non-valuer can acquire a basic understanding, and if they are a principal in the partnership or (say) a lawyer or accountant has been connected with the partnership for a long time, they may actually understand its operations better than the valuer.

The typical fact list is divided into four categories: Real property assets, owners, ownership structure and financial structure. Within those categories are essential facts that are primary determinants of risk or holding period and discount, and that could have some effect on risk. The significance of the facts we designate as primary have been shown through a quite rigorous analysis to be significant; see Webb, Valuing Undivided Interests. The book includes specific fact elements, their significance and the level of discount they influence. The most important of these facts are embedded in the Webb Discount Chart, and others are part of the Discount Chart’s narrative analysis.) This is not a guessing game.

You will notice that these facts are not part of one valuation discipline – they are understood by different disciplines, and some are the valuation domain and are better-understood by owners, lawyers, accountants and others. Collaboration is required for this to work.

4.1 Real Property Assets

The risk presented by real property underlies the overall risk to the partners. It generally provides revenues which have an expected growth and other expected future events that affect revenues and ultimately cash flows. The real estate appraiser and business appraiser use different value premises, which demands collaboration. Facts include:

- Property type – defines overall risk.
- Long-term cash flow and value growth rates.
- Operating cash flow for 100% fee interest before debt service.
- Management requirement – intense or passive?
- Highest & best use – stable or changing? Possible future development?
- Non income-producing – ownership objective value growth? Personal usage?

### 4.2 Owners

These are the other partners, shareholders or cotenants that come with the deal. The subject interest is valued in the hands of a hypothetical seller, passing to a hypothetical buyer (for fair market value), but the other parties are known. Who they are is arguably the single most important fact for the hypothetical buyer: Who are my partners? This can be a deal breaker before assets and cash flow are even discussed, and should be carefully considered.

- General partner/manager competency.
- Management changes; current manager age, provision for succession.
- History of conflict between partners?
- Historic buyouts, likelihood of a new partner being bought out? Under what terms?
- Beneficial rights under the agreement? Can the interest holder block undesired actions of others? Is this practical, or would it invite opposition?
- Available cash flow distributed? Or is it likely to be reinvested?
- Do partners have interest conflicts, such as affiliated management companies?

These questions are best answered by the client and existing partners and their advisors. They are material, and very often ignored by valuers. Collaboration, again, is absolutely necessary.

### 4.3 Ownership Structure

Structures of holding companies and similar entities are legal matters, but analyzing and interpreting for valuation purposes will often include examining/interviewing the other parties and their history in forming and operating the entity.

- Remaining term – will the others vote to extend, or will assets be liquidated?
- Capital call provisions – is the interest being valued at risk for additional capital?
- Distribution splits – strictly pro rata, or are there preferences or unusual fees?
- Voting provisions – does the interest have any material influence on decisions? Can it block decisions of others to get its way? Can it exit? Is it a swing vote?
- Will the buyer be admitted as a partner, or assigned distribution rights with no vote?
4.4 Financial Structure

The partnership’s financial structure includes all of its assets and liabilities (balance sheet) and all of its operations (income statement). Its net asset value is the sum of the fair market values of its assets (real estate is usually the largest, although it often holds securities and cash), less the fair market values of its liabilities (usually property-related debt). Its revenues are mostly operating cash flow from its real estate and any other income, less administrative and management expenses in addition to real estate-related expenses, and less debt service. There may also be distribution preferences. Pro forma statements show net asset value and distributions expected over the 12 months following the date of value. Facts then include:

- Net asset value.
- Distribution rate – first year’s distributions divided by net asset value.
- Leverage – ratio of debt to net asset value. High leverage increases risk.
- Nonmarket loan terms – may require fair market value adjustment.
- Excess cash – over the amount necessary for operations.
- Loan terms – balloon payment due? Prepayment penalties? Personal guarantees?

The financial performance of the partnership is a principal point of comparison with market data and key element for moving the subject partnership on the vertical axis. The distribution rate or yield is the most commonly used measure. Risk and holding period are strongly influenced by the financial structure.

4.5 Putting the Facts Together

The facts in each of these four categories contribute to conclusions of a) expected distributions, distribution rate and growth rate, b) risk due to asset, ownership and financial characteristics, and c) likely holding period. These conclusions are then compared with the Webb Discount Chart’s boundary fact patterns and located (usually) between the upper and lower lines. Locating this point along the holding period axis gives the indicated discount.

Valuers can use the facts as their starting point in making specific forecasts and risk analyses. The facts provide a solid basis on which to build connections with market data (through the Webb Discount Chart) and then form the persuasive story that comprises the valuation report.

CONCLUSIONS

The business valuation and real estate appraisal disciplines are confronting a valuation frontier where they must collaborate to produce credible multidisciplinary valuations. This requires new ways of thinking and new tools that facilitate collaboration.

This paper provides an overview of the Narrative Discount Valuation Method and an introduction to the Webb Discount Chart. Together they offer a multidisciplinary valuation best practice that relies on collaboration to resolve problems that have bedeviled U.S. valuers.
and authorities for more than 20 years.

The NDVM works because if focuses on the fact patterns that consistently elude appraisers, largely because they specialize in one discipline domains or another. Unfortunately, the different domains use different “languages” and have a hard time collaborating successfully. The NDVA also brings in those who are intimate with important facts, partners, principals and their advisors. Integral collaboration makes the difference.

The Method’s fact-focus provides a firm starting point for the Three Keys, essential steps to a persuasive valuation. The dots between facts and valuation data are connected (for discount analysis purposes) by the Webb Discount Chart. Both together are the basis for the persuasive story.

The Discount Chart allows relationships between one partnership and another and one ownership structure and another to be understood with ease. It is a transparent picture that does not require comprehension of appraiser-speak. Non-appraisers proceed with planning decisions with far greater confidence, and qualified appraisers can present well-supported and persuasive opinions of value.
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BIOGRAPHICAL NOTES

Dennis A. Webb, ASA, MAI, FRICS is the founder of Primus Valuations®, a multidisciplinary valuation and litigation consulting firm with offices in Los Angeles California and Denver Colorado, USA. Mr. Webb is a dual-designated appraiser and business valuer with wide-ranging expertise in related fields, particularly important for his 20-year practice emphasis on real property-related and other specialty business interests, including special use properties (going concern) and fractional interests in real estate and financial assets.

Mr. Webb authored the textbook “Undivided Interests in Real Property: Partnerships and Cotenancies,” published in 2004 by the Appraisal Institute, as well as numerous articles on discount-related and interdisciplinary topics. Articles are published in Business Appraisal Practice, The Appraisal Journal, Valuation Strategies, the Journal of Business Valuation and Economic Loss Analysis, Estate Planning and RICS Property World. He is a frequent presenter at U.S. and international valuation conferences and teaches extensively on interdisciplinary valuation topics.

He is an Accredited Senior Appraiser (ASA) in Business Valuation and Real Property disciplines with the American Society of Appraisers, an MAI Member of the Appraisal Institute and a Fellow of the Royal Institution of Discount Chartered Surveyors.

Prior to specializing in real estate and business appraisal, Mr. Webb was co-owner of an NASD broker/dealer firm which provided real estate investment syndication, analysis and appraisal services. He held licenses as a Registered Representative and General Securities Principal, and was also responsible for due diligence investigations. He received his B. S. degree in Engineering from the University of California at Los Angeles, with a Minor in Economics, and worked for 15 years as a systems and design engineer.

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