Billboard Valuation: Fundamental Asset Allocation Issues

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"A problem well defined is half solved" is an axiom worthy of consideration in the valuation of outdoor advertising assets. This article advances the concept of the money trail, or the observation of the direction and derivation of the income flow, as a key factor in the identification and allocation of the various assets of an outdoor advertising firm. The money trail is the essence of the principle of contribution, which is the basis of asset valuation."

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In recent years a critical need to replace, reconstruct or expand the aging highway transportation infrastructure has necessitated the acquisition of rights-of-way on which billboards are located. The determination of just compensation for outdoor advertising assets involves many complex and confusing legal and valuation problems. A complete discussion of the issues is beyond the scope of this article. Rather, this article focuses on fundamental asset allocation issues critical in billboard valuation. How can appraisers objectively identify the specific assets being taken by the acquiring authority? What is the nature of an outdoor advertising business? Are billboard structures real or personal property? Is an outdoor advertising firm a real estate-based business, analogous to a hotel, office building property, or an apartment complex or is it a service-based advertising business, analogous to other advertising media businesses such as television, radio stations, and newspapers?

Solutions to billboard valuation problems require an understanding of the relationships and interconnections between real estate assets and the total assets of a business enterprise as a going concern. It is imperative for appraisers to clearly and succinctly identify, define, and allocate the assets to be appraised in order to properly apply appraisal methods based on sound and generally accepted valuation principles. The primary emphasis throughout this article will be consideration of the money trail, i.e., the observation of the direction and derivation of the income flow in the production process. The money trail is a key factor in the proper identification and allocation of assets in any business enterprise.

Identification of assets is especially germane to controversial situations in the valuation of outdoor advertising assets, commonly called billboards. Improperly identified assets are the primary cause of the widely diverse opinions of value between professional appraisers. In this article, the term "outdoor advertising assets" will be used instead of "billboards." The term "outdoor advertising assets" is more descriptive of the various components that comprise the total assets of a business enterprise that provides advertising services within the ambit of the advertising industry. The term "billboard" in this article will refer to the tangible sign structure used as a business fixture to display advertising messages.

Much of the valuation controversy surrounds the issue of whether outdoor advertising business assets are real property or personal property. The outdoor advertising industry has taken the unique position in eminent domain situations that the total assets of an outdoor advertising business enterprise are real property assets and, therefore, should be compensated as other real property taken for public use. Based on this perspective the industry claims that the total revenue generated by the total assets of the business is real estate rental income, thereby circumventing the legal barrier prohibiting lost profits as a proper element of compensation for land taken in condemnation proceedings. However, in property tax situations the same industry argues very persuasively that billboards and other assets of the outdoor advertising business are personal property that should not be taxed as real property. In opposition, the acquiring entities generally contend that the only real property assets are the fee simple or leasehold interests in sign site locations.

> "...outdoor advertising companies consider sign site locations as intangible business assets, which are distinct from real property sign sites."

With these opposing points of view, it is not uncommon for expert witnesses to offer opinions of value of outdoor advertising assets that differ by two to five times in valuation. This is not the typical variance due to an appraiser's interpretation and judgment of market data, but rather is an indication that different assets are being considered in the valuation process. The appraisers are in essence valuing different properties.

This article addresses the identification and allocation of outdoor advertising assets from the economic perspective of the business firm as a going concern,[1] with special emphasis on the money trail. It is especially important to understand the concept of the outdoor advertising firm as an entity that brings together various factors of production, including land, labor, and capital. The outdoor advertising firm produces a product for sale in the advertising market in exchange for a flow of revenue representing a return on and of the opportunity costs required to attract the factors of production. The return on the total business investment or the economic profit is the remainder of gross revenues after payment of all factor costs. Appraisers are well aware of the importance of the quantity, quality, and duration of cash flow in estimating value. Equally important is the direction and derivation of the income flow (money trail) in identifying and allocating the various assets or factors of production that are brought together and managed by the outdoor advertising firm.

APPLICATION OF THE MONEY TRAIL CONCEPT

Several controversial questions and difficult valuation problems have developed regarding the identity and value allocation of outdoor advertising assets in eminent domain situations. While the most discussed question is whether billboard structures are real or personal property, it is evident that the basic underlying question that needs to be addressed is the proper identification and allocation of the various assets of an outdoor advertising business enterprise as a going concern. Billboard structures are not the only assets generating revenue flow to the outdoor advertising business firm. A close observation of the direction and derivation of the money trail associated with each asset will assist in its identification and allocation in the overall production process. Assets contribute value to the entity that is the recipient of their money flow. Based on the money trail the typical billboard structure is not real property because it generates no income flow to the real estate. It cannot improve the real estate, as the industry claims, without providing some benefits to the land.

By the same concept the sign site upon which the billboard is located is a real property asset because it contributes a money flow (land rent) to the real estate; hence, it has real property value that can be estimated as a basis for just compensation. It can be very confusing at this point because outdoor advertising companies consider sign site locations as intangible business assets, which are distinct from real property sign sites.

The intent of this discussion of the outdoor advertising money trail is to provide a clearer understanding of the nature and identity of the billboard structure, the sign site, and the other assets as factors of production of an outdoor advertising business operation. An overview of a typical outdoor advertising business firm will provide a clearer understanding of the relationships and interconnections of the total assets of an outdoor advertising business operating as a going concern. Following the flow of money into and out of the firm provides a basis for defining and separating the tangible real and personal property from the intangible business assets of the firm.

"Appraisal problems are half solved when the property is well defined" is a valuation axiom worth consideration here. It also brings the appraiser into compliance with the USPAP[2] requirement to identify and consider the effect on value of any personal property, trade fixtures, or intangible items that are not real property but included in the appraisal.

OVERVIEW OF A TYPICAL OUTDOOR ADVERTISING FIRM

An overview of a typical outdoor advertising business firm will serve two purposes: (1) to familiarize the reader with the total assets of an outdoor advertising business and (2) to observe the nature of the assets based on the money trail concept. The following illustrates a typical outdoor advertising business enterprise based on industry data.

A typical outdoor advertising company is an advertising firm engaged in the production of outdoor advertising services to a wide range of customers on outdoor advertising display panels located along public highways and streets. Advertising services involve displaying customers' messages for exposure to a traveling audience or in the industries own words, "[Posters] are sold much like radio. They are sold in showings; they're packaged and sold with a signal that you distribute throughout the marketplace…."[3]

This signal distribution service includes more than simply painting ads or posting vinyl printed sheets on sign display panels. Other services include planning, packaging, sales, and verification of showings or postings, periodic rotation and maintenance of ad copy, and in some instances the creative design and production of vinyl ad copy sheets.An outdoor advertising company recognizes revenue as advertising services are sold. Revenue is the result of a balanced combination of land, labor, and capital as factors in the production process.

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FACTORS OF PRODUCTION LAND

Land factors are the natural resources required by the outdoor advertising business firm as locations for office and shop facilities and billboard structure sites. Legal sign sites for billboard locations are relatively scarce assets that are necessary in the production of outdoor advertising services. The typical outdoor advertising firm leases approximately 95% of all sign sites from landowners. The value of the land factors is reflected by the market price paid for fee land or easements, or the market rents paid to landlords.

When leased fee sign sites are taken in eminent domain acquisitions, the landowner is due the fair market contributory value of the sign site to the fee simple land taken, based on the expected flow of market rent to the land. If the contract rent is below market rent, the outdoor advertising tenant may be due some bonus value compensation for recognizable rent savings over the lease contract period or until the landlord's first opportunity to increase the rent to market levels.

LABOR

Labor factors are the human resources that provide necessary contributions in the production process, including office, production and maintenance workers, and management and sales personnel. The efforts and contributions of the owner/operator of the firm are assets regarded as a special class of labor.

The value of the factors of labor is based on the opportunity costs payments in the form of training, salaries, and benefits.

CAPITAL

Capital factors are the manufactured resources and financial assets required by the outdoor advertising business firm. These include bank credit facilities and notes, buildings for office and shop facilities, furniture, fixtures, and equipment. Fixtures include billboard structures designed for bulletin or poster panels used as advertising communication devices. Bulletins are larger panels (typically 14' x 48') used to display permanent or rotating messages at high traffic volume locations providing long-term directional or high impact and high circulation ads. Posters are smaller panels (typically 10.5' x 24') sold in showings tailored for specified market coverage, at lower traffic volume locations for product branding and other short-term awareness messages. The equipment assets include tools and machines used in production and rolling stock used by management, sales, and service/maintenance personnel. The value of the capital factors is based on the opportunity costs of borrowing, purchasing, leasing, developing, erecting, and maintaining each factor for use in the advertising service production process.

ASSETS OF AN OUTDOOR ADVERTISING FIRM

As a business enterprise, the outdoor advertising firm acquires and manages tangible and intangible assets as factors of production for maximum productivity and profitability of the firm. The market value of the total assets of the business depends on an optimal blend of assets.

Tangible real property assets include real estate owned or leased by a firm as locations for offices, shops, and signs. Tangible personal property includes office and shop equipment, rolling stock, and, arguably, the billboard structures, all used in production of advertising services.

Intangible assets of an outdoor advertising firm consist of business resources such as working capital, site locations, customer lists and contracts, noncompete agreements, permits, licenses, records, systems and procedures in place, assembled and trained workforce and management team, and goodwill.

The going concern operation of an outdoor advertising business depends to a significant extent upon the continued services of the executive officers and other key management and sales personnel.[4] It is important to note that the intangible site location assets are not the same as the tangible real property interest. Site locations are going-concern business assets based on the capitalized value of the annual sign site rent over the term of the ground lease. Consideration of this intangible asset as real property in condemnation valuation will result in double compensation for the sign site to the landlord and the tenant.

> "Revenue is the result of a balanced combination of land, labor, and capital as factors in the production process."

All assets functioning profitably together as a going concern affect the market value of the total assets of an outdoor advertising firm. As a going concern the business enterprise is expected to continue operation indefinitely with sufficient income to pay a fair return to all the factors of production.It is anticipated that the firm will maximize the difference between revenue and cost, thereby realizing a fair return on the total assets of the firm.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) of an outdoor advertising business typically range from 35% to 50% of net revenue. An analysis of 192 annual financial statements of public and private outdoor advertising companies from 1991 to 2001 reflects an average EBITDA of 38.3%. The same study indicates an average sign site rent expense ratio of 15.4%, based on total net revenues (gross ad sales less agency fees).

Currently, new sign site leases are renting in a typical range of 15% to 25% of net revenue. The increase in the sign site expense ratio is an indication that landowners are becoming more knowledgeable of the contributory value of legal sign sites.

MARKETPLACE OF THE OUTDOOR ADVERTISING BUSINESS

An outdoor advertising business operates within the media market of designated market areas (DMA).[5] It is in competition with other outdoor advertising businesses, as well as other media including radio, television, newspapers, and direct mail marketers.The production of revenue and the value of an outdoor advertising business are affected by changes in advertising market trends. Real estate market trends have little affect on the outdoor advertising business except in the land factors market of sign sites, which are generally subordinate land uses to the highest and best use of the larger parcel of land.

OUTDOOR ADVERTISING ASSET ACQUISITIONS

Acquisitions of outdoor advertising assets may include the total assets of another business firm or selected fill-in assets to augment the buyer's inventory of display locations. There are several economic advantages in asset acquisition, including increased economies of scale in accounting and administrative functions and increased market penetration.

Another economic advantage in business expansion by acquisition is the tax-deductible, non–cash flow expense of amortization of goodwill[6] and certain other intangible assets. All acquisitions by outdoor advertising companies are generally accounted for under the purchase method of accounting, with each acquisition being allocated to assets acquired and liabilities assumed based on fair market value at the date of acquisition. Allocation data from several hundred recent sales of outdoor advertising firms indicate that it is typical for acquisition prices to be allocated in ranges of 2% to 5% for current assets, 24% to 34% for property, plant, and equipment, and 64% to 74% for goodwill and other intangibles.The acquired other intangibles generally include sign site locations, customer lists and contracts, and noncompete agreements.

These tax advantages have a definite impact on the acquisition prices paid for outdoor advertising assets. Outdoor advertising companies that are aggressive in acquisition activities may be non–income tax-paying businesses for several years through amortization expense tax deductions.

INTERNAL ASSET GROWTH STRATEGIES

An outdoor advertising company can enhance its revenue and cash-flow growth by employing highly targeted, local marketing efforts to improve its display occupancy levels and by increasing advertising rates. Also, the business can upgrade its existing displays and construct new structures at new locations.

New legal sign sites are becoming increasing difficult to find, however a recent study[7] of 191 cities in 45 states with 2000 populations of 150,000 or more indicates that 80% of the cities allow new outdoor advertising signs to be constructed subject to local regulations.

As new legal sign sites become scarcer, their cost (land rent) as factors of production will increase commensurate with the demand for the production of advertising services. The two factors that are required in the development of new structures are land (a legal site) and an approved sign structure. Of these, the legal site is most scarce and limited. The structure is readily available at a typical cost of $40,000 to $60,000. For both site and structure to function as factors of production in the outdoor advertising operation a sign permit is required. Sign permits are site-specific and nondiscretionary, i.e., they are readily obtainable at a relatively nominal cost contingent upon the erection of a code-approved structure at a legal location. Based upon the scarcity factor, the legal sign site is a critical asset to be considered in the allocation of outdoor advertising assets. The value of each factor (sign site and structure) is reflected in its rental and/or construction costs, including the cost of obtaining the required permit.

CONSIDERATION OF IDENTIFICATION AND ALLOCATION ISSUES

Identification and allocation issues encountered in the valuation of outdoor advertising assets become clearer when examined using the fundamental economic principle that the flow of money brings assets together in the creation of value. The money trail is a compass providing guidance in the proper allocation of assets by pointing to the direction of money flowing into or out of an outdoor advertising business enterprise. These observations provide an objective basis for the identification of each asset that contributes to the production of the total business revenue. The allocation of asset value is not an easy task; especially the intangible business assets in an industry that is still very private with restricted disclosure of specific data and information regarding operations and asset sales. However, based on the predictable direction of money flow, the assets to be appraised can be properly identified, which is the first step in solving the complex problems in valuing outdoor advertising assets.

A review of real estate appraisal literature reveals two general premises regarding the identification and allocation of outdoor advertising assets as a basis for valuation. The first premise, termed the "business-related premise," is defined by Steven Cantwell, MAI, in his 1999 article: "The [outdoor advertising] asset that sells in the marketplace usually consists of: a sign structure, a site interest (usually a ground lease or a legal right to occupy a particular location), a permit, and the potential to generate advertising revenue (the advertising business component)."[8] The opposing premise, termed the "real estate-related premise," is succinctly defined by Rodolfo J. Aguilar, MAI, in his recent article: "All activities of a sign owner relate directly to [an outdoor advertising structure] being rented to a tenant/advertiser, a purely real estate related function."[9]

Extensive research and analysis of the nature of the total assets of the outdoor advertising business based on the money trail concept supports the conclusion that the business-related premise is the proper basis for identifying the assets of an outdoor advertising business enterprise. The business-related premise recognizes the distinct separation of the tangible assets, real and personal property, and intangible business assets for proper allocation of value. The preceding overview of the typical outdoor advertising firm reveals that the intangible assets of the operating business represent a significant component of the total assets of an outdoor advertising firm and that assets must be properly identified and allocated in development of opinions of fair market value as a basis of just compensation.

> "...appraisers must consider the money trail concept in the identification and allocation of the assets that are taken in the various eminent domain situations."

It is very important that appraisers properly identify and allocate the assets that are dictated by law to be compensable in the jurisdiction of the taking. If state law requires compensation for the loss of tangible personal property, business income, or other intangibles, e.g., goodwill, then every effort must be made to identify and allocate those tangible or intangible assets to develop an opinion of their fair market value. However, in states that do not allow compensation for personal property, goodwill, or loss of business income, it is not proper to camouflage the total assets of the outdoor advertising business in a real estate package to be valued by capitalizing the total business revenue. Due to differing laws in many states, appraisers must consider the money trail concept in the identification and allocation of the assets that are taken in the various eminent domain situations.

REAL ESTATE-RELATED PREMISE: TOTAL ASSETS CONSIDERED REAL ESTATE ASSETS

In his 1994 monograph Donald Sutte, MAI concluded that "…sign industry sales indicate that signs are real property and do not reflect significant business interests."[10] It is very important to note that the terms "signs," "signboards," "outdoor advertising signs," or "billboards," as used in the real estate-related premise, do not refer simply to the tangible sign structure as real property, but include the total assets of the outdoor advertising business as real estate assets. This necessary inference is clear in Sutte's conclusion to his discussion of business and real estate value:

> *The author's investigation of numerous sales transactions involving thousands of displays indicated that the business interests were not significant and generally corresponded with the real estate interests. In fact, in most ways signboard sales are quite similar to transactions involving standard real estate….As applied to outdoor advertising signs, this term [business interests] is synonymous with the real estate interests.*[11]

The real estate-related premise is based on the assumption that typical billboard structures are real estate improvements or leasehold improvements, that the advertising business revenue is real estate rent earned by leasing display space for occupancy by tenant-advertisers, and that the total business revenues can be capitalized into real property value. In effect, it is assumed that the total assets of an outdoor advertising business are real property. The development and application of this premise is the predominate feature of Sutte's book, as evidenced in the following remarks concerning the valuation process.

> *Since we have concluded that sign interests represent real estate, the market value definition is extremely important to the final estimate of value.... Because the use of signboard space is conveyed as a leasehold interest, signs may be considered real estate and the income approach may be adopted to their valuation.*[12]

This same real estate-related premise is espoused by Paul Wright and Jeffery Wright, ASA, in their recent book, wherein the authors conclude, "There are strong arguments supporting the idea that signs are real property; perhaps the most convincing point is that a billboard is site-specific."[13] They suggest in the appraisal process that billboards be valued the same as other real property assets,[14] considering the three traditional approaches to value. Ron Nations, MAI, and Donald Oehlrich, MAI, after applying the three-part fixture test

conclude, "It is the contention of this article that a billboard structure is a fixture and is real estate."[15] Likewise, Rodolfo Aguilar, MAI, agrees with this conclusion by stating, "…sign structures and the bundle of rights that attaches to them amply qualify under the definition of real estate…. Consequently, all three approaches to market value must be considered…."[16] Aguilar's comment in regard to the intention of the party who attached the sign structure —"Undoubtedly the owner's intention is to make the structure a permanent fixture at the chosen location for the duration of his estate in the property, i.e., his lease term"[17]— is more probative to the position that the tenant does not intend for the billboard structure to become a permanent fixture of the real property.

It is interesting to note in his 2001 article,[18] Charles F. Floyd points out that the same fixture test was used as persuasive evidence by the outdoor advertising industry in a tax court case, wherein the court held that billboard signs were personal property. In their 1998 article[19] Charles Floyd, Mark P. Hodgdon, and Steven R. Johnson, MAI, SRA, agreed that billboard structures are trade fixtures and therefore personal property assets of the outdoor advertising business operating upon the leased premises.

A quick glance at the money trail indicates that the money flowing from the typical billboard structure is a portion of the revenue stream generated by the sale of advertising services, which is flowing to the outdoor advertising business enterprise, not to the real estate. Therefore, the billboard as a factor of advertising production is a business improvement and not a real estate improvement. In order for a personal property trade fixture to become an item of real estate it must contribute value (money flow) to the land. The only outdoor advertising money flowing to the real estate is the site rent paid by the outdoor advertising tenant for the use of the land as a production site in operation of the advertising business. The site rent is not generated by the sign structure, but by the right to occupy and use the site for a business operation. The typical sign structure, unrelated to the sign site, is a trade fixture used in the advertising business as a capital factor of production. The opportunity cost payment for its contribution to the firm is the capital expenditure of its development, or the rental payment, as a leased fixture.

Either way, the factor cost is based on the reproduction cost of the sign structure. This is a very important concept to keep in mind when the law requires compensation of the sign structure.

> "Based on the money trail the typical billboard structure is not real property because it generates no income flow to the real estate."

VALUATION PROBLEMS OF THE REAL ESTATE-RELATED PREMISE

The scope of this article allows only a brief summary of some of the valuation problems associated with consideration of the total assets of an outdoor advertising business as a real estate-based property. If outdoor advertising assets qualify under the definition of real estate, then as Aguilar concluded, "all three approaches to market value must be considered."[20] However, the real estate-related premise rejects the cost approach as not reflecting the market thinking of the buyers and sellers of outdoor advertising.[21] This raises a red flag for the appraiser. Wright and Wright contend that:

Cost, or tangible asset value, is seldom relevant to the final determination of the fair market value of a billboard today because effective gross income and earnings are far more important. Some of the best signs being built in 2001 may cost \$50,000 or \$60,000, but the market value once they are in place may be 10 or 15 times that amount.[22]

A recent statement by a prominent attorney that represents the outdoor advertising industry in condemnation cases illustrates the cost approach problem very succinctly. He said, "[The] cost approach makes no sense . . . depreciated replacement cost as compensation is totally inadequate."[23] The true sense of this statement is that it makes no dollars or cents for the outdoor advertising business to use the cost approach to value the total assets of a going concern business enterprise.

It is obvious based on common sense reasoning and the money trail, that the cost of developing an asset (sign structure) as a factor of production is not equal to the value of the total assets of a business enterprise. It is commonly recognized that when the cost approach value is well below the value indication of the sales comparison or income approaches that intangible business assets are involved. The appraiser has the responsibility to identify and allocate all assets that are not real estate.

In his 1994 monograph, Sutte holds that, "the sales comparison approach is the key to the valuation of outdoor advertising signs. . . .[t]he relevant unit of comparison applied in the sales comparison approach is the gross income multiplier."[24] The first problem is that a gross income multiplier is not a unit of comparison to be adjusted to the subject property. Secondly, an income multiplier method is a form of income capitalization, which is properly applied in the income approach. But more importantly, wherever the gross income multiplier is used there are certain limitations in its use. The Appraisal of Real Estate chapter on direct capitalization gives the following warning:

Appraisers who attempt to derive and apply gross income multipliers for valuation purposes must be careful for several reasons. First, the properties analyzed must be comparable to the subject property and to one another in terms of physical, locational, and investment characteristics. Properties with similar or even identical multipliers can have very different operating expense ratios and, therefore, may not be comparable for valuation purposes.[25]

The author recently analyzed approximately 100 sales of outdoor advertising assets with operating expense ratios ranging from 25% to 85%. A linear regression and correlation analysis indicated virtually no correlation ($r2 = 0.011$) between gross income multipliers and operating expense ratios. In his 2000 article Aguilar argues,

It is also incorrect to assert that the income approach reflects the "business" value of a billboard. The expense data, which include all operating and management cost, effectively eliminate the "business" component from the income figures. Thus, the computed net operating income (NOI) applies

entirely to the real estate, in the same manner that the NOI of a hotel, office building, or an apartment complex exclusively reflects the value attributable to the realty.[26]

There are two problems with this position:

(1) the assembled management team is not the only business resource, or intangible asset in the firm; and (2) the management operating expense reflects only the cost of the management labor factor and not its benefits to the business enterprise.

BUSINESS-RELATED PREMISE: RECOGNITION OF REAL AND PERSONAL PROPERTY AND INTANGIBLE ASSETS

The distinction between the real estate-related and business-related premises, as used in this paper, is solely intended to emphasize the differences in methods of identifying and allocating the assets of an outdoor advertising business. The business-related premise is an objective method of identifying and allocating assets by recognition of the classical economic principles that hold that the value of each factor of production (land, labor, and capital) is based on the opportunity cost payments that are necessary to attract and retain each productive agent.[27]

This premise provides a basis for a proper understanding of the relationships and interconnections between the real estate assets and the total assets of a typical outdoor advertising firm as a going concern. It promotes the observation of the money trail in identifying the direction and derivation of income flows into and out of the business enterprise.

The overview of the typical outdoor advertising business identified the factors of production, indicating that the majority of the assets are not real estate based. This supports the conclusion that the outdoor advertising business entity is not comparable to office buildings and apartment complexes.

Ironically, the industry's claim of similarity with an operating hotel business may be valid to a point, thereby, providing strong evidence that there are more than real estate assets involved in an outdoor advertising enterprise. In his 1998 article, Peter H. Gloodt, MAI, ISHC, concluded:

Clearly, looking at the mix of business and real estate services that are commingled in the revenue generated by a hotel enterprise leads to the conclusion that the fundamental nature of a hotel is a hospitality business whose largest capital asset is an investment in real estate but whose most important operating asset is a collection of intangible business resources and relationships.[28]

Arguably, the similarity of hotels and billboards ends with the fact that an outdoor advertising business's largest capital asset is not in real estate. A review of the consolidated balance sheet for Lamar Advertising Company on December 31, 2001 indicates that intangible assets account for 59% of the firm's total assets.

Finally, the fact that a billboard costing $50,000 to $60,000 to build can have a value of $500,000 to $900,000 is a sure indication that there is considerably more business resources involved in a service-based outdoor advertising business than a real estate- based enterprise. It is unimaginable for a hotel, office building, or apartment complex to have value 10 to 15 times its developed cost.

CONCLUSION

As with all eminent domain valuation issues that must be addressed according to jurisdictional directives, there are many different situations in various states that pose difficult problems for appraisers. The purpose of this article is not to address all the problems and questions, but rather to stimulate serious debate on fundamental issues within the appraisal profession that will contribute to the enrichment of knowledge relating to the identification and allocation of assets of an outdoor advertising business operation. The money trail concept will work in identifying assets and allocating value because it is based on the principle of contribution, which is "The concept that the value of a particular component is measured in terms of its contribution to the value of the whole property, or as the amount that its absence would detract from the value of the whole."[29]

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1. Many of the concepts and principles discussed and advanced in this article are based on Appraisal Institute, Course 800: "Separating Real and Personal Property from Intangible Business Assets," Course Handbook (Chicago: Appraisal Institute, 2002), developed by Marvin L. Wolverton, MAI, with the assistance of David C. Lennhoff, MAI, SRA, Richard Marchitelli, MAI, Maureen Mastroieni, MAI, James D. Vernor, MAI, James Budyak, ASA, and the late William M. Kinnard Jr., MAI, SRA.
2. The Appraisal Foundation, Uniform Standards of Professional Appraisal Practice, 2003 ed. (Washington, D.C.: The Appraisal Foundation, 2003): SR 1-4(g).
3. Sean Reilly, Vice President of Lamar Media Corporation, in a presentation at the First Union Securities' Nantucket Conference, June 28, 2001.
4. SEC Form 10-K, "2001 Annual Report of Lamar Media Corporation," (March 21, 2002): 11, 20.
5. A designated market area is a television or broadcast market area assigned by Nielsen Media Research for use in planning, buying, and evaluating television audiences.
6. The adoption of SFAS No. 142, "Goodwill and Other Intangible Assets," effective January 1, 2002, eliminates the full amortization expense for goodwill, except for impairment that may not be recoverable.
7. Alan C. Weinstein, "A Study of Local Regulation of Outdoor Advertising in the Major Cities of Each State," executive summary (Cleveland State University, 2001).
8. Steven M. Cantwell, MAI, "Billboard Valuation Without Distortion: The Heathrow Decision," The Appraisal Journal (July 1999): 251.
9. Rodolfo J. Aguilar, PhD, "The Appraisal of Off-Premise Outdoor Advertising Billboards," Right of Way Magazine (September/October 2000): 17.
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11. Ibid., 14.
12. Ibid., 39–40.
13. Paul Wright and Jeffrey Wright, ASA, Billboard Appraisal: The Valuation of Off-Premise Advertising Signs (American Society of Appraisers, 2001): 54.
14. Ibid., 168.
15. Ron L. Nations, MAI, SRA and Donald P. Oehlrich, MAI, "The Valuation of Billboard Structures," The Appraisal Journal (October 1999): 413.
16. Aguilar, 13.
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