

A GUIDE TO APPRAISING

# RELIGIOUS PROPERTIES

by Bradley R. Carter, MAI



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Trinity Church Wall Street in New York City's financial district is where George Washington prayed after his presidential inauguration in 1789. It is also home to the gravesite of Alexander Hamilton as well as other historic memorials and monuments.

Photo appears courtesy of Trinity Church Wall Street, <https://trinitywallstreet.org/press-room>.



The Temple, a Reform synagogue in Atlanta, Georgia, was completed in 1931. It houses a congregation that was established in 1867 (originally known as the Hebrew Benevolent Congregation) to serve the needs of German-Jewish immigrants. The building was featured in the Academy Award-winning film on race relations, *Driving Miss Daisy*. The Temple was designed by Philip Trammell Shutze in a Neoclassical style.

Source: The Temple.org, [www.the-temple.org/driving-miss-daisy#:~:text=Filmed%20in%20and%20around%20Atlanta,a%20sermon%20to%20the%20congregation](http://www.the-temple.org/driving-miss-daisy#:~:text=Filmed%20in%20and%20around%20Atlanta,a%20sermon%20to%20the%20congregation).

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## WHY DO RELIGIOUS PROPERTIES GET APPRAISED?

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Even though faith-based groups would not typically describe themselves as being in the real estate business, real estate is still a big part of how they operate. In fact, approximately 50% of most church<sup>6</sup> finances go to real estate.<sup>7</sup> Reasons why religious properties need to be appraised include:

- Buying decisions
- Selling decisions
- Financing transactions
- Refinancing
- Loan monitoring
- Foreclosure

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6. We just discussed how "church" and "religious property" are not synonyms. And yet, most of the published information on religious properties relates to churches. There is often little to no information available on topics as they relate to religious properties as a whole (including but not limited to churches). To the extent possible, we will keep our discussion of religious properties broad and not restricted to only churches. When necessary, however, some of the information cited will be exclusive to the church component of the religious property market.

7. Nick Bonner, "Reimagining the Future of Church Real Estate," Faith Driven Investor, [www.faithdriveninvestor.org/blog/reimagining-the-future-of-church-real-estate](http://www.faithdriveninvestor.org/blog/reimagining-the-future-of-church-real-estate).

- Insurance purposes<sup>8</sup>
- Consultation for decision making

Religious properties are often renovated or expanded, which may also trigger the need for an appraisal (such as for financing or to evaluate if the cost is justified).

Many properties are appraised for ad valorem tax purposes. However, religious properties are typically exempt from property taxes, so disputing an assessment would not be a common reason for a religious property appraisal.

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## WHY ARE RELIGIOUS PROPERTIES BOUGHT AND SOLD?

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The first step in estimating what someone would pay for something is to figure out who would buy it and why.

Religious properties are typically purchased by religious organizations, congregations, or institutions. The ownership structure and type of governance can vary depending on the specific religious denomination. As with most other property types, particularly those that do not generate income, the reasons why religious properties are bought and sold vary. However, the underlying demand typically stems either from growth, shifts in population, or changes in user requirements.<sup>9</sup> More specifically, the three most common reasons I have found for a religious property to change ownership are:

- **Moving up.** The buyer is seeking a larger property to accommodate a growing congregation. This scenario is most common in the expansion stage of the real estate cycle and in areas with rapid population growth. When transactions originate due to buyer demand, sales activity is often brisk and appreciation in value is common.
- **Moving out.** Sales can also stem from sellers finding occupancy costs to be unsustainable. Not surprisingly, this scenario is most common in the contraction stage of the real estate cycle. Buyers are not motivated by healthy levels of demand but are instead drawn to the market by attractive pricing. Accordingly, when the catalyst for transaction activity is the financial weakness of the seller, sales volume is often light and declines in value should not be surprising. Characteristics of such markets also often include a limited number of buyers who can qualify for financing (further restraining sale activity) and a particularly sharp decline in demand for the largest properties (which are typically only purchased by already somewhat large congregations seeking to expand).

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8. Pamela Pierrepont Bardo, ASA, AAA, notes that "drug users often vandalize church properties because they can have the silver melted down for cash." She also notes that "the trustees of sacred properties, both the real estate and its contents, need to engage qualified appraisers to ensure sufficient insurance coverage and protect against losses and catastrophes." Bardo was interviewed via phone by David Ogle in August 2023.

9. Bradley R. Carter, "Worship During Prolonged Periods of High Unemployment," *Real Estate Issues* 38, no. 3 (2013): 64.

- **Being asked to leave.** Yes, religious properties are sometimes subject to foreclosure. It was not that long ago that foreclosing on a religious property was almost unheard of, but many lenders overcame their aversion to this practice during the Great Recession.

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## TRENDS IN RELIGIOUS OBSERVANCE

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The truth is that we as a society are just not as religious as we used to be—at least not by the measure of attendance at religious services. The percentage of people ages 39 through 57 who attend a worship service during the week, either in person or online, fell from 41% in 2020 down to 28% in 2023.<sup>10</sup> Religious property expert Eric Knowles cites changes in our culture and current societal standards as big factors. “Views of churches have changed quite a bit, and the large religious denominations have been shrinking in numbers.”<sup>11</sup>

Rev. Clark states that the trend away from religion has had a direct impact on the operators of religious properties and explains that “many ministries are in crisis mode right now.” When asked about the causes, Clark elaborates that there are “certain pressure points on faith-based groups,” including aging congregations, increasing costs to maintain a religious facility, and the effect that online religious services have had on in-person attendance.

According to one broker who has spent his career focusing on religious properties, “Attendance is definitely declining, which has caused a lot of mergers between congregations, and in some cases closures. There are a lot of factors at play causing the decline in attendance,” he added, “including that the beliefs of many about God and religion have changed compared to 20 years ago.”

Younger members of the population shifting away from religion has been a major cause in the overall decline in participation in faith-based services.<sup>12</sup> Many contend that this has been a gradual shift advancing with each generation. An article on this topic in the British newspaper *The Guardian* notes that “While [American] grandparents might have been



### QUIZ QUESTION

3. What percentage of Americans report that they attend a religious service every week?

- A) 50%   B) 36%   C) 22%   D) 14%

Answer appears at the end of the chapter on p. 15.

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10. Clare Ansberry, “Why Middle-Aged Americans Aren’t Going Back to Church,” *The Wall Street Journal* (August 1, 2023). The source cited in this article is a survey conducted by the Cultural Research Center at Arizona Christian University.

11. Eric Knowles is a senior vice president with Kidder Mathews and leads the firm’s religious and educational facilities group. Prior to joining Kidder Mathews, Knowles was practice leader of North America’s religious facilities group at Cushman and Wakefield, started the religious facility group for CBRE, and was the founder and CEO of Church Brokers (of Diversified Realty Advisors, Inc.), a real estate brokerage and investment firm that specialized in real estate for religious facilities. Knowles was interviewed via phone by David Ogle in June 2023.

12. IBISWorld Industry Report 81311, p. 7.