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Kierkegaard and Valuation in a Business Context

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Abstract

This paper discusses the recent problems in commercial real estate markets in light of the philosophy of Kierkegaard. The paper links issues in property valuation with the philosophical thought of Søren Kierkegaard and offers a value based solution which utilizes individual perception rather than solely relying on crowd based determinants of value. This is the first link of Kierkegaard's thought with business valuation methods and practices. The primary thrust of this paper is a discussion of the benefits of individual risk perception versus crowd thinking in valuation.

Keywords: Perception of Value; Commercial Real Estate; Property; Kierkegaard; Contemporaneousness; Crowd Thinking

Introduction

He, who does not discover the whole, really discovers nothing [1].

Danish philosopher Søren Kierkegaard is not known for his contributions to business philosophy, but this paper, which links Kierkegaardian insight to the subjectivity in value perception in a business context, is hoping to change that historical trajectory. Kierkegaard was a nineteenth century Danish Christian philosopher interested in human psychology. Much of his philosophical work dealt with issues about how to live as a single individual giving priority to concrete human reality over abstract thinking. His psychological work explores the emotions and feelings of individuals when faced with life choices. Undercurrents in his later work considered how crowds are subject to erroneous value judgments. Whether the crowd is being misled in a religious sense as is outlined in the Attack [2] on Christendom, or is being misled in a more general sense as in the Present Age, the philosophy of Kierkegaard seems relevant in the aftermath of the recent financial crisis when large deterioration in market value left market participants and academics searching for insight as to why seemingly rational investors were again subject to the vagaries of speculation with the inevitable concluding crash.

The purpose of this paper is to discuss the implications of valuation of commercial real estate as seen in light of the philosophy of Kierkegaard. Various quotations from his major philosophical works will be highlighted in each section of the paper that follows. By juxtaposing Kierkegaard's thoughts with market corrections seen in recent times, the Kierkegaardian theory of value can be elucidated in a business context. The primary aim of this paper is to show how individual assessment of property value which includes analysis of historical comparable properties is often superior to valuation relying solely on historical market averages.

Review of Literature

You transform something accidental into the absolute and into an object of absolute admiration [3].

A traditional review of the existent literature is somewhat difficult for this topic. There have been only a few publications which directly link Kierkegaard to economic matters [4], and only one that specifically links Kierkegaard with real estate valuation [5]. The Risk Management Association (RMA) Journal article entitled "*The Crowd is Untruth: the problem of cap rates in a declining market*" [5], utilized a famous quote from Kierkegaard which reveals that in certain market conditions, the general consensus opinion of market participants can be in error if the recent past is seen as a strong indicator of future performance. The concept of perception in valuation casts a fairly wide net, with the most relevant branches for our purposes being from market psychology generally and for real estate valuation specifically. The concept of perception is understood to be a process of information assimilation or processing utilized by an individual to obtain insight into themselves and their environment [6]. The processing of items relevant to the perception of value is influenced by subjectivity, selectivity, and activity. Subjectivity means that every person individually perceives their own environment, while selectivity and activity involve how people select and process those variables that they deem most crucial to the object being valued. The rules of perception most closely linked to real estate are the law of similarity [7], the law of figure and ground [8], and the law of proximity [7]. These rules relate fairly well with the idea of using the most relevant properties in the market in order to compare to the subject property. The characteristics deemed most important for the determination of property value can be seen as a composite of brand, beauty, and utility [9]. The brand is a function of the assessment of the appeal of the location, while beauty encompasses the improvements to the building and the site, while utility concerns access proximity, the functionality of the property, and the opportunity for future returns.

Another segment of existent literature that relates to the subject of this paper is that of objectivity and error in real estate valuation. The most relevant articles in the current literature relate to the concept of "accuracy" which is defined as when the appraised property value equals the purchase price [10-12] or an assessment of the factors influencing inaccuracy in valuation [10,13-15]. These articles discuss what factors can lead to faulty valuations (primarily by appraisers); underlying the thought that valuation is an art rather than a science. Some noted factors in the literature affecting valuation concern visible factors such as the age and condition of the property, while others note that uncertainty in valuation [16] is inherent as market based determinants can lead to a range of acceptable property values and that the final sale represents just one point in the accepted range of property values [17-20]. Finally, Carl Menger [21] discussed the objectivity and subjectivity of value in a foundational text of Austrian economics.

Perception of Value

Reasoning is the result of doing away with the vital distinction which separates subjectivity and objectivity **[22].**

The perception of value is a very complex concept, especially in declining markets. Differences in value judgments are often the basis for exchange as two parties may perceive the value of the same object or service in different ways. For some, paying $12 for a lunch sandwich would seem an outrageous fortune, while for others the ambiance of the surroundings make the price seem reasonable. Differences in the perception of value are never more apparent than during an auction. As the participants listen to the endless chatter of the auctioneer, bidding hands rise until such point when the participant can no longer justify the price on offer. Valuation is thus a process whereby the market participant utilizes both objective, measurable factors as well as subjective, less measurable factors to reach a value conclusion. The subjectivity of valuation rests in the nature of satisfaction [23].

From a market psychology perspective, satisfaction can be seen as the comparison between what an individual perceives the value of something is and what the individual perceives that the value should be. This is known as the balance of the "should/is comparison" [24]. Satisfaction will occur when the individual perception of the utility that a product or service should provide (should factor) is equal to that same individual's perception of the utility that the product or service provides (is factor). If the perception of the "is factor" is less than the "should factor", then the individual is likely to be dissatisfied with the product or service. As the "should/is comparison" is by its very nature subjective, there is not a specific requirement that the individual's assessments equal those of others. In fact, customers may enter a business situation with entirely unrealistic perceptions of the utility that a given product or service should provide. From a customer relationship management perspective, the firm must decide which customers they wish to serve, and which customers not to serve. If a given client has unrealistic service or product quality expectations, then the costs of serving this customer may exceed the benefits provided to the firm. In the same way that individual perception of the "should/is comparison" can vary, an individual's own perception of the same product or service offering can vary over time. Subjective components such as the individual's mood, emotional state, and propensity toward variety and sensation seeking behavior can influence the subjective assessment of value [25]. As Kierkegaard noted in Repetition: "*Deep emotions always disarm the observer in a person. The desire to observe comes only when there is an emptiness in the place of emotion, or when emotions are coquettishly concealed*".

Even when an individual is perfectly satisfied with a product or service, they may still opt to change brands or service providers just for the sake of changing or experiencing something new. It is for these reasons that more objective means of value determination have been created, especially for big ticket purchasing items. Big ticket items, by their very nature, are exchanged less frequently then items on offer at lower price points. If a business is selling a product or service for $20, and the sales are not as high as were expected, the firm may increase advertising expenditure in order to attempt to influence the consumer's perception of the product or service, but when all else fails, they will lower the price. Even after the large market decline in value for commercial real estate, investment property is still considered a big ticket purchase for most individuals. Couple this with the relative infrequency of exchange of investment properties even in vibrant economic times, more objective measures have been created in order to establish what a reasonable value would be for investment property. Measures such as the sales price per square foot and the capitalization rate are typical industry benchmarks utilized to provide a historical perspective to the current sales offering.

Commercial Real Estate Valuation and Contemporaneousness

The historical is the past because the pressure of the present upon the confines of the future has not yet become historical **[26].**

The contemporary does not see the necessity of what comes to be **[26].**

Investment real estate certainly produced highs and lows for investors over the last decade. An investment property is defined as a property held in ownership by one party or parties, but held in tenancy by others. Typically there will be commercial leases in place between the parties which memorialize rental and expense payments over the course of time. Commercial appraisals of investment real estate provide three primary forms of value: cost, sales, and income. In the cost approach valuation technique, the appraiser utilizes the current day values for the various components which comprise the building structure. After subtracting for depreciation effects over time, the value of the land is added to arrive at the cost approach value. In the later writings of Kierkegaard, the concept of contemporaneousness was discussed in a theological context. Kierkegaard espoused that the followers of the Christian tradition two thousand years after the founding of the religion were given a much easier pathway for obtaining their religious belief than were those present during the founding of the religion. As stated in the Book on Adler [27], "*the extraordinary one is recognizable by the fact that he is willing to make sacrifices*". For those present at the founding of the religion, much was to be risked for believing in a Christian tradition which became much less forbidding over time. Modern day snake oil salesmen will attest that it is difficult to achieve belief from contemporaries when what they are witnessing is for all times and not just the flavor of the month. Those same followers are more easily led to believe that what happened long ago was of historical significance. Belief is influenced by perception in a similar manner as perception influences an individual's assessment of value. The contemporary situation is not as easy to assess from a value standpoint given the presence of objective and subjective value components. Hence the difficulty of contemporaneousness in belief relative to historically held belief is also at play in the perception of value by the individual. Returning to the cost approach, the modern day replication of the historical fact is discounted to account for wear and tear over time. The cost approach, which is typically not used as the primary method of establishing the current value or sales price of an investment property, has a mechanism in place to objectively value the cost of constructing a similar property today, but then also provides the methodology of discounting the value based on the age and condition of the structure.

The sales and income approaches to value are more commonly used in setting the current market value and sales price for an investment property. In the sales approach to value, comparable properties to the subject are utilized in order to set an objective benchmark of what other investors have paid in sales price on a per square foot basis. The average adjusted price per square foot for the properties deemed comparable to the subject property is then used in order to estimate the value of the subject property. In the "*Crowd is Untruth*" paper, it was described how the "crowd" of comparable properties can consist of varying levels of reliability. Should the properties deemed comparable by the appraiser reside in the same sub-market as the subject property, should the sales transactions be of relatively recent vintage, and should the differences between the comparable properties and the subject property be adequately reflected in the average adjusted sales price per square foot as determined by the appraiser, then the sales approach valuation should achieve a reasonable success of passing the "contemporaneous" test. The sales approach would have less validity in assessing current market value in declining markets as transaction volume typically slows since sellers are not as motivated to sell in periods of declining value. Additionally, the "should/is comparison" of the buyer may be such that the satisfaction equilibrium point may require a lower sales price than offered owing to the uncertainty of future market conditions. In any event, the "contemporaneous" problem in the perception of value as described by Kierkegaard would only seem to be met by the sales approach in stable or slightly increasing market environments. In declining markets, the sales transactions of the recent past are no longer useful in determining the future values. To quote Kierkegaard in the *Book on Adler* [27], "*the situation of contemporaneousness is that of tension which gives the categories qualitative elasticity*". The third approach to value in commercial real estate is the income approach. Since investment property is defined by the separation of ownership and occupancy, the value of the property can be viewed in the amount of net operating income produced by the property. Table 1 will help illustrate this concept.

Gross Potential Income (GPI)	$200,000
Less: Vacancy	$25,000
Effective Gross Income (EGI)	$175,000
Less: Operating Expenses	$45,000
Net Operating Income (NOI)	$130,000
Cap Rate	10%
Value	$1,300,000

Table 1: Simple Income Approach Valuation.

Assume that a retail property consists of eight tenants with annual rents of $25,000. This leads to the property owner receiving gross potential income (GPI) of $200,000 each year. If one tenant space is currently vacant, the GPI is reduced to the Effective Gross Income (EGI) of $175,000. If annual operating expenses paid by the property owner are $45,000, the Net Operating Income (NOI) accruing to the property owner is $130,000 each year.

The income approach valuation (Table 1) methodology is to then divide the NOI by a cap rate, which is defined as any rate utilized to convert income into value. In our example, the ten percent cap rate produces a value of $1,300,000. This is a simple illustration of the income approach. Readers interested in learning further about more involved approaches to value are encouraged to explore a book on commercial real estate published by Springer [28]. What is pertinent to this discussion is that the selection of the cap rate is subject to similar problems of "contemporaneousness" as seen in the sales approach. As itemized further in the "*Crowd is Untruth*" paper [5], similar sales are used as comparables in order to set the market based, objective, cap rate in a process known as market extraction. As transaction volume slowed in the aftermath of the recent financial crisis, cap rates based on the recent past were no longer indicative of the current contemporary environment. Since cap rates are a reflection of risk, and since risk is a subjective consideration of value, in times of uncertainty investors should be willing to pay less for the same NOI as they would in more vibrant economic times. If the NOI remains the same while the sales price decreases, cap rates rise. If the cap rate in our example above rose to twelve percent, the property value would fall to $1,083,333. Thus rising cap rates are a reflection of risk in commercial real estate.

The subjectivity in the income approach comes from the investor's perception of what NOI will be going forward, and their estimation of the appropriate cap rate for the investment. NOI may be negatively impacted by general economic conditions as tenants may not be able to honor their leases and may be forced to vacate the property. If vacancy increases, the NOI of the property will fall. If the NOI falls even as cap rates remain the same, the value decreases. Thus the income approach valuation is highly influenced by subjective factors which may affect the operating performance of the property during the holding period of the investment. During the run-up to the recent financial crisis, the appraisal industry and market participants in general became highly reliant on market based determinants for the sales and income approaches to value. What preceded the financial crisis was increasing property values in many markets or at worse stable markets. The problem of contemporaneousness loomed large when the financial crisis slowed transaction volume to a crawl.

Commercial Real Estate Valuation and Appraisals

In case he who should act was to judge himself according to the result, he would never get to the point of beginning [29].

To give up one's principles is to give up one self [2].

The appraisal function fulfills a vital role in the commercial real estate industry. After the Savings and Loan problems in the late 1980s, government regulation of the appraisal industry in the United States was increased. This regulation included requiring that the appraiser for a specific property not be related to the ownership or tenancy. In fact regulations dictate that for consideration of an appraisal as an opinion of value for a loan at a commercial bank, the bank must order the appraisal. If a customer orders an appraisal, there is the notion that the appraiser is being directly paid by the customer to provide a "made as instructed" valuation [18]. Such appraisals are performed with the intention of the final value conclusion equaling the current sales price or other price as disclosed by the property owner (or buyer) to the appraiser. This concept relates well to the Kierkegaardian idea of judging the outcome relative to the result as in a made as instructed appraisal, the value conclusion is known before the valuation process begins. Even with the third party requirement for appraisers, often the appraised value does equal the purchase price of the property being evaluated. This generally has to do with the idea that if two motivated and otherwise unrelated market participants have agreed on an adequate sales price, the market has essentially spoken in terms of the current value of the property. While the appraisal itself is a requirement for a commercial loan by government mandate, the appraisers wish to provide a valuation that reflects what a reasonable value of the property would be irrespective of property ownership. Thus the financing mechanism in place does not alter the value of the property. The financing in place would alter the return to the investor for holding the property, but for our purposes we are concerned with the unlevered valuation of the property as provided by the appraiser.

As mentioned previously, the appraisal industry moved away from more academic valuation techniques and attempted to provide an objective valuation of the property based on numerous market based techniques. In hindsight, some appraisers may have given up some of their academically trained principles in order to provide values consistent with the euphoria of the pre-financial crisis market environment. Typical techniques employed will be discussed in the sections that follow.

Commercial Real Estate Valuation and Market Surveys

It is quite impossible for the community or the idea of association to save our age [2].

One may say that he has been productive at the wrong place, his productivity sails before a false wind [30].

One attempt at creating an objective market based benchmark for value is via the market survey approach. This approach can take many forms. One form is via interviews with specific market participants who are deemed to be expert in the particular market where a property resides. Interview questions involve what the expert considers to be market rental rates, vacancy rates, cap rates, and sales prices per square foot. Market surveys are also conducted on a larger basis by research firms that publish their findings in the form of quarterly market reports. These reports are sought after by financial institutions, appraisers, and investors alike. Many of these reports focus on primary metropolitan areas of high population density rather than on smaller markets outside of large cities. When compiling data for the "Crowd is Untruth" paper, it was decided that obtaining a copy of the survey questions posed in a large well-known market survey would aid in understanding whether the respondents were disclosing their feelings about current market conditions based on recent transactions or based on their thoughts about future market movements. Thus the Kierkegaardian concept of contemporaneousness appears again! The official response to the inquiry was less than satisfactory. We were told that we did not have the ability to ask such questions as we were not a paid subscriber to the service. We agreed to become paid subscribers to the service but we were then informed that the research firm considered their survey questions proprietary and would not supply answers to our questions. It was a rather interesting lesson in the market survey method: please utilize our service for data to aid in your valuations, but please do not ask any questions about how our data is compiled! The market survey method would seem to fulfill the desire of comparing the subject property to the market, but falls short of achieving contemporaneousness as defined by Kierkegaard.

Commercial Real Estate Valuation and Information

The better, the more imposing the machine, the more fearful the mess [30].

The information age has made the compilation of data much easier than in years past. An investor could desire to purchase a small retail strip center in Northern New Jersey from their home in North Carolina. In years past, this would have required extensive travel and long hours spent in determining the market demographics. The internet has made this process much easier. There are websites which provide commercial real estate market information, current sales listings, and compilations of national averages in terms of interest rates, loan amortizations, and required equity yield percentages. While the prevalence of this information aids the valuation process, sometimes it can provide misleading results. If national averages are utilized which do not reflect the specific market conditions where a given property is located, an investor may miscalculate their annual debt service requirements or the market vacancy rate when performing due diligence prior to purchasing a property. One method utilized by appraisers to achieve objectivity in the valuation of the capitalization rate is the lender's yield method. The lender's yield methodology allows for the cap rate to be estimated in the following manner:

Debt Coverage Ratio (DCR) x Loan to Value Ratio (LTV) x Mortgage Constant

Financial institutions utilize the debt coverage ratio as a means for assessing risk for commercial real estate loans. The DCR is determined by dividing the net operating income of the property by the annual debt service. The thought is that the DCR should be higher for properties and borrowers deemed more risky than others. The LTV is another means of assessing risk, as the higher the LTV, the less equity that the borrower has in the property. As the amount of equity invested decreases, the borrower has less of their own money at risk thus is less likely to make sacrifices from their own funds if the property experiences financial trouble. The mortgage constant is a ratio whereby $1 is paid equally over a holding period of x years at and interest rate of y%. An example (Table 2) of the lender's yield will help elucidate how the cap rate is calculated:

DCR	1.30	1.40
LTV	75%	75%
Mortgage Constant	0.069268	0.083566
Cap Rate	6.75%	8.75%

Table 2: Lender's Yield Cap Rate Derivation.

The mortgage constant in the first example is for a loan amortized over 30 years at 5.65%. The second mortgage constant is for a loan amortized for 20 years at 5.65%.

What is pertinent to our discussion is that as the inputs of the lender's yield are less conservative (i.e. a longer amortization and a lower DCR), the cap rate value provided is less than if the inputs were more conservative (i.e. a shorter amortization and a higher DCR). One of the lessons learned from the sub-prime mortgage crisis was that very low variable rates can increase to higher rates as the index by which the rate is set increases. The higher the interest rate, the higher the payment, ceteris paribus. Thus a lower interest rate provides a lower payment to the property owner. In the example shown above, moving the DCR from 1.30 to 1.40, and moving the amortization from 30 years to 20 years moves the cap rate from 6.75% to 8.75%. As noted earlier in the paper, a two hundred basis point movement in the cap rate has a deleterious effect on property value.

Another means of deriving cap rates is the band of investments technique. This technique is similar to the lender's yield technique with a slight change. Rather than including the lender's DCR in the analysis, this is replaced by the annual yield that the investor desires to earn on their cash investment.

As you can see in the Table 3 below, band of investments reaches fairly similar conclusions to our first lender's yield example if the 1.30 DCR is replaced with an 8% return on equity.

Y=Annual Rate of Yield of Equity on Cash=8.0%
LTV=Loan to Value Percent Ratio=75% Maximum Available Mortgage Length
MTG=(Years)=30
RATE=Mortgage Interest Rate=5.65%
LC=Annual Loan Constant=0.0692683
Cap=(LTV*LC)+ ((1-LTV)*Y)=0.0719512 Cap= 7.20%

Table 3: Band of Investments Cap Rate Derivation.

If we replicate the second lender's yield calculation and revise our band of investments calculation to a 20 year amortization, our resultant cap rate is 8.27%. A key component to value is the rate of return on equity, which in this example has stayed constant at 8%. Sources for return on equity are market surveys and overall investor risk perceptions.

While techniques such as the lender's yield and band of investments provide objectivity in value, utilizing national averages which are not reflective of local market conditions helped to perpetuate low cap rates. The "credit crunch" was appropriately named as when the risk of uncertain future operating performance for commercial real estate arose in late 2008, banks increased the equity requirements (or conversely lowered their LTV ratio requirements) and increased their debt coverage ratios whereby utilizing national averages of the recent past was no longer reflective of even the least conservative lending institution.

Perception of Value and the Crowd

The first consideration must be that every human being is an individual human being. Once people are allowed to merge in what Aristotle terms the animal category—the crowd, then this abstraction (instead of being less than nothing, less than the least significant individual human being) becomes regarded as something. And then it isn't long before this abstraction becomes God [30].

The quote at the beginning of this section is appropriate as the usage of supposedly objective measures of assessing value in appraisals had become so sacrosanct that they were beyond reproach until the onset of the financial crisis. As was discussed in the prior section, national averages were used as inputs into formulaic methods seen as reasonable methodology for obtaining market based cap rates. The terms that were unknown, such as LTV, amortization, interest rate and DCR for the lender's yield method, or the required return on equity, LTV, amortization, and interest rate for the band of investments were determined via surveying market participants or citing reports from research firms whose methodology was unable to be questioned. If location is so important in determining the value of commercial real estate, then why was the industry utilizing national averages rather than locally determined rates? This was the question that was pondered when revising the band of investments to include an individually based calculation for the required return on equity. The band of investments formula begins with the required return on equity, and this is a very volatile part of the model. Rather than simply pulling a required equity percentage from some third party data source (or out of thin air!), Kierkegaardian logic was utilized to determine that the individual assessment of equity was more important than what the crowd assumes to be correct. Each investor knows what they are willing to pay for a property, how much the bank is willing to lend them, and thus how much equity they are willing to invest. As we discussed earlier when viewing the income approach, each investor should also have an idea what the net operating income might achieve during the first year of ownership. If that NOI is subtracted by the annual debt service, the remaining income is equity to the investor. If the annual equity to the investor is divided by the initial equity that the investor injected into the property purchase, then the required rate of return to the investor can move from crowd based logic, to individually based logic. The revised band of investments would utilize the investor and property specific requirements for the required return on equity, and would utilize more locally based variables for the other unknowns in the equation. While not a perfect solution, it seems better than simply using national averages and market surveys to set each component of the cap rate derivation model.

Perception of Value and the Individual

When everything has ground to a halt, when thought ceases and speech is silenced, when explanation retreats into despair—then a thunderstorm is necessary [1].

The final recommendation in the "*Crowd is Untruth*" paper had a strong Kierkegaardian ring to it. While the revised band of investments model is the closest to the ideal of contemporaneousness of the valuation models heretofore described, none of the models allows for the projection of what would happen to the cap rate if the property value or income level declined over the holding period of the investment. The Ellwood equation, as created by L.W. "Pete" Ellwood in the 1950's, does just that. Unfortunately, this technique had been supplanted in commercial real estate valuation by the discounted cash flow model, which is a multiple period model of the income approach that was discussed earlier in this paper. While the discounted cash flow is certainly a superior approach than the Ellwood equation for property valuation, the Ellwood model would seem appropriate in markets projected to decline over the holding period. The mathematics of the Ellwood equation are beyond the scope of this paper, but suffice it to say that the Ellwood equation further revises the Band of Investments technique to include a sinking fund factor which allows for the projected decline in property or income value over the holding period. As the property or income declines, the resultant cap rate increases. This was the desired effect: utilize a mathematical formula to project out the rise in cap rates predicted when uncertainty in the economy increases.

The thunderstorm referenced by Kierkegaard was essentially Ellwood: an equation long since buried by the appraisal industry. Resurrecting Ellwood was not an easy assignment. Much of the academic literature concerning Ellwood related to its flaws rather than its use in exactly the financial market circumstances we found ourselves in at the onset of the financial crisis. Bringing back an equation which was not used or even taught in the majority of appraisal education courses felt like the creation of a new line of academic study: archaeological finance. This new branch of study has the benefit of teaching contemporaries that markets do not simply go forward. Sometimes there are theories, ideas, and formulas from the past that can return to prominence if only for a brief instant. The parallels with Kierkegaard abound here, from his work on contemporaneousness, to his thoughts on how the Christianity of the Bible and what is preached in many churches diverged once the Christian belief became the predominant viewpoint in a given area. The writings of the Old Testament were a particular favorite of Kierkegaard, and he discussed at length how the sermons were changed in content in order to appeal to more followers. This has parallel in the way that Ellwood was buried as it was too complex for practical use. Since it was too complex, let's do away with it altogether in favor of techniques that we can better understand and can provide the illusion of certainty in our valuation considerations. It may be better to heed the words of Kierkegaard that "*the decisive moment only comes when man is brought to the utmost extremity*". On this basis, utilizing a more complex valuation methodology may be superior to reliance on simpler techniques.

Conclusion

To find a conclusion, it is necessary first of all to observe that it is lacking, and then in turn to feel quite vividly the lack of it [27].

In the months that followed the publication of the RMA article on cap rates, the suggestion regarding resuscitating the Ellwood model has so far fallen on deaf ears. If this valuation technique is to resurface, it will need to be on an individual basis. The more that appraisers are requested to provide the older valuation model, the more likely they are to reintroduce the fossil into appraisal continuing education courses. This paper has attempted to link the Kierkegaardian concept of contemporaneousness with the subjectivity in the perception of value. Market psychology was first introduced as the reference point for an individual's perception of value being linked with what they desired the value to be so that an equilibrium point can be reached thus providing satisfaction for the individual in their final value conclusion. Various methods of the assessment of value in a commercial real estate context were then introduced realizing in the words of Kierkegaard that "*any apprehension of the past, that wishes to understand the past thoroughly by constructing it, has thoroughly misunderstood it*". When the past is no longer a strong indicator in the future valuation of commercial property, there must be the effort of providing a contemporary and future oriented rationale to the valuation process. This paper takes the first step in establishing a theory of business valuation which utilizes the philosophical insight of Søren Kierkegaard to help investors separate out their perception of value from the rest of the crowd. If the philosophical motivations behind the idea of the "Crowd is Untruth" RMA Journal article prove to be accidental (or to paraphrase from Repetition: *if the accidental does not prove to be the ideal*), at least the efforts here have helped to shed some light on the practical uses of philosophy for business practitioners. It is my hope that this paper serves as the beginning for future work which links the thoughts of Kierkegaard to specific business and management problems.

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